

# **FINANCES OF THE STATE GOVERNMENT**

## Profile of Mizoram

The State of Mizoram is located in the north-east of India. It is the 25<sup>th</sup> largest State in terms of geographical area (21,081 sq.km.) and the 2<sup>nd</sup> least populous State in the country. As indicated in **Appendix-1.1**, the State's population increased from 8,88,573 in 2001 to 10,97,206 in 2011 recording a decadal growth of 23.48 *per cent*. The percentage of population below the poverty line was lower (20.40 *per cent*) than the all-India average (21.92 *per cent*)<sup>1</sup>. The State's Gross State Domestic Product (GSDP) in 2013-14 at current prices was ₹ 10,296.98 crore. The State's literacy rate increased from 88.80 *per cent* (as per 2001 census) to 91.33 *per cent* (as per 2011 census). The per capita income of the State (*Source: Directorate of Economics & Statistics, Mizoram*) stands at ₹ 76,120.00 during 2013-14. General data relating to the State is given in **Appendix-1.1**.

**Gross State Domestic Product (GSDP)**

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth of India's GDP and the State's GSDP at current prices are indicated below:

**Table-1.1: Trends in the annual growth of India's GDP and State's GSDP at current prices**

Year	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP (₹ in crore)	61,08,903.00	72,66,967.00	83,53,495.00	94,61,013.00	1,04,72,807
Growth rate of GDP (percentage)	15.18	18.96	14.95	13.26	10.69
State's GSDP (₹ in crore)	5,619.41	6,057.70	6,991.40	8,053.09	10,296.98
Growth rate of GSDP (percentage)	20.91	7.80	15.41	15.19	27.86

*Annual growth rate of GDP and GSDP at current prices*

*Source : Directorate of Economics and Statistics, Government of Mizoram and [http://planningcommission.nic.in/data/datatable/0814/table\\_14.pdf](http://planningcommission.nic.in/data/datatable/0814/table_14.pdf)*

Gross State Domestic Product (GSDP) at current prices during the year 2013-14 was ₹ 10,296.98 crore (Projected Figure) (**Appendix-1.1 Part-D**). GSDP of the State registered a higher growth of 27.86 *per cent* in 2013-14 as against a growth of 15.19 *per cent* in 2012-13.

The State Government presented its Budget for 2013-14 with the expectation of a high growth over the medium term and sustaining the double digit growth achieved during 2012-13.

<sup>1</sup> Press Note on Poverty Estimates, 2011-12, Planning Commission (July 2013)

Following the recommendations of the Thirteenth Finance Commission (XIII FC), the State Government in their Budget 2013-14, is committed to work within the optimum mix of economic growth and fiscal consolidation for long term fiscal stability.

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix-1.1 Part-A**). The annual accounts of the State Government consist of Finance Accounts and Appropriation Accounts. The Finance Accounts of the Government of Mizoram are laid out in nineteen statements, the layouts of which are depicted in **Appendix-1.1 Part-B**. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are shown in **Appendix-1.1 Part-C**.

This chapter provides a broad perspective of the finances of the State Government of Mizoram during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years.

## 1.1 Introduction

### 1.1.1 Summary of Fiscal Transactions in 2013-14

**Table 1.2** presents a summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year (2012-13), while **Appendix 1.2** provides details of receipts and disbursements as well as the overall fiscal position during the current year.

**Table-1.2: Summary of fiscal transactions in 2013-14**

(₹ in crore)

Receipts	2012-13	2013-14	Disbursements	2012-13	2013-14		
					Non-Plan	Plan	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Section-A: Revenue</b>							
<b>Revenue Receipts</b>	<b>4,536.74</b>	<b>4,764.85</b>	<b>Revenue Expenditure</b>	<b>4,508.91</b>	<b>3,120.14</b>	<b>1,796.84</b>	<b>4,916.98</b>
Tax Revenue	223.15	229.78	General Services	1,420.56	1,595.54	91.08	1,686.62
Non-Tax Revenue	212.80	194.26	Social Services	1,652.21	829.93	993.71	1,823.64
Share of Union Taxes/ Duties	785.95	858.08	Economic Services	1,436.14	694.67	712.05	1,406.72
Grants from Government of India	3,314.84	3,482.73	Grants-in-Aid and Contributions	---	---	---	---

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Section-B: Capital</b>							
Misc. Capital Receipts	---	---	Capital Outlay	607.55	114.36	485.04	599.40
Recoveries of Loans and Advances	29.48	33.11	Loans and Advances disbursed	30.25	---	---	30.71
Public Debt Receipts	420.28	955.24	Repayment of Public Debt	286.05	---	---	956.66
Contingency Fund	---	---	Contingency Fund	---	---	---	---
Public Account Receipts	3,055.71	3,435.47	Public Account Disbursement	2,677.00	---	---	2679.93
Opening Cash Balance	(-) 194.97	(-) 262.52	Closing Cash Balance	(-) 262.52	---	---	(-) 257.53
<b>Total</b>	<b>7,847.24</b>	<b>8,926.15</b>	<b>Total</b>	<b>7,847.24</b>	<b>---</b>	<b>---</b>	<b>8,926.15</b>

Source: Finance Accounts for the years 2012-13 and 2013-14

The following are the significant changes during 2013-14 over the previous year:

- **Revenue receipts** increased by ₹ 228.11 crore (5.03 per cent) over the previous year mainly due to increase in Grants-in-Aid (₹ 167.89 crore). The revenue receipt (₹ 4,764.85 crore) was lower by ₹ 274.57 crore (5.45 per cent) than the assessment of the State Government in its Fiscal Correction Path (FCP) (₹ 5,039.42 crore).
- **Revenue expenditure** increased by ₹ 408.07 crore (9.05 per cent) while **capital expenditure** decreased by ₹ 8.15 crore (1.34 per cent) over the previous year. Revenue expenditure was higher by ₹ 259.37 crore (5.57 per cent) over the assessment made by the State Government in its FCP (₹ 4,657.61 crore) while, capital expenditure was higher by ₹ 281.19 crore (32.67 per cent) over the projection made by the State Government in its FCP (₹ 451.80 crore).
- **Disbursement of loans and advances** increased by ₹ 0.46 crore (1.52 per cent) and recoveries of the same also increased by ₹ 3.63 crore (12.31 per cent) over the previous year.
- **Public Debt receipts** increased by ₹ 534.96 crore (127.29 per cent) and **repayments** also increased by ₹ 670.61 crore (234.44 per cent) over the previous year.
- **Public Account receipts** increased by ₹ 379.76 crore (12.43 per cent) and **disbursements** also increased by ₹ 2.93 crore (0.11 per cent) over the previous year.
- **Cash balance** of the State decreased by ₹ 4.99 crore (1.90 per cent) over the previous year, however, the investments from cash balances decreased by ₹ 26.18 crore from ₹ 291.51 crore in 2012-13 to ₹ 265.33 crore in 2013-14.

### 1.1.2 Review of the fiscal situation

As per the Mizoram Fiscal Responsibility and Budget Management (MZFRBM) Act, 2006, the State Government prepares a Medium Term Fiscal Policy Statement (MTFPS) showing the rolling fiscal targets, each year for placement in the State Assembly.

In line with the recommendation of the XIII FC, Mizoram Fiscal Responsibility and Budget Management (MZFRBM) Act, 2006 has been amended from time to time as given below:

- (1) As per the Second Amendment Act, 2010 dated 19 October 2010, sub-section (2) of Section 6 of the Principal Act envisages to reduce fiscal deficit to 3 *per cent* of the estimated Gross State Domestic Product by 2014-15. Further sub-section (4) of Section 6 of the principal Act also envisages to reduce fiscal deficit annually at a percentage of Gross State Domestic Product so as to reach the above goal with the following rates of annual reduction – 8.50 *per cent* in base year 2010-11, 6.40 *per cent* in 2011-12, 5.20 *per cent* in 2012-13, 4.10 *per cent* in 2013-14 and 3 *per cent* in 2014-15.
- (2) As per the Third Amendment Act, 2011 (Act No. 4 of 2011) dated 29 March 2011 sub-section (5) of Section 6 of the Principal Act envisages to reduce total outstanding debt at a percentage of Gross State Domestic Product so as to reach the annual target of 87.30 *per cent* in 2010-11, 85.70 *per cent* in 2011-12, 82.90 *per cent* in 2012-13, 79.20 *per cent* in 2013-14 and 74.80 *per cent* in 2014-15.

The performance of the State during 2013-14 in terms of fiscal targets fixed for selected variables laid down in the FRBM Act, MTFPS and the Fiscal Correction Path (FCP) *vis-à-vis* achievement is given in the table below:

**Table-1.3: Trends in major fiscal parameters/variables *vis-à-vis* projections for 2013-14**

(₹ in crore)

Fiscal variables	2013-14				
	XIII FC targets for the State	Target as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in MTFP	Actual
Revenue Deficit/ Surplus	Maintain revenue surplus throughout 13 <sup>th</sup> Finance Commission award period	Maintain revenue surplus throughout 13 <sup>th</sup> Finance Commission award period	(+) 381.81	(+) 381.81	(-) 152.13
Fiscal Deficit/ GSDP ( <i>per cent</i> )	3 <i>per cent</i> of GSDP by 2014-15	4.10 <i>per cent</i> of GSDP in 2013-14	0.80	0.80	7.28 <i>per cent</i> of GSDP
State's Outstanding Liabilities	Reduce total outstanding debt at a percentage of Gross Domestic Products so as to reach the annual target of 68 <i>per cent</i> by 2014-15	Reduce total outstanding debt at a percentage of Gross Domestic Products so as to reach the annual target of 79.20 <i>per cent</i> in 2013-14	4,582.85	4,582.85	5,608.47 (54.47 <i>per cent</i> of GSDP)

The State failed to maintain revenue surplus as per the target set in the FRBM Act. Against the target of ₹ 381.81 crore revenue surplus set in FCP and MTFPS, there was a revenue deficit of ₹ 152.13 crore in the current year. The State Government should therefore, endeavour to get back to revenue surplus as envisaged in the XIII FC.

The fiscal deficit during the current year could not be kept within the limit set in the Thirteenth Finance Commission for Mizoram. The fiscal deficit in 2013-14 was ₹ 749.13 crore which was ₹ 675.49 crore higher than the assessment made in the FCP and MTFPS (₹ 73.64 crore) and the fiscal deficit increased by ₹ 168.64 crore during 2013-14 in comparison to 2012-13. The increase in fiscal deficit in the current year was mainly due to increase in revenue expenditure by ₹ 408.07 crore and decrease in the State's own revenue by ₹ 11.91 crore over the previous year. Since the State's own revenue has decreased during the current year, the Government should make efforts of increasing the revenue receipt without relying on the devolution of funds from the Central Government and also by reducing non-plan revenue expenditure so as to confine the fiscal deficit to the target set for the State.

While the State's outstanding liabilities (₹ 5,608.47 crore) in 2013-14 were within the prescribed limit of 79.20 *per cent* of GSDP as per MZFRBM Act, these were more than the assessment of ₹ 4,582.85 crore made in FCP by ₹ 1,025.62 crore (22.38 *per cent*). The State's outstanding liabilities increased by ₹ 494.27 crore (9.66 *per cent*) in the current year over 2012-13. The State Government should pursue a sustainable debt management policy to restrict the State's outstanding liabilities within the annual prescribed limit.

## 1.2 Budget Analysis

### 1.2.1 Budget Estimates and Actual

The budget papers presented by State Government provide descriptions of projections or estimates of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the budget estimate are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government.

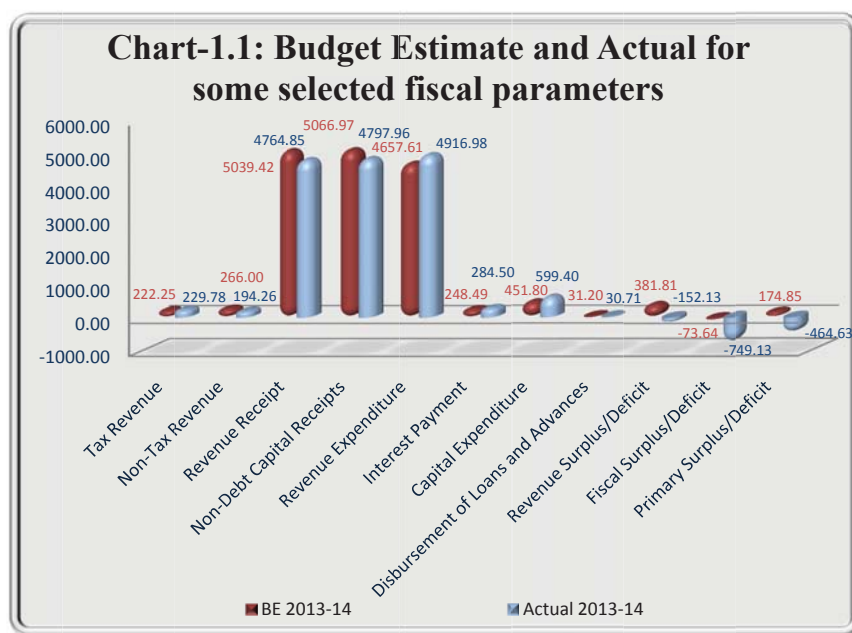
**Table-1.4 and Chart-1.1** present the consolidated picture of budget estimate *vis-à-vis* actual of the State Finances during 2013-14.

**Table-1.4: Variation in major items – 2013-14 Actual over 2013-14 Budget Estimate & Revised Estimate**

(₹ in crore)

Parameters	2013-14			Percentage of excess (+)/ shortfall (-) w.r.t. Revised Estimate
	Budget Estimate	Revised Estimate	Actual	
Tax Revenue	222.25	234.82	229.78	(-) 2.15
Non-Tax Revenue	266.00	251.78	194.26	(-) 22.85
Revenue Receipts	5039.42	5528.96	4764.85	(-) 13.82
Non-Debt Capital Receipts	5066.97	5556.50	4797.96	(-) 13.65
Revenue Expenditure	4657.61	6145.02	4916.98	(-) 19.98
Interest Payment	248.49	282.47	284.50	(+) 0.72
Capital Expenditure	451.80	967.95	599.40	(-) 38.08
Disbursement of Loans and Advances	31.20	55.95	30.71	(-) 45.11
Revenue Deficit/Surplus	(+) 381.81	(+) 616.06	(-) 152.13	(-) 124.69
Fiscal Deficit/Surplus	(-) 73.64	(-) 1612.42	(-) 749.13	(-) 53.54
Primary Deficit/Surplus	(+) 174.85	(-) 1329.95	(-) 464.63	(-) 65.06

The Chart below presents the budget estimate and actual for some important fiscal parameters during 2013-14.



**Chart-1.1** depicts that revenue receipts were lower by ₹ 274.57 crore over the estimated amount of ₹ 5,039.42 crore. Revenue expenditure was higher by ₹ 259.37 crore over the estimated amount of ₹ 4,657.61 crore. Against the estimate of revenue surplus of ₹ 381.81 crore, there was revenue deficit of ₹ 152.13 crore during 2013-14. The fiscal deficit during the current

year was higher by ₹ 675.49 crore over the estimated fiscal deficit of ₹ 73.64 crore while there was primary deficit of ₹ 464.63 crore during 2013-14 against the estimated primary surplus of ₹ 174.85 crore respectively. The key parameters of deficit indications viz. Revenue Deficit, Fiscal Deficit and Primary Deficit were way off the budget projections.

### **1.2.2 Reforms/Measures in Tax Administration**

The Thirteenth Finance Commission introduced new roadmaps for fiscal consolidation of the State by projecting the growth rate of the State's GSDP at 9.70 *per cent* during 2010-11, 10.05 *per cent* in 2011-12, 10.35 *per cent* in 2012-13 and 10.34 *per cent* during the current year. In order to augment the State's own revenues, the State Government introduced various new tax policies as discussed below:

#### **Tax Measures**

- (a) **Mizoram Development Tax:** The Law Department & Taxation Department has undertaken initiatives to introduce Mizoram Development Tax on the lines of Income Tax currently levied by the Central Government.
- (b) **Entry Tax:** The State Government has also proposed to levy Entry Tax to the Aizawl Municipal Area.
- (c) **Mizoram Entertainment Tax:** Amendment of the Mizoram Entertainment Tax was being proposed for augmentation of the tax base.
- (d) **Presumptive Tax:** Presumptive Tax was proposed to be collected from contractors across the state on slab basis.

#### **Non-Tax Measures**

- (a) **Cess:** Initiative was undertaken to collect Cess on Road Tax, Property Tax, Water Supply, State Lottery and Petroleum Products.

### **1.2.3 Reduction in Revenue Expenditure**

In order to contain and reduce non-productive expenditure, the State Government has introduced Special Voluntary Retirement Scheme for Teachers for reduction of expenditure on Salary and its related items. Also, restriction on tour outside the State is being imposed with an exception of prior permission of Chief Secretary.

## **1.3 Resources of the State**

### **1.3.1 Resources of the State as per Annual Finance Accounts**

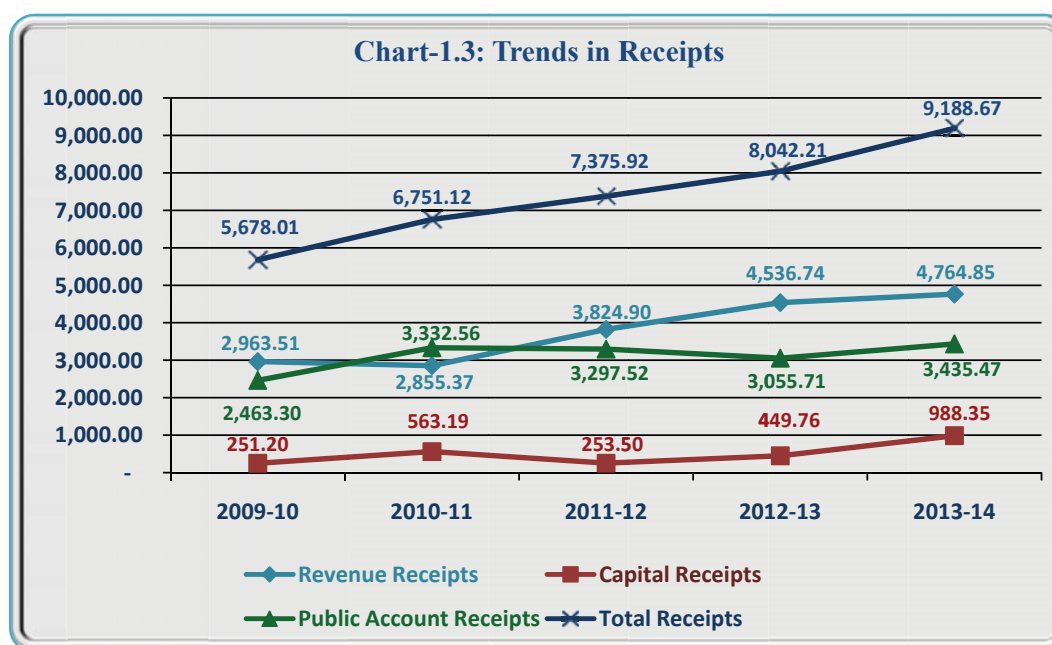
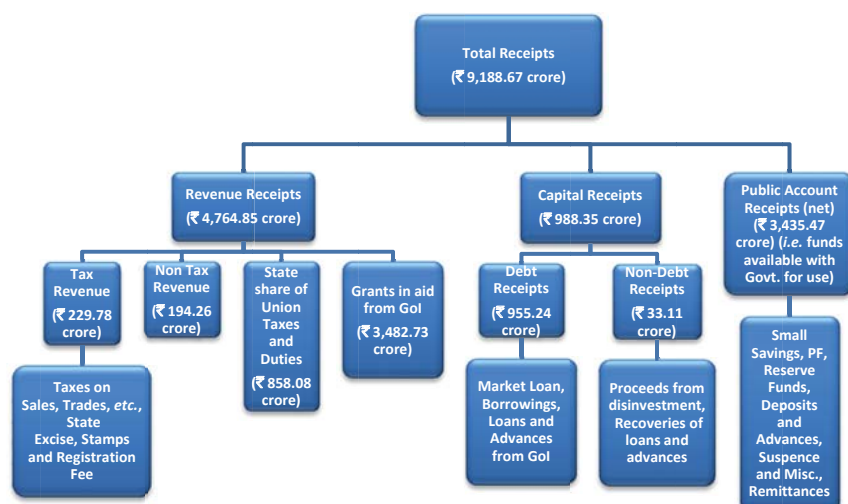
Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts

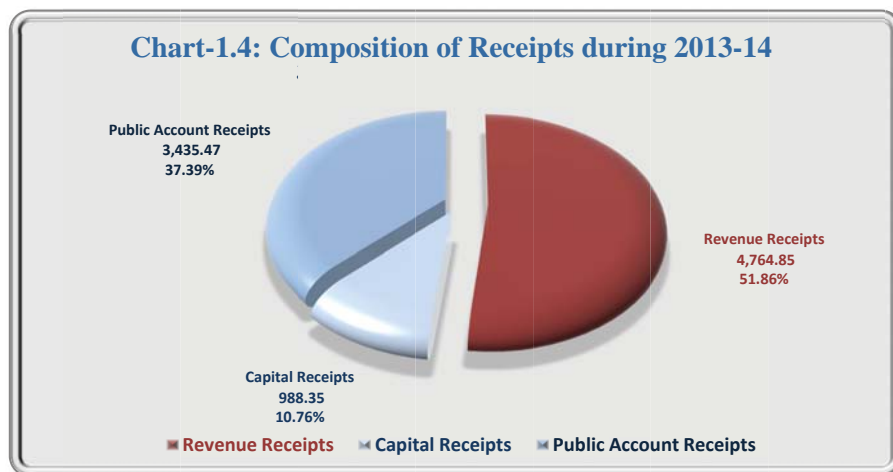


## Chapter-I: Finances of the State Government

comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GoI. Besides, the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its deficit. **Chart-1.2** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart-1.3** depicts the trends in various components of the receipts of the State during 2009-14. **Chart-1.4** depicts the composition of resources of the State during the current year. The components and sub-components of the resources are shown in the flowchart given below:

**Chart-1.2: Components and sub-components of resources**





**Table-1.5: Trends in growth and composition of total receipts**

(₹ in crore)

Sources of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts	2,963.51	2,855.37	3,824.90	4,536.74	4,764.85
Capital Receipts	251.20	563.19	253.50	449.76	988.35
Contingency Fund Receipts	0.00	0.00	0.00	0.00	0.00
Public Account Receipts	2,463.30	3,332.56	3,297.52	3,055.71	3,435.47
<b>Total Receipts</b>	<b>5,678.01</b>	<b>6,751.12</b>	<b>7,375.92</b>	<b>8,042.21</b>	<b>9,188.67</b>

The total receipts of the State Government for 2013-14 were ₹ 9,188.67 crore of which ₹ 4,764.85 crore (51.86 per cent) came from revenue receipts and balance ₹ 4,423.82 crore (48.14 per cent) from Public Account and Capital Receipts.

The share of revenue receipt of the State to total receipts in 2013-14 was 51.86 per cent and depicted inter year fluctuations during the period 2009-14 ranging from 42.29 per cent to 56.41 per cent. On the other hand, the Capital Receipts together with Public Account receipts ranged from 43.59 per cent to 57.71 per cent of total receipts during 2009-14. Revenue receipts decreased from ₹ 2,963.51 crore in 2009-10 to ₹ 2,855.37 crore in 2010-11 followed by a steady increase in revenue receipts to ₹ 4,764.85 crore during the current year. The Capital receipts which create future repayment obligation with inter-year fluctuation increased from ₹ 251.20 crore (four per cent of total receipts) in 2009-10 to ₹ 988.35 crore (eleven per cent of total receipts) during 2013-14. The percentage share of Public Account receipts showed inter-year variation ranging from 37.39 per cent to 49.36 per cent of total receipts during 2009-14 and stood at 37.39 per cent in the current year.

### 1.3.2 Funds Transferred to State Implementing Agencies outside the State Budgets

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies for the implementation of various schemes/programmes in the

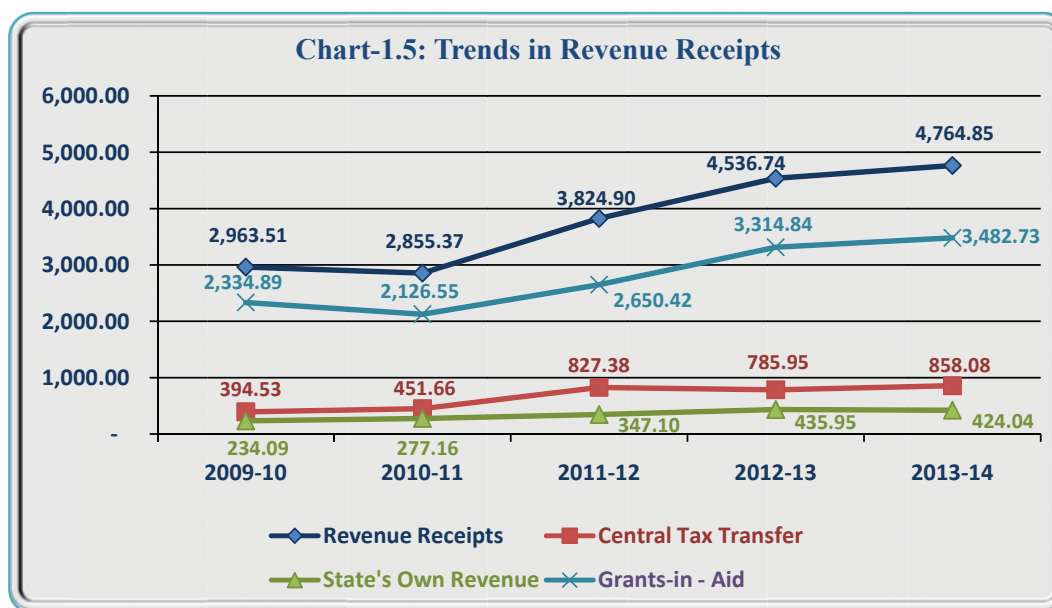
social and economic sectors which are recognized as critical. As per the present mechanism, these funds are not routed through the State Budget/State Treasury System and hence do not find mention in the Finance Account of the State. As such, the annual Finance Account of the State does not provide a complete picture of the resources under the control of the State Government.

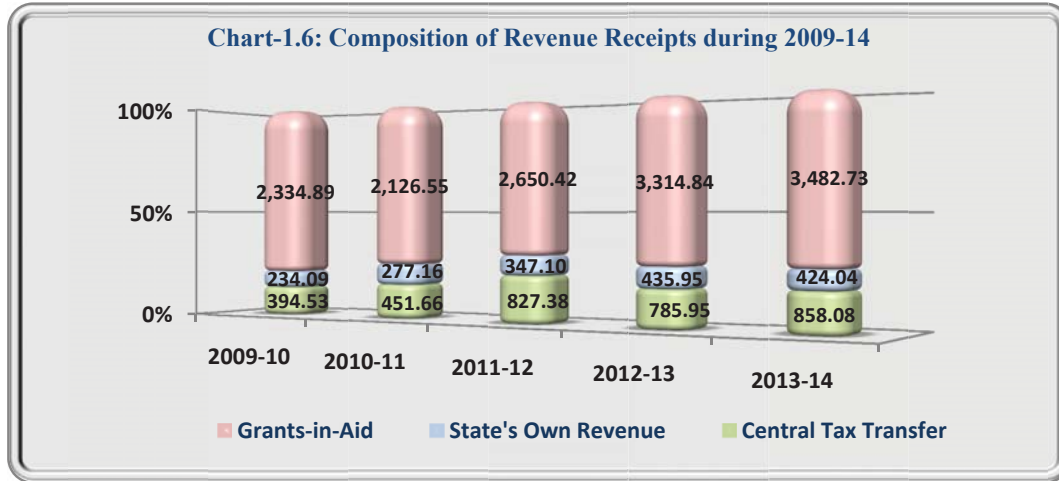
To present a holistic picture on the availability of aggregate resources, an attempt was made in audit to obtain the scheme-wise funds directly transferred to the State Implementing Agencies which aggregated to ₹ 1,985.88 crore (**Appendix-1.5**) for implementation of various Schemes. Of the directly transferred funds to various State Implementing Agencies during 2013-14, the following Schemes were given more than ₹ 50 crore during the year, viz., ₹ 520.00 crore (Special Plan Assistance), ₹ 300.00 crore (Special Central Assistance), ₹ 244.74 crore (National Rural Employment Guarantee Scheme), ₹ 106.58 crore (Sarva Shiksha Abhiyan), ₹ 70.04 crore (Integrated Watershed Management Programme), ₹ 55.34 crore (North Eastern Areas), ₹ 54.47 crore (Special Central Assistance Border Areas) and ₹ 51.05 crore (National Rural Health Mission).

## 1.4 Revenue Receipts

Statement 11 of the Finance Accounts depicts the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from the GoI.

The trends and composition of revenue receipts over the period 2009-14 are presented in **Appendix-1.4** and also depicted in **Chart-1.5** and **1.6** respectively.





During 2013-14, revenue receipts of the State increased by ₹ 228.11 crore (5.03 per cent) over the previous year. The revenue receipts of the State showed progressive growth from ₹ 2,963.51 crore in 2009-10 to ₹ 4,764.85 crore in 2013-14, except during 2010-11 when there was a drop in revenue receipts compared to previous year. About 91.10 per cent (₹ 4,340.81 crore) of revenue receipt have been contributed by central tax transfers and grants-in-aid together while only 8.90 per cent (₹ 424.04 crore) accrued from State's own resources during the year.

**Tax Revenue:-** Tax revenue constituted 4.82 per cent of the total revenue receipts and increased slightly by ₹ 6.63 crore during 2013-14 recording a growth rate of 2.97 per cent over the previous year. The percentage of tax revenue to total revenue receipts ranged between 3.63 to 4.92 per cent during 2009-14. The increase in tax revenue during 2013-14 over previous year was mainly due to increase in taxes on Sales, Trade, etc. by ₹ 7.47 crore (increase of 4.25 per cent over previous year) and taxes on Land Revenue by ₹ 1.50 crore (increase of 49.34 per cent over previous year) which was offset by a decrease in receipts under the Indian Motor Vehicles Act by ₹ 3.41 crore (decrease of 14.94 per cent over previous year).

**Non-Tax Revenue:-** Non-tax revenue constituted 4.08 per cent of total revenue receipts and decreased by ₹ 18.54 crore during 2013-14 recording a negative growth rate of 8.71 per cent over the previous year. The decrease in non-tax revenue during 2013-14 over previous year was mainly due to less receipts under Roads & Bridges (₹ 29.64 crore) and Power (₹ 2.21 crore), which was offset by a increase mainly due to more receipts in state lotteries (₹ 5.65 crore), more receipts from urban water supply schemes, fees, fines, etc. and other receipts (₹ 5.04 crore) and more interest receipts (₹ 1.07 crore).

**Central Tax Transfer:-** Central tax transfer increased by ₹ 72.13 crore from ₹ 785.95 crore in 2012-13 to ₹ 858.08 crore in 2013-14 and constituted 18.01 per cent of revenue receipts during the year. The increase was mainly due to increase in Service Tax by ₹ 25.00 crore (21.80 per cent), Taxes on Income other than Corporation Tax by ₹ 20.36 crore (12 per cent),

Union Excise Duties by ₹ 10.13 crore (11.41 *per cent*), Customs by ₹ 9.41 crore (7.20 *per cent*) and Corporation Tax by ₹ 6.26 crore (2.22 *per cent*).

