

## CHAPTER I FINANCES OF THE STATE GOVERNMENT

### Profile of Sikkim

Sikkim is a sparsely populated State situated in the Eastern Himalayas. It became a part of the Indian Union on 16 May 1975. It has a total area of 7,096 sq. km which constitutes 0.22 *per cent* of the total geographical area of India. Sikkim being landlocked, National Highway 10 is the only lifeline which connects the State with the rest of the country. Sikkim has four districts and nine sub-divisions and has also been included in the North Eastern Council (NEC) since December 2002.

According to the Census of India 2011, the population of Sikkim stood at 6.11 lakh and the percentage of rural population of the State (75 *per cent*) was more than the average on all India basis (69 *per cent*). The literacy rate of Sikkim was 81.42 *per cent* as against the All India Literacy rate of 74.04 *per cent*. Similarly, the infant mortality rate at 26 per 1,000 live births was better than the All India average of 40 per 1,000 births recorded in 2013 by the Sample Registration System of the Registrar General and Census Commissioner of India. Per capita GSDP for the year 2014-15 was ₹ 2,27,912 (**Appendix 1.1-Part A**).

### Gross State Domestic Product (GSDP)

The growth of GSDP of the State is an important indicator of the State's economy. A trend analysis of growth of GDP for a period of five years at current prices indicates the performance of the Government in fiscal management of the State. The growth rate of State GDP for the period 2010-15 compared with the National GDP is presented in the table below:

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

Year	2010-11	2011-12	2012-13	2013-14	2014-15
State GSDP* (₹ in crore)	7,411.57	8,906.64	10,472.60 <sup>1</sup>	12,376.69 <sup>2</sup>	14,517.73 <sup>3</sup>
Growth in <i>per cent</i>	20.85	20.17	17.58	18.18	17.30
National GDP# (₹ in crore)	72,48,860	83,91,691	93,88,876	1,04,72,807	NA
Growth in <i>per cent</i>	18.66	15.77	11.88	11.54	NA

Source: \* Department of Economics, Statistics, Monitoring and Evaluation, Government of Sikkim.  
# Central Statistical Office, Ministry of Statistics and Programme Implementation, GOI.

The quantum of GDP (both State and National) is measured in terms of constant and current prices and as per their respective arithmetical calculations; these figures differ from each other every year. For comparison between both State and National GDPs, the

<sup>1</sup> Provisional Estimate.

<sup>2</sup> Quick Estimate.

<sup>3</sup> Advance Estimate.

GDP figure calculated on the basis of current price at factor cost with base year 2004-05 has been taken.

## 1.1 Introduction

The annual accounts of the State Government consist of Finance Accounts and Appropriation Accounts. The Finance Accounts has been divided into two Volumes: Volume I and II. Volume I represents the financial statements of the Government in a summarised form while Volume II represents detailed financial statements, the structure and layout of which are depicted in **Appendix 1.1-Part B**.

This chapter provides a broad perspective of the finances of the Government of Sikkim during 2014-15. It analyses important changes in the major fiscal indicators compared to the previous year keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts and information obtained from the State Government. The structure of the Government Accounts and the layout of the Finance Accounts have been explained in **Appendix 1.1-Parts B and C** and **Appendix 1.2** presents the time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2010-15.

## 1.2 Summary of fiscal transactions

**Table 1.1** and **Appendix 1.3** present the summary of the fiscal transactions of the State Government and provide details of receipts and disbursements as well as the overall fiscal position respectively during 2014-15 vis-à-vis the previous year.

**Table 1.1: Summary of the fiscal transactions**

(₹ in crore)

Receipts			Disbursements				
	2013-14	2014-15		2013-14	2014-15		
Section-A: Revenue				Total	Non Plan	Plan	Total
Revenue Receipts <sup>4</sup>	4,326.44	4,461.95	Revenue Expenditure <sup>5</sup>	3,457.96	2,594.24	1,136.71	3,730.95
Tax revenue	524.92	527.54	General services	1,468.01	1,561.33	27.10	1,588.43
Non-tax revenue	794.49	698.08	Social services	1,276.36	625.53	654.19	1,279.72
Share of union taxes/duties	762.62	809.33	Economic services	678.18	365.54	455.42	820.96
Grants from Government of India	2,244.41	2,427.00	Grants-in-aid and contributions	35.41		41.84	41.84
Misc. Capital receipts	0.00	0.00	Capital outlay	911.94			980.71
Recoveries of loans and advances	0.92	0.88	Loans and advances disbursed	10.40			26.57
Public debt receipts	296.32	411.79	Repayment of public debt	88.74			87.03
Contingency Fund	0.00	1.00	Contingency Fund	1.00			0
Public Account receipts <sup>6</sup>	4,683.55	5,090.42	Public Account disbursements <sup>7</sup>	4,602.22			4,887.44
Opening cash balance	1,048.63	1,283.60	Closing cash balance	1,283.60			1,536.94
<b>TOTAL</b>	<b>10,355.86</b>	<b>11,249.64</b>	<b>TOTAL</b>	<b>10,355.86</b>			<b>11,249.64</b>

Source: Finance Accounts.

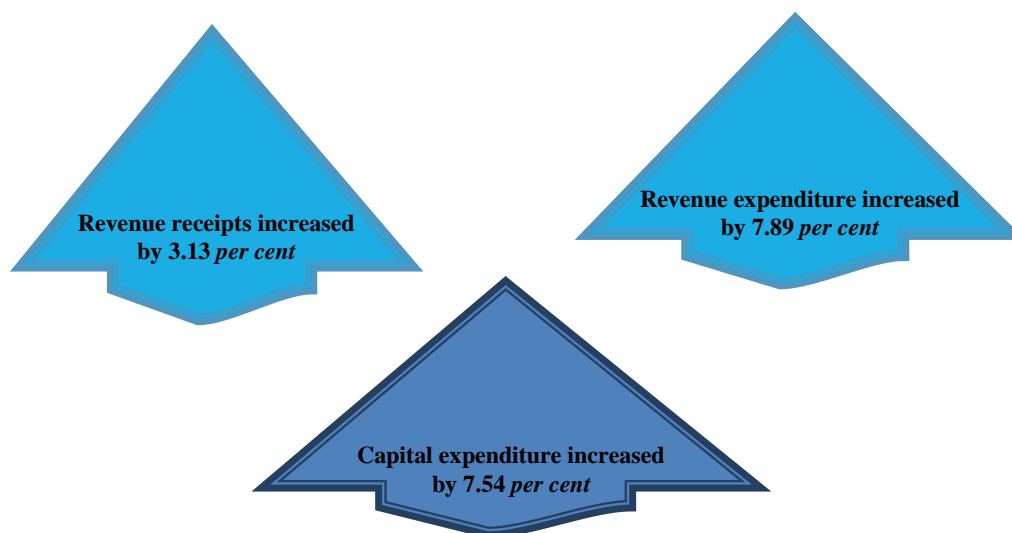
<sup>4</sup> Revenue receipts and Non-tax revenue are inclusive of gross receipts (₹ 418.64 crore) from State Lotteries.

<sup>5</sup> Revenue expenditure and General Services (Non-plan) are inclusive of expenditure (₹ 374.31 crore) on State Lotteries.

<sup>6</sup> Gross Public Accounts receipts during the year.

<sup>7</sup> Gross Public Accounts disbursement during the year.

The following are the significant changes during 2014-15 over the previous year:



Revenue receipts increased by ₹ 135.51 crore (3.13 per cent) over the previous year mainly due to increase in Grants from Government of India by ₹ 182.59 crore, Tax Revenue by ₹ 2.62 crore and share of Union Taxes/Duties by ₹ 46.71 crore. However, there was decrease in Non-tax revenue by ₹ 96.41 crore as compared to previous year mainly due to low realisation under Sikkim State Lotteries and Police personnel supplied to other governments.

Revenue expenditure increased by ₹ 272.99 crore (7.89 per cent) over the previous year as a result of increase in Economic Services (₹ 142.78 crore), General Services (₹ 120.42 crore), Social Services (₹ 3.36 crore) and in Grants-in-aid (₹ 6.43 crore).

Capital expenditure increased by ₹ 68.77 crore (7.54 per cent) over the previous year.

Public debt receipts increased by ₹ 115.47 crore (38.97 per cent) and its repayment decreased by ₹ 1.71 crore (1.96 per cent) over the previous year.

The total outflow and inflow of the Government during the year 2014-15 was ₹ 9,711.70 crore and ₹ 9,965.04 crore respectively leading to increase in cash balance by ₹ 253.34 crore.

### 1.3 Fiscal reforms path in Sikkim

In Sikkim, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first Medium Terms Fiscal Plan (MTFP) for the period 2011-12 to 2013-14 based on the broad parameters of fiscal management laid down by the XIII Finance Commission (TFC) limiting fiscal deficit at the targeted level to ensure sustainable level of debt and improving transparency in a medium term framework during 2010-15. The fiscal management principles enshrined in the Fiscal Responsibility and Budget Management (FRBM) Act call upon the State Government to ensure transparency in setting and implementation of fiscal policy, stability and predictability in policy making process, improve the management of public finance and improve efficiency in the design and implementation of fiscal policy related to management of assets and liabilities.

The Government of Sikkim enacted the FRBM Act in September 2010 and the Rules under the Act had been notified in March 2011. The Act aims to ensure fiscal stability and sustainability through maintenance of balance in revenue account and planned reduction of fiscal deficit and prudent and sustainable debt management consistent with fiscal stability through limits on State Government borrowings, including off-budget borrowings and achieving greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal framework. To give effect to the fiscal management principles, the Act prescribed the following fiscal targets for the State Government:

- (a) Maintain revenue surplus from 2010 onwards;
- (b) Reduce the fiscal deficit to 3.5 *per cent* of the estimated Gross State Domestic Product in each of the financial years starting from 2011-12 and reduce the fiscal deficit to not more than three *per cent* of the estimated Gross State Domestic Product at the end of 31 March 2014 and adhere to it thereafter;
- (c) Cap the total outstanding guarantees within the specific limit under the Sikkim Ceiling on Government Guarantees Act 2000 (21 of 2000);
- (d) Ensure that the outstanding debt-GSDP ratio follows a sustainable path emanating from the above targets of the deficit as specified by the Government beginning from the fiscal year 2011-12.

Revenue deficit and fiscal deficit may exceed the limits specified under the section on the ground or grounds of unforeseen demands on the finances of the Government due to national security or natural calamity subject to the condition that the excess beyond limits arising due to natural calamities does not exceed the actual fiscal cost. Provided further that the ground or grounds specified in the above proviso shall be placed before the Legislative Assembly as soon as may be, after it becomes likely that such deficit amount may exceed the aforesaid limit, with an accompanying report stating the likely extent of excess.

The outcome indicators reflecting the State's fiscal correction path for the period 2011-15 are given below:

**Table 1.2: State Fiscal Outcome Indicator**

(As per cent to GSDP)

Parameters	2011-12		2012-13		2013-14		2014-15	
	Projections	Achievement	Projections	Achievement	Projections	Achievement	Projections	Achievement
<b>Revenue Receipts<sup>8</sup> (a to d)</b>	54.90	32.25	58.21	31.40	42.21	31.46	43.51	28.16
<b>a. Own Tax Revenues</b>	4.01	3.30	5.06	4.16	4.32	4.24	4.04	3.63
<b>b. Own Non-Tax</b>	4.09	2.74	4.22	2.88	3.16	2.92	2.82	2.23

8 Revenue Receipts and Own Non Tax Revenue in this column and henceforth in this Report are net of Lottery Expenditure (including Salaries, Travel Expenses, Office Expenses and Rent, Rates and Taxes besides expenditure on lottery prize).

Parameters	2011-12		2012-13		2013-14		2014-15	
	Projections	Achievement	Projections	Achievement	Projections	Achievement	Projections	Achievement
<b>Revenues</b>								
<b>c. Tax share</b>	9.75	6.87	10.36	6.67	8.00	6.16	7.76	5.57
<b>d. Grants-in-aid</b>	37.05	19.34	38.56	17.69	26.73	18.13	28.90	16.72
<b>Revenue Expenditure<sup>9</sup></b>	41.74	27.28	40.69	23.94	31.70	24.44	33.17	23.12
<b>Capital Expenditure</b>	18.59	6.91	21.02	8.04	13.51	7.37	13.12	6.76
<b>Revenue Deficit</b>	(-)13.16	(-)4.97	(-)17.52	(-)7.46	(-)10.51	(-)7.02	(-)10.34	(-)5.04
<b>Fiscal Deficit</b>	4.75	2.50	3.50	0.63	3.00	0.43	3.00	1.90
<b>Primary Deficit</b>	1.89	0.12	0.61	(-)1.27	1.01	(-)1.26	1.05	(-)0.25
<b>Outstanding Debt</b>	41.75	35.49	41.03	31.94	29.90	29.36	28.10	28.67

*N.B: Negative sign indicates surplus.*

According to the MTFP, Fiscal Deficit and Primary Deficit projected by the State Government during 2011-12 to 2014-15 were achieved. However, Revenue Surplus could not be maintained at the level projected during 2011-12 to 2014-15 due to projected Revenue Receipts not accruing to the State.

Major fiscal variables provided in the budget based on recommendations of the XIII Finance Commission and as targeted in the FRBM Act of the State is depicted in **Table 1.3** as given below:

**Table 1.3: Details of Fiscal variables**

Fiscal variables	2014-15				Actuals
	XIII FC targets for the State	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	
<b>Revenue Deficit (-)/Surplus (+) (₹ in crore)</b>	-	-	1,274.64	-	731.00
<b>Fiscal Deficit/GSDP (in per cent)</b>	3.00	3.00	3.00	3.00	1.90
<b>Ratio of total outstanding debt of the Government to GSDP (in per cent)</b>	55.90	29.10	29.10	-	28.67

*Source: Information furnished by Finance, Revenue and Expenditure Department (FRED).*

Fiscal deficit GSDP ratio and ratio of total outstanding debt of the Government to GSDP ratio were achieved as targeted in XIII FC and FRBM Act.

### 1.3.1 Migration to New Pension Scheme (NPS)

The Government of India (GOI) introduced (1 April 2004) a defined, contribution based NPS to cover all new entrants to Government service. The interim Pension Fund Regulatory and Development Authority (PFRDA) was established by GOI (October 2003) to promote old age income security by establishing, developing and regulating pension funds and to protect the interest of subscribers subscribing to the scheme of pension funds. PFRDA being the regulator for the NPS had been authorised by the GOI to appoint/establish various intermediaries in the system, such as Central Record Keeping Agency (CRA), Pension Funds Trust for the NPS, Custodian Banks and etc. PFRDA appointed National Securities Depository Limited (NSDL) as the CRA for a period of 10 years from 1 December 2007 for performing the functions of record keeping, accounting,

<sup>9</sup> Revenue Expenditure in this column and henceforth in this Report is excluding Lottery Expenditure.

administration and customer services for subscribers to the schemes of pension funds approved by PFRDA. Further, three pension fund managers, a custodian and a trustee bank had also been appointed.

Under the NPS, the option to join the new system was available to the State Governments. The NPS Architecture, evolved and worked out by the PFRDA was capable of accommodating the various State Governments' request to join the NPS, within the overall framework of the Pension Architecture as devised by the PFRDA.

Although the State Government decided on implementation of the NPS in May 2006, it formally conveyed its decision to participate in the NPS in October 2007 and after a lapse of five year and seven months, the State Government finally drew an agreement with the CRA (NSDL) on 11 November 2011.

State Government employees recruited with effect from 1 April 2006 are eligible for the New Pension Scheme, which is a defined contributory pension scheme. According to the terms of Scheme, Government and employee each contribute 10 *per cent* of basic pay and dearness allowance 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 was not estimated. During the year, the Government of Sikkim deposited ₹ 41.59 crore under Major Head 8342-117-Defined Contribution Pension scheme (employees' contribution of ₹ 20.80 crore matching Government contribution of ₹ 20.79 crore) and transferred an amount of ₹ 3.03 crore part of which pertained to previous year to NSDL/Trustee Bank. During the year, the Government transferred ₹ 44.62 crore to NSDL/Trustee Bank leaving a balance of ₹ 27.00 crore in the fund as on 31 March 2015. Uncollected, unmatched and non-transferred amounts, with accrued interest, represent outstanding liabilities under the scheme.

### ***1.3.2 Power Sector-Financial support by the State Government***

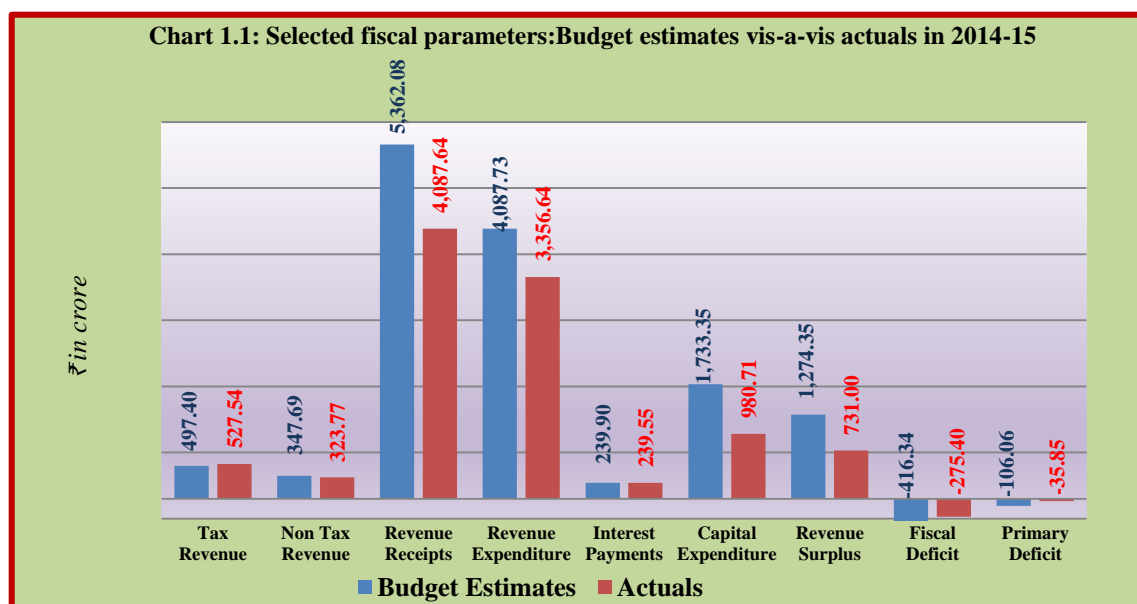
No financial support had been extended during the year by Government of Sikkim to the Sikkim Power Development Corporation Limited, being the only PSU under power sector.

