

CHAPTER-I: FINANCES OF THE STATE GOVERNMENT

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. The State is categorised as a Special Category State (SCS) on account of which certain special privileges are given by Government of India (GoI) viz. 90 per cent grants and 10 per cent State share against 70 per cent grants and 30 per cent State share to General Category States in all the Centrally Sponsored Schemes. 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 all India average (69 per cent). The percentage of population below the poverty line at 8.2¹ per cent is lower than the all India average of 21.9 per cent. The literacy rate of Sikkim was 81.40² per cent as against the all India literacy rate of 73 per cent. Per capita Gross State Domestic Product (GSDP) for the year 2016-17 was ₹ 2,89,583 (Appendix 1.1-Part A).

Gross State Domestic Product

The growth of GSDP of the State is an important indicator of the State's economy. A trend analysis of growth of Gross Domestic Product (GDP) for a period of five years (base year 2011-12) at current prices indicates the performance of the Government in the fiscal management of the State. The growth rate of GSDP for the period 2012-17 compared with the GDP is presented in the table below:

Annual growth rate of GDP and GSDP at current prices

(₹ in crore)

Year	2012-13	2013-14	2014-15	2015-16	2016-17
GSDP	12,338.42	13,861.90	15,406.72*	16,953.38*	18,851.83*
Growth in per cent	10.51	12.35	11.14	10.04	11.20
GDP (₹ in crore)	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035	1,51,83,709
Growth in per cent	13.82	12.97	10.79	9.94	10.98

Source: Department of Economics, Statistics, Monitoring and Evaluation, Government of Sikkim.

Central Statistical Office, Ministry of Statistics and Programme Implementation, GoI.

* Provisional Figures

The quantum of GDP and GSDP is measured in terms of constant and current prices and as per their respective arithmetical calculation, these figures differ from each other every year. For comparison between GDP and GSDP, the GDP figure calculated on the basis of current price at factor cost with base year 2011-12 has been taken.

¹ Economic Survey 2016-17(August 2017), Vol.-II page A154

² Economic Survey 2016-17(August 2017), Vol.-II page A149

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.

This chapter provides a broad perspective of the Finances of the State Government during 2016-17. 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. 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 2012-17.

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 2016-17 vis-à-vis the previous year.

Table 1.1: Summary of the fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2015-16	2016-17		2015-16	2016-17		
					Non Plan	Plan	Total
Section-A: Revenue							
Revenue Receipts	3,784.29	4,610.30	Revenue Expenditure	3,644.58			3,788.08
Tax Revenue	566.82	652.56	General Services	1,243.80	1,381.14	39.63	1,420.77
Non-Tax Revenue	412.99	451.64	Social Services	1,236.19	675.83	659.24	1,335.07
Share of Union taxes and duties	1,870.28	2,069.19	Economic Services	1,125.79	424.51	552.10	976.61
Grants from GoI	934.20	1,436.91	Grants-in-aid and contributions	38.80	55.63		55.63
Section-B: Capital							
Misc. Capital Receipts	0.00	0.00	Capital Outlay	633.98	00	720.29	720.29
Recoveries of loans and advances	1.38	1.37	Loans and advances disbursed	27.03			17.00
Public Debt Receipts	654.88	783.34	Repayment of Public Debt	196.13			246.26
Contingency Fund	0.00	0.00	Contingency Fund	0.00			0.31
Public Account Receipts ³	7,114.68	6,335.06	Public Account Disbursements ⁴	6,865.88			6,245.87
Opening cash balance	1,536.94	1,724.57	Closing cash balance	1,724.57			2,436.83
TOTAL	13,092.17	13,454.64		13,092.17			13,454.64

Source: Finance Accounts

³ Gross Public Accounts Receipts during the year.

⁴ Gross Public Accounts Disbursement during the year.

The following are the significant changes during 2016-17 over the previous year:

Revenue Receipts increased by ₹ 826.01 crore (22 *per cent*) over the previous year mainly due to increase in grants from GoI by ₹ 502.71 crore, share of Union taxes and duties by ₹ 198.91 crore, Tax Revenue by ₹ 85.74 crore and Non-Tax Revenue by ₹ 38.65 crore as compared to previous year.

Revenue Expenditure increased by ₹ 143.50 crore (4 *per cent*) over the previous year as a result of increase in expenditure in General Services (₹ 176.97 crore), Social Services (₹ 98.88 crore), Grants-in-aid (₹ 16.83 crore) offset by decrease in Economic Services (₹ 149.18 crore).

Capital Expenditure increased by ₹ 86.31 crore (14 *per cent*) over the previous year.

Public Debt Receipts increased by ₹ 128.46 crore (20 *per cent*) and its repayment increased by ₹ 50.13 crore (26 *per cent*) over the previous year.

The total inflow and outflow of the Government during the year 2016-17 was ₹ 11,730.07 crore and ₹ 11,017.81 crore respectively leading to increase in cash balance by ₹ 712.26 crore.

1.3 Fiscal reforms path in Sikkim

The State Government enacted the Fiscal Responsibility and Budget Management (FRBM) Act in September 2010 and the Rules under the FRBM 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 FRBM Act prescribed the following fiscal targets for the State Government:

- (a) Maintain revenue surplus from 2010 onwards;
- (b) Reduce the fiscal deficit to 3.50 *per cent* of the estimated GSDP 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 GSDP 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;
- (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.

Major fiscal variables provided in the budget based on recommendations of the XIV Finance Commission (XIV FC) and as targeted in the FRBM Act of the State are depicted in **Table 1.2** as given below:

Table 1.2: Details of fiscal variables

Fiscal variables	2016-17				Actual
	XIV FC targets for the State	Targets as prescribed in FRBM Act	Targets proposed in the budget	Projections made in Five Year Fiscal Plan/Mid-Term Fiscal Plan	
Revenue deficit (-)/surplus (+) (₹ in crore)	595	-	260.51*	-	822.22
Fiscal deficit/GSDP (in per cent)	3.50	3.00	2.98	3.00	**
Ratio of total outstanding debt of the Government to GSDP (in per cent)	20.09	-	24.52	23.18	24.78

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

*Budget estimate, **Fiscal surplus during current year.

Revenue surplus was higher than the target fixed by XIV FC and budget proposal. There was fiscal surplus during the year. Ratio of total outstanding debt of the Government to GSDP was higher than the target fixed by XIV FC, budget proposal and projected in Five-year Fiscal Plan/MTFP.

1.3.1 Migration to New Pension Scheme

GoI introduced (1 April 2004) a defined contribution based New Pension Scheme (NPS) to cover all new entrants to Government service. According to the terms of the Scheme, Government and employee each contribute 10 per cent of basic pay and dearness allowances 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 had not been estimated.

During the year, the Government of Sikkim deposited ₹ 66.17 crore under Major Head 8342-117 Defined Contribution Pension Scheme (employees' contribution of ₹ 33.10 crore, matching Government contribution of ₹ 33.07 crore) and there was an opening balance of ₹ 23.46 crore. During the year, the Government transferred ₹ 61.11 crore to NSDL/Trustee Bank, leaving a balance of ₹ 28.52 crore in the Fund as on 31 March 2017.

1.3.2 Power Sector-Financial support by the State Government

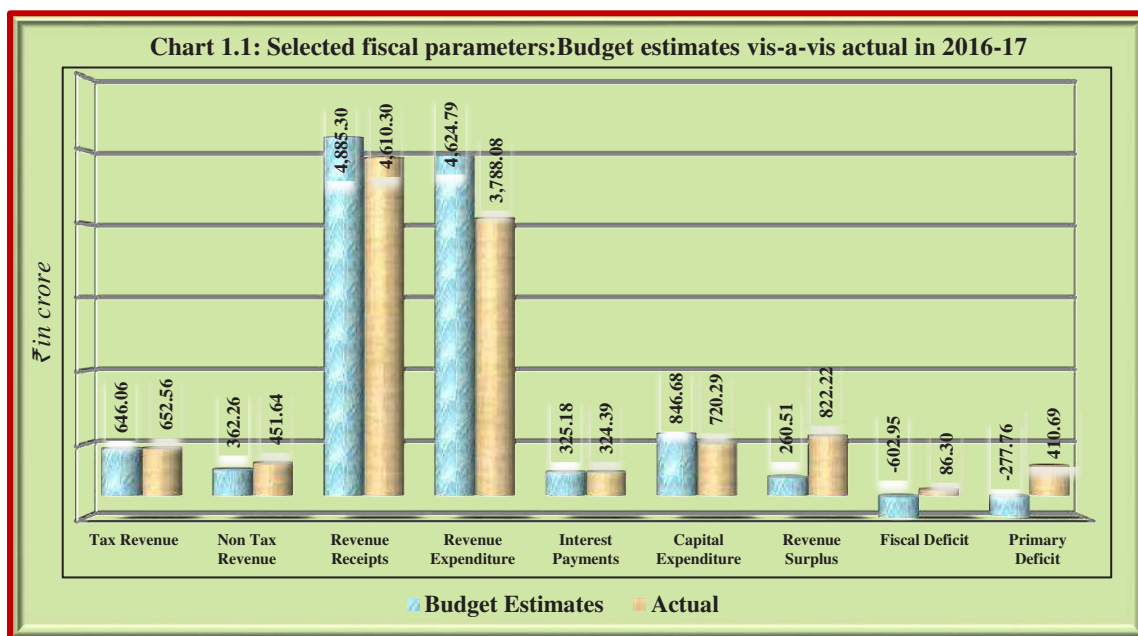
No financial support had been extended during the year by State Government to PSUs under power sector.

1.4 Budget 2016-17

1.4.1 Actual 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.

Chart 1.1 presents the budget estimates and actual of some important fiscal parameters for the year 2016-17.



Source: Finance Accounts, Estimate of receipts and Explanatory memorandum to the Annual Budget 2017-18

The Tax Revenue exceeded the budget provision by 1.01 per cent (₹ 6.50 crore) and Non-Tax Revenue also exceeded the budget provision by 24.67 per cent (₹ 89.38 crore).

Revenue Receipts was lower than budget provision by 5.63 per cent (₹ 275 crore) and Revenue Expenditure was also lower than budget provision by 18.09 per cent (₹ 836.71 crore). As against an estimated revenue surplus of ₹ 260.51 crore, the financial year ended with revenue surplus of ₹ 822.22 crore, an increase of 215.62 per cent over the budget provision. Capital Expenditure was less than the budget estimate by 14.93 per cent.

Sikkim's Own Tax Revenue increased by 15.13 per cent from ₹ 566.82 crore in 2015-16 to ₹ 652.56 crore in 2016-17. The revenue from sales tax contributed the major share of Tax Revenue (55.91 per cent) which increased by ₹ 39.10 crore. State excise duty which contributed 23.94 per cent to the Own Tax Revenue increased by ₹ 14.16 crore, taxes on vehicles increased by ₹ 2.54 crore, stamps and registration fees increased by ₹ 4.06 crore Land Revenue increased by ₹ 4.54 crore and other taxes, which consists of entertainment tax, receipts from cess etc., increased by ₹ 21.44 crore whereas taxes on income other than corporation tax decreased by ₹ 0.10 crore.

The State's share of Union taxes and duties stood at ₹ 2,069.19 crore, an increase of ₹ 198.91 crore over the previous year due to increase in corporation tax by ₹ 46.05 crore (7.77 per cent), taxes on income other than corporation tax by ₹ 52.51 crore (12.65 per cent), Union excise duties by ₹ 106.56 crore (43.45 per cent), service tax by ₹ 4.86 crore (1.53 per cent) and wealth tax by ₹ 0.55 crore (785.71 per cent). However, there was decrease in taxes on customs by ₹ 10.72 crore (3.59 per cent), taxes and duties on commodities and services by ₹ 0.90 crore (100 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. Grants-in-aid from GoI increased from ₹ 934.20 crore in 2015-16 to ₹ 1,436.91 crore in 2016-17.

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 2016-17, the Capital Expenditure of the State was ₹ 720.29 crore and there was an increase of ₹ 86.31 crore in Capital Outlay in 2016-17 as compared to previous year which was due to increase in expenditure in Economic Service (₹ 36.68 crore), Social Service (₹ 42.41 crore) and General Service (₹ 7.22 crore).

1.4.2 Gender Budget

The Constitution of India has mandated equality for every citizen of the country as a Fundamental Right. GoI has made international commitments in (i) The Convention on the Elimination of All Forms of Discrimination Against Women in 1980; (ii) World Conference on Human Rights in Vienna in 1993; (iii) International Conference on Population and Development 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 Budget as it is more commonly known in India.

Among others, Gender Budget 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.

