



**CHAPTER-I:  
FINANCES OF THE  
STATE GOVERNMENT**



# CHAPTER I

## Finances of the State Government

### 1.1 Profile

Sikkim is a sparsely populated State situated in the Eastern Himalayas. It became a part of the Indian Union on 16 May, 1975. It has a total area of 7,096 sq. km which constitutes 0.22 *per cent* of the total geographical area of India; and as per 2011 Census, the State's population was 6.11 lakh (approx.). 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. The State is a Special Category State (SCS) and has been included in the North Eastern Council (NEC) since December 2002.

The State's Gross Domestic Product (GSDP) in 2018-19 at current prices was ₹ 26,786 crore. General data relating to the State as well as interstate financial data of the North Eastern Region States is given in **Appendix 1.1 (Part-A)**.

### 1.2 Gross State Domestic Product Trend Analysis

The trends in annual growth of Gross Domestic Product (GDP) of India and GSDP of the State at current prices and constant prices (Base year 2011-12) are given below:

**Table 1.1 GDP of India and GSDP of the State**

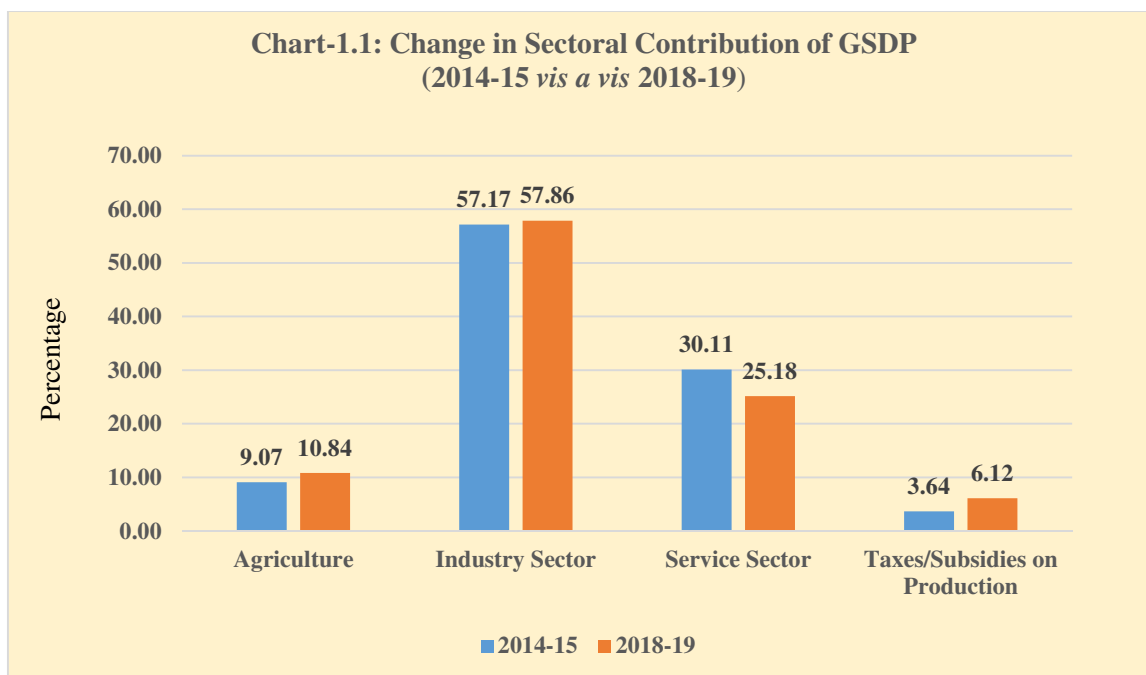
Year	2014-15	2015-16	2016-17	2017-18	2018-19
All India GDP (₹ in crore)	1,24,67,959	1,37,64,037	1,52,53,114	1,67,73,145	1,90,10,164
Growth rate of GDP (in per cent)	10.99	10.40	10.82	9.97	13.34
GSDP of State at current prices (₹ in crore)	15,407	18,034	20,687	23,495*	26,786**
Growth rate of GSDP at current prices (in per cent)	11.14	17.05	14.71	13.57	14.01
GSDP of State at constant prices (₹ in crore)	13,071	14,370	15,397	16,467	17,629
Growth rate of GSDP at constant prices (in per cent)	7.90	9.93	7.15	6.95	7.06
<i>Per capita GDP of India</i>					1,42,719
<i>Per capita GSDP of Sikkim</i>					4,05,844

Source: GDP/GSDP figures issued by MoSPI dated 01.08.2019 \* Provisional figures; \*\* Quick Estimates

The GSDP (current price) increased from ₹ 23,495 crore in 2017-18 to ₹ 26,786 crore in 2018-19, representing an increase of 14 *per cent*. The per capita GSDP of the State was more than that of India.

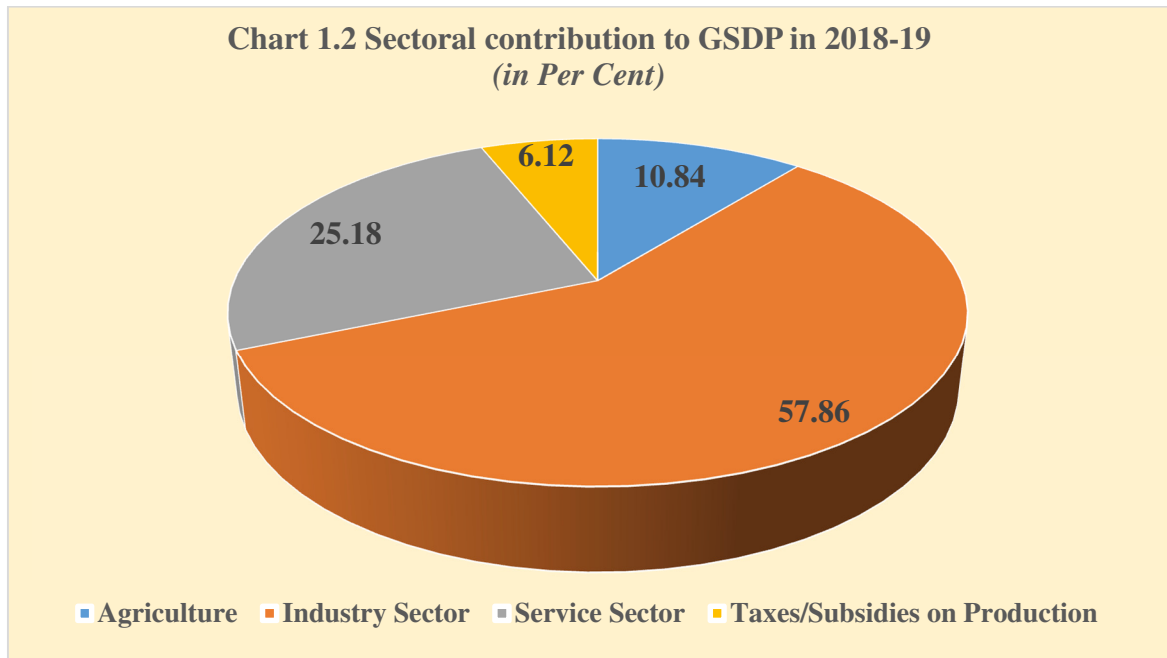
#### 1.2.1 Sectoral Analysis of GSDP

The following chart depicts the change in sectoral contribution in GSDP from 2014-15 to 2018-19.



It can be seen that as compared to 2014-15 proportion of Agriculture, Industry and Taxes on Products/ Subsidies on Products in the GSDP have increased, while the proportion of Service Sector has decreased in 2018-19.

The **Chart 1.2** shows the contribution of various sectors to GSDP in 2018-19.



Industry Sector was the highest (57.86 per cent) contributor to GSDP, which was followed by Service Sector (25.18 per cent) in 2018-19. The contribution of Agriculture Sector was only 10.84 per cent.

### 1.3 Fiscal Reforms Path in Sikkim

The State Government enacted the Sikkim Fiscal Responsibility and Budget Management (FRBM) Act in September 2010 (last amended in April 2016), and the rules under the Sikkim FRBM Act were notified in March 2011.

Targets of major fiscal variables as per Sikkim FRBM Act for 2018-19 and their compliance are depicted in **Table 1.2** below:

**Table 1.2: Targets under Sikkim FRBM Act for 2018-19**

Fiscal Variables	Targets	Achievement
Revenue Surplus	Maintain revenue account balance from 2011-12 onwards	₹ 693.79 crore
Fiscal Deficit ( <i>Percent of GSDP</i> )	3.00	2.40 <sup>#</sup>
Ratio of Outstanding Debt to GSDP	19.32	23.65 <sup>#</sup>
Outstanding Guarantees*	₹ 1957.68 crore	₹ 425.45 crore

Source: Finance Accounts and Finance Department

<sup>#</sup>Excluding off-budget borrowings (refer to para 1.14.3.2)

\*As per the Sikkim Ceiling on Government Guarantees Act, 2000, total outstanding guarantees shall not exceed thrice the State's tax receipts of the second preceding year at the beginning of the year.

The Government had not adhered to targets in respect of Outstanding Debt set in FRBM Act. Further information collected by Audit, as detailed in para 1.14.3.2, revealed that numerous government entities had resorted to Off-budget Borrowings of ₹504.40 crore during 2018-19; and balance of these borrowings stood at ₹ 875.50 crore at the end of 2018-19. This resulted in understatement of Fiscal Liabilities in Government accounts.

Further the fiscal performance of the State against projections of XIV Finance Commission (XIV FC), Budget and targets of Mid Term Fiscal Plan are depicted in **Table-1.3**.

**Table 1.3: Fiscal Discipline**

Fiscal variables	2018-19			
	XIV FC projections for the State	Targets proposed in the Budget	Targets as per Mid-Term Fiscal Plan (MTFP)	Actual
Revenue Surplus (₹ in crore)	1691	624.66	723.22*	693.79
Fiscal Deficit (Percent of GSDP)	3.00	3.00	3.00	2.40
Ratio of outstanding debt to GSDP	19.32	26.36	26.36	23.65

\*2.7 per cent of GSDP

Revenue Surplus of ₹ 693.79 crore was less than the projections of XIV FC (₹ 1,691 crore) as well as targets as per Mid Term Fiscal Plan (₹ 723.22 crore). However, it was higher than the budget proposal (₹ 624.66 crore). The State had kept the Fiscal Deficit within the projection and targets of XIV FC, Budget and MTFP during the year 2018-19. As regards Outstanding Debt, the projection of XIV FC was exceeded, but was within targets of the Budget and MTFP.

### 1.4 Analysis of Finances of State Government

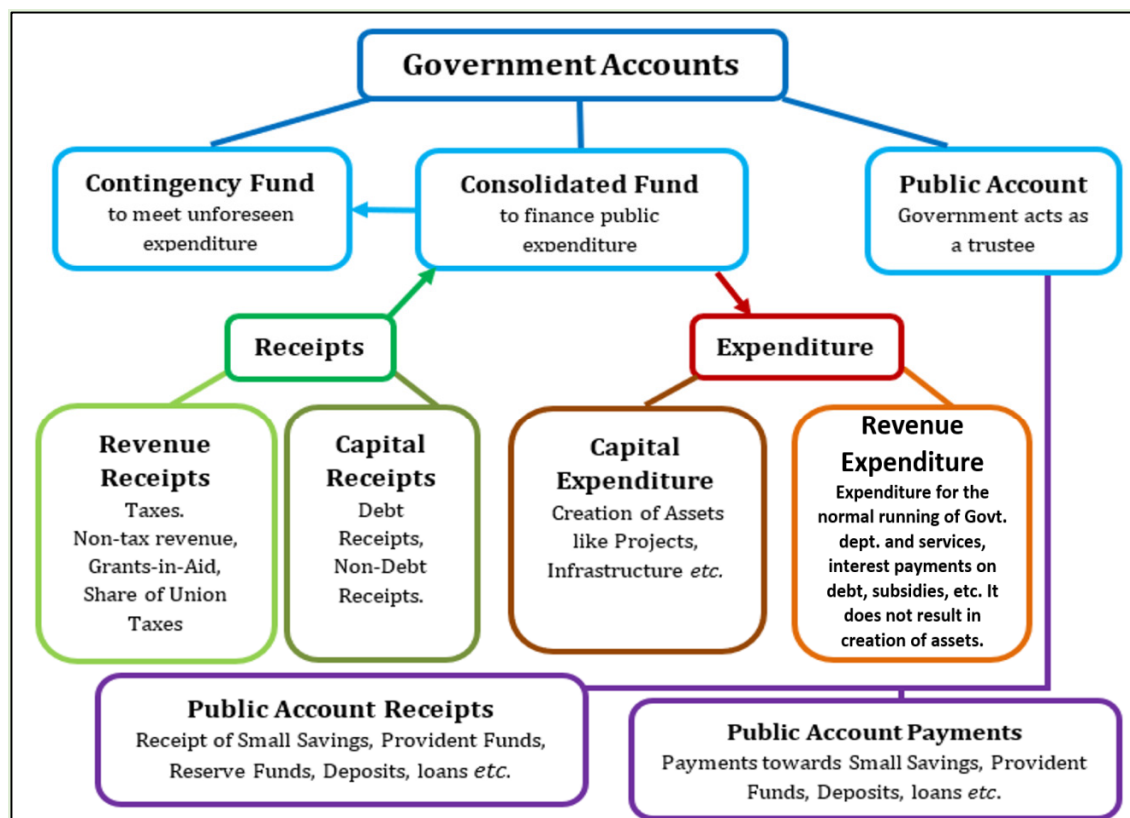
This section provides a broad perspective of the finances of the Government of Sikkim (GoS) during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years.

The analysis has been made based on State Finance Accounts and the information obtained from State Government. The structure and form of Government Accounts, layout of Finance Accounts, methodology adopted for the assessment of fiscal position and State Profile are given in **Appendix 1.1 (Parts A, B & C)**. The time series data on key fiscal variables/ parameters and fiscal ratios relating to the State Government finances for the period 2014-19 are presented in **Appendix 1.2**.

The Government Accounts are maintained in three parts for maintaining the records of all sorts of financial transactions *viz* Consolidated Fund, Contingency Fund and Public Account. Consolidated Fund of the State includes Revenue Receipts and Expenditure, Capital Receipts and Disbursement and Debts, Loans and Advances. The Contingency Fund of the State is in the nature of an imprest. The fund is placed at the disposal of the Governor to enable him to pay advances out of this fund for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature, under appropriation made by law. Each such fund is financed from time to time by such sums as may be determined by the Act of the Legislature establishing the fund. Receipts and Disbursement in respect of certain transactions such as Small Savings, Provident fund, Reserve funds, Deposits, Suspense, Remittances, *etc.* which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266 (2) of the Constitution of India and are not subject to vote by the State Legislature.

The structure of Government Accounts is given below.

Chart 1.3: The Structure of Government Accounts



### 1.4.1 Summary of Fiscal Transactions

**Table 1.4** presents the summary of the State Government's fiscal transactions while **Appendix 1.3 (A) & (B)** provides details of receipts and disbursements as well as the overall fiscal position during the current year (2018-19) *vis-à-vis* the previous year (2017-18).

**Table 1.4: Sources and Application of Funds**

Sources			Application		
	2017-18	2018-19		2017-18	2018-19
<b>Section-A: Revenue</b>					
<b>Revenue Receipts</b>	<b>5,212.79</b>	<b>5,920.36</b>	<b>Revenue Expenditure</b>	<b>4,151.85</b>	<b>5,226.57</b>
Tax Revenue	688.33	892.92	General Services	1,528.13	1,960.24
Non-Tax Revenue	654.38	657.78	Social Services	1,532.15	2,071.77
Share of Union Taxes & Duties	2,634.66	2,794.67	Economic Services	1,028.25	1,128.16
Grants from Government of India	1,235.42	1,574.99	Grants-in-Aid and Contributions	63.32	66.40
<b>Section-B: Capital</b>					
<b>Misc. Capital Receipts</b>	<b>0.00</b>	<b>0.00</b>	<b>Capital Outlay</b>	<b>1,506.78</b>	<b>1,291.31</b>
Recoveries of Loans and Advances	0.91	1.77	Loans and Advances disbursed	16.95	46.57
Public Debt Receipts	1,053.46	1,145.21	Repayment of Public Debt	342.63	375.88
Contingency Fund	0.00	0.00	Contingency Fund	(-) 0.31	0.00
Public Account Receipts <sup>1</sup>	7,429.63	7,997.31	Public Account Disbursements <sup>2</sup>	7,120.85	7,838.63
Opening Cash Balance	2,436.83	2,994.87	Closing Cash Balance	2,994.87	3,280.56
<b>Total</b>	<b>16,133.62</b>	<b>18,059.52</b>		<b>16,133.62</b>	<b>18,059.52</b>

Source: Finance Accounts 2017-18 and 2018-19

Following are the significant changes during 2018-19 over the previous year.

- Revenue Receipts increased by 13.57 per cent (₹ 707.57 crore) over the previous year. The increase was due to increase in Grants-in-Aid from Government of India by 27.49 per cent (₹ 339.57 crore); Tax revenue by 29.72 per cent (₹ 204.59 crore); State share of Union Taxes and Duties (₹ 160.01 crore) and Non-Tax revenue (₹ 3.40 crore).
- Revenue Expenditure increased by 25.89 per cent (₹ 1,074.72 crore) over the previous year. There was significant increase in expenditure under Social services by 35.22 per cent (₹ 539.62 crore), and General services by 28.28 per cent (₹ 432.11 crore) while Economic services increased by 9.72 per cent (₹ 99.91 crore) compared to the previous year.
- Compared to previous year, the capital outlay of the State decreased by 14.30 per cent (₹ 215.47 crore), which was due to decrease in Social services (₹ 171.08 crore) and General services (₹ 77.05 crore).
- Recovery of Loans and Advances during the current year increased marginally by ₹ 0.86 crore while disbursement of loans and advances increased by ₹ 29.62 crore (174.75 per cent) compared to the previous year.

<sup>1</sup> Gross Public Accounts Receipts during the year.

<sup>2</sup> Gross Public Accounts Disbursement during the year.

- Public Debt receipts and Public Debt repayments increased by ₹ 91.65 crore and ₹ 33.25 crore respectively over the previous year.
- Public Account receipts increased by ₹ 567.68 crore and disbursement increased by ₹ 717.77 crore over the previous year.
- Closing Cash Balance increased by ₹ 285.70 crore over the previous year.