**Grants-in-Aid:-** Grants-in-aid from the GoI increased by ₹ 167.89 crore (5.06 *per cent*) from ₹ 3,314.84 crore in 2012-13 to ₹ 3,482.73 crore in 2013-14 mainly due to increase in Non-Plan Grants by ₹ 84.44 crore (7.99 *per cent*), Grants for Central and Centrally Sponsored Plan Schemes by ₹ 72.02 crore (23.32 *per cent*) and Grants for State/Union Territory Plan Schemes by ₹ 39.19 crore (2.10 *per cent*) which was offset by a decrease in Grants for Special Plan Schemes by ₹ 27.76 crore (33.37 *per cent*).

The trends in revenue receipts relative to Gross State Domestic Product (GSDP) are presented in **Table-1.6:**

**Table-1.6: Trends in revenue receipts relative to GSDP**

	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Revenue Receipts (RR)</b> (₹ in crore)	<b>2,963.51</b>	<b>2,855.37</b>	<b>3,824.90</b>	<b>4,536.74</b>	<b>4,764.85</b>
Rate of growth of RR ( <i>per cent</i> )	11.70	(-) 3.65	33.95	18.61	5.03
RR/GSDP ( <i>per cent</i> )	52.74	47.14	54.71	56.34	46.27
<b>Buoyancy Ratios<sup>2</sup></b>					
Revenue Buoyancy <i>w.r.t.</i> GSDP	0.56	(-) 0.47	2.20	1.23	0.18
State's Own Tax Buoyancy <i>w.r.t.</i> GSDP	0.66	2.72	2.42	1.62	0.11
Revenue Buoyancy with reference to State's own taxes	0.85	(-) 0.17	0.91	0.76	1.69

The revenue receipts exhibited a negative buoyancy *vis-à-vis* GSDP due to significantly lower growth rate of revenue receipts in comparison to the high growth rate of GSDP during the current year. The buoyancy of State's own taxes with reference to GSDP had declined from 2.72 during 2010-11 to 0.11 during 2013-14. Also, the Revenue Buoyancy *vis-à-vis* State's own taxes increased from 0.76 in 2012-13 to 1.69 in 2013-14 indicating that the increase in Revenue Receipts mostly resulted from increase in revenue other than State's Own Tax.

#### 1.4.1 State's Own Resources

As the State's share in central taxes and grants-in-aid is determined on the basis of recommendations of the Finance Commission, the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

<sup>2</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 1.23 implies that revenue receipts tend to increase by 1.23 percentage points, if the GSDP increases by one *per cent*

The State's actual tax and non-tax receipts for the year 2013-14 *vis-à-vis* assessment made by the XIII FC and MTFP are given in **Table-1.7**:

**Table-1.7: Tax Revenue and Non-Tax Revenue *vis-à-vis* XIII FC/FCP**

(₹ in crore)

Parameters	Assessment made by XIII FC	Medium Term Fiscal Policy (MTFP)	Actual
State's own Tax Revenue	189.81	222.25	229.78
State's own Non-Tax Revenue	178.48	266.00	194.26

Source: Finance Accounts (2013-14), Thirteenth Finance Commission and Medium Term Fiscal Policy Statement (2013-14)

The above table indicates that tax revenue was higher by 21.06 per cent and 3.39 per cent over the normative assessment made in the XIII FC and FCP respectively. Also, the non-tax revenue was higher by 8.84 per cent over the assessment made in the XIII FC, however, it was lesser by 26.97 per cent over the normative assessment made in the FCP.

#### 1.4.1.1 Tax Revenue

The sector-wise components of tax revenue is given in **Table-1.8**:

**Table-1.8: Sector-wise component of tax revenue during 2009-14**

(₹ in crore)

Name of component	Year					% increase/decrease over previous year
	2009-10	2010-11	2011-12	2012-13	2013-14	
Taxes on Sales and Trade, etc.	85.94	104.70	142.16	175.87	183.34	4.25
State Excise	2.10	2.39	2.31	2.83	3.11	9.89
Taxes on vehicles	6.71	7.72	16.71	22.83	19.42	(-) 14.94
Land Revenue	2.76	4.33	2.52	3.04	4.54	49.34
Stamps & Registration fees	0.39	0.34	0.69	0.64	1.52	137.50
Taxes on Goods & Passengers	1.39	1.72	2.05	3.77	2.63	(-) 30.24
Other Taxes	8.29	9.24	12.63	14.17	15.22	7.41
<b>Total</b>	<b>107.58</b>	<b>130.44</b>	<b>179.07</b>	<b>223.15</b>	<b>229.78</b>	<b>2.97</b>

Source: Statement 11 (Finance Accounts of the respective years) and Annual Financial Statement, 2013-14

The above table indicates that tax revenue increased by ₹ 6.63 crore from ₹ 223.15 crore in 2012-13 to ₹ 229.78 crore in 2013-14. The tax revenue of the State showed progressive

increase from ₹ 107.58 crore in 2009-10 to ₹ 229.78 crore in 2013-14 at an annual average rate of 22.72 *per cent*. Taxes on sales, trades, *etc.* (₹ 183.34 crore, 79.79 *per cent*) was the major source in the State's own tax during 2013-14 followed by taxes on vehicles (₹ 19.42 crore, 8.45 *per cent*), other taxes (₹ 15.22 crore, 6.22 *per cent*), taxes on land revenue (₹ 4.54 crore, 1.98 *per cent*), state excise (₹ 3.11 crore, 1.35 *per cent*), taxes on goods and passengers (₹ 2.63 crore, 1.14 *per cent*) and stamps & registration fees (₹ 1.52 crore, 0.66 *per cent*). Collection of taxes on sales, trades, *etc.* increased by ₹ 7.47 crore in 2013-14 over the previous year mainly due to increase in receipts of ₹ 37.92 crore under tax on sale of motor spirits and lubricants and of ₹ 12.55 crore under State Sales Tax Act which was offset by decrease in receipts of ₹ 21.22 crore under Central Sales Tax Act, of ₹ 19.55 crore under Other receipts and of ₹ 2.24 crore under Surcharge on Sales Tax.

#### 1.4.1.2 Non-Tax Revenue

The composition of non-tax revenue for the year 2009-14 is given in **Table-1.9** below:

**Table-1.9: Composition of Non-Tax Revenue during 2009-14**

(₹ in crore)

Name of component	Year				2013-14			
	2009-10	2010-11	2011-12	2012-13	BE	Actuals	Variation of Actual over BE (in per cent)	% increase/decrease over previous year
General Services	18.05	23.19	9.14	11.48	15.33	18.99	23.87	65.42
Social Services	9.60	10.66	12.42	19.48	22.13	23.67	6.96	21.51
Economic Services	81.00	100.15	130.87	164.98	204.6	133.67	(-) 34.67	(-) 18.98
Interest received and dividends & profits	17.85	12.72	15.60	16.86	23.94	17.93	(-) 25.10	6.35
<b>Total</b>	<b>126.50</b>	<b>146.72</b>	<b>168.03</b>	<b>212.80</b>	<b>266.00</b>	<b>194.26</b>	<b>(-) 26.97</b>	<b>(-) 8.71</b>

Source: Statement 11 (Finance Accounts of the respective years) and Annual Financial Statement, 2013-14

The non-tax revenue, which constituted 4.08 to 5.14 *per cent* of the total revenue receipts during the last five years, decreased by ₹ 18.54 crore during the current year recording a decrease of 8.71 *per cent* over the previous year. There was steady increase in non-tax revenue from ₹ 126.50 crore during 2009-10 to ₹ 212.80 crore during 2012-13, however, it decreased to ₹ 194.26 crore in the current year. The major contributors in State's non-tax revenue during 2013-14 were Power (₹ 109.05 crore), Water Supply & Sanitation (₹ 19.54 crore), Interest received and Dividends & Profits (₹ 17.93 crore), Miscellaneous General Services (₹ 9.51 crore), Other Administrative Services (₹ 5.32 crore) and Roads and Bridges (₹ 5.22 crore).



There was variation of Actual figures over Budget Estimates on Economic Services by (-) 34.67 per cent, Interest received and Dividends & Profits by (-) 25.10 per cent and General Services by 23.87 per cent. Also, there was a huge shortfall in collection of non-tax revenue by (-) 26.97 per cent compared with Budget estimates.

#### 1.4.2 Grants-in-Aid from GoI

**Table-1.10** depicts the Grants-in-aid received from GoI during 2009-10 to 2013-14.

**Table-1.10: Grants-in-aid received from GoI during 2009-10 to 2013-14**

(₹ in crore)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	725.33	724.97	797.24	1,057.17	1,141.61
Grants for State Plan Schemes	1,338.59	1,181.22	1,439.45	1,865.60	1,904.79
Grants for Central Plan Schemes	10.87	11.46	18.47	14.56	11.84
Grants for Centrally Sponsored Schemes	222.81	157.13	326.92	294.33	369.07
Grants for Special Plan Schemes	37.29	51.77	68.34	83.18	55.42
<b>Total</b>	<b>2,334.89</b>	<b>2,126.55</b>	<b>2,650.42</b>	<b>3,314.84</b>	<b>3,482.73</b>
Percentage of increase over previous year	15.79	(-) 8.92	24.63	25.07	5.06
Total grants as a percentage of Revenue Receipts	78.79	74.48	69.29	73.07	73.09

Source: Statement II (Finance Accounts of the respective years)

The Grants-in-aid from GoI increased by ₹ 167.89 crore (5.06 per cent) from ₹ 3,314.84 crore in 2012-13 to ₹ 3,482.73 crore which constituted 73.09 per cent of the total revenue receipts in 2013-14. Grants-in-aid increased during the current year largely due to increase in Non-Plan Grants by ₹ 84.44 crore (7.99 per cent), followed by Grants for Central and Centrally Sponsored Plan Schemes by ₹ 72.02 crore (23.32 per cent) and Grants for State Plan Schemes by ₹ 39.19 crore (2.10 per cent) which was offset by a decrease in Grants for Special Plan Schemes by ₹ 27.76 crore (33.37 per cent).

#### 1.4.3 Central Tax Transfers

As per the XIII FC, the share of net proceeds of shareable central taxes shall be 32 per cent in each of the financial years from 2010-11 to 2014-15. Further, the share of Mizoram in the net proceeds of all shareable central taxes during the period is fixed at 0.269 per cent for all shareable taxes except Service Tax for which it is fixed at 0.273 per cent. **Table-1.11** gives the position of Central Tax transfers during 2013-14 with reference to the target fixed by the XIII FC.



**Table-1.11: Central Tax Transfers during 2013-14 vis-à-vis XIII FC**

(₹ in crore)

Revenue Head	Target as per XIII FC	2012-13	2013-14	Percentage variation of Actual over XIII FC	Percentage variation of Actual over previous year
Corporation Tax	358.76	282.36	288.62	(-) 19.55	2.22
Income other than Corporation Tax	157.70	169.04	190.05	20.51	12.43
Customs	136.95	130.62	140.03	2.25	7.20
Union Excise Duties	148.80	88.77	98.90	(-) 33.53	11.41
Service Tax	92.18	114.69	139.69	51.54	21.80
Taxes on Wealth	0.59	0.48	0.79	33.90	64.58
<b>Total of Central Tax Transfers</b>	<b>894.98</b>	<b>785.95</b>	<b>858.08</b>	<b>(-) 4.12</b>	<b>9.18</b>

The Central Tax transfers increased by ₹ 72.13 crore (9.18 per cent) from ₹ 785.95 crore in 2012-13 to ₹ 858.08 crore in 2013-14. The increase was largely contributed by an increase in Service Tax (₹ 25 crore), Income other than Corporation Tax (₹ 21.01 crore), Union Excise Duties (₹ 10.13 crore) and Customs (₹ 9.41 crore). The share of Central Tax transfer was also lower by ₹ 36.90 crore (4.12 per cent) in comparison to the target set by the XIII FC during 2013-14 mainly due to lower devolution of taxes under Corporation Tax (₹ 70.14 crore) and Union Excise Duties (₹ 49.90 crore) which was offset by higher transfer of share under Service Tax (₹ 47.51 crore) and Income other than Corporation Tax (₹ 32.35 crore).

#### 1.4.4 Optimisation of the XIII FC grants

The details of funds transferred to the State as recommended by the XIII FC during award period of 2010-15 are as follows:

**Table-1.12: Funds recommended by Thirteenth Finance Commission**

(₹ in crore)

Sl. No.	Transfers	Recommendation of the 13 <sup>th</sup> FC	Actual Release	Expenditure under relevant revenue head of account	Utilisation (+) Excess (-) Shortfall
<b>1</b>	<b>Local Bodies, out of which</b>	<b>310.70</b>	<b>151.20</b>	<b>151.17</b>	<b>(-) 0.03</b>
	Grants to PRIs	201.30	74.51	74.51	--
	Grants to ULBs	94.30	70.93	70.93	--
	Special Areas Grant	15.10	5.76	5.73	(-) 0.03
<b>2</b>	<b>Disaster Relief</b>	<b>47.26</b>	<b>46.43</b>	<b>26.58</b>	<b>(-) 19.85</b>
<b>3</b>	<b>Improving outcome grants</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>4</b>	<b>Environmental related grants</b>	<b>171.20</b>	<b>132.57</b>	<b>99.08</b>	<b>(-) 33.49</b>
<b>5</b>	<b>Elementary Education</b>	<b>5.00</b>	<b>1.00</b>	<b>--</b>	<b>(-) 1.00</b>
<b>6</b>	<b>Roads and Bridges</b>	<b>89.00</b>	<b>63.00</b>	<b>63.00</b>	<b>--</b>
<b>7</b>	<b>State specific grants</b>	<b>249.71</b>	<b>154.70</b>	<b>96.42</b>	<b>(-) 58.28</b>
	<b>Total</b>	<b>1,183.57</b>	<b>700.10</b>	<b>587.42</b>	<b>(-) 112.68</b>

Source: The XIII FC Report and Departmental Figures

The XIII FC recommended ₹ 1,183.57 crore as Grants-in-aid for the State of Mizoram during the period 2010-15. The State, however, received ₹ 700.10 crore as Grants in aid from GoI in four years of the award period *i.e.*, 2010-14. Out of the total release of ₹ 700.10 crore, an amount of ₹ 587.42 crore was expended during 2010-14 resulting in unutilised balance of ₹ 112.68 crore.

## 1.5 Capital Receipts

The details of Capital receipts during 2009-10 to 2013-14 are given in **Table 1.13**.

**Table-1.13: Trends in growth and composition of receipts**

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Capital Receipts (CR)</b>	<b>251.20</b>	<b>563.19</b>	<b>253.50</b>	<b>449.76</b>	<b>988.35</b>
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
Recovery of Loans and Advances	25.31	25.97	27.80	29.48	33.11
Public Debt Receipts	225.89	537.22	225.70	420.28	955.24
Rate of growth of debt capital receipts	113.57	137.82	(-) 57.99	86.21	127.29
Rate of growth of non-debt capital receipts	1.81	2.61	7.05	6.04	12.31
Rate of growth of CR ( <i>per cent</i> )	92.30	124.20	(-) 54.99	77.42	119.75

Source: Finance Accounts of the respective years

The Public Debt receipt comprised 96.65 *per cent* of the total Capital receipt during 2013-14. The rate of growth of debt capital receipts increased from 86.21 *per cent* in 2012-13 (₹ 420.28 crore) to 127.29 *per cent* in 2013-14 (₹ 955.24 crore).

### 1.5.1 Debt receipts from internal sources

The main contributors of debt receipts from internal sources were Ways and Means Advances (₹ 734.53 crore), Market Borrowings (₹ 260.06 crore), Other Loans (₹ 57.50) and Loans from the National Bank for Agricultural and Rural Development (NABARD) (₹ 50.79 crore).

### 1.5.2 Recoveries of Loans and Advances

The recoveries of Loans and Advances increased progressively from ₹ 25.31 crore during 2009-10 to ₹ 33.11 crore during 2013-14. The major contributor of recoveries under Loans and Advances were loan recovery from Housing (₹ 17.29 crore) and Government Servants (₹ 15.41 crore).

### 1.5.3 Loans and Advances from GoI

The receipts under Loans and Advances from GoI was (-) ₹ 167.81 crore during 2013-14 due to adjustment of previous year's outstanding Ways and Means Advances of (-) ₹ 167.97 crore.

## 1.6 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. **Table-1.14** depicts Public Account receipts of the State during 2009-14.

**Table-1.14: Public Account Receipts for the years 2009-14**

(₹ in crore)

Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Public Account Receipts</b>	<b>2,463.30</b>	<b>3,332.56</b>	<b>3,297.52</b>	<b>3,055.71</b>	<b>3,435.47</b>
a. Small Savings, Provident Fund, <i>etc.</i>	396.79	495.88	387.37	506.78	655.20
b. Reserve Fund	23.90	24.41	33.40	34.68	32.58
c. Deposits and Advances	476.63	809.90	746.56	964.20	1,106.20
d. Suspense and Miscellaneous	452.20	517.13	603.42	48.67	123.34
e. Remittances	1,113.78	1,485.24	1,526.77	1,501.38	1,518.15

Source: Statement 18 of Volume II, Finance Accounts of the respective years

The Public Account receipts showed inter-year fluctuation during the period 2009-14 and increased from ₹ 2,463.30 crore in 2009-10 to ₹ 3,435.47 crore in 2013-14. During 2013-14, the Public Account Receipts increased by ₹ 379.76 crore (12.43 *per cent*) over the previous year which was mainly due to increases in Small Savings, Provident Fund, *etc.* by ₹ 148.42 crore, Deposits and Advances by ₹ 142.00 crore and Suspense and Miscellaneous receipts by ₹ 74.67 crore.

## 1.7 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development of social sectors.

### 1.7.1 Growth and Composition of Expenditure

The total expenditure and its compositions during the years 2009-10 to 2013-14 are presented in **Table-1.15**.

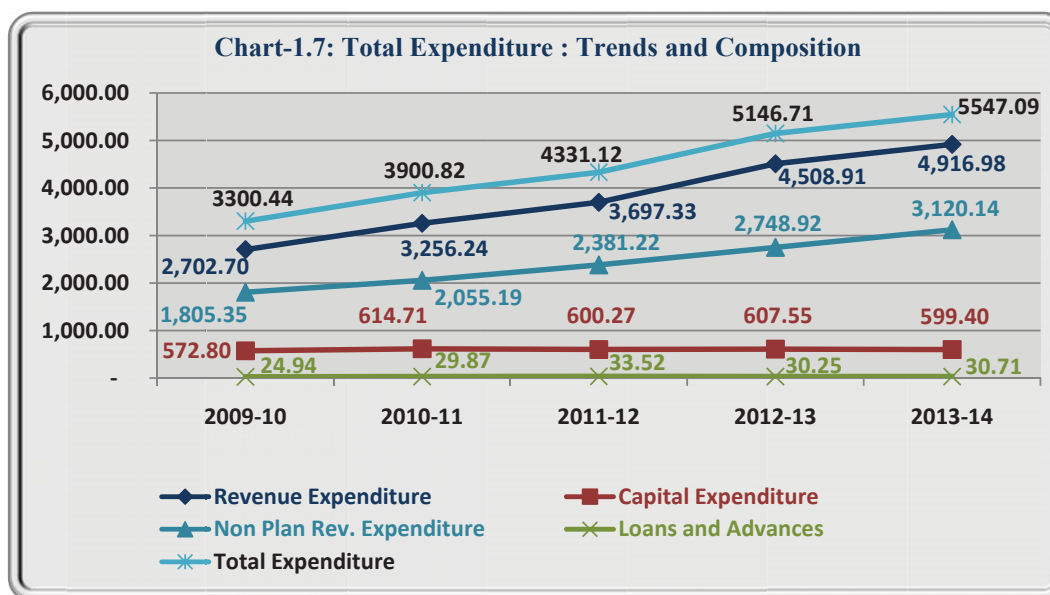
Table-1.15: Total Expenditure and its compositions

(₹ in crore)

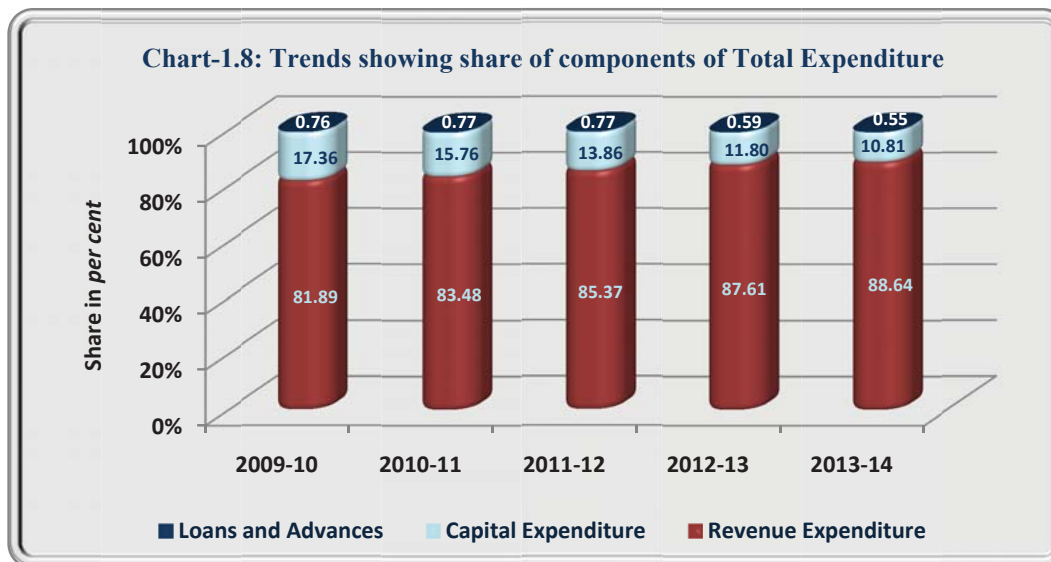
	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Total Expenditure</b>	<b>3,300.44</b>	<b>3,900.82</b>	<b>4,331.12</b>	<b>5,146.71</b>	<b>5,547.09</b>
Revenue Expenditure	2,702.70	3,256.24	3,697.33	4,508.91	4,916.98
<i>Of which, Non-plan Revenue Expenditure</i>	<i>1,805.35</i>	<i>2,055.19</i>	<i>2,381.22</i>	<i>2,748.92</i>	<i>3,120.14</i>
Capital Expenditure	572.80	614.71	600.27	607.55	599.40
Loans and Advances	24.94	29.87	33.52	30.25	30.71

Source: Finance Accounts of the respective years

**Chart-1.7** presents the trends in total expenditure over a period of five years (2009-14) and its composition both in terms of 'economic classification' and 'activities' is depicted in **Charts-1.8** and **1.9** respectively.



The trends showing share of components of total expenditure during 2009-14 are shown in **Chart-1.8:**



Statement 12 of the Finance Account depicts the detailed revenue expenditure and Statement 13 depicts capital expenditure. States raise resources to perform their sovereign functions to maintain their existing level of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations.

The total expenditure of the State increased progressively from ₹ 3,300.44 crore in 2009-10 to ₹ 5,547.09 crore in 2013-14 at an annual average rate of 13.61 *per cent* and increased by 7.78 *per cent* from ₹ 5,146.71 crore in 2012-13 to ₹ 5,547.09 crore in 2013-14. Of the total expenditure during 2013-14, the revenue expenditure (₹ 4,916.98 crore) constituted 88.64 *per cent* while capital expenditure (₹ 599.40 crore) constituted 10.81 *per cent* and loans and advances (₹ 30.71 crore) constituted 0.55 *per cent*.

The total expenditure, its annual growth rate, its ratio with respect to GSDP and revenue receipts and its buoyancy with respect to GSDP and revenue receipts are given in **Table-1.16.**

**Table-1.16: Total Expenditure – basic parameters**

	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Total Expenditure (TE) (₹ in crore)</b>	<b>3,300.44</b>	<b>3,900.82</b>	<b>4,331.12</b>	<b>5,146.71</b>	<b>5,547.09</b>
Rate of Growth ( <i>per cent</i> )	19.05	18.19	11.03	18.83	7.78
TE/GSDP ratio ( <i>per cent</i> )	58.73	64.39	61.95	63.91	53.87
RR/TE ratio ( <i>per cent</i> )	89.79	73.20	88.31	88.15	85.90
<b>Buoyancy of Total Expenditure with reference to:</b>					
GSDP (ratio)	0.91	2.33	0.72	1.24	0.28
RR (ratio)	1.63	(-) 4.98	0.32	1.01	1.55

The increase of ₹ 400.38 crore (7.78 per cent) in total expenditure in 2013-14 over 2012-13 was on account of increase of ₹ 408.07 crore in revenue expenditure and ₹ 0.46 crore in disbursement of loans and advances which was offset by a decrease of ₹ 8.15 crore in capital expenditure.

During the current year, 85.90 per cent (₹ 4,764.85 crore) of the total expenditure was met from revenue receipts and the remaining 14.10 per cent (₹ 782.24 crore) from capital receipts and borrowed funds.

*The breakup of total expenditure in terms of plan and non-plan expenditure* during 2013-14 reveals that while the share of plan expenditure of ₹ 2,312.59 crore constituted 41.69 per cent of the total expenditure, the remaining 58.31 per cent (₹ 3,234.50 crore) was non-plan expenditure. Moreover, out of the increase of ₹ 400.38 crore in total expenditure in 2013-14, plan expenditure constituted 3.57 per cent (₹ 14.31 crore) while non-plan expenditure contributed 96.43 per cent (₹ 386.07 crore).

The slight decrease in ratio of revenue receipts to total expenditure from 88.15 per cent in 2012-13 to 85.90 per cent in 2013-14 is to be viewed in the light of increase in revenue expenditure by ₹ 408.07 crore and loans and advances by ₹ 0.46 crore which was offset by a decrease in capital expenditure by ₹ 8.15 crore, although 56.97 per cent of the increase in total expenditure was covered by an increase in revenue receipt by ₹ 228.11 crore during 2013-14 over 2012-13. The buoyancy of total expenditure with respect to GSDP decreased to 0.28 during 2013-14 from 1.24 in 2012-13 due to a significant decrease in the rate of growth of total expenditure by 11.05 per cent and huge increase in the rate of growth of GSDP by 12.67 per cent. The buoyancy ratio of total expenditure with respect to revenue receipts in 2013-14 was 1.55 as rate of growth of total expenditure (7.78 per cent) was almost one and a half times the rate of growth of revenue receipts (5.03 per cent) during the current year.

### 1.7.2 Trends in total expenditure in terms of activities

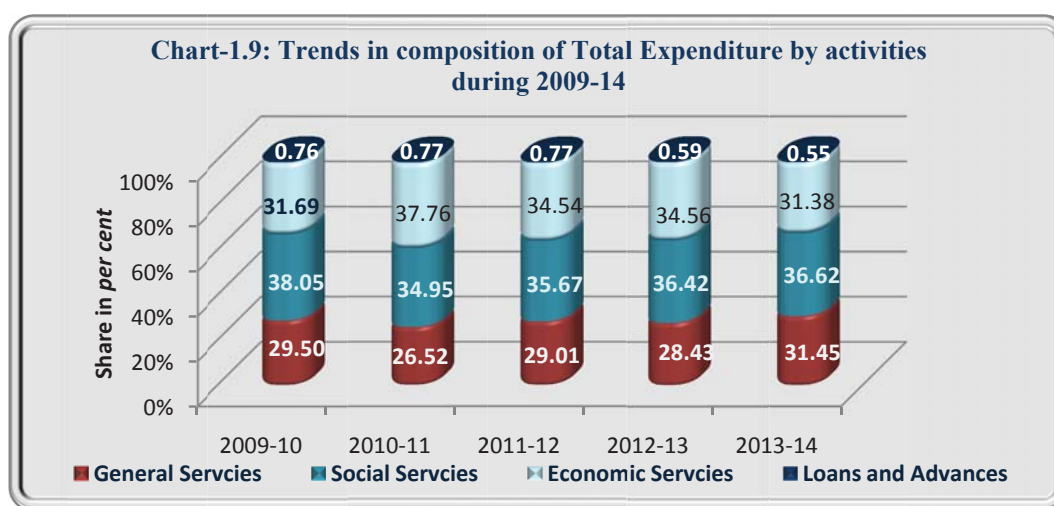
In terms of activities, total expenditure could be considered as being composed of expenditure on General Services which includes interest payments, Social Services and Economic Services and Loans and Advances. Relative shares of these components in the total expenditure are indicated in **Table-1.17** and **Chart-1.9**.

**Table-1.17: Components of expenditure – relative shares**

	(in per cent)				
	2009-10	2010-11	2011-12	2012-13	2013-14
<b>General Services</b>	29.50	26.52	29.01	28.43	31.45
<b>Of which, Interest Payments</b>	7.71	2.71	6.35	5.60	5.13
<b>Social Services</b>	38.05	34.95	35.67	36.42	36.62
<b>Economic Services</b>	31.69	37.76	34.54	34.56	31.38
<b>Loans and Advances</b>	0.76	0.77	0.77	0.59	0.55

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. But the expenditure on general services including interest payments, which are considered as non-developmental, accounted for 31.45 per cent in 2013-14 as against 28.43 per cent in 2012-13. On the other hand developmental expenditure, i.e. expenditure on Social and Economic Services together accounted for 68 per cent in 2013-14 as against 70.98 per cent in 2012-13. This indicates that there was an increase in non-developmental expenditure and a decrease in developmental expenditure in comparison to previous year.

The trends in composition of total expenditure by activities during 2009-14 are shown in the **Chart-1.9**:



### 1.7.3 Revenue Expenditure

**Revenue Expenditure (RE)** is incurred to maintain the current level of services and payment of the past obligation and as such does not result in any addition to the State's infrastructure and service network. Revenue Expenditure had a predominant share of 81.89 per cent of total expenditure in 2009-10 which had since escalated to 88.64 per cent of total expenditure during the current year. The overall revenue expenditure of the State increased from ₹ 2,702.70 crore in 2009-10 to ₹ 4,916.98 crore in 2013-14 at an annual average rate of 16.39 per cent. The revenue expenditure slightly increased by 9.05 per cent from ₹ 4,508.91 crore in 2012-13 to ₹ 4,916.98 crore in 2013-14.

A comparative position of Non-Plan Revenue Expenditure (NPRE) vis-à-vis assessment made by the XIII FC and FCP revealed that NPRE remained significantly higher than the normative assessment made in Thirteenth Finance Commission by 45.47 per cent (₹ 975.31 crore) and also higher than the projection made in FCP by 12.08 per cent (₹ 336.32 crore), as indicated in **Table-1.18**:



**Table-1.18: Comparison of Non-plan revenue expenditure vis-à-vis XIII FC and FCP**

(₹ in crore)

	Assessment/Projections		Actual
	XIII FC	FCP	
Non Plan Revenue Expenditure	2,144.83	2,783.82	3,120.14

The Plan Revenue Expenditure (PRE) slightly increased by ₹ 36.85 crore (2.09 per cent) from ₹ 1,759.99 crore in 2012-13 to ₹ 1,796.84 crore in 2013-14 mainly due to increase in Education, Sports, Art and Culture (₹ 89.42 crore), Social Welfare and Nutrition (₹ 34.03 crore), Health and Family Welfare (₹ 14.01 crore) and Water Supply, Sanitation, Housing & Urban Development (₹ 11.34 crore) which was however offset by a decrease in Agriculture and Allied Activities (₹ 124.75 crore).

The ratio of NPRE to GSDP decreased from 32.13 per cent in 2009-10 to 30.30 per cent during 2013-14, and also, it decreased from 34.13 per cent in 2012-13 to 30.30 per cent in 2013-14. The ratio of NPRE with respect to Revenue Receipts (RR) increased from 60.59 per cent in 2012-13 to 65.48 per cent in 2013-14, implying that higher percentage of revenue receipts was applied to meet the non-plan revenue expenditure. The buoyancy of NPRE to GSDP decreased significantly from 1.03 in 2012-13 to 0.48 in 2013-14 which signifies that the rate of growth of NPRE was lower than the rate of GSDP as indicated in the **Table-1.19**:

**Table-1.19: NPRE vis-à-vis GSDP and Revenue Receipt**

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Non Plan Revenue Expenditure	1,805.35	2,055.19	2,381.22	2,748.92	3,120.14
Growth of NPRE	14.76	13.84	15.86	15.44	13.50
Ratio of NPRE to GSDP	32.13	33.92	34.06	34.13	30.30
Ratio of NPRE to RR	60.92	71.98	62.26	60.59	65.48
Buoyancy of NPRE w.r.t. GSDP	0.71	1.77	1.03	1.02	0.48

#### 1.7.4 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table-1.20** and **Chart-1.10** present the trends in the expenditure on these components during 2009-14.



Table-1.20: Components of Committed Expenditure

(₹ in crore)

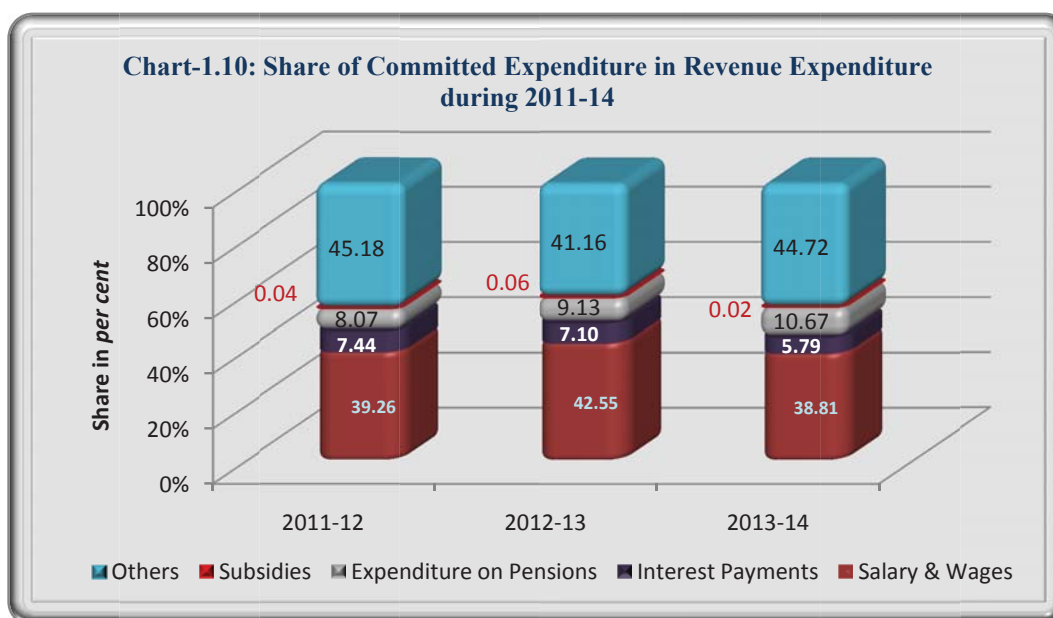
Components of Committed Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE <sup>(*)</sup>	Actuals <sup>(*)</sup>
Salaries & Wages*, of which	1,078.75 (36.40)	1,408.92 (49.34)	1,451.69 (37.95)	1,726.74 (38.06)	1,617.13 (32.09)	1,908.22 (40.05)
Non-Plan Head	887.85	1,183.24	1,156.55	1,374.55	---	1,503.55
Plan Head**	190.90	225.68	295.14	352.19	---	404.67
Interest Payments	254.35 (8.58)	105.58 (3.70)	275.15 (7.19)	288.15 (6.35)	248.49 (4.93)	284.50 (5.97)
Expenditure on Pensions	164.26 (5.54)	249.54 (8.74)	298.36 (7.80)	370.52 (8.17)	240.17 (4.77)	524.58 (11.01)
Subsidies	4.08 (0.14)	2.15 (0.14)	1.66 (0.08)	2.48 (0.04)	---	0.74 (0.02)
Other Components	1,201.26 (40.54)	1,201.26 (40.54)	1,490.05 (52.18)	1,670.47 (43.67)	2,551.82 (50.64)	2,198.94 (46.15)
<b>Total Revenue Expenditure</b>	<b>2,702.70</b>	<b>3,256.24</b>	<b>3,697.33</b>	<b>4,508.91</b>	<b>4,657.61</b>	<b>4,916.98</b>

Figures in the parentheses indicate percentage to Revenue Receipts

\* Represents Salaries and wages and includes those spent from Grants-in-aid

\*\* Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes

<sup>(\*)</sup> BE figures are gross figures sourced from Fiscal Policy Strategy Statement (FPSS), Government of Mizoram, 2014-15, while Actual are net figures sourced from Finance Account, 2013-14



**(A) Salaries**

Salaries and wages alone accounted for more than 40.05 *per cent* of revenue receipts during the year. The expenditure on salaries and wages increased by 10.51 *per cent* from ₹ 1,726.74 crore in 2012-13 to ₹ 1,908.22 crore in 2013-14. During 2013-14, salary expenditure under Non-Plan head increased by ₹ 129 crore (9.38 *per cent*) and salary expenditure under Plan head increased by ₹ 52.48 crore (14.90 *per cent*) over the previous year. Non-plan salary expenditure ranged from 78.79 *per cent* to 83.98 *per cent* of total expenditure on salaries during 2009-14. The expenditure on salaries during 2013-14 was significantly higher by ₹ 291.09 crore (18 *per cent*) than the projections (₹ 1,617.13 crore) made by the State Government in its Budget Estimate.

**(B) Interest Payments**

The major sources of borrowings of the State Government were (i) Loans from the Centre, (ii) Internal Debt (Market loans, Loans from Banks and Financial Institutions, Ways and Means Advances from RBI, *etc.*) (iii) Loans from Small Savings, Provident Funds, *etc.* Interest payments decreased by 1.27 *per cent* from ₹ 288.15 crore in 2012-13 to ₹ 284.50 crore in 2013-14 mainly due to decreases in interest on Internal Debt by ₹ 2.24 crore and interest on Loans and Advances from Central Government by ₹ 1.47 crore offset by an increase in interest on Small Savings, Provident Funds, *etc.* by ₹ 0.05 crore.

**Table-1.21: Interest Payments vis-à-vis XIII FC assessment and State Projection**

(₹ in crore)

Year	Assessment made by the Thirteenth Finance Commission (XIII FC)	Assessment made by the State Government (BE)	Actual
2013-14	346.09	248.49	284.50

The expenditure on interest payments (₹ 284.50 crore) was significantly higher by ₹ 36.01 crore than the projection (₹ 248.49 crore) made by the State Government in Budget Estimates for the year 2013-14, however, it was lower by ₹ 61.59 crore than the assessment (₹ 346.09 crore) made by the Thirteenth Finance Commission.

**(C) Pension Payments**

The expenditure on pension payments grew from ₹ 164.26 crore in 2009-10 to ₹ 524.58 crore in 2013-14 and it accounted for nearly 11.01 *per cent* of revenue receipts (₹ 4,764.85 crore) of the State during the year and increased significantly by ₹ 154.06 crore (41.58 *per cent*) over the previous year. The increase was mainly due to increase in expenditure under Superannuation and Retirement Allowances by ₹ 122.92 crore and Other Pensions by ₹ 33.88 crore

The State Government had introduced 'The New Defined Contribution Pension Scheme' on 1 September 2010 which covered State Government employees recruited on or after 1 September 2010. In terms of the Scheme, an employee contributes 10 *per cent* of his monthly salary and Dearness Allowance, which is matched by State Government and the entire amount is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. The actual amount payable by employees and the matching Government contribution has not been estimated, but during the year 2013-14,

the State Government transferred ₹ 10.03 crore (employees' contribution of ₹ 4.73 crore and Governments contribution of ₹ 5.30 crore which include ₹ 0.57 crore pertaining to earlier years) to NSDL.

**Table-1.22** shows actual pension payments with reference to assessment made by the Thirteenth Finance Commission and projection of the State Government.

**Table-1.22: Actual Pension Payments vis-à-vis XIII FC assessment and State Projections**

(₹ in crore)

Year	Assessment made by XIII FC	Assessment made by the State Government (BE)	Actual
2013-14	194.44	240.17	524.58

*The expenditure on pension payments was higher than the assessment made by the Thirteenth Finance Commission by ₹ 330.14 crore (169.79 per cent) as well as the State Government Projection made in its budget by ₹ 284.41 crore (118.42 per cent).*

**(D) Subsidies**

**Table-1.20** indicates that subsidies as a percentage of revenue receipts marginally decreased from 0.05 per cent in 2012-13 to 0.02 per cent in 2013-14. The expenditure on subsidies has progressively decreased from ₹ 4.08 crore during 2009-10 to ₹ 1.66 crore in 2011-12 followed by an increase to ₹ 2.48 crore during 2012-13 and significant decrease in the current year to ₹ 0.74 crore. During the current year the Departments which received subsidy include Co-operation and Crop Husbandry accounting for 32.76 per cent (₹ 24.35 lakh) and 67.24 per cent (₹ 49.98 lakh) of total subsidies respectively.

**1.7.5 Financial Assistance by State Government to local bodies and other institutions**

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table-1.23**.

**Table-1.23: Financial Assistance to Local Bodies etc.**

(₹ in crore)

Financial Assistance to Institutions	2009-10	2010-11	2011-12	2012-13	2013-14
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	31.47	30.97	20.86	60.80	121.87
PRIs/ULBs	2.60	3.62	4.08	29.53	13.50
Consumer Co-operative Societies/MIZOFED	0.95	1.00	--	---	---
Other Institutions <sup>3</sup>	412.21	614.58	196.35	864.99	859.00
<b>Total</b>	<b>447.23</b>	<b>650.17</b>	<b>221.29</b>	<b>955.32</b>	<b>994.37</b>
Assistance as percentage of RE	16.55	19.97	5.99	21.19	20.22

Source: Finance Account, 2013-14

<sup>3</sup> (Figures for 2013-14) Sports Council (₹ 14.17 crore), Lai Autonomous District Council (₹ 83.78 crore), Mara Autonomous District Council (₹ 72.94 crore), Chakma Autonomous District Council (₹ 44.98 crore), Swarna Jayanti Shahari Rozgar Yojana (₹ 4.98 crore), National Rural Employment Guarantee Scheme (₹ 11.95 crore), National Service Schemes (₹ 1.60 crore), Khadi and Village Industry (₹ 7.75 crore) and Rashtriya Krishi Vikas Yojana (₹ 53.01 crore)

The grants extended to local bodies and other institutions increased by 4.09 *per cent* from ₹ 955.32 crore in 2012-13 to ₹ 994.37 crore in 2013-14. The share of grants and loans to the revenue expenditure increased from 16.55 *per cent* in 2009-10 to 20.22 *per cent* during the current year. The increase of financial assistance to Institutions by ₹ 39.05 crore was mainly attributed by increase in financial assistance to Educational Institutions (Aided Schools, Aided Colleges, Universities, *etc.*) by ₹ 61.07 crore which was offset by a decrease in assistance to PRIs/ULBs by ₹ 16.03 crore and Other Institutions by ₹ 5.99 crore.

## 1.8 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, *viz.*, adequacy of the expenditure (*i.e.* adequate provisions for providing public services); efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

### 1.8.1 Adequacy of Public Expenditure

The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure. The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to the State Governments. Enhancing human development level requires the States to step up their expenditure on key social services like education and health *etc.* **Table-1.24** analyses the fiscal priority and fiscal capacity of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during 2013-14.

**Table-1.24: Fiscal Priority and Fiscal Capacity of the State during 2013-14**

Fiscal Priority by the State	TE/ GSDP	DE/ TE	SSE/ TE	CE/ TE	Education/ TE	Health/ TE
Mizoram State's Average (Ratio) 2013-14	53.87	68.08	36.69	10.81	17.41	4.73

AE: Total Expenditure

DE: Development Expenditure

SSE: Social Sector Expenditure

CE: Capital Expenditure

Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans and Advances disbursed

Source: For GSDP, the information was collected from the State's Directorate of Economic and Statistics

### 1.8.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate

expenditure rationalisation measures and lay emphasis on provision of core public and merit goods<sup>4</sup>. Apart from improving the allocation towards development expenditure, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table-1.25** presents the trends in development expenditure relative to the total expenditure of the State during the current year *vis-à-vis* budgeted expenditure and the previous years, **Table-1.26** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

**Table-1.25: Development Expenditure**

(₹ in crore)

Components of Development Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE@	Actuals
<b>Development Expenditure (a to c)</b>	<b>2,307.01</b> (69.90)	<b>2,843.45</b> (72.89)	<b>3,049.41</b> (70.41)	<b>3,657.75</b> (71.07)	<b>3,837.14</b>	<b>3,776.33</b> (68.08)
a. Development Revenue Expenditure	1,755.03 (53.18)	2,244.95 (57.55)	2,470.95 (57.05)	3,088.36 (60.01)	3,245.10	3,230.36 (58.24)
b. Development Capital Expenditure	546.81 (16.57)	591.35 (15.16)	570.15 (13.16)	564.81 (10.97)	587.29	541.68 (9.77)
c. Development Loans and Advances	5.17 (0.16)	7.15 (0.18)	8.31 (0.19)	4.58 (0.09)	4.75	4.29 (0.08)

*Figures in parentheses indicate percentage to total expenditure*  
 (©) BE figures are gross figures sourced from Annual Financial Statement (budget), Government of Mizoram, 2013-14, while Actual are net figures sourced from Finance Account, 2013-14

The Development Expenditure on socio-economic services increased from ₹ 2,307.01 crore in 2009-10 to ₹ 3,776.33 crore in 2013-14 and it registered an increase of 3.24 *per cent* (₹ 118.58 crore) during 2013-14 over the previous year. As a percentage of total expenditure, the share of Development Expenditure ranged between 68.08 *per cent* and 72.89 *per cent* with inter year variations during 2009-14. During the current year, the State Government earmarked ₹ 3,837.14 crore out of the estimated total expenditure for development expenditure, and this assessment was higher than the actual development expenditure by ₹ 60.81 crore at the end of the year. Development Revenue Expenditure showed increasing trend since 2009-10 at an annual growth rate of 16.81 *per cent* while Development Capital Expenditure showed inter year variations during the period 2009-14 and decreased by ₹ 23.13 crore (4.10 *per cent*) during 2013-14 (₹ 541.68 crore) over 2012-13 (₹ 564.81 crore). The trend in Development Revenue Expenditure indicates that Development Revenue Expenditure increased by 4.60 *per cent* from

<sup>4</sup> As defined in Appendix I.1.C

₹ 3,088.35 crore in 2012-13 to ₹ 3,230.36 crore in 2013-14 whereas Development Capital Expenditure decreased by 4.10 *per cent* from ₹ 564.81 crore in 2012-13 to ₹ 541.68 crore in 2013-14.

Access to basic education, health services and drinking water and sanitation facilities are strong indicators of socio-economic progress. Further, expenditure on Economic services includes all such services that promote productive capacity directly or indirectly within the State by improving the quality of human resources. Therefore, it is pertinent to make an assessment with regard to expansion and efficient provision of these services in the State. **Table-1.26** summarizes percentage of expenditure under different components of economic and social services sector incurred by the State Government in expanding and maintaining social and economic services in the State during 2012-13 and 2013-14.