However, it was seen that Gender Budget in Sikkim had 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

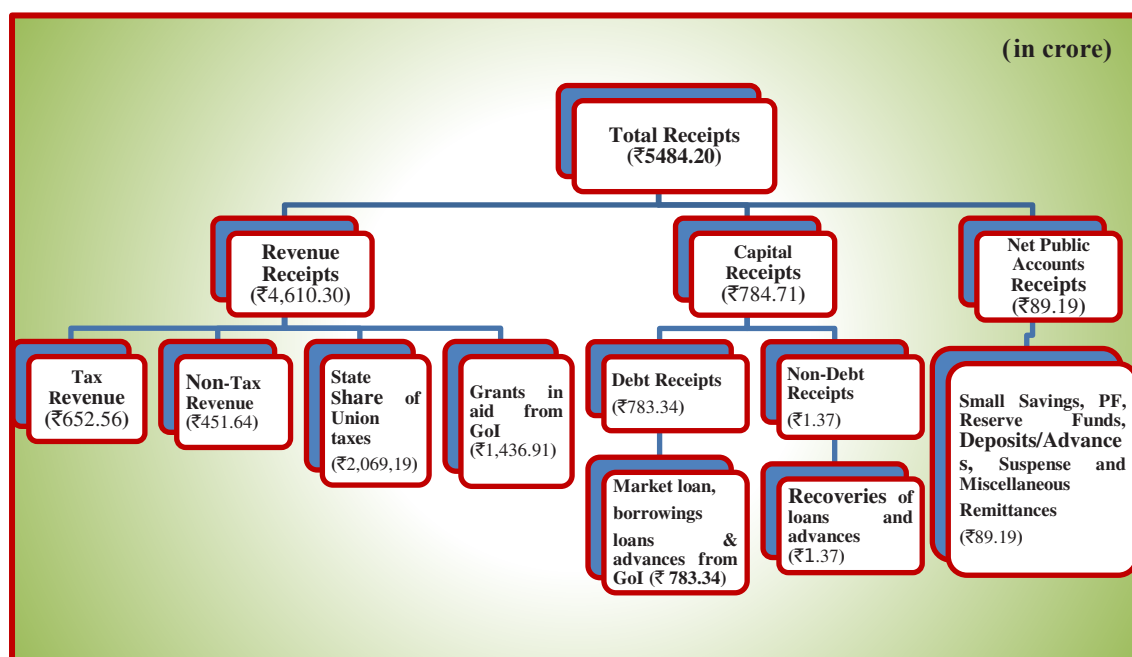
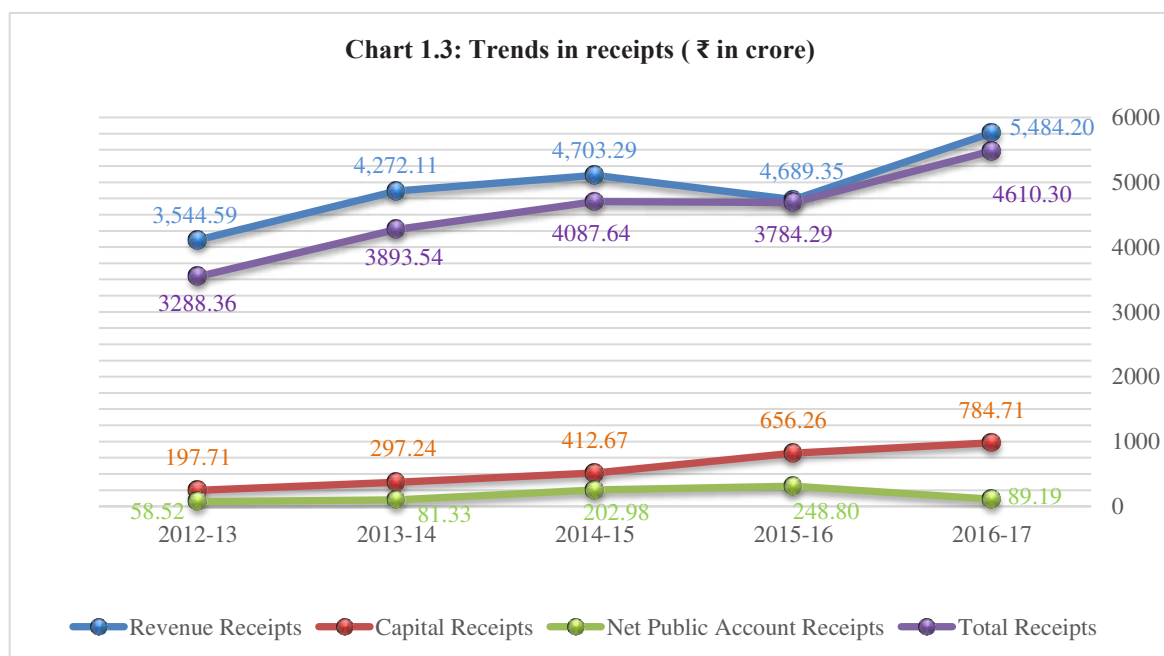


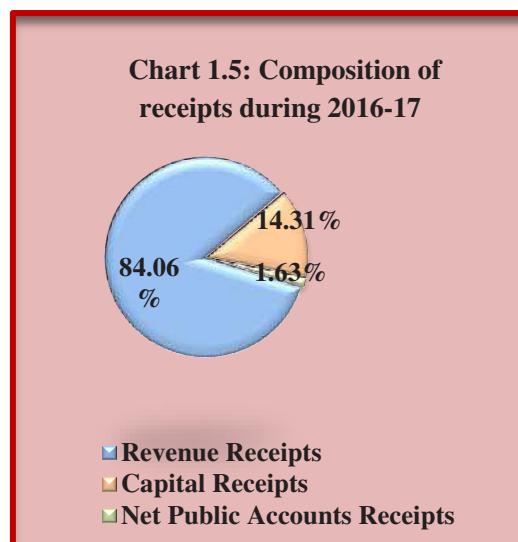
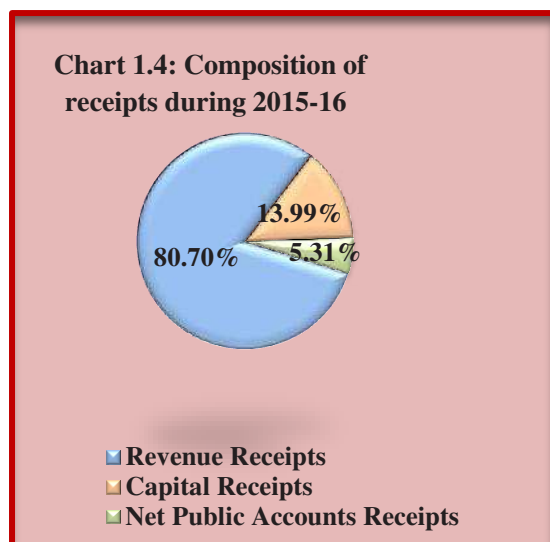
Chart 1.3 depicts the trends in components of receipts during 2012-17.



Source: Finance Accounts

Total receipts increased by 54.72 per cent from ₹ 3,544.59 crore in 2012-13 to ₹ 5,484.20 crore in 2016-17. There was also increase of total receipts over the previous year by ₹ 794.85 crore (16.95 per cent).

Chart 1.4 and **Chart 1.5** depict the composition of receipts during 2015-16 and 2016-17 respectively.



The share of Revenue Receipts in total receipts, which was 80.70 *per cent* in 2015-16, increased to 84.06 *per cent* in 2016-17. Capital Receipts, constituting of Debt Receipts and Non-Debt Receipts such as recovery of loans and advances, increased from 13.99 *per cent* in 2015-16 to 14.31 *per cent* in 2016-17. Debt Receipts constituted 99.83 *per cent* of Capital Receipts and Non-Debt Receipts constituted 0.17 *per cent* during 2016-17. Debt Receipts increased by ₹ 128.56 crore from ₹ 654.88 crore during 2015-16 to ₹ 783.34 crore during 2016-17 and Non-Debt Receipts decreased by ₹ 0.01 crore from ₹ 1.38 crore during 2015-16 to ₹ 1.37 crore during 2016-17.

Public Accounts Receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. Net Public Account Receipts constituted 1.63 *per cent* of total receipts during 2016-17 as against 5.31 *per cent* during 2015-16.

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)⁵ 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 due to which the Finance Accounts of the State was not providing a complete picture of the total funds received in the State. GoI decision to release all assistance directly to the State Government and not to the implementing agencies had reduced the direct transfer of funds from ₹ 24.48 crore in 2014-15 to ₹ 16.09 crore during 2015-16 and to ₹ 13.31 crore during 2016-17.

Out of ₹ 13.31 crore, ₹ 7.50 crore (56.35 *per cent* of the total funds transferred) was transferred under Member of Parliament Local Area Development Schemes, ₹ 2.05 crore (15.39 *per cent* of the total funds transferred) under Statutory Institutions to State Forest Development Agency, Sikkim and ₹ 1.80 crore (13.53 *per cent* of the total funds

⁵ State Implementing Agencies include Organisations/Institutions including Non-Governmental Organisation which are authorised by the State Government to receive the funds from the GoI for implementing specific programmes in the State.

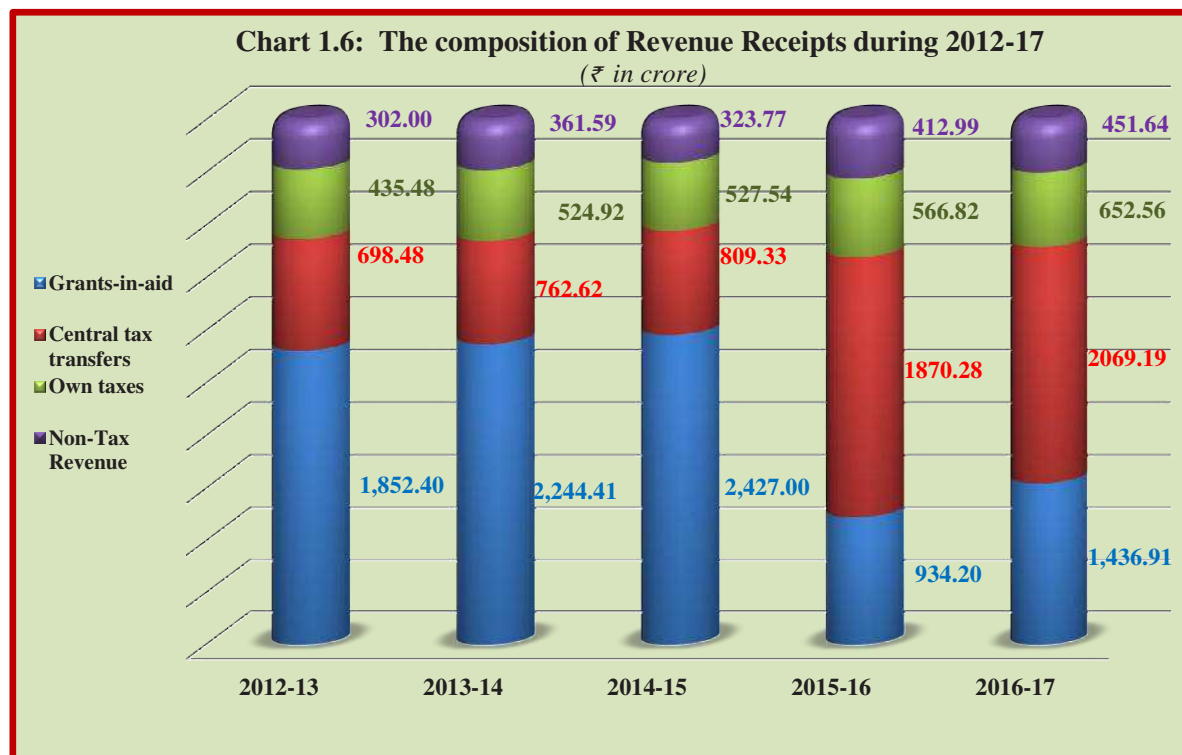
transferred) was given to National Mission for Justice Delivery and Legal Reforms. The details in this regard are shown in **Appendix 1.4**. With the release of these funds directly to the Implementing Agencies in the State, the resources of the State during the year 2016-17 stood at ₹ 11,743.38 crore (including the net receipt of ₹ 11,730.07 crore in the State) as on 31 March 2017.

1.6 Revenue Receipts

The composition and trends of Revenue Receipts over the period 2012-17 are presented in **Appendix 1.5** and are also depicted in **Charts 1.6** and **1.7** respectively.

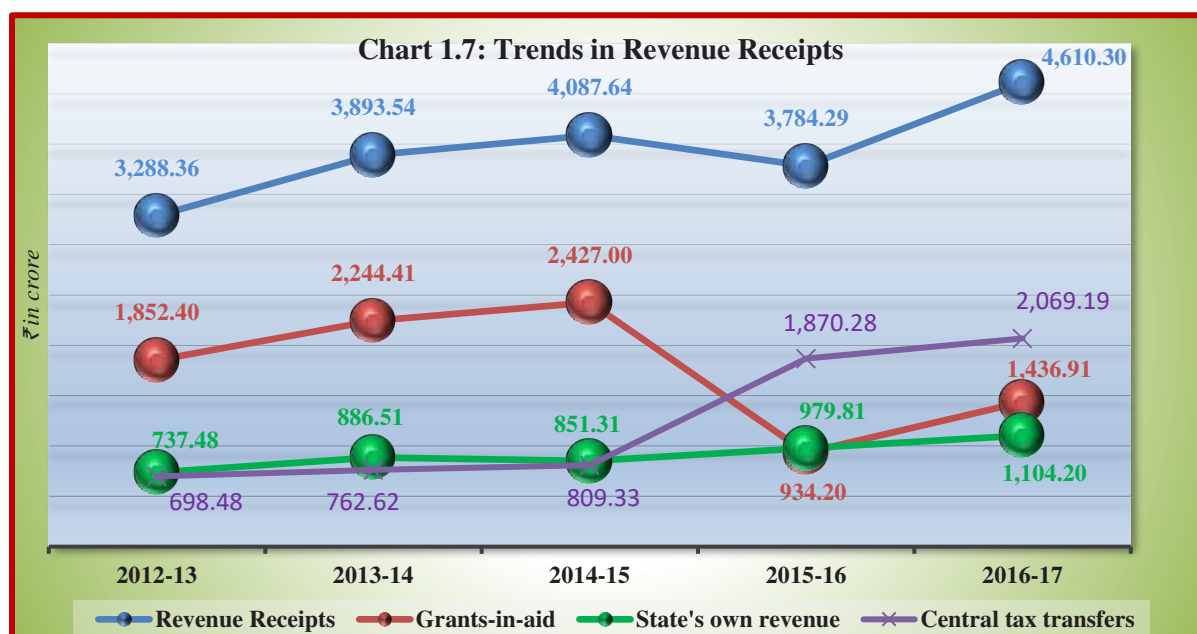
Revenue Receipts increased by ₹ 826.01 crore (21.83 per cent) from ₹ 3,784.29 crore in 2015-16 to ₹ 4,610.30 crore in 2016-17. The State's own resources, both Tax and Non-Tax Revenue contributed 23.95 per cent (₹ 1104.20 crore) in the Revenue Receipts of the State during 2016-17. The balance was transferred from GoI 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 14.15 per cent (₹ 652.56 crore) and Non-Tax Revenue was 9.80 per cent (₹ 451.64 crore) during the year. Tax Revenue and Non-Tax Revenue both increased in 2016-17 compared to previous year. The compositions of Revenue Receipts during 2012-17 are depicted in **Chart 1.6**.



Source: Finance Accounts

Trends in Revenue Receipts during 2012-17 are depicted in **Chart 1.7**.



Source: Finance Accounts

The trends in Revenue Receipts relating to GSDP are as reflected in Table below:

Table 1.3: Trends in Revenue Receipts relative to GSDP

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Receipts (RR)	3,288.36	3,893.54	4,087.64	3,784.29	4,610.30
Rate of growth of RR (<i>per cent</i>)	14.49	18.4	4.99	(-)7.42	21.83
GSDP	12,338.42	13,861.90	15,406.72	16,953.38	18,851.83
Rate of growth of GSDP (<i>per cent</i>)	10.51	12.35	11.14	10.04	11.20
Rate of growth of State's Own Tax (<i>per cent</i>)	48.16	20.54	0.5	7.45	15.13
RR/GSDP (<i>per cent</i>)	26.65	28.09	26.53	22.32	24.46
Buoyancy ratios⁶					
Revenue buoyancy wrt GSDP	1.38	1.49	0.45	(-)0.74	1.95
State's Own Tax buoyancy wrt GSDP	4.58	1.66	0.05	0.71	1.35
Revenue buoyancy wrt State's Own taxes	0.3	0.9	9.99	(-)1	1.44

Source: Finance Accounts.

The Revenue Receipts exhibited buoyancy vis-à-vis GSDP more than one during 2016-17 due to significantly high growth rate of Revenue Receipts in comparison to the growth rate of GSDP during the years.

Growth rate in respect of Revenue Receipts for Sikkim for the period 2015-16 to 2016-17 was 21.83 *per cent*. It was 11.52 *per cent* for General Category States and 14.44 *per cent* for Special Category States.

⁶ 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.

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, the State's performance in mobilisation of additional resources should be assessed in terms of revenue from its Own Tax and Non-Tax sources. Though the Tax and Non-Tax Revenue formed a major part of the States resources, the performance of the State in mobilisation of Tax and Non-Tax is important in the long run for attaining self-sufficiency or reduced dependency on GoI.

The State's actual Tax and Non-Tax receipts for the year 2016-17 vis-à-vis assessment made by XIV FC are given in **Table 1.4**.

Table 1.4: XIV FC recommendations and budget estimates vis-à-vis the actual

	XIV FC projection	Budget estimates	Actual
Tax Revenue	876	646.06	652.56
Non-Tax Revenue	293	362.26	451.64

(₹ in crore)

The State exceeded the target set by XIV FC in respect of Non-Tax Revenue by ₹ 158.64 crore but fell short of target in respect of Tax Revenue by ₹ 223.44 crore in 2016-17. Further, the State succeeded in achieving the target set as per budget estimates in respect of Tax Revenue and Non-Tax Revenue.

Tax Revenue

The main sources of State's Tax Revenue was taxes on sales, trade, etc. with a contribution of 7.91 per cent in Revenue Receipts of the State followed by State excise (3.39 per cent), Other Taxes (1.73 per cent), taxes on vehicles (0.54 per cent), stamps and registration fees (0.27 per cent), land revenue (0.14 per cent) and taxes on income other than corporation tax (0.17 per cent). The trends in the major constituents of Tax Revenue during the period 2012-17 are shown in **Table 1.5**.

Table 1.5: Tax Revenue

	2012-13	2013-14	2014-15	2015-16	2016-17
Taxes on sales, trade, etc.	227.08 (82.85)	286.33 (26.09)	282.10 (-1.48)	325.72 (15.46)	364.82 (12.00)
State excise	111.12 (15.44)	120.64 (8.57)	131.36 (8.89)	142.08 (8.16)	156.24 (9.97)
Stamps and registration fees	5.35 (-35.31)	6.46 (20.75)	6.77 (4.80)	8.51 (25.70)	12.57 (47.71)
Taxes on vehicles	16.38 (-1.09)	18.52 (13.06)	19.42 (4.86)	22.36 (15.14)	24.90 (11.36)
Land revenue	5.66 (22.78)	3.39 (-40.11)	6.15 (81.42)	1.85 (-69.92)	6.39 (245.41)
Taxes on goods and passengers	0.00	0.00	0.00	0.00	0.00
Other taxes	69.89 (58.73)	89.58 (28.17)	81.74 (-8.75)	66.30 (-18.89)	87.64 (32.19)

(₹ in crore)

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

Taxes on sales, trade, etc., increased by 12 per cent (₹ 39.10 crore) during 2016-17 as compared to previous year due to increase in receipts under Trade tax (VAT) and State sales tax. The growth rate of State excise was 9.97 per cent (₹ 14.16 crore) due to increase in collection pertaining to foreign liquors and spirits and medicinal and toilet preparations containing Alcohol, Opium etc.

Taxes on vehicles had increased by 11.36 per cent due to increase in receipts under the motor vehicles.

Other tax had increased by 32.19 *per cent* due to increase in receipts from cess under other Acts.

Growth rate in respect of Tax Revenue of Sikkim for the period 2015-16 to 2016-17 was 15.13 *per cent*. It was 13.50 *per cent* for General Category State and 4.99 *per cent* for Special Category States. Therefore, growth of Tax Revenue in Sikkim was higher than that of General Category and Special Category States.

Non-Tax Revenue

The Non-Tax Revenue, which constituted 9.80 *per cent* of total Revenue Receipts, had increased by ₹ 38.65 crore from ₹ 412.99 crore in 2015-16 to ₹ 451.64 crore in 2016-17 and was also higher than the budget projection by ₹ 89.38 crore. The main components which resulted in noticeable increase were 'Miscellaneous General Service' (₹ 25.23 crore), due to increase in state lotteries, 'Power' (₹ 22.36 crore) due to increase in other receipts under Hydel Generation.

The main components of Non-Tax Revenue raised in the State during 2012-13 to 2016-17 are given in **Table 1.6**.

Table 1.6: Composition of Non-Tax Revenue

<i>(₹ in crore)</i>					
Revenue Head	2012-13	2013-14	2014-15	2015-16	2016-17
Interest receipts	46.00 (1.32)	67.02 (1.60)	66.44 (1.48)	72.52 (1.92)	78.38(1.70)
Dividends and Profits	1.53 (0.04)	0.55 (0.01)	0.87 (0.02)	12.70 (0.34)	2.01(0.04)
Other Non-Tax Receipts	254.47 (7.30)	294.02 (7.02)	256.46 (5.70)	327.77 (8.66)	371.25(8.05)
TOTAL	302.00	361.59	323.77	412.99	451.64

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

During 2012-17, on an average, interest receipts contributed 1.60 *per cent* in the total receipts of the State. Similarly, dividends and profits contributed 0.09 *per cent* while 7.35 *per cent* came from other Non-Tax Receipts.

During 2012-17, the Non-Tax Revenue constantly increased except during 2014-15.

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 2016-17 are given in **Table 1.7**.

Table 1.7: Cost recovery from Socio-Economic Services

<i>(₹ in crore)</i>			
Service	Non-Tax Revenue Receipts (NTR)	Non-Plan Revenue Expenditure (NPRE)	Cost recovery (ratio of NTR/NPRE in <i>per cent</i>)
Education, Sports, Art and Culture	2.05	440.60	0.47
Health and Family Welfare	2.59	112.84	2.30
Water Supply and Sanitation	4.04	19.70	20.51
Irrigation	0.30	2.95	10.17

Source: Finance Accounts

Cost recovery in respect of Education, Sports, Art and Culture during the year was 0.47 *per cent* being the lowest and the highest was 20.51 *per cent* pertaining to Water Supply

and Sanitation. In respect of Health and Family Welfare and Irrigation, the cost recovery was at 2.30 per cent and 10.17 per cent respectively.

1.6.2 Grants-in-aid from GoI

Grants-in-aid from GoI increased from ₹ 934.20 crore in 2015-16 to ₹ 1,436.91 crore in 2016-17 as shown in **Table 1.8**.

Table 1.8: Grants-in-aid from GoI

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Plan Grants	265.37	148.26	73.51	74.49	64.72
Grants for State Plan Schemes	1,345.21	1,803.20	1,738.54	321.57	684.64
Grants for Central Plan Schemes	1.03	0.20	2.91	2.32	0.00
Grants for Centrally Sponsored Plan Schemes	189.66	233.17	577.80	507.94	658.75
Grants for Special Plan Schemes (NEC)	51.13	59.58	34.24	27.88	22.08
Other Grants	-	-	-	-	6.72
TOTAL	1,852.40	2,244.41	2,427.00	934.20	1,436.91

Source: Finance Accounts

Grants-in-aid from GoI increased by ₹ 502.71 crore during 2016-17 over the previous year due to increase in Grants for State Plan Schemes (₹ 363.07 crore), Centrally Sponsored Plan Schemes (CSS) (₹ 150.81 crore) and other Grants (₹ 6.72 crore). However, there was decrease in Non-Plan Grants (₹ 9.77 crore), Grants for Special Plan Schemes (₹ 5.80 crore) and Grants for Central Plan Schemes (₹ 2.32 crore).

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 except share of net proceeds on customs and other taxes and duties on commodities and services. The Central tax transfers consist of corporation tax (₹ 638.61 crore), taxes on income other than corporation tax (₹ 467.69 crore), customs (₹ 287.79 crore), Union excise duties (₹ 351.79 crore), service tax (₹ 322.69 crore) and wealth tax (₹ 0.62 crore).

Table 1.9: Central tax transfers

	(₹ in crore)			
	2013-14	2014-15	2015-16	2016-17
Share of net proceeds of taxes				
Share of net proceeds on corporation tax	256.44	282.58	592.56	638.61
Share of net proceeds on taxes on income other than corporation tax	168.86	201.79	415.18	467.69
Share of net proceeds on wealth tax	0.70	0.77	0.07	0.62
Share of net proceeds on customs	124.41	130.87	298.51	287.79
Share of net proceeds on Union excise duties	87.87	73.90	245.23	351.79
Share of net proceeds on service tax	124.34	119.42	317.83	322.69
Share of net other taxes and duties on commodities and services	-	-	0.90	0.00
TOTAL	762.62	809.33	1,870.28	2,069.19

Source: Finance Accounts.

1.6.4 XIV Finance Commission grants

The core mandate of the Finance Commission, as laid out in Article 280 of the Constitution, is to make recommendations regarding the distribution between the Union and the States of the net proceeds of taxes and the principles which should govern the Grants-in-aid of the revenues of the States out of the Consolidated Fund of India. The XIV FC was constituted by the President under Article 280 of the Constitution on 2 January 2013 to make recommendations for the period 2015-20 and the XIV FC has made

its recommendations for the period 2015-16 to 2019-20. Comparative statement of award of XIII Finance Commission (XIII FC) and XIV FC in respect of Sikkim are given in **Table 1.10**.

Table 1.10: Statement of release of award of XIII FC and XIVFC

(₹ in crore)

Grants for	Amount released		
	2014-15 (XIII FC)	2015-16 (XIV FC)	2016-17 (XIV FC)
Share of Union taxes	809.33	1,870.28	2,069.19
Finance Commission Grants (a+b+c+d)	283.91	46.34	62.48
a) Local bodies Grant	29.38	18.44	27.91
b) General Performance Grant	9.20	-	4.87
c) Disaster relief and others	69.30	27.90	29.70
d) State specific grants	176.03	-	-
TOTAL	1,093.24	1,916.62	2,131.67

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

As seen from the above table, there was a huge increase in the State's Share of Union taxes and duties during 2015-16 and 2016-17 as compared to 2014-15. However, there was decrease in Finance Commission grants during the same periods. The increase was due to the recommendation of XIV FC to raise the tax devolution by 10 percentage points from 32 per cent to 42 per cent of the divisible taxes and duties. The objective was to increase the flow of unconditional transfers to States and this would give greater autonomy to States in prioritising their expenditure through untied funds. Decrease in XIV FC grant was due to not making any recommendation by the XIV FC regarding the State specific grants unlike the XIII FC.

Actual release of State's share of Union taxes and duties increased by ₹ 1,060.95 crore (131.09 per cent) during 2015-16 and by ₹ 1,259.86 crore (155.67 per cent) during 2016-17 as compared to release during 2014-15. However, this release was offset by the decrease in release of Grants in aid from GoI as Grants for State Plan Schemes, Centrally Sponsored Plan Schemes etc. compared to 2014-15 which decreased by ₹ 1492.80 crore (61.51 per cent) during 2015-16 and by ₹ 990.09 crore (40.79 per cent) during 2016-17. During 2014-15, 79.17 per cent of the Revenue Receipts was from GoI as Central transfers in the form of State's share of taxes and Grants-in-aid contributions and during 2015-16 and 2016-17 it was 74.11 per cent and 76.06 per cent respectively. Overall effect of XIV FC had a decrease of ₹ 431.85 crore during 2015-16 and increase of ₹ 269.77 crore during 2016-17 as compared to Central transfers from GoI in the form of State's share of taxes and Grants-in-aid contributions during 2014-15.

1.6.5 Capital Receipts

The Capital Receipts showed constant increase during 2012-13 to 2016-17. It increased by ₹ 128.45 crore in 2016-17 over the previous year. Public Debt Receipts recorded significant increase during current year. Trend in growth and composition of Capital Receipts is depicted in **Table 1.11** below:

Table 1.11: Trends in growth and composition of Capital Receipts

(*₹ in crore*)

Sources of State's Receipts	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Receipts (CR)	197.71	297.24	412.67	656.26	784.71
Miscellaneous Capital Receipts	-	-	-	--	-
Recovery of loans and advances	0.90	0.92	0.88	1.38	1.37
Public Debt Receipts	196.81	296.32	411.79	654.88	783.34
Rate of growth of Non-Debt Capital Receipts (<i>per cent</i>)	2,900	2.22	(-) 4.35	56.82	(-)0.72
Rate of growth of CR (<i>per cent</i>)	52.41	50.34	38.83	59.03	19.57

Source: Finance Accounts

There was no miscellaneous Capital Receipts over the period.

1.6.6 Public Account 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 Accounts set up under Article 266 (2) of the Constitution of India 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 1.12: Details of balances in Public Accounts

(*₹ in crore*)

Resources under various heads	2012-13	2013-14	2014-15	2015-16	2016-17
Public Accounts balances					
a. Small savings, Provident fund, etc.	624.15	685.64	710.19	747.85	831.15
b. Reserve fund	246.00	313.15	430.61	441.38	507.06
c. Deposits and Advances	141.75	145.18	137.34	158.98	239.09
d. Suspense and Miscellaneous	157.34	99.03	158.75	254.99	186.04
e. Remittances	196.73	204.31	213.40	295.91	224.95
TOTAL	1,365.97	1,447.31	1,650.29	1,899.11	1,988.29

Source: Finance Accounts

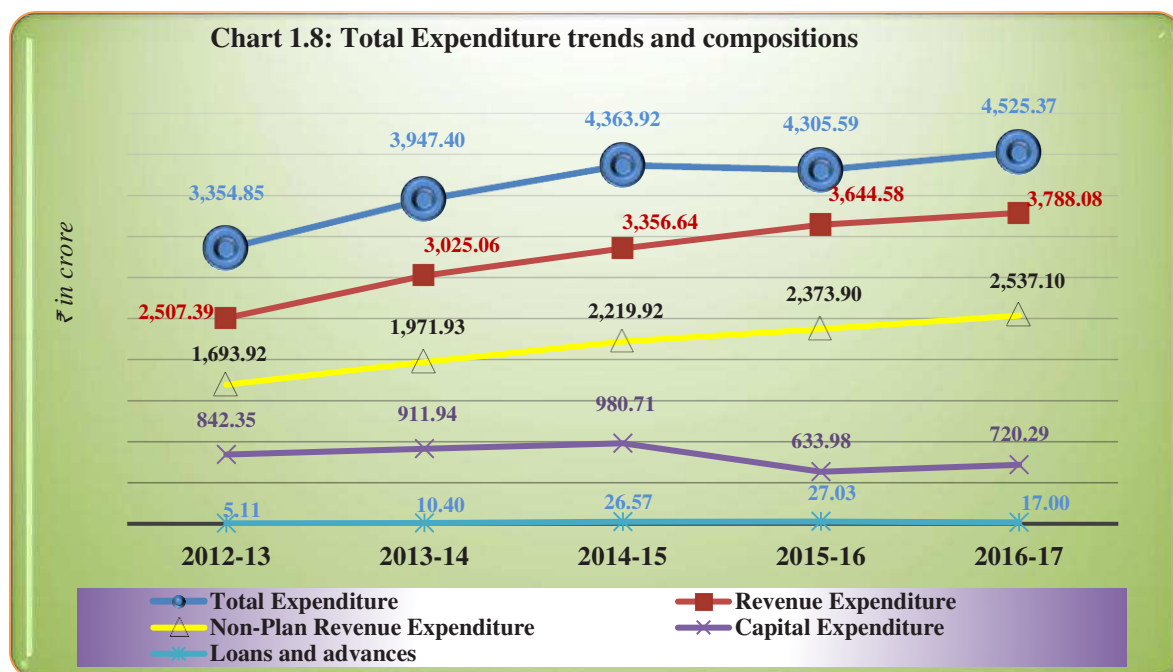
Public Accounts balances steadily increased from ₹ 1,365.97 crore in 2012-13 to ₹ 1,988.29 crore in 2016-17.

1.7 Application of resources

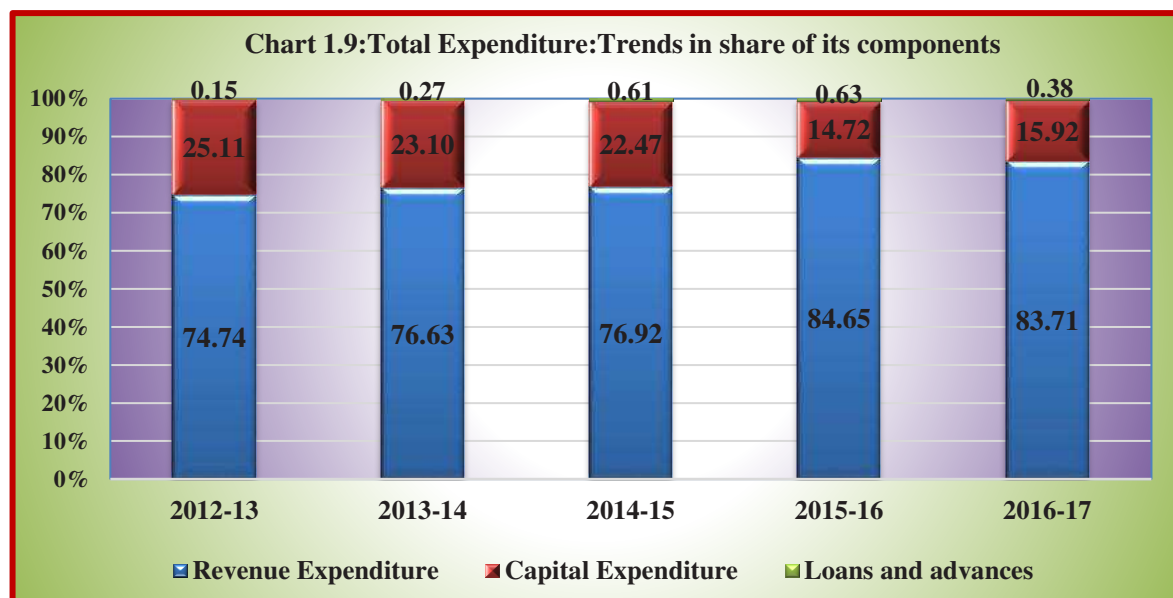
Analysis of the allocation of expenditure at the State Government level assumes significance as it is an important aspect of fiscal policy to achieve developmental goals. Within the framework of fiscal responsibility legislation, there are budgetary constraints in raising public expenditure financed 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 34.89 per cent (₹ 1,170.52 crore) from ₹ 3,354.85 crore in 2012-13 to ₹ 4,525.37 crore in 2016-17. Similarly, the Total Expenditure during 2016-17 increased by 5.10 per cent over the previous year.

During the period 2012-17, on an average, 79.33 per cent of the Total Expenditure was Revenue Expenditure. The share of Revenue Expenditure in the Total Expenditure constantly increased during the last four years. However, its share decreased to 83.71 per cent in 2016-17 from 84.65 per cent during 2015-16.

The share of Capital Expenditure in the Total Expenditure decreased from 25.11 *per cent* in 2012-13 to 23.10 *per cent* in 2013-14, 22.47 *per cent* in 2014-15 and further decreased to 14.72 *per cent* in 2015-16. However, it increased to 15.92 *per cent* in 2016-17.

Growth rate in respect of Total Expenditure for the State for the period 2015-16 to 2016-17 was 5.10 *per cent*. It was 15.31 *per cent* for General Category States and 18.78 *per cent* for Special Category States:

1.7.2 Buoyancy of expenditure

Buoyancy of total expenditure

Growth rates of Total Expenditure during 2012-17, its ratio and buoyancy with reference to GSDP and Revenue Receipts are presented in **Table 1.13**.

Table 1.13: Total Expenditure - Basic parameters

(₹ in crore, ratio in per cent)

	2012-13	2013-14	2014-15	2015-16	2016-17
Total Expenditure (TE)	3,354.85	3,947.40	4,363.92	4,305.59	4525.37
Rate of growth (in <i>per cent</i>)	8.41	17.66	10.55	(-1.34)	5.10
GSDP	12,338.42	13,861.90	15,406.72	16,953.83	18,851.83
Rate of growth of GSDP (<i>per cent</i>)	10.51	12.35	11.14	10.04	11.20
TE/GSDP (ratio)	27.19	28.48	28.32	25.4	24
Revenue Receipts/TE (ratio)	98.02	98.64	93.67	87.89	101.88
Revenue Expenditure	2,507.39	3,025.06	3,356.64	3,644.58	3,788.08
Rate of growth (in <i>per cent</i>)	3.2	20.65	10.96	8.58	3.94
Revenue Receipts	3,288.36	3,893.54	4,087.64	3,784.29	4,610.30
Rate of growth (in <i>per cent</i>)	14.49	18.4	4.99	(-7.42)	21.83
Capital expenditure	842.35	911.94	980.71	633.98	720.29
Rate of growth (in <i>per cent</i>)	36.80	8.26	7.54	(-35.35)	13.61
Buoyancy of TE with					
GSDP (ratio)	0.80	1.43	0.95	(-0.13)	0.46
Revenue Receipts (ratio)	0.58	0.96	2.11	0.18	0.23
Buoyancy of Revenue Expenditure with					
GSDP	0.30	1.67	0.98	0.85	0.35
Revenue Receipts	0.22	1.12	2.20	(-1.16)	0.18
Buoyancy of Capital Expenditure with					
GSDP	3.50	0.67	0.68	(-3.52)	1.22
Revenue Receipts	2.54	0.45	1.51	4.76	0.62

Source: Finance Accounts

During the period 2012-17, the growth rate of Total Expenditure was highest (17.66 *per cent*) in 2013-14 and lowest (-1.34 *per cent*) in 2015-16.

In 2016-17, Total Expenditure was 0.98 times of the Revenue Receipts. The buoyancy ratio of Total Expenditure to Revenue Receipts was 0.23 *per cent*.

The growth rate of Total Expenditure (5.10 *per cent*) in 2016-17 was lower than the growth rate of GSDP (11.20 *per cent*). The buoyancy of Total Expenditure to GSDP was 0.46 *per cent* in 2016-17. Revenue Receipts as a percentage of Total Expenditure stood at 101.88 *per cent* in 2016-17.

Buoyancy of Revenue Expenditure

The growth in Revenue Receipts was higher than the growth of Revenue Expenditure in 2016-17. The growth of Revenue Expenditure (3.94 *per cent*) was lower than the growth

of GSDP (11.20 *per cent*). However, growth of Revenue Receipts (21.83 *per cent*) was more than the growth of GSDP. For every one *per cent* growth in GSDP, Revenue Expenditure grew by 0.35 *per cent*.

Buoyancy of Capital Expenditure

During 2016-17, the Capital Expenditure increased by 13.61 *per cent* as compared to previous year which was higher than the GSDP growth. For every one *per cent* growth in GSDP, Capital Expenditure grew by 1.22 *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 related to incremental developmental expenditure on new projects or schemes and involved both Revenue and Capital Expenditure. In order to maintain the level of services already achieved, Non-Plan Expenditure is normally utilised. **Table 1.14** presents the growth and composition of Plan and Non-Plan Expenditure over the last five years.

Table 1.14: Growth in Plan and Non-Plan Expenditure

(₹ in crore)

Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
Plan	Revenue	813.47	1,053.13	1,136.72	1,270.68	1,250.98
	Capital	842.35	911.94	980.71	633.98	720.29
	Loan	5.11	10.40	26.57	27.03	15.00
	Total	1,660.93	1,975.47	2,144.00	1,931.69	1,986.27
	Percentage of Plan to Total Expenditure	49.51	51.04	49.13	44.86	43.89
Non-plan	Revenue	1,693.92	1,971.93	2,219.92	2,373.90	2,537.10
	Capital	-	-	-	-	-
	Loan	-	-	-	-	2.00
	Total	1,693.92	1,971.93	2,219.92	2,373.90	2,539.10
	Percentage of Non-Plan to Total Expenditure	50.49	49.96	50.87	55.14	56.11
Total Expenditure		3,354.85	3,947.40	4,363.92	4,305.59	4,525.37

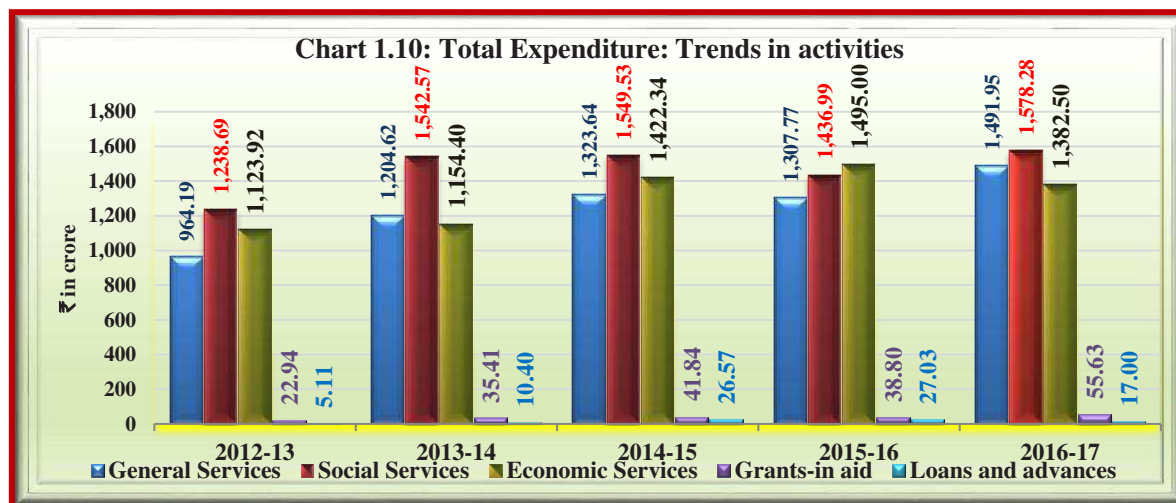
Source: Finance Accounts

During the period 2012-17, while the Plan Revenue Expenditure increased by 53.78 *per cent* from ₹ 813.47 crore in 2012-13 to ₹ 1,250.98 crore in 2016-17, Non-Plan Revenue Expenditure (NPRE) increased by 49.78 *per cent* from ₹ 1,693.92 crore to ₹ 2,537.10 crore.