#### 1.4.1.1 Trend of Receipts and Expenditure relative to GSDP

The trends of Revenue Receipts (RR), Revenue Expenditure (RE) and Capital Expenditure (CE) relative to GSDP at current prices are presented in the following table:

**Table 1.5: Trends in Revenue Receipt, Revenue Expenditure, and Capital Expenditure relative to GSDP**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>GSDP of State at current prices (₹ in crore)</b>	15,407	18,034	20,687	23,495	26,786
<b>Revenue Receipts relative to GSDP</b>					
RR at current prices (₹ in crore)	4,088	3,784	4,610	5,213	5,920
Rate of growth of RR at current prices (in per cent)	4.98	(-) 7.44	21.83	13.08	13.56
RR / GSDP (in per cent)	26.53	20.98	22.28	22.19	22.10
<b>Revenue Expenditure relative to GSDP</b>					
RE at current prices (₹ in crore)	3,357	3,645	3,788	4,152	5,227
Rate of growth of RE at current prices (in per cent)	10.98	8.58	3.92	9.61	25.89
RE/ GSDP (in per cent)	21.79	20.21	18.31	17.67	19.51
<b>Capital Expenditure relative to GSDP</b>					
CE at current prices (₹ in crore)	980.71	633.98	720.29	1,506.78	1291.31
Rate of growth of CE at current prices (in per cent)	7.57	(-) 35.47	13.74	109.31	(-) 14.33
CE/ GSDP (in per cent)	6.37	3.51	3.48	6.41	4.82

As is evident from the table above, both Revenue Receipts (except in 2015-16) and Revenue Expenditure have increased during the last five years, however, there was fluctuating trend in the Capital Expenditure during last five years.

As a percentage of GSDP, the proportions of Revenue Receipts decreased from 26.53 per cent to 22.10 per cent; and proportion of Revenue Expenditure to GSDP decreased from 21.79 per cent to 19.51 per cent; and that of Capital Expenditure to GSDP decreased from 6.37 per cent to 4.82 per cent during the period 2014-15 to 2018-19. Further, the growth rate of both Revenue Receipts and Revenue Expenditure increased in 2018-19 as compared to the preceding year. Capital Expenditure, which had significantly increased in 2017-18, saw a decline in 2018-19.



## 1.5 Budget 2018-19

### 1.5.1 Actual vis-à-vis Budget Estimates

The Budget papers presented by the State Government provide estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviation from the Budget Estimates (BE) are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government.

**Table 1.6** presents the consolidated picture of finances of the State during 2017-18 (actuals) and 2018-19 {Budget Estimates (BE), Revised Estimates (RE) and actuals}.

**Table 1.6: Variation in Major Items – Actual of 2018-19 vis-à-vis Actual of 2017-18, Budget Estimates and Revised Estimates of 2018-19**

(₹ in crore)

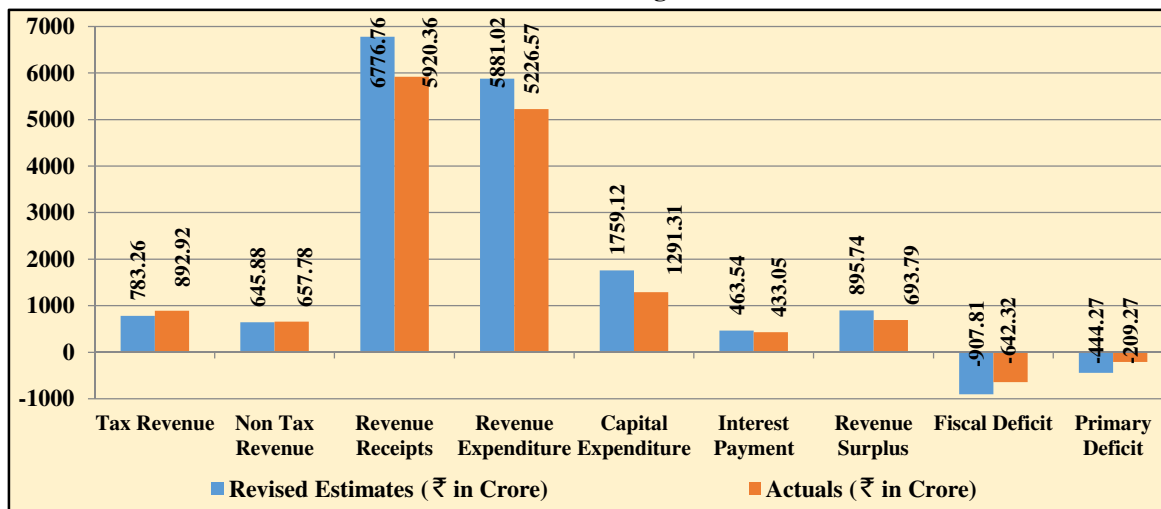
Parameters	2017-18	2018-19			Percentage of Excess (+)/ Shortfall (-) during 2018-19 with reference to	
	Actual	BE	RE	Actuals	Actuals of 2017-18	RE
Tax Revenue	688.33	770.31	783.26	892.92	29.72	14.00
Non-Tax Revenue	654.38	481.92	645.88	657.78	0.52	1.84
Revenue Receipts	5212.70	5980.93	6776.76	5920.36	13.58	(-)12.64
Revenue Expenditure	4151.85	5356.27	5881.02	5226.57	25.89	(-) 11.13
Interest Payments	362.17	463.54	463.54	433.05	19.57	(-) 6.58
Revenue Surplus (+)/Deficit (-)	1060.94	624.66	895.74	693.79	(-)34.61	(-) 22.55
Fiscal Deficit (-)/Surplus (+)	(-)461.88	(-) 694.01	(-) 907.81	(-)642.32	(-)39.07	(-)29.25
Primary Deficit (-)/ Surplus (+)	(-)99.72	(-) 230.47	(-) 444.27	(-)209.27	(-) 109.86	(-) 52.90

Source: Budget Estimates and Finance Accounts.

- During 2018-19, actual Revenue Receipts showed a shortfall (12.64 per cent) vis-a-vis the RE.
- Revenue Expenditure of the State Government during 2018-19 was less than the RE by 11.13 per cent (₹ 654.45 crore).
- The year 2018-19 ended with a Revenue Surplus of ₹ 693.79 crore against RE of ₹ 895.74 crore.
- Fiscal Deficit increased by 36.07 per cent (₹ 180.44 crore) as compared to previous year. This was mainly due to the fact that the increase in Total Expenditure was more compared to increase in Revenue Receipts and Non-debt Capital Receipts during the current year, relative to the previous year.
- Primary Deficit (₹ 209.27 crore) vis-à-vis RE (₹ 444.27 crore) was 52.90 per cent less (₹ 235 crore).

**Chart 1.4** presents the revised budget estimates and actuals of some important fiscal parameters for the year 2018-19:

Chart 1.4: Selected Fiscal Parameters: Revised Budget Estimates vis-à-vis Actuals in 2018-19



Source: Finance Accounts, Estimate of receipts and Explanatory memorandum to the Annual Budget 2018-19

### 1.5.2 Gender Budget

Gender Budget is yet to be formulated in Sikkim.

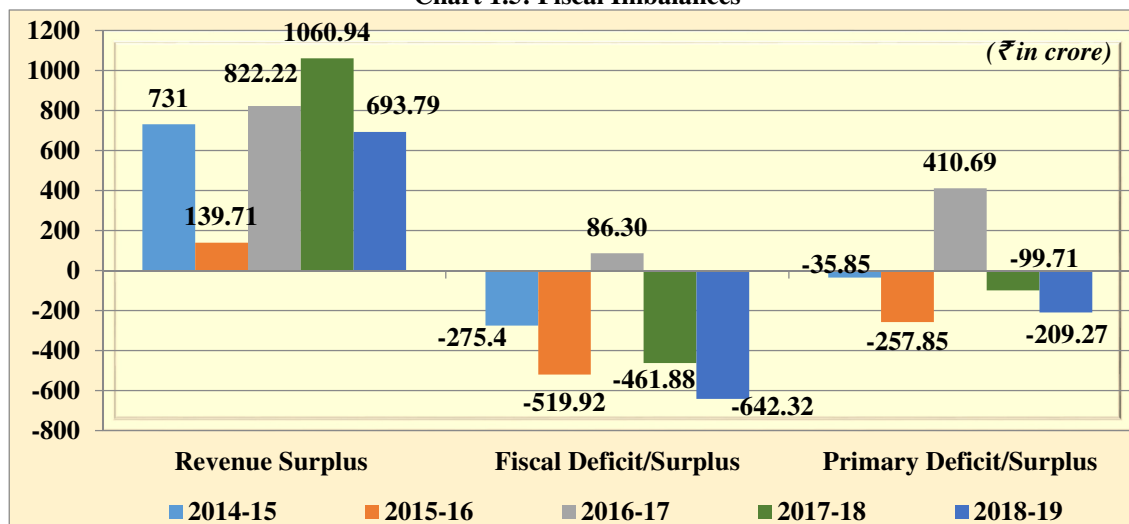
### 1.6 Fiscal Balances

Three key fiscal parameters –Revenue, Fiscal and Primary Deficits, indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit in Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of Revenue and Fiscal Deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2018-19.

#### 1.6.1 Trends in Deficits

Charts 1.5 presents the trends in deficit indicators over the period 2014-15 to 2018-19.

Chart 1.5: Fiscal Imbalances



### 1.6.2 Revenue Surplus

The State had Revenue Surplus during all the years of five-year period 2014-15 to 2018-19 with fluctuating trends. During 2018-19 Revenue Surplus decreased by ₹ 367.15 crore (34.61 per cent) as compared to previous year. The Government had maintained the Revenue Surplus during 2018-19 in compliance with the FRBM Act of the State.

### 1.6.3 Fiscal Deficit

Fiscal Deficit represents the gap between the Non-debt receipts and Total Expenditure. 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 key components are indicated in **Table 1.7**

**Table 1.7: Fiscal Deficit and its parameters**

Period	Non-Debt Receipts	Total Expenditure	Fiscal surplus(+)/deficit(-)	Fiscal deficit/surplus as per cent to		
				GSDP	Non-Debt Receipt	Total Expenditure
₹ in crore						
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	(-)2.88	(-)13.73	(-) 12.08
2016-17	4,611.67	4,525.37	(+) 86.30	(+)0.38	(+) 1.87	(+) 1.91
2017-18	5,213.70	5,675.58	(-) 461.88	(-) 1.97	(-) 8.86	(-) 8.14
2018-19	5,922.13	6,564.45	(-) 642.32	(-) 2.40	(-) 10.85	(-) 9.78

Source: Finance Accounts

During the last five years (2014-15 to 2018-19), the State had Fiscal Surplus only in 2016-17 and in the rest of the years, there were Fiscal Deficits. The Fiscal Deficit during 2018-19 was 2.40 per cent of GSDP, which was within the target limit of 3.00 per cent fixed in the FRBM Act.

### 1.6.4 Components of Fiscal Deficit and its financing pattern

The financing pattern of Fiscal Deficit has undergone a compositional shift as reflected in **Table 1.8**. 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 1.8: Components of fiscal deficit and its financing pattern**

Particulars		(₹ in crore)				
		2014-15	2015-16	2016-17	2017-18	2018-19
<b>Decomposition of Fiscal Deficit(-)/Surplus (+)</b>		<b>(-) 275.40</b>	<b>(-) 519.92</b>	<b>(+) 86.30</b>	<b>(-) 461.88</b>	<b>(-) 642.32</b>
1	Revenue Surplus Deficit (-)/Surplus (+)	(+) 731.00	(+) 139.71	(+) 822.22	(+)1,060.94	(+) 693.79
2	Misc. Capital Receipt	0	0	0	0	0
3	Net Capital Expenditure	(-) 980.71	(-) 633.98	(-)720.29	(-)1,506.78	(-)1291.31
4	Net Loans and Advances	(-) 25.69	(-) 25.65	(-) 15.63	(-)16.04	(-) 44.80
<b>Financing pattern of Fiscal Deficit*</b>						
1	Internal Debt	(+) 330.76	(+) 465.89	(+) 540.56	(+) 718.43	(+) 774.65
2	Loans from GoI	(-) 6.00	(-) 7.14	(-) 3.48	(-) 7.60	(-) 5.33
4	Small Savings, PF, etc.	(+) 24.55	(+) 37.65	(+) 83.30	(+) 80.57	(+) 93.93
5	Deposits and Advances	(-) 7.84	(+) 21.64	(+) 80.11	(+) 24.17	(+) 15.52
6	Suspense and Miscellaneous	(+) 59.72	(-) 5.42	(-) 82.70	(-) 13.18	(-) 587.95
7	Remittances	(+) 9.09	(+) 82.51	(-) 70.96	(+) 179.89	(-) 130.65
8	Reserve funds	(+) 117.45	(-) 38.35	(+) 9.55	(-) 35.72	(+) 5.25
9	Increase (-)/ decrease (+) in Cash Balance	(-) 253.34	(-) 36.86	(+) 102.63	(-) 484.99	(+) 476.90
10	Net of Contingency Fund transactions	1	0	(-) 0.31	(+) 0.31	0.00
<b>Total</b>		<b>275.40</b>	<b>519.92</b>	<b>(-)86.30</b>	<b>461.88</b>	<b>642.32</b>

Source: Finance Accounts \*All these figures are net of disbursements/outflows during the year.

The Fiscal Surplus of ₹ 86.30 crore in 2016-17 turned into Fiscal Deficit of ₹ 461.88 crore in 2017-18 and further increased to ₹ 642.32 crore during 2018-19.

### 1.6.5 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 current nature, these payments need to be separated and deducted from the total imbalances. The Primary Deficit for the last five years are indicated in **Table 1.9**.

**Table 1.9: Primary Deficit**

(₹ in crore)

Period	Fiscal Deficit (-)/ Surplus (+)	Interest payments	Primary Deficit (-)/ Surplus (+)
2014-15	(-) 275.40	239.55	(-) 35.85
2015-16	(-) 519.92	262.07	(-) 257.85
2016-17	(+) 86.30	324.39	(+) 410.69
2017-18	(-) 461.88	362.17	(-) 99.71
2018-19	(-) 642.32	433.05	(-) 209.27

Source: Finance Accounts

During five-year period of 2014-15 to 2018-19, the State had Primary Surplus only during 2016-17 and in other years the State had Primary Deficit.

### 1.6.6 Quality of Deficit/Surplus

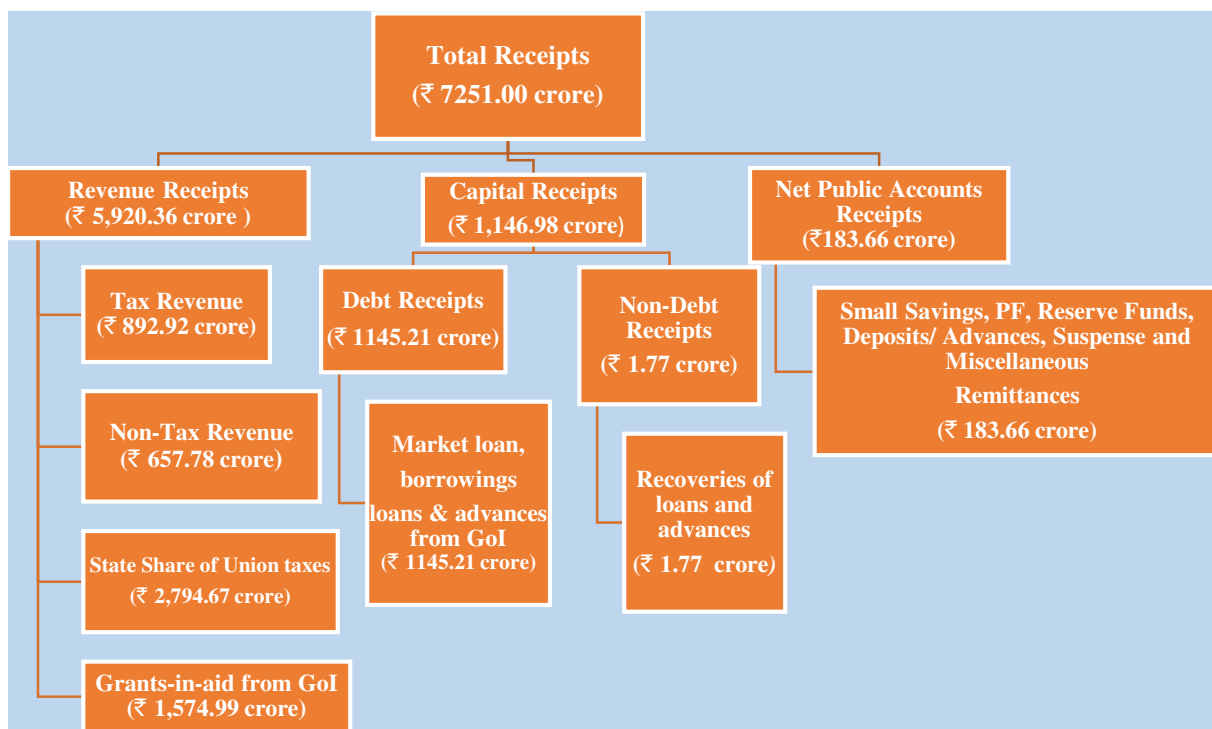
The ratio of Revenue Deficit to Fiscal Deficit indicates extent to which borrowed funds were used for current consumption. Persistently high ratio of Revenue Deficit to Fiscal Deficit indicates that the asset base of the State is continuously shrinking and a part of borrowings (Fiscal Liabilities) are not having any asset backup. The State had Revenue Surplus during all the years of the period 2014-15 to 2018-19, implying that the borrowed funds had been used for asset creation.

## 1.7 Resources of the State

### 1.7.1 Components of resources of the State

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax revenues, Non-Tax revenues collected by the State itself, State's share of Union Taxes and Duties and Grants-in-Aid from Government of India (GoI). Capital Receipts comprise of Miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI. Besides, the funds available in the public accounts after disbursement are also utilised by the Government to finance its deficit. **Chart 1.6** presents the receipts of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.7** depicts trends in various components of the receipts of the State during 2014-19.

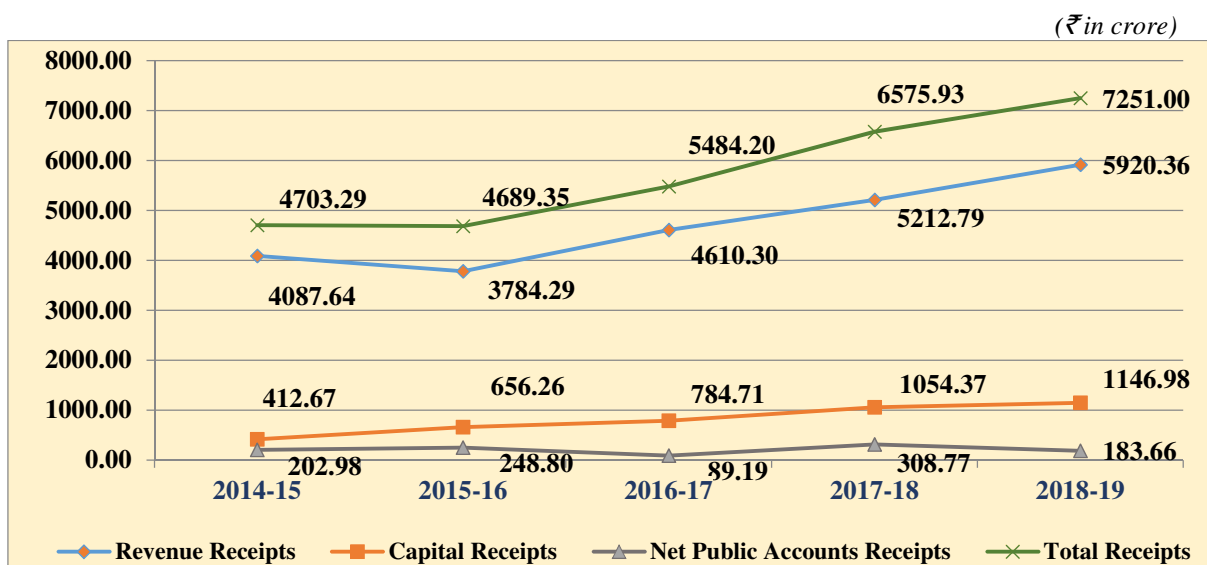
Chart 1.6: Components and Sub-components of Resources



### 1.7.2 Trend in growth of resources of the State

The Chart below depicts the growth profile of resources of the State.