**Table-1.26: Efficiency of expenditure use in selected Social and Economic Services**

Social/ Economic Infrastructure	2012-13				2013-14			
	Ratio of CE to TE <sup>®</sup>	In RE, the share of S & W		Non-Salary ₹ in crore	Ratio of CE to TE <sup>®</sup>	In RE, the share of S & W		Non-Salary ₹ in crore
		₹ in crore	In <i>per cent</i>			₹ in crore	In <i>per cent</i>	
<b>Social Services (SS)</b>								
Education, Sports, Art and Culture	1.04	590.55	71.03	240.90	3.07	640.30	68.40	295.78
Health and Family Welfare	0.46	156.03	70.84	64.24	5.53	176.73	71.26	71.29
WS, Sanitation & HUD	48.83	46.86	24.80	142.08	38.93	51.38	23.80	164.46
Other Social Services	6.49	31.57	7.67	379.98	5.79	38.34	9.05	385.36
<b>Total (SS)</b>	<b>11.84</b>	<b>825.01</b>	<b>49.93</b>	<b>827.20</b>	<b>10.23</b>	<b>906.75</b>	<b>49.72</b>	<b>916.89</b>
<b>Economic Services (ES)</b>								
Agri. & Allied Activities	13.88	144.98	20.08	576.88	16.21	161.47	24.30	503.07
Irrigation and Flood Control	0.00	6.59	69.08	2.95	0.22	7.34	71.54	2.92
Power & Energy	19.40	66.54	22.07	234.90	17.05	74.13	23.38	242.98
Transport	46.77	65.96	55.78	52.28	41.07	70.13	51.29	66.59
Other Economic Services	14.80	73.42	25.76	211.64	16.26	84.72	30.46	193.37
<b>Total (ES)</b>	<b>19.25</b>	<b>357.49</b>	<b>24.89</b>	<b>1,078.65</b>	<b>19.18</b>	<b>397.79</b>	<b>28.28</b>	<b>1,008.93</b>
<b>Grand Total (SS+ES)</b>	<b>15.44</b>	<b>1,182.50</b>	<b>38.29</b>	<b>1,905.85</b>	<b>14.36</b>	<b>1,304.54</b>	<b>40.38</b>	<b>1,925.82</b>

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages

® Total Revenue and Capital Expenditure of the services concerned

The trends in the above table reveal that development capital expenditure as a percentage of total expenditure decreased from 15.44 *per cent* in 2012-13 to 14.36 *per cent* in current year.

The salary and wage component under revenue expenditure in Social Services increased by ₹ 81.74 crore from ₹ 825.01 crore in 2012-13 to ₹ 906.75 crore in 2013-14, showing an increase by 9.91 *per cent* over the previous year; while non-salary component increased by 10.84 *per cent* over the previous year from ₹ 827.20 crore in 2012-13 to ₹ 916.89 crore in 2013-14.



Again, within the revenue expenditure under economic services, the salary and wage component increased by ₹ 40.30 crore (11.27 per cent) from ₹ 357.49 crore in 2012-13 to ₹ 397.79 crore in 2013-14; while the non-salary component decreased by ₹ 69.72 crore (6.46 per cent) from ₹ 1,078.65 crore in 2012-13 to ₹ 1,008.93 crore in 2013-14.

The ratio of salary and wage component under Social and Economic Services to revenue expenditure during the current year was 40.38 per cent, an increase of 2.09 per cent over the previous year. The expenditure on salary and wages under Social and Economic Services increased by 10.32 per cent from ₹ 1,182.50 crore in 2012-13 to ₹ 1,304.54 crore in 2013-14 and the non-salary revenue expenditure on Social and Economic Services slightly increased by 1.05 per cent from ₹ 1,905.85 crore in 2012-13 to ₹ 1,925.82 crore in 2013-14 (Detailed in Appendix-1.6 Part-A & Part-B).

## 1.9 Financial Analysis of Government Expenditures and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, to avoid complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

### 1.9.1 Incomplete projects

The Department-wise information pertaining to incomplete time overrun projects as on 31 March 2014 is given in Table-1.27 below:

**Table-1.27: Department-wise Profile of Incomplete Projects**

(₹ in crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Cost Over Runs (No. of Projects)	Cumulative actual expenditure as on 31 March 2014
Public Works (Roads)	19	86.03	0	47.03
Public Works (Buildings)	14	80.52	0.66 (2)	76.34
Power and Electricity (P&E)	6	99.12	10.37 (2)	80.57
Public Health Engineering (PHE)	15	137.80	0	97.70
<b>Total</b>	<b>54</b>	<b>403.47</b>	<b>11.03 (4)</b>	<b>301.64</b>

Source: Appendix X (Finance Account 2013-14)

Out of 101 ongoing projects as of March 2014, there were 54 projects which were to be completed on or before March 2014, with initial budgeted cost of ₹ 403.47 crore under Public

Works (Roads), Public Works (Buildings), Public Health Engineering and Power & Electricity Departments. There was cost overrun of ₹ 11.03 crore in four projects at the close of the current year. Due to delay in completion of the projects, not only the benefits to be accrued to the society got delayed but also the cost to the exchequer increased due to time overrun involved in their completion.

### 1.9.2 Investment and returns

As of 31 March 2014, Government had invested ₹ 22.27 crore in Government Companies and Co-operative Bank, Societies, etc. out of which an amount of ₹ 4.92 crore was invested in Government Companies and ₹ 17.35 crore was invested in Co-operative Bank, Societies, etc. During the current year, the State Government invested ₹ 97 lakh in Government Companies and ₹ 11.92 lakh in Consumer Co-operatives. No dividend was received during 2013-14. ***The average return on this investment was Nil in the last five years while the Government paid an average interest rate ranging from 2.60 per cent to 7.02 per cent on its borrowings during 2009-14 (Table-1.28).***

**Table-1.28: Return on Investment**

(₹ in crore)

Investment/Return/Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)	19.00	19.27	19.77	20.91	22.27
Return (₹ in crore)	--	--	--	--	--
Return (per cent)	--	--	--	--	--
Average rate of interest on Government borrowing (per cent)	7.02	2.60	6.08	5.96	5.31
Difference between interest rate and return (per cent)	7.02	2.60	6.08	5.96	5.31

Six working Government had accumulated losses of ₹ 58.40 crore as per latest finalised annual accounts (Mizoram Electronic Development Corporation Ltd., ₹ 4.31 crore in 2001-2002; Mizoram Food and Allied Industries Corporation Ltd., ₹ 19.33 crore in 2010-2011; Mizoram Handloom and Handicraft Development Corporation Ltd., ₹ 8.23 crore in 2003-2004; Zoram Industrial Development Corporation Ltd., ₹ 20.09 crore in 2011-12; Mizoram Agricultural Marketing Corporation Ltd., ₹ 6.43 crore in 2008-2009 and Mizoram Mineral Development Corporation Ltd., ₹ 0.01 crore in 2012-13).

A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to increase profitability and improve efficiency in service.

Although the Government could not comply with the Thirteenth Finance Commission recommendation, as a positive step in that direction, the Finance Department has engaged<sup>5</sup>

<sup>5</sup> Source: Fiscal Policy Strategy Statement, Government of Mizoram, 2013-14



specialist to submit specific recommendations to the State Government to restructure and revive some of the PSUs.

### 1.9.3 Loans and Advances by the State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisations. **Table-1.29** presents the outstanding loans and advances as on 31 March 2014, interest receipts *vis-à-vis* interest payments during the last three years.

**Table-1.29: Average Interest received on Loans advanced by the State Government**

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2011-12	2012-13	2013-14
<b>Opening Balance</b>	<b>245.04</b>	<b>250.76</b>	<b>251.53</b>
Amount advanced during the year	33.52	30.25	30.71
Amount repaid during the year	27.80	29.48	33.11
<b>Closing Balance</b>	<b>250.76</b>	<b>251.53</b>	<b>249.13</b>
<b>Of which Outstanding balance for which terms and conditions have been settled</b>			
Net addition	(+) 5.72	(+) 0.77	(-) 2.40
Interest Receipts	3.03	7.69	1.34
(a) Interest receipts as <i>per cent</i> to outstanding Loans and Advances	1.21	3.06	0.54
(b) Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	6.05	5.63	5.07
(c) = (b) – (a) Difference between interest payments and interest receipts ( <i>per cent</i> )	4.84	2.57	4.53

The total amount of outstanding Loans and Advances as on 31 March 2014 was ₹ 249.13 crore. The amount of loans disbursed during the year increased marginally from ₹ 30.25 crore in 2012-13 to ₹ 30.71 crore in 2013-14. Out of the total amount of loans advanced during the year, ₹ 4.00 crore was disbursed to social services, ₹ 0.29 crore to economic services and ₹ 26.42 crore to Government servants. Under the social services, the amount of ₹ 4.00 crore was disbursed to Housing only and in economic services the amount of ₹ 0.29 crore was disbursed to Co-operation. The recovery of loans and advances increased by ₹ 3.63 crore from ₹ 29.48 crore in 2012-13 to ₹ 33.11 crore in 2013-14 mainly on account of increase in recovery under loans to Government Servants (₹ 3.43 crore) and loans for Co-operation (₹ 0.30 crore) which was offset by a decrease in recovery under loans for Housing (₹ 0.09 crore).

**Interest received against these loans and advances significantly decreased from ₹ 7.69 crore in 2012-13 to ₹ 1.34 crore in 2013-14 and as a result the interest receipt to outstanding loans stood at 0.54 per cent during 2013-14.**

### 1.9.4 Cash Balances and Investment of Cash Balances

It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances from RBI has been put in place. The operative limit for Ordinary Ways and Means Advances is reckoned on the three years average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by the RBI from time to time depending on the holding of Government securities. The limit for Ordinary Ways and Means Advances to the State Government was ₹ 55.00 crore with effect from 1 April 2006. The limit for Special Ways and Means Advances is being revised by the RBI from time to time. Under an agreement with the Reserve Bank of India, the State Government has to maintain a minimum daily cash balance of ₹ 0.20 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking Ordinary and Special Ways and Means Advances/Overdrafts from time to time.

The position of Ways and Means Advances and Overdraft is shown in the **Table-1.30**.

**Table-1.30: Ways and Means Advances and Overdraft**

	2009-10	2010-11	2011-12	2012-13	2013-14
(₹ in crore)					
<b>Ordinary and Special Ways &amp; Means Advances</b>					
Availed in the year	1.37	163.36	71.39	166.58	561.73
Outstanding WMAs	12.13	27.21	46.45	115.77	14.11
Interest paid	0.09	0.09	0.03	0.04	0.66
Number of days	19	21	11	6	62
<b>Overdraft</b>					
Availed in the year	--	--	--	--	172.80
Outstanding Overdraft	--	--	--	--	(-) 31.62
Interest paid	--	--	--	--	--
Number of days	--	--	--	--	3

The State was able to maintain a minimum balance of ₹ 0.20 crore with the Reserve Bank for 300 days during 2013-14 except three days on which the Government had to resort to Overdraft facility in addition to availing Ordinary and Special Ways & Means Advances during 2013-14 for 24 days and 38 days respectively, against which an interest of ₹ 0.66 crore was paid. The State resorted to Ways and Means Advances of ₹ 561.73 crore and repaid ₹ 648.31 crore leaving an unpaid balance of ₹ 14.11 crore as on 31 March 2014. Also, the State availed Overdraft facility of ₹ 172.80 crore and repaid an amount of ₹ 219.50 crore leaving a balance of (-) 31.62 crore as on 31 March 2014.

The cash balances and investments made by the State Government out of cash balances during 2013-14 are shown in **Table-1.31**.

**Table-1.31: Cash Balances and Investment of Cash Balances**

(₹ in crore)

Particulars	Opening Balance on 1 April 2013	Closing Balance on 31 March 2014
<b>(a) General Cash Balance</b>		
Cash in Treasuries	---	---
Remittance in transit (local)	---	---
Deposit with Reserve Bank <sup>6</sup>	(-) 101.64	(-) 143.73
<b>Total</b>	<b>(-) 101.64</b>	<b>(-) 143.73</b>
Investment held in Cash Balance investment account	(-) 291.51	(-) 265.33
<b>Total (a)</b>	<b>(-) 393.15</b>	<b>(-) 409.06</b>
<b>(b) Other Cash Balances and Investments</b>		
Cash with Departmental Officers viz. Forest Officers and Public Work Officers	(-) 4.77	(-) 4.77
Permanent Advances for contingent expenditure with Departmental Officers	---	---
Investments of Earmarked Funds	135.40	161.80
<b>Total (b)</b>	<b>130.63</b>	<b>157.03</b>
<b>Grand Total (a) + (b)</b>	<b>(-) 262.52</b>	<b>(-) 252.03</b>

Cash balance of the State Government at the end of the current year decreased by ₹ 10.49 crore from ₹ 262.52 crore in 2012-13 to ₹ 252.03 crore in 2013-14. There was also a difference of ₹ 57.43 crore (net credit) at the end of the accounting year 2013-14 between the Cash Balance as worked out by the Principal Accountant General and as reported by the Reserve Bank of India. This difference is mainly due to erroneous reporting by the accredited banks to the Reserve Bank of India, Nagpur which is responsible for maintaining the Cash Balance of the State Government.

The investment from cash balances decreased by ₹ 26.18 crore from ₹ 291.52 crore in 2012-13 to ₹ 265.33 crore in 2013-14 against which an amount of ₹ 6.48 crore was realized as interest. Further, during the year, the Government appropriated an amount of ₹ 20.90 crore from revenue and credited to Consolidated Sinking Fund which was constituted during 2000-01 for redemption of open market loans, for investment in the Government of India Securities. As a result the balance as on 31 March 2014 was ₹ 156.30 crore for amortisation of long term loans. In addition, as of 31 March 2014 there was a balance of ₹ 5.50 crore in investment under Guarantee Redemption Fund.

### 1.9.5 Outstanding balances under the head 'Cheques and Bills'

The major head '8670 – Cheques and Bills' is an intermediary account head for initial records of transaction which are to be cleared eventually. Outstanding balance under '8670 – Cheques

<sup>6</sup> Balance under the head 'Deposits with Reserve Bank' is arrived after taking into account the Inter Government monetary settlements pertaining to transactions of financial year 2013-14 advised to the RBI 31 March 2014

and Bills' represents the amount of unencashed cheques. There was no transaction under this head during the period 2009-10 to 2013-14 and the balance of ₹ 0.15 crore continues to remain in this head for the last five years.

## 1.10 Assets and Liabilities

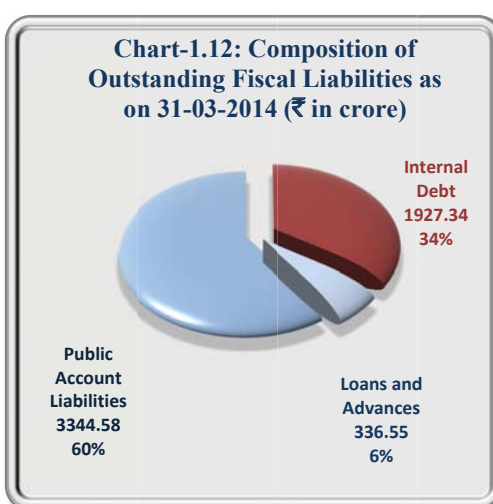
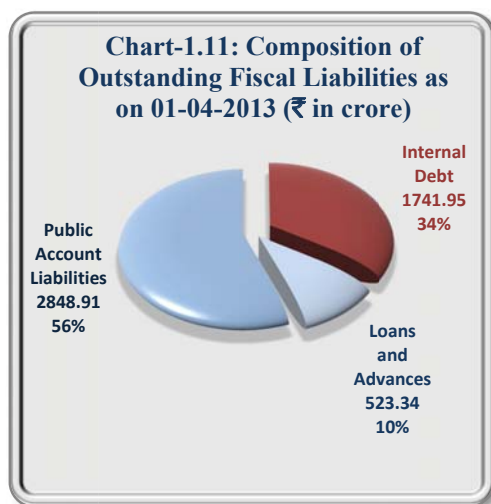
### 1.10.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings 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. **Appendix-1.3** gives an abstract of such liabilities and the assets as on 31 March 2014, compared with the corresponding position on 31 March 2013. While the liabilities in this Appendix consist mainly of internal debt (Market loans, Loans from Banks and Financial Institutions, Ways and Means Advances from RBI, etc.), loans and advances from the GoI and receipts from the Public Accounts (Small Savings, Provident Fund etc., Reserve Funds (Gross) and Deposits), the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

The FRBM Act, 2006 of the State defined total liabilities as “The explicit liabilities under the Consolidated Fund of the State and the Public Account of the State including General Provident Fund”.