The NPRE increased by ₹ 163.20 crore (6.87 *per cent*) as compared to the previous year. The increase was mainly on General Services by ₹ 159.21 crore and Grants-in-aid by ₹ 16.83 crore with a decrease in Economic Services by ₹ 11.70 crore and Social Services by ₹ 1.14 crore. The salary expenditure during 2016-17 under Social Services was ₹ 600.67 crore, Economic Services was ₹ 392.76 crore and General Services was ₹ 430.04 crore which worked out to 44.99 *per cent*, 40.22 *per cent* and 30.27 *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, Economic Services, Grants-in-aid and loans and advances. Relative 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 32.97 per cent in 2016-17 as against 30.37 per cent in 2015-16. On the other hand, expenditure on Social and Economic Services together accounted for 65.43 per cent in 2016-17 as against 68.10 per cent in 2015-16. The Grants-in-aid and loans and advances contributed 1.60 per cent during 2016-17 as against 1.53 per cent during 2015-16.

During 2016-17, expenditure on General Service and Social Services increased by ₹ 184.18 crore and ₹ 141.29 crore respectively. However, expenditure on Economic Service decreased by ₹ 112.50 crore, Grants-in-aid increased by ₹ 16.83 crore and Loans and advances decreased by ₹ 10.03 crore over the previous year.

Some of the significant increase and decrease in expenditure during 2016-17 are highlighted below:

- General Services: Increase in the services was mainly due to increase in expenditure under interest payment (₹ 62.32 crore) and there was decrease in expenditure on Police (₹ 11.77 crore).
- Social Services: Increase in the services was mainly due to increase in expenditure under housing (₹ 62.04 crore).
- Economic Services: The decrease was mainly due to decrease in Secretariat-Economic Service (₹ 218.06 crore).

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 51.08 *per cent* from ₹ 2,507.39 crore in 2012-13 to ₹ 3,788.08 crore in 2016-17 and it increased by 3.94 *per cent* from ₹ 3,644.58 crore in 2015-16 to ₹ 3,788.08 crore in 2016-17. The NPRE increased by ₹ 163.20 crore over the previous year. The Plan Revenue Expenditure (PRE) decreased by ₹ 19.71 crore from ₹ 1,270.68 crore in 2015-16 to ₹ 1250.97 crore in 2016-17.

NPRE was a major component (66.98 *per cent*) of Revenue Expenditure during 2016-17. Only 33.02 *per cent* of Revenue Expenditure was PRE.

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 1.15** presents the trends in the expenditure on these components during 2012-17.

Table 1.15: Committed expenditure

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Salaries, of which	971.01 (54.13)	1,093.88 (55.47)	1,236.37 (55.69)	1,357.66 (57.19)	1,423.47 (56.11)
Non-Plan head	773.95	822.10	936.51	1,029.80	1,068.52
Plan head*	197.06	271.78	299.86	327.86	354.95
Interest payments	198.92 (11.09)	209.16 (10.61)	239.55 (10.79)	262.07 (10.09)	324.39 (12.79)
Expenditure on pension	225.17(12.55)	260.63(13.20)	333.08(15.00)	402.35 (16.95)	446.43 (17.60)
Subsidies	8.41 (0.47)	15.60 (0.79)	14.78 (0.67)	8.03 (0.34)	2.24 (0.09)
Total	1,403.51	1,578.86	1,823.78	2,030.11	2,196.53
<i>As per cent of Revenue Receipts</i>					
Salaries	29.53	28.09	30.25	35.88	30.88
Interest payments	6.05	5.37	5.86	6.93	7.04
Pension	6.85	6.69	8.15	10.63	9.68
Subsidies	0.26	0.40	0.36	0.21	0.05
<i>As per cent of Revenue Expenditure</i>					
Salaries	38.73	36.16	36.83	37.25	37.58
Interest payments	7.93	6.91	7.14	7.19	8.56
Pension	8.98	8.62	9.92	11.04	11.79
Subsidies	0.34	0.52	0.44	0.22	0.06

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 30.88 *per cent* of Revenue Receipts of the State during 2016-17. Salaries increased by 4.85 *per cent* from ₹ 1,357.66 crore in 2015-16 to ₹ 1423.47 crore in 2016-17. During 2016-17, the expenditure on salaries was 37.58 *per cent* of the Revenue Expenditure.

Pension payments

Pension payments increased by 10.96 *per cent* from ₹ 402.35 crore in 2015-16 to ₹ 446.43 crore in 2016-17. Pension payment accounted for 9.68 *per cent* of the Revenue Receipts and 11.79 *per cent* of Revenue Expenditure.

Interest payments

Interest payments increased by 23.78 *per cent* from ₹ 262.07 crore in 2015-16 to ₹ 324.39 crore in 2016-17. Interest payments of ₹ 324.39 crore in 2016-17 consisted of internal debt and market loans (₹ 241.66 crore), small savings, provident fund, etc. (₹ 71.25 crore) and loans received from GoI (₹ 11.48 crore). The interest payments during 2016-17 exceeded the assessment of XIV FC (₹ 318 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 1.15 shows that expenditure on payment of subsidies decreased by 72.10 *per cent* from ₹ 8.03 crore in 2015-16 to ₹ 2.24 crore during 2016-17. It constituted 0.06 *per cent* of Revenue Expenditure.

During 2016-17, out of total subsidies of ₹ 2.24 crore, ₹ 2.09 crore was granted under Food, Storage and Warehousing to meet the subsidy on rice, ₹ 0.10 crore was granted as Transport Subsidies and ₹ 0.05 crore was granted for Science Centre at Marchak.

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 2016-17, relating to the previous five years, is presented in **Table 1.16**.

Table 1.16: Financial assistance to local bodies and other institutions

(₹ in crore)

Financial Assistance to Institutions	2012-13	2013-14	2014-15	2015-16	2016-17
Educational Institutions (Non-Government Aided School, etc.)	0.60	0.05	0.05	0.00	0.00
Zilla Parishads and Other Panchayati Raj Institutions	220.66	260.51	276.10	314.38	256.91
Cooperative societies	2.33	1.17	0.24	1.37	1.38
Other Institutions and Bodies (including statutory bodies)	2.07	0.63	2.43	2.03	46.61
Assistance to Municipalities/Municipal Councils	0.00	0.00	0.00	0.00	0.00
Assistance to local bodies, Corporations, Urban Development	0.00	0.00	0.00	0.00	0.00
Farmers	2.23	0.00	0.00	0.00	0.00
TOTAL	227.89	262.36	278.82	317.78	304.90
Assistance as percentage of Revenue Expenditure	9.09	8.67	8.31	8.72	8.05

Source: Finance Accounts

The total assistance during 2016-17 decreased by 4.05 *per cent* over the previous year mainly due to decrease in assistance to Zilla Parishads (ZPs), Other Panchayati Raj Institutions (PRI).

1.7.8 Local bodies

The position regarding major issues relating to local bodies, i.e., Panchayati Raj Institutions (PRI) are summarised in the following paragraph.

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 73rd Constitutional Amendment. The system envisaged elected bodies at village (Gram Panchayats (GPs)) and district level (Zilla Panchayat (ZP)). As of March 2017, there were 4 ZPs and 176 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 (Development) for GPs as grants-in-aid. The ZPs and GPs in turn, deposit their funds in the savings account maintained with the nationalised banks.

Audit of the PRIs during 2016-17 revealed the following:

- 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 GPs had neither prepared Balance Sheet during the period under report nor maintained basic records and registers 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 Commissions accepted by State Government.
- The Internal Control in the GPs were not robust to ensure preparation of budget, maintenance of accounts in appropriate format. Internal audit by Director, Local Fund Audit, supervision by Sachiva and Zilla Panchayat were also inadequate.

Urban Local Bodies

Government of Sikkim enacted the Sikkim Municipalities Act, 2007 empowering the Urban Local Bodies (ULBs) to function as institutions of self-government to accelerate economic development in urban areas in the State following 74th Constitutional Amendments. The ULBs were formed only in 2010-11 having three tier structure viz. Municipal Corporation, Municipal Councils and Nagar Panchayats. As of March 2017, there was one Municipal Corporation, three Municipal Councils and three Nagar Panchayats.

The ULBs are largely funded through grants-in-aid from Central and State Governments for general administration as well as development activities. The ULBs in turn, deposit their funds in the savings account maintained with the nationalised banks.

Audit of the ULBs during 2016-17 revealed the following:

- Out of 18 functions listed in the XII Schedule of the Constitution, only three functions were partially transferred by the State Government to the ULBs as of March 2017.
- The State Government had not set up Property Tax Board as of March 2017 for realisation of property tax.

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 provision for providing public services); efficiency of expenditure 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 1.17 analyses the fiscal priority of the State Government with regard to Development Expenditure, Social Expenditure and Capital Expenditure in 2012-13, 2015-16 and the current year 2016-17.

Table 1.17: Fiscal priority of the State in 2012-13, 2015-16 and 2016-17

(in per cent)

Fiscal priority of the State	AE/GSDP	DE/AE	SSE/AE	ESE/AE	CE/AE	Education/AE	Health/AE
Sikkim 2012-13	27.19	70.57	39.33	33.50	25.11	17.75	7.27
Sikkim 2015-16	25.40	68.72	33.42	35.30	14.72	18.43	6.05
Sikkim 2016-17	24.00	65.80	34.92	30.88	15.92	18.06	6.23
Special Category States'(SCS) Average 2012-13	24.80	61.10	34.30	30.70	15.10	18.10	5.30
SCS' Average 2015-16	24.70	63.90	36.30	30.10	14.00	18.50	6.00
SCS Average 2016-17	27.40	61.50	34.20	30.00	13.60	16.60	5.40

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, ESE: Economic Sector Expenditure, CE Capital Expenditure., Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and loans and advances disbursed. GSDP: Figures available on CSO website as on 1 August 2017, except Arunachal Pradesh, Assam, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland and Tripura where the figures have been provided by respective PAsG/AsG.

Table 1.17 shows the fiscal priority given by the State Government to various expenditure heads during 2012-13, 2015-16 and 2016-17, which is summarised below:

- The AE/GSDP ratio of the State Government in 2016-17 had decreased by 3.19 per cent as compared to 2012-13. AE/GSDP ratio in the State was higher than the SCS' in two years (2012-13 and 2015-16) but lower during 2016-17.
- The ratio of DE as a proportion to AE decreased by 4.77 per cent in 2016-17 as compared to 2012-13 which indicated that the State had given less priority to this

category of expenditure during 2016-17. However, DE as a proportion of AE was higher in the State compared to the Special Category States' average during all three years.

- In Social Sector, expenditure as a percentage of AE had decreased by 4.41 *per cent* in the year 2016-17 as compared to 2012-13. Expenditure on Social Sector as a proportion of AE was higher than the Special Category States' average during 2012-13 and 2016-17. However, during 2015-16, it was lower than SCS.
- In Economic Sector, expenditure as a percentage of AE had decreased from 33.50 *per cent* in the year 2012-13 to 30.88 *per cent* in the year 2016-17. Expenditure on Economic Sector as a proportion of AE was higher than the SCS' average during all the three years.
- The expenditure on capital sector had decreased by 9.19 *per cent* in 2016-17 as compared to 2012-13 indicating that the State Government had given less emphasis to CE during the year. However, expenditure on capital sector as a proportion of AE was higher than the SCS' average during all the three years.
- The expenditure on education as a percentage of AE had increased from 17.75 *per cent* in the year 2012-13 to 18.06 *per cent* in the year 2016-17 and the percentage of expenditure on health had decreased from 7.27 *per cent* in 2012-13 to 6.23 *per cent* in 2016-17. Expenditure on education as a proportion of AE was higher than the SCS' average during 2016-17 but it was lower than Special Category States during 2012-13 and 2015-16. Expenditure on health as a proportion of AE was higher than the SCS' average during all the three years.

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 goods⁷. Apart from improving the allocation towards Development Expenditure⁸, 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

7 *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 based on 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.

8 *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.*

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 1.18** presents the trends in Development Expenditure relating to the aggregate of the State during 2016-17 vis-à-vis the previous years.