## **1.4 Budget 2014-15**

### ***1.4.1 Actuals vis-à-vis budget estimates***

Budget papers presented by the State Government provide estimation of revenue and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from budget estimates are indicative of non-attainment and non-optimisation of desired fiscal objectives.

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2014-15.



Source: Finance Accounts, Estimate of receipts and Demand book.

The Tax Revenue exceeded the budget provision by 6.06 per cent (₹ 30.14 crore).

Non-tax revenue was lower than the budget provision by 6.88 per cent (₹ 23.92 crore) and Revenue receipts was also lower than budget provision by 4.04 per cent (₹ 172.27 crore). However, Revenue expenditure was higher than budget provision by 3.37 per cent (₹ 109.37 crore). Further, against an estimated Revenue Surplus of ₹ 1,274.35 crore, the financial year ended with revenue surplus of ₹ 731.00 crore, a decrease by 42.64 per cent over the previous year. Capital Expenditure was less than the budget estimate by 30.06 per cent.

Sikkim's own tax revenue increased by 0.50 per cent from ₹ 524.92 crore in 2013-14 to ₹ 527.54 crore in 2014-15. The revenue from sales tax contributed the major share of tax revenue (53.47 per cent) which decreased by ₹ 4.23 crore. State Excise duty increased by ₹ 10.72 crore and there was an increase in Land Revenue by ₹ 2.76 crore.

The State's share of Union taxes and duties stood at ₹ 809.33 crore, an increase of ₹ 46.71 crore over the previous year due to increase in the State's share in Corporation Tax by ₹ 26.14 crore (10.19 per cent), Taxes on Income other than Corporation Tax of ₹ 32.93 crore (19.50 per cent), Customs of ₹ 6.46 crore (5.19 per cent) and ₹ 0.06 crore (10 per cent) in Taxes on Wealth. However, there was decrease in Union Excise duties by ₹ 13.97 crore (15.90 per cent) and Service Tax by ₹ 4.92 crore (3.96 per cent).

Grants-in-aid from Centre to the State, a discretionary component of Central transfers, is considered an integral element of the revenue receipts of the State, which has an impact on the consolidated revenue deficit of the State. The grants-in-aid increased by ₹ 182.59 crore (8.14 per cent) from ₹ 2,244.41 crore in 2013-14 to ₹ 2,427.00 crore in 2014-15. The increase was due to increase in Grants for Centrally Sponsored Plan Schemes (CSS)

(₹ 344.63 crore) and Grants for Central Plan Schemes (₹ 2.71 crore) which was offset by the decline of ₹ 74.75 crore in Non-Plan Grants and ₹ 64.66 crore in State Plan Schemes and ₹ 25.34 crore in Grants for Special Plan Schemes. Increase in Grants for Centrally Sponsored Plan Schemes was mainly due to release of fund to State Government and not releasing the same directly to the implementing organisation from 2014-15.

Revenue expenditure increased by ₹ 331.58 crore (10.96 *per cent*) over the previous year due to increase in General Services (₹ 179.02 crore), Economic Services (₹ 142.77 crore), Social Services (₹ 3.36 crore) and Grants-in-aid (₹ 6.43 crore).

Capital expenditure assumes importance as it has a lasting impact on growth as compared to revenue expenditure. If spent efficiently, it also ensures a more productive economy and enhances the Government's net worth arising from augmented revenues. During 2014-15, the Capital expenditure of the State was ₹ 980.71 crore and there was increase of ₹ 68.77 crore in capital outlay in 2014-15 as compared to previous year which was due to increase in Economic Service (₹ 125.17 crore) and in Social Service (₹ 3.60 crore) which was offset by decrease in General Service (₹ 60.00 crore).

The main components of increase in Economic Services were Special Areas Programmes (₹ 10.79 crore) and Tourism (₹ 203.48 crore). The major component of decrease under General Services was Public Works (₹ 65.35 crore).

#### **1.4.2 Gender Budgeting**

The Constitution of India has mandated equality for every citizen of the country as a fundamental right. The Government of India has made international commitments in (i) The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1980; (ii) World Conference on Human Rights in Vienna in 1993; (iii) International Conference on Population and Development (ICPD) in Cairo in 1994; (iv) Fourth World Conference of Women in Beijing in 1995 and (v) Commonwealth Plan of Action on Gender and Development in 1995 about the action to be taken for improvement in the life of women.

One of the tools that can be used to promote women's equality and empowerment is gender-responsive budgeting, or Gender Budgeting as it is more commonly known in India.

Among others, Gender Budgeting serves in (i) identifying the felt needs of women and reprioritising and/or increasing expenditure to meet those needs; (ii) Supporting gender mainstreaming in macroeconomics; (iii) Strengthening civil society participation in economics; (iv) Enhancing the linkages between economic and social policy outcomes; (v) Tracking public expenditure against gender and development policy commitments; and (vi) Contributing to the attainment of the Millennium Development Goals (MDGs).

Gender budgeting in Sikkim has never been formulated.

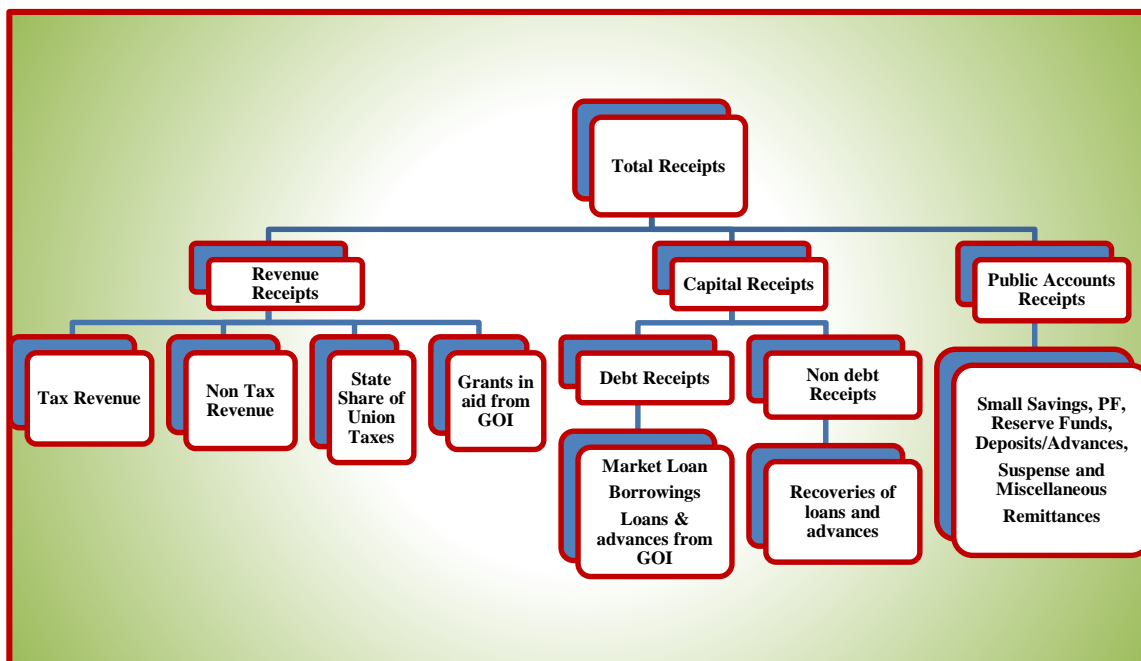


**1.5 Resources of the State**

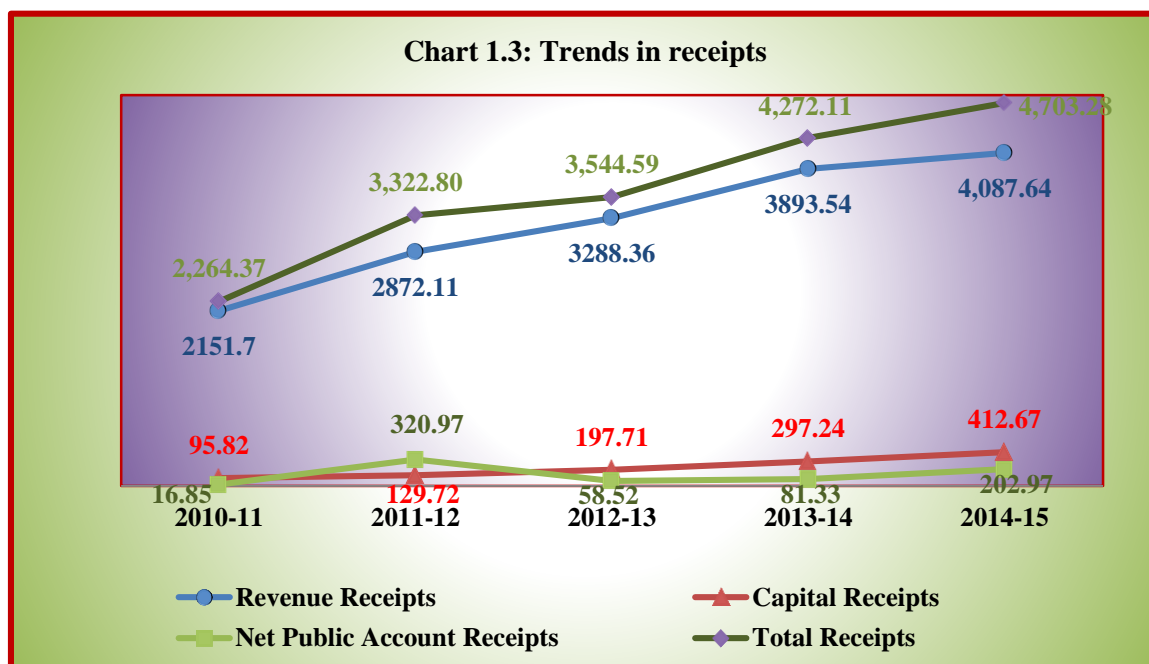
*1.5.1 Resources of the State as per Finance Accounts*

The progress of the Government’s programmes depends upon its resources and the quantum of resources in any particular financial year determines the expenditure threshold of the Government. The components and sub-components of State’s receipts have been categorised in **Chart 1.2**.

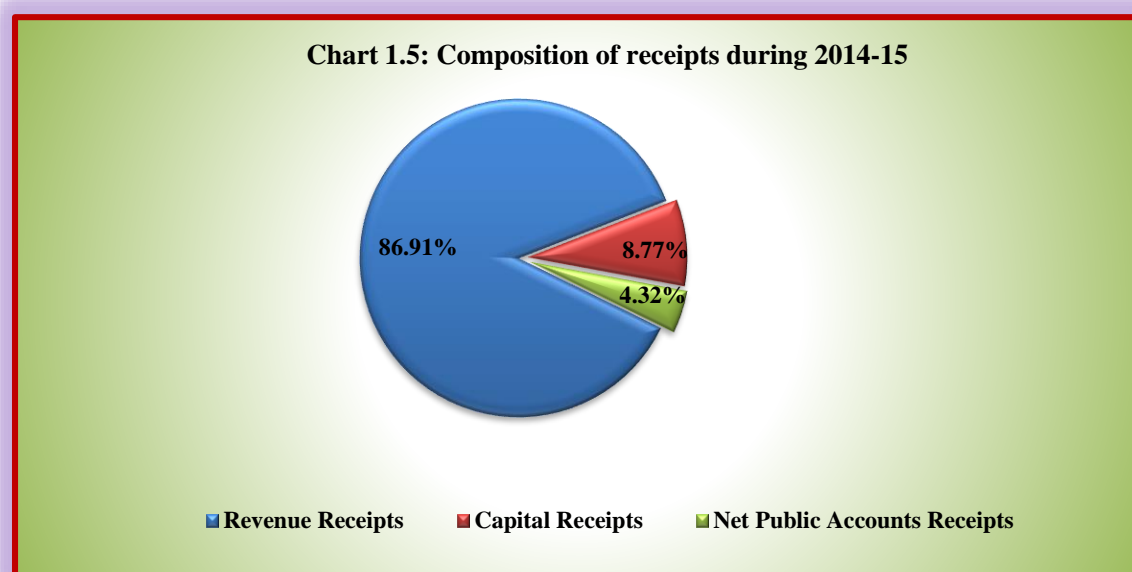
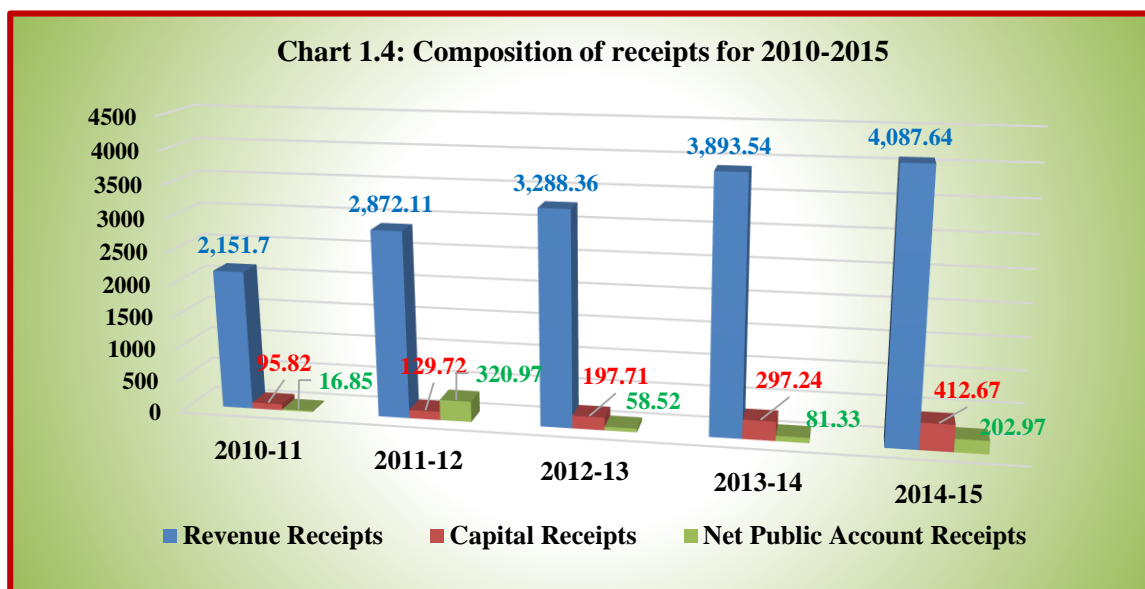
**Chart 1.2: Components and sub-components of Resources**



**Chart 1.3** depicts the trends in components of receipts during 2010-15, while **Chart 1.4** depicts the composition of resources of the State during the current year.



Source: Finance Accounts.



Total receipts increased by 107.71 per cent from ₹ 2,264.37 crore in 2010-11 to ₹ 4,703.28 crore in 2014-15. Further, there was an increase of total receipts over the previous year by ₹ 431.17 crore (10.09 per cent).

The share of Revenue Receipts in total receipts, which was 91.14 per cent in 2013-14, decreased to 86.91 per cent in 2014-15.

Capital Receipts increased by 38.83 per cent from ₹ 297.24 crore in 2013-14 to ₹ 412.67 crore in 2014-15. Capital Receipts constituted 8.77 per cent of the total receipts in 2014-15. The debt receipts which mainly constituted Capital Receipts increased by ₹ 115.47 crore from the previous year, its share was 99.79 per cent of Capital Receipts which was marginally higher by 0.10 per cent over the previous year (99.69 per cent).

Apart from debt receipts, Capital Receipts include non-debt receipts such as recovery of loans and advances. In the year 2014-15, amount recovered on accounts of repayment of loans and advances, decreased by 4.35 *per cent* over previous year.

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. Net Public Account receipts which totalled ₹ 16.85 crore in 2010-11 increased to ₹ 202.97 crore in 2014-15 with growth of 149.56 *per cent* during the year compared to 2013-14. The details are shown in **Paragraph 1.6.7**.

### 1.5.2 Funds transferred by Central Government to the State implementing agencies outside the State Budget

The Central Government had been transferring a sizeable quantum of funds directly to the State Implementing Agencies (SIA)<sup>10</sup> for implementation of various schemes/programmes in social and economic sectors up to 2013-14. These funds were not being routed through the State Budget/State Treasury System and hence did not find mention in the Finance Accounts of the State for which the Annual Finance Accounts of the State was not providing a complete picture of the total funds received in the State. Government of India's decision to release all assistance directly to the State Government and not to the implementing agencies has reduced the direct transfers by 93 *per cent* from ₹ 335.07 crore in 2013-14 to ₹ 24.48 crore during 2014-15.

Out of ₹ 24.48 crore, ₹ 6.11 crore (24.96 *per cent* of the total funds transferred) was given to State Forest Development Agency, Sikkim and ₹ 5.00 crore was transferred under MPs Local Area Development Schemes (20.42 *per cent* of the total funds transferred) as shown in **Appendix 1.4**.

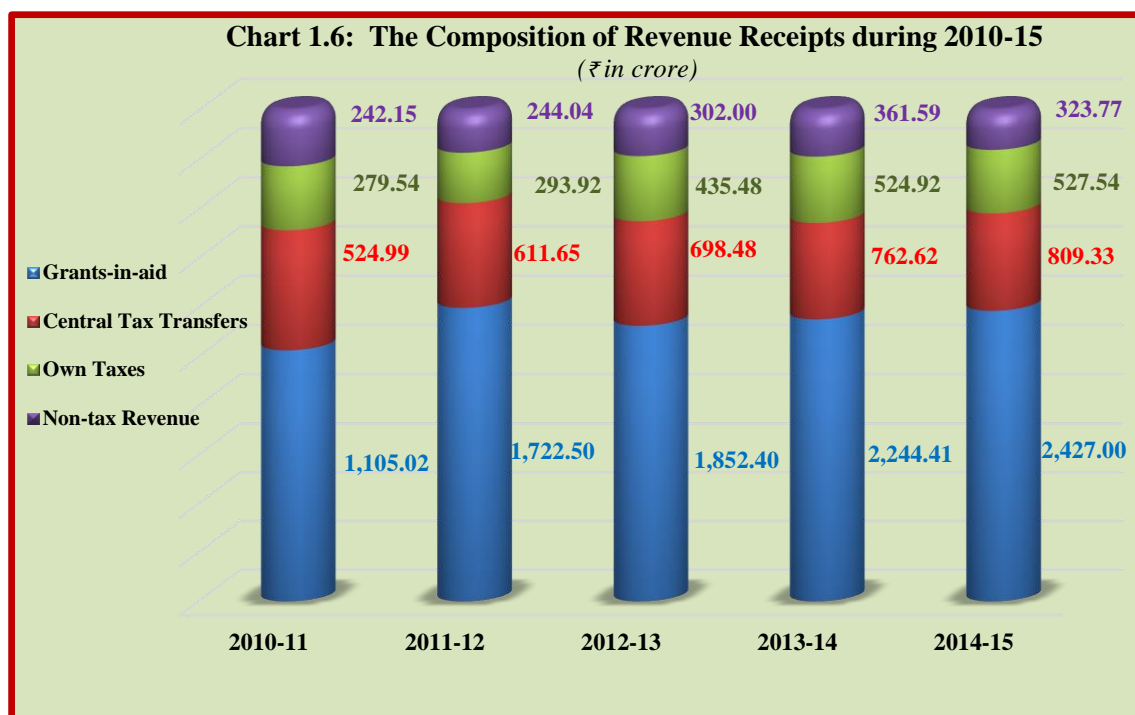
## 1.6 Revenue Receipts

The composition and trends of revenue receipts over the period 2010-15 are presented in **Appendix 1.5** and are also depicted in **Charts 1.6** and **1.7** respectively.