### 1.10.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix-1.4**. The compositions of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Charts-1.11** and **1.12**.



**Table-1.32** gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, revenue receipts and to State's own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

**Table-1.32: Fiscal Liabilities – Basic Parameters**

	2009-10	2010-11	2011-12	2012-13	2013-14
Fiscal Liabilities# (₹ in crore)	3,627.69	4,496.86	4,548.45	5,114.20	5,608.47
Rate of Growth ( <i>per cent</i> )	0.38	23.96	1.15	12.44	9.66
<b>Ratio of Fiscal Liabilities to:</b>					
GSDP ( <i>per cent</i> )	64.56	74.23	65.06	63.51	54.47
Revenue Receipts ( <i>per cent</i> )	122.41	157.49	118.92	112.73	117.71
Own Resources ( <i>per cent</i> )	1,549.70	1,622.48	1,310.41	1,173.12	1,322.63
<b>Buoyancy of Fiscal Liabilities with reference to:</b>					
GSDP (ratio)	0.02	3.05	0.07	0.82	0.35
Revenue Receipts (ratio)	0.03	(-) 6.51	0.03	0.67	1.92
Own Resources (ratio)	(-) 0.05	1.30	0.05	0.49	(-) 3.54

# Includes Internal Debt (Market loans, Loans from Banks and Financial Institutions, Ways and Means Advances from RBI, etc.), Loans and Advances from GoI, receipts from the Public Accounts (Small Savings, Provident Fund etc., Reserve Funds (Gross) and Deposits)

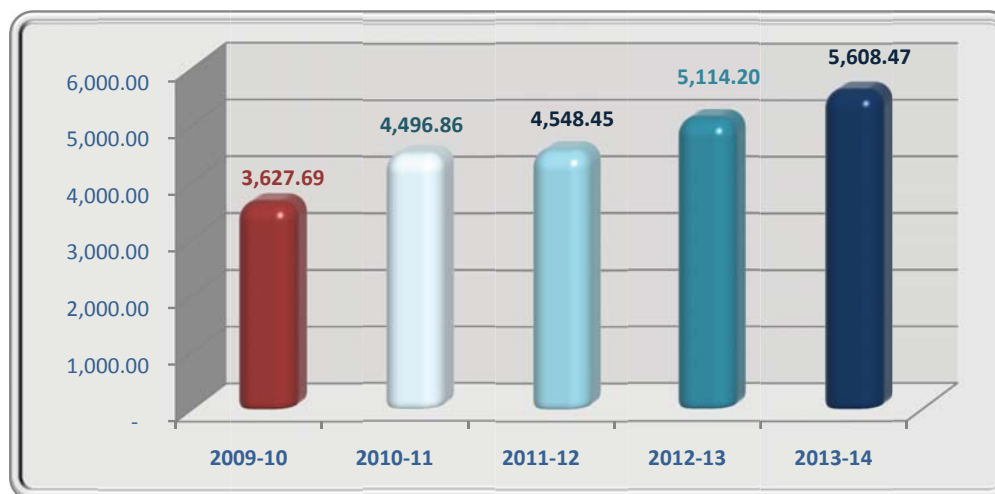
The overall fiscal liabilities of the State increased at an average annual rate of 10.92 *per cent* during the period 2009-14. During the current year, the overall fiscal liabilities of the State Government increased by ₹ 494.27 crore (9.66 *per cent*) from ₹ 5,114.20 crore in 2012-13 to ₹ 5,608.47 crore in 2013-14. The increase in fiscal liabilities was mainly due to increase in the Public Account liabilities by ₹ 495.69 crore and Internal Debt by ₹ 185.38 crore, offset by a decrease in Loans and Advances by ₹ 186.80 crore. **The ratio of fiscal liabilities to GSDP has decreased from 63.51 per cent in 2012-13 to 54.47 per cent in 2013-14, however, the ratio of fiscal liabilities to revenue receipts increased from 112.73 per cent in 2012-13 to 117.71 per cent in 2013-14 and with respect to Own resources it increased from 1,173.12 per cent in 2012-13 to 1,322.63 per cent in 2013-14.** The buoyancy of these liabilities with respect to GSDP during the year was 0.35, however, with respect to revenue receipts it was 1.92 indicating that for each one *per cent* increase in revenue receipts, fiscal liabilities grew by 1.92 *per cent*. The buoyancy of fiscal liabilities with respect to own resources was (-) 3.54. To achieve the target of reducing the debt stock, the XIII FC has made projections for the Mizoram State to reduce total outstanding debt as a percentage of Gross State Domestic Product, so as to reach the annual target of 87.30 *per cent* in 2010-11, 85.70 *per cent* in 2011-12, 82.90 *per cent* in 2012-13, 79.20 *per cent* in 2013-14 and 74.80 *per cent* in 2014-15, which has been adopted by the State Government by an amendment in the Mizoram Fiscal Responsibility and Budget Management (MZFRBM) Act, 2006. Against the target for the current year, the outstanding fiscal liabilities of the State at the end of the year 2013-14 stood at 54.47 *per cent* of GSDP. In line with the recommendation of the Twelfth Finance Commission, the State

Government has set up sinking fund for amortisation of market borrowings as well as other loans and debt obligations.

The increasing position of fiscal liabilities during 2009-14 is depicted in the bar chart below:

**Chart-1.13: Trend showing Fiscal Liabilities during 2009-14**

(₹ in crore)



### 1.10.3 Transactions under Reserve Fund

Reserves and Reserve Funds are created for specific and well defined purposes under the Sector 'J' in the accounts of the State Government (Public Account). These funds are fed by contributions or grants from the Consolidated Fund of India or State. The contributions are treated as expenditure and accounted under the Consolidated Fund for which the vote of the legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the fund is transferred to Public Account under the concept of gross budgeting through an operation of deduct entry in accounts. The funds may be further classified as 'Funds carrying interest' and 'Funds not carrying interest'.

The total accumulated balance at the end of 31 March 2014 in Reserve Funds was ₹ 170.51 crore, out of which, ₹ 161.80 crore (94.89 per cent) was invested. The Reserve Funds are as under:

#### (a) Consolidated Sinking Fund (CSF)

Following the recommendations of the Tenth Finance Commission, the Reserve Bank enabled the creation of a Consolidated Sinking Fund (CSF) in 1999 to provide the State with a cushion for repayment of open market loans, whereby the States were to contribute 1 - 3 per cent of their outstanding open market loans as at the end of the previous year. Subsequently, the ambit of the CSF was expanded in 2006-07 to include amortisation of all the liabilities with the stipulated contribution of minimum 0.50 per cent of the outstanding liabilities of the State as at the end of the previous financial year.

During 2013-14, the State Governments contribution was ₹ 20.90 crore, against the required amount of ₹ 25.57 crore (0.50 *per cent* of the total outstanding liabilities of the Government of Mizoram as on 31 March 2013 *i.e.*, ₹ 5,114.21 crore). As on 31 March 2014, an amount of ₹ 156.30 crore was credited in Consolidated Sinking Fund, which was 3.06 *per cent* of outstanding liabilities of the previous financial year.

**(b) Guarantee Redemption Fund (GRF)**

Guarantee Redemption Fund (GRF) was set up in the State with initial corpus of ₹ 50 lakh to meet the possible invoking of the guarantees given by the State Government to the loans raised by its entities. The State Government was required to contribute an amount equivalent to at least 1/5<sup>th</sup> of the outstanding guarantees during the year. During 2013-14, the State Government transferred ₹ 2.00 crore to the Guarantee Redemption Fund against the required amount of ₹ 21.68 crore (1/5<sup>th</sup> of outstanding guarantee of ₹ 108.39 crore as on 31 March 2013). The balance in the Fund as on 31 March 2014 was ₹ 5.50 crore which has been invested and no guarantee was invoked during the year.

**(c) State Disaster Response Fund (SDRF)**

The State Government replaced the existing Calamity Relief Fund (CRF) and created the “State Disaster Response Fund” (SDRF) in 2010-11 as per the recommendation of the Thirteen Finance Commission. The recommendation of the Thirteenth Finance Commission envisaged that the Centre and the State were to contribute to the fund in the proportion 90:10. The SDRF had an opening balance of ₹ 5.35 crore at the beginning of the year and an amount of ₹ 8.71 crore and ₹ 0.97 crore was released by the Central and the State Government respectively against which an expenditure of ₹ 7.83 crore was incurred during the year from the fund. The fund had a closing balance of ₹ 7.20 crore as on 31 March 2014.

**1.10.4 Status of Guarantees – Contingent liabilities**

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table-1.33**.

**Table-1.33: Guarantees given by the Government of Mizoram**

(₹ in crore)

Guarantees	2011-12	2012-13	2013-14
Maximum amount guaranteed	243.34	243.84	273.94
Outstanding amount of guarantees	232.19	223.13	108.39
Revenue Receipts	3,824.90	4,536.74	4,764.85
Percentage of maximum amount guaranteed to revenue receipts	6.36	5.37	5.75



The State Government had guaranteed loans raised by various corporations and others which at the end of 2013-14 stood at ₹ 108.39 crore. The maximum amount guaranteed during 2013-14 stood at ₹ 273.94 crore out of which the major extension of fresh guarantees were towards Mizoram Cooperative Apex Bank Ltd. (₹ 102.75 crore), Zoram Industrial Development Corporation Limited (₹ 59.67 crore), Consortium Bank Credit (CBC) scheme (₹ 44.28 crore), MCA (₹ 25.00 crore) and MUCO Bank Ltd. (₹ 20.17 crore) in the current year. The outstanding guarantees were 5.75 per cent of the revenue receipts of the Government and it is pertinent to note that if the liabilities arising out of the outstanding guarantees are added to the fiscal liabilities of the State Government at the close of the current year, the ratio of total liabilities to GSDP would increase from 54.47 per cent to 55.52 per cent.

### 1.11 Debt Management

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability<sup>7</sup> of the State. The Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between cost of additional borrowings with return from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation<sup>8</sup>, sufficiency of non-debt receipts<sup>9</sup>, net availability of borrowed funds<sup>10</sup>, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table-1.34** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2009-10.

**Table-1.34: Debt Sustainability: Indicators and Trends**

Indicators of Debt Sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
<b>Debt Stabilization (Quantum Spread + Primary Deficit)</b>	501.99 + (-) 57.27 = 444.72	188.64 + (-) 913.90 = (-) 725.26	419.56 + (-) 203.27 = 216.29	419.82 + (-) 292.34 = 127.48	1,153.25 + (-) 464.62 = 688.63
<b>Sufficiency of Non-debt Receipts (Resource Gap)</b>	(-) 217.36	(-) 707.86	541.06	(-) 102.07	(-) 168.63
<b>Net Availability of Borrowed Funds</b>	(-) 240.73	763.60	(-) 218.51	277.60	209.75
<b>Burden of Interest Payments (IP/RR Ratio)</b>	8.58	3.70	7.19	6.35	5.97

<sup>7</sup> As defined in Appendix 1.1.C

<sup>8</sup> As defined in Appendix 1.1.C

<sup>9</sup> As defined in Appendix 1.1.C

<sup>10</sup> It indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds



Maturity Profile of State Debt (In Years)		(₹ in crore)	
Maturity Profile <sup>(a)</sup>	Amount	Per cent	
0 – 1	803.39	17.84	
1 – 3	1,039.33	23.07	
3 – 5	783.82	17.40	
5 – 7	760.97	16.89	
<b>Sub-total (A)</b>	<b>3,387.51</b>	<b>75.21</b>	
7 – 9	616.54	13.69	
9 – 11	403.33	8.95	
11 – 13	58.56	1.30	
13 – 15	26.72	0.59	
15 and above	11.67	0.26	
<b>Sub-total (B)</b>	<b>1,116.82</b>	<b>24.79</b>	
<b>Total (A +B)</b>	<b>4,504.33</b>	<b>100.00</b>	

<sup>(a)</sup> As per Finance Accounts

During the current year, the sum of quantum spread and primary deficit remained positive indicating that the debt-GSDP ratio is stable. The sum of quantum spread and primary deficit increased considerably by ₹ 561.54 crore from ₹ 127.09 crore during 2012-13 to ₹ 688.63 crore during 2013-14, which was attributable to increase in quantum spread (quantum spread increased due to increase in the growth rate of GSDP) in 2013-14 to ₹ 1,153.25 crore as compared to quantum spread of ₹ 419.82 crore in 2012-13. This indicated improved debt stability *vis-à-vis* GSDP during the current year (mainly due to high growth rate of GSDP in 2013-14) compared to the previous year and hence the debt-GSDP ratio would eventually be falling in the upcoming years if the growth rate of GSDP is sustained at the current level.

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Negative resource gap indicates non-sustainability of debt while positive resource gap indicates sustainability of debt. Widening of the resource gap from a (-) ₹ 102.27 crore during 2012-13 to (-) ₹ 168.63 crore during 2013-14 indicates depreciating capacity of the State to sustain the debt from the non-debt receipts in the medium to long run. This also meant the State had to depend on borrowed funds for meeting current revenue and capital expenditure.

Debt sustainability also depends on the ratio of debt redemption (principal + interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

During 2013-14, against debt receipt of ₹ 2,714.65 crore, debt redemption and interest payment was ₹ 2,504.90 crore, leaving ₹ 209.75 crore for purposes other than debt redemption and for servicing of past liabilities of the State.

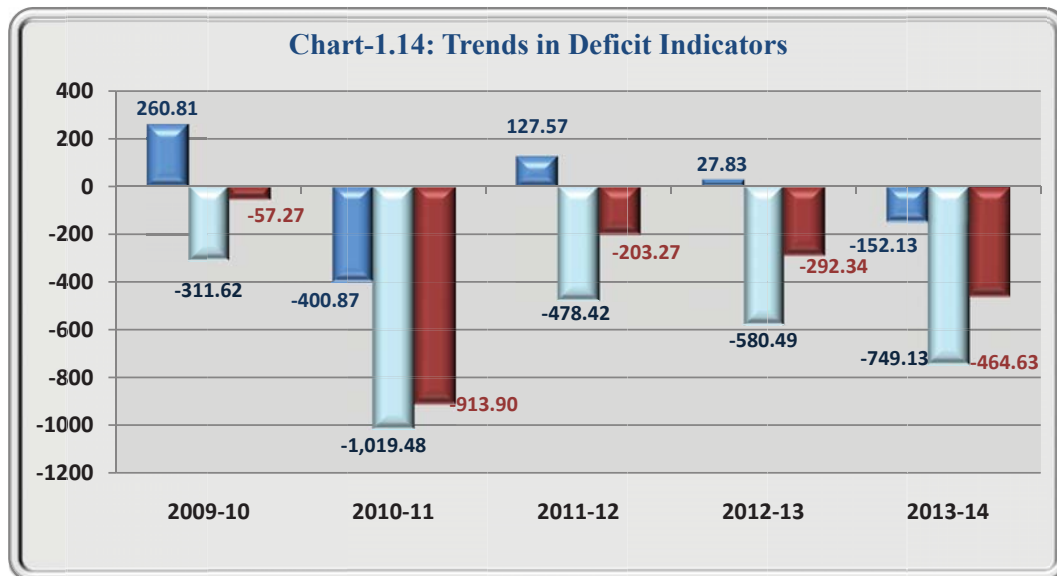
The maturity profile of the State's debt during the current year indicates that out of the outstanding debt stock of ₹ 4,504.33 crore, around 75.21 *per cent* (₹ 3,387.51 crore) is payable within the next seven years while the remaining 24.79 *per cent* (₹ 1,116.82 crore) are to be paid in more than seven years' time. Since there was no fiscal surplus during the last five years (2009-14), the Government will have to borrow further to discharge the repayment obligations unless there is adequate fiscal surplus. Ideally, further borrowings in future should be made in such a way that there is no bunching of repayments in any particular year as that will cause undue stress on the budget.

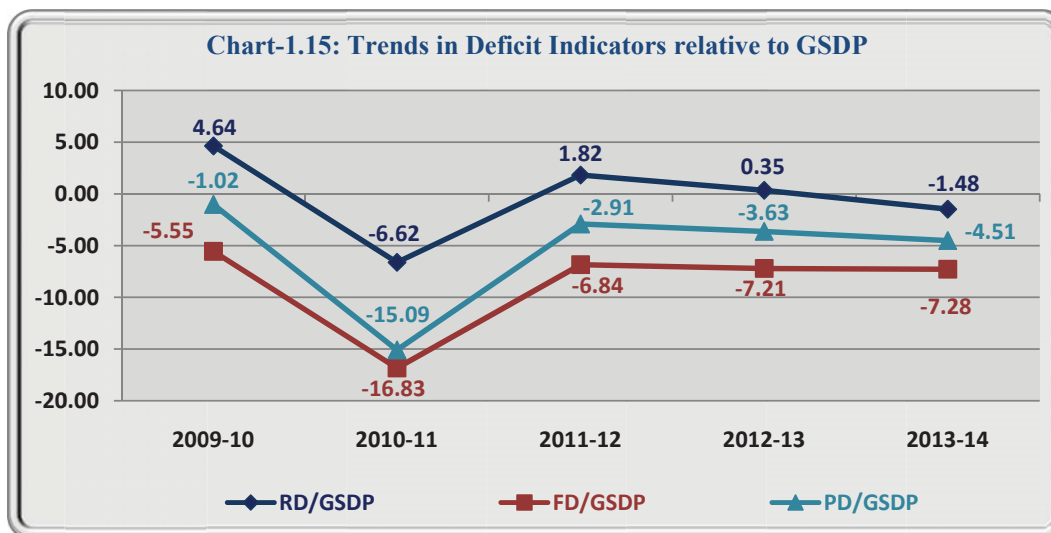
## 1.12 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government Accounts represents 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 and the resources raised and applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2013-14.

### 1.12.1 Trends in Deficits

Charts-1.14 and 1.15 present the trends in deficit indicators over the period 2009-14.





**Chart-1.14** reveals that the depreciation in revenue surplus by ₹ 179.96 crore in 2013-14 over the previous year was due to increase in revenue expenditure by 9.05 per cent, although the revenue receipt was higher by 5.03 per cent. Due to increase of ₹ 400.38 crore in total expenditure in 2013-14 over the previous year, the position of both fiscal deficit and primary deficit also deteriorated. While fiscal deficit increased by ₹ 168.64 crore, primary deficit had increased by ₹ 172.29 crore over the previous year. Interest payment (₹ 284.50 crore) alone accounted for 37.98 per cent of the fiscal deficit (₹ 749.13 crore) and as such obligations of past liabilities formed major portion of the fiscal deficit in the current year. Interest bearing borrowing<sup>11</sup> of ₹ 955.24 crore in 2013-14 as compared to ₹ 420.28 crore in the previous year may amplify the interest burden in the coming years. A cautious and prudent management of expenditure and revenue mobilization needs to be taken up so that financial position returns to a comfortable state.

### 1.12.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table-1.35**:

**Table-1.35: Components of Fiscal Deficit and its Financing Pattern**

(₹ in crore)

Particulars		2009-10	2010-11	2011-12	2012-13	2013-14
<b>Decomposition of Fiscal Deficit</b>		<b>(-) 311.62</b>	<b>(-) 1,019.48</b>	<b>(-) 478.42</b>	<b>(-) 580.49</b>	<b>(-) 749.13</b>
1	Revenue Surplus/Deficit	(+) 260.81	(-) 400.87	(+) 127.57	(+) 27.83	(-) 152.13
2	Net Capital Expenditure	(-) 572.80	(-) 614.71	(-) 600.27	(-) 607.55	(-) 599.40
3	Net Loans and Advances	(+) 0.37	(-) 3.90	(-) 5.72	(-) 0.77	(+) 2.40

<sup>11</sup> Includes only Internal debt and Loans and Advances from Central Government

Particulars		2009-10	2010-11	2011-12	2012-13	2013-14
<b>Financing Pattern of Fiscal Deficit*</b>						
1	Market Borrowings	(-) 58.61	256.56	9.92	67.78	229.60
2	Loans from GoI	13.30	(-) 22.04	4.25	(-) 18.61	(-) 186.80
3	Special Securities Issued to NSSF	8.18	18.71	7.11	18.41	7.73
4	Loans from Financial Institutions	(-) 97.76	16.01	(-) 42.68	71.22	(-) 47.40
5	Compensation and other Bonds	(-) 4.56	(-) 4.56	(-) 4.55	(-) 4.56	(-) 4.56
6	Small Savings, PF etc.	43.58	275.91	115.72	196.33	309.95
7	Deposits and Advances	105.49	333.44	(-) 32.42	230.33	183.78
8	Suspense and Misc.	292.16	209.58	453.72	(-) 51.79	206.48
9	Remittances	(-) 39.96	(-) 35.83	57.03	(-) 18.50	6.41
10	Reserve Fund	4.03	(-) 4.37	0.11	5.39	1.85
11	Increase/decrease in Cash Balance with RBI	45.77	(-) 23.93	(-) 89.79	84.49	42.09
12	<b>Overall Deficit (1 to 11) (% of GSDP)</b>	<b>(-) 311.62 (5.55)</b>	<b>(-) 1,019.48 (16.83)</b>	<b>(-) 478.42 (6.84)</b>	<b>(-) 580.49 (7.21)</b>	<b>(-) 749.13 (7.28)</b>
* All these figures are net of disbursements/outflows during the year						

It can be seen from **Table-1.40** that there was *fiscal deficit during the last five years with lowest deficit in 2009-10 (₹ 311.62 crore), however, the fiscal deficit has drastically deteriorated since 2010-11 and finally stood at ₹ 749.13 crore during 2013-14*. During 2013-14, fiscal deficit was primarily financed by Small Savings, PF etc., Market Borrowings, Suspense and Miscellaneous, Deposits and Advances and Cash Balance with RBI.

*The solution to the Government debt problem lies in the method of application of borrowed funds i.e., whether they are being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy which may result in increase in Government revenue in future, making debt payments manageable.*

### 1.12.3 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) was not having any asset backup. The bifurcation of the primary deficit (**Table-1.36**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which might be necessary to improve the productive capacity of the State's economy.

**Table-1.36: Primary Deficit/Surplus – Bifurcation of factors**

(₹ in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit (-)/surplus (+)	Primary deficit (-)/surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2009-10	2,988.82	2,448.35	572.80	24.94	3,046.09	(+) 540.47	(-) 57.27
2010-11	2,881.34	3,150.66	614.71	29.87	3,795.24	(-) 269.32	(-) 913.90
2011-12	3,852.70	3,422.18	600.27	33.52	4,055.97	(+) 430.52	(-) 203.27
2012-13	4,566.22	4,220.76	607.55	30.25	4,858.56	(+) 345.46	(-) 292.34
2013-14	4,797.96	4,632.48	599.40	30.70	5,262.58	(+) 165.48	(-) 464.62

The non-debt receipts of the State during 2009-10 to 2013-14 were sufficient to meet the primary revenue expenditure except during 2010-11. During 2012-13 and 2013-14 the non-debt receipt was in excess of the primary revenue expenditure by ₹ 345.46 crore and ₹ 165.48 crore respectively. The non-debt receipts of the State increased by 5.08 *per cent* from ₹ 4,566.22 crore in 2012-13 to ₹ 4,797.96 crore in 2013-14 which was more than the primary expenditure by ₹ 165.48 crore. The proportion of capital expenditure decreased during the current year over the previous years by ₹ 8.15 crore.

### 1.13 Conclusion and Recommendations

#### *Conclusion*

**Revenue receipts** increased by ₹ 228.11 crore (5.03 *per cent*) over the previous year mainly due to increase in Grants-in-Aid (₹ 167.89 crore). The revenue receipt (₹ 4,764.85 crore) was lower by ₹ 274.57 crore (5.45 *per cent*) than the assessment of the State Government in its Fiscal Correction Path (FCP) (₹ 5,039.42 crore).

#### *Revenue Expenditure and Capital Expenditure*

**Revenue expenditure** increased by ₹ 408.07 crore (9.05 *per cent*) while **capital expenditure** decreased by ₹ 8.15 crore (1.34 *per cent*) over the previous year. Revenue expenditure was higher by ₹ 259.37 crore (5.57 *per cent*) over the assessment made by the State Government in its FCP (₹ 4,657.61 crore) while, capital expenditure was higher by ₹ 281.19 crore (32.67 *per cent*) over the projection made by the State Government in its FCP (₹ 451.80 crore).

The total expenditure of the State increased progressively from ₹ 3,300.44 crore in 2009-10 to ₹ 5,547.09 crore in 2013-14 at an annual average rate of 13.61 *per cent* and increased by 7.78 *per cent* from ₹ 5,146.71 crore in 2012-13 to ₹ 5,547.09 crore in 2013-14. Of the total expenditure during 2013-14, the revenue expenditure (₹ 4,916.98 crore) constituted 88.64 *per cent* while capital expenditure (₹ 599.40 crore) constituted 10.81 *per cent* and loans and advances (₹ 30.71 crore) constituted 0.55 *per cent*.

*The breakup of total expenditure in terms of plan and non-plan expenditure* during 2013-14 reveals that while the share of plan expenditure of ₹ 2,312.59 crore constituted 41.69 *per cent* of the total expenditure, the remaining 58.31 *per cent* (₹ 3,234.50 crore) was non-plan expenditure. Moreover, out of the increase of ₹ 400.38 crore in total expenditure in 2013-14, plan expenditure constituted 3.57 *per cent* (₹ 14.31 crore) while non-plan expenditure contributed 96.43 *per cent* (₹ 386.07 crore).

#### *Fiscal liabilities*

The overall fiscal liabilities of the State increased at an average annual rate of 10.92 *per cent* during the period 2009-14. During the current year, the overall fiscal liabilities of the State Government increased by ₹ 494.27 crore (9.66 *per cent*) from ₹ 5,114.20 crore in 2012-13 to ₹ 5,608.47 crore in 2013-14. The increase in fiscal liabilities was mainly due to increase in the Public Account liabilities by ₹ 495.69 crore and Internal Debt by ₹ 185.38 crore, offset by a decrease in Loans and Advances by ₹ 186.80 crore. ***The ratio of fiscal liabilities to GSDP has decreased from 63.51 per cent in 2012-13 to 54.47 per cent in 2013-14, however, the ratio of fiscal liabilities to revenue receipts increased from 112.73 per cent in 2012-13 to 117.71 per cent in 2013-14 and with respect to Own resources it increased from 1,173.12 per cent in 2012-13 to 1,322.63 per cent in 2013-14.*** The buoyancy of these liabilities with respect to GSDP during the year was 0.35, however, with respect to revenue receipts it was 1.92 indicating that for each one *per cent* increase in revenue receipts, fiscal liabilities grew by 1.92 *per cent*. The buoyancy of fiscal liabilities with respect to own resources was

(-) 3.54. Against the target of 79.20 *per cent* set by the XIII FC for the current year, the outstanding fiscal liabilities of the State at the end of the year 2013-14 stood at 54.47 *per cent* of GSDP.

### *Investment and Returns*

As of 31 March 2014, Government had invested ₹ 22.27 crore in Government Companies and Co-operative Bank, Societies, *etc.* out of which an amount of ₹ 4.92 crore was invested in Government Companies and ₹ 17.35 crore was invested in Co-operative Bank, Societies, *etc.* During the current year, the State Government invested ₹ 97 lakh in Government Companies and ₹ 11.92 lakh in Consumer Co-operatives. No dividend was received during 2013-14. ***The average return on this investment was Nil in the last five years while the Government paid an average interest rate ranging from 2.60 per cent to 7.02 per cent on its borrowings during 2009-14.***

### *Debt sustainability*

During the current year, the sum of quantum spread and primary deficit remained positive indicating that the debt-GSDP ratio is stable. The sum of quantum spread and primary deficit increased considerably by ₹ 561.54 crore from ₹ 127.09 crore during 2012-13 to ₹ 688.63 crore during 2013-14, which was attributable to increase in quantum spread (quantum spread increased due to increase in the growth rate of GSDP) in 2013-14 to ₹ 1,153.25 crore as compared to quantum spread of ₹ 419.82 crore in 2012-13. This indicated improved debt stability *vis-à-vis* GSDP during the current year (mainly due to high growth rate of GSDP in 2013-14) compared to the previous year and hence the debt-GSDP ratio would eventually be falling in the upcoming years if the growth rate of GSDP is sustained at the current level.

Widening of the resource gap from a (-) ₹ 102.27 crore during 2012-13 to (-) ₹ 168.63 crore during 2013-14 indicates depreciating capacity of the State to sustain the debt from the non-debt receipts in the medium to long run. This also meant the State had to depend on borrowed funds for meeting current revenue and capital expenditure.

### *Cash Balances*

Cash balance of the State Government at the end of the current year decreased by ₹ 10.49 crore from ₹ 262.52 crore in 2012-13 to ₹ 252.03 crore in 2013-14. There was also a difference of ₹ 57.43 crore (net credit) at the end of the accounting year 2013-14 between the Cash Balance as worked out by the Principal Accountant General and as reported by the Reserve Bank of India. This difference is mainly due to erroneous reporting by the accredited banks to the Reserve Bank of India, Nagpur which is responsible for maintaining the Cash Balance of the State Government.

### *Fiscal Imbalances*

Due to increase of ₹ 400.38 crore in total expenditure in 2013-14 over the previous year, the position of both fiscal deficit and primary deficit also deteriorated. While fiscal deficit increased by ₹ 168.63 crore, primary deficit had increased by ₹ 172.28 crore over the previous year.



**Recommendations****Revenue Receipts**

*The State Government should mobilize additional resources both through tax and non-tax sources by expanding the tax base and rationalizing user charges. It should also make efforts to collect revenue arrears. Efforts should also be made to increase tax compliance and reduce tax administration costs so that deficits are contained. The State Government should ensure that the Government of India releases all grants due to the State by taking timely action on all conditionalities that are pre-requisite to the release. There is an urgent need to improve collection of tax and non-tax revenues so that dependence on borrowed funds could be reduced.*

**Prioritisation of Expenditure**

*The Government should also focus on expenditure management to bring about qualitative improvement in the public spending. The State Government should initiate action to restrict the components of non-plan revenue expenditure by phasing out implicit subsidies and resort to need-based borrowings to curb interest and principal payments. In view of the improvement achieved in revenue surplus and reduction of fiscal deficit, the State Government should put in place more stringent fiscal reforms measures to maintain a sustainable space to provide scope for fiscal stability. As such there is an urgent need to apply due prudence in expenditure pattern so that the resource gap remains within manageable controls of the fiscal capability of the State.*

*The increasing revenue expenditure should be curtailed as it poses a threat to the State Government's capability to maintain revenue surplus and to build up the accumulated revenue surplus for financing the capital investment. In order to meet the yearly increments of revenue expenditure, the Government has to generate its own resources.*

**Debt Sustainability**

*Recourse to borrowed funds in future should be carefully assessed and managed so that the recommendations of the Thirteenth Finance Commission to bring Fiscal Liabilities-GSDP could be achieved by 2014-15. Maintaining a calendar of borrowings to avoid bunching towards the end of the fiscal year will ensure that market borrowings are sourced optimally. A clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.*

**Government Investments**

*A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to ensure profitability and improve efficiency in service. The Government should have a re-look on the re-structuring of the loss-making Companies so as to curb the increasing debt burden of the Government.*