Table 1.18: Development Expenditure

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
Total Expenditure (TE)	3,354.85	3,947.40	4,363.92	4,305.59	4525.37
Development Expenditure (DE)	2,367.61	2,706.97	2,998.37	2,958.95	2,977.78
Percentage of DE to total expenditure	70.57	68.58	68.71	68.72	65.80
Composition of DE					
Revenue	1,603.57 (67.73)	1,954.55 (72.20)	2,100.68 (70.06)	2,361.98 (79.83)	2,311.68 (77.63)
Capital	759.04 (32.06)	742.42 (27.43)	871.19 (29.06)	570.01 (19.26)	649.10 (21.80)
Loans and advances	5.00 (0.21)	10.00 (0.37)	26.50 (0.88)	26.96 (0.91)	17.00 (0.57)

Source: Finance Accounts. Figures in brackets indicate percentage to aggregate expenditure (Development Expenditure).

Development Expenditure comprising Revenue Expenditure, Capital Outlay and loans and advances on Socio-Economic Services increased from ₹ 3,354.85 crore in 2012-13 to ₹ 4,525.37 crore in 2016-17 and also increased as compared to 2015-16. As a percentage of Total Expenditure, it decreased from 70.57 per cent in 2012-13 to 65.80 per cent in 2016-17. On an average, 73 per cent of the Development Expenditure was on revenue account while Capital Expenditure including loans and advances accounted for balance 27 per cent during the years.

In 2016-17, Development Revenue Expenditure included, *inter alia* expenditure on salary (₹ 993.43 crore), subsidy (₹ 2.08 crore) and financial assistance to local bodies and other institutions (₹ 304.90 crore).

The efficiency of Government expenditure on selected parameters in some major areas under Social and Economic Services is depicted in **Table 1.19**.

Table 1.19: Efficiency of expenditure use

(Ratio in per cent)

Particulars	2015-16		2016-17	
	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
Social Services (SS)				
Education, sports, art and culture	2.35	46.36	5.62	50.48
Health and family welfare	25.39	69.57	25.85	66.33
Water supply, sanitation, housing and urban development	48.48	28.74	40.57	19.64
Others	8.30	26.68	4.82	21.55
Total (SS)	13.97	45.91	15.39	44.99
Economic Services (ES)				
Agriculture and allied activities	2.07	46.24	3.06	54.96
Irrigation and flood control	3.28	28.21	2.58	34.50
Power and energy	14.75	39.85	21.32	42.62
Transport	62.72	32.85	64.33	52.75
Others	20.51	16.62	19.58	21.32
Total (ES)	24.70	31.37	29.04	40.22
Total (SS+ES)	19.44	38.98	21.80	42.97

Source: Finance Accounts. TE-Total Expenditure [(CE+RE of the sub-sectors)]; CE-Capital Expenditure (sub sector); RE-Revenue Expenditure (sub sectors).

Expenditure on Social Services

Capital Expenditure on Social Services increased from ₹ 200.80 crore in 2015-16 to ₹ 243.21 crore in 2016-17. There was increase in ratio of capital to Total Expenditure on Social Services by 1.42 *per cent* as compared to the previous year.

The share of salary expenditure under Social Services in Revenue Expenditure was 45.91 *per cent* in 2015-16, which slightly decreased to 44.99 *per cent* in 2016-17.

Expenditure on Economic Services

Capital Expenditure on Economic Services increased from ₹ 369.21 crore in 2015-16 to ₹ 405.89 crore in 2016-17. There was increase in ratio of capital to Total Expenditure on Economic Services by 4.34 *per cent*.

The share of salary expenditure under Economic Services which was 31.37 *per cent* during 2015-16 had increased to 40.22 *per cent* of Revenue Expenditure in 2016-17.

1.9 Financial analysis of Government expenditure and investments

In the post-Mid Term Fiscal Plan (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 2016-17 vis-à-vis previous years.

1.9.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2017 is given in **Table 1.20**.

Table 1.20: Department wise profile of incomplete projects

Department	No. of incomplete projects as on 31 March 2017	Initial budgeted cost	Revised total cost	Cost overrun	Actual expenditure as on 31 March 2017	Projects scheduled to be completed within March 2017	
						No of Projects	Actual expenditure as on 31 March 2017
Health Care, Human Services and Family Welfare	24	44.93	0	0	10.82	19	9.42
Human Resource Development	112	184.00	0	0	79.53	105	79.16
Energy and Power	29	252.97	0		133.86	8	71.84
Water Security and Public Health Engineering	18	169.11	0	0	123.17	18	123.17
Water Resources and River Development	171	152.03	0	0	45.32	166	39.18
Building and Housing	34	231.04	0	0	117.61	19	44.49
Urban Development and Housing	25	370.73	0	0	207.47	18	178.70
TOTAL	413	1,404.81	0	0	717.78	353	545.96

Source: Finance Accounts

As per information received from the State Government, there were 413 incomplete projects (estimated cost ₹ 1,404.81 crore) as on 31 March 2017 in which an expenditure amounting to ₹ 717.78 crore had been incurred. Out of 413 incomplete projects, 353 projects were due to be completed by 31 March 2017 and in case of 26⁹ works target date of completion were not furnished by the Departments. Due to not completing of works in scheduled time, benefits of the projects did not reach the intended beneficiaries.

Information from Food, Civil Supplies and Consumer Affairs Department, Department of Tourism and Civil Aviation, Rural Management and Development Department and Roads and Bridges Department were awaited (November 2017).

1.9.2 Investment and returns

As of March 2017, Government had invested ₹ 97.42 crore in Statutory Corporations, Banks, Joint Stock Companies and Co-operatives as detailed in succeeding paragraphs. The return during 2016-17 was 2.06 per cent as detailed in **Table 1.21** below:

Table 1.21: Return on investment

Particulars	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Investment at the end of the year	97.42	97.42	97.42	97.42	97.42
Return	1.53	0.55	0.87	12.70	2.01
Return (per cent)	1.57	0.56	0.89	13.04	2.06
Average rate of interest on Government borrowings (per cent)	9.50	8.33	8.38	8.17	8.22
Difference between interest rate and return (per cent)	7.93	7.77	7.49	(-) 4.87	6.16

Source: Finance Accounts

Returns during current year was due to receipt of dividend from companies and bank (State Bank of Sikkim: ₹ 0.53 crore, Sikkim Distilleries Limited: ₹ 1.45 crore and Denzong Cinema: ₹ 0.03 crore).

The details of investment of ₹ 97.42 crore up to the end of 2016-17 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 ₹ 19.66 crore in the following Companies incurring recurring loss (**Table 1.22**).

Table 1.22: Investment in Government Companies under perennial loss

Sl. No.	Name of the Government Company	Investment upto 2016-17		Cumulative loss*	Year of accounts approved by Board
		Equity and loans	Subsidy/ Grants		
1	Scheduled Caste, Scheduled Tribe and Other Backward Class Development Corporation Ltd. (SABCCO)	9.30	Nil	15.26	2013-14
2	Sikkim Power Investment Corporation Limited	0.01	Nil	315.10	2016-17
3	Sikkim Power Development Corporation	10.35	Nil	74.55	2016-17
	TOTAL	19.66	Nil	404.91	

*As per the latest finalised Annual Accounts

⁹ 6 works- Human Resource Development, 6-works - Building and Housing Department, 1-work Urban Development and Housing Department and 13 works-Energy and Power Department

Against 12 working Companies/Corporations wherein State Government had invested ₹ 41.41 crore (₹ 39.38 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.

1.9.3 State PSUs-finalisation of accounts and enhancing financial viability

The XIII FC recommended that all States should endeavour to ensure clearance of the accounts of all Public Sector Undertakings (PSUs).

The finalisation of 24 annual accounts in respect of four State PSUs were in arrears as of September 2017 due to delay in completion/adoption of accounts by the Board of Directors of the respective SPSUs as detailed below:

Table 1.23: 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	Scheduled Caste, Scheduled Tribe and Other Backward Class Development Corporation Ltd. (SABCCO)	2013-14 to 2016-17	4
2	Sikkim Poultry Development Corporation Ltd.(SPDCL)	2009-10 to 2016-17	8
3	Sikkim Hatcheries Ltd.(SHL)	2009-10 to 2016-17	8
4	Sikkim Livestock Processing and Development Corporation Ltd.	2013-14 to 2016-17	4
TOTAL			24

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 Institutions/Organisations/ Government servants. **Table 1.24** presents the position of outstanding loans and advances as of March 2017 and interest receipts vis-à-vis interest payments during the last five years.

Table 1.24: Average interest received on loans and advances by the State Government

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Opening balance	95.78	99.99	109.48	135.17	160.83
Amount advanced during the year	5.11	10.40	26.57	27.03	17.00
Amount repaid during the year	0.89	0.91	0.88	1.37	1.37
Closing balance	99.99	109.48	135.17	160.83	176.46
Net addition	(+) 4.21	(+)9.49	(+)25.69	(+)25.66	(+)15.63
Interest receipts	2.61	4.18	1.76	00	00
Interest receipts as <i>per cent</i> to outstanding loans and advances	2.61	3.82	1.30	00	00
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	5.95	5.76	5.76	5.38	5.90
Difference between interest payments and interest receipts (in <i>per cent</i>)	3.34	1.94	4.46	5.38	5.90

Source: Finance Accounts

Out of amount of ₹ 17.00 crore advanced during the year 2016-17, ₹ 15.00 crore was loan for general financial institutions and ₹ 2.00 crore was against the educational loans for higher studies in colleges and universities.

Loans and advances outstanding as of March 2017 aggregated to ₹ 176.46 crore. No interest on loans and advances was received by the Government during the financial year 2016-17.

1.9.5 Cash balances and investment of cash balances

Table 1.25 depicts the cash balances and investments made therefrom by the State Government during the year.

Table 1.25: Investment of cash balances

	(₹ in crore)	
	As of 31 March 2016	As of 31 March 2017
(a) General Cash Balance -	-	
• Cash in Treasuries	-	
• Deposits with Reserve Bank	-	
• Deposits with other Banks	214.80	112.17
• Remittances in transit - local	-	-
Total	214.80	112.17
Investments held in Cash Balance investment account	1,151.40	1,910.00
Total (a)	1,366.20	2,022.17
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	0.80	0.95
Permanent advances for contingent expenditure with departmental officers	0.43	0.43
Investment of earmarked funds	357.14	413.28
Total (b)	358.37	414.66
Grand total (a)+(b)	1,724.57	2,436.83

Source: Finance Accounts

Under a resolution passed in the year 1968-69, the State Bank of Sikkim was vested with the responsibility by the State Government 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 State Government's cash balances of ₹ 2,436.83 crore at the end of 2016-17 showed an increase by 41.30 per cent (₹ 712.26 crore) over the previous year. The State Government had earned an interest of ₹ 68.79 crore from the cash balance investments during 2016-17.

As per the Finance Accounts of 2016-17, there was a balance of ₹ 59.34 crore with the State Bank of Sikkim as on 31 March 2017. However, as per the records of the State Bank of Sikkim, the cash balance of the State Government stood at ₹ 39.91 crore leaving an un-reconciled balance of ₹ 19.43 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 2016, there was an opening balance of ₹ 254.69 crore. Further, during the year, cheques worth ₹ 3,727.55 crore were issued and cheques worth ₹ 3,798.89 crore were encashed leaving a closing balance of ₹ 183.35 crore as on 31 March 2017.

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 2017 compared with the corresponding position as on 31 March 2016.

Total liabilities, as defined are the liabilities under the Consolidated Fund and the Public Accounts 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 1.26**.

Table 1.26: Summarised position of Assets and Liabilities

(₹ in crore)

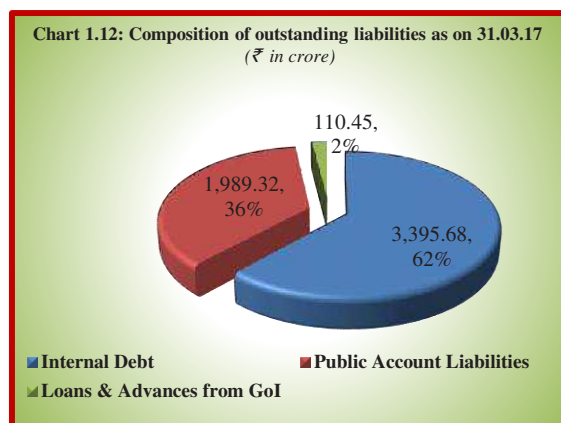
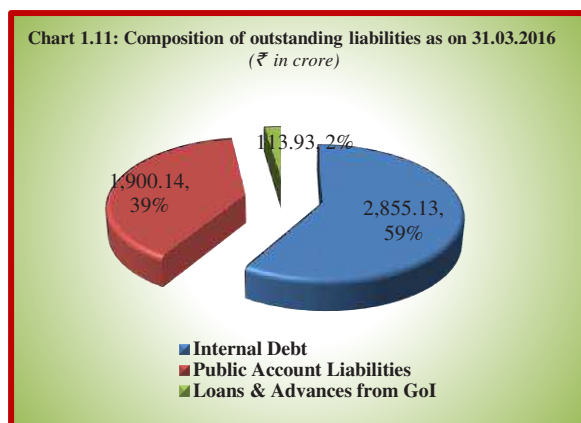
Liabilities	2014-15	2015-16	2016-17	Assets	2014-15	2015-16	2016-17
<i>Consolidated Fund</i>				<i>Consolidated Fund</i>			
a. Internal Debt	2,389.23	2,855.13	3,395.68	i) Gross capital Outlay	8,327.25	8,961.24	9,681.52
b. Loans and advances from GoI	121.07	113.93	110.45	ii) Loans and advances	135.17	160.83	176.46
	2,510.30	2,969.06	3,506.13	Advances	1.03	1.03	1.03
<i>Public Accounts</i>							
a. Small savings, Provident funds, etc.	710.19	747.85	831.15	Cash	1,536.94	1,724.57	2,436.83
b. Reserve Funds	430.61	441.38	507.06				
c. Deposits	138.37	160.01	240.12				
d. Remittance balance	213.40	295.91	224.95				
e. Suspense and Miscellaneous balances	158.75	254.99	186.04				
	1,651.32	1,900.14	1,989.32				
Total	4,161.62	4,869.20	5,495.45				
Surplus on Government Accounts	5,106.77	5,837.76	5,977.47				
Revenue surplus	731.00	139.71	822.22				
Contingency Fund	1.00	1.00	1.00	Contingency Fund			0.31
Grand Total	10,000.39	10,847.67	12,296.15		10,000.39	10,847.67	12,296.15

Source: Finance Accounts

The growth rate of assets was 13.35 per cent whereas the growth rate of liabilities excluding Surplus on Government Accounts and Contingency Fund was 12.86 per cent in 2016-17 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 2016-17 vis-à-vis the previous year is presented in **Charts 1.11** and **1.12**.



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 1.27**.

Table 1.27: Fiscal liabilities-basic parameters

	2012-13	2013-14	2014-15	2015-16	2016-17
Fiscal liabilities (₹ in crore)	3,344.97	3,633.88	4,161.62	4,869.20	5,495.45
Rate of growth (per cent)	5.83	8.64	14.52	17.00	12.86
Revenue Receipts (₹ in crore)	3,288.36	3,893.54	4,087.64	3,784.29	4,610.30
Percentage of fiscal liabilities to					
GSDP	27.11	26.21	27.01	28.72	29.15
Revenue Receipts	101.72	93.33	101.81	128.67	119.20
Own resources	453.57	409.91	488.85	496.95	497.69
Buoyancy ratio of fiscal liabilities to					
GSDP	0.55	0.70	1.30	1.69	1.15
Revenue Receipts	0.40	0.47	2.91	(-) 2.29	0.59
Own resources	0.16	0.43	(-)3.66	1.13	1.01

Source: Finance Accounts

Fiscal liabilities of the State increased by ₹ 626.25 crore (12.86 per cent) from ₹ 4,869.20 crore in 2015-16 to ₹ 5,495.45 crore in 2016-17 comprising Public Account Liabilities of ₹ 1,989.32 crore (36 per cent), Internal Debt of ₹ 3,395.68 crore (62 per cent) and loans and advances of ₹ 110.45 crore (2 per cent).

The percentage of fiscal liabilities to GSDP stood at 29.15 per cent at the end of 2016-17. The growth rate of outstanding fiscal liabilities which was 17 per cent in 2015-16 decreased to 12.86 per cent in 2016-17. The buoyancy of the liabilities with respect to GSDP during the year was 1.15 indicating that for each one per cent increase in GSDP fiscal liabilities grew by 1.15 per cent.

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 Accounts 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.

Analysis of transaction of reserve funds are enumerated in the subsequent paragraphs:

Consolidated Sinking Fund:

The State Government constituted a Consolidated Sinking Fund for redemption of the open market loans of the Government commencing from 2004-05. 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 XII FC. The State Government had 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 2016-17, the requirement for annual contribution was ₹ 19.81 crore (0.5 *per cent* of outstanding liabilities of ₹ 3,961.14 crore) in terms of the guidelines of the RBI and ₹ 23.00 crore (at 1 *per cent* of outstanding open market loans of ₹ 2,299.70 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 ₹ 23.00 crore, as per its own guidelines, resulting in short contribution of ₹ 11.00 crore. Similarly, the shortfall in contribution as per the RBI guidelines worked out to ₹ 7.81 crore. As on 31 March 2017, the fund had a balance of ₹ 350.56 crore (including ₹ 28.64 crore as accrued interest), which had been invested in fixed deposits in nationalised banks as per the directions of the RBI.

State Disaster Response Fund:

The State Government replaced the Calamity Relief Fund with the State Disaster Response Fund (SDRF) in 2010-11 as per the recommendations of the XIII FC. 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 GoI provides additional assistance from the National Disaster Response Fund (NDRF). At the beginning of 2016-17, the fund had a corpus of ₹ 17.26 crore, out of which, ₹ 14.00 crore was invested. During the year 2016-17, the State Government transferred ₹ 35.20 crore to the SDRF (Central share: ₹ 29.70

crore and State share of ₹ 3.30 crore and accrued interest of ₹ 2.20 crore). After meeting the expenditure of ₹ 27.51 crore during the year, the fund had a closing balance of ₹ 24.95 crore as on 31 March 2017.

Guarantee Redemption Fund

The State Government constituted a Guarantee Redemption Fund in the year 2005 for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Undertakings or other bodies which stand invoked. The Government is required to contribute an amount equal to at least one-fifth of the outstanding invoked guarantees plus an amount likely to be invoked as a result of the incremental guarantees issued during the year. However, it is open to the Government to increase contribution to the fund at its discretion. During 2016-17, the State Government transferred ₹ 2 crore to the Guarantee Redemption Fund along with accrued interest of ₹ 3.45 crore. No guarantee was invoked during the year. The fund had a corpus of ₹ 41.99 crore at the end of the year, out of which, ₹ 41.72 crore was invested leaving a balance of ₹ 0.27 crore in the Fund as on 31 March 2017.

The detailed account of the fund as on 31 March 2017 is given below:

Table 1.28: Guarantee Redemption Fund

		(₹ in crore)
Sl. No.	Particulars	Amount
1	Opening balance	36.54
2	Addition	2.00
3	Interest	3.45
	Total	41.99
4	Amount met from the fund for discharge of invoked guarantees (-)	Nil
5	Closing balance	41.99
6	Amount of investment made out of the Guarantee Redemption Fund	41.72

Source: Finance Accounts

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 the last five years are given in **Table 1.29**.

Table 1.29: Guarantees given by the State Government

	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Maximum amount guaranteed	186.42	156.70	156.70	156.90	517.90
Outstanding amount of guarantees (including interest)	187.72	122.09	112.14	89.17	441.49
Maximum amount of guarantee as per criteria fixed by Sikkim Government Guarantee Act 2000	838.62	881.76	1,306.44	1,574.76	1582.62

Source: Finance Accounts

During 2016-17, State Government extended guarantees of ₹ 361 crore. However, commission against this guarantee was not received by the Government. According to the Sikkim Government Guarantee Act, 2000 (Act No. 21 of 2000), the ceiling on the

total outstanding Government Guarantees as on the first 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.

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 2016-17.

1.10.5 Analysis of Borrowings of Government

Analysis of borrowings of the Government revealed that as on 1 April 2016, an amount of ₹ 3,716.91 crore was outstanding towards various loans and advances. Further, during the year 2016-17, there was an addition of ₹ 1,088.02 crore and payment/discharge of ₹ 467.65 crore with closing balance of ₹ 4337.28 crore as on 31 March 2017. The increase in total outstanding loans and advances at the end of the year was 16.69 per cent. An interest of ₹ 308.90 crore was also paid by the Government on various loans and advances. Details are given below:

Table 1.30: Detailed Statement on Borrowings and Other Liabilities

(₹ in crore)

Description of Debt	Balance as on 1 st April 2016	Additions during the year	Discharges during the year	Balance as on 31 March 2017	Net increase (+) / decrease (-) (in percentage)	Interest paid during the year
Market loans	2,299.70	744.00	169.76	2,873.94	25	193.87
Loans from Life Insurance Corporation of India	103.10	0.00	9.56	93.54	(-)9	8.78
Loans from General Insurance Corporation of India	0.04	0.00	0.02	0.02	(-)56	0.00
Loans from NABARD	215.68	32.61	46.07	202.22	(-)6	15.69
Compensation and other bonds	0.00	0.00	0.00	0.00	0	0.00
Loans from National Co-operative Development Corporation	3.35	0.00	0.80	2.55	(-)24	0.42
Loans from other institutions	17.08	0.00	2.12	14.96	(-)12	1.90
Special Securities issued	216.18	0.00	7.72	208.46	(-)4	21.00

Description of Debt	Balance as on 1 st April 2016	Additions during the year	Discharges during the year	Balance as on 31 March 2017	Net increase (+) / decrease (-) (in percentage)	Interest paid during the year
to National Small Savings Fund of the Central Government						
Non-plan loans from GoI	0.79	0.00	0.12	0.67	(-16)	0.07
Block loans	30.67	6.73	4.06	33.34	9	5.10
State Plan loans consolidated in terms of recommendation of the XII FC	79.42	0.00	5.68	73.74	(-7)	5.96
Loans for Centrally Sponsored Plan Schemes (Other loans)	1.15	0.00	0.13	1.02	(-11)	0.14
Loans for Special Schemes of North Eastern Council	1.90	0.00	0.22	1.68	(-12)	0.22
General Provident Funds	710.44	298.84	218.67	790.61	11	52.47
Insurance and Pension Funds	37.41	5.84	2.72	40.53	8	3.28
TOTAL	3,716.91	1,088.02	467.65	4,337.28		308.90

Source: Finance Accounts

1.10.6 Inoperative Reserve Funds

As mentioned under Paragraph 1.10.3, the Government was maintaining 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 deficit, 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

Debt sustainability is generally measured in terms of level of debt, primary deficit and interest cost in relation to nominal GSDP. 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 increased from 22.60 *per cent* during 2014-15 to 24.78 *per cent* during 2016-17. Debt-GSDP Ratio for the year 2016-17 was higher than the recommended target (20.09 *per cent*) of XIV FC as shown in **Table 1.31**.

Table 1.31: Debt-GSDP Ratio

Year	Total debt*	GSDP	XIV FC recommendation (%)		Debt-GSDP (%)
	(₹ in crore)		All States	Sikkim	
2014-15	3,481.44	15,406.71	24.30	21.29	22.60
2015-16	3,961.14	16,953.83	21.90	20.63	23.36
2016-17	4,671.18	18,851.83	22.06	20.09	24.78

* Total debt includes Public debt, Small Saving, Provident Fund, Reserved Fund and Deposit.

1.11.2 Interest payment

The trend in the interest payment (IP)-Revenue Receipts (RR) ratio is another important indicator which measures sustainability of the Public Debt. In the State, IP-RR ratio was 6.05 *per cent* during 2012-13 which increased to 7.04 *per cent* during 2016-17.

Table 1.32: Ratio of interest payment to Revenue Receipts

Year	Revenue Receipts (RR) (₹ in crore)	Growth over previous year (%)	Interest payment(IP) (₹ in crore)	Growth over previous year (%)	IP/RR (%)
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
2015-16	3,784.29	(-) 7.42	262.07	9.4	6.93
2016-17	4,610.30	21.83	324.39	23.78	7.04

1.11.3 Buoyancy of assets to liabilities

The ratio of assets to aggregate fiscal liabilities could be considered a surrogate measure of quality of its application of borrowed funds. **Table 1.33** shows the buoyancy of assets with respect to liabilities.

Table 1.33: Buoyancy of Assets to Liabilities

(₹ in crore)

Year	Aggregate fiscal Liabilities	Aggregate Assets	Ratio of Assets to Liabilities	Annual Growth of Liabilities	Annual Growth of Assets	Buoyancy of Assets to Liabilities
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
2015-16	4,869.20	10,847.67	2.23	17.00	8.47	0.50
2016-17	5,495.45	12,296.15	2.24	12.86	13.35	1.04

The growth rate of assets was higher than growth rate of liabilities during 2012-13 to 2013-14 and during 2016-17. However, it was lower during 2014-15 and 2015-16.

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 1.34**.

Table 1.34: Indicator of incremental Non-Debt Receipts

(₹ in crore)						
Sl. No.		2012-13	2013-14	2014-15	2015-16	2016-17
1	Incremental Non-Debt Receipts	374.87	605.20	194.06	(-)302.85	826.00
2	Incremental Interest Payments	8.09	10.24	30.39	22.52	62.32
3	Incremental Primary Expenditure	252.22	582.31	386.13	(-)80.85	157.46
	<i>Resource gap</i>	114.56	12.65	(-)222.46	(-)244.52	606.22

Source: Finance Accounts

The resource gap had remained positive during 2010-14 but during 2014-15 and 2015-16, it became negative but it became positive again during 2016-17.

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 2016-17 was positive and funds were available for meeting productive expenditure.

1.11.6 Maturity profile

The maturity profile of outstanding stock as on 31 March 2017 showed that 39.82 per cent of the loans were in the maturity bucket of less than seven years as shown in **Table 1.35**.

Table 1.35: Maturity profile

Maturity profile of State Public Debt (in years)	Year of maturity	Amount (₹ in crore)	Percentage
0 to 2	2016-17 to 2017-18	696.19	19.78
3 to 4	2018-19 to 2019-20	469.05	13.33
5 to 6	2020-21 to 2021-22	236.13	6.71
7 and above	2022-23 and onwards	2117.91	60.18

Source: Finance Accounts

The Public Debt of the State Government as on 1 April 2016 was ₹ 2,969.05 crore with addition during the year 2016-17 of ₹ 783.34 crore. After discharging/re-payment of loan amount of ₹ 246.26 crore during the year (excluding an interest payment of ₹ 253.14 crore), there was a closing balance of ₹ 3,506.13 crore as on 31 March 2017. Details of the same are summarised in the table below:

Table 1.36: Summary of Public Debt

(₹ in crore)

Sl. No.	Description of the debt	Balance as on 1 April 2016	Additions during the year	Discharged/ repaid during the year	Balance as on 31 March 2017	Interest paid during the year
1	Internal Debt of the State Government	2,855.12	776.61	236.05	3,395.68	241.66
2	Loans and advances from the Central Government					
	i. Non-plan loans	0.79	0	0.12	0.67	0.07
	ii. Loans for State Plan Schemes	110.09	6.73	9.74	107.08	11.05
	iii. Loans for Centrally Sponsored Plan Schemes	1.15	0	0.13	1.02	0.14
	iv. Loans for Special Schemes	1.90	0	0.22	1.68	0.22
	Total 2 (i to iv)	113.93	6.73	10.21	110.45	11.48
	TOTAL (1+2)	2,969.05	783.34	246.26	3,506.13	253.14

Source: Finance Accounts

The State Government had been contributing ₹ 12 crore per annum to the Sinking Fund (**Paragraph 1.10.3**) which had a balance of ₹ 350.56 crore at the end of March 2017. It was, 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 State Government and their repayments. Though 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, FRED was not maintaining any record regarding the cost of establishment of borrowings taken for the Government. However, interest paid on various Public Debt of the State Government during the period 2014-15 to 2016-17 was as under:

Table 1.37: Trends of Public Debt of the State Government

(₹ in crore)

Sl. No.	Description of the debt	2014-15		2015-16		2016-17	
		Balance as on 31 March 2015	Interest paid during the year	Balance as on 31 March 2016	Interest paid during the year	Balance as on 31 March 2017	Interest paid during the year
1	Internal Debt of the State Government	2,389.23	174.29	2,855.13	57.01	3,395.68	241.66
2	Loans and advances from the Central Government						
	i. Non-Plan loans	0.85	0.05	0.79	0.08	0.67	0.07
	ii. Loans for State Plan Schemes	116.82	10.55	110.09	10.40	107.08	11.05
	iii. Loans for Centrally Sponsored Plan Schemes	1.28	0.17	1.15	0.16	1.02	0.14
	iv. Loans for Special Schemes	2.12	0.27	1.90	0.24	1.68	0.22
	TOTAL 2 (i to v)	121.07	11.04	113.93	10.88	110.45	11.48
	TOTAL (1+2)	2,510.30	185.33	2,969.06	67.89	3,506.13	253.14

Source: Finance Accounts

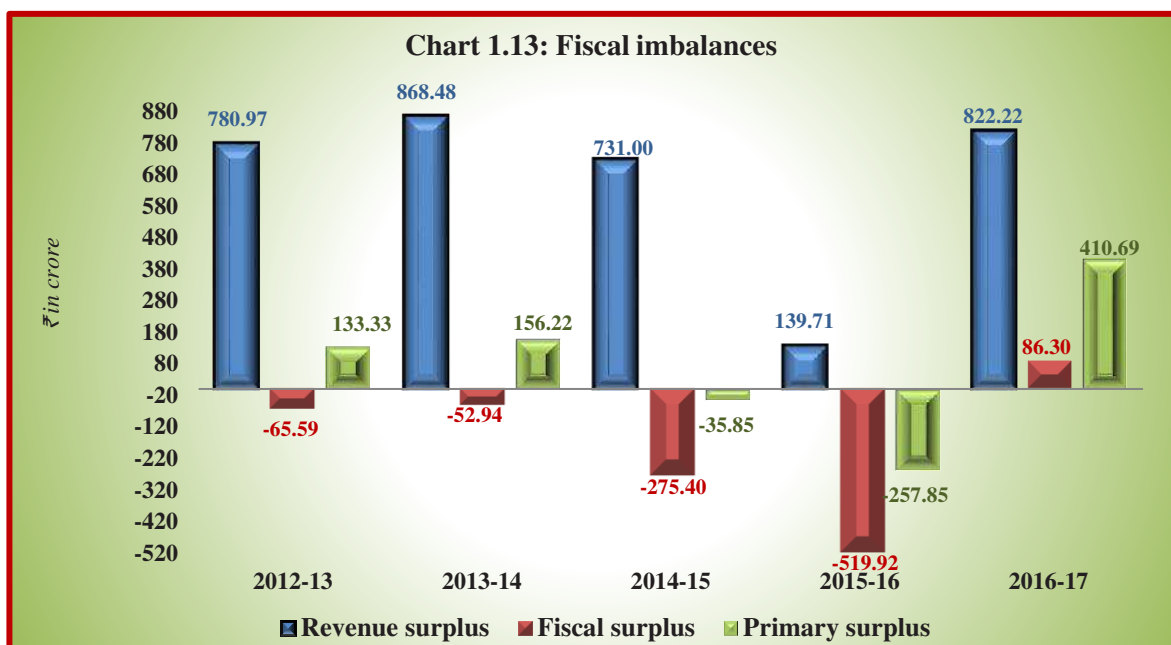
From the above table it can be seen that at the end of the year 2014-15, Public Debt of the State Government was ₹ 2,510.30 crore which increased to ₹ 3,506.13 crore at the end of the year 2016-17. The cost of borrowings in terms of interest payment for the year 2014-15 was ₹ 185.33 crore which increased to ₹ 253.14 crore during the year 2016-17 with average cost of borrowings of ₹ 168.79 crore during the period 2014-17.

1.12 Fiscal imbalances

Three key fiscal parameters –Revenue, Fiscal and Primary Deficits- indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The nature and quantum 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 deficit vis-à-vis targets set for the financial year 2016-17.

1.12.1 Trends in deficit

Charts 1.13 presents the trends in deficit indicators over the period 2012-17.



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 2012-13 to 2016-17 with fluctuating trends. Revenue surplus increased by ₹ 682.51 crore (488.52 per cent) during 2016-17 as compared to the previous year.

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 Accounts. Fiscal deficit trends along with the trends of the deficit relating to key components are indicated in **Table 1.38**.

Table 1.38: Fiscal deficit and its parameters

Period	Non-Debt Receipts	Total Expenditure	Fiscal surplus(+)/ deficit(-)	Fiscal deficit/surplus as <i>per cent</i> to		
				GSDP	Non-Debt Receipt	Total Expenditure
<i>₹ in crore</i>						
2012-13	3,289.26	3,354.85	(-) 65.59	0.53	2.02	1.96
2013-14	3,894.46	3,947.40	(-)52.94	0.38	1.36	1.34
2014-15	4,088.52	4,363.92	(-)275.40	1.79	6.74	6.31
2015-16	3,785.67	4,305.59	(-)519.92	3.07	13.73	12.08
2016-17	4,611.67	4,525.37	(+)86.30	0.46	1.87	1.91

Source: Finance Accounts

There was Fiscal surplus during 2016-17.

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 1.39**.

Table 1.39: Primary deficit and its parameters

Period	Fiscal deficit	Interest payments	Primary deficit (-)/ Surplus (+)
			(₹ in crore)
2012-13	65.59	198.92	(+)133.33
2013-14	52.94	209.16	(+)156.22
2014-15	275.40	239.55	(-)35.85
2015-16	519.92	262.07	(-)257.85
2016-17	(-)86.30	324.39	(+)410.69

Source: Finance Accounts

There were primary surplus during 2012-13 and 2013-14 and primary deficit was recorded during 2014-15 and 2015-16 and again there was primary surplus during 2016-17.

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 **Table 1.40**. 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 1.40: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2012-13		2013-14		2014-15		2015-16		2016-17	
	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP	Amount	% of GSDP
Decomposition of fiscal deficit	65.59	0.63	52.94	0.43	275.40	1.90	519.92	3.12	(-) 86.30	0.46
1 Revenue surplus	780.97		868.48		731.00		139.71		822.22	4.36
2 Misc. Capital Receipts	0		0		0		0		0	0.00
3 Net Capital Expenditure	842.35		911.94		980.71		633.98	3.81	720.29	3.82
4 Net loans and advances	4.21	0.04	9.48	0.08	25.69	0.18	25.65	0.15	15.63	0.08
Financing pattern of fiscal deficit*										
1 Market borrowings	133.64	1.28	229.54	1.85	330.76	2.28	465.89	2.80	540.56	2.87
2 Loans from GoI	(-) 7.95	(-) 0.08	(-) 21.96	(-) 0.18	(-) 6	(-) 0.04	(-) 7.14		(-) 3.48	0.02
3 Special securities issued to NSSF**	0	0	0	0.00	00	0	0	0	0	00
4 Loans from financial institutions	0	0.00	0	0.00	0	0	0	0	0	00
5 Small savings, PF, etc.	(-) 45.35	(-) 0.43	61.49	0.50	24.55	0.17	37.65	0.23	83.30	0.44
6 Deposits and advances	0	0.00	3.43	0.03	(-) 7.84	(-)0.05	21.64	0.13	80.11	0.42
7 Suspense and Miscellaneous	41.02	0.39	(-) 58.31	(-)0.47	59.72	0.41	(-) 5.42	0.03	(-)827.70	4.39
8 Remittances	(-) 60.11	(-)0.57	7.58	0.06	9.09	0.06	82.51	0.50	(-) 70.96	0.38
9 Reserve funds	(-) 8.22	(-)0.08	67.14	0.54	117.45	0.81	(-) 38.35	0.23	9.55	0.05
10 Increase (-)/ decrease (+) in cash balance	(-)118.62	(-)1.13	(-) 234.97	(-)1.90	(-)253.34	(-)1.75	(-) 36.86	0.22	102.63	0.54
11 Net of Contingency Fund transactions	0	0.00	(-) 1	(-)0.01	1	0.01	0		(-) 0.31	0.00
TOTAL	65.59	0.63	52.94	0.43	275.40	1.90	519.92	3.13	(-)86.30	0.46

* 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 till 2015-16 along with market borrowing, loans from GoI etc. The Fiscal deficit of ₹ 519.92 crore in 2015-16 turned to fiscal surplus of ₹ 86.30 crore in 2016-17.

The entire Capital Expenditure could be financed by revenue surplus during 2016-17.

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 are used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State is continuously shrinking and a part of borrowings (fiscal liabilities) are not

having any asset backup. The bifurcation of the primary deficit (**Table 1.41**) 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 1.41: 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
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
2015-16	3,785.67	3,382.51	633.98	27.03	4,043.52	(+)403.16	(-)257.85
2016-17	4,611.67	3,463.69	720.29	17.00	4200.98	(+)1147.98	(+)410.69

Source: Finance Accounts

Non-Debt Receipts of the State were enough to meet the primary expenditure requirements in the revenue account. But, the Non-Debt Receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit during 2014-16.

1.13 Follow up

The preparation of Standalone Report of the State Finances started in 2008-09 and the Reports for the years 2009-10 and 2010-11 had been discussed by the Public Accounts Committee (PAC). PAC recommended to follow the recommendations as contained in the report of the Comptroller and Auditor General of India on State Finances for 2009-10. In the case of the report for the year 2010-11 the PAC stated that it would appreciate prudent financial management mechanism and persistent planning may be required wherever there is need to do so.

1.14 Conclusion and Recommendations

Surplus/deficit

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 and fiscal surplus during 2016-17. Revenue surplus recorded increase (₹ 682.51 crore) during the year as compared to the previous year. This was due to increase in Revenue Receipts by 21.83 per cent (₹ 826.01 crore) and increase in Revenue Expenditure by 3.94 per cent (₹ 143.50 crore) during 2016-17 as compared to 2015-16. Further, fiscal deficit of ₹ 519.92 crore during 2015-16 turned to fiscal surplus of ₹ 86.30 crore during 2016-17.

Revenue Receipts

Revenue Receipts increased by ₹ 826.01 crore (21.83 per cent) from ₹ 3,784.29 crore in 2015-16 to ₹ 4,610.30 crore in 2016-17. During 2016-17, 76.05 per cent of the Revenue Receipts was from GoI as Central transfers in the form of State's share of taxes and

Grants-in-aid contributions while only 23.95 *per cent* revenue was collected from State's own sources (i.e. Tax and Non-Tax Revenue).

The State exceeded the target set by XIV FC in respect of Non-Tax Revenue by ₹ 154.64 crore but fell short of target in respect of Tax Revenue by ₹ 223.44 crore in 2016-17. Further, the State succeeded in achieving the target set as per budget estimates in respect of Tax Revenue and Non-Tax Revenue.

Expenditure

During 2016-17 the Total Expenditure increased by 5.10 *per cent* from ₹ 4,305.59 crore in 2015-16 to ₹ 4,525.37 crore during 2016-17. Revenue Expenditure constituted 83.71 *per cent*, Capital Expenditure constituted 15.92 *per cent* and loans and advances constituted 0.37 *per cent* of Total Expenditure during 2016-17. The expenditure on Social and Economic Sectors, which are considered as Development Expenditure, accounted for 65.80 *per cent* in 2016-17. Capital Expenditure increased by ₹ 86.31 crore (14 *per cent*) over the previous year.

There were 413 incomplete projects (estimated cost ₹ 1,404.81 crore) as on 31 March 2017 in which an expenditure amounting to ₹ 717.78 crore had been incurred, out of which 353 works were due to be completed by 31 March 2017.

Though Capital Expenditure increased, the State needs to ensure effective implementation of the schemes/works and devise effective monitoring mechanism to avoid the incidences of time over run.

Fiscal Correction Path

Revenue surplus was higher than budget proposal and the target fixed by XIV FC. There was Fiscal surplus during 2016-17. Ratio of total outstanding debt of the Government to GSDP was, however, higher than the target fixed by XIV FC and budget proposal.

Fiscal Liabilities

Fiscal liabilities of the State increased by ₹ 626.25 crore (12.86 *per cent*) from ₹ 4869.22 crore in 2015-16 to ₹ 5495.45 crore in 2016-17. The growth rate of outstanding fiscal liabilities which was 17.00 *per cent* in 2015-16 decreased to 12.86 *per cent* in 2016-17. The buoyancy of the liabilities with respect to GSDP during the year was 1.15 indicating that for each one *per cent* increase in GSDP fiscal liabilities grew by 1.15 *per cent*. The debt-GSDP Ratio for the year was higher than the recommended target of XIV FC.

Investment and Returns

The return from investments was only 2.06 *per cent* during 2016-17 and some of the Companies/Corporations were incurring recurring loss.

State Government may review the working of the units which were incurring losses and take appropriate action to avoid further financial burden on the Government.