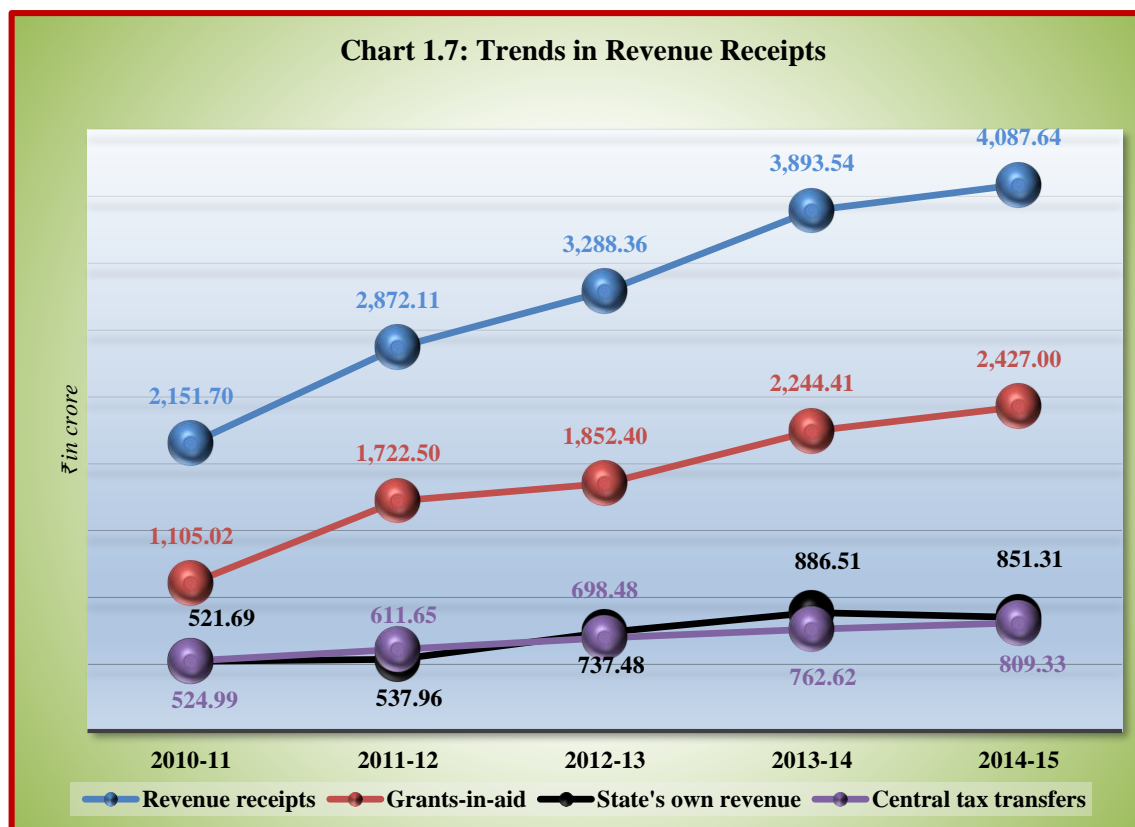
Revenue receipts showed progressive increase from ₹ 2,151.70 crore in 2010-11 to ₹ 4,087.64 crore in 2014-15. The revenue receipts increased by ₹ 194.10 crore (4.99 *per cent*) over the previous year. The State's own resources, both tax and non-tax revenue contributed 20.82 *per cent* (₹ 851.31 crore) in the revenue receipts of the State during 2014-15. The balance was transferred from Government of India in the form of State's share of taxes and grants-in-aid contributions.

State's own resources consist of tax revenue and non-tax revenue. The share of tax revenue in revenue receipts was 12.91 *per cent* (₹ 527.24 crore) and non-tax revenue was 7.92 *per cent* (₹ 323.77 crore) during the year. Tax revenue showed increase in 2014-15 compared to previous year however, non-tax revenue decreased in 2014-15 as compared to previous year.

<sup>10</sup> State Implementing Agencies include Organisations/Institutions including Non-Governmental Organisation which are authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State.



Source: Finance Accounts.



Source: Finance Accounts.

The trends in revenue receipts relating to GSDP are presented in Table 1.5.

**Table 1.4: Trends in revenue receipts relative to GSDP**

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue receipts (RR)	2,151.70	2,872.11	3,288.36	3,893.54	4087.64
GSDP	7,411.57	8,906.23	10,472.60	12,376.69	14,517.73
Rate of growth of GSDP ( <i>per cent</i> )	20.85	20.17	17.58	18.18	17.30
Rate of Growth of RR ( <i>per cent</i> )	(-) 8.26	33.48	14.49	18.40	4.99
Rate of Growth of State's own tax ( <i>per cent</i> )	24.99	5.14	48.16	20.54	0.50
RR/GSDP ( <i>per cent</i> )	29.03	32.25	31.40	31.46	28.16
<b>Buoyancy ratios<sup>11</sup></b>					
Revenue buoyancy wrt GSDP	(-) 0.40	1.66	0.82	1.01	0.29
State's own tax buoyancy wrt GSDP	1.20	0.25	2.74	1.13	0.03
Revenue buoyancy wrt State's own taxes	(-) 0.33	6.51	0.30	0.90	9.99

Source: Finance Accounts.

The rate of growth of revenue receipts during 2014-15 over the previous year was 4.99 *per cent*. Revenue buoyancy, which was lowest during 2010-11, increased to 1.66 *per cent* in 2011-12 but decreased to 0.29 *per cent* in 2014-15.

Growth rate in respect of Revenue Receipts for Sikkim for the period 2013-14 to 2014-15 was 4.99 *per cent* however, it was 16.10 *per cent* for General Category<sup>12</sup> State and for Special Category<sup>13</sup> States it was 15.34 *per cent*.

### 1.6.1. State's own resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes, etc., the State's performance in mobilisation of additional resources should be assessed in terms of revenue from its own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2014-15 vis-à-vis assessment made by XIII FC are given in Table 1.5.

**Table 1.5: XIII FC recommendations vis-à-vis the actuals**

(₹ in crore)

	XIII FC projection	Budget estimates	Actuals
Tax Revenue	317.37	497.40	527.54
Non-Tax Revenue	603.29	347.69	323.77

The State exceeded the target set by XIII FC in respect of Tax Revenue by ₹ 210.17 crore but fell short of target in respect of Non-Tax Revenue by ₹ 279.52 crore in the current year. Further, the State succeeded in achieving the target set as per budget estimates in respect of tax revenue. However, in case of non-tax revenue, target as per the budget estimate was not achieved during the year.

<sup>11</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 0.7 implies that revenue receipts tend to increase by 0.7 percentage points, if the GSDP increases by one per cent.

<sup>12</sup> Based on 18 General Category States.

<sup>13</sup> Based on nine Special Category States.

## Tax Revenue

The main sources of State's tax revenue was Taxes on sales, trade, etc. with a contribution of 6.90 per cent in Revenue Receipts of the State followed by State excise (3.21 per cent), Taxes on vehicles (0.48 per cent), Stamps and Registration Fees (0.17 per cent), Land Revenue (0.15 per cent) and Taxes on Income other than Corporation Tax (0.19 per cent). The trends in the major constituents of tax revenue during the period 2010-15 are shown in Table 1.6.

**Table 1.6: Tax Revenue**

	(₹ in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Taxes on sales, trade, etc.	142.74 (17.90)	124.19 (-13.00)	227.08 (82.85)	286.33 (26.09)	282.10 (-1.48)
State Excise	70.64 (23.35)	96.26 (36.27)	111.12 (15.44)	120.64 (8.57)	131.36 (8.89)
Stamps and registration fees	5.70 (27.23)	8.27 (45.09)	5.35 (-35.31)	6.46 (20.75)	6.77 (4.80)
Taxes on vehicles	10.66 (35.28)	16.56 (55.35)	16.38 (-1.09)	18.52 (13.06)	19.42 (4.86)
Land Revenue	7.33 (170.48)	4.61 (-37.11)	5.66 (22.78)	3.39 (-40.11)	6.15 (81.42)
Taxes on goods and passengers	0.00	0.00	0.00	0.00	0.00
Other taxes	42.47 (40.44)	44.03 (3.67)	69.89 (58.73)	89.58 (28.17)	81.74 (-8.75)

Source: Finance Accounts. Figures in brackets indicate rate of growth in per cent.

Taxes on sales, trade, etc., during 2014-15 was decreased by 1.48 per cent (₹ 4.23 crore) due to decrease in receipts under State Sales Tax as compared to previous year. The growth rate of State Excise was 8.89 per cent (₹ 10.72 crore) due to increase in collection pertaining to foreign liquors and spirits and medicinal and country fermented liquors.

Land Revenue had increased by 81.42 per cent due to increase in collection of Land Revenue/Tax.

Growth rate in respect of Tax Revenue for Sikkim for the period 2013-14 to 2014-15 was 0.50 per cent however it was 10.51 per cent for General Category<sup>14</sup> State and for Special Category<sup>15</sup> States it was 13.19 per cent.

## Non-tax revenue

The Non-tax revenue which constituted 7.92 per cent of total revenue receipts, had decreased by ₹ 38.32 crore from ₹ 361.59 crore in 2013-14 to ₹ 323.27 crore in 2014-15 and was also lower than the budget projection by ₹ 23.92 crore (6.88 per cent). The main component which resulted in noticeable increase was 'Power' (₹ 14.63 crore) and the decrease was on the head 'Police' mainly due to collection of ₹ 17.60 crore during 2014-15 as against ₹ 41.14 crore in 2013-14.

<sup>14</sup> Based on 18 General Category States.

<sup>15</sup> Based on nine Special Category States.

The main components of non-tax revenue raised in the State during 2010-11 to 2014-15 are given in **Table 1.7**.

**Table 1.7: Composition of non-tax revenue**

Revenue Head	2010-11	2011-12	2012-13	2013-14	2014-15
Interest Receipts	28.14 (1.25)	29.39 (0.98)	46.00 (1.32)	67.02 (1.60)	66.44 (1.48)
Dividends and Profits	2.37 (0.11)	0.00 (0.00)	1.53 (0.04)	0.55 (0.01)	0.87 (0.02)
Other non-tax receipts	211.64 (9.42)	214.65 (7.15)	254.47 (7.30)	294.02 (7.02)	256.46 (5.70)
<b>Total</b>	<b>242.15</b>	<b>244.04</b>	<b>302.00</b>	<b>361.59</b>	<b>323.77</b>

Source: Finance Accounts. Figures in brackets indicate percentage to total receipts.

During 2010-15, on an average, interest receipts contributed 1.33 per cent in the total receipts of the State. Similarly, dividends and profits contributed 0.04 per cent and the 7.32 per cent came from other non-tax receipts.

During 2010-11, the non-tax revenue decreased by ₹ 205.27 crore (45.88 per cent). However, during 2011-12, it increased by ₹ 1.89 crore (0.78 per cent) and further increased by ₹ 57.96 crore (23.75 per cent) and ₹ 59.59 crore (19.73 per cent) during 2012-13 and 2013-14 respectively.

The ratio of non-tax revenue to non-plan revenue expenditure is considered as an indicator of cost recovery from socio-economic services. The details of recovery of current cost as ratio of non-tax revenue receipts to non-plan revenue expenditure in respect of Education, Health and Family Welfare, Water Supply and Sanitation and Irrigation during 2013-14 are given in **Table 1.8**.

**Table 1.8: Cost recovery from socio-economic services**

Service	Non-tax revenue receipts (NTR)	Non-plan revenue expenditure (NPRE)	Cost recovery (ratio of NTR/NPRE in per cent)
Education, Sports, Art and Culture	1.22	441.90	0.28
Health and Family Welfare	1.97	97.03	2.03
Water Supply and Sanitation	3.25	14.71	22.09
Irrigation	0.07	2.48	2.82

Source: Finance Accounts.

Cost recovery in respect of Education, Sports, Art and Culture during the year was 0.28 per cent being the lowest and the highest was 22.09 per cent pertaining to Water Supply and Sanitation. In respect of Health and Family Welfare and Irrigation, the cost recovery remained at 2.03 per cent and 2.82 per cent respectively.

### 1.6.2 Grants-in-aid from GOI

Grants-in-aid from GOI increased from ₹ 2,244.41 crore in 2013-14 to ₹ 2,427 crore in 2014-15 as shown in **Table 1.9**.

**Table 1.9: Grants in aid from GOI**

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	121.32	345.74	265.37	148.26	73.51
Grants for State Plan Schemes	799.88	1,145.02	1,345.21	1,803.20	1,738.54
Grants for Central Plan Schemes	5.30	3.56	1.03	0.20	2.91
Grants for Centrally Sponsored Plan Schemes	146.08	168.53	189.66	233.17	577.80
Grants for Special Plan Schemes (NEC)	32.44	59.65	51.13	59.58	34.24
<b>Total</b>	<b>1,105.02</b>	<b>1,722.50</b>	<b>1,852.40</b>	<b>2,244.41</b>	<b>2,427.00</b>

Source: Finance Accounts.

The GOI Grants increased by ₹ 182.59 crore during 2014-15 over the previous year due to increase in Grants for Centrally Sponsored Plan Schemes (CSS) (₹ 344.63 crore) and Grants for Central Plan Schemes (₹ 2.71 crore). However, there was decline of ₹ 74.75 crore in Non-Plan Grants and ₹ 64.66 crore in State Plan Schemes and ₹ 25.34 crore in Grants for Special Plan Schemes.

Increase in Grants for Centrally Sponsored Plan Schemes was mainly due to release of fund directly to State Government and not to the implementing organisation from 2014-15.

During 2014-15, Grants-in-aid included Plan Grants amounting to ₹ 183.63 crore under XIII Finance Commission (XIII FC) out of which ₹ 7.60 crore was towards Environment related Grant (Forest) and ₹ 176.03 crore as State Specific Grants.

### 1.6.3 Central tax transfers

There was an increase in the State's Share of Union taxes and duties in all cases, as compared to the previous year, viz., Corporation Tax of ₹ 26.14 crore (10.19 per cent), Taxes on Income other than Corporation Tax of ₹ 32.93 crore (19.50 per cent), Customs of ₹ 6.46 crore (5.19 per cent) and ₹ 0.07 crore (10 per cent) in Taxes on wealth. However, there was decrease in Union Excise duties by ₹ 13.97 crore (15.90 per cent) and Service Tax of ₹ 4.92 crore (3.96 per cent).

**Table 1.10: Central Tax transfers**

(₹ in crore)

	2013-14	2014-15
Share of net proceeds of Taxes		
Share of net proceeds on Corporation Tax	256.44	282.58
Share of net proceeds on Taxes on Income other than Corporation Tax	168.86	201.79
Share of net proceeds on Wealth Tax	0.70	0.77
Share of net proceeds on Customs	124.41	130.87
Share of net proceeds on Union Excise Duties	87.87	73.90
Share of net proceeds on Service Tax	124.34	119.42
<b>TOTAL</b>	<b>762.62</b>	<b>809.33</b>

### 1.6.4 Debt waiver under the debt consolidation and relief facilities

The XII Finance Commission, on the condition of enactment of the FRBM Act in the State, recommended benefits of interest relief on National Small Savings Fund and Central loans not consolidated during 2005-10. The loans availed of under the Centrally Sponsored Schemes/Central Plan Schemes through the Ministries, other than the Ministry of Finance, which remained outstanding at the end of 2009-10 to the tune of ₹ 44.65 crore



(₹ 33.96 crore as interest repayment and ₹ 10.69 crore as principal repayment) were to be written off.

Since Sikkim did not enact the FRBM Act, it could not get the benefit of consolidation of loans during the award period of XII Finance Commission. However, the XIII Finance Commission recommended that this facility be extended during XIII Finance Commission award period (2010-11 to 2014-15) on the condition that the State put in place the FRBM Act. On meeting this condition, the loans contracted by Sikkim till 31 March 2004 and outstanding at the end of the year preceding the year of legislation of such Act, shall be consolidated as per the same terms and conditions as recommended by the XII Finance Commission. The State enacted the FRBM Act in September 2010 and could get a total benefit of ₹ 15.23 crore. Further central loans of ₹ 14.61 crore had been written off during 2013-14 under Central Plan Schemes and Centrally Sponsored Schemes advanced to the State Government other than Ministry of Finance, Government of India as per the recommendation of XIII FC.

### 1.6.5 Optimisation of XIII FC grants

The Commission had recommended ₹ 471.34 crore as transfer to the State in the areas indicated in the **Table-1.11** below during the period 2010-11 to 2014-15:

**Table 1.11: Funds received from GOI**

(₹ in crore)

Sl. No.	Transfer	Total Grant recommended by XIII FC for 5 years (2010-11 to 2014-15)	Actual release by FC during 2010-11 to 2014-15 (5 years)	Expenditure under relevant revenue heads of account till 2014-15 (5 years)	Unutilised amount as of 31st March 2015
1	Local Bodies				
	(i) General Basic Grant				
	(a) PRI	120.71	106.75	106.76	(-) 0.01
	(b) ULB	1.69	0.71	0.71	0.00
	(ii) General Performance Grant	00	00		
	(a) PRI	63.90	13.65	4.50	9.15
	(b) ULB	0.90	0.10	0.05	0.05
2	Disaster Relief	187.2	121.21		
	(i) Central Share (90%)	113.14	113.14	113.14	0.00
	(ii) State Share	12.56	12.56	12.56	0.00
	(iii) Capacity Building for disaster response	5.00	5.00	4.74	0.26
3	Elementary Education	5.00	2.00	2.00	0.00
4	Improving Outcome grants				
	(i) Improvement in Justice Delivery	21.78	12.07	7.89	4.18
	(ii) Incentives for issuing AIDS	1.10	0.66	0.66	0.00
	(iii) District Innovation Fund	4.00	2.00	1.85	0.15
	(iv) Statistical system Improvement	4.00	4.00	4.00	0.00
	(v) Employee and Pension data base	5.00	5.00	3.92	1.08
5	Environment related Grant				
	(i) Forest	40.56	38.02	30.38	7.64
	(ii) Water Sector Management (Irrigation)	4.00		0.23	(-) 0.23
6	Maintenance of Roads & Bridges	68.00	67.96	67.96	0.00
	<b>TOTAL</b>	<b>471.34</b>	<b>383.62</b>	<b>361.35</b>	<b>22.27</b>

Source: Departmental figures.

Similarly, Commission had recommended ₹ 400 crore of State Specific Grants transfer to the State in the areas indicated in **Table 1.12** during the period 2010-11 to 2014-15.

**Table 1.12: Grants received from GOI for the Specific areas (State Specific Grant)**

(₹ in crore)

Sl. No.	Transfer	Recommendation of FC for the years 2010-15	Recommendation of FC for 2014-15	Actual release by FC during 2010-15	Expenditure under relevant revenue heads of account during 2010-15	Unutilised amount as on 31 <sup>st</sup> March 2015
1	2	3	4	5	6	7
1	Sky Walk at Bhaley Dhunga	200.00	50.00	150.00	133.98	16.02
2	Development of Village Tourism	80.00	20.00	60.00	59.97	0.03
3	Repair and Renovation					
	(i) Suspension Bridges ( North Sikkim)	35.00	8.75	31.50	29.82	1.68
4	(ii) Upgradation of Namchi Water Supply and overhauling of Changay source for Gyalshing and Rapdentse Water Supply	20.00	5.00	19.99	19.99	0.00
	Police Training and Infrastructure					
4	(i) Police Training Centre at Yangyang	10.00	2.50	7.40	7.32	0.08
	(ii) Residential & Non -residential building for Police Force	15.00	3.75	13.50	12.89	0.61
5	Border Area Development					
	(i) Additional storage facilities for essential commodities	6.00	1.50	5.40	3.19	2.21
6	(ii) Reinforcement of existing security infrastructure new check post, improving road, security equipments, etc.	15.00	3.75	13.50	12.79	0.71
	Establishment of State Capacity Building Institute at Burtuk	10.00	2.50	9.00	8.95	0.05
7	Conservation of Heritage and Culture	9.00	2.25	9.00	7.84	1.16
	<b>TOTAL</b>	<b>400.00</b>	<b>100.00</b>	<b>319.29</b>	<b>296.74</b>	<b>22.55</b>

As shown in the above two tables, the State Government as of March 2015 had received grants aggregating ₹ 702.91 crore (State Specific Grant of ₹ 319.29 crore and normal grants ₹ 383.62 crore) as against recommendation of ₹ 871.34 crore (State Specific Grant of ₹ 400 crore and normal grants ₹ 471.34 crore) leaving a balance of ₹ 168.43 crore. Out of ₹ 168.43 crore, ₹ 65.99 crore pertaining to Local Bodies (General Basic Grant - ₹ 14.94 crore, General Performance Grant - ₹ 51.05 crore), ₹ 3 crore pertaining to Elementary Education, ₹ 12.15 crore to Improvement Outcome Grant, ₹ 6.54 crore to Environment Related Grant, ₹ 0.04 crore to Maintenance of Roads and Bridges and remaining amount of ₹ 80.71 crore pertaining to State Specific Grant were not received.

### 1.6.6 Capital Receipts

**Table 1.13: Trends in growth and composition of Capital Receipts**

(₹ in crore)

Sources of State's Receipts	2010-11	2011-12	2012-13	2013-14	2014-15
Capital Receipts (CR)	95.82	129.72	197.71	297.24	412.67
Miscellaneous Capital Receipts	-	42.25	-	-	-
Recovery of Loans and Advances	0.79	0.03	0.90	0.92	0.88
Public Debt Receipts	95.03	87.44	196.81	296.32	411.79
Rate of Growth of non-debt capital receipts (per cent)	163.33	(-) 96.20	2900	2.22	(-) 4.35
Rate of Growth of CR (per cent)	(-) 75.58	35.38	52.41	50.34	38.83

The Capital Receipts showed fluctuating trends over the period recording lowest rate of growth in 2010-11 and highest during 2014-15. It increased by ₹ 115.43 crore in 2014-15 over the previous year. Public debt receipts recorded significant increase during current year. There was no Miscellaneous Capital Receipts over the period except in 2011-12 which was the result of disinvestment made by the Government.

### 1.6.7 Public Accounts Receipts

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

**Table 1.14: Details of balances in Public Accounts**

(₹ in crore)					
Resources under various heads	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Public Account balances</b>					
a. Small Savings, Provident Fund, etc.	510.25	578.80	624.15	685.64	710.19
b. Reserve Fund	172.15	254.22	246.00	313.15	430.61
c. Deposits and Advances	84.37	102.29	141.75	145.18	137.34
d. Suspense and Miscellaneous	77.51	115.31	157.34	99.03	158.75
e. Remittances	138.68	256.84	196.73	204.31	213.40
<b>TOTAL</b>	<b>982.96</b>	<b>1,307.46</b>	<b>1,365.97</b>	<b>1,447.31</b>	<b>1,650.29</b>

Source: Finance Accounts.

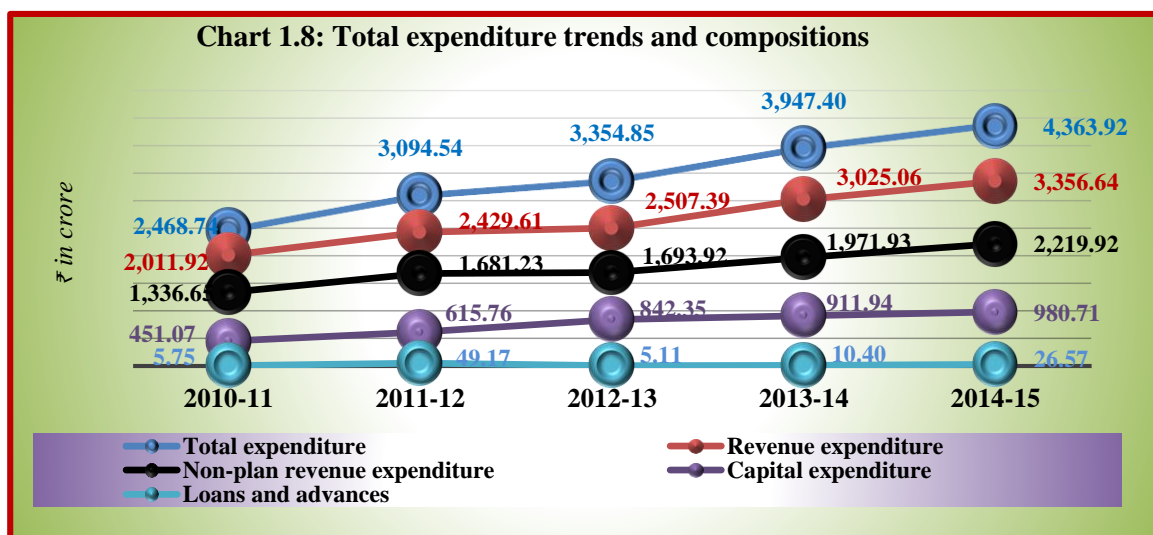
Public Account balances steadily increased from ₹ 982.96 crore in 2010-11 to ₹ 1,650.29 crore in 2014-15.

## 1.7 Application of resources

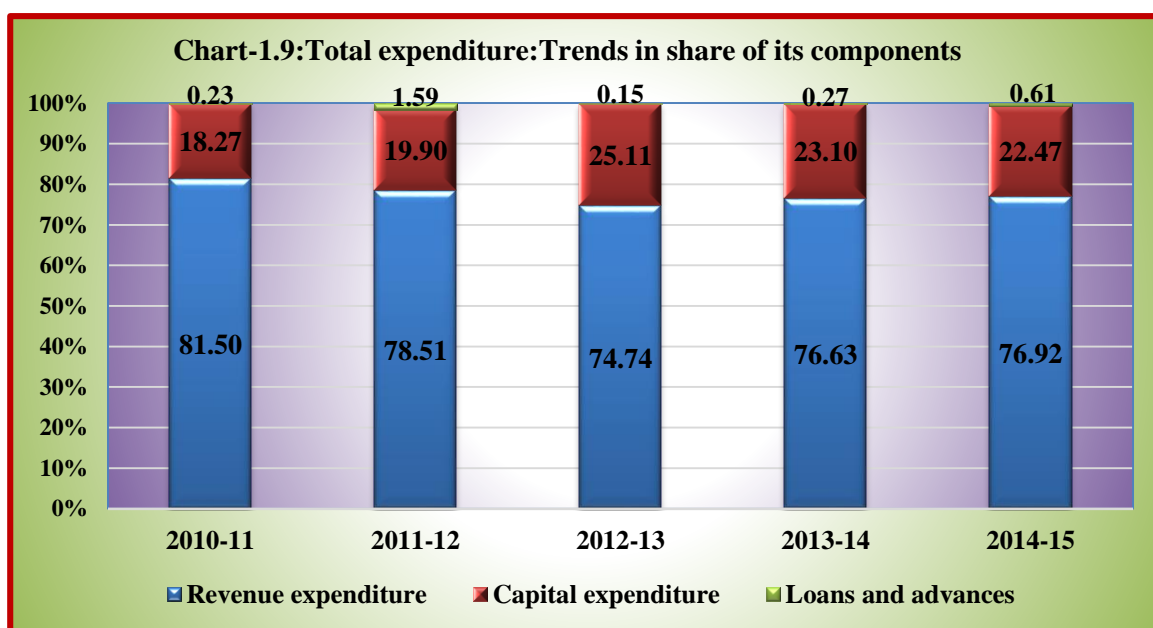
Analysis of the allocation of expenditure at the State Government level assumes significance as it is an important aspect of fiscal policy to achieve developmental goals. Within the framework of fiscal responsibility legislation, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. At the same time, it is important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of vital expenditure, especially expenditure directed towards development and social sectors.

### 1.7.1 Growth and composition of expenditure

**Chart 1.8** presents the trends in total expenditure under revenue, capital and loans and advances, while **Chart 1.9** exhibits the share of these components in total expenditure.



Source: Finance Accounts.



Total expenditure increased by 76.77 per cent (₹ 1,895.18 crore) from ₹ 2,468.74 crore in 2010-11 to ₹ 4,363.92 crore in 2014-15 due to increase in revenue expenditure (₹ 1,344.72 crore), Capital outlay (₹ 529.64 crore) and disbursement of loans and advances (₹ 20.82 crore).

During the period 2010-15, on an average, 78 per cent of the total expenditure was revenue expenditure. The share of revenue expenditure in the total expenditure decreased from 81.50 per cent during 2010-11 to 74.74 per cent during 2012-13 and slightly increased to 76.92 per cent during 2014-15.

The share of capital expenditure in the total expenditure increased from 18.27 per cent in 2010-11 to 25.11 per cent in 2012-13 and decreased to 22.47 per cent in 2014-15.

Growth Rate in respect of total expenditure for Sikkim for the period 2013-14 to 2014-15 was 10.55 *per cent* however, it was 19.32 *per cent* for General Category<sup>16</sup> State and for Special Category<sup>17</sup> States it was 20.99 *per cent*.

### 1.7.2 Buoyancy of expenditure

#### Buoyancy of total expenditure

Growth rates of total expenditure during 2010-15, its ratio and buoyancy with reference to GSDP and revenue receipts are presented in **Table 1.15**.

**Table 1.15: Total expenditure - Basic parameters**

	(₹ in crore, ratio in per cent)				
	2010-11	2011-12	2012-13	2013-14	2014-15
Total Expenditure (TE)	2,468.74	3,094.54	3,354.85	3,947.40	4,363.92
Rate of Growth (in <i>per cent</i> )	(-1.82)	25.34	8.41	17.66	10.55
GSDP	7,411.57	8,906.64	10,472.60	12,376.69	14,517.73
Rate of growth of GSDP ( <i>per cent</i> )	20.85	30.17	17.58	18.18	17.30
TE/GSDP (ratio)	33.31	34.74	32.03	31.89	30.06
Revenue receipts/TE (ratio)	87.16	92.81	98.02	98.64	93.67
Revenue expenditure	2,011.92	2,429.61	2,507.39	3,025.06	3,356.64
Rate of Growth (in <i>per cent</i> )	9.99	20.76	3.20	20.65	10.96
Revenue Receipts	2,151.70	2,872.11	3,288.36	3,893.54	4,087.64
Rate of Growth (in <i>per cent</i> )	(-) 8.26	33.48	14.49	18.40	4.99
Capital expenditure	451.07	615.76	842.35	911.94	980.71
Rate of Growth (in <i>per cent</i> )	(-)30.45	36.51	36.80	8.26	7.54
<b>Buoyancy of TE with</b>					
GSDP (ratio)	(-) 0.09	1.26	0.48	0.97	0.61
Revenue Receipts (ratio)	0.22	0.76	0.58	0.96	2.12
<b>Buoyancy of revenue expenditure with</b>					
GSDP	0.48	1.03	0.18	1.14	0.63
Revenue Receipts	(-)1.21	0.62	0.22	1.12	2.20
<b>Buoyancy of Capital expenditure with</b>					
GSDP	(-)1.46	1.81	2.09	0.45	0.44
Revenue receipts	3.69	1.09	2.54	0.45	1.51

Source: Finance Accounts.

During the period 2010-15, the growth rate of total expenditure was highest (25.34 *per cent*) in 2011-12 and lowest (-1.82 *per cent*) in 2010-11. The growth rate of total expenditure which was at 17.66 *per cent* in 2013-14 decreased to 10.55 *per cent* in 2014-15.

In 2014-15, total expenditure was 1.07 times the revenue receipts. The buoyancy ratio of total expenditure to revenue receipts was 2.11 *per cent*.

The growth rate of total expenditure (10.55 *per cent*) in 2014-15 was lower than the growth rate of GSDP (17.30 *per cent*) and the buoyancy of total expenditure to GSDP was 0.61 *per cent* in 2014-15, which was 0.97 *per cent* in 2013-14. Revenue receipts as a percentage of total expenditure stood at 93.67 *per cent*, which meant that the total revenue expenditure could be met out of revenue receipts.

Some of the significant increase and decrease in expenditure during the current year have been highlighted below:

<sup>16</sup> Based on 18 General Category States.

<sup>17</sup> Based on nine Special Category States.

- General Services: Increase in the Services was mainly due to increase in expenditure under other Taxes and Duties on Commodities and Services (₹ 69.53 crore) offset mainly by decrease in Public Works (₹ 65.35 crore).
- Social Services: Increase was mainly due to increase in Water Supply and Sanitation (₹ 45.65 crore) offset by decrease mainly on Relief on Account of Natural Calamities (₹ 72.41) and Medical and Public Health (₹ 32.14 crore).
- Economic Services: The increase was mainly due to increase in Tourism (₹ 203.48 crore) and Rural Employment (₹ 73.42 crore) offset by decrease mainly on Power Projects (₹ 33.84 crore).

### **Buoyancy of revenue expenditure**

The growth in revenue expenditure was higher than the growth of revenue receipts in 2014-15. However, the growth of revenue expenditure (10.96 *per cent*) was lower than the growth of GSDP (17.30 *per cent*). For every one *per cent* growth in GSDP revenue expenditure grew by 0.63 *per cent*.

### **Buoyancy of capital expenditure**

During 2014-15, the growth in capital expenditure (7.54 *per cent*) was lower than the growth of GSDP (17.30 *per cent*), but higher than the revenue receipts (4.99 *per cent*).

#### **1.7.3 Plan and non-plan expenditure**

Finance Accounts provide a further classification of expenditure into plan and non-plan. Plan expenditure normally relates to incremental developmental expenditure on new projects or schemes and involves both revenue and capital expenditure. In order to maintain the level of services already achieved, non-plan expenditure is normally utilised. **Table 1.16** presents the growth and composition of plan and non-plan expenditure over the last five years.

**Table 1.16: Growth in plan and non-plan expenditure**

		(₹ in crore)				
Particulars		2010-11	2011-12	2012-13	2013-14	2014-15
Plan	Revenue	675.27	748.38	813.47	1,053.13	1,136.72
	Capital	451.07	615.76	842.35	911.94	980.71
	Loan	5.75	49.17	5.11	10.40	26.57
	<b>Total</b>	<b>1,132.09</b>	<b>1,413.31</b>	<b>1,660.93</b>	<b>1,975.47</b>	<b>2,144.00</b>
	Percentage of plan to total expenditure	45.86	45.67	49.51	51.04	49.13
Non-plan	Revenue	1,336.65	1,681.23	1,693.92	1,971.93	2,219.92
	Capital	-	-	-	-	-
	Loan	-	-	-	-	-
	<b>Total</b>	<b>1,336.65</b>	<b>1,681.23</b>	<b>1,693.92</b>	<b>1,971.93</b>	<b>2,219.92</b>
	Percentage of non-plan to total expenditure	54.14	54.33	50.49	49.96	50.87
<b>Total Expenditure</b>	<b>2,468.74</b>	<b>3,094.53</b>	<b>3,354.85</b>	<b>3,947.40</b>	<b>4,363.92</b>	

Source: Finance Accounts.

During the period 2010-15, while the plan revenue expenditure increased by 68.34 *per cent* from ₹ 675.27 crore in 2010-11 to ₹ 1,136.72 crore in 2014-15, non-plan revenue

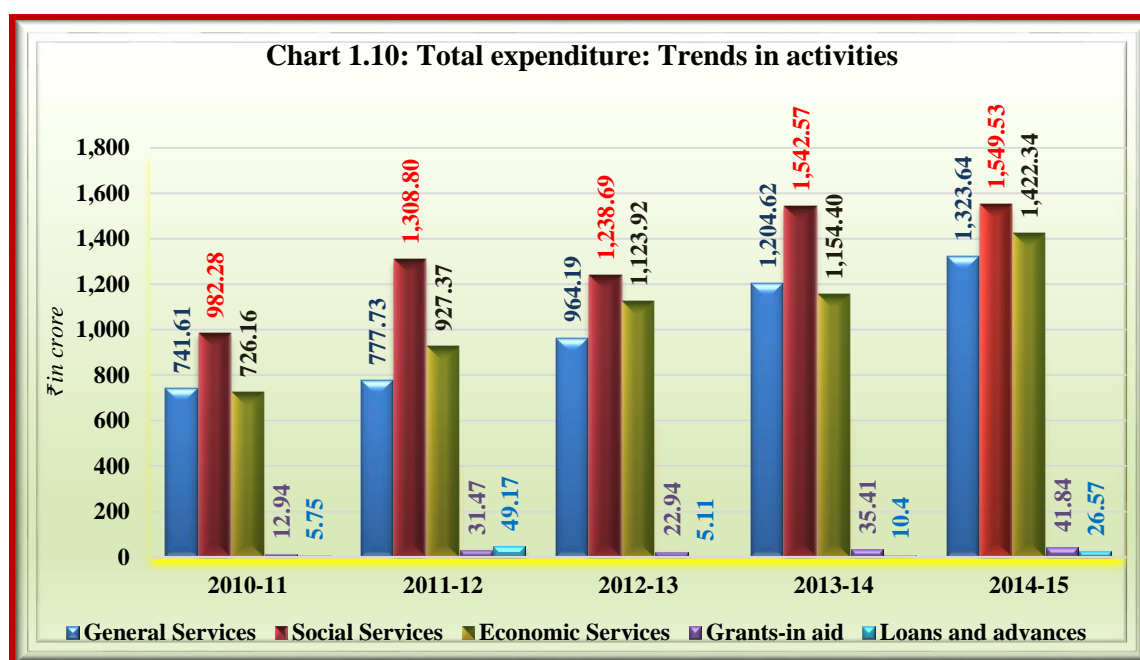
expenditure (NPRE) increased by 66.08 *per cent* from ₹ 1,336.65 crore to ₹ 2,219.92 crore.

The NPRE increased by ₹ 247.99 crore (12.58 *per cent*) as compared to the previous year. The increase was mainly on General Services by ₹ 123.18 crore, Economic Services by ₹ 34.95 crore, Social Services by ₹ 107.41 crore and Grants-in-aid by ₹ 12.47 crore.

The salary expenditure during 2014-15 under Social Services was ₹ 527.08 crore, Economic Services was ₹ 337.94 crore and General Services was ₹ 371.35 crore which contributed 41.19 *per cent*, 41.16 *per cent* and 30.59 *per cent* of revenue expenditure under each services respectively.

#### 1.7.4 Trends in expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services (including interest payments), Social Services and Economic Services, Grants-in-aid and Loans and Advances. Relating shares of these components in total expenditure (including loans and advances) are indicated in **Chart 1.10**.



Source: Finance Accounts.

The expenditure on General Services and interest together contributed 30.33 *per cent* in 2014-15 as against 30.52 *per cent* in 2013-14. On the other hand, expenditure on Social and Economic Services together accounted for 68.10 *per cent* in 2014-15 as against 68.32 *per cent* in 2013-14. The grants-in-aid and loans and advances contributed 1.57 *per cent* during 2014-15 as against 1.16 *per cent* during 2013-14.

#### 1.7.5 Incidence of revenue expenditure

The bulk of total expenditure goes towards revenue expenditure. Revenue expenditure is incurred to maintain the current level of services and to make payment for past

obligations and as such it does not result in any addition to the State's infrastructure and services network.

Revenue expenditure increased by 66.84 *per cent* from ₹ 2,011.92 crore in 2010-11 to ₹ 3,356.64 crore in 2014-15 and it increased by 10.96 *per cent* from ₹ 3,025.06 crore in 2013-14 to ₹ 3,356.64 crore in 2014-15. The Non-Plan Revenue Expenditure (NPRE) constituted 66.14 *per cent* of the revenue expenditure and increased by ₹ 247.99 crore over the previous year. The Plan Revenue Expenditure (PRE) increased by ₹ 83.59 crore from ₹ 1,053.13 crore in 2013-14 to ₹ 1,136.72 crore in 2014-15.

NPRE was a major component (66.14 *per cent*) during 2014-15. Only 33.86 *per cent* of revenue expenditure was Plan Revenue Expenditure.

### 1.7.6 Committed expenditure

Committed expenditure of the State Government on revenue account mainly consisted of interest payments, expenditure on salaries, pension and subsidies. **Table 1.17** presents the trends in the expenditure on these components during 2010-15.

**Table 1.17: Committed expenditure**

	2010-11	2011-12	2012-13	2013-14	2014-15
	(₹ in crore)				
Salaries, of which	882.31 (66.01)	874.83 (52.04)	971.01 (54.13)	1,093.88 (55.47)	1,236.37 (55.69)
Non-plan head	629.64	642.14	773.95	822.10	936.51
Plan head*	252.68	232.69	197.06	271.78	299.86
Interest payments	186.77 (13.97)	190.83 (6.64)	198.92 (11.09)	209.16 (10.61)	239.55 (10.79)
Expenditure on pension	160.14 (11.98)	173.76 (6.04)	225.17 (12.55)	260.63 (13.20)	333.08 (15.00)
Subsidies	8.05 (0.60)	7.10 (0.24)	8.41 (0.47)	15.60 (0.79)	14.78 (0.67)
<b>Total</b>	<b>1,237.27</b>	<b>1,246.52</b>	<b>1,403.51</b>	<b>1,578.86</b>	<b>1,823.78</b>
<i>As per cent of Revenue Receipts</i>					
Salaries	41.01	30.45	29.53	28.09	30.25
Interest Payments	8.68	6.64	6.05	5.37	5.86
Pension	7.44	6.04	6.85	6.69	8.15
Subsidies	0.37	0.24	0.26	0.40	0.36
<i>As per cent of Revenue Expenditure Receipts</i>					
Salaries	43.85	36.01	38.73	36.16	36.83
Interest Payments	9.28	7.85	7.93	6.91	7.14
Pension	7.96	7.15	8.98	8.62	9.92
Subsidies	0.40	0.29	0.34	0.52	0.44

Figures in the brackets indicate percentage to non-plan revenue expenditure.

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

### Expenditure on salaries

Salaries alone accounted for 30.25 *per cent* of revenue receipts of the State during the year. Salaries increased by 13.03 *per cent* from ₹ 1,093.88 crore in 2013-14 to ₹ 1,236.37 crore in 2014-15. The expenditure on salaries was 36.83 *per cent* of the revenue expenditure.

### Pension payments

Pension payments increased by ₹ 72.45 crore from ₹ 260.63 crore in 2013-14 to ₹ 333.08 crore in 2014-15. Pension payment accounted for 8.15 *per cent* of the revenue receipts and 9.92 *per cent* of revenue expenditure.



### Interest payments

Interest payments increased by 14.53 *per cent* from ₹ 209.16 crore in 2013-14 to ₹ 239.55 crore in 2014-15. Interest payments of ₹ 239.55 crore in 2014-15 consisted of Internal Debt and Market Loans (₹ 174.29 crore), Small Savings, Provident Fund, etc. (₹ 54.22 crore) and loans received from Central Government (₹ 11.04 crore). The interest payments during 2014-15 exceeded the normative projections of XIII FC (₹ 180.78 crore) by ₹ 58.77 crore.

### Subsidies

In any welfare State, it is not uncommon to provide subsidies/subventions to the disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

**Table 1.17** shows that expenditure on payment of Subsidies decreased by 5.26 *per cent* from ₹ 15.60 crore in 2013-14 to ₹ 14.78 crore during the current year. It constituted 0.44 *per cent* of Revenue Expenditure.

Major recipients of Subsidies in 2014-15 were Food, Storage and Warehousing (₹ 14.69 crore) and Co-operation (₹ 0.09 crore). Subsidy in the co-operative sector predominantly represented transport subsidy given to Co-operative. Food subsidy is given to meet the differential cost of food grains under Public Distribution System (PDS).

#### 1.7.7 Financial assistance to local bodies and others

The quantum of assistance provided by way of grants to local bodies and others during the current year, relating to the previous five years, is presented in **Table 1.18**.

**Table 1.18: Financial assistance to local bodies and other institutions**

	(₹ in crore)					
<b>Financial Assistance to Institutions</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Educational Institutions (Non-Government Aided School, etc.)	0.67	1.31	0.00	0.60	0.05	0.05
Zilla Parishads and Other Panchayat Raj Institutions	182.05	242.94	248.22	220.66	260.51	276.10
Cooperative societies	3.72	1.25	1.19	2.33	1.17	0.24
Other Institutions and bodies (including statutory bodies)	1.02	0.30	0.33	2.07	0.63	2.43
Assistance to Municipalities/ Municipal Councils	-	0.70	0.25	0.00	0.00	0.00
Assistance to Local Bodies Corporations, Urban Development	-	1.36	1.18	0.00	0.00	0.00
Farmers	-	-	1.22	2.23	0.00	0.00
<b>TOTAL</b>	<b>187.46</b>	<b>247.86</b>	<b>252.39</b>	<b>227.89</b>	<b>262.36</b>	<b>278.82</b>
Assistance as percentage of Revenue Expenditure	10.25	12.32	10.39	9.09	8.67	8.31

Source: Finance Accounts.

The total assistance during 2014-15 had increased by 6.27 *per cent* over the previous year mainly due to increase in assistance to Zilla Parishads (ZPs) and Other Panchayati Raj Institutions and bodies (including statutory bodies).

### **1.7.8 Local Bodies**

The position regarding major issues relating to Local Bodies, i.e., Panchayati Raj Institutions(s) are summarised in the following paragraph.

#### **1.7.8.1 An overview of Local Bodies (Panchayati Raj Institutions)**

The Sikkim Panchayat Act 1993 was enacted to establish a two tier PRI system at village and district levels in the State following the 73<sup>rd</sup> Constitutional Amendment. As of March 2015, there were 4 Zilla Parishads (ZPs) and 176 Gram Panchayats (GPs) in the State.

The PRIs are solely funded by the Government through grants-in-aid from Central and State Governments for general administration as well as development activities. Funds are initially reflected in the State budget against the outlay of various administrative departments under grant-in-aid. Individual departments thereafter transfer the funds to Sachiva, Zilla Panchayats for Zilla Panchayat and Additional District Collector-cum-Development Officer for GPs as grants-in-aid. The ZPs and GPs in turn, deposit their funds in the savings account maintained with nationalised banks.

Audit of the PRIs during 2014-15 revealed the following:

- Absence of sound basis for transfer of funds to the PRIs by the departments constrained the PRIs to formulate any plan with certainty. Thus, the planning at the PRI level was on ad-hoc basis.
- Although the State Government delineated the role and responsibilities of each tier of PRIs by transferring 29 subjects for devolution of all the functions listed in the 11th schedule of the Constitution to the PRIs, only 15 subjects were actually transferred to PRIs.
- Scrutiny of records in 88 GPs revealed that basic records and registers were not maintained properly as required under Sikkim Panchayat Rules 2004.
- The GPs had not initiated adequate steps to augment their revenue base despite having enabling provisions in Sikkim Panchayat Act 1993 and recommendation of successive State Finance Commission, accepted by State Government.
- The internal Control in the GPs were lacking in respect of preparation of budget, maintenance of accounts in appropriate format, internal audit by Director, Local Fund Audit, supervision by Sachiva, Zilla Panchayat, etc.

## **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 of expenditure.

### 1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) can be stated to have been attached to a particular sector if the priority given to that particular head of expenditure is decreasing over the years.

**Table 1.19** analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure in 2011-12 and the current year 2014-15.

**Table 1.19: Fiscal priority of the State in 2011-12 and 2014-15**

(in per cent)

Fiscal priority of the State	AE/GSDP	DE*/AE	SSE/AE	CE/AE	Education/AE	Health/AE
Sikkim's Average (Ratio) 2011-12	34.74	73.85	42.55	19.90	18.11	7.26
Sikkim's Average (Ratio) 2014-15	30.06	68.71	35.77	22.47	17.69	5.95
Special Category states' Average (ratio) 2011-12**	26.39	61.26	37.02	14.02	18.86	5.40
Special Category states' Average (ratio) 2014-15	NA	63.51	38.14	14.22	19.31	5.49

AE: Aggregate Expenditure, DE\*: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure.

\* Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.

\*\* Based on eight Special Category States (SCS) – Assam, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand.

**Table 1.19** shows the fiscal priority given by the Sikkim Government to various expenditure heads during 2011-12 and 2014-15 which is summarised below.

- The AE/GSDP ratio of the Government of Sikkim in 2014-15 had decreased by 4.68 per cent as compared to 2011-12. AE/GSDP ratio in the State was higher than the SCS in 2011-12.
- The ratio of DE as a proportion to AE decreased marginally by 5.14 per cent in 2014-15 as compared to 2011-12 which indicates that the State had given less priority to this category of expenditure during the current year. However, DE as a proportion of AE has been higher in the State compared to the Special Category States' average both during 2011-12 and 2014-15.
- In Social Sector, expenditure as a percentage of AE had decreased by 6.78 per cent in the year 2014-15 as compared to 2011-12. Expenditure on Social Sector as a proportion of AE was higher than the Special Category States' average during 2011-12 but lower than the Special Category States' average during 2014-15.
- The expenditure on Capital Sector had increased by 2.57 per cent in 2014-15 indicating that the State Government had given more emphasis to CE during the year. The share of CE was higher than the Special Category States' average in both the years. Further, expenditure on Education as a percentage of AE had decreased from 18.11 per cent in the year 2011-12 to 17.69 per cent in the year

2014-15 and the percentage of expenditure on health had also decreased from 7.26 per cent in 2011-12 to 5.95 per cent in 2014-15.

- Growth Rate in respect of Revenue expenditure on education and health for Sikkim for the period 2013-14 and 2014-15 was 12.80 per cent and 23 per cent respectively however these were 14.55 per cent and 28.73 per cent for General Category<sup>18</sup> States and for Special Category<sup>19</sup> States these were 17.68 per cent and 23.67 per cent for Revenue expenditure on education and health respectively.

### 1.8.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads for social and economic development, it is imperative for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods<sup>20</sup>. Apart from improving the allocation towards development expenditure<sup>21</sup>, 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 proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of social and economic services to total expenditure, the better would be the quality of expenditure. **Table 1.20** presents the trends in development expenditure relating to the aggregate of the State during the current year vis-à-vis the previous years. **Table 1.21** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

**Table 1.20: Development expenditure**

	2010-11	2011-12	2012-13	2013-14	2014-15
Development expenditure (DE)	1,714.19	2,285.17	2,367.61	2,706.97	2,998.37
Percentage of DE to total expenditure	69.44	73.85	70.57	68.58	68.71
Composition of DE					
Revenue	1314.04 (76.66)	1645.70 (72.02)	1603.57 (67.73)	1954.55 (72.20)	2100.68 (70.06)
Capital	394.40 (23.00)	590.47 (25.84)	759.04 (32.06)	742.42 (27.43)	871.19 (29.06)
Loans and advances	5.75 (0.34)	49.00 (2.14)	5.00 (0.21)	10.00 (0.37)	26.50 (0.88)

Source: Finance Accounts. Figures in brackets indicate percentage to aggregate expenditure.

18 Based on 18 General Category States.

19 Based on nine Special Category States.

20 Core public goods are those which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g., enforcement of law and order, security and protection of citizen's rights, pollution free air and other environmental goods and road infrastructure, etc.

Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce mortality, providing basic education to all, drinking water and sanitation, etc.

21 The analysis of expenditure is segregated into development and non-development expenditure. All expenditure relating to revenue account, capital outlay and loans and advances is categorised into social, economic and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

Development expenditure comprising revenue expenditure, capital outlay and loans and advances on socio-economic services increased from ₹ 1,714.19 crore in 2010-11 to ₹ 2,998.37 crore in 2014-15. As a percentage of total expenditure, it decreased from 69.44 *per cent* in 2010-11 to 68.71 *per cent* in 2014-15. In the current year, development expenditure slightly increased to 68.71 *per cent* as compared to 68.58 *per cent* in the previous year. On an average, 70 *per cent* of the development expenditure was on revenue account while capital expenditure including loans and advances accounted for the balance during the years.

In 2014-15, development revenue expenditure included, *inter alia* expenditure on salary (₹ 865.02 crore), subsidy (₹ 14.78 crore) and financial assistance to local bodies and other institutions (₹ 278.82 crore).

**Table 1.21: Efficiency of expenditure use**

(Ratio in per cent)

Particulars	2013-14		2014-15	
	Ratio of CE to TE	Share of salaries (excluding wages and O&M) in RE	Ratio of CE to TE	Share of Salaries (excluding wages and O&M) in RE
<b>Social Services (SS)</b>				
Education, sports, art and culture	1.26	10.02	0.73	10.07
Health and family welfare	2.37	3.76	1.41	3.71
Water supply, sanitation, housing and urban development	2.82	0.66	3.94	0.72
Others	0.30	1.21	0.11	1.20
<b>Total (SS)</b>	<b>6.74</b>	<b>15.64</b>	<b>6.18</b>	<b>15.70</b>
<b>Economic Services (ES)</b>				
Agriculture and allied activities	0.31	3.93	0.27	3.88
Irrigation & flood control	0.10	0.21	0.10	0.23
Power & Energy	1.68	1.57	0.74	2.23
Transport	7.48	1.70	5.51	0.89
Others	2.49	1.95	7.16	2.84
<b>Total (ES)</b>	<b>12.06</b>	<b>9.36</b>	<b>13.78</b>	<b>10.07</b>
<b>Total (SS+ES)</b>	<b>18.81</b>	<b>25.00</b>	<b>19.96</b>	<b>25.77</b>

Source: Finance Accounts. TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure.

### Expenditure on social services

Capital expenditure on social services slightly increased from ₹ 266.21 crore in 2013-14 to ₹ 269.81 crore in 2014-15. There was decrease in ratio of capital to total expenditure on social services by 0.56 *per cent* as compared to the previous year.

The share of salary expenditure under social services in Revenue Expenditure was 15.64 *per cent* in 2013-14, which slightly increased to 15.70 *per cent* in 2014-15.

### Expenditure on economic services

Capital expenditure on economic services increased from ₹ 476.21 crore in 2013-14 to ₹ 601.38 crore in 2014-15. The increase in Capital outlay was for Flood Control Programme, Village and Small Industries, Consumer Industries and Roads and Bridges schemes.

The share of salary expenditure under economic services which was 9.36 *per cent* during 2013-14 had increased to 10.07 *per cent* of revenue expenditure in 2014-15.

## 1.9 Financial Analysis of Government expenditure and investments

In the post-MTFP framework, the Government is expected to keep its fiscal deficit (borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments and recover cost of borrowed funds rather than bearing the same in its budget in the form of implicit subsidy and also needs to 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 projects as on 31 March 2015 is given in **Table 1.22**.

**Table 1.22: Department wise profile of incomplete projects**

(₹ in crore)

Department	No. of incomplete projects as on 31 March 2015	Initial budgeted cost	Revised total Cost	Cost over run	Actual expenditure as on 31 March 2015
Building and Housing	14	153.29	182.56	29.27	111.69
Health Care, Human Service and Family Welfare	4	467.38	467.38	0	380.06
Human Resource Development	71	222.81	222.81	0	94.34
Urban Development and Housing	33	344.47	344.47	0	177.18
Tourism and Civil Aviation	73	726.20	726.20	0	298.04
Energy and Power	28	240.64	240.64	0	91.40
Water Supply and Public Health Engineering	19	170.56	170.56	0	82.42
Irrigation and Flood Control Department	55	98.36	98.36	0	22.11
<b>Total</b>	<b>297</b>	<b>2,423.71</b>	<b>2,452.98</b>	<b>29.27</b>	<b>1257.24</b>

Source: Finance Accounts.

As per information received from the State Government, there were 297 incomplete projects (estimated cost ₹ 2,423.71 crore) as on 31 March 2015 in which an expenditure amounting to ₹ 1,257.24 crore had been incurred, out of which 156 works (estimated cost: ₹ 716.01 crore and actual expenditure incurred as on 31 March 2015: ₹ 362.61 crore) were due to be completed by 31 March 2015 and in case of 15 (3 works - UDHD, 6 works - Building and Housing Department, 5 works - HRDD and one work - Irrigation and Flood Control Department) works years of commencement and target date of completion were not furnished by the Departments. Out of 156 works due to be completed by 31 March 2015, the cost of six incomplete projects was revised and increased by 19.09 per cent i.e., ₹ 29.27 crore (Building and Housing Department). Due to the non-completion of works in scheduled time, benefits of the projects did not reach the intended beneficiaries in time.

Information regarding the incomplete works was not furnished by Food, Civil Supplies and Consumer Affairs Department, Sikkim Public Works Department (Roads and Bridges) and Rural Management and Development Department.

### 1.9.2 Investment and returns

As of March 2015, Government had invested ₹ 97.42 crore in Statutory Corporations, Banks, Joint Stock Companies and Co-operatives as detailed in succeeding paragraphs. The return during the current year was 0.89 *per cent* as detailed in **Table 1.23** below:

**Table 1.23: Return on investment**

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Investment at the end of the year	90.31	97.42	97.42	97.42	97.42
Return	2.37	Nil	1.53	0.55	0.87
Return ( <i>per cent</i> )	2.62	Nil	1.57	0.56	0.89
Average rate of interest on Government borrowings ( <i>per cent</i> )	9.00	9.00	9.50	8.33	8.38
Difference between interest rate and return ( <i>per cent</i> )	6.38	9.00	7.93	7.77	7.49

Source: Finance Accounts.

The details of investment of ₹ 97.42 crore up to the end of 2014-15 by the State Government in Statutory Corporations (3), Joint Stock Companies (21) and Banks and Co-operative Societies (8) are detailed in **Appendix 1.6**.

It was noticed that the Government had invested ₹ 20.46 crore in the following Companies incurring perennial loss<sup>22</sup> (**Table 1.24**).

**Table 1.24: Investment in Government Companies under perennial loss**

(₹ in crore)

Sl. No.	Name of the Government Company	Investment upto 2014-15		Cumulative loss (**)	Year of accounts approved by Board
		Equity and Loans	Subsidy/ Grants		
1	Sikkim Poultry Development Corporation Ltd. (SPDCL)	Nil	0.16	0.73	2008-09
2	Sikkim Hatcheries Limited (SHL)	0.46	Nil	1.67	2008-09
3	Sikkim Livestock Processing and Development Corporation (SLPDC)	0.35	Nil	1.02	2012-13
4	Sikkim Power Development Corporation	10.35	Nil	45.50	2013-14
5	Sikkim SC, ST and OBC Development Corporation (SABCCO)	9.30	Nil	15.26	2012-13
	<b>TOTAL</b>	<b>20.46</b>	<b>0.16</b>	<b>64.18</b>	

Source: Information furnished by the departments. (\*\*) Accumulated loss upto the latest annual accounts approved by Board.

Against Nine working Companies/Corporations wherein State Government had invested ₹ 40.17 crore (₹ 38.14 crore as equity and ₹ 2.03 crore as loan), three were earning profits, as per their latest finalised annual accounts, while remaining had incurred losses. Of the three profit earning Companies/Corporations, Sikkim Industrial Development and Investment Corporation Limited declared a dividend of ₹ 0.51 crore for the year 2013-14. Sikkim Tourism Development Corporation Limited had accumulated losses and hence, no dividend had been declared. However, State Trading Corporation of Sikkim, which had accumulated profit of ₹ 7.73 crore, had not declared any dividend.

<sup>22</sup> Loss made during last five approved accounts.

### 1.9.3 State PSUs-finalisation of accounts and enhancing financial viability

The XIII Finance Commission recommended that all States should endeavour to ensure clearance of the accounts of all PSUs. All disinvestment receipts should be maintained in the Consolidated Fund and transfer of such receipts to the Public Account should be discouraged.

The finalisation of 43 Annual Accounts in respect of 14 State PSUs pertaining to the year 2007-08 to 2014-15 were in arrears as of September 2015 due to delay in completion/adoption of accounts by the Board of Directors of the respective SPSUs as detailed below:

**Table 1.25: Delay in completion/adoption of accounts by the Board of Directors**

Sl. No.	Name of the PSUs	Year for which annual accounts to be finalised	Number of accounts
1	Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO)	2014-15	1
2	Scheduled Caste, Scheduled Tribe and Other Backward Class Development Corporation Ltd. (SABCCO)	2013-14 and 2014-15	2
3	Sikkim Tourism Development Corporation Ltd. (STDC)	2013-14 and 2014-15	2
4	Sikkim Power Development Corporation Ltd. (SPDC)	2014-15	1
5	Sikkim Poultry Development Corporation Ltd. (SPDCL)	2009-10 to 2014-15	6
6	Sikkim Hatcheries Ltd. (SHL)	2009-10 to 2014-15	6
7	Sikkim Livestock Processing and Development Corporation Ltd.	2013-14 and 2014-15	2
8	State Bank of Sikkim (SBS)	2013-14 to 2014-15	2
9	State Trading Corporation of Sikkim (STCS)	2011-12 to 2014-15	4
10	Government Fruit Preservation Factory (GFPP)	2011-12 to 2014-15	4
11	Temi Tea Estate (TEMI)	2014-15	1
12	Sikkim State Co-operative Bank Ltd. (SISCO)	2014-15	1
13	Sikkim Mining Corporation (SMC)	2011-12 to 2014-15	4
14	Housing and Development Board	2007-08 to 2014-15	7
	<b>TOTAL</b>		<b>43</b>

Source: Information furnished by the departments.

### 1.9.4 Loans and advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, Government also provided loans and advances to many Institutions/Organisations. Table 1.26 presents the position of outstanding loans and advances as of March 2015 and interest receipts vis-à-vis interest payments during the last five years.

**Table 1.26: Average interest received on loans advanced by the State Government**

Particulars	₹ in crore				
	2010-11	2011-12	2012-13	2013-14	2014-15
Opening balance	41.67	46.63	95.78	99.99	109.48
Amount advanced during the year	5.75	49.18	5.11	10.40	26.57
Amount repaid during the year	0.79	0.03	0.89	0.91	0.88
Closing balance	46.63	95.78	99.99	109.48	135.17
Net addition	(+) 4.96	(+) 49.15	(+) 4.21	(+)9.49	(+)25.69
Interest receipts	3.36	1.84	2.61	4.18	1.76
Interest receipts as per cent to outstanding loans and advances	7.21	1.92	2.61	3.82	1.30
Interest payments as per cent to outstanding fiscal liabilities of the State Government	6.68	6.04	5.95	5.76	5.76
Difference between interest payments and interest receipts (in per cent)	(-) 0.53	4.12	3.34	1.94	4.46

Source: Finance Accounts.



Out of amount of ₹ 26.57 crore advanced during the year 2014-15, ₹ 11.50 crore was against the educational loans for higher studies in colleges and universities and ₹ 15.00 crore was loan for general financial institutions. Further, ₹ 0.07 crore was against loans and advances paid to various Government servants for House Building Advance.

Loans outstanding as of March 2015 aggregated to ₹ 135.17 crore. The interest received during the financial years 2014-15 was ₹ 1.76 crore. During 2014-15, Interest receipts as percentage to outstanding loans and advances was 1.30 per cent against Interest paid as percentage to outstanding fiscal liabilities being 5.76 per cent.

### 1.9.5 Cash balances and investment of cash balances

Table 1.27 depicts the cash balances and investments made therefrom by the State Government during the year.

**Table 1.27: Investment of cash balances**

(₹ in crore)

	As of 31 March 2014	As of 31 March 2015
(a) General Cash Balance -	270.60	177.95
• Cash in Treasuries	-	-
• Deposits with Reserve Bank	-	-
• Deposits with other Banks	-	-
• Remittances in transit - Local	-	-
<b>Total</b>	<b>270.60</b>	<b>177.95</b>
Investments held in Cash Balance investment account	750.00	1,050.00
<b>Total (a)</b>	<b>1,020.60</b>	<b>1,227.95</b>
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	0.55	0.55
Permanent advances for contingent expenditure with departmental officers	0.42	0.42
Investment of earmarked funds	262.03	308.02
<b>Total (b)</b>	<b>263.00</b>	<b>308.99</b>
<b>Grand total (a)+ (b)</b>	<b>1,283.60</b>	<b>1,536.94</b>

Source: Finance Accounts.

Under a resolution passed in the year 1968-69, the State Bank of Sikkim was vested with the responsibility by the Government of Sikkim for receiving money on behalf of Government and making all Government payments and keeping custody of the balances of Government in current account as well as fixed deposits which could be made through the branches of the Bank. The cash balances as on 31 March 2015 was ₹ 177.95 crore which was less than the balance as compared to previous year.

As per the Finance Accounts 2014-15 there was a balance of ₹ 171.35 crore with the State Bank of Sikkim as on 31 March 2015. However, as per the records of the State Bank of Sikkim, the cash balance of the State Government stood at ₹ 125.63 crore leaving an un-reconciled balance of ₹ 45.72 crore.

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

The head is an intermediate account for initial record of transactions which are to be cleared eventually. Outstanding balance under the major head 8670 - Cheques and Bills

represents the amount of un-encashed cheques. Under this head as on 1 April 2014, there was an opening balance of ₹ 94.70 crore. Further, during the year, cheques worth ₹ 3,076.03 crore were issued and cheques worth ₹ 3,010.76 crore were encashed leaving a closing balance of ₹ 65.27 crore as on 31 March 2015 with a net decrease of ₹ 159.97 crore during the year.

## **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 assets and liabilities as on 31 March 2015 compared with the corresponding position as on 31 March 2014.

Total liabilities, as defined are the liabilities under the Consolidated Fund and the Public Account of the State. Consolidated Fund liabilities consist of Internal Debt and Loans and Advances from GOI.

The growth rate of components of assets and liabilities are summarised in the **Table 1.28**.

**Table 1.28: Summarised position of Assets and Liabilities**

(₹ in crore)							
<b>Liabilities</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Assets</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
<i>Consolidated Fund</i>				<i>Consolidated Fund</i>			
a. Internal Debt	1,828.92	2,058.47	2,389.23	i) Gross Capital outlay	6,434.60	7,346.54	8,327.25
b. Loans and advances from GOI	149.04	127.07	121.07	ii) Loans and advances	100.00	109.48	135.17
	<b>1,977.96</b>	<b>2,185.54</b>	<b>2,510.30</b>	Advances	1.03	1.03	1.03
<i>Public Account</i>							
a. Small savings, Provident funds, etc.	624.15	685.64	710.19	Cash	1,048.63	1,283.60	1,536.94
b. Reserve Funds	246.00	313.15	430.61				
c. Deposits	142.79	146.21	138.37				
d. Remittance Balance	196.73	204.31	213.40				
e. Suspense and Miscellaneous Balances	157.34	99.03	158.75				
	<b>1,367.01</b>	<b>1,448.34</b>	<b>1,651.32</b>				
Surplus on Government Accounts	3457.32	4,238.29	5,106.77				
Revenue Surplus	780.97	868.48	731.00				
Contingency Fund	1.00	1.00	1.00	Contingency Fund		1.00	
<b>Total</b>	<b>7,584.26</b>	<b>8,741.65</b>	<b>10,000.39</b>		<b>7,584.26</b>	<b>8,741.65</b>	<b>10,000.39</b>

Source: Finance Accounts.

The growth rate of assets was 14.40 per cent whereas the growth rate of liabilities was 14.52 per cent in 2014-15 as compared to the previous year.

### *1.10.2 Fiscal liabilities*

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.2**. The composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Charts 1.11** and **1.12**.

Chart 1.11: Composition of outstanding liabilities as on 31.03.2014  
(₹ in crore)

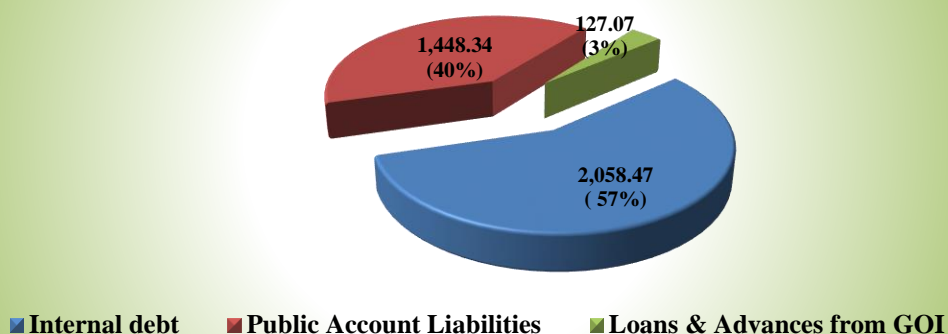
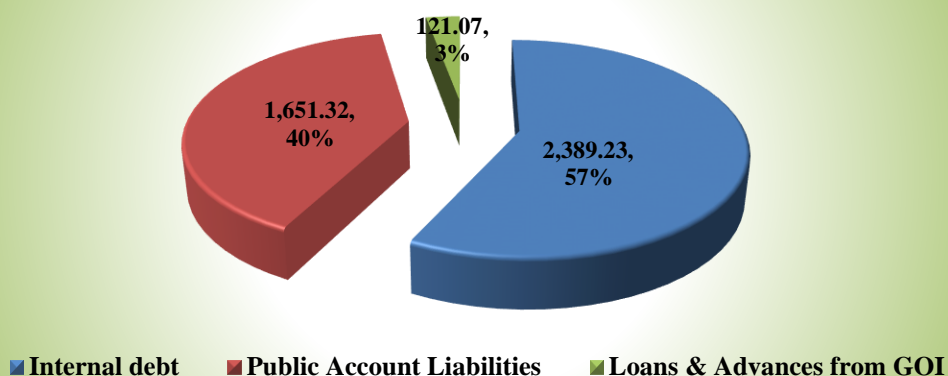


Chart 1.12: Composition of outstanding liabilities as on 31.03.2015  
(₹ in crore)



Source: Finance Accounts.

Fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources as well as buoyancy of fiscal liabilities with respect to these parameters are brought out in Table 1.29.

Table 1.29: Fiscal liabilities-basic parameters

	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal liabilities (₹ in crore)	2,797.50	3,160.76	3,344.97	3,633.88	4,161.62
Rate of growth (per cent)	1.27	12.99	5.83	8.64	14.52
Revenue Receipts	2,151.70	2,872.11	3,288.36	3,893.54	4,087.64
<b>Ratio of fiscal liabilities to</b>					
GSDP	0.38	0.35	0.32	0.29	0.29
Revenue receipts	1.30	1.10	1.02	0.93	1.02
Own resources	5.36	5.88	4.54	4.10	4.89
<b>Buoyancy ratio of fiscal liabilities to</b>					
GSDP	0.06	0.64	0.33	0.48	0.84
Revenue receipts	0.15	0.39	0.40	0.47	2.91
Own resources	-0.06	4.16	0.16	0.43	(-)-3.66

Source: Finance Accounts.

Fiscal liabilities of the State increased by ₹ 527.75 crore (14.52 *per cent*) from ₹ 3,633.88 crore in 2013-14 to ₹ 4,161.62 crore in 2014-15 comprising Public Account Liabilities of ₹ 1,651.32 crore (40 *per cent*), Internal Debt of ₹ 2,389.23 crore (57 *per cent*) and Loans and Advances of ₹ 121.07 crore (3 *per cent*).

The ratio of fiscal liabilities to GSDP stood at 0.29 at the end of 2014-15. The growth rate of outstanding fiscal liabilities which was 8.64 *per cent* in 2013-14 increased to 14.52 *per cent* in 2014-15. The buoyancy of the liabilities with respect to GSDP and Revenue receipts during the year were 0.84 and 2.91 *per cent* respectively indicating that for each one *per cent* increase in GSDP and revenue receipt, fiscal liabilities grew by 0.84 *per cent* and 2.91 *per cent* respectively.

### **1.10.3 Transactions under Reserve Funds**

Reserve and Reserve Funds are created for specific and well defined purposes in the accounts of the State Government. These funds are fed by contributions or grants from the Consolidated Fund of India or State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the funds are initially accounted for under the Consolidated Fund itself 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 funds are transferred to the Public Account Fund through an operation of deduct entry in accounts. The Funds may be further classified as ‘Funds carrying interest’ and ‘Funds not carrying interest’. Generally, the Reserve Funds are classified under the following three categories based on the sources from which they are fed:

- Funds accumulated from grants made by another Government and at times aided by public subscriptions.
- Funds accumulated from sums set aside by the Union/State from the Consolidated Fund of India or Consolidated Fund of State, as the case may be, to provide reserves for expenditure to be incurred by them for particular purposes.
- Funds accumulated from contributions made by outside agencies to the State Government.

A total of five Reserve Funds had been created and maintained in the accounts of the State Government. Analyses of transaction of those funds are enumerated in the subsequent paragraphs:

#### **Sikkim Transport Infrastructure Development Fund (STIDF)**

The Government of Sikkim enacted STIDF Act in 2004 and the Rules under the Act was also notified in 2004 and further amended in June 2009. The STIDF was constituted in the Public Account and classified under the head “8235-General and Other Reserve Fund, 200-Other Funds” in the accounts of the Government. The receipt to the fund shall initially be credited to the receipt head “0045-Other Taxes and Duties on Commodities and Services 112-Receipts from Cesses under Other Acts, Receipt under STIDF Act”. In order to transfer the amount to the Fund, the State Government shall make suitable budget

provision on the expenditure side of the budget under the Head “2045-Other Taxes and Duties on Commodities and Services, 797-Transfer to Reserve Fund/Deposit Account, Transfer to the STIDF”. The Fund shall be operated by the Finance, Revenue and Expenditure Department (FRED). Income Tax and Commercial Tax Division (ITCT) of the FRED shall collect the receipts and maintain the books of accounts. A Committee consisting of the Financial Commissioner/Principal Secretary, FRED as Chairman and the Secretary, Roads and Bridges, Secretary, Transport Department and the Controller of Accounts as members shall administer the Fund. The Additional Commissioner, ITCT Division of the FRED shall be the Member Secretary of the Committee. On receipt of the deposits, ITCT Division shall take action for investment of the receipts. The Fund shall be utilised for (a) the creation, development, maintenance or improvement of transport infrastructure, including roads, bridges and flyovers, (b) the improvement of traffic operations and road safety and (c) the purposes of such other projects as may be prescribed relating to transport infrastructure development with the approval of the Government. During 2014-15, total STIDF collection was ₹ 42.46 crore, out of which ₹ 35.58 crore was transferred to Roads and Bridges Department for construction and maintenance of roads.

#### **Sikkim Ecology Fund (SEF)**

The Sikkim Ecology Fund and Environmental Cess Act was notified in 2005 and the Rules there under were framed in 2007. As per the Act, whoever brings non-biodegradable materials to the State of Sikkim with whatsoever purpose, would be levied environmental cess at the rate of one *per cent* of total turnover on sale price and in respect of hotels, resorts and lodges, it would be levied at the rate of five *per cent*.

The broad objective of this fund was to protect and improve the quality of environment, control and abate environment pollution and to take measures for restoration of ecological balance of the State. During 2014-15, State Government collected Ecology Fund of ₹ 84.14 crore and incurred expenditure of ₹ 22.04 crore.

#### **Sinking Fund**

State Government of Sikkim constituted a Consolidated Sinking Fund for redemption of the open market loans of the Government commencing from 2004-2005. As per guidelines, the Government is required to contribute to the Fund at the rate of 1 to 3 *per cent* of the outstanding open market loans as at the end of the previous year. The scope of this fund has been extended to cover all outstanding liabilities of the Government through a notification issued on 18 August 2007 on the basis of recommendations of the Twelfth Finance Commission. The State Government has not adopted the recommendations of Reserve Bank of India (RBI) for minimum annual contribution of 0.5 *per cent* of outstanding liabilities. For the year 2014-15, the requirement for annual contribution was ₹ 15.34 crore (0.5 *per cent* of outstanding liabilities of ₹ 3,068.51 crore) in terms of the guidelines of the RBI and ₹ 15.31 crore (at 1 to 3 *per cent* of outstanding open market loans of ₹ 1,531.14 crore) in terms of the guidelines of the State Government. During the year Government transferred ₹ 12.00 crore to the fund against the minimum contribution of ₹ 15.31 crore, as per its own guidelines, resulting in short contribution ranging from

₹ 3.31 crore to ₹ 3.34 crore. As on 31 March 2015, the Fund had a balance of ₹ 269.87 crore (which included ₹ 27.52 crore accrued interest), which has been invested in fixed deposits in nationalised banks as per the directions of the RBI.

### **State Disaster Response Fund**

As per the recommendations of the Thirteenth Finance Commission, the State Government replaced the Calamity Relief Fund with the State Disaster Response Fund (SDRF) in 2010-11. In terms of the guidelines of the Fund, the Centre, and Special Category States like Sikkim, are required to contribute to the Fund in the proportion of 90:10. Further, if the State does not have adequate balance under SDRF, the Government of India provides additional assistance from the National Disaster Response Fund (NDRF). As at the beginning of 2014-15, the Fund had a corpus of ₹ 15.54 crore, out of which ₹ 13.96 crore was invested. During the year 2014-15, the State Government transferred ₹ 28.78 crore to the SDRF (Central share: ₹ 24.89 crore and State share of ₹ 2.76 crore together with ₹ 1.02 crore received as NDRF contribution and accrued interest of ₹ 0.11 crore). After meeting the expenditure of ₹ 26.25 crore during the year, the fund had a closing balance of ₹ 18.06 crore as on 31 March 2015.

### **Guarantee Redemption Fund**

The State Government set up Guarantee Redemption Fund in the year 2000. The detailed account of the Fund as on 31 March 2015 is given below:

**Table 1.30: Guarantee Redemption Fund**

		(₹ in crore)
Sl. No.	Particulars	Amount
1	Opening Balance	17.72
2	Addition	2.00
3	Interest	4.43
	<b>Total</b>	<b>24.15</b>
4	Amount met from the Fund for discharge of invoked guarantees (-)	Nil
5	Closing Balance	24.15
6	Amount of investment made out of the Guarantee Redemption Fund	24.15

Source: Finance Accounts.

As per the Sikkim Government Guarantee Act 2000 (Act No. 21 of 2000), the ceiling on the total outstanding Government Guarantees as on the 1<sup>st</sup> day of April shall not exceed thrice the State's Tax Receipt of the second preceding year which was within the limit in the State. No Guarantee was invoked during the year.

#### **1.10.4 Contingent liabilities**

##### **Status of guarantees**

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended. The details for last five years are given in **Table 1.31**.

**Table 1.31: Guarantees given by the State Government**

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Maximum amount guaranteed	246.69	163.72	186.42	156.70	156.70
Outstanding amount of guarantees (including interest)	276.42	164.21	187.72	122.09	112.14
Percentage of outstanding amount guaranteed to total State's Tax Receipt of the second preceding year	15.72	7.00	8.72	4.25	3.42

Source: Finance Accounts.

Government had not guaranteed any loans during the year 2014-15. As such, no guarantee commission was received by the Government during the year.

### Off-budget borrowings

The borrowings of the State Government are governed by Article 293 (1) of the Constitution of India. In addition to the contingent liabilities, the State Government also extended guarantees against loans availed of by Government Companies/Corporations. These Companies/Corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes envisaged from outside the State budget. Funds for those programmes were to be met out of resources mobilised by those Companies/Corporations outside the State budget but in reality the borrowings of those concerns ultimately turn out to be the liabilities of the State Government termed 'off-budget borrowings' and the Government had to repay the loans availed of by those Companies/Corporations including interest through regular budget provision under capital account.

State Government had not resorted to any off-budget borrowings during 2014-15.

#### 1.10.5 Analysis of Borrowings of Government

Analysis of borrowings of the Government revealed that as on 1 April 2014, an amount of ₹ 2,871.19 crore was outstanding towards various loans and advances. Further, during the year 2014-15, there was an addition of ₹ 677.30 crore and payment/discharge of ₹ 327.99 crore with closing balance of ₹ 3,220.50 crore as on 31 March 2015. The increase in total outstanding loans and advances at the end of the year was 12.17 per cent. An interest of ₹ 239.55 crore was also paid by the Government on various loans and advances. Details are given below:

**Table 1.32: Detailed Statement on Borrowings and Other Liabilities**

(₹ in crore)

Description of Debt	Balance as on 1 <sup>st</sup> April 2014	Additions during the year	Discharges during the year	Balance as on 31 <sup>st</sup> March 2015	Net Increase(+)/ Decrease(-) (in percentage)	Interest Paid during the year
Market Loans	1,531.14	330	22.42	1838.72	20	129.61
Loans from Life Insurance Corporation of India	100.26	10	8.26	102	2	8.5
Loans from General Insurance Corporation of India	0.08	0	0.02	0.06	(-)25	0.01
Loans from NABARD	226.18	37.76	32.66	231.28	2	16.53
Compensation and other Bonds	9.56	0	4.78	4.78	(-)50	0.71

Description of Debt	Balance as on 1 <sup>st</sup> April 2014	Additions during the year	Discharges during the year	Balance as on 31 <sup>st</sup> March 2015	Net Increase(+)/ Decrease(-) (in percentage)	Interest Paid during the year
Loans from National Co-operative Development Corporation	0.75	0.35	0.75	0.35	(-)53	0.07
Loans from other Institutions	21.78	0	2.57	19.21	(-)12	2.53
Special Securities issued to National Small Savings Fund of the Central Government	168.71	30.01	5.89	192.83	14	16.33
Non-plan loans from GOI	0.55	0.4	0.1	0.85	55	0.05
Block Loans	32.02	3.27	3.56	31.73	(-)1	3.74
State Plan Loans consolidated in terms of recommendation of the 12th Finance Commission	90.76	0	5.67	85.09	(-)6	6.81
Loans for Centrally Sponsored Plan Schemes (Other loans)	1.41	0	0.13	1.28	(-)9	0.17
Loans for Special Schemes of North Eastern Council	2.34	0	0.22	2.12	(-)9	0.27
General Provident Funds	653.89	259.44	238.79	674.54	3	49.15
Insurance and Pension funds	31.76	6.07	2.17	35.66	12	5.07
<b>Total</b>	<b>2,871.19</b>	<b>677.30</b>	<b>327.99</b>	<b>3,220.50</b>		<b>239.55</b>

Source: Finance Accounts.

### 1.10.6 Inoperative Reserve Funds

As mentioned under **Paragraph 1.10.3**, the Government was maintaining five reserve funds. However, no reserve fund was found inoperative.

## 1.11 Debt Management

Efficient debt management is an essential part of cash management. Inefficiencies either way can lead to higher interest costs, whether it is accumulation of cash due to unnecessary borrowings or availing of ways and means advances. With reduced fiscal deficits, it is essential that State follows the practice of borrowing on requirement rather than on availability.

Apart from the magnitude of the debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP 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 a balance between costs of additional borrowings and returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt.

### Debt sustainability in Sikkim

Debt sustainability is generally measured in terms of level of debt, Primary deficit and interest cost in relation to nominal GSDP. A Secular falling Debt/GSDP ratio can be considered as leading towards stability. The ratio of interest payment to revenue receipts is also used to measure debt sustainability. In this section, assessment of the sustainability of public debt is made using observation variables.



### 1.11.1 Debt-GSDP ratio

The trend in the Debt-GSDP Ratio is an important indicator which signifies sustainability of the public debt. In the State, Debt-GSDP ratio was decreased from 37.75 per cent during 2010-11 to 28.67 per cent during 2014-15. This indicates that State is in the right path for debt stabilisation. Debt-GSDP Ratio for the year 2014-15 was higher than the RBI (State Finance - A Study of Budget of 2014-15) estimation of 24.80 per cent and below then the recommended target (55.90 per cent) stipulated by the XIII FC as shown in Table 1.33.

**Table 1.33: Debt - GSDP ratio**

Year	Total Debt	GSDP	FC-XIII Recommendation (%)		As per RBI (%)		Debt/GSDP (%)
			All States	Sikkim	All State	Sikkim	
2010-11	2,797.50	7,411.57					37.75
2011-12	3,160.76	8,906.64	26.10	65.20	22.60	31.30	35.49
2012-13	3,344.97	10,472.60	25.50	62.10	22.10	28.50	31.94
2013-14	3,633.88	12,376.69	24.90	58.80	21.50(RE)	26.40(RE)	29.36
2014-15	4,161.63	14,517.73	24.30	55.90	21.2(BE)	24.80(BE)	28.67

### 1.11.2 Interest payment

The trend in the Interest Payment (IP)-Revenue Receipts (RR) Ratio is another important indicator which measure sustainability of the public debt. In the state, IP-RR ratio was 8.68 per cent during 2010-11 which was decreased to 5.86 per cent during 2014-15.

**Table 1.34: Ratio of interest payment to revenue receipts**

Year	Revenue Receipts (RR)	Growth over previous year	Interest payment	Growth over previous year	IP/RR (%)
2010-11	2,151.70	(-)8.26	186.77	20.94	8.68
2011-12	2,872.11	33.48	190.83	2.17	6.64
2012-13	3,288.36	14.49	198.92	4.24	6.05
2013-14	3,893.54	18.40	209.16	5.15	5.37
2014-15	4,087.64	4.99	239.55	14.53	5.86

### 1.11.3 Buoyancy of assets to liabilities

The ratio of assets to its aggregate fiscal liabilities could be considered a surrogate measure of quality of its application of borrowed funds. Table 1.35 shows the buoyancy of assets with respect to liabilities.

**Table 1.35: Buoyancy of Assets to Liabilities**

(₹ in crore)

Year	Aggregate Liabilities	Aggregate Assets	Ratio of Assets to Liabilities	Annual Growth of Liabilities	Annual Growth of Assets	Buoyancy of Assets to Liabilities
2010-11	2,797.50	5,813.33	2.08	1.27	3.10	
2011-12	3,160.75	6,619.07	2.09	12.98	13.86	1.07
2012-13	3,344.97	7,584.26	2.27	5.83	14.58	2.50
2013-14	3,633.88	8,741.65	2.41	8.64	15.26	1.77
2014-15	4,161.62	10,000.39	2.40	14.52	14.40	0.99

The growth rate of Assets was higher than growth rate of liabilities during 2010-11 to 2013-14 however, it was less than the growth rate of liabilities during 2014-15.

#### 1.11.4 Sufficiency of incremental non-debt receipts

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. The details for the last five years have been indicated in Table 1.36.

**Table 1.36: Indicator of incremental non-debt receipts**

		(₹ in crore)				
Sl. No.		2010-11	2011-12	2012-13	2013-14	2014-15
1	Incremental Non-debt Receipts	(-)193.18	761.89	374.87	605.20	194.06
2	Incremental Interest Payments	32.34	4.06	8.09	10.24	30.39
3	Incremental Primary expenditure	150.55	621.73	252.22	582.31	386.13
	<i>Resource Gap</i>	10.29	136.10	114.56	12.65	(-)222.46

Source: Finance Accounts.

The resource gap had remained positive during 2010-14 but during 2014-15, it became negative thereby indicating more dependency on borrowed funds.

#### 1.11.5 Net availability of borrowed funds

Debt sustainability also depends on the ratio of debt redemption (principal plus 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. The net availability of borrowed funds during the current year was positive and funds were available for meeting productive expenditure.

#### 1.11.6 Maturity profile

To discharge its expenditure obligations, the Government had to borrow further, since fiscal surplus was not available in any of the last five years. The maturity profile of outstanding stock as on 31 March 2015 shows that 34.54 per cent of the loans are in the maturity bucket of seven years and above as shown in Table 1.37.

**Table 1.37: Maturity profile**

Maturity profile of State Public debt (in years)	2010-11	2011-12	2012-13	2013-14	2014-15
0-1	141.34 (7.49)	120.88 (6.31)	163.17 (8.40)	87.01 (3.96)	195.93 (7.76)
1-3	156.62 (8.30)	162.15 (8.48)	411.13 (21.15)	420.97 (19.15)	572.48 (22.67)
3-5	239.05 (12.67)	380.28 (19.88)	669.56 (34.45)	688.90 (31.35)	754.48 (29.87)
5-7	515.44 (27.32)	637.92 (33.35)	402.07 (20.69)	423.29 (19.26)	130.27 (5.16)
7 and above	834.29 (44.22)	611.84 (31.98)	297.67 (15.32)	577.68 (26.28)	872.27 (34.54)

Source: Finance Accounts. Figures in brackets indicate percentage of total State debt.

The Public Debt of the State Government as on 1 April 2014 was ₹ 2,185.54 crore with addition during the year 2014-15 of ₹ 411.79 crore. After discharging/re-payment of loan

amount of ₹ 87.03 crore during the year (excluding an interest payment of ₹ 185.33 crore), there was a closing balance of ₹ 2,510.30 crore as on 31 March 2015. Details of the same are available in Statement-17 of Finance Accounts 2014-15 and summarised in the table below:

Table 1.38: Summary of Public Debt

(₹ in crore)

Sl. No.	Description of the Debt	Balance as on 1 April 2014	Additions during the year	Discharged/re-paid during the year	Balance as on 31 March 2015	Interest paid during the year
1	Internal Debt of the State Government	2,058.46	408.12	77.35	2,389.23	174.29
2	Loans and Advances from the Central Government					
	i. Non-Plan Loans	0.55	0.40	0.1	0.85	0.05
	ii. Loans for State Plan Schemes	122.78	3.27	9.23	116.82	10.55
	iii. Loans for Centrally Sponsored Plan Schemes	1.41	0	0.13	1.28	0.17
	iv. Loans for Special Schemes	2.34	0	0.22	2.12	0.27
	<b>Total 2 (i to iv)</b>	<b>127.08</b>	<b>3.67</b>	<b>9.68</b>	<b>121.07</b>	<b>11.04</b>
	<b>Total (1+2)</b>	<b>2,185.54</b>	<b>411.79</b>	<b>87.03</b>	<b>2,510.30</b>	<b>185.33</b>

Source: Finance Accounts.

The State Government had been contributing ₹ 12 crore per annum to the Sinking Fund (Paragraph 1.10.3) as detailed in Statement - 21 of the Finance Accounts 2014-15 which had a balance of ₹ 269.87 crore at the end of March 2014. It is therefore, evident that the funds shall be insufficient to clear the future liabilities. State Government may consider enhancing its contribution to the fund to enable them to clear future liabilities.

### 1.11.7 Cost of Borrowings

Cost of borrowings means interest and other costs incurred by an enterprise in connection with the borrowing of funds which *prima-facie* also includes cost of establishment which is deployed exclusively for borrowing of funds and their repayments.

The Finance, Revenue and Expenditure Department (FRED) was responsible for obtaining borrowings for Government of Sikkim and their repayments. Though the FRED was having a separate Loans Wing which had been dealing with all loans and advances taken by the Government as well as by the employees of the State Government, the FRED was not maintaining any record for the cost of establishment of borrowings taken for the Government. However, interest paid on various Public Debt of the State Government during the period 2012-13 to 2014-15 was as under:

Table 1.39: Trends of Public Debt of the State Government

(₹ in crore)

Sl. No.	Description of the Debt	2012-13		2013-14		2014-15	
		Balance as on 31 March 2013	Interest paid during the year	Balance as on 31 March 2014	Interest paid during the year	Balance as on 31 March 2015	Interest paid during the year
1	Internal Debt of the State Government	1,828.92	138.06	2,058.46	147.47	2,389.23	174.29
2	Loans and advances from the Central Government						
	i. Non-Plan Loans	0.38	0.00	0.55	0.05	0.85	0.05

Sl. No.	Description of the Debt	2012-13		2013-14		2014-15	
		Balance as on 31 March 2013	Interest paid during the year	Balance as on 31 March 2014	Interest paid during the year	Balance as on 31 March 2015	Interest paid during the year
	ii. Loans for State Plan Schemes	129.95	4.57	122.78	11.22	116.82	10.55
	iii. Loans for Centrally Sponsored Plan Schemes	16.15	0.25	1.41	0.19	1.28	0.17
	iv. Loans for Special Schemes	2.56	7.66	2.34	0.30	2.12	0.27
	<b>TOTAL 2 (i to v)</b>	<b>149.04</b>	<b>12.48</b>	<b>127.08</b>	<b>11.76</b>	<b>121.07</b>	<b>11.04</b>
	<b>TOTAL (1+2)</b>	<b>1,977.96</b>	<b>150.54</b>	<b>2,185.54</b>	<b>159.23</b>	<b>2,510.30</b>	<b>185.33</b>

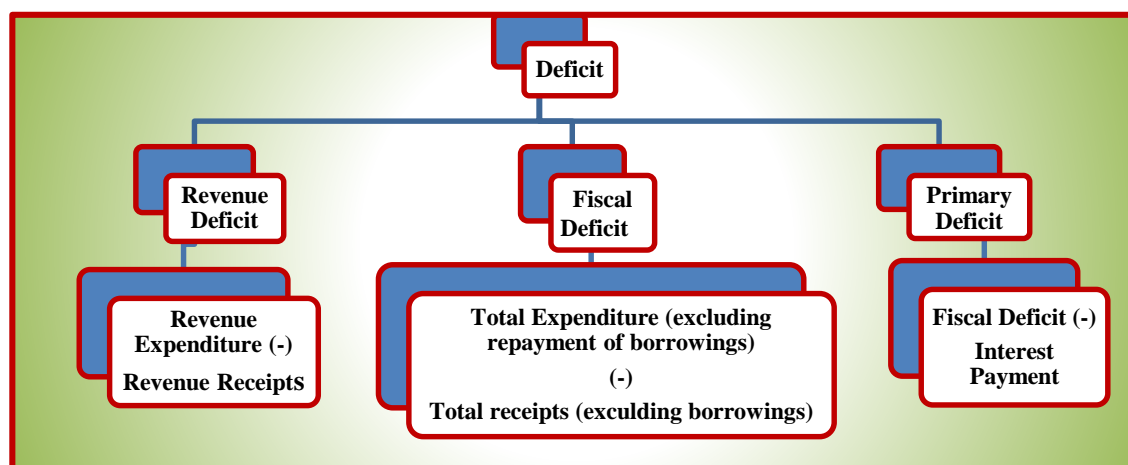
Source: Finance Accounts.

From the above table it would be seen that at the end of the year 2012-13, Public Debt of the State Government was ₹ 1,977.96 crore which increased to ₹ 2,510.30 crore at the end of the year 2014-15. The cost of borrowings in terms of interest payment for the year 2012-13 was ₹ 150.54 crore which increased to ₹ 185.33 crore during the year 2014-15 with average cost of borrowings of ₹ 165.03 crore during the period 2012-15.

### 1.12 Fiscal imbalances

In an emerging economy, balanced budget is rare and the Government resorts to borrowings to bridge the gap between expenditure requirements and inadequate non-debt receipts. The gap between receipts and expenditure represents deficit. **Chart 1.13** gives an indication of the various kinds of deficits that occur if the Government borrows excessively to balance the budget.

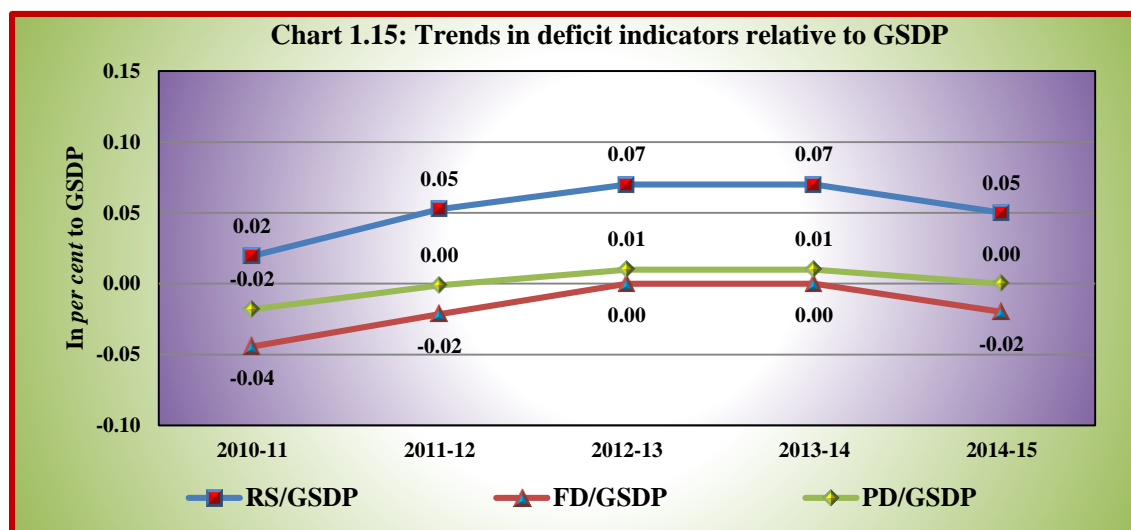
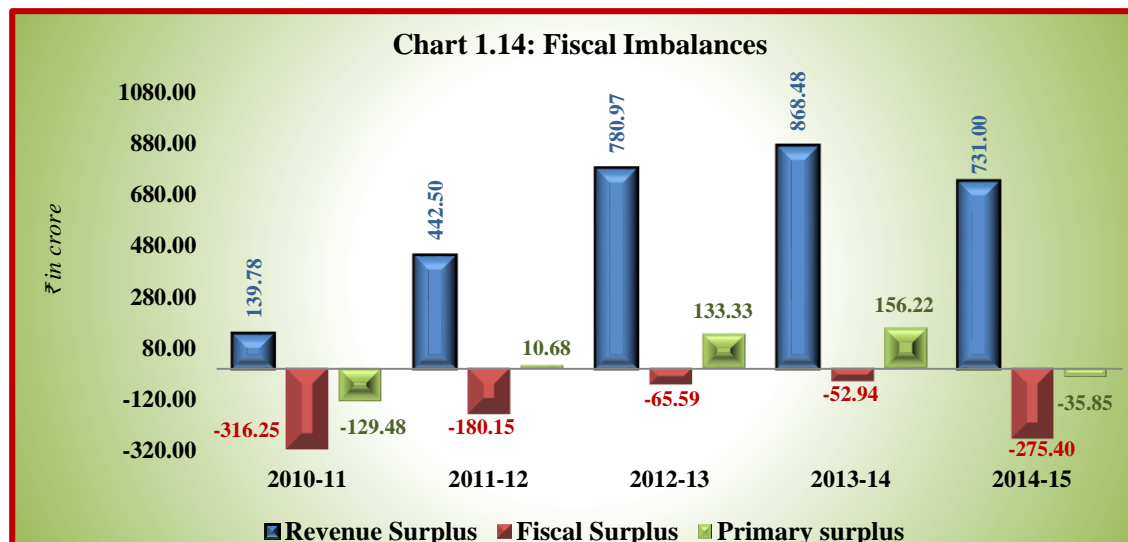
Chart 1.13: Type of deficits



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 fiscal health. This section presents the 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 for the financial year 2014-15.

### 1.12.1 Trends in deficits

Charts 1.14 and 1.15 present the trends in deficit indicators over the period 2010-15.



#### Revenue surplus

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease borrowings.

The State continued to attain revenue surplus during all the years, i.e., from 2010-11 to 2014-15 with fluctuating trends. Revenue surplus decreased by ₹ 137.48 crore (15.83 per cent) during 2014-15 as compared to the previous year due to increase in revenue expenditure.

#### Fiscal Deficit

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. Fiscal deficit trends along with the trends of the deficit relating to key components are indicated in Table 1.40.

Table 1.40: Fiscal deficit and its parameters

Period	Non-debt receipts	Total expenditure	Fiscal Surplus(+)/deficit(-)	Fiscal deficit as per cent to		
				GSDP	Non-debt receipt	Total expenditure
<i>₹ in crore</i>						
2010-11	2,152.49	2,468.74	(-)316.25	4.27	14.69	12.81
2011-12	2,914.38	3,094.54	(-)180.15	2.5	6.18	5.82
2012-13	3,289.26	3,354.85	(-) 65.59	0.63	2.02	1.96
2013-14	3,894.46	3,947.40	(-)52.94	0.43	1.36	1.34
2014-15	4,088.52	4,363.92	(-)275.40	1.9	6.74	6.31

Source: Finance Accounts.

Fiscal deficit as a percentage of GSDP, Non-debt receipts and total expenditure increased during the current year.

### Primary Deficit

While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances. The primary deficit and its parameters for the last five years are indicated in Table 1.41.

Table 1.41: Primary deficit and its parameters

Period	Fiscal Deficit	Interest Payments	Primary Deficit (-)/ Surplus (+)
			(₹ in crore)
2010-11	316.25	186.77	(-)129.48
2011-12	180.15	190.83	(+)10.68
2012-13	65.59	198.92	(+)133.33
2013-14	52.94	209.16	(+)156.22
2014-15	275.40	239.55	(-)35.85

Source: Finance Accounts.

The deficit recorded was lowest during 2010-11. However, there were surplus during the 2011-12 to 2013-14 and the deficit was recorded in the current year.

### 1.12.2 Components of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the Table 1.42. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts.

Table 1.42: Components of fiscal deficit and its financing pattern

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15	
	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP
Decomposition of fiscal deficit	316.25	3.55	180.15	2.14	65.59	0.63	52.94	0.43	275.40	1.90
1 Revenue Surplus	139.78		442.5		780.97		868.48		731.00	
2 Misc. Capital Receipts	0	0	42.25		0		0		00	
3 Net capital expenditure	451.07		615.76		842.35		911.94		980.71	

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15		
	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	
4 Net loans and advances	4.96	0.06	49.14	0.59	4.21	0.04	9.48	0.08	25.69	0.18	
<b>Financing pattern of fiscal deficit*</b>											
1 Market borrowings	43.65	0.49	41.59	0.5	133.64	1.28	229.54	1.85	330.76	2.28	
2 Loans from GOI	(-) 21.86	(-) 0.25	(-) 2.81	0.03	(-) 7.95	-0.08	(-) 21.96	(-) 0.18	(-) 6	(-) 0.04	
3 Special securities issued to NSSF**	0	0.00	0	0	0	0	0	0.00	00	0	
4 Loans from financial institutions	0	0.00	0	0	0	0.00	0	0.00	0	0	
5 Small savings, PF, etc.	98.51	1.11	68.52	0.82	(-) 45.35	(-) 0.43	61.49	0.50	24.55	0.17	
6 Deposits and advances		-	17.92	0.21	0	0.00	3.43	0.03	(-) 7.84	(-) 0.05	
7 Suspense and misc.	(-) 97.71	(-) 1.10	37.8	0.45	41.02	0.39	(-) 58.31	(-) 0.47	59.72	0.41	
8 Remittances	(-) 28.26	(-) 0.32	118.16	1.41	(-) 60.11	(-) 0.57	7.58	0.06	9.09	0.06	
9 Reserve funds	20.78	0.23	78.57	0.94	(-) 8.22	(-) 0.08	67.14	0.54	117.45	0.81	
10 Increase (-)/ decrease (+) in cash balance	281.2	3.16	(-) 179.60	2.14	(-) 118.62	(-) 1.13	(-) 234.97	(-) 1.90	(-) 253.34	(-) 1.75	
11 Net of Contingency Fund transactions	0.1	0.00	0	0	0	0.00	(-) 1	(-) 0.01	1	0.01	
<b>Total</b>	<b>316.3</b>		<b>180.15</b>		<b>65.59</b>	<b>0.63</b>	<b>52.94</b>	<b>0.43</b>	<b>275.40</b>	<b>1.90</b>	

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

\*\* Included in Market borrowings.

The components of fiscal deficit are Revenue Surplus, Net Capital Expenditure and Net Loans and Advances. The State had been attaining revenue surplus, which financed the fiscal deficit along with market borrowings, loans from GOI, etc. The revenue surplus decreased by ₹ 137.48 crore during the current year. The capital expenditure and the net loans and advances increased during the current year.

Even though, there was a revenue surplus of ₹ 731 crore during 2014-15, there was fiscal deficit of ₹ 275.40 crore due to increase in capital expenditure and Loan and Advances. The Capital Expenditure could be financed by revenue surplus to the extent of 74.54 per cent during the current year.

### 1.12.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue and capital expenditure (including loans and advances) indicate the quality of deficit in the State's 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) were not having any asset backup. The bifurcation of the primary deficit (Table 1.43) indicates the extent to which the deficit was on account of enhancement in capital expenditure which might be desirable to improve the productive capacity of the State's economy.

**Table 1.43: Primary deficit/surplus-Bifurcation of factors**

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure (3+4+5)	Primary revenue deficit (-)/surplus (+)(2-3)	Primary deficit (-)/surplus (+)(2-6)
1	2	3	4	5	6	7	8
2010-11	2,152.49	1,825.15	451.07	5.75	2,281.97	(+)327.34	(-)129.48
2011-12	2,914.38	2,238.77	615.76	49.17	2,903.70	(+)675.61	(+)10.68
2012-13	3,289.26	2,308.47	842.35	5.11	3,155.93	(+)980.79	(+)133.33
2013-14	3,894.46	2,815.90	911.94	10.40	3,738.24	(+)1,078.56	(+)156.22
2014-15	4,088.52	3,117.09	980.71	26.57	4,124.37	(+)971.43	(-)35.85

Source: Finance Accounts.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2010-15 except 2010-11 and 2014-15 reveals that the non-debt receipts were enough to meet the requirements of primary revenue expenditure and some receipts were left to meet capital expenditure.

### 1.13 Follow up

The preparation of standalone Report of the State Finances was started since 2008-09 onwards and no Report of the State Finances had been discussed by the Public Accounts Committee (PAC) so far and hence, no recommendation by the PAC/Finance Commission had been made on the Reports of the State Finances and therefore, no assurances had been given by executive departments on those Reports.

### 1.14 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters-revenue surplus, fiscal deficit, primary deficit, etc., indicated that the State had been able to maintain revenue surplus during the last five years. However, revenue surplus recorded decrease (₹ 137.48 crore) during the year. This was due to increase in revenue receipts by 4.99 per cent (₹ 194.10 crore) and the revenue expenditure by 10.96 per cent (₹ 331.58 crore) during 2014-15 as compared to 2013-14. Further, fiscal deficit also increased by ₹ 222.46 crore from the previous year.

The State may need to give special attention to the fall in Revenue Surplus and increase in fiscal deficit.

The increase in Revenue receipts was contributed by tax revenue of ₹ 2.62 crore (0.50 per cent), States share of Union Taxes and Duties of ₹ 46.71 crore (6.12 per cent) and Grants-in-aid from Government of India (GOI) of ₹ 182.59 crore (8.14 per cent) and offset by decrease in non-tax revenue by ₹ 37.82 crore (10.46 per cent). The tax revenue receipts at ₹ 527.54 crore was higher by ₹ 210.17 crore than the projection made by XIII Finance Commission. However, there was shortfall of ₹ 279.52 crore in non-tax revenue.

Revenue expenditure constituted 76.92 per cent, capital expenditure constituted 22.47 per cent and Loans and Advances constituted 0.61 per cent of total expenditure during 2014-15. The Expenditure on Social and Economic sectors, which are considered as



development expenditure, accounted for 68.10 *per cent* in 2014-15 as against 68.32 *per cent* in 2013-14.

The overall revenue expenditure of the State increased by 10.96 *per cent* (₹ 331.58 crore) and capital expenditure increased by 7.54 *per cent* (₹ 68.77 crore) over the previous year. The fiscal deficit increased from ₹ 52.94 crore to ₹ 275.40 crore.

The Grants-in-aid component constituting 59.37 *per cent* of the State's revenue receipts during the year increased by ₹ 182.59 crore. The State continued to be dependent upon central transfers and Grants-in-aid, which is evident from the fact that 79.17 *per cent* of the revenue receipts during the year came from the Government of India.

The growth of revenue expenditure (10.96 *per cent*) was higher than the growth in revenue receipts (4.99 *per cent*) in 2014-15. However, growth of revenue expenditure was lower than the growth of GSDP (17.30 *per cent*). For every one *per cent* growth in GSDP, revenue expenditure grew by 0.63 *per cent*.

54.33 *per cent* of revenue expenditure constituted committed expenditure on salaries, pension, interest payments and subsidies.

The State Government accorded less fiscal priority to development expenditure during 2014-15 as it decreased by 5.14 *per cent* as compared to 2011-12, however, it was higher than Special Category States' and it was behind that of the General Category States (17.20 *per cent*). Further, the share of capital expenditure to aggregate expenditure (11.81 *per cent*) was also lower in the State compared to the other General Category States (13.62 *per cent*).

Funds aggregating ₹ 362.61 crore was incurred on 156 incomplete projects which were scheduled to be completed by 31 March 2015. Therefore, the benefits of the projects did not reach the intended beneficiaries in time. The State Government should formulate guidelines for timely completion of the projects and strictly monitor reasons for the time and cost overrun with a view to take corrective action.

The sum of quantum spread and primary deficit slightly decreased and stood at ₹ 428.17 crore during 2014-15 against ₹ 599.12 crore in 2013-14. The fiscal liabilities stood at nearly 1.02 times of the revenue receipts and 4.89 times of the State's own resources at the end of 2014-15. The buoyancy of these liabilities with respect to GSDP during the year was 0.84 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.84 *per cent*.

The return from investment was 0.89 *per cent* and some of the Companies/Corporations were under perennial loss. Effective steps need to be taken by the State Government either to revive the units or close down the units incurring losses to avoid further financial burden on the Government.