Chart 1.7: Trends in Components of Receipts during 2014-19.

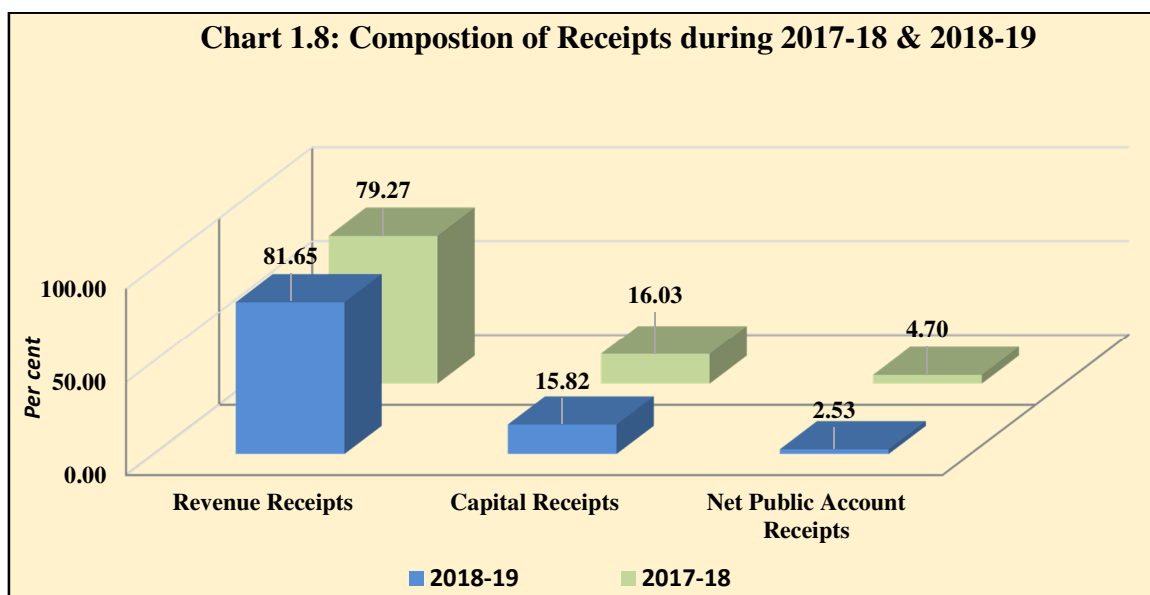


Source: Finance Accounts

The total Receipts during the current year increased by ₹ 675.07 crore (10.27 per cent) over the previous year. The increase was mainly due to increase in Revenue Receipts {Tax Revenue increased by ₹ 204.59 crore (29.72 per cent); Non-tax receipts by ₹ 3.40 crore (0.54 per cent); Grants-in-Aid from GoI by ₹ 339.57 crore (27.49 per cent) and Central Tax Transfers by ₹ 160.01 crore (9.79 per cent)} when compared to the previous year.

As regards trend in last five years, the total receipts of the State increased by 54.17 per cent from ₹ 4703.29 crore in 2014-15 to ₹ 7251.00 crore in 2018-19.

The Debt Capital Receipts which create future repayment obligation increased by 178.11 per cent from ₹ 411.79 crore (9.15 per cent of total receipts) in 2014-15 to ₹ 1145.21 crore (16.20 per cent of total receipts) in 2018-19. The net Public Account Receipts fluctuated widely during the period 2014-19, with a net Receipt of ₹ 183.66 crore during 2018-19. **Chart 1.8** depicts the comparative composition of receipts during 2017-18 and 2018-19.



## 1.8 Revenue Receipts

The Revenue Receipts of the State Government consist of Tax and Non-tax revenues raised by the State and Central Transfers, which include Grants-in-Aid and share of the State in Central Taxes. **Table 1.10**, **Chart 1.9** and **Chart 1.10** depict the components of Revenue Receipts and their trend over the period 2014-19. The details are also shown in **Appendix 1.4**.

**Table 1.10: Trends in Revenue Receipts**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenue Receipts</b>	<b>4,087.64 (4.99)</b>	<b>3,784.29 (-7.42)</b>	<b>4,610.30 (21.83)</b>	<b>5,212.79 (13.07)</b>	<b>5920.36 (13.57)</b>
Tax revenue	527.54 (0.50)	566.82 (7.45)	652.56 (15.13)	688.33 (5.48)	892.92 (29.72)
Non Tax revenue	323.77 (-10.46)	412.99 (27.56)	451.64 (9.36)	654.38 (44.89)	657.78 (0.52)
State share of Taxes and Duties	809.33 (6.12)	1870.28(131.09)	2069.19 (10.64)	2634.66 (27.33)	2794.67 (6.07)
Grants-in-Aid	2427.00 (8.14)	934.20 (-61.51)	1436.91 (53.81)	1235.42 (-14.02)	1574.99 (27.49)

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

Over the five-year period (2014-19) the Central tax transfers and Grants-in-Aid on average constituted 74 per cent of total Revenue Receipts of State Government.

Chart 1.9: Trends in Revenue Receipts and its Components

₹ in crore

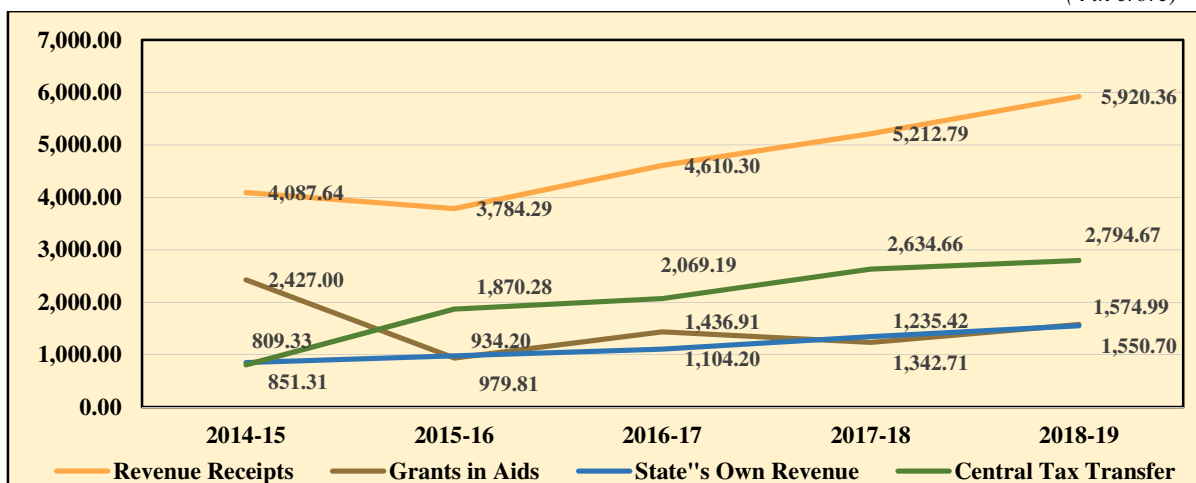
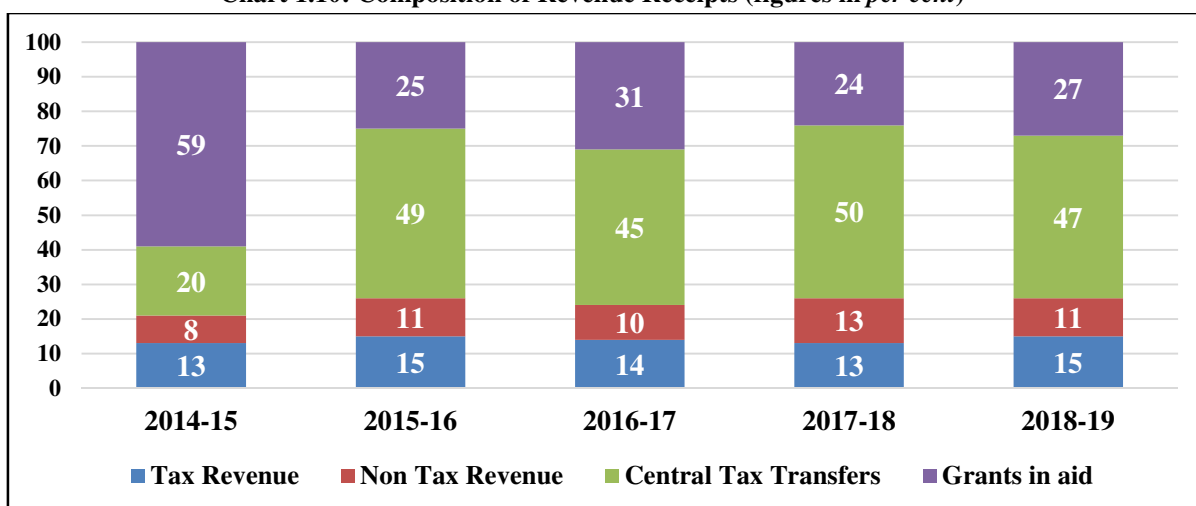


Chart 1.10: Composition of Revenue Receipts (figures in per cent)



### General Trends:

- Revenue Receipts of the State increased by 44.84 per cent from ₹ 4,087.64 crore in 2014-15 to ₹ 5920.36 crore in 2018-19, at an annual average rate of 8.97 per cent. During 2018-19, Revenue Receipts grew by ₹ 707.57 crore (13.57 per cent) over the previous year.
- About 26.19 per cent of Revenue Receipts during 2018-19 came from State's Own Resources while Central Tax Transfers and Grants-in-Aid together contributed 73.81 per cent. This was indicative of the fact that the Government of Sikkim's fiscal position is largely influenced by the Tax Transfers and Grants-in-Aid from GoI.
- Tax Revenue constituted 15.08 per cent of the total Revenue Receipts and increased by ₹ 204.59 crore during 2018-19, recording a growth of 29.72 per cent over the previous year. The percentage of Tax Revenue to total Revenue Receipt showed stability and remained in the range of 12.91 per cent to 15.08 per cent during the period 2014-15 to 2018-19.

- Non-Tax Revenue in 2018-19 constituted 11.11 *per cent* of the total Revenue Receipts and increased marginally by ₹ 3.40 crore with growth rate of 0.52 *per cent* over the previous year. Non-tax Revenue as percentage of the Revenue Receipts ranged between 7.92 *per cent* and 12.55 *per cent* during 2014-15 to 2018-19.

### 1.8.1 Buoyancy and growth trends of Revenue Receipts relating to GSDP

The trends in Revenue Receipts relative to GSDP are as reflected in the following Table 1.11.

**Table 1.11: Trends in Revenue Receipts relative to GSDP**

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Receipts (RR)	4,087.64	3,784.29	4,610.30	5,212.79	5920.36
Rate of growth of RR ( <i>per cent</i> )	4.99	(-)7.42	21.83	13.07	13.57
GSDP	15,407	18,034	22,687	23,495*	26,786**
Rate of growth of GSDP ( <i>per cent</i> )	11.14	17.05	14.71	13.57	14.01
Rate of growth of State's Own Taxes ( <i>per cent</i> )	0.50	7.45	15.13	5.48	29.72
RR/GSDP ( <i>per cent</i> )	26.53	20.98	20.32	22.19	22.10
<b>Buoyancy ratio<sup>3</sup></b>					
Revenue Receipt buoyancy <i>w.r.t.</i> GSDP	0.45	(-)0.44	1.48	0.96	0.97
State's Own Tax buoyancy <i>w.r.t.</i> GSDP	0.05	0.44	1.03	0.40	2.12
<b>Revenue buoyancy <i>w.r.t.</i> State's Own Taxes</b>	<b>9.99</b>	<b>(-)1</b>	<b>1.44</b>	<b>2.39</b>	<b>0.47</b>

Source: Finance Accounts, GSDP figures issued by MoSPI dated 01.08.2019) \* Provisional figures; \*\* Quick Estimates

The rate of growth of Revenue Receipts ranged between 4.99 *per cent* and 21.83 *per cent* during the period from 2014-15 to 2018-19. The Revenue Receipts of the State increased by ₹1832.72 crore from ₹ 4087.64 crore in 2014-15 to ₹ 5920.36 crore in 2018-19. There were, however, wide inter-year variations in the growth rates. The rate of growth of Revenue Receipts was 13.57 *per cent* in 2018-19 compared to growth rate of 13.07 *per cent* during the preceding year. The buoyancy ratio of Revenue Receipts in 2018-19 with reference to GSDP increased marginally compared to previous year. The buoyancy ratio of the State's Own Tax Revenue with reference to GSDP increased sharply because Own Tax Revenue in 2018-19 grew at robust growth rate of 29.72 *per cent* as compared to previous year. Buoyancy ratio of State's Own Taxes with reference to Revenue Receipts was 0.47 during the year 2018-19 against buoyancy ratio of 2.39 in 2017-18.

### 1.8.2 Central Transfers

Central Transfers was the main source of Revenue Receipts for the State of Sikkim, as the State share of Central Taxes and Grants-in-Aid from GoI together contributed 73.81 *per cent* (₹ 4369.66 crore) of the total Revenue Receipts (₹ 5920.36 crore) during 2018-19.

<sup>3</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, State Own Tax Buoyancy at 2.12 implies that State Own Tax increased by 2.12 percentage points, if the GSDP increased by one per cent.



**Table 1.12: Central Transfers (State's share of Central Taxes and Grants-in-Aid from GoI) in comparison to Total Revenue Receipts**

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
State Share of Union Taxes and Duties	809.33	1,870.28	2,069.19	2634.66	2794.67
Grants in Aid from GoI	2427.00	934.20	1436.91	1235.42	1574.99
<b>Total Central Transfers</b>	<b>3236.33</b>	<b>2,804.48</b>	<b>3,506.10</b>	<b>3870.08</b>	<b>4369.66</b>
<b>Total Revenue Receipts</b>	<b>4,087.64</b>	<b>3,784.29</b>	<b>4,610.30</b>	<b>5212.79</b>	<b>5920.36</b>
Percentage of Central Transfers to total Revenue Receipts	79.17	74.11	76.05	74.24	73.81

Source: Finance Accounts

Though share of Central Transfers in total Revenue Receipts of the State showed decreasing trend since 2016-17, it continues to be nearly 74 per cent of total Revenue Receipts of the State.

### 1.8.2.1 State's Share of Union Taxes and Duties

As per XIV FC recommendations, the share of the States in shareable Central Taxes increased from 32 per cent (XIII FC award period) to 42 per cent. The State share during the XIII FC award period was 0.24 per cent for all shareable taxes and Service Tax which increased to 0.37 per cent during XIV FC award period.

State's share of Union Taxes and Duties increased by ₹ 160.01 crore (6.07 per cent) over the previous year and constituted 47.20 per cent of Revenue Receipts. The increase was mainly due to transfer of increased amount under 'Central Goods and Services Tax' (₹ 689.78 crore), 'Taxes on Income other than Corporation Tax' (₹ 715.80 crore), 'Corporation Tax' (₹ 971.97 crore) and other Taxes and Duties on Commodities and Services (₹ 1.44 crore) during 2018-19 compared to previous year. The tax-wise trend of Central Tax Transfers during the period 2014-15 to 2018-19 is given below:

**Table 1.13: Central Tax Transfers**

Share of Net Proceeds of Taxes	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Corporation Tax	282.58	592.56	638.61	835.64	971.97
Taxes on Income other than Corporation Tax	201.79	415.18	467.69	670.05	715.80
Other Taxes On Income and Expenditure	-	-	-	-	5.06
Central Goods and Service Tax (CGST)	-	-	-	35.28	689.78
Integrated Goods and Service Tax (IGST)	-	-	-	249.56	55.10
Customs	130.87	298.51	287.79	270.25	198.12
Union Excise Duties	73.90	245.23	351.79	261.34	131.66
Service Tax	119.42	317.83	322.69	311.52	25.39
Other Taxes and Duties on Commodities and Services	-	0.90	0.00	0.01	1.44
Wealth Tax	0.77	0.07	0.62	1.01	0.35
<b>Total</b>	<b>809.33</b>	<b>1870.28</b>	<b>2069.19</b>	<b>2,634.66</b>	<b>2794.67</b>

Source: Finance Accounts

### 1.8.2.2 Grants-in-Aid from GoI

Details of Grants-in-Aid released by the Union Government during 2014-15 to 2018-19 are given in **Table 1.14**.

**Table 1.14: Grants-in-Aid from GoI**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Non-Plan Grants	73.51	74.49	64.72	--	--
Grants for State Plan Schemes	1,738.54	321.57	684.64	6.26	--
Grants for Central Plan Schemes	2.91	2.32	--	--	--
Grants for Centrally Sponsored Plan Schemes	577.80	507.94	658.75	39.50	4.19
Grants for Special Plan Schemes	34.24	27.88	22.09	0.52	--
Grants for Centrally Sponsored Schemes	--	--	0.31	919.17	1147.81
Grants under Finance Commission				70.52	125.86
Other Grants	-	-	6.40	199.45	297.13
<b>Total</b>	<b>2427.00</b>	<b>934.20</b>	<b>1,436.91</b>	<b>1235.42</b>	<b>1574.99</b>

(The distinction between Plan and Non Plan has been discontinued from 2017-18.)

Grants-in-Aid from GoI increased by 27.49 per cent (₹ 339.57 crore) from ₹ 1235.42 crore in 2017-18 to ₹ 1574.99 crore in the current year. Grants for Centrally Sponsored Schemes increased by ₹ 228.64 crore during the current year.

### 1.8.3 State's own resources

The State's performance in mobilisation of resources from its Own Tax and Non-Tax sources is important in the long run for attaining self-sufficiency or reducing dependency on GoI.

The State's actual Tax and Non-Tax receipts for the year 2018-19 *vis-à-vis* assessment made by XIV FC are given in **Table 1.15**.

**Table 1.15: XIV FC recommendation and Budget estimates of Own Revenue *vis-à-vis* the Actuals**

(₹ in crore)

Particulars	XIV FC projection	Budget Estimates	Actuals
Tax Revenue	2227	770.31	892.92 (15.08)
Non-Tax Revenue	459	481.92	657.78 (11.11)

(Figures in brackets denote percentage of Revenue Receipts)

Though actual realisation of both Tax Revenue and Non-Tax Revenue exceeded Budget Estimates, Non-Tax Revenue exceeded XIV FC projection as well which is a good sign for the State's own resources.

#### 1.8.3.1 Tax Revenue

The trends in the major constituents of Tax Revenue during the period 2014-19 are shown in **Table 1.16**.

**Table 1.16: Own Tax Revenue**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Taxes on Sales, Trade etc.	282.10(-1.48)	325.72(15.46)	364.82(12.00)	249.66 (-31.57)	188.20(-24.62)
State Goods & Service Tax (SGST)	Not Applicable			171.39	405.72(136.72)
State Excise	131.36(8.89)	142.08(8.16)	156.24(9.97)	150.47 (-3.69)	183.09(21.68)
Stamps and Registration Fees	6.77(4.80)	8.51 (25.70)	12.57(47.71)	13.57(7.96)	14.95(10.17)
Taxes on Vehicles	19.42(4.86)	22.36 (15.14)	24.90(11.36)	29.37(17.95)	33.11(12.73)
Land Revenue	6.15(81.42)	1.85(-69.92)	6.39 (245.41)	7.44(16.43)	9.09(22.18)
Other taxes	81.74(-8.75)	66.30(-18.89)	87.64(32.19)	66.43(-24.20)	58.76 (-11.55)
<b>Total</b>	<b>527.54</b>	<b>566.82</b>	<b>652.56</b>	<b>688.33</b>	<b>892.92</b>
Rate of growth	0.50	7.45	15.13	5.48	29.72

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

The State's Own Tax Revenue witnessed robust growth rate of 29.72 *per cent* in 2018-19, primarily on account of SGST. The growth rate of Tax Revenue in Sikkim was higher than that of General Category as well as Special Category States, which had growth rates of 12.72 *per cent* and 23.22 *per cent* respectively.

### 1.8.3.2 Collection of Revenue under State Goods and Services Tax

The Sikkim Goods and Services Tax (SGST) Act, 2017 came into effect from 01 July 2017. The Base Year figure for the year 2015-16 was ₹ 245.45 crore. The projected revenue of the State for the year 2018-19 in accordance with Section 6 of GST (Compensation to States) Act, 2017, (base year figure compounded by 14 *per cent* annually) was ₹ 363.65 crore. Hence, revenue of ₹ 363.65 was to be projected in the year 2018-19.

The actual revenue collected by the State under GST (SGST and IGST) including arrears of Pre-GST taxes<sup>4</sup> (subsumed into the SGST) during 2018-19 was ₹ 428.00 crore. Details of collection of revenue by the State during 2018-19 were as shown in the **Table 1.17**.

**Table 1.17: Details of Revenue collected during 2018-19**

SI No.	Particulars	Amount *(₹ in crore)
1.	Protected revenue for the year (2018-19)	363.65
2.	Goods and Service Tax (SGST and IGST)	405.72
3.	Arrears Pre-GST Taxes	22.28
<b>Total</b>		<b>428.00</b>

Source: Finance Accounts, \*Provisional figures

As the actual revenue collected (₹428.00 crore) was more than the projected revenue (₹ 363.65 crore<sup>5</sup>), compensation under GST (Compensation to States) Act, 2017 was not payable to Sikkim.

As Sikkim does not have banking arrangement with RBI, State at present receives SGST and IGST revenues from RBI through Central Bank of India (CBI) at Gangtok. After the transfer of funds by RBI to CBI, the Budget Section of the State Finance Department, issues challans for crediting proceeds into government account (Head 0006-101). Cross-verification of bank statement of CBI with the challans revealed that challans for the following seven debits had not been issued.

**Table 1.18: Details of challans**

Date of debit in CBI account	Amount (in ₹)
28 May 2018	23,90,913
01 June 2018	19,45,463
20 July 2018	1,11,15,781
16 August 2018	44,66,831
01 November 2018	27,87,250
09 January 2019	6,08,94,996
16 March 2019	17,21,666
<b>Total</b>	<b>₹ 8,53,22,900</b>

<sup>4</sup> Value Added Tax, Central Sales Tax, Environment Cess, Medicine, and Toilet Preparation are the revenue receipts subsumed to GST.

<sup>5</sup> ₹245.45 (1+14/100)<sup>3</sup> = ₹363.65 crore

In reply, the Department stated that the amount had now been credited to the Government Account during February 2020. However, the reasons for not crediting the amount in due time were being examined.

As per the instruction of Controller General of Accounts, Ministry of Finance, the proceeds of SGST is to be credited under Head 0006-101 and Apportionment of IGST-Transfer in Tax Component to SGST is to be credited under Head 0006-106. But in Sikkim both the proceeds of SGST and Apportionment of IGST are being credited in the same head 0006-101.

With automation of the collection of Goods and Services Tax (GST) having taken place, it is essential for Audit to effect transition from sample checks to analysis of all data to fulfil the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipt. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

### 1.8.3.3 State's Non-Tax Revenue

The main components of Non-Tax Revenue raised in the State during 2014-15 to 2018-19 are given in **Table 1.19**.

**Table 1.19: Composition of Non-Tax Revenue**

Revenue Heads	2014-15	2015-16	2016-17	2017-18	2018-19
Receipts from Power	113.56 (2.78)	147.68 (3.90)	170.03 (3.69)	310.26 (5.95)	269.44 (4.55)
Interest Receipts	66.44 (1.63)	72.52 (1.92)	78.38 (1.70)	114.76 (2.20)	125.33 (2.12)
Dividends and Profits	0.87 (0.02)	12.70 (0.34)	2.01(0.04)	2.92 (0.06)	4.38 (0.07)
Other Non-Tax Receipts <sup>6</sup>	142.90 (3.50)	180.09 (4.76)	201.22 (4.36)	226.44 (4.34)	258.63 (4.37)
Own resources to RR (in percentage)	20.83	25.89	23.95	25.76	26.19
<b>Total (Per cent of RR)</b>	<b>323.77 (7.93)</b>	<b>412.99 (10.92)</b>	<b>451.64 (9.80)</b>	<b>654.38 (12.55)</b>	<b>657.78 (11.11)</b>

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

Non-Tax Revenue, which constituted 11.11 per cent of total Revenue Receipts during the year, had a modest increase of ₹ 3.40 crore (0.52 per cent) from 2017-18 to 2018-19, though it exceeded the budget estimate by ₹ 175.86 crore. Revenues from Power witnessed decrease of ₹ 40.82 crore (13.16 per cent) during 2018-19 as compared to previous year due to non-payment of free power revenue by Independent Power Projects (IPPs).

Interest Receipts have shown increase of 9.21 per cent as compared to previous year and an increase of 88.64 per cent compared to 2014-15. Other Non-tax receipts also increased from 142.90 crore in 2014-15 to 258.63 crore in 2018-19, an increase of 80.99 per cent. The

<sup>6</sup> Miscellaneous General Services, Road Transport, Police, Public Works, Forestry and Wild Life, Contributions and Recoveries towards Pension and Other, Retirement Benefits, Tourism, Urban Development, Other Administrative Services, Water Supply and Sanitation, Plantations, Medical and Public Health, Education, Sports, Art and Culture, Animal Husbandry, Stationery and Printing, Other Rural Development Programmes, Labour and Employment, Housing, Social Security and Welfare, Industries, Crop Husbandry, Minor Irrigation, Public Service commission, Village and Small Industries, Non-ferrous Mining and Metallurgical industries, Information and Publicity, Other General Economic Services, Co-operation, Food Storage and Warehousing, Fisheries and Other Social Services

proportion of Own Resources to Revenue Receipts increased from 20.83 *per cent* in 2014-15 to 26.19 *per cent* during 2018-19.

#### 1.8.4 Cost Recovery from Socio-Economic Services

The details of Cost Recovery in respect of Education, Health and Family Welfare, Water Supply and Sanitation, Irrigation and Animal Husbandry during 2014-15 and 2018-19 are given in **Table 1.20**.

**Table 1.20: Cost Recovery from Socio-Economic Services**

(₹ in crore)

Services	Non-tax Revenue Receipts (NTR)		Revenue Expenditure (RE)		Cost recovery (ratio of NTR/ RE in <i>per cent</i> )	
	2014-15	2018-19	2014-15	2018-19	2014-15	2018-19
Education, Sports, Art and Culture	1.22	2.32	728.73	994.64	0.17	0.23
Health and Family Welfare	1.97	2.37	198.50	316.24	0.99	0.75
Water Supply and Sanitation	3.25	4.29	207.46	431.06	1.57	1.00
Minor Irrigation	0.07	0.31	18.13	30.96	0.39	1.00
Animal Husbandry	1.17	1.74	30.69	54.32	3.81	3.20

Source: Finance Accounts

The Cost Recovery in respect of Education, Sports, Art and Culture during the year was 0.23 *per cent* being the lowest and the highest Cost Recovery being 3.20 *per cent* pertained to Animal Husbandry. Comparison of Cost Recovery between current year with that of 2014-15, revealed that the Cost Recovery had increased in respect of Education, Sports, Art & Culture (from 0.17 *per cent* to 0.23 *per cent*) and in Minor Irrigation (from 0.30 *per cent* to 1.00 *per cent*), whereas, it had decreased in respect of Health and Family Welfare (from 0.99 *per cent* to 0.75 *per cent*), Water Supply and Sanitation (from 1.57 *per cent* to 1.00 *per cent*) and Animal Husbandry (from 3.81 *per cent* to 3.20 *per cent*).

#### 1.8.5 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 to the States out of the Consolidated Fund of India. The XIV FC was constituted on 2 January 2013, whose major recommendations were: increase in States' Share in the Net Proceeds of Union Tax revenues to 42 *per cent* from 32 *per cent* earlier; eight Centrally Sponsored Schemes (CSS) delinked from support from the Centre; distribution of grants to States for local bodies based on 2011 population data (90 *per cent* weightage) and area (10 *per cent* weightage) for the period 2015-20. Comparative statement of transfers to the State on account of awards of XIV FC during 2016-17 to 2018-19 is given in **Table 1.21**.

**Table 1.21: Statement of Release of Award of XIV FC**

(₹ in crore)

Grants for	Amount released		
	2016-17	2017-18	2018-19
Share of Union taxes	2,069.19	2,634.66	2,794.67
Finance Commission Grants (a+b+c)	62.48	70.53	125.86
a) Local Bodies Grant	27.91	36.63	38.53
b) General Performance Grant	4.87	3.30	0.00
c) Disaster relief and others	29.70	30.60	87.33
<b>Total</b>	<b>2,131.67</b>	<b>2,705.19</b>	<b>2,920.53</b>

Source: Information furnished by Finance Department

## 1.9 Capital Receipts

The trends in growth and composition of Capital Receipts are given in **Table 1.22** below.

**Table 1.22: Trends in Composition and Growth of Capital Receipts**

(₹ in crore)

Sources of State's Receipts	2014-15	2015-16	2016-17	2017-18	2018-19	
<b>Capital Receipts (CR)</b>	<b>412.67</b>	<b>656.26</b>	<b>784.71</b>	<b>1,054.37</b>	<b>1146.98</b>	
Recovery of Loans and Advances	0.88	1.38	1.37	0.91	1.77	
Public Debt Receipts	Market Loans	408.12	652.05	776.61	1050.93	1140.09
	Other Internal Sources	--	--	--	--	--
	Loans and Advances from GoI	3.67	2.83	6.73	2.53	5.12
<b>Rate of growth of CR (in per cent)</b>	<b>38.83</b>	<b>59.03</b>	<b>19.57</b>	<b>34.46</b>	<b>8.78</b>	

Source: Finance Accounts

Capital Receipts increased by 177.94 per cent (₹734.31 crore) from ₹ 412.67 crore in 2014-15 to ₹ 1146.98 crore in 2018-19. The rate of growth of Capital Receipts decreased from 34.46 per cent in 2017-18 to 8.78 per cent in 2018-19. Market loans constituted the major share of Capital Receipts during the current year which increased from ₹ 1050.93 crore in 2017-18 to ₹ 1140.09 crore during 2018-19. Non-debt Capital Receipts in the form of recoveries of Loans and Advances marginally increased by ₹ 0.86 crore during 2018-19 over previous year.

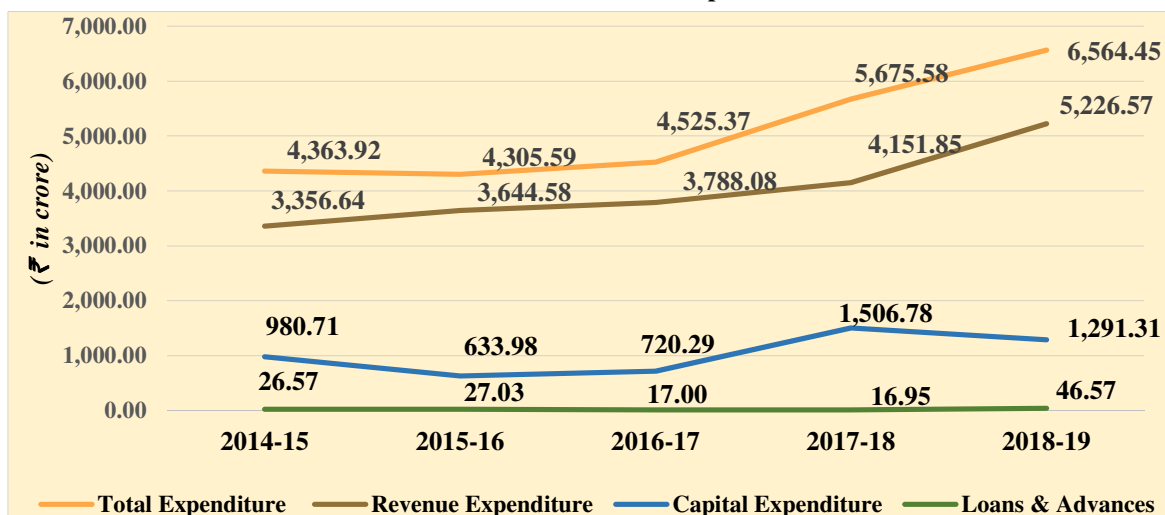
## 1.10 Application of Resources

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.

### 1.10.1 Growth and Composition of Expenditure

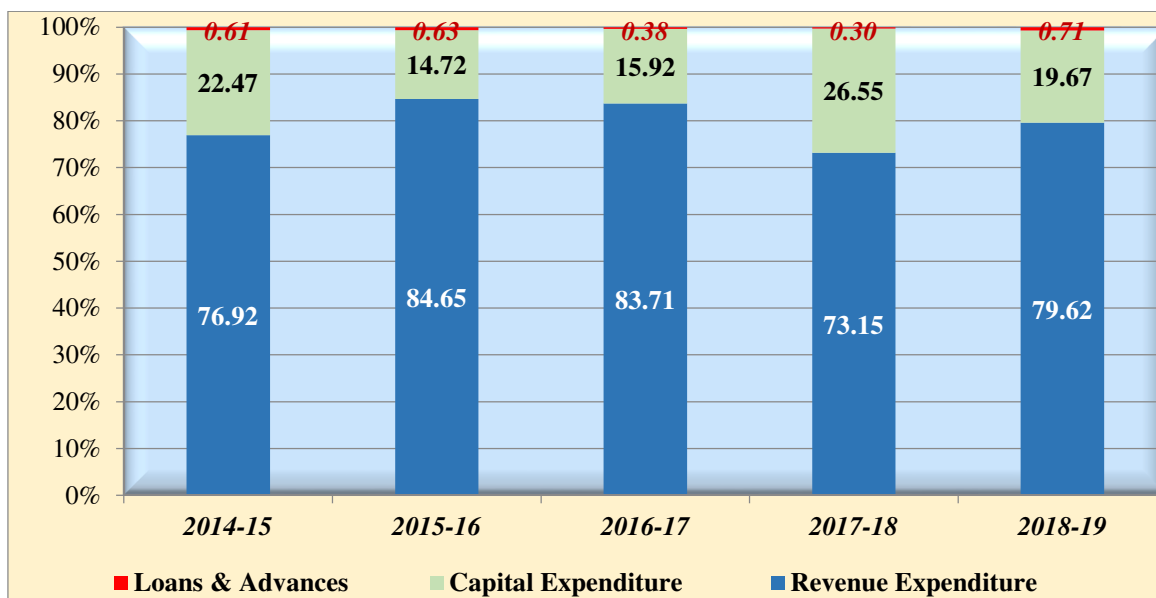
**Chart 1.11** presents the trends in Total Expenditure under Revenue, Capital and Loans and Advances, while **Chart 1.12** exhibits the share of these components in Total Expenditure.

Chart 1.11: Trend of Total Expenditure



Source: Finance Accounts

Chart 1.12: Composition of Total Expenditure



### General Trends:

- Revenue Expenditure of the State increased by 55.71 per cent from ₹3356.64 crore in 2014-15 to ₹5,226.57 crore in 2018-19 at an annual average rate of 11.14 per cent.
- Against increase of ₹1,074.72 crore (25.89 per cent) in Revenue Expenditure during 2018-19 over the previous year, the Revenue Receipts grew by ₹707.57 crore (13.57 per cent) indicating that Revenue Receipts had not kept pace with Revenue Expenditure.
- Revenue Expenditure constituted 79.62 per cent of the Total Expenditure in 2018-19. The percentage of Revenue Expenditure to Total Expenditure was in the range of 73.15 per cent to 84.65 per cent during the period 2014-15 to 2018-19.

During 2018-19 this proportion was 79.62 per cent which was higher than previous year's proportion of 73.15 per cent.

- Capital Expenditure in 2018-19 constituted 19.67 per cent of the Total Expenditure and decreased by ₹215.47 crore, with growth rate of -14.30 per cent over the previous year. Capital Expenditure as percentage of Total Expenditure fluctuated from year to year and ranged between 14.72 per cent and 26.55 per cent during 2014-15 to 2018-19.
- Total Expenditure increased by 50.43 per cent (₹ 2,200.53 crore) from ₹ 4,363.92 crore in 2014-15 to ₹ 6,564.45 crore in 2018-19.
- Growth rate of Total Expenditure of the State in 2018-19 was 15.66 per cent over the previous year. This rate was 12.84 per cent for India and 13.97 per cent for the Special Category States.

### 1.10.2 Buoyancy of expenditure

Growth rates of Total, Revenue and Capital Expenditures during 2014-15 to 2018-19, and their buoyancy with reference to GSDP and Revenue Receipts are presented in **Table 1.23**.

**1.23: Total Expenditure - Basic parameters**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Rate of growth of TE (per cent)	10.55	(-)1.34	5.10	25.42	15.66
Rate of growth of GSDP (per cent)	11.14	17.05	14.71	13.57	14.01
TE/GSDP (ratio)	28.32	23.87	19.95	24.16	24.51
Revenue Receipts/ TE (ratio)	93.67	87.89	101.88	91.85	90.19
Rate of growth of RE (per cent)	10.96	8.58	3.94	9.60	25.89
Revenue Expenditure/ TE (ratio)	76.92	84.65	83.71	73.15	79.62
Rate of growth of RR (per cent)	4.99	(-)7.42	21.83	13.07	13.56
Rate of growth of CE (per cent)	7.54	(-)35.35	13.61	109.19	(-) 14.33
<b>Buoyancy of TE with (ratio)</b>					
GSDP	0.95	(-)0.08	0.35	1.87	1.12
Revenue Receipts	2.11	0.18	0.23	1.94	1.15
<b>Buoyancy of RE with (ratio)</b>					
GSDP	0.98	0.50	0.27	0.71	1.85
Revenue Receipts	2.20	(-)1.16	0.18	0.73	1.91
<b>Buoyancy of CE with (ratio)</b>					
GSDP	0.68	(-)2.07	0.93	8.05	(-) 1.02
Revenue Receipts	1.51	4.76	0.62	8.35	(-) 1.06

Source: Finance Accounts

From the above table, the following were noticed:

- The buoyancy of Total Expenditure with respect to GSDP stood at 1.12 in 2018-19, which indicated higher rate of growth of Total Expenditure (15.66 per cent) as compared to growth rate of GSDP (14.01 per cent).
- The buoyancy of Total Expenditure with respect to Revenue Receipts decreased from 1.94 in 2017-18 to 1.15 in 2018-19, which was a positive indicator.

### 1.10.3 Revenue Expenditure

Revenue Expenditure had a predominant share in Total Expenditure. Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligations.



The overall Revenue Expenditure, its rate of growth, its ratio to GSDP and to Revenue Receipts and its buoyancy are indicated in the above Table 1.23.

Revenue Expenditure increased by ₹ 1869.93 crore (55.71 per cent) from ₹ 3356.64 crore in 2014-15 to ₹ 5226.57 crore in 2018-19, at an average annual rate of 11.42 per cent. It increased by 25.89 per cent from ₹ 4,151.85 crore in 2017-18 to ₹ 5,226.57 crore in 2018-19.

The increase in Revenue Expenditure (₹ 1074.72 crore) during 2018-19 was on account of net expenditure increase under General Services (₹ 432.11 crore), Social Services (₹ 539.62 crore), Economic Services (₹ 99.91 crore) and Grants-in-Aid & contributions (₹ 3.08 crore).

Ratio of Revenue Expenditure to Total Expenditure had decreased from 84.65 per cent in 2015-16 to 73.15 per cent in 2017-18 and again rose to 79.62 per cent in 2018-19.

### 1.10.3.1 Committed Expenditure

Committed Expenditure of the State Government on revenue account mainly consisted of Interest Payments, Expenditure on Salaries and Pension. Table 1.24 presents trends in Expenditure on these components during 2014-19.

Table 1.24: Component of Committed Expenditure

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Total Salaries, of which:</b>	<b>1,236.37</b>	<b>1662.03</b>	<b>1680.37</b>	<b>1757.78</b>	<b>2266.40</b>
<i>Non-Plan head and Plan head</i>	<i>1236.37</i>	<i>1357.66</i>	<i>1423.47</i>	<i>1478.98<sup>7</sup></i>	<i>1944.32</i>
<i>Salaries paid through GIAs</i>	<i>0.00</i>	<i>304.37</i>	<i>256.90</i>	<i>278.80</i>	<i>322.08</i>
<b>Interest payments</b>	<b>239.55</b>	<b>262.07</b>	<b>324.39</b>	<b>362.17</b>	<b>433.05</b>
<b>Expenditure on Pension</b>	<b>333.08</b>	<b>402.35</b>	<b>446.43</b>	<b>505.18</b>	<b>737.24</b>
<b>Total</b>	<b>1809.00</b>	<b>2326.45</b>	<b>2451.19</b>	<b>2625.13</b>	<b>3436.69</b>
<b>As per cent of Revenue Receipts</b>					
Salaries	30.25	43.92	36.45	33.72	38.28
Interest payments	5.86	6.93	7.04	6.95	7.31
Pension	8.15	10.63	9.68	9.69	12.45
<b>Total</b>	<b>44.26</b>	<b>61.48</b>	<b>53.17</b>	<b>50.36</b>	<b>58.04</b>
<b>As per cent of Revenue Expenditure</b>					
Salaries	36.83	45.60	44.36	42.30	43.36
Interest payments	7.14	7.19	8.56	8.72	8.29
Pension	9.92	11.04	11.79	12.17	14.11
<b>Total</b>	<b>53.89</b>	<b>63.83</b>	<b>64.71</b>	<b>63.19</b>	<b>65.76</b>

Source: Finance Accounts

The share of Committed Expenditure as compared to Revenue Receipts increased from 44.26 per cent in 2014-15 to 58.04 per cent in 2018-19 and as compared to Revenue Expenditure, its share increased from 53.89 per cent i.e. ₹ 1,809 crore in 2014-15 to 65.76 per cent i.e. ₹ 3,436.69 crore in 2018-19.

<sup>7</sup> Since 2017-18, no Plan & Non Plan Head of accounts were operated.

**(A) Expenditure on Salaries**

Apart from salaries payment from the normal head of accounts, the State Government releases assistance to PRIs, Zilla Parishads *etc.* for payment of salaries of teachers of Junior High Schools and Primary Schools. These schools function under the administrative control of the Education Department. The year-wise details of such grants given by the State Government since 2015-16 are depicted in the following table.

**Table 1.25: Salaries payment through Grants-in-Aids**

(₹ in crore)

Years	Particulars	Paid to	Amount
2015-16	Grants in Aid for Salaries	Gram Panchayat as Assistance	<b>304.37</b>
2016-17	Grants in Aid for Salaries	Gram Panchayat as Assistance	250.57
		Zilla Parishad as Assistance	6.33
		<b>Total</b>	<b>256.90</b>
2017-18	Grants in Aid for Salaries	Gram Panchayat as Assistance	137.71
		Zilla Parishad as Assistance	141.09
		<b>Total</b>	<b>278.80</b>
2018-19	Grants-in-Aid for Salaries	Gram Panchayat as Assistance	311.48
		Zilla Parishad as Assistance	10.60
		<b>Total</b>	<b>322.08</b>

Share of Expenditure on salaries of Sikkim as compared to Revenue Receipts increased from 30.25 *per cent* in 2014-15 to 38.28 *per cent* (2018-19); and as compared to Revenue Expenditure, its share increased from 36.83 *per cent* *i.e.* ₹ 1,236.37 crore in 2014-15 to 43.36 *per cent* *i.e.* ₹ 2266.40 crore in 2018-19.

**(B) Pension Payments**

Pension Payments (including other retirement benefits) indicated an increasing trend during the five-year period 2014-19. Pension Payments during the current year increased by ₹ 232.06 crore, an increase of 45.94 *per cent* over the previous year. Further, Pension Payments accounted for 14.11 *per cent* of Revenue Expenditure during 2018-19.

**National Pension System**

State Government employees recruited on and after 01 April 2006 are eligible for the National Pension System, which is a Defined Contributory Pension Scheme. In terms of the Scheme, the employee contributes 10 *per cent* of Basic Pay and Dearness Allowance, with a matching contribution by the State Government. The entire amount is to be transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank.

The details of employee's share, Government contribution, interest accrued thereon and transfer to the trustee Bank/NSDL up to 2013-14 and during the period from 2014-15 to 2018-19 are given in **Table 1.26**.

Table 1.26: Details of Contribution and Transfers to NSDL under NPS

(₹ in crore)

Year	Opening Balance	Details of contribution by		Total contribution	Transfer to NSDL	Short transfer/ Closing Balance	Rate of Interest applicable <sup>8</sup>	Interest due on Opening Balance**
		Employees	Government					
Upto 2013-14	36.97	48.63	43.66	92.29	62.27	30.02		9.28
2014-15	30.02	20.80	20.79	41.59	44.62	26.99	8.80	2.64
2015-16	26.99	27.81	27.74	55.55	59.10	23.44	8.80	2.38
2016-17	23.44	33.10	33.07	66.17	61.10	28.51	8.00	1.88
2017-18	28.51	38.09	40.70	78.79	79.63	27.67	7.60	2.17
2018-19	27.67	46.94	49.48	96.42	94.54	29.55	7.60	2.10
<b>Total</b>		<b>215.37</b>	<b>215.44</b>	<b>430.81</b>	<b>401.26</b>			<b>20.45</b>

Source: Data furnished by Government of Sikkim. \*\* Interest has been calculated on the estimation that the Opening Balance was not transferred during the year

Audit analysed the overall functioning of NPS which revealed the following.

As of 31 March 2019, Government of Sikkim collected ₹ 215.37 crore from employees as contribution towards NPS and contributed ₹ 215.44 crore as Government's share towards the Scheme. Further, against the total collected funds of ₹ 430.81 crore (Employees share - ₹ 215.37 crore plus Government share - ₹ 215.44 crore, the Government transferred ₹ 401.26 crore only (Employees share - ₹ 200.87 crore plus Government share - ₹ 197.36 crore) to designated authority (NSDL); and did not transfer ₹ 29.55 crore to NSDL for further investment as per the provisions of the scheme. Thus, there was a short transfer of ₹ 29.55 crore to the NSDL. Further, the State Government has created interest liability on the amount not transferred to NSDL, incorrectly used the funds that belong to its employees and created uncertainty in respect of benefits due to the employees affected/ avoidable financial liability of Government in future; thus leading to possible failure of the scheme itself.

Further, delays in investment of NPS contributions with Fund Managers creates an atmosphere of uncertainty about the return to accrue to the employees concerned for such periods on the investment of their NPS contribution, and also affects accuracy and transparency of accounts.

Besides, the State Government has acquired interest liability since the commencement of the scheme i.e. from 2006-07, amounting to ₹ 20.45 crore due to short transfer of funds to NSDL, as the above Major Head is classified as 'Deposits bearing Interest' in Government Accounts.

### (C) Comparison of Ratio of Expenditures on Salaries and Pensions to Revenue Expenditure

Comparison of ratio of expenditures on Salaries and Pensions to Revenue Expenditure of Sikkim with other States of North Eastern Region in 2018-19 is depicted in the following table.

<sup>8</sup> GPF rate of interest during the respective year.

**Table 1.27: Comparison of ratio of expenditures on Salaries and Pensions to Revenue Expenditure**

	Assam	Nagaland	Meghalaya	Arunachal Pradesh	Manipur	Mizoram	Tripura	Sikkim
<b>Ratio of Salaries to Revenue Exp.</b>	46.78	39.49	32.70	35.18	37.69	36.50	45.80	43.36
<b>Ratio of Pension to Revenue Exp.</b>	14.26	12.40	9.80	7.20	15.74	12.93	17.13	14.11

After Tripura and Assam, Sikkim spent highest share of Revenue Expenditure on Salaries and its share of Pension payments in Revenue Expenditure was higher than the states of Arunachal, Meghalaya, Nagaland and Mizoram.

#### **(D) Interest Payments**

Interest Payments of ₹ 433.04 crore in 2018-19 consisted of interest paid on Internal Debt and Market Loans (₹ 344.53 crore), Small Savings, Provident Fund, etc. (₹ 79.12 crore) and Loans received from GoI (₹ 9.39 crore). Interest Payments during 2018-19 were less than the assessment of XIV FC (₹ 452 crore).

#### **1.10.3.2 Financial Assistance to Local Bodies and Others**

The quantum of assistance provided by way of grants to local bodies and others entities during 2018-19, and previous four years, is presented in **Table 1.28**.

**Table 1.28: Financial Assistance to Local Bodies and other Institutions**

	(₹ in crore)				
<b>Financial Assistance to Institutions</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Educational Institutions (Non-Government Aided School, etc.)	0.05	0.00	0.00	0.00	0.00
Zilla Parishads and Other Panchayati Raj Institutions	276.10	314.38	256.91	278.80	322.10
Cooperative Societies	0.24	1.37	1.38	0.00	0.00
Other Institutions and Bodies <sup>9</sup> (including Statutory Bodies)	2.43	2.03	46.61	90.47	89.29
<b>Total</b>	<b>278.82</b>	<b>317.78</b>	<b>304.90</b>	<b>369.27</b>	<b>411.39</b>
Assistance as percentage of Revenue Expenditure	8.31	8.72	8.05	8.89	7.87

Source: Finance Accounts

The total assistance during 2018-19 increased by 11.41 per cent over the previous year mainly due to increase in assistance to Zilla Parishads and Other Panchayati Raj Institutions from ₹ 278.80 crore to ₹ 322.10 crore.

### **1.11 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.

<sup>9</sup> The main recipients of assistance were Gram Panchayats (₹311.49 crore) and Zilla Parishads (₹10.61 crore) and Polytechnic Institutes (₹10.50 crore).

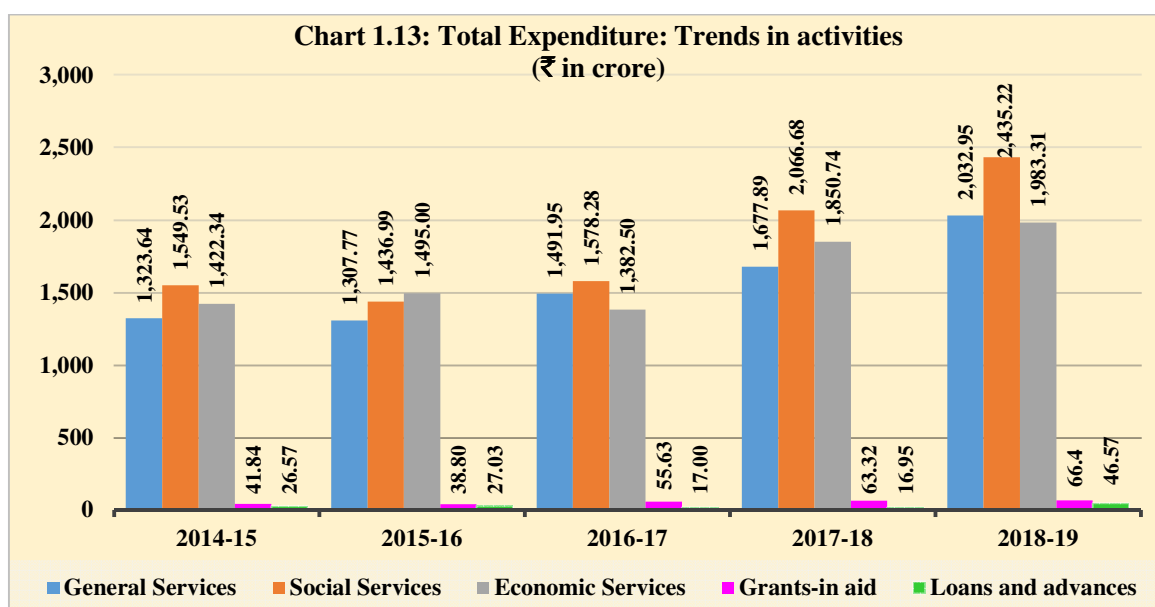
### 1.11.1 Trends in expenditure by activities

In terms of activities, Total Expenditure is 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 are indicated in **Table 1.29** below as well as in **Chart 1.13**.

**Table 1.29: Components of Expenditure – Relative Share**

Parameters	2014-15	2015-16	2016-17	2017-18	2018-19
Total Expenditure (₹ in crore)	4363.92	4305.59	4525.37	5675.58	6564.45
Share (in per cent) of various components in Total Expenditure:					
General Services	30.33	30.37	32.97	29.56	30.97
<i>Of which, Interest Payments</i>	5.49	6.09	7.17	6.38	6.60
Social Services	35.51	33.38	34.87	36.41	37.10
Economic Services	32.59	34.72	30.55	32.61	30.21
Grants-in-Aid	0.96	0.90	1.23	1.12	1.01
Loans and Advances	0.61	0.63	0.38	0.30	0.71

Source: Finance Accounts

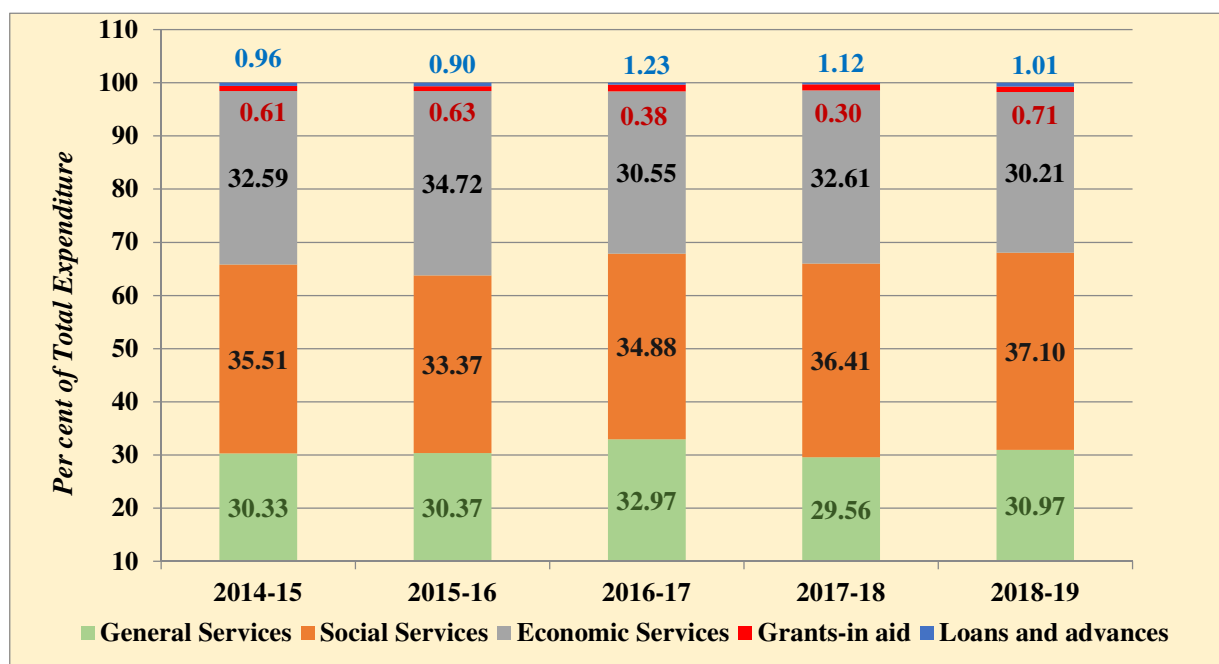


Source: Finance Accounts

The share of expenditure on General Services, which are considered as Non-developmental, in Total Expenditure increased from 29.56 per cent in 2017-18 to 30.97 per cent in 2018-19. On the other hand, the share of Developmental Expenditure *i.e.*, expenditure on Social and Economic Services decreased from 69.02 per cent in 2017-18 to 67.31 per cent in 2018-19. Interest Payments as a percentage of Total Expenditure ranged between 5.49 per cent and 7.17 per cent during 2014-15 to 2018-19.

The share of expenditure on Social Services *vis-à-vis* total expenditure consistently increased from 2015-16 (33.37 per cent) to 2018-19 (37.10 per cent), which was a positive sign. The graphical representation of these expenditures as percentage of Total Expenditure is given in the chart below.

Chart 1.14: Percentage of Activity-wise Expenditures to Total Expenditure



### 1.11.2 Adequacy of Public Expenditure

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 on the category to aggregate expenditure) can be stated to have been accorded to a particular sector if the ratio is decreasing over the years.

Table 1.30 presents analysis of the fiscal priority of the State Government with regard to Development Expenditure, Social Expenditure and Capital Expenditure and their comparison with Special Category States in 2014-15, 2017-18 and the current year 2018-19.

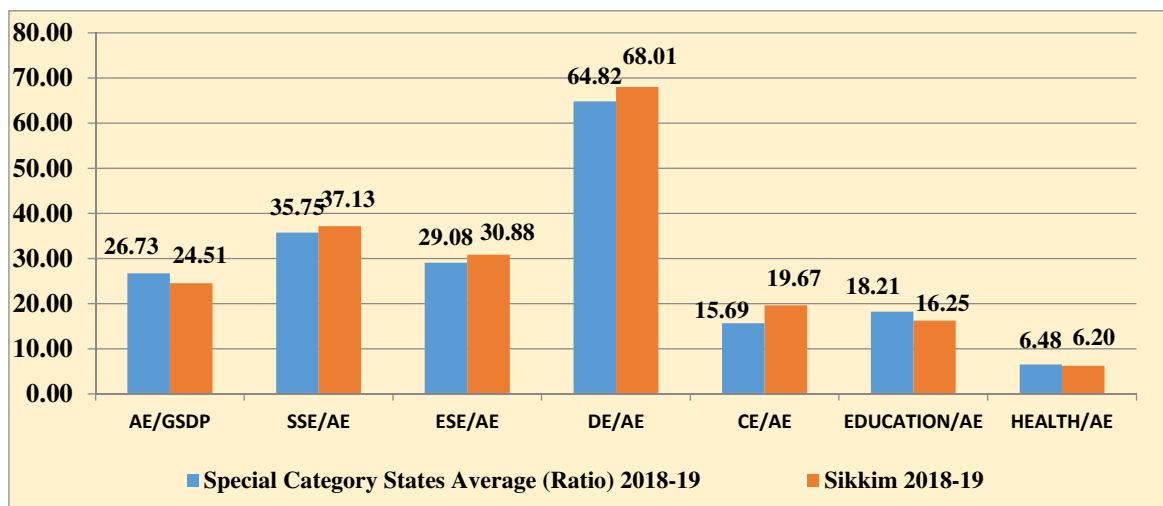
Table 1.30: Fiscal priority of the State in 2014-15, 2017-18 and 2018-19

Fiscal priority of the State	(in per cent)						
	AE/GSDP*	DE/AE	SSE/AE	ESE/AE	CE/AE	Education/AE	Health/AE
Sikkim 2014-15	28.32	68.71	35.77	32.94	22.47	17.69	5.95
Special Category States' (SCS) Average 2014-15	26.00	66.76	36.27	30.49	14.46	18.52	5.60
Sikkim 2017-18	24.16	69.31	36.48	32.83	26.55	16.66	8.13
SCS' Average 2017-18	25.86	64.17	34.99	29.18	15.73	18.04	6.22
Sikkim 2018-19	24.51	68.01	37.13	30.88	19.67	16.25	6.20
SCS Average 2018-19	26.73	64.82	35.75	29.08	15.69	18.21	6.48

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 Ministry of Statistics and Programme Implementation (MoSPI) website as on 1 August 2019, except Arunachal Pradesh, Assam, Gujrat, Jammu & Kashmir, Kerala, Maharashtra, Manipur, Meghalaya, Nagaland and Tripura where the figures have been provided by respective PAsG/AsG.

Chart 1.15: Quality of Expenditure of the State vis-a-vis SCS in 2018-19



The ratios of Developmental Expenditure, Economic Sector Expenditure and Capital Expenditure against Aggregate Expenditure respectively in Sikkim were higher than the expenditures of Special Category States in 2014-15, 2017-18 and 2018-19. The ratio of Social Sector Expenditure to Aggregate Expenditure was slightly lower in 2014-15 but outpaced the expenditure of Special Category States in 2017-18 and 2018-19. The ratio of expenditure on Education to Aggregate Expenditure of the State was less in comparison to Special Category States during 2018-19. Even the ratio of expenditure on Health to Aggregate Expenditure was lower in 2018-19 in comparison to Special Category States.

Further, **Table 1.31** presents the trends in Development Expenditure relative to the Aggregate Expenditure of the State during the five-year period of 2014-15 to 2018-19.

Table 1.31: Development Expenditure

Particulars	₹ in crore				
	2014-15	2015-16	2016-17	2017-18	2018-19
Total Expenditure (TE)	4,363.92	4,305.59	4,525.37	5,675.58	6564.45
Development Expenditure (DE)	2,998.37	2,958.95	2,977.78	3,933.92	4464.55
Percentage of DE to TE	68.71	68.72	65.80	69.31	68.01
<b>Composition of DE</b>					
Revenue	2,100.68(70.06)	2,361.98(79.83)	2,311.68(77.63)	2,560.40 (65.08)	3199.93 (71.67)
Capital	871.19(29.06)	570.01(19.26)	649.10(21.80)	1,357.02 (34.50)	1218.60 (27.30)
Loans and Advances	26.50(0.88)	26.96(0.91)	17.00(0.57)	16.50 (0.42)	46.02 (1.03)

Source: Finance Accounts. Figures in brackets indicate percentage of Development Expenditure.

As a percentage of Total Expenditure, Development Expenditure did not change much from 68.71 per cent in 2014-15 to 68.01 per cent in 2018-19. During 2014-15 to 2018-19, 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.

In 2018-19, Development Revenue Expenditure (₹ 3,199.93 crore) included, *inter alia*, expenditure on Salary (₹1,944.32 crore) and Subsidy (₹ 2.67 crore).

The efficiency of Aggregated Expenditure on selected parameters in some major areas under Social and Economic Services is depicted in **Table 1.32**.

**Table 1.32: Efficiency of expenditure use**

(Ratio in per cent)

Particulars	2017-18		2018-19	
	Ratio of CE to TE	Share of salaries (excluding wages and O & M) in RE	Ratio of CE to TE	Share of salaries (excluding wages and O & M) in RE
<b>Social Services (SS)</b>				
Education, Sports, Art and Culture	10.32	81.11	6.57	83.86
Health and Family Welfare	52.85	60.43	22.28	57.48
Water Supply, Sanitation, Housing and Urban Development	45.89	9.00	30.03	7.41
Others	6.66	23.33	5.10	25.43
<b>Total (SS)</b>	<b>25.81</b>	<b>58.66</b>	<b>14.91</b>	<b>54.54</b>
<b>Economic Services (ES)</b>				
Agriculture and Allied Activities	4.44	50.85	3.05	45.52
Irrigation and Flood Control	4.20	23.19	62.63	51.26
Power and Energy	26.66	45.19	23.65	59.83
Transport	77.30	18.55	73.41	18.39
Others	25.67	41.28	25.82	41.98
<b>Total (ES)</b>	<b>44.14</b>	<b>40.04</b>	<b>42.18</b>	<b>48.44</b>
<b>Total (SS+ES)</b>	<b>34.50</b>	<b>40.34</b>	<b>27.29</b>	<b>42.32</b>

Source: Finance Accounts.

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

Capital Expenditure on Social Services decreased drastically from ₹ 534.53 crore in 2017-18 to ₹ 363.45 crore in 2018-19, while in respect of Economic Services it increased from ₹ 822.49 crore to ₹ 855.15 crore during this period. The ratio of Capital expenditure to Total expenditure in both the sectors viz. Social and Economic Service sectors during 2018-19 had decreased as compared to previous year, but the decrease in respect of Social Services was significant.

## 1.12 Financial Analysis of Aggregated 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 to meet its Capital Expenditure/ Investment (including Loans and Advances) requirements from own resources. 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 a broad financial analysis of investments and other Capital Expenditure undertaken by the Government during 2018-19 vis-à-vis previous years.

### 1.12.1 Incomplete Projects

Projects remaining incomplete indicate that the benefits as envisaged in project proposals have not fructified and scarce resources remain locked without any return.

According to the information available in Appendix IX and Statement 16 of the Finance Accounts for the year 2018-19, as on 31 March 2019, there were 201 ongoing projects in respect of five departments i.e. incomplete projects. Except for five departments, the list of



incomplete projects was not furnished by other departments of the State Government, thus actual number of incomplete projects could not be ascertained. The department-wise information pertaining to incomplete projects of five departments as on 31 March 2019 is given in **Table 1.33**.

**Table 1.33: Department-wise Profile of Incomplete Projects***(₹ in crore)*

Department	No. of incomplete projects as on 31 March 2019	Initial budgeted cost	Actual expenditure as on 31 March 2019	Projects scheduled to be completed by March 2019			
				No of Projects	Percentage of Physical Progress	Actual expenditure as on 31 March 2019	Percentage of Financial Progress
Education	88	176.93	95.96	42	47.73	55.19	31.19
Urban Development	66	406.18	189.10	26	39.39	151.17	37.22
Rural Development	15	184.19	100.04	Information not furnished by the Department			
Power	13	210.67	153.19	10	76.92	126.17	59.89
Building & Housing	19	530.56	128.12	12	63.16	68.29	12.87
<b>Total</b>	<b>201</b>	<b>1508.53</b>	<b>666.41</b>	<b>90</b>		<b>400.82</b>	

Source: Finance Accounts

Out of these 201 incomplete projects, 90 projects were scheduled to be completed by 31 March 2019 and 51 projects were scheduled to be completed after 31 March 2019. Further, information regarding target year of completion in respect of 60 projects (Education :40 projects with sanctioned cost of ₹ 77.06 crore, Urban Development: five projects with sanctioned cost of ₹15.94 crore and Rural Development: 15 projects with sanctioned cost of ₹ 184.19 crore) was not furnished by the Department, though called for. Out of these 60 projects, 11 projects (sanctioned cost of ₹ 81.46 crore) are pending for more than five years while remaining 49 projects are pending for less than five years.

Age-wise analysis of delay in completion of projects from the stipulated date of their completion showing status as on 31 March 2019 is given in **Table 1.34**.

**Table 1.34: Age Profile of Incomplete Projects***(In number)*

Sl. No.	Delay of projects in number of years from stipulated date of completion	Number of incomplete projects
1	0 to 3 years	59
2	3 to 5 years	18
3	5 to 7 years	11
4	Above 7 years	2
<b>Total</b>		<b>90</b>

Cumulative expenditure incurred on these 201 projects as on 31 March 2019 was ₹ 666.41 crore. Expenditure of ₹ 400.82 crore (as on 31 March 2019) was incurred on 90 incomplete projects which were due to be completed by 31 March 2019, against estimated cost of ₹ 559.77 crore.

Blocking of funds on incomplete projects/ works beyond their scheduled date of completion, adversely impinged on the quality of expenditure and deprived the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these

projects during the respective years proved ineffectual with the State having to bear additional burden for debt servicing and interest liabilities. Effective steps need to be taken to complete all these above projects without further delay.

### 1.12.2 Investment and Returns

As of March 2019, Government had invested ₹ 105.46 crore in Statutory Corporations, Banks, Joint Stock Companies and Co-operatives as detailed in succeeding paragraphs. The return during 2018-19 was 4.15 per cent as detailed in **Table 1.35** below.

**Table 1.35 Return on Investment**

Particulars	₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Investment at the end of the year	97.42	97.42	97.42	102.43	105.46 <sup>10</sup>
Return	0.87	12.70 <sup>11</sup>	2.01	2.92	4.38
Return (per cent)	0.89	13.04	2.06	2.85	4.15
Average rate of interest on Government borrowings (per cent)	7.31	7.04	7.52	7.16	7.35
Difference between rates of interest and return	6.42	(-)6.00	5.46	4.31	3.20

Source: Finance Accounts

Returns during current year were due to receipt of dividend from companies and bank (State Bank of Sikkim: ₹ 1.33 crore, Sikkim Distilleries Limited: ₹ 1.45 crore, Denzong Cinema: ₹ 0.01 crore and Multipurpose Co-operative Society ₹ 1.59 crore).

The details of investment of ₹ 105.46 crore up to the end of 2018-19 by the State Government in Statutory Corporations (three), Joint Stock Companies (21) and Banks and Co-operative Societies (nine) are detailed in **Appendix 1.5**.

#### 1.12.2.1 State Public Sector Undertakings being audited by CAG of India

As on 31 March 2019, there were 16 SPSUs (including 12 Companies and four Statutory Corporations) which were being audited by the Comptroller and Auditor General (CAG) of India, besides there were four non-working SPSUs for which audit entrustment had not been extended by the State Government.

As per latest finalised accounts of the SPSUs, State Government had invested ₹ 2,235.94 crore (₹ 2,233.91 crore as equity and ₹ 2.03 crore as loan) in 15 working SPSUs, while one SPSU<sup>12</sup> registered in December 2017 had not submitted its accounts till September 2019. Six companies/ corporations were earning profits as per their latest finalised annual accounts, while the remaining had incurred losses.

Government had invested ₹ 67.35 crore in the following companies which had been incurring recurring losses (**Table 1.36**).

<sup>10</sup> During 2018-19 amount invested: ₹3.03 crore (Power Development Corporation: ₹2.50 crore, Sikkim SC/ST/OBC Finance Development Corporation ₹0.41 crore and IFFCO ₹0.12 crore).

<sup>11</sup> Higher returns during 2015-16 was due to receipt of dividend from Companies, Bank and Co-operatives (State Bank of Sikkim- ₹ 5.34 crore, Sikkim Distilleries Ltd- ₹ 7.24 crore, Denzong Cinema- ₹ 0.01 crore, Multipurpose Co-operative Society- ₹ 0.11 crore)

<sup>12</sup> Gangtok Smart City Development Ltd.

Table 1.36: Investment in Government Companies under Perennial Loss

(₹ in crore)

Sl. No.	Name of the Government Company	Investment up to 2018-19		Cumulative loss	Year of accounts approved by Board
		Equity and loans	Subsidy/ Grants		
1	Sikkim Power Investment Corporation Limited (SPICL)	0.01	Nil	782.84	2017-18
2	Sikkim Power Development Corporation	67.34	Nil	115.44	2017-18
	<b>Total</b>	<b>67.35</b>	<b>Nil</b>	<b>898.28</b>	

Source: Financial Statements of the Companies \*Accumulated loss as per the latest Annual Accounts approved by the Board.

The aggregate net worth of these 15 SPSUs was ₹1,696.53 crore, as per their latest finalised accounts. The net worth in respect of four Companies was negative (₹(-)786.66 crore) as the accumulated losses had completely eroded the equity capital as well as the reserves.

#### 1.12.2.2 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).

Under Section 96 of the Companies Act, 2013, the Government Companies are required to adopt their annual accounts within six months of the close of the financial year, i.e., by 30 September every year.

The Companies Act, 1956/ Companies Act 2013 has not been extended to the State of Sikkim. The Government Companies in Sikkim are registered under the Registration of Companies Act, Sikkim, 1961 while the Statutory Corporations are governed by the Proclamations of the erstwhile Chogyal (King) of Sikkim. The Act of 1961 and Proclamations do not contain provision on time schedule for adoption of accounts by the PSUs. Out of 16 working state PSUs, only four<sup>13</sup> State PSUs have been incorporated under the Companies Act 2013, having their registered offices outside the State. As on 30 September 2019, two accounts<sup>14</sup> of one state PSU registered under the Companies Act 2013 were pending for finalisation. In respect of the other state PSUs, 23 accounts of 12 state PSUs were not finalised due to delay in their preparation/approval by the Board of Directors of the respective state PSUs. The state PSUs whose accounts were pending for finalisation are listed in **Appendix-1.6**.

Though there was improvement as compared to previous year when 52 accounts were pending, State Government should ensure that arrears of accounts are cleared so that clear financial picture of the Companies can be assessed.

#### 1.12.3 Loans and Advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, Government also provides loans and advances to Institutions/Organisations/Government

<sup>13</sup> Teesta Urja Limited, Teesta Valley Transmission Limited, Gangtok Smart City Development Limited (GSCDT) and Namchi Smart City limited (NSCL).

<sup>14</sup> GSCDL for 2017-18 and 2018-19.

Servants. **Table 1.37** presents the position of outstanding Loans and Advances as of March 2019 and interest receipts *vis-à-vis* interest payments during the last five years.

**Table 1.37: Loans and Advance and Interest Received by the State Government**

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Opening balance</b>	<b>109.48</b>	<b>135.17</b>	<b>160.83</b>	<b>176.46</b>	<b>192.49</b>
Amount advanced during the year	26.57	27.03	17.00	16.95	46.57
Amount repaid during the year	0.88	1.37	1.37	0.92	1.77
<b>Closing balance</b>	<b>135.17</b>	<b>160.83</b>	<b>176.46</b>	<b>192.49</b>	<b>237.29</b>
Net addition	(+)25.69	(+)25.66	(+)15.63	(+) 16.03	(+) 44.80
<b>Interest receipts</b>	<b>1.76</b>	<b>00*</b>	<b>00*</b>	<b>0.00*</b>	<b>0.00</b>
Interest receipts as <i>per cent</i> to outstanding loans and advances	1.30	00*	00*	0.00*	0.00
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government	5.76	5.38	5.90	5.56	5.80
Net outgo on Interest Payments as proportion of outstanding fiscal liabilities ( <i>per cent</i> ).	4.46	5.38	5.90	5.56	5.80

Source: Finance Accounts. \*No interest on loans & advances was received.

Out of amount of ₹ 46.57 crore advanced during the year 2018-19, ₹ 44.02 crore was advanced to Financial Institutions, ₹ 2.00 crore was advanced as Educational Loans for higher studies in Colleges and Universities, and ₹ 0.55 crore was paid towards House Building Advance to Government Servants.

No interest on loans and advances was received by the Government during the financial year 2018-19.

### 1.13 Public Accounts

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 and are not subject to vote by the State Legislature. The Government acts as a banker in such cases. The net balance of fund is available for the Government's use. The details of balance in Public Account during 2014-19 is given in **Table 1.38**.

**Table 1.38: Details of balances in Public Accounts**

(₹ in crore)					
Resources under various heads	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Public Accounts balances</b>					
a.Small savings, Provident fund, <i>etc.</i>	710.19	747.85	831.15	911.72	1005.65
b.Reserve funds	430.61	441.38	507.06	505.99	566.20
c.Deposits and Advances	137.34	158.98	240.12	264.28	279.81
d.Suspense and Miscellaneous	158.75	254.99	186.04	211.26	330.92
e.Remittances	213.40	295.91	224.95	404.84	274.19
<b>Total</b>	<b>1650.29</b>	<b>1899.11</b>	<b>1989.32</b>	<b>2298.09</b>	<b>2456.77</b>

Source: Finance Accounts

As may be seen from the above table, the net receipts from Public Account increased by ₹ 158.68 crore (6.90 *per cent*) in 2018-19 over the previous year (2017-18). The increase in net Public Account Receipts was due to Suspense and Miscellaneous (₹ 119.66 crore), Reserve Fund (₹ 60.21 crore), Deposits and Advances (₹ 15.53 crore) and Small Savings, Provident *etc.* (₹ 93.93 crore) off set by decrease in Remittances (₹ 130.65 crore).

**1.13.1 Transactions under Reserve Funds**

Reserve and Reserve Funds are created for specific and well defined purposes in the accounts of Government. These funds are fed by contributions or grants from the Consolidated Fund or from outside agencies.

Analysis of transactions of Reserve Funds is presented in the subsequent paragraphs.

**1.13.1.1 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 of the Fund, the Government is required to contribute to the fund at the rate of one to three *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 by the State issued on 18 August 2007 on the basis of recommendations of the XII FC. For the year 2018-19, the flow of Consolidated Sinking Fund is detailed below.

**Table 1.39: Flow of Consolidated Sinking Fund during 2018-19**

(₹ in crore)

Opening balance (01 April 2018)	Additions to the Fund (contribution and interest)		Payments out of the Fund	Closing balance (31 March, 2019)	Amount invested by SBS during the year
	Required contribution (one per cent of outstanding open market loans as on 31 March 2018) as per guidelines of the State Government	Actual contribution made			
386.79	36.21	12.00 (contribution)	Nil	428.75	428.75
		29.96 (interest)			

Source: Finance Accounts Vol I

For the year 2018-19, the requirement for annual contribution ₹ 36.21 crore (at one *per cent* of outstanding open market loans of ₹ 3621.24 crore) in terms of the guidelines of the State Government. During the year, Government transferred ₹ 12 crore to the fund against the minimum required contribution of ₹ 36.21 crore, as per its guidelines. As on 31 March 2019, the fund had a balance of ₹ 428.74 crore (including ₹ 29.96 crore as accrued interest), which had been invested in fixed deposits in nationalised banks as per the directions of the RBI.

**1.13.1.2 Guarantee Redemption Fund**

The State Government constituted Guarantee Redemption Fund in the year 2005 for meeting payment obligations arising out of the guarantees issued by the Government in respect of Bonds issued and borrowings by the State Undertakings or other bodies, in case the same are revoked. 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. The detailed account of the Fund as on 31 March 2019 is given following table.

**Table 1.40: Guarantee Redemption Fund**

(₹ in crore)

Particulars	Amount	Particulars	Amount
<b>Opening Balance</b>	<b>46.89</b>	Amount expended from the Fund	Nil
Addition	2.00		
Interest	3.46	<b>Closing Balance</b>	<b>52.35</b>
<b>Total</b>	<b>52.35</b>	Amount invested	52.35

Source: Finance Accounts

The Fund had a corpus of ₹ 46.89 crore as opening balance in the beginning of the year 2018-19 and ₹ 2.00 crore was transferred to the fund. The Fund earned an interest of ₹ 3.46 crore during the year, totalling ₹ 52.35 crore at the end of 2018-19, which was entirely invested in term deposits with the State Bank of Sikkim (SBS).

### 1.13.1.3 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 Thirteenth Finance Commission. In terms of the guidelines of the Fund, the Centre and Sikkim Government (Special Category States) are required to contribute to the Fund in the proportion of 90:10. Further, if the State does not have adequate balance under SDRF, the Government of India provides additional assistance from the National Disaster Response Fund (NDRF). The flow of the Fund, during the year 2018-19, is given below.

**Table 1.41: Flow of State Disaster Response Fund during the year 2018-19**

(₹ in crore)

Year	Opening balance (01 April)	Contribution by Centre	State's Share	Additional assistance from NDRF	Accrued interest (on investment of Fund)	Total availability during the year	Amount spent (MH 2245-05)	Closing balance
1	2	3	4	5	6	7=(1 to 6)	8	9=7-8
2014-15	15.54	24.89	2.76	1.02	0.11	44.32	26.26	18.06
2015-16	18.06	27.99	3.01	-	6.15	55.21	37.95	17.26
2016-17	17.26	29.70	3.30	-	2.20	52.46	27.51	24.95
2017-18	24.95	30.60	3.40	-	1.27	60.22	46.90	13.32
2018-19	13.32	32.40	3.60	54.93	2.23	106.48	83.89	22.59

Source: Finance Accounts

During the year 2018-19 an aggregate amount of ₹ 93.16 was transferred to the SDRF (Central share: ₹ 32.40 crore and State share of ₹ 3.60 crore, and interest receipts of ₹ 2.23 crore on investment and assistance from NDRF ₹ 54.93 crore) and an expenditure of ₹ 83.89 crore was incurred on natural calamities under Head 2245-05 leaving a balance amount of ₹ 22.59 crore as on 31 March 2019.

### 1.13.1.4 Cess under Sikkim Transport Infrastructure Development Fund

“Sikkim Transport Infrastructure Development Fund” was established in August 2004, for the purpose of developing, maintaining and improving transport infrastructure in Sikkim, to which Cess on sale of Motor Spirit (Petrol and High Speed Diesel) is credited. During the year 2018-19, the Government had collected Cess of ₹ 30.38 crore, out of which ₹ 25.00 crore was transferred to the Fund leading to short transfer of ₹ 5.38 crore.

As on 1 April 2018, the Fund had opening balance of ₹ 79.79 crore and an amount of ₹ 35.37 crore was utilised from the Fund during the year leaving a closing balance of ₹ 69.42 crore at the end of year.

#### **1.13.1.5 Educational Cess**

Government levies Educational Cess on alcoholic beverages manufactured in Sikkim as well as imported from other states for consumption in Sikkim, for purpose of promoting education. During the year 2018-19 the total collection was ₹ 7.38 crore (M.H. 0045-112-03). However, since no receipts were transferred to this Fund during this year, the utilisation of Cess is not readily ascertainable.

#### **1.13.1.6 Sikkim Ecology and Environmental Fund**

In order to protect and improve environment in Sikkim, the Government established a fund known as “Sikkim Ecology and Environment Fund” in 2007. Accordingly, Cess is levied on every dealer, manufacturer, Government department, PSUs, Autonomous Bodies or other organisation who bring non-bio-degradable materials (as specified) from outside the State for selling, business, manufacturing, producing any products or for use of whatsoever purpose in the State.

During 2018-19, Cess of ₹ 6.77 crore (M.H. 0045-112-02) was collected but no amount was transferred to the Fund. The Government utilised, ₹ 1.10 crore by booking expenditure under M.H. 3435-03-101-61, transferred by way of debit to the Fund during 2018-19. Closing balance at the end of year was ₹ 79.33 crore.

#### **1.13.1.7 State Disaster Mitigation Fund**

The State Government established the Sikkim State Disaster Mitigation Fund (SDMF) on 24 February 2018. The Fund is to be utilised for prevention and mitigation of various hazards that may turn into disaster. SDMF had opening balance of ₹ 0.50 crore as on 1 April 2018 and the State Government transferred ₹ 1.00 crore to the SDMF during the year. After meeting the expenditure of ₹ 1.00 crore during the year, the fund had a closing balance of ₹ 0.50 crore as on 31 March 2019.

#### **1.13.2 Cash Balances and Investment of Cash Balances**

Under a resolution passed by the State Government in the year 1968-69, the State Bank of Sikkim (SBS) is vested with the responsibility of receiving money on behalf of State Government and making all Government payments and keeping custody of the cash balances of the Government. The arrangement continued after merger of Sikkim into the Indian Union.

Position of cash balances and investments of cash balances of the State Government at the end of 2017-18 and 2018-19 is shown in **Table 1.42**.

**Table 1.42: Cash Balances and Investment of Cash Balances**

(₹ in crore)

Particulars	As of 31 March 2018	As of 31 March 2019
<b>(a) General Cash Balance</b>		
• Cash in Treasuries	-	-
• Deposits with Reserve Bank	-	-
• Deposits with State Bank of Sikkim	548.77	70.20
• Deposits with other Banks	48.39	50.07
• Remittances in transit - local	-	-
<b>Total</b>	<b>597.16</b>	<b>120.27</b>
<b>Investments held in Cash Balance Investment Account</b>	<b>1,948.39</b>	<b>2,656.00</b>
<b>Total (a)</b>	<b>2,545.55</b>	<b>2,776.27</b>
<b>(b) Other Cash Balances and Investments</b>		
• Cash with departmental officers viz. Public Works Department Officers, Forest Department Officers, District Collectors	0.95	0.95
• Permanent Advances for contingent expenditure with Departmental Officers	0.44	0.45
• Investment of Earmarked Funds	447.93	502.89
<b>Total (b)</b>	<b>449.32</b>	<b>504.29</b>
<b>Grand Total (a)+(b)</b>	<b>2,994.87</b>	<b>3,280.56</b>

Source: Finance Accounts

As per the Finance Accounts of 2018-19, as on 31 March 2019, Government's cash balance with banks was ₹ 120.27 crore, out of which, balance of ₹ 70.20 crore and ₹ 50.07 crore were with SBS and other banks respectively. However, as per the records of the SBS, the Cash Balance of the Government stood at ₹ 38.78 crore leaving an un-reconciled balance of ₹ 31.42 crore.

The investments held in the Cash Balance Investment Account of the Government were increasing continuously as the average annual cash balance increased by 156 per cent from ₹ 900.00<sup>15</sup> crore in 2014-15 to ₹ 2,302.20<sup>16</sup> crore in 2018-19.

The Government had invested substantial cash in term deposits of varying durations ranging from seven to 411 days during 2018-19 at interest rates ranging between 3 and 8.1 per cent. Analysis by Audit revealed that though the Government had substantial cash invested in term deposits, yet the Government had obtained Market Loans on six occasions during 2018-19 as depicted in the **Table 1.43**.

**Table 1.43: Investment of Cash Balances and Market Loans availed in 2018-19**

(₹ in crore)

Months	Investment of cash balances			Amount of Market Loans availed
	Opening Balance	Closing Balance	Increase/ decrease in investment	
April	1,948	2,130	182	--
May	2,130	1,920	(-)210	--
June	1,920	1,930	10	--
July	1,930	2,286	356	300
August	2,286	2,316	30	--
September	2,316	2,596	280	200

<sup>15</sup> Average annual cash balance for the year 2014-15: {(OB: ₹750 crore + CB: ₹1050 crore)/2}= ₹900 crore.

<sup>16</sup> Average annual cash balance for the year 2018-19: {(OB: ₹1,948.39 crore + CB: ₹2,656 crore)/2}= ₹2,302.20 crore.



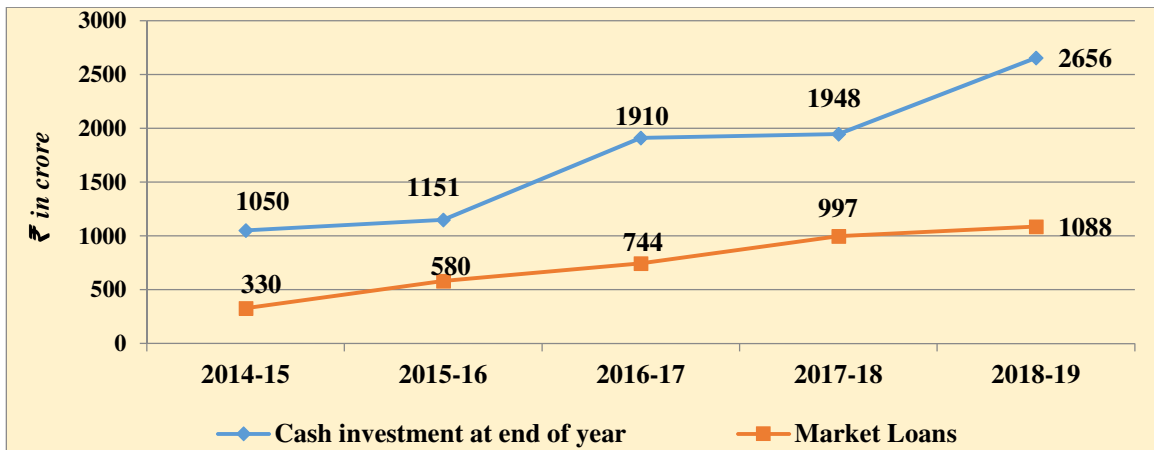
Months	Investment of cash balances			Amount of Market Loans availed
	Opening Balance	Closing Balance	Increase/ decrease in investment	
October	2,596	2,306	(-)290	125
November	2,306	2,396	90	100
December	2,396	2,146	(-)250	--
January	2,146	2,026	(-)120	92
February	2,026	1,886	(-)140	--
March	1,886	2,656	770	271

As seen from above table, despite having cash balance ranged between ₹1,886 crore and ₹2,656 crore in the investment account during 2018-19, the Government resorted to market borrowings of ₹1,088 crore during the year at the average rate of interest of 8.54 per cent. The State Government had earned an interest of ₹116.69 crore from the cash balance investments during 2018-19.

Further, cash balance investment was on an increasing trend, as at the end of 2014-15, the balance was ₹1,050 crore which had increased to ₹2,656 crore at the end of 2018-19.

Comparative position of cash balances invested and market loans availed at the end of each year of the period 2014-15 to 2018-19 is shown in **Chart 1.16** below:

**Chart 1.16 : Market Loans vis-à-vis investment of Cash Balance**



The XIII Finance Commission (Para 7.127) had recommended that the states with large Cash Balances should make efforts to utilise their Cash Balances before resorting to fresh borrowings. The State, however, resorted to market borrowings at higher interest rates, contrary to the Finance Commission recommendation.

Audit scrutiny revealed (November 2019) that the Government had taken Market Loans of ₹997.21 crore in 2017-18 and ₹1088.00 crore in 2018-19 with the average rate of interest of 7.56 and 8.54 per cent respectively. (The details in the **Appendix-1.7**). On the other hand, it invested cash balances at the lower interest rates (average rate of interest) of 4.45 and 5.55 per cent respectively during these two years. Had the Government not availed Market Loans it could have saved ₹26.77 crore (**Appendix-1.7**) on account of interest during these two years.

Audit further observed that in the Finance Accounts under Major Head 8673 (Cash Balance Investment) the closing balance for the year 2017-18 and 2018-19 was shown as ₹1,948.39

crore and ₹ 2,656 crore respectively. However, as per the statement of Cash Balance Investment furnished by the department the closing balance for the year 2017-18 and 2018-19 were shown as ₹ 1,928.39 crore and ₹ 2,610.00 crore respectively. Thus, there was an overall difference of ₹ 46.00 crore (₹ 20.00 crore in 2017-18 and ₹ 26.00 crore in 2018-19) which was not reconciled yet.

The Finance Department did not state any reasons for keeping such huge amount in Cash Balance invested in term deposits. The department did not have any policy regarding the utilisation of Cash Balances. Further, department could not produce any details of reconciliation of Cash Balance Investment between Finance Department and Banks where the money had been invested.

### **1.13.3 Outstanding balance under the Head 'Cheques and Bills'**

The Head 'Cheques and Bills' 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. The opening balance under this head as on 1 April 2018 was ₹ 209.29 crore and during the year, cheques worth ₹ 4,973.26 crore were issued and cheques worth ₹ 4,858.21 crore were encashed leaving a closing balance of ₹ 324.34 crore as on 31 March 2019.

## **1.14 Assets and Liabilities**

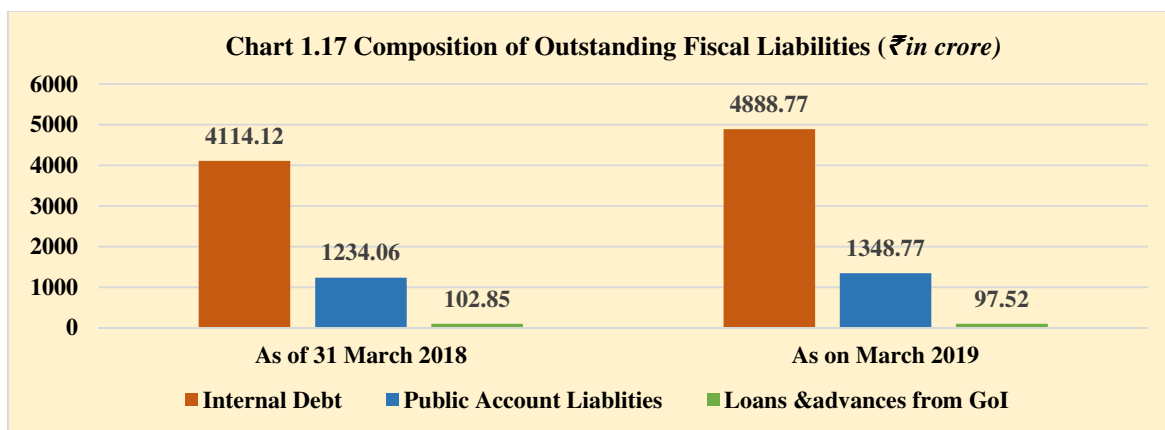
### **1.14.1 Growth and Composition of Assets and Liabilities**

Under 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. Total Liabilities, include the liabilities under the Consolidated Fund and the Public Accounts of the State. **Appendix 1.3(B)** gives an abstract of such Assets and Liabilities as on 31 March 2019 compared with the corresponding position of previous year. The comparative position of assets and liabilities for the period 2016-17 to 2018-19 are summarised in **Appendix 1.8**.

The growth rate of assets was 11.28 *per cent* whereas the growth rate of liabilities excluding surplus on Government Accounts and Contingency Fund was 16.22 *per cent* in 2018-19 as compared to the previous year.

### **1.14.2 Fiscal Liabilities**

The Fiscal Liabilities of the Government comprise of Internal Debt, Loans and Advances from Government of India and Public Account liabilities. The outstanding Fiscal Liabilities increased from ₹ 3,481.46 crore during 2014-15 to ₹ 6,335.06 crore during 2018-19 registering an increase of 81.97 *per cent* (₹ 2,853.60 crore). The composition of Fiscal Liabilities during 2018-19 *vis-à-vis* the previous year is depicted in **Chart 1.17**. The trends in outstanding Fiscal Liabilities of the State are presented in **Appendix 1.2**.



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 1.44**.

**Table 1.44: Fiscal liabilities-basic parameters**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Fiscal Liabilities <sup>17</sup> (₹ in crore)	3,481.46	3,961.16	4,671.18	5,451.04	6,335.06
Rate of growth (per cent)	13.46	13.78	17.92	16.69	16.22
Revenue Receipts (₹ in crore)	4,087.64	3,784.29	4,610.30	5,212.79	5,920.36
<b>Percentage of Fiscal Liabilities to</b>					
GSDP	22.60	21.96	22.58	23.20	23.65
Revenue Receipts	85.17	104.67	101.32	104.57	107.00
Own resources	408.95	404.28	423.04	405.97	408.53
<b>Buoyancy ratio of Fiscal Liabilities to</b>					
GSDP	1.21	0.81	1.22	1.23	1.16
Revenue Receipts	2.70	(-)1.86	0.82	1.28	1.20
Own Resources	(-)3.39	0.91	1.41	0.77	1.05

Source: Finance Accounts

Fiscal Liabilities of 2018-19 comprised of Internal Debt of ₹ 4,888.77 crore (77.17 per cent), Loans and Advances from GoI of ₹ 97.52 crore (1.54 per cent) and Public Account liabilities of ₹ 1,348.77 crore (21.29 per cent).

The Fiscal Liabilities had grown at a faster pace as compared to both GSDP and Revenue Receipts during the year 2017-18 and 2018-19.

### 1.14.3 Contingent Liabilities

#### 1.14.3.1 Status of Guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees are extended. The details of Guarantees for the last five years are given in **Table 1.45**.

<sup>17</sup> excluding Off-budget Borrowing

**Table 1.45: Guarantees given by the State Government**

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Maximum amount guaranteed	156.70	156.90	517.90	648.71	3849.19 <sup>#</sup>
Outstanding amount of guarantees (including interest) at the beginning of year	122.09	112.14	89.17	441.49	425.45
Maximum amount of guarantee as per criteria of Sikkim Government Guarantee Act 2000	1,306.44	1,574.76	1,582.62	1,700.46	1957.68

Source: Finance Accounts # 2017-18 figure (₹564.83 cores) in respect of outstanding guarantees was amended due to revised information furnished by the State Finance Department.

According to the Sikkim Government Guarantee Act, 2000, the total outstanding Government Guarantee as on the 1<sup>st</sup> day of April of any year shall not exceed thrice the State's Tax receipts of the second preceding year and that the State Government shall charge guarantee commission of minimum one per cent which shall not be waived under any circumstances. The total Guarantees (principal plus interest) outstanding as on 01 April 2019 was ₹ 425.45 crore, which was within the prescribed limit of thrice the total Tax Receipts of 2016-17 (₹ 652.56 crore x 3= ₹ 1,957.68 crore).

#### 1.14.3.2 Off-Budget Borrowings

The borrowings of the State Government are governed by Article 293(1) of the Constitution of India. The State stood guarantor for loans availed by Government Companies/ Corporations/ Societies. These Companies/ Corporations/ Societies borrowed funds from the market/ financial institutions for implementation of various State programmes projected outside the State budget. The borrowings of these concerns ultimately turn out to be the liabilities of the State Government termed 'Off-budget Borrowings' and the Government has to repay the loans availed of by these Companies/ Corporations/ Societies including interest.

As per information collected by the Audit, Off-budget Borrowing amounting to ₹ 504.40 crore was availed through three Government entities during 2018-19; and as on 31 March 2019, Off budget Borrowings including interest amounting to ₹ 878.50 crore mobilised by five Government entities were outstanding. The details are given below.

**Table 1.46: Entity-wise position of Off-budget Borrowings**

Sl. No.	Company/Corporation/ Department/ Board	(₹ in crore)			
		Opening Balance as on 1 April 2018	Borrowings during 2018-19	Repayment during 2018-19	Outstanding as on 31 March 2019 (including interest)
1	Sikkim Industrial Development and Investment Corporation	117.33	176.30	6.83	286.80 <sup>18</sup>
2	Limited	52.15	0	0.66	51.49 <sup>19</sup>

<sup>18</sup> ₹ 40.99 crore taken for purchase of land at Pakyong airport on behalf of Land Revenue and Disaster Management. ₹ 130.81 crore taken for upgradation and carpeting of roads on behalf of Roads and Bridges Department, ₹ 115 crore taken for upgradation and carpeting of roads on behalf of Roads and Bridges Department.

<sup>19</sup> ₹ 14.50 crore taken for payment to Consortium of banks for purchase of land at Pakyong airport on behalf of Land Revenue and Disaster Management ₹ 36.99 crore taken for payment of HUDCO loan instalment for purchase of land. Includes ₹ 1.99 crore as interest.

Sl. No.	Company/Corporation/ Department/ Board	Opening Balance as on 1 April 2018	Borrowings during 2018-19	Repayment during 2018-19	Outstanding as on 31 March 2019 (including interest)
		Total			
3	State Trading Corporation of Sikkim	0	194.00	0.44	194.31 <sup>20</sup>
4	Sikkim Housing and Development Board	2.60 <sup>21</sup>	0	0.17	2.43 <sup>22</sup>
5	Power Department	86.43	134.10	0	221.42 <sup>23</sup>
6	State Institute of Capacity Building (SICB), Karfector, Skill Development Department	116.75	0	0	116.75 <sup>24</sup>
7		5.30	0	0	5.30 <sup>25</sup>
<b>Grand total</b>		<b>380.56</b>	<b>504.40</b>	<b>8.10</b>	<b>878.50</b>

These borrowings had not been availed by the Government entities for their own purposes, but for funding government activities as is shown in the footnotes.

On being pointed out by Audit, Finance Department stated that the borrowings were done by PSUs for funding the capital nature of works of various departments. It added that it had given Guarantees for borrowings at Sl. Nos. 1, 3 and 5 after obtaining the approval of the Government and for borrowings at Sl. Nos. to 2,4,6 and 7 it had given its consent for temporary funding arrangement to be reimbursed by respective departments.

Resorting to off-budget borrowings led to non-incorporation of these borrowings in accounts of the Government and violated the FRBM Act. Non-inclusion of these borrowings in accounts led to understatement of fiscal liabilities by ₹ 878.50 crore as on 31 March 2019 and fiscal deficit by ₹ 504.40 crore for the year 2018-19.

## 1.15 Debt Management

### 1.15.1 Debt Profile

The receipts and payments of debt of the Government such as internal debt, loans and advances from Government of India and other liabilities (*i.e.* small savings, provident funds, reserve funds and deposits) as per Statement 17 (receipt, payment of debt and interest paid on debt) of the Finance Accounts during the period 2014-19 are given in **Table 1.47**.

**Table 1.47: Receipts and payments of debt during 2014-19**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
<b>A. Debt receipts</b>					
(a) Internal Debt	408.12	652.05	776.61	1050.93	1140.09
(i) Market loans	330.00	580.00	744.00	997.21	1088.00
(ii) Other loans	78.12	72.05	32.61	53.72	52.09
(b) Loans and advances from GoI	3.67	2.83	6.73	2.54	5.11

<sup>20</sup> ₹ 194.31 crore taken for procurement of equipment of multi-speciality hospital on behalf of Health Department. Includes ₹ 0.75 crore as interest.

<sup>21</sup> Includes ₹ 0.60 crore as interest.

<sup>22</sup> ₹ 2.43 crore taken for REDRH scheme for supply of material on behalf of Rural Development Department. Includes ₹ 0.43 crore as interest.

<sup>23</sup> ₹ 221.42 crore taken for Chief Minister Rural Housing Mission on behalf of Rural Development Department.

<sup>24</sup> ₹ 116.75 crore taken for settlement of payments for purchase of power by Power Department.

<sup>25</sup> ₹ 5.30 crore taken for meeting the salary expenses of SICB.

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
(c) Other liabilities <sup>26</sup>	572.53	2433.66	1255.63	963.50	861.83
<b>Total</b>	<b>984.32</b>	<b>3088.54</b>	<b>2038.97</b>	<b>2016.97</b>	<b>2007.03</b>
<b>B. Debt repayment (including interest)</b>					
(a) Internal Debt	251.64	243.17	477.71	609.99	709.97
(i) Market loans	152.03	129.55	363.63	490.86	600.48
(ii) Other loans	99.61	113.62	114.08	119.13	109.49
(b) Loans and advances from GoI	20.71	20.85	21.69	20.14	19.83
(c) Other liabilities	566.22	2502.67	669.27	994.27	826.25
<b>Total</b>	<b>838.57</b>	<b>2766.69</b>	<b>1168.67</b>	<b>1624.40</b>	<b>1556.05</b>

Source: Finance Accounts.

During the current year, against total debt receipts of ₹ 2,007.03 crore, the government repaid ₹ 1,556.05 crore as principal and interest on internal debt (₹ 709.97 crore), loans and advances from Central Government (₹ 19.83 crore) and other liabilities (₹ 826.25 crore). As a result, borrowed fund of ₹ 450.99 crore was available at the end of the year.

### 1.15.2 Maturity Profile

As per Annexure to Statement 17 of the Finance Accounts for the year 2018-19, the Maturity Profile of the State debt is as indicated in **Table 1.48**.

**Table 1.48 : Maturity Profile**

Debt maturity	Maturity Profile	Amount (₹ in Crore)			Per cent of Outstanding Public Debt
		Internal Debt	Loans & Advances from GoI	Total	
During 2019-20	0-1 year	403.13	8.19	411.32	8.25
Between 2020-21 & 2021-22	Over 1 year to 2 years	177.48	17.93	195.41	3.92
Between 2022-23 & 2023-24	Over 3 years to 5 years	423.40	17.40	440.80	8.84
Between 2024-25 & 2025-26	Over 6 years to 7 years	980.38	15.32	995.70	19.97
2026-27 onwards	Over 7 years and above	2904.38	38.68	2943.06	59.02
<b>Total</b>		<b>4888.77</b>	<b>97.52</b>	<b>4986.29</b>	<b>100</b>

Source: Finance Accounts

The maturity profile of outstanding stock of public debt as on 31 March 2019 indicated that out of the outstanding public debt of ₹ 4,986.29 crore, 40.98 per cent (₹ 2,043.23 crore) is payable within the next seven years. The remaining 59.02 per cent was in the maturity bracket of above seven years. Of the total outstanding public debt, internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, etc. constituted 98.04 per cent (₹ 4,888.77 crore).

The details of schedule of repayment and actual repayments of debt made during the last seven years are as under.

<sup>26</sup> Small Savings, Provident Funds, Reserve Funds, Deposits, etc.

Table 1.49 : Schedule of repayment and actual repayment of Debt

Particulars	₹ in crore						
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Scheduled payment of debt as per Maturity Profile	72.05	75.24	87.01	195.93	246.17	327.33	375.07
Actual payment	71.12	88.74	87.03	196.12	246.26	342.63	375.88

Source: Finance Accounts

The past track record of repayments as per schedule in conjunction with the proportion of debt repayable in the forthcoming seven years, is indicative of an adequate debt servicing position.

### 1.15.3 Debt Sustainability

Debt sustainability is defined as the ability of the State to service its debt in future. Sustainability of debt therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with increase in capacity to service the debt.

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt/ GSDP ratio, burden of interest payments (measured by interest payments to revenue receipts *per cent*) and maturity profile of State Government securities. The rate of growth of GSDP ranged between 11.14 *per cent* and 17.05 *per cent* during 2014-15 to 2018-19 whereas average interest rate on outstanding debt ranged between 8.12 *per cent* and 8.38 *per cent* during 2014-15 to 2018-19. GSDP growth rate since 2015-16 is much more than the interest paid by the State Government on public debt. **Table 1.50** analyses the debt sustainability of the State for the period of five years beginning from 2014-15.

Table 1.50: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2014-15	2015-16	2016-17	2017-18	2018-19
Total outstanding Debt at year end (₹ in crore)	3481.44	3961.14	4671.18	5451.04	6335.06
Rate of growth of outstanding Debt ( <i>in per cent</i> )	13.46	13.78	17.92	16.69	16.22
GSDP (₹ in crore)	15,407	18,034	20,687	23,494	26,786
Rate of growth of GSDP ( <i>in per cent</i> )	11.14	17.05	14.71	13.57	14.01
Debt/GSDP ratio ( <i>in per cent</i> )	22.60	21.97	22.58	23.20	23.65
Tax Revenue (₹ in crore)	527.54	566.82	652.56	688.33	892.92
Debt Repayment/ Tax Revenue ( <i>in per cent</i> )	158.96	488.10	255.71	235.99	174.27
Average interest rate on o/s debt ( <i>in per cent</i> )	7.31	7.04	7.52	7.16	7.35
Interest payment/ Revenue Receipt <i>in per cent</i>	5.86	6.93	7.04	6.95	7.31
Debt repayment/ Debt receipts	0.85	0.90	0.82	0.81	0.78
Total Debt receipts (₹ in crore)	984.32	3088.54	2038.97	2016.99	2007.04
Total Debt Payment including interest (₹ in crore)	838.57	2766.69	1668.67	1624.39	1556.05
Net Debt available to the State (₹ in crore)	145.75	321.85	370.30	392.60	450.99

Source: Finance Accounts; GSDP (2017-18: Provisional figures, 2018-19: Quick Estimates)

**Table 1.50** reveals that the Debt-GSDP ratio ranged between 21.97 per cent and 23.65 per cent during 2014-15 to 2018-19, whereas Debt-repayment as a percentage of Tax Revenue ranged between 158.96 per cent and 488.10 per cent during 2014-19. At 23.65 per cent, the Debt<sup>27</sup>-GSDP ratio during 2018-19 (**Appendix 1.2**) was above the target of outstanding debt to GSDP (19.32 per cent) determined by XIV FC. Net Debt available to the State were positive during the five years period ending 2018-19 and it increased by 14.87 per cent (₹ 58.39 crore) in 2018-19 compared to the previous year. The trends in Debt-repayment/ Debt receipts ratio fluctuated widely during 2014-19 and decreased to 0.78 during 2018-19 against 0.81 during the previous year (**Appendix 1.2**). The burden of interest payment, which ranged from 5.86 to 7.31 per cent of the Revenue Receipts, has been less than 10 per cent as recommended by the XIV FC in the Fiscal Consolidation Roadmap<sup>28</sup>.

Sustainability of debt of the Government of Sikkim is also assessed in terms of the Domar model in Table 1.51, where the sustainability of debt is based on the relationship between the key fiscal values - public debt, growth rate, interest rate and primary balance. As per this model, for debt to be sustainable, the rate of interest payable on the outstanding debt should be lower than the rate of growth of GSDP (Domar gap); and there should be a primary surplus.

Debt sustainability of Government of Sikkim is given below as per the Domar model.

**Table 1.51: Debt sustainability as per the Domar model**

Year	Growth Rate (g) of GSDP	Average Interest Rate (r)	g-r	Primary Deficit (-) / Surplus (+) (₹ in crore)	Remarks
2014-15	11.14	7.31	3.83	(-) 35.85	As $g-r > 0$ and $s < 0$ , public debt will converge to a stable level
2015-16	17.05	7.04	10.01	(-) 257.85	
2016-17	14.71	7.52	7.19	(+) 410.69	As $g-r > 0$ and $s > 0$ , public debt will converge to a stable level less than zero leading to public savings
2017-18	13.57	7.16	6.41	(-) 99.71	As $g-r > 0$ and $s < 0$ , public debt will converge to a stable level
2018-19	14.01	7.35	6.66	(-) 209.27	

Note: Since the CPI rate for the State is not available in almost all the NER States, the average interest rate, as featured in the SFARs of the respective years, has been taken as 'r' rather than the real interest rate. GSDP is nominal.

The consistently positive Domar gap combined with the indicator analysis above as well as the fiscal consolidation roadmap recommended by the XIV FC is suggestive of a sustainable debt position. However, at the same time it is necessary for Government of Sikkim to exercise caution concerning its debt.

<sup>27</sup> Internal debt, Loans & Advances from GoI and Other Liabilities (Small Savings, Provident Funds, Reserve Funds, Deposits).

<sup>28</sup> Chapter 14: Fiscal Environment and Fiscal Consolidation Roadmap, Paragraph No. 14.64 (ii) of XIV Finance Commission Report.



### 1.16 Effective Revenue Surplus & Fiscal Deficit

The impact on Revenue Surplus and Fiscal Deficit of the Government Sikkim during the year 2018-19 consequent to under-booking of expenditure or non-crediting of receipts is detailed in **Table 1.52**.

**Table 1.52: Impact on Revenue Surplus & Fiscal Deficit**

(₹ in crore)

Item	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement	Under-statement	Over-statement	Under-statement
Short contribution to Consolidated Sinking Fund	24.21	--	--	24.21
Interest on the Deposits (interest bearing) not credited to the Deposit Accounts	2.21	--	--	2.21
Interest liability due to short transfer fund to NSDL	20.45	--	--	20.45
GST not credited to Government Account during the year	--	8.53	8.53	--
<b>Total Impact</b>	<b>38.34 (Overstatement)</b>		<b>38.34 (Understatement)</b>	

As could be seen from the table above, the Revenue Surplus and Fiscal Deficit were overstated and understated by an amount of ₹ 38.34 crore respectively due to short contribution under Consolidated Sinking Fund, Interest on the Deposits (interest bearing) could not be credited to the Deposit Accounts, Interest liability due to short transfer of funds to NSDL and GST not credited to Government Account. Further, non-inclusion of off budget borrowings in accounts led to understatement of fiscal deficit by ₹ 504.40 crore for the year 2018-19 as stated in Para 1.14.3.2.

### 1.17 Conclusion

- During the five-year period of 2014-19, State had consistently maintained Revenue Surplus, but it decreased by 34.61 *per cent* (₹ 367.15 crore) in 2018-19 compared to the previous year. The State had a Fiscal Deficit during four years in the five-year period 2014 -19 (except 2016-17), and the deficit increased by 39.07 *per cent* to ₹ 642.32 crore in 2018-19 from 2017-18.
- The Government had not transferred ₹ 29.55 crore under National Pension System to the NSDL as on 31 March 2019. Thus current liability stood deferred to future year(s) and created an atmosphere of uncertainty about the rate of return to accrue to the employees concerned.
- The Government had achieved the targets set under FRBM Act for 2018-19 in respect of Revenue Surplus, Fiscal Deficit and Outstanding Guarantees, but Outstanding Debt was more than the target set in the Act. Additionally the Government resorted to Off-budget Borrowings of ₹ 504.40 crore during 2018-19 and balance of such borrowings stood at ₹ 875.50 crore at the end of 2018-19.
- Fiscal Liabilities of the State increased by 16.22 *per cent* from ₹ 5,451.04 crore in 2017-18 to ₹ 6,335.06 crore in 2018-19. The Fiscal Liabilities grew at faster rate than the GSDP during 2018-19.

- GST revenue amounting to ₹ 8.53 crore of 2018-19 transferred by RBI to Central Bank of India (CBI), was not credited to Government Account till January 2020. This was indicative of weak internal controls in the Finance Department of the State.
- The Government had huge cash balances persistently and substantial cash balances were invested in term deposits yielding low rate of interest, while at the same time it borrowed money from the market at higher rates of interest. There was difference in cash balance as per accounts of the Government and the records of State Bank of Sikkim.
- The return from investments made in State Public Sector Undertakings (SPSUs) was only 4.15 *per cent* during 2018-19 and some of the PSUs were incurring recurring losses.
- There were 201 Incomplete Projects (estimated cost ₹ 1,508.53 crore) as on 31 March 2019 on which an expenditure amounting to ₹ 666.41 crore had been incurred, out of which, 90 projects were due to be completed by 31 March 2019.

#### **1.18 Recommendations**

- *The State Government should ensure due amount of New Pension System is transferred to NSDL in a timely manner.*
- *The Government should adhere to targets of FRBM Act, set for outstanding debts. Further, in order to depict complete picture of liabilities in the Government accounts, resorting to off-budget borrowings should be stopped.*
- *The Government should put in place a mechanism to ensure the amounts received from Government of India, through RBI are deposited into Government account without delay.*
- *The Government should frame a policy on prudent cash balance management. State Government should consider restricting market borrowings by utilising the existing cash balances to the extent possible before resorting to market borrowings at higher rates of interest.*
- *The Government should review the working of State PSUs making recurring losses and take appropriate action for their closure/ revival.*
- *Monitoring should be strengthened to ensure completion of projects within scheduled time.*