

CHAPTER-I
FINANCES OF THE
STATE

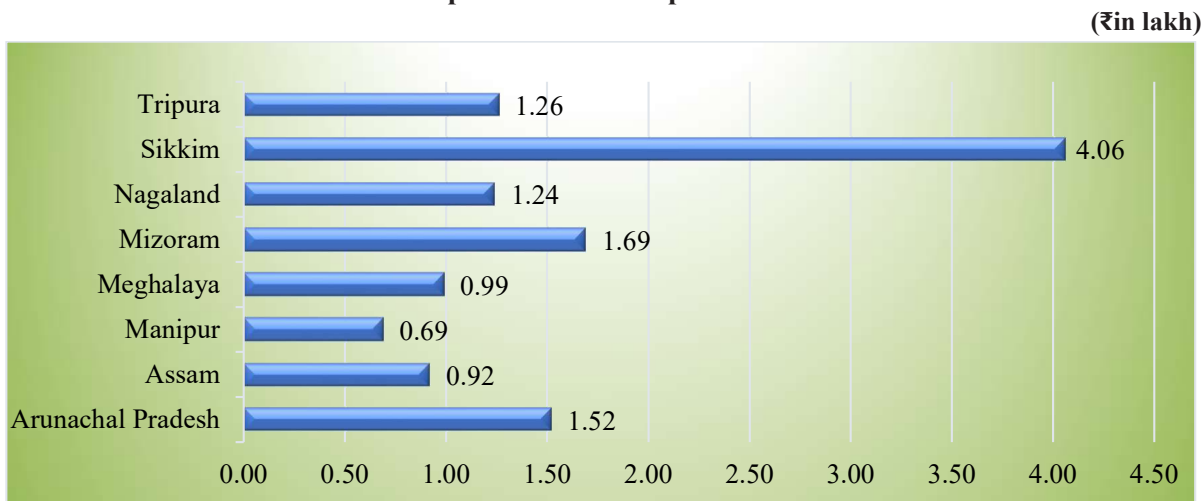
Chapter 1 Finances of the State

1.1 Profile of the State

Mizoram is situated in the North-Eastern Region (NER) of India bordering three of the seven States in the NER¹ and shares international border with Myanmar and Bangladesh. It is the fifth smallest State of India in terms of geographical area (21,081 sq.km.) and second least populated State in the country. The population of the State increased from 8,88,573 in 2001 to 10,97,206 in 2011, recording a decadal growth of 11.54 *per cent* during 2009 to 2019, which was less than the 11.91 *per cent* of the Special Category States (SCS) and lower than the all India growth rate of 12.84 *per cent*.

The State has eleven districts and three Autonomous District Councils (ADCs). It has been designated as a SCS in terms of the Gadgil formula, which ensured that 90 *per cent* of funding for Centrally Sponsored Schemes (CSS) is received as a grant from the Central Government. The per capita income of the State at current prices was ₹1,68,626 during 2018-19, which was more than the average of SCS of ₹1,37,174 and all India average of ₹1,42,719. A comparison of per capita income of the State during 2018-19 with other NER States is given in **Chart-1.1**.

Chart-1.1: Comparison of Per Capita Income in 2018-19



Source: GSDP figures furnished by the respective State Governments and population data from Census 2011

General and financial data relating to the State is given in **Appendix-1.1, Part A**.

1.2 Basis for State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Mizoram for the year ending 31 March 2019 has been prepared by the CAG for submission to the Governor of Mizoram under Article 151 (2) of the Constitution of India.

¹ Assam, Manipur and Tripura

Principal Accountant General (Accounts) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for the keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2018-19 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2018-19 forms an important source of data – both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit), Mizoram at the State Secretariat as well as at the field level during the year;
- Other data with departmental authorities and Treasuries [accounting as well as Management Information System (MIS)];
- GSDP data and other State related statistics from the Directorate of Economics and Statistics Department, Government of Mizoram (GoM); and
- Various audit reports of the CAG of India during 2014-19 have also been used to prepare this analysis/commentary as appropriate.

The analysis has been carried out in the context of recommendations of the Fourteenth Finance Commission (XIV FC), Mizoram Fiscal Responsibility and Budget Management (MZFRBM) Act, best practices and guidelines of the Government of India (GoI). The draft report was forwarded to the State Government in February 2020 for comments. An exit conference was held in March 2020 with the Officials of the Finance Department, wherein the audit findings were discussed and the replies of the Government, both written as well as those expressed during the exit conference, have been incorporated in this report at appropriate places.

This chapter provides a broad perspective of the finances of the GoM during 2018-19. It also analyses critical changes in the major fiscal aggregates relative to the previous year, keeping in view the overall trends during the last five years. Acts and Rules which regulate major receipts of the State Government are the Mizoram Motor Vehicles Taxation (Amendment) Act, 2015; Mizoram Goods and Services Tax Act, 2017; Mizoram Water Supplies (Control) (Amendment) Rules, 2011 (came into effect from November 2014) and Mizoram Liquor (Prohibition and Control) Act, 2014.

1.3 Budgetary Processes

GoM had not prepared its Budget manual so far. While formulating its Budget for 2018-19, the State Government introduced several significant and proactive policy and legislative reforms to promote the overall development of the State and its people by preparing comprehensive plans and projects.

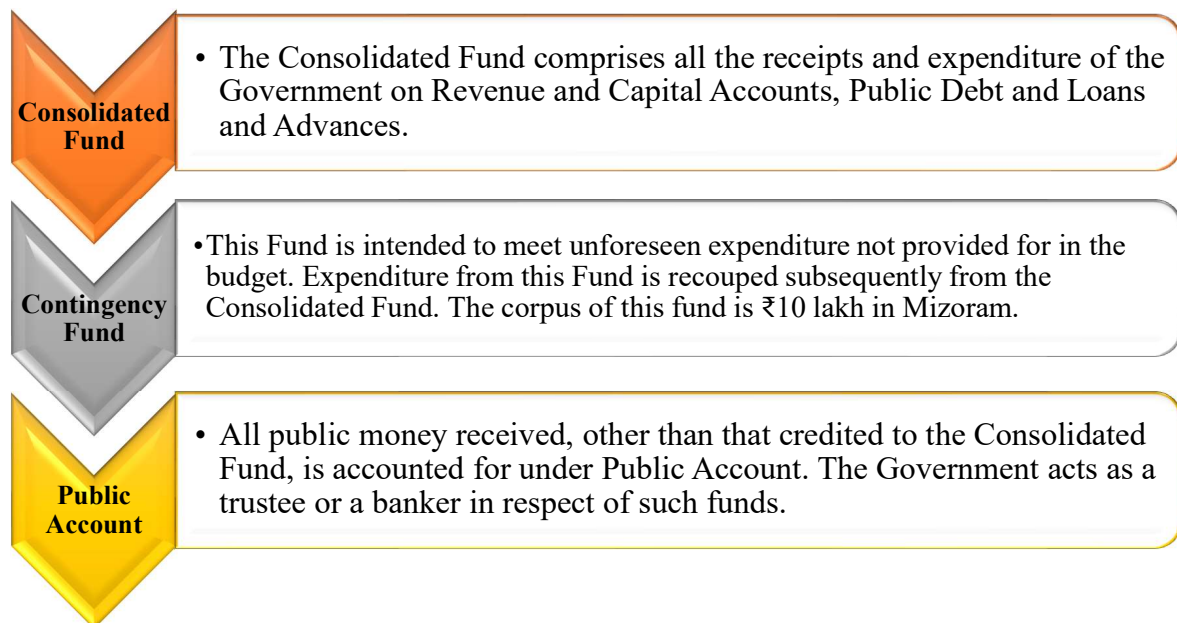
GoM announced a New Economic Development Policy (NEDP) during 2016-17 with the objective of increasing productivity in Agriculture and Allied activities, promoting market economy to create employment avenues and necessary infrastructure facilities. The State Government gave thrust to the following areas in its Budget 2018-19:

- Facilities for actualisation of the common requirement of people and society;
- Infrastructure development;
- Sustainable energy system development;
- Improved health care;
- Improving the quality of education, skill development and create an eco-system of entrepreneurship; and
- Revitalising the enthusiasm of the farmers.

1.4 Structure of Government Accounts

It is necessary to understand the structure of Government accounts in order to appreciate the analysis of the finances of the State Government given in this report.

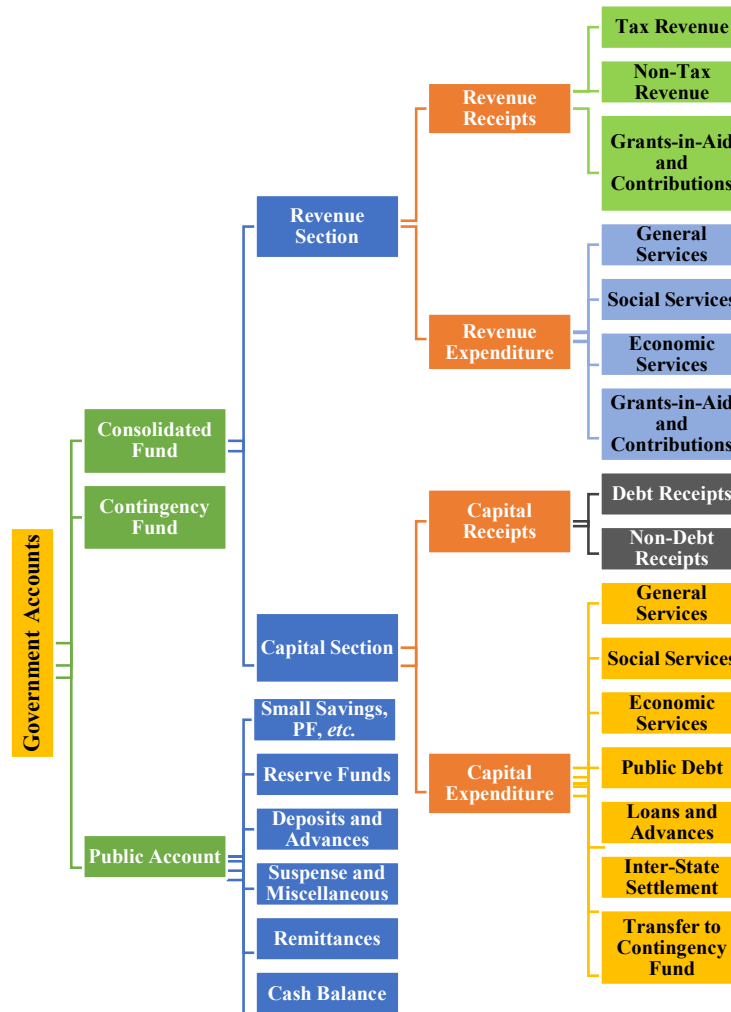
Government accounts are defined by the twin principles of Fund based accounting and functional classification of transactions of the Government. Fund based accounting system involves sourcing and allocating all receipts and disbursements to one of the three Funds, viz., Consolidated Fund, Contingency Fund and Public Account. These Funds are created by the Constitution and function as instruments of public accountability. The details and purpose of each of these Funds are given below.



Functional classification involves arranging the receipts and expenditure by economic categories, distinguishing the Government transactions into Sections like revenue and capital (including public debt, loans and advances), Sectors like tax revenue, other revenue and grants-in-aid, Sub-sectors like taxes on income and expenditure, fiscal services, etc. On the expenditure side also, the transactions are classified into Sectors viz., general services, economic services, social services and grants-in-aid and contributions and sub-divided into Major heads of account below these Sectors.

Major heads of account falling within the Consolidated Fund generally correspond to ‘Functions’ of Government, such as ‘Agriculture’, while Minor heads subordinate to them identify the ‘Programme’ undertaken to achieve the objectives of the function represented by the Major head. A programme may consist of a number of schemes or activities and these generally, correspond to ‘Sub-head’ below the Minor head. ‘Detailed head’ below the sub-head, is primarily meant for itemised control over expenditure and indicates the object or nature of expenditure on a scheme or activity in terms of inputs such as ‘Salaries’, ‘Office Expenses’, ‘Grants-in-Aid’, *etc.*

A pictorial depiction of the structure of Government Accounts is given below.



The annual accounts of the State Government comprise Finance Accounts and Appropriation Accounts. The Finance Accounts are laid out in 22 Statements; the layout is depicted in **Appendix-1.1, Part B**.

The time-series data depicting the finances of the State over the five-year period 2014-19 is given in **Appendix-1.2**.

1.5 Gross State Domestic Product

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important

indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time. Trends in annual growth of the State's GSDP (nominal) *vis-à-vis* that of the country are given below in **Table-1.1**.

Table-1.1: Trends in annual growth of GDP and GSDP

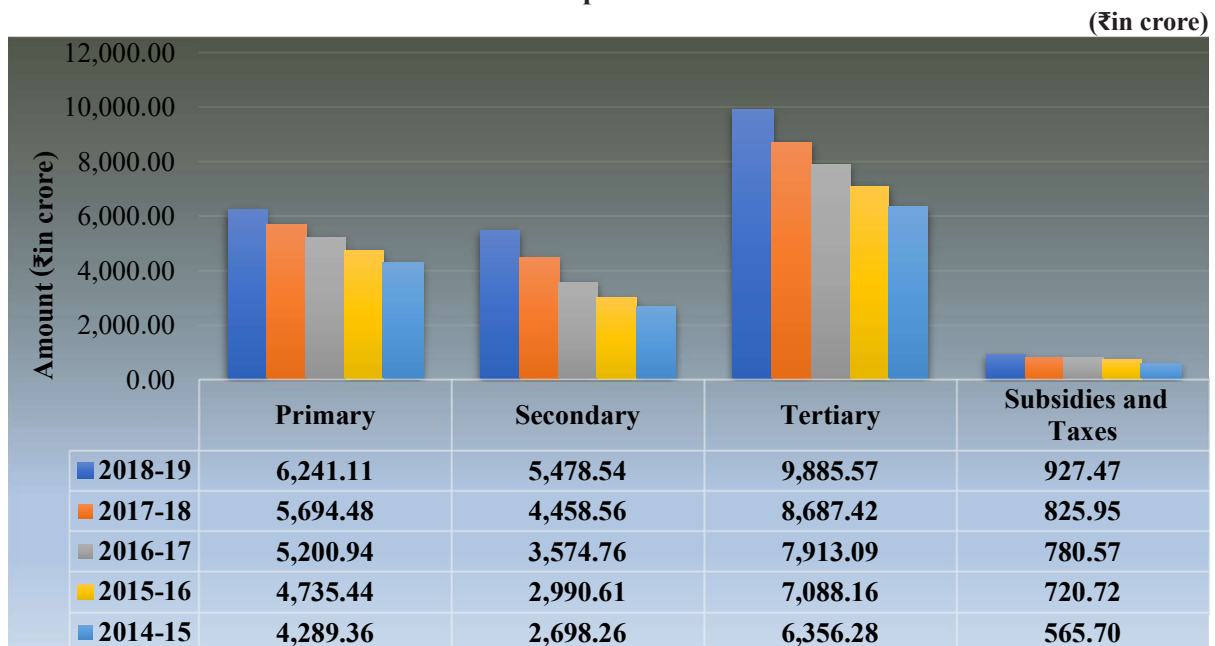
(₹in crore)					
Year	2014-15	2015-16	2016-17	2017-18	2018-19
India's GDP	1,24,67,959	1,37,71,874	1,53,62,386 (2 nd RE)	1,70,95,005 (1 st RE)	1,90,10,164 (PE)
Growth in per cent	10.99	10.46	11.55	11.29	11.20
State's GSDP	13,509	15,139	17,192	19,329(PE)	22,241(QE)
Growth in per cent	31.24	12.07	13.56	12.43	15.07

Source: GoI's Economic Survey 2018-19 and Directorate of Economics and Statistics, GoM
RE: Revised Estimates; PE: Provisional Estimates and QE: Quick Estimates

As can be seen from the details tabulated above, the GSDP of Mizoram grew at a higher rate during the five-year period 2014-19 compared to the national growth rate, with inter-year variations.

Sectoral composition of GSDP of the State is given in **Chart-1.2**. (Definition of sectors is given in **Appendix-1.1 Part C**).

Chart-1.2: Sectoral composition of GSDP in 2018-19



Source: Information furnished by the Directorate of Economics and Statistics, GoM

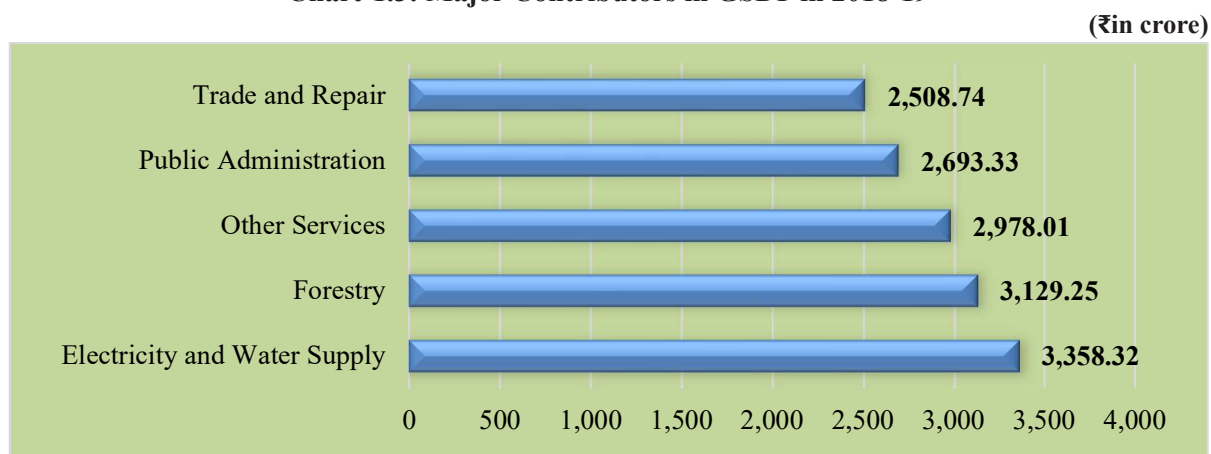
During the five-year period 2014-19, the tertiary sector was the major contributor to the GSDP with 46 per cent followed by the primary sector with 30 per cent and secondary sector with 22 per cent. Subsidies and taxes formed two per cent of GSDP. The sector-wise increase is discussed below:

- (i) Primary Sector increased by ₹1,951.75 crore during the period 2014-19 at a Compound Annual Growth Rate (CAGR) of 9.83 per cent. The major contributors in this sector were forestry and lodging (55 per cent) and agriculture (28 per cent). The increase of ₹546.63 crore (9.60 per cent) over the previous year was primarily due to activities under 'Livestock' and 'Mining and Quarrying' by 41.01 and 31.85 per cent respectively, over the previous year.

- (ii) Secondary Sector increased by ₹2,780.28 crore during the period 2014-19 at a CAGR of 19.37 per cent. The major contributors to the increase were electricity, gas, water supply and other utility services (55 per cent) and construction (42 per cent). The increase of ₹1,019.98 crore (22.88 per cent) during 2018-19 over the previous year was also due to the contribution of 'Electricity, Gas, Water Supply and Other Utility Services' by 30.89 per cent over the previous year.
- (iii) Tertiary Sector increased by ₹3,529.29 crore during the period 2014-19 at a CAGR of 11.67 per cent. The major contributors to the increase were Other services (30 per cent), public administration (55 per cent) and trade and repair services (28 per cent). The increase of ₹1,198.15 crore (13.79 per cent) during 2018-19 over the previous year was primarily due to increase under 'Trade, Hotels and Restaurants', 'Public Administration', 'Transport by means other than Railways' and 'Other Services' by 18.83, 13.86, 12.54 and 12.28 per cent respectively, over the previous year.
- (iv) Taxes/subsidies on products increased by ₹361.77 crore at a CAGR of 39.98 per cent during the period 2014-19. During 2018-19, there was an increase of ₹147.17 crore (30.15 per cent) over the previous year due to an increase under 'Taxes on products' by 18.92 per cent while the 'subsidies on products' decreased by 13.52 per cent over the previous year.

Major contributors to GSDP (₹22,240.57 crore) during 2018-19 are depicted in **Chart-1.3**.

Chart-1.3: Major Contributors in GSDP in 2018-19



Source: GSDP figures furnished by the Directorate of Economics and Statistics, GoM

1.6 Fiscal Correction Path

State Government enacted the Mizoram Fiscal Responsibility and Budget Management (MZFRBM) Act, 2006 in line with the Union FRBM Act, 2003, to ensure stability and sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove impediments to effective conduct of fiscal policy and prudent debt management.

In line with the recommendations of XIII Finance Commission (2010-15), the MZFRBM Act was subsequently amended twice, with the latest amendment being in March 2011.

1.6.1 MZFRBM targets on Key Fiscal Parameters and achievement thereon

In addition to the Fiscal Correction Path (FCP), the State Government is required to prepare every year, as per the provisions of the MZFRBM Act, 2006, a Medium Term Fiscal Policy Statement (MTFPS) showing the rolling fiscal targets. However, the MZFRBM Act was not amended in line with the XIV FC recommendation.

The status of achievement *vis-à-vis* projections set by the XIV FC during the period 2015-16 to 2018-19 is given below:

Table-1.2: Compliance with the projections of XIV FC

Fiscal Parameters	XIV FC projections	Achievement			
		2015-16	2016-17	2017-18	2018-19
Revenue Deficit (-)/ Surplus (+) (₹in crore)	Revenue Surplus	1,105.54	1,167.96	1,699.43	1,533.91
		✓	✓	✓	✓
Fiscal Deficit (-)/ Surplus (+)	Three <i>per cent</i> of GSDP	₹413.28 crore*	₹251.95 crore*	1.66	1.59
		✓	✓	✓	✓
Ratio of total outstanding debt to GSDP (<i>per cent</i>)	Projections	42.23	39.12	37.77	32.89
	2015-16: 55.85				
	2016-17: 52.55	✓	✓	✓	✓
	2017-18: 49.63				
	2018-19: 47.05				

Source: XIV FC Report and Finance Accounts of respective years

* Achievement of 2015-16 and 2016-17 presented in amount as there was Fiscal Surpluses

State Government was successful in maintaining Revenue Surplus, Fiscal Deficit and debt-GSDP ratio as projected in XIV FC Report during the four years of the award period (2015-20). Further, there was Fiscal Surplus of ₹413.28 crore in 2015-16 and ₹251.95 crore in 2016-17 due to higher devolution of State's share of Union taxes and duties.

1.7 Trends in key Fiscal Parameters

Deficit is an indicator 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 MZFRBM Act/Rules for the financial year 2018-19.

1.7.1 What are deficit and surplus?

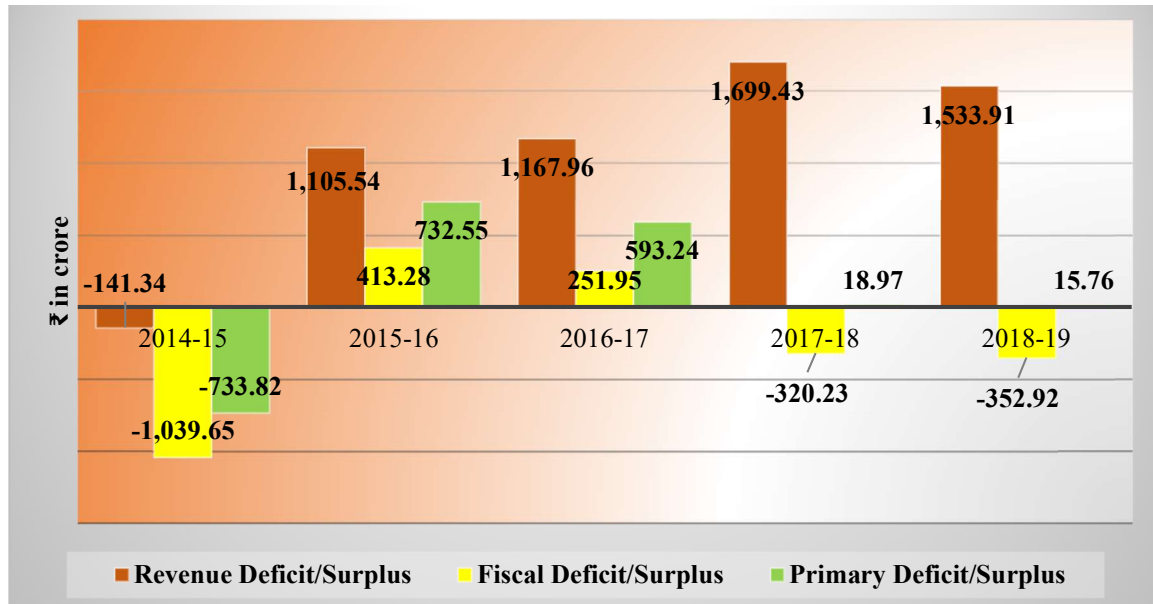
Revenue Deficit/Surplus	<i>Refers to the gap between Revenue Receipts and Revenue Expenditure.</i>
Fiscal Deficit/Surplus	<i>This is the difference between the Revenue Receipts plus Non-Debt Capital Receipts and the Total Expenditure. Fiscal Deficit is reflective of the total borrowing requirements of Government.</i>
Primary Deficit/Surplus	<i>Primary Deficit is measured as Fiscal Deficit less Interest Payments.</i>

Source: Budget at a Glance, Government of India 2018-19

1.7.2 Trend of Deficit/Surplus

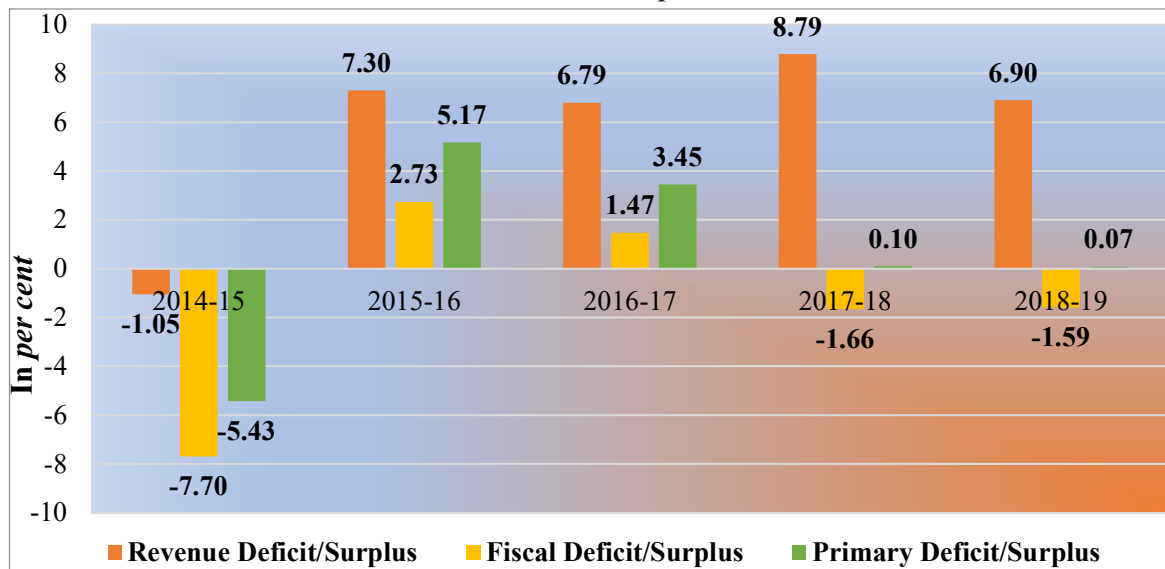
The State was successful in maintaining the projections of the XIV FC during 2015-19 with regard to the key fiscal parameters. It had a Fiscal Deficit of ₹352.92 crore during the year 2018-19, representing 1.59 per cent of the GSDP constituting 3.75 per cent of the total expenditure. The Primary Surplus of ₹18.97 crore during 2017-18 was reduced to ₹15.76 crore during the current year. The trend of these surpluses and deficits over the five year period from 2014-15 to 2018-19 is depicted in **Chart-1.4** and **Chart-1.5** below:

Chart-1.4: Trends in Deficit/Surplus



Source: Finance Accounts of respective years

Chart-1.5: Trends in Deficit/Surplus relative to GSDP



Source: Finance Accounts of respective years

1.7.3 Components of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in **Table-1.3**.

Table-1.3: Components of Fiscal Deficit and its financing pattern

(₹in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Decomposition of Fiscal Deficit/Surplus	(-1,039.65)	413.28	251.95	(-320.23)	(-352.92)
Revenue Deficit/Surplus	(-)141.34	1,105.54	1,167.96	1,699.43	1,533.91
Net Capital Expenditure	(-)927.51	(-)710.97	(-)911.41	(-)1,996.35	(-)1,868.47
Net Loans and Advances	29.20	18.71	(-) 4.60	(-)23.31	(-)18.36
Financing Pattern of Fiscal Deficit/Surplus*					
Market Borrowings	175.82	60.17	467.35	277.51	(-)123.22
Loans from GoI	(-)14.27	(-)16.95	(-)14.13	(-)14.16	(-)10.87
Special Securities Issued to NSSF	23.17	11.57	(-)14.33	(-)15.01	(-)16.27
Loans from Financial Institutions	13.68	(-)37.45	3.71	172.85	40.35
Compensation and other Bonds	(-)4.56	(-)4.56	0.00	0.00	0.00
Small Savings, PF, etc.	310.74	383.36	62.75	(-)179.14	(-)361.19
Deposits and Advances	433.51	(-)533.74	(-)181.80	325.82	489.63
Suspense and Miscellaneous	(-)80.63	(-)86.66	(-)799.52	(-)34.42	319.15
Remittances	93.64	(-)33.46	99.78	(-)69.59	(-)86.53
Reserve Funds	(-)1.17	(-)5.21	(-)5.60	7.43	(-)2.76
Increase/decrease in Cash Balance with RBI	89.72	(-)150.37	129.84	(-)151.05	104.63
GSDP	10,413.89	13,373.83	15,211.93	17,739.33	22,240.57
Fiscal Deficit/Surplus	(-1,039.65)	413.28	251.95	(-320.23)	(-352.92)
(per cent of GSDP)	(7.70)	(3.09)	(1.65)	(1.81)	(1.59)

Source: Finance Accounts of respective years

All figures are net of disbursements/outflows during the year

Figures in red denotes Fiscal Deficits to GSDP during 2014-15, 2017-18 and 2018-19

The above table shows that there was a huge Fiscal Deficit of ₹1,039.65 crore during 2014-15 which improved to Fiscal Surplus of ₹413.28 crore and ₹251.95 crore during 2015-16 and 2016-17 respectively. However, the State returned to Fiscal Deficit during 2017-18 at ₹320.23 crore, which increased to ₹352.92 crore in 2018-19. The deficit was financed mainly through Deposits and Advances, net receipts from Suspense and Miscellaneous transactions and borrowings from Financial Institutions.

1.8 Major changes in key fiscal aggregates vis-à-vis 2017-18

Table below gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2018-19, compared to the previous year.

Table-1.4: Changes in key fiscal aggregates in 2018-19 compared to 2017-18

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue Receipts of the State increased by 5.35 per cent ➤ Own Tax Revenue of the State increased by 33.12 per cent ➤ Own Non-Tax Revenue increased by 15.18 per cent ➤ State's Share of Union Taxes and Duties increased by 13.11 per cent ➤ Grants-in-Aid from GoI decreased by 4.11 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 9.08 per cent ➤ Revenue Expenditure on General Services increased by 20.37 per cent ➤ Revenue Expenditure of Social Services increased by 12.58 per cent ➤ Revenue Expenditure on Economic Services decreased by 7.82 per cent
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure decreased by 6.41 per cent ➤ Capital Expenditure on General Services decreased by 17.48 per cent ➤ Capital Expenditure of Social Services increased by 24.20 per cent ➤ Capital Expenditure on Economic Services decreased by 20.23 per cent
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursement of Loans and Advances decreased by 9.86 per cent ➤ Recoveries of Loans and Advances increased by 2.40 per cent
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts decreased by 84.99 per cent ➤ Repayment of Public Debt decreased by 48.36 per cent
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts increased by 17.51 per cent ➤ Public Account Disbursement increased by 23.72 per cent
Cash Balances	<ul style="list-style-type: none"> ➤ Cash Balance decreased by 60.54 per cent

Each of the above indicators is analysed in the succeeding paragraphs.

1.9 Sources and Application of Funds

Table-1.5 compares the sources and application of funds of the State during 2018-19 with 2017-18.

Table-1.5: Details of Sources and Application of funds during 2018-19 compared to 2017-18

(₹in crore)

Particulars		2017-18	2018-19	Increase/Decrease
Sources	Opening Cash Balances	182.16	593.89	411.73
	Revenue Receipts	8,580.20	9,039.50	459.30
	Recoveries of Loans and Advances	21.64	22.16	0.52
	Public Debt Receipts (Net)	421.18	(-)110.01	(-)531.19
	Public Account Receipts (Net)	310.78	103.41	(-)207.37
	Total	9,515.96	9,648.95	132.99
Application	Revenue Expenditure	6,880.77	7,505.59	624.82
	Capital Expenditure	1,996.35	1,868.47	(-)127.88
	Disbursement of Loans and Advances	44.95	40.52	(-)4.43
	Closing Cash Balance	593.89	234.37	(-)359.52
	Total	9,515.96	9,648.95	132.99

Source: Finance Accounts of respective years

1.10 Summary of Current Year Fiscal Transactions

Table-1.6 below presents a summary of State Government's fiscal transactions during 2018-19 vis-à-vis the previous year (2017-18). Details of receipts and disbursements as well as the overall fiscal position during 2018-19 are also presented at Appendix-1.3.

Table-1.6: Summary of fiscal transactions in 2018-19 vis-à-vis 2017-18

(₹in crore)

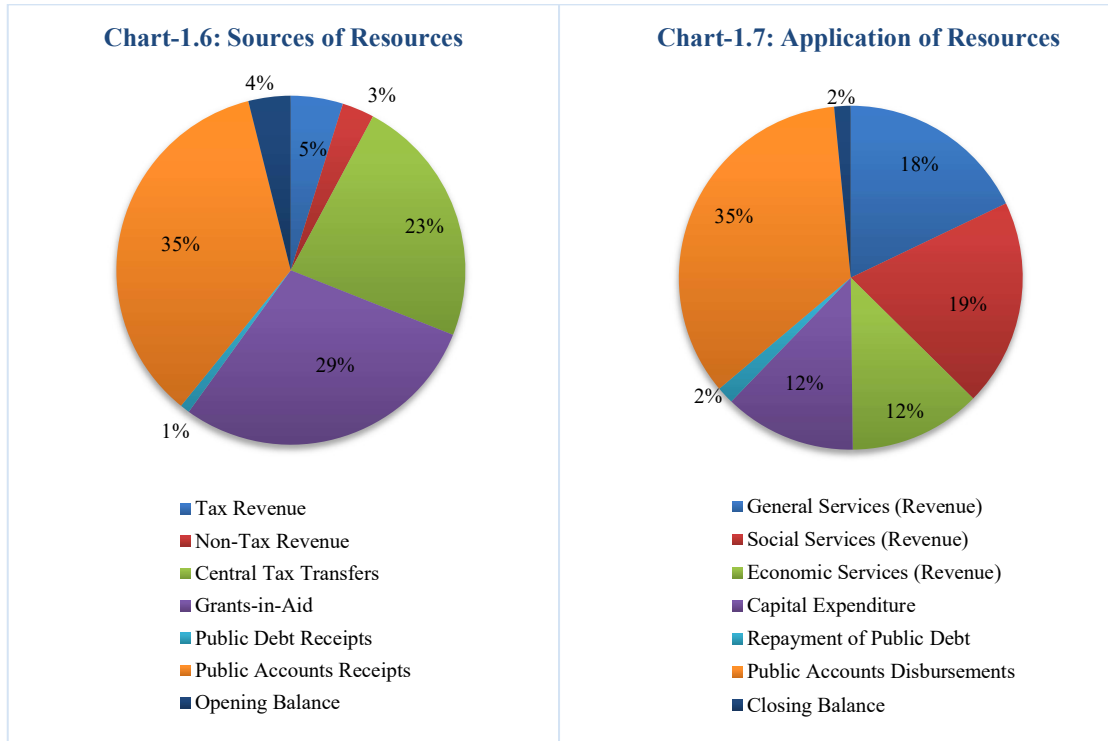
Receipts	2017-18	2018-19	Disbursements	2017-18	2018-19		
					State Plan	CSS	Total
Section-A: Revenue							
Revenue Receipts	8,580.20	9,039.50	Revenue Expenditure	6,880.77	6,384.18	1,121.41	7,505.59
Tax Revenue	545.91	726.70	General Services	2,239.14	2,569.40	125.82	2,695.22
Non-Tax Revenue	390.65	449.96	Social Services	2,606.53	2,281.60	652.85	2,934.45
Share of Union Taxes/Duties	3,097.05	3,502.96	Economic Services	2,035.10	1,533.18	342.74	1,875.92
Grants from GoI	4,546.59	4,359.88	Grants-in-Aid and Contributions	---	---	---	---
Section-B: Capital							
Misc. Capital Receipts	---	---	Capital Outlay	1,996.35	1,377.90	490.57	1,868.47
Recoveries of Loans and Advances	21.64	22.16	Loans and Advances disbursed	44.95	---	---	40.52
Public Debt Receipts	894.14	134.22	Repayment of Public Debt	472.96	---	---	244.23
Contingency Fund	---	---	Contingency Fund	---	---	---	---
Public Account Receipts	4,521.83	5,313.51	Public Account Disbursement	4,211.05	---	---	5,210.10
Opening Cash Balance	182.16	593.89	Closing Cash Balance	593.89	---	---	234.37
Total	14,199.97	15,103.28	Total	14,199.97	--	--	15,103.28

Receipts	2017-18	2018-19	Disbursements	2017-18	2018-19		
					State Plan	CSS	Total
Section-C: Fiscal Parameters						2017-18	2018-19
Revenue Surplus						1,699.43	1,533.91
Fiscal Deficit						320.23	352.92
Primary Surplus						18.97	15.76

Source: Finance Accounts for the years 2017-18 and 2018-19

* The Finance Accounts do not contain these figures

The percentage share of various revenue resources of 2018-19 and their application is given in the **Chart-1.6** and **1.7**.



Source: Finance Accounts, 2018-19

In both composition and application of resources, the share of receipts and disbursement of loans and advances were less than one per cent

Significant changes during 2018-19 over 2017-18 are given below:

- Revenue Receipts increased by ₹459.30 crore (5.35 per cent) over the previous year due to significant increase in Tax Revenue by 33.12 per cent (₹180.79 crore), Non-Tax Revenue by 15.18 per cent (₹59.31 crore) and Share of Union Taxes/Duties by 13.11 per cent (₹405.91 crore). Revenue Receipts (₹9,039.50 crore) were higher by ₹130.07 crore (1.46 per cent) than the assessment of State Government in its FCP (₹8,909.43 crore).
- Revenue Expenditure increased by ₹624.82 crore (9.08 per cent) and Capital Expenditure decreased by ₹127.88 crore (6.41 per cent) respectively over the previous year. Revenue Expenditure was higher by ₹325.97 crore (4.54 per cent) over the assessment made by the State Government in its FCP (₹7,179.62 crore). Further, Capital Expenditure (₹1,868.47 crore) was lower by ₹114.91 crore (5.79 per cent) over the projection made by the State Government in its FCP (₹1,983.38 crore).
- Disbursement of Loans and Advances decreased by ₹4.43 crore (9.86 per cent), while recoveries of the same increased marginally by ₹0.52 crore (2.40 per cent) over the

previous year. Disbursement as well as recoveries of Loans and Advances were lower by 10.75 per cent and 37.52 per cent respectively over the projections made by the Government in its FCP (₹45.40 crore and ₹35.47 crore respectively).

- Public Debt Receipts decreased by ₹759.92 crore (84.99 per cent) over the previous year and was lower by 81.56 per cent over the projections made by the Government in its FCP (₹727.75 crore). Repayment of Public Debt decreased by ₹228.73 crore (48.36 per cent) over the previous year and was lower (14.00 per cent) over the projections made by the Government in its FCP (₹283.98 crore).
- Public Account Receipts increased by ₹791.68 crore (17.51 per cent) and Disbursements increased by ₹999.05 crore (23.72 per cent) over the previous year. Public Account Receipts were higher by 58.51 per cent and Disbursements were higher by 67.85 per cent over the projections made by the Government in its FCP (₹3,352.24 crore and ₹3,104.01 crore respectively).
- Cash balance of the State decreased by ₹359.52 crore from ₹593.89 crore during 2017-18 to ₹234.37 crore in 2018-19. Similarly, the investments from cash balances fell by ₹298.12 crore from ₹369.13 crore in 2017-18 to ₹71.01 crore in 2018-19.
- The total inflow of receipts increased by ₹491.58 crore (3.51 per cent) from ₹14,017.81 crore in 2017-18 to ₹14,509.39 crore in 2018-19. The total outflow also increased by ₹1,262.83 crore (9.28 per cent) from ₹13,606.08 crore in 2017-18 to ₹14,868.91 crore in 2018-19.

1.11 Budget Estimates and Actuals

Budget Estimates (BE) provide description of projections or estimates of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the BE are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of reasons. Some of the reasons are within the control of the Government while some are beyond its control. **Table-1.7** presents the consolidated picture of Actuals *vis-à-vis* BE and RE of the State during 2018-19.

Table-1.7: Variation in major items – Actuals over BE and RE (2018-19)

(₹in crore)

Parameters	2018-19			Percentage of variation <i>w.r.t.</i>	
	BE	RE	Actuals	BE	RE
Revenue Receipts	8,909.43	8,673.91	9,039.50	1.46	4.21
Tax Revenue	483.34	483.34	726.70	50.35	50.35
Non-Tax Revenue	323.85	323.85	449.96	38.94	38.94
Recoveries of Loans and Advances	35.47	35.47	22.16	(-)37.52	(-)37.52
Revenue Expenditure	7,179.62	8,142.53	7,505.59	4.54	(-)7.82
Interest Payment	390.08	390.08	368.68	(-)5.49	(-)5.49
Capital Expenditure	1,983.38	2,213.09	1,868.47	(-)5.79	(-)15.57
Disbursement of Loans and Advances	45.40	46.60	40.52	(-)10.75	(-)13.05
Revenue Deficit/Surplus	1,729.81	531.38	1,533.91	(-)11.32	188.67
Fiscal Deficit/Surplus	263.50	1,692.84	352.92	33.94	(-)79.15
Primary Deficit/Surplus	126.58	1,302.76	15.76	(-)87.55	(-)98.79

Source: Annual Financial Statement and Finance Accounts, 2018-19

The variations between the estimates and actuals were as follows:

- During 2018-19, compared to the BE, the Revenue Receipts and Revenue Expenditure were higher due to increase in State's Own Resources (Tax and Non-Tax Revenue) by ₹369.47 crore offset by decrease in State's share of Union taxes and duties (₹122.36 crore) and Grants-in-Aid from GoI (₹117.04 crore). Similarly, Revenue Expenditure was higher than BE mainly due to increases in Social (₹443.00 crore) and Economic (₹58.98 crore) Services which was offset by decrease in General Services (₹178.01 crore).
- The actual collection of Tax Revenue during the year 2018-19 increased by ₹243.36 crore (50.35 per cent) over the BE due to increase in State Goods and Services Tax (₹404.73 crore) offset by a decrease in Taxes on Sales, Trades, etc. (₹171.87 crore).
- The increase in Non-Tax Revenue was ₹126.11 crore (38.94 per cent) as compared to BE for 2018-19 due to increase in Interest Receipts (₹33.60 crore), Power (₹71.53 crore) and Roads and Bridges (₹20.83 crore) offset by a decrease in Miscellaneous General Services (₹6.19 crore).

1.12 Buoyancy Ratios

Buoyancy Ratios² indicate the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. The trends in Revenue Receipts as well as buoyancy ratios relative to GSDP are presented in **Table-1.8**:

Table-1.8: Buoyancy Ratios of Receipts in comparison to GSDP

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Receipts (RR) (₹in crore)	5,511.10	6,676.40	7,398.30	8,580.20	9,039.50
Rate of growth of RR (<i>per cent</i>)	15.66	21.14	10.81	15.98	5.35
State's Own Tax Revenue (OTR) (₹in crore)	266.52	358.41	441.81	545.91	726.70
Rate of growth of OTR (<i>per cent</i>)	15.99	34.48	23.27	23.56	33.12
RR/GSDP (<i>per cent</i>)	40.79	44.10	43.03	44.39	40.64
Buoyancy Ratios					
Revenue Buoyancy <i>w.r.t.</i> GSDP	0.50	1.75	0.80	1.29	0.36
State's Own Tax Buoyancy <i>w.r.t.</i> GSDP	0.51	2.86	1.72	1.90	2.20
Revenue Buoyancy <i>w.r.t.</i> State's Own Taxes	0.98	0.61	0.46	0.68	0.16

Source: Finance Accounts of the respective years

- The rate of growth of Revenue Receipts showed significant inter-year variations during the period 2014-19 and ranged from 15.66 per cent (2014-15) to 21.14 per cent (2015-16) and decreased significantly to 5.35 per cent in 2018-19.
- Revenue Receipts *vis-à-vis* GSDP exhibited inter-year variations during the period 2014-19 and decreased from 44.39 per cent in 2017-18 to 40.64 per cent in 2018-19. The State's Own Tax Buoyancy *vis-à-vis* GSDP showed an increasing trend during the period 2014-19 followed by a fall in 2016-17, which progressively improved in the succeeding years and stood at 2.20 in 2018-19. However, the Revenue Buoyancy *vis-à-vis* State's Own Taxes showed inter-year variations during the period 2014-19 and decreased from 0.68 in 2017-18 to 0.16 in 2018-19.

² Buoyancy ratio of Revenue Receipts with GSDP of more than one indicates that the growth rate of Revenue Receipts would be much higher than the growth rate of the GSDP

1.13 Major policy initiatives in Budget Speech

The budget speech of the Finance Minister indicated allocations for various schemes, both existing as well as new, under the New Economic Development Policy (NEDP) (₹1,000 crore for 2018-19 against ₹750 crore in 2017-18). However, the actual budget provision could not be specifically made in the Detailed Demands for Grants against many schemes mentioned in the budget speech and only a lump-sum provision was made for NEDP to be implemented in Agriculture and Allied Activities, Urban Development and Poverty Alleviation Department, Tourism Department and Health and Family Welfare Department. Against a budgetary allocation of ₹853.12 crore for NEDP, an amount of ₹851.87 crore was expended, leaving a savings of ₹1.25 crore.

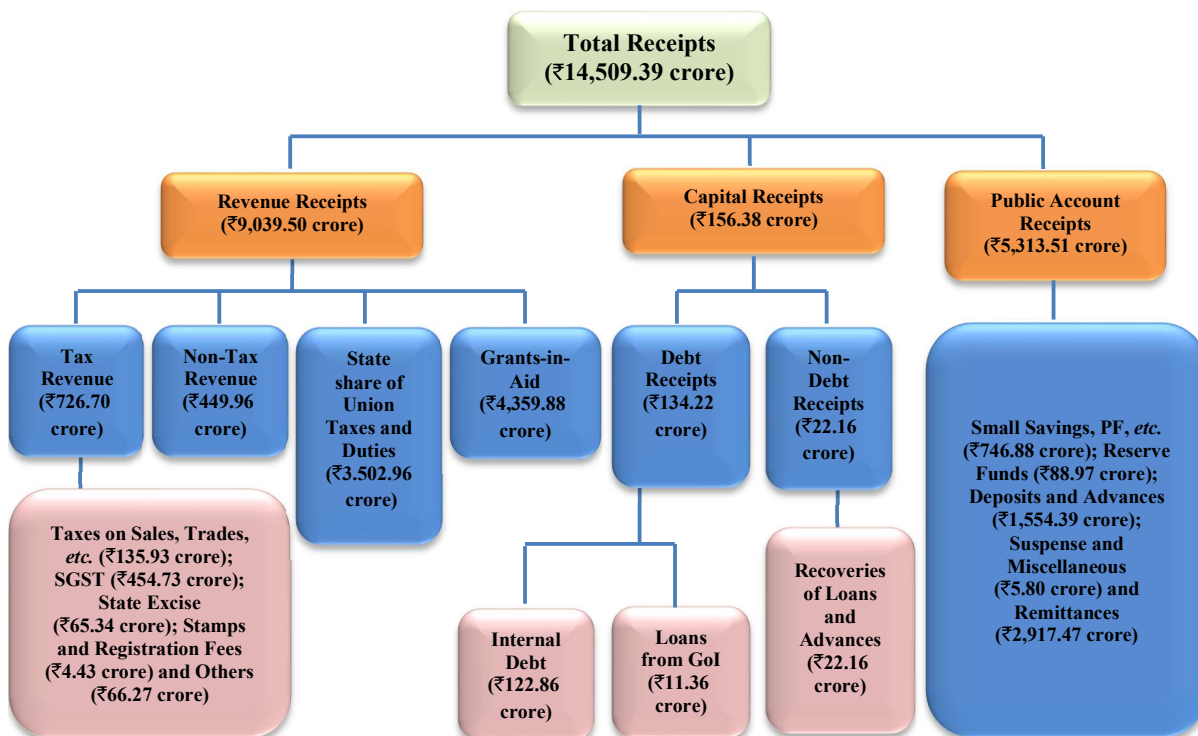
1.14 Resources of the State

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, State's share of Union Taxes and Duties and Grants-in-Aid (GIA) from 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 the GoI as well as accruals from the Public Account.

1.14.1 Resources of the State as per Annual Finance Accounts

The components and sub-components of the resources during 2018-19 are shown in Chart-1.8:

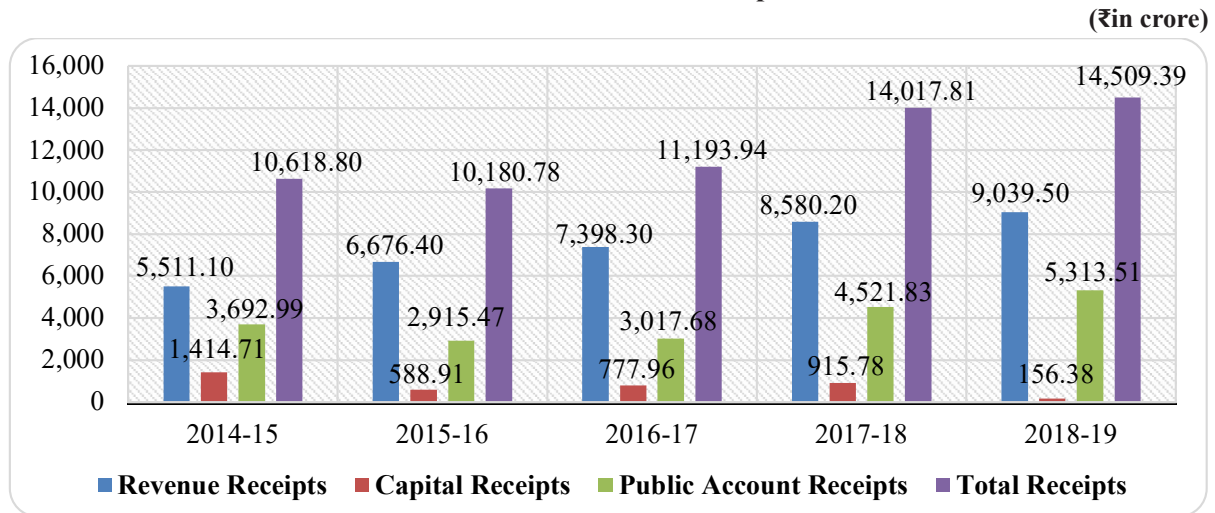
Chart-1.8: Components and sub-components of resources



Source: Finance Accounts, 2018-19

Chart-1.9 depicts the trends of various components of receipts of State Government during 2014-19.

Chart-1.9: Trends in Receipts



Source: Finance Accounts, 2018-19

The percentage share of Revenue Receipts of the State to Total Receipts was 51.90 per cent (2014-15), 65.58 per cent (2015-16), 66.09 per cent (2016-17), 61.21 per cent (2017-18) and 62.30 per cent (2018-19). It showed an increasing trend since 2014-15 except for the year 2017-18 where it decreased with respect to 2016-17.

Capital Receipts decreased from 13.32 per cent in 2014-15 to 1.08 per cent of Total Receipts during 2018-19. The percentage share of Public Account Receipts to Total Receipts increased from 34.78 per cent during 2014-15 to 36.62 per cent in 2018-19.

1.14.2 Funds directly transferred to the Implementing Agencies in the State

GoI decided that transfer of funds to the State Implementing Agencies (SIAs) for implementation of CSS would be routed through the State Consolidated Fund with effect from 2014-15 (BE). It was, however, noticed that funds were directly transferred to the SIAs outside the State Budget/State Treasury System contrary to the decision taken by the GoI.

During the year 2018-19, central funds amounting to ₹474.65 crore were directly transferred to the SIAs (**Appendix-1.4**). There is no single agency in the State to monitor the funds directly transferred by the GoI to the implementing agencies and no data readily available as to how much money was actually spent in a particular year in major flagship schemes funded directly by the GoI. **Table-1.9** shows the funds transferred directly to the SIAs during 2018-19:

Table-1.9: Funds transferred directly to SIAs during 2018-19

(₹in crore)

Name of the Programme/Scheme	Implementing agency in the State	Funds transferred
Mahatma Gandhi National Rural Guarantee Programme	MGNREGA Rural Employment Guarantee Council	350.06
National AIDS and STD Control Programme	State AIDS Control Society	15.58
NER Textiles Promotion Scheme	Director, Sericulture Department	10.68
Organic Value Chain Development of NER	Mission Organic	10.19
Electronic Governance	E-Governance Society	10.11

Name of the Programme/Scheme	Implementing agency in the State	Funds transferred
MPs Local Area Development (MPLADS)	Deputy Commissioner, Aizawl	10.00
Others (40 other Programme/Scheme)	40 various implementing agencies	68.03
Total		474.65

Source: Finance Accounts, 2018-19 which inter-alia is taken from the "Public Financial Management System (PFMS)" Portal of the Controller General of Accounts (CGA)

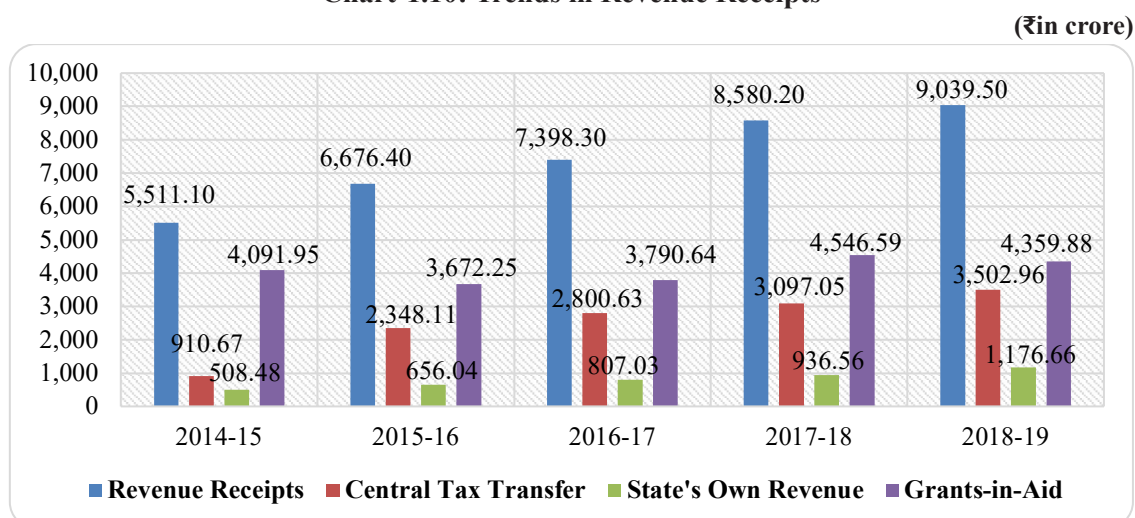
It can be seen from the above that out of an amount of ₹474.65 crore directly transferred to the SIAs during the year, an amount of ₹350.06 crore (73.75 per cent) was transferred to the MGNREGS Rural Employment Guarantee Council, Mizoram.

1.15 Revenue Receipts

Statement 14 of the Finance Accounts shows Revenue Receipts of the State Government. Revenue Receipts consist of Own Tax and Non-Tax Revenues, Central Tax Transfers and GIA from the GoI.

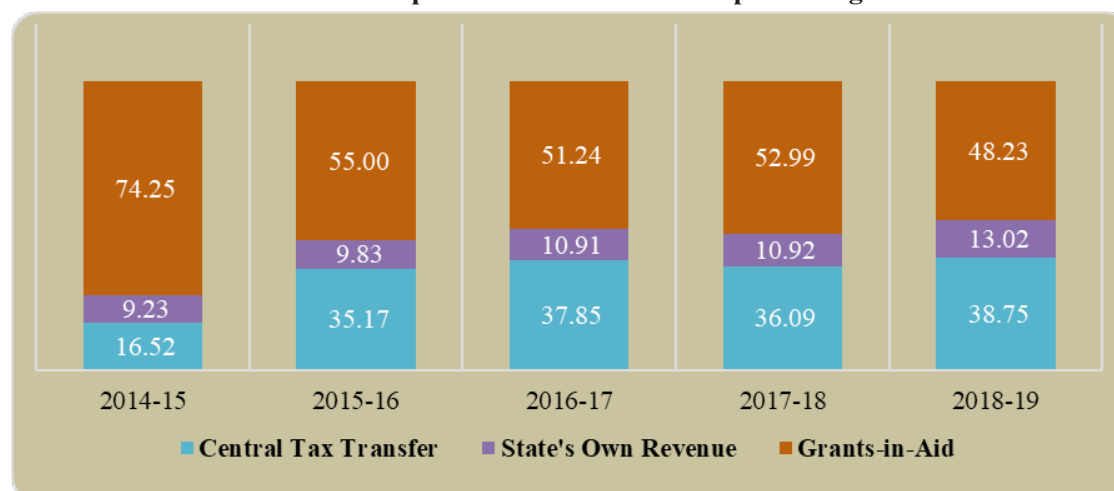
The composition of Revenue Receipts over the five-year period 2014-19 is presented in **Appendix-1.2** and the summary thereof in **Chart-1.10** and **1.11**.

Chart-1.10: Trends in Revenue Receipts



Source: Finance Accounts, 2018-19

Chart-1.11: Composition of Revenue Receipts during 2014-19



Source: Finance Accounts, 2018-19

Revenue Receipts of the State Government have shown a progressive increase with inter-year variations and changes in its composition *i.e.*, the share of own taxes and Central transfers during the period 2014-19.

Tax and Non-Tax Revenue together (*i.e.*, State Own Resources) increased by ₹668.18 crore (131.41 *per cent*) from ₹508.48 crore in 2014-15 to ₹1,176.66 crore in 2018-19 at a Compound Annual Growth Rate (CAGR) of 23.34 *per cent*.

Revenue Receipts of the State Government increased progressively from ₹5,511.10 crore in 2014-15 to ₹9,039.50 crore in 2018-19 at a CAGR of 13.17 *per cent*. During 2018-19, Revenue Receipts increased by ₹459.30 crore (5.35 *per cent*) over the previous year. Central Tax Transfers and GIA together contributed 86.98 *per cent* (₹7,862.84 crore) of Revenue Receipts during 2018-19. Revenue generated from State's Own Resources was 13.02 *per cent* (₹1,176.66 crore) of Revenue Receipts during 2018-19.

1.15.1 State's Own Resources

As the State's share in central taxes and GIA is determined on the basis of recommendations of FC, the State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its Own Tax and Non-Tax sources.

The State's actual Tax and Non-Tax Revenue for the year 2018-19 *vis-à-vis* assessment made by the XIV FC and FCP for the year are given in **Table-1.10**:

Table-1.10: Tax and Non-Tax Revenue *vis-à-vis* XIV FC and FCP projections for 2018-19
(₹in crore)

Parameters	XIV FC Projections	FCP	Actuals
State's Own Tax Revenue	691.00	483.34	726.70
State's Non-Tax Revenue	148.00	323.85	449.96

Source: Finance Accounts, XIV FC and FCP for 2018-19

The above table indicates that the State's Own Tax Revenue was higher during 2018-19 by 5.17 *per cent* and 50.35 *per cent* over the normative assessment made by the XIV FC and State's FCP respectively, for the year. Similarly, the State's Non-Tax Revenue was significantly higher by 204.03 *per cent* over the XIV FC assessment while it was higher by 38.94 *per cent* over FCP. Factors contributing to increase in State's Own Revenue are discussed in the succeeding paragraphs.

1.15.2 Own Tax Revenue

The composition of Own Tax Revenue collected by the State during the five-year period 2014-19 are given below.

Table-1.11: Composition of Own Tax Revenue during 2014-19

Name of component	Year					Percentage variation over 2017-18
	2014-15	2015-16	2016-17	2017-18	2018-19	
Taxes on Sales, Trades, <i>etc.</i>	211.95	247.04	307.81	242.85	135.93	(-)44.03
State Goods and Services Tax	---	---	---	169.76	454.73	167.87
State Excise	4.91	60.60	72.26	65.83	65.34	(-)0.74
Taxes on Vehicles	17.03	19.44	25.75	31.58	38.36	21.47
Land Revenue	11.06	8.88	8.58	8.29	8.64	4.22

Name of component	Year					Percentage variation over 2017-18
	2014-15	2015-16	2016-17	2017-18	2018-19	
Stamps and Registration Fees	3.72	3.57	3.26	3.20	4.43	38.44
Taxes on Goods and Passengers	2.56	2.71	7.90	7.83	4.71	(-)39.85
Other Taxes	15.29	16.17	16.25	16.57	14.56	(-)12.13
Total	266.52	358.41	441.81	545.91	726.70	33.12

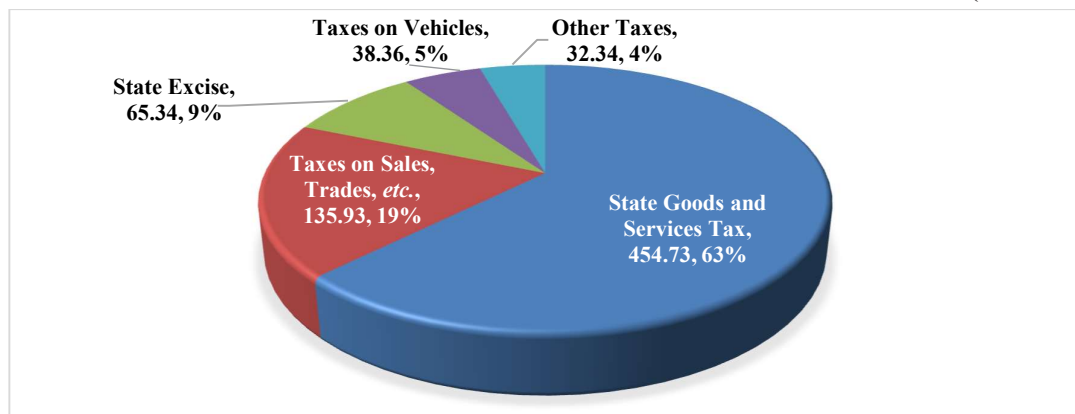
Source: Finance Accounts of respective years

Own Tax Revenue of the State progressively increased during 2014-19 at a CAGR of 28.50 per cent. During 2018-19, State's Own Tax Revenue increased by 33.12 per cent over the previous year.

Chart-1.12 depicts the composition of State's Own Tax Revenue during 2018-19.

Chart-1.12: Composition of State's Own Tax Revenue during 2018-19

(₹in crore)

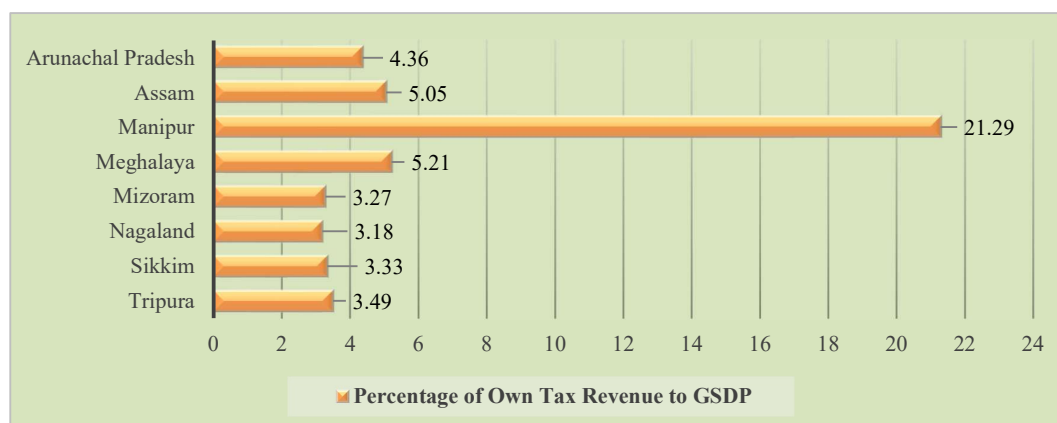


Source: Finance Accounts, 2018-19

Revenue from Taxes on Sales, Trades, etc. decreased by ₹106.92 crore in 2018-19 over 2017-18 due to introduction of Goods and Services Tax (GST) since 01 July 2017 which was accounted for separately. The total collection of taxes on sales, inclusive of GST, was ₹590.66 crore, which was an increase of ₹178.05 crore over the previous year. Receipts from State Excise witnessed a marginal decrease of ₹0.49 crore (0.74 per cent) over the previous year due to introduction of "Mizoram Liquor (Prohibition) Act, 2019.

The percentage of Own Tax Revenue to GSDP of Mizoram vis-à-vis that of the SCS is given below in **Chart-1.13**.

Chart-1.13: Percentage of Own Tax Revenue to GSDP of SCS during 2018-19



1.15.3 Implementation of Goods and Services Tax

Goods and Services Tax (GST) Act, 2017 was passed in the Parliament on 29 March 2017 and came into effect on 01 July 2017. It has three components - (i) Central Goods and Services Tax Act (called Central Goods and Services Tax (Amendment) Act, 2018.), (ii) State Goods and Services Tax (SGST) Act (The Mizoram Goods and Services Tax Act, 2017) and (iii) Integrated Goods and Services Tax Act (The Integrated Goods and Services Tax Act, 2017).

Besides, the Goods and Services Tax (Compensation to States) Act, 2017 was enacted in April 2017. Section 6 of the Act envisages that there shall be protected revenue for any year in a State which shall be calculated by applying the projected growth rate (14 per cent) over the base year revenue of that State. Accordingly, the States will receive compensation (Section 7 (3) (c)) which will be calculated on the basis of difference of the projected revenue *minus* actual revenue collection. Further, Section 7 (2) provides that the compensation payable to any State shall be provisionally calculated and released at the end of every two-month period, and shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by the CAG.

In Mizoram, the GST Act was passed on 26 May 2017 and came into effect from July 2017. The existing Mizoram Value Added Tax was also subsumed into the GST Act (except alcohol for human consumption, petrol and petroleum products *viz.* petroleum crude, high speed natural gas, aviation turbine fuel and Professional Tax).

Total receipts of the State Government from taxes subsumed into GST during the base year (2015-16) were ₹189.00 crore. As per the calculation prescribed under Section 6 of the Goods and Services Tax (Compensation to States) Act, 2017, the total revenue to be protected during 2018-19 was ₹280.01 crore³. However, since the actual receipts of ₹454.73 crore exceeded the protected revenue of ₹280.01 crore by ₹174.73 crore, the State was not entitled to compensation for the said period. In fact, an increase of ₹180.79 crore in the overall collection of Own Tax Revenue in 2018-19 over the previous year was mainly attributable to receipts under SGST, which is indicative of the fact that the State has benefitted from the implementation of GST taxation system.

With automation of the collection of GST having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's Constitutional mandate of certifying the Accounts. The required access to data is yet to be provided by the State Government. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts relating to GST receipts for the year 2018-19 have therefore, been certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

1.15.4 Non-Tax Revenue

Non-Tax Revenue encompasses receipts from services rendered and supplies made by various Departments of Government and Interest Receipts. The main components of the State's Non-Tax Revenue for the year 2014-19 are given in **Table-1.12**:

³ 2016-17: ₹189.00 crore * 1.14 = ₹215.46 crore; 2017-18: ₹215.46 crore * 1.14 = ₹245.62 crore and 2018-19: ₹245.62 crore * 1.14 = ₹280.01 crore

Table-1.12: Composition of Non-Tax Revenue during 2014-19

(₹in crore)

Name of component	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage increase over previous year
General Services	22.13	26.00	26.77	32.13	19.27	(-)40.02
Social Services	27.61	42.55	43.66	46.83	50.75	8.37
Economic Services	172.34	198.36	246.44	260.55	322.26	23.68
Interest Receipts, Dividends and Profits	19.88	30.73	48.35	51.14	57.68	12.79
Total	241.96	297.63	365.22	390.65	449.96	15.18

Source: Finance Accounts of respective years

Non-Tax Revenue constituted 4.39 to 4.98 *per cent* of the Revenue Receipts during the last five years. There was a steady increase in Non-Tax Revenue from ₹241.96 crore in 2014-15 to ₹449.96 crore in 2018-19 and recorded a growth of 15.18 *per cent* over the previous year. The major contributors to the State's Non-Tax Revenue during 2018-19 were Power (₹270.24 crore), Interest Receipts (₹57.68 crore), Water Supply and Sanitation (₹44.64 crore) and Roads and Bridges (₹24.46 crore).

1.15.5 Grants-in-Aid (GIA)

Table-1.13 shows GIA received from the GoI during 2014-15 to 2018-19.

Table-1.13: GIA received from the GoI during 2014-15 to 2018-19

(₹in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Non-Plan Grants	1,095.48	2,190.37	2,356.38	0.00	0.00
Grants for State Plan Schemes	2,264.17	824.67	771.41	0.00	0.00
Grants for Central Plan Schemes	24.51	40.22	37.83	0.00	0.00
Grants for Centrally Sponsored Plan Schemes	662.77	520.03	545.87	0.00	0.00
Grants for Special Plan Schemes	45.02	96.96	79.15	0.00	0.00
Centrally Sponsored Schemes	--	--	--	1,464.80	1,249.68
Finance Commission Grants	--	--	--	2,535.51	2,616.67
Other Transfer/Grants to States	--	--	--	546.28	493.53
Total	4,091.95	3,672.25	3,790.64	4,546.59	4,359.88
Percentage of increase over previous year	17.49	(-)10.26	3.22	19.94	(-)4.11
Total grants as a percentage of Revenue Receipts	74.25	55.00	51.24	52.99	48.23

Source: Finance Accounts of respective years

The GIA decreased by ₹186.71 crore (4.11 *per cent*) from ₹4,546.59 crore in 2017-18 to ₹4,359.88 crore in 2018-19. There was a substantial change in the pattern of devolution of funds as per the recommendations of the XIV FC due to non-consideration of State specific projects/schemes and reduction in grants under certain sectors *viz.* health, education, drinking water and sanitation and general administration, *etc.* as fiscal space was provided to enable the State to meet the additional expenditure according to State's requirement.

1.15.6 Central Tax Transfers

As per the 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's share during the XIII FC award period was 0.269 and 0.273 *per cent* for all shareable taxes and Service Tax respectively, which increased to 0.460 *per cent* and 0.464 *per cent* respectively during

XIV FC award period (2015-20). **Table-1.14** gives the position of Central Tax transfers *vis-à-vis* the recommendation made by the XIV FC during 2018-19.

Table-1.14: Central Tax Transfers *vis-à-vis* XIV FC recommendations during 2018-19
(₹in crore)

Revenue Heads	2017-18 (Actual)	2018-19		Percentage variation of Actual over recommended amount
		Recommended by XIV FC	Actual	XIV FC
Corporation Tax	948.82	1,458.08	1,218.27	(-)16.45
Income other than Corporation Tax	801.20	907.06	897.21	(-)1.09
Customs	312.70	552.40	248.31	(-)55.05
Central Goods and Services Tax	44.16	--	864.63	--
Integrated Goods and Services Tax	312.80	--	69.00	--
Union Excise Duties	326.90	449.89	165.03	(-)63.32
Service Tax	350.50	739.63	31.92	(-)95.68
Taxes on Wealth	(-)0.03		0.45	
Other Taxes and Duties on Commodities and Services	--	9.10	1.80	(-)77.36
Other Taxes on Income and Expenditure	--		6.34	
Total of Central Tax Transfers	3,097.05	4,116.16	3,502.96	(-)14.90

Source: XIV FC recommendations and Finance Accounts of respective years

Central Tax transfers increased by ₹405.91 crore (13.11 *per cent*) in 2018-19 over the previous year and were largely due to devolution of Central Goods and Services Tax (₹820.47 crore), Corporation Tax (₹269.45 crore) and Income other than Corporation Tax (₹96.01 crore).

1.15.7 Optimisation of XIV FC Grants

The details of grants transferred to the State as recommended by XIV FC during the award period (2015-20) are given in **Table-1.15**.

Table-1.15: Funds recommended by XIV FC and actually released during 2015-19
(₹in crore)

Sl. No.	Transfers	Actual Release			(2018-19)	
		2015-16	2016-17	2017-18	XIV FC Recommendation	Release
1.	Local Bodies, out of which	11.54	20.68	18.46	42.70	10.68
	Grants to PRIs	--*	--*	--*	--*	--*
	Grants to ULBs	11.54	20.68	18.46	42.70	10.68
	Special Areas Grant	--*	--*	--*	--*	--*
2.	Disaster Relief	15.30	16.20	17.10	29.00	18.00
3.	State specific grants	--*	--*	--*	--*	0.00
4.	Rural Areas Outside the Jurisdiction of Scheduled XI areas	--*	--*	45.44	--*	--*
5.	Funds to Autonomous District Councils (ADCs)	--*	--*	8.51	--*	--*
6.	Post Devolution Revenue Deficit Grants[#]	2,139.00	2,294.00	2,446.00	--*	2,588.00
	Total	2,165.84	2,330.88	2,535.51	103.75	2,616.68

Source: The XIV FC Report and Finance Accounts, 2018-19

[#] During the years 2015-16 and 2016-17 it was "Non-Plan Revenue Deficit Grants to State Governments"

* There were no transfers during these years

The funds recommended by XIV FC increased progressively from ₹2,165.84 crore in 2015-16 to ₹2,616.68 crore in 2018-19. However, funds released to ULBs were only 25 per cent of the recommended amount. Similarly, for disaster relief, the amount released was reduced by 38 per cent against the recommended amount of ₹29.00 crore.

1.16 Capital Receipts

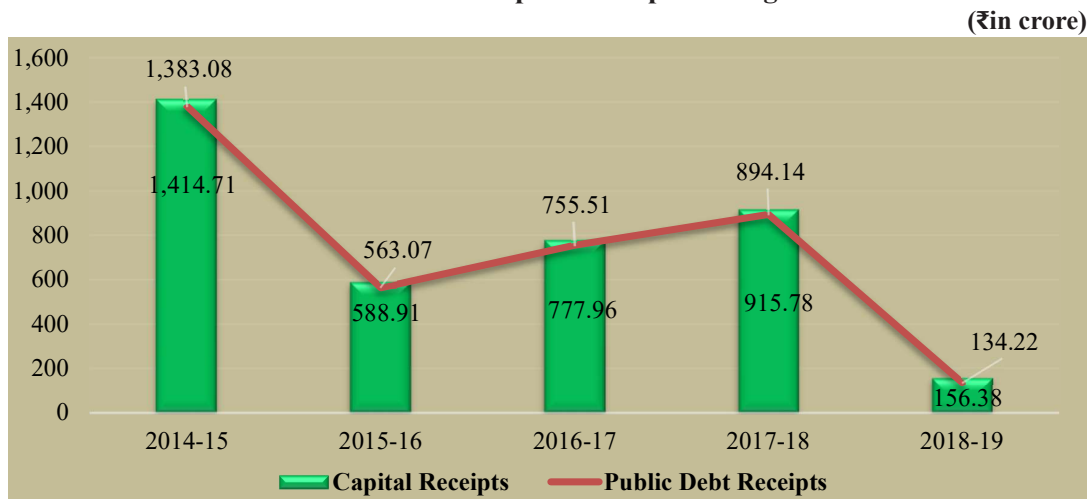
Capital Receipts include Recovery of Loans and Advances (Non-Debt Capital Receipts) and Public Debt Receipts (Debt Capital Receipts). The details of Capital Receipts during 2014-15 to 2018-19 are given in **Table-1.16** and **Chart-1.14**.

Table-1.16: Trends in growth and composition of Capital Receipts

Particulars	(₹in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Capital Receipts (a + b)	1,414.71	588.91	777.96	915.78	156.38
(a) Recovery of Loans and Advances	31.63	25.84	22.45	21.64	22.16
(b) Public Debt Receipts	1,383.08	563.07	755.51	894.14	134.22
<i>Of which, Market Loans raised</i>	<i>230.04</i>	<i>200.05</i>	<i>671.95</i>	<i>424.37</i>	<i>0.00</i>
Rate of growth of CR (per cent)	43.14	(-)58.37	32.10	17.72	(-)82.92
Rate of growth of Non-Debt Capital Receipts (per cent)	(-)4.47	(-)18.31	(-)13.12	(-)3.61	2.40
Rate of growth of Debt Capital Receipts (per cent)	44.79	(-)59.29	34.18	18.35	(-)84.99

Source: Finance Accounts of respective years

Chart-1.14: Trend in Capital Receipts during 2018-19



Source: Finance Accounts of respective years

Public Debt Receipts (₹134.22 crore) represented 85.83 per cent of the Capital Receipts (₹156.38 crore) during 2018-19. Public Debt Receipts decreased by 84.99 per cent while recovery of Non-Debt Capital Receipts increased by 2.40 per cent in 2018-19 as compared to the previous year.

1.16.1 Recoveries of Loans and Advances

Recoveries of Loans and Advances progressively decreased from ₹31.63 crore during 2014-15 to ₹21.64 crore during 2017-18. During the current year, however, these increased to ₹22.16 crore. Major recoveries under Loans and Advances were loan recoveries from Government Servants (₹17.99 crore), Housing (₹1.58 crore) and from others (₹2.59 crore).

1.16.2 Debt Capital Receipts from Internal Sources

The main contributors of Debt Capital Receipts from internal sources in 2018-19 were loans from National Bank for Agriculture and Rural Development (NABARD) (₹72.18 crore), Other Institutions (₹46.58 crore) and National Co-operative Development Corporation (₹4.10 crore).

Market loans raised by the State Government showed a decreasing trend⁴ during 2014-15 and 2015-16. During 2016-17, however, it rose sharply to ₹671.95 crore before declining to ₹424.37 crore in 2017-18. During 2018-19, State Government did not resort to market borrowings.

1.17 Public Account Receipts

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, *etc.*, Reserve Funds, Deposits and Advances, Suspense and Miscellaneous, Remittances which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use. **Table-1.17** depicts Public Account Receipts of the State Government during 2014-19.

Table-1.17: Public Account Receipts for the years 2014-19

	(₹in crore)				
Resources under various Heads	2014-15	2015-16	2016-17	2017-18	2018-19
Public Account Receipts	3,692.99	2,915.47	3,017.68	4,521.83	5,313.51
Small Savings, Provident Funds, <i>etc.</i>	733.07	813.16	837.20	847.16	746.88
Reserve Funds	31.73	50.78	43.45	75.38	88.97
Deposits and Advances	1,346.28	667.45	701.29	1,239.35	1,554.39
Suspense and Miscellaneous	(-79.76)	(-124.38)	(-539.89)	(-308.53)	5.80
Remittances	1,661.67	1,508.46	1,975.63	2,668.47	2,917.47
Public Account Disbursements	2,834.46	3,111.44	3,520.80	4,211.05	5,210.10
Small Savings, Provident Funds, <i>etc.</i>	422.33	429.80	774.46	1,026.30	1,108.06
Reserve Funds	13.71	25.75	15.76	20.94	48.73
Deposits and Advances	912.76	1,201.19	883.09	913.53	1,064.76
Suspense and Miscellaneous	(-82.37)	(-87.21)	(-28.35)	(-487.78)	(-15.45)
Remittances	1,568.03	1,541.91	1,875.84	2,738.06	3,004.00
Net of Public Account	858.53	(-195.97)	(-503.12)	310.78	103.41

Source: Finance Accounts of respective years

During 2018-19, the Public Account Receipts increased by ₹791.68 crore (17.51 per cent) over the previous year. This was mainly due to increase in –

- Remittances under Public Works and Forest Department by ₹245.53 crore.
- Deposits by ₹456.53 crore under Forest and Other Departments offset by decrease under Civil courts, Public Works Department and ADCs by ₹141.59 crore.

⁴ From ₹230.04 crore in 2014-15 to ₹200.05 crore in 2015-16

The above increases were offset by decrease under General Provident Funds (₹99.92 crore) and increase in disbursement of Deposits and Advances (₹151.23 crore) to Autonomous Districts and Regional Funds, Other Departmental Deposits and Forest Advances during the year.

1.18 Reserve Funds

Reserve Funds are created for specific and well defined purposes. These funds are augmented by contributions or grants from the Consolidated Fund of India or State. The contributions are treated as expenditure and accounted for under the Consolidated Fund for which the vote of the legislature is obtained. At the end of the financial year, the expenditure relating to the funds is transferred to the Public Account.

The total accumulated balance at the end of 31 March 2019 in the Reserve Funds was ₹340.94 crore⁵, out of which, ₹334.54 crore (98.12 *per cent*) was invested. The status of Reserve Funds is as under:

1.18.1 Consolidated Sinking Fund

As per the recommendations of the XII FC, the State Government constituted a revised Consolidated Sinking Fund (CSF) scheme in 2006-07 for redemption of outstanding liabilities. As per the scheme guidelines of the RBI, States are required to annually contribute a minimum of 0.50 *per cent* of their outstanding liabilities as at the end of the previous year.

During 2018-19, against the requirement of ₹36.50 crore⁶, the State Government made a provision for ₹36.00 crore under Major Head 2048 – Contribution to Consolidated Sinking Fund and invested the amount under Major Head 8222 – Sinking Fund. The balance under CSF was ₹309.04 crore as on 31 March 2019. The position of contribution to CSF against the actual requirement during 2014-19 is shown in **Table-1.18**.

Table-1.18: Details of contribution *vis-à-vis* requirement in CSF

Particulars	(₹in crore)					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Outstanding fiscal liability of the previous year	5,613.47	6,550.39	6,407.39	6,725.00	7,300.30	--
Requirement (minimum 0.50 <i>per cent</i> of previous year's outstanding liabilities)	28.07	32.75	32.04	33.63	36.50	162.99
Actual Contribution	17.19	28.25	31.30	40.00	36.00	152.74
Shortfall	10.88	4.50	0.74	-6.37	0.50	10.25

Source: Finance Accounts of respective years

Further, the interest of ₹1.49 crore accrued (2018-19) on re-investment made by RBI from the Fund did not pass through the accounts. Thus, the account was understated by the interest amount accrued on re-investment of the Sinking Fund. The State Government would not be able to redeem the outstanding liabilities during unforeseen exigencies in future to that extent.

⁵ ₹334.42 crore in active funds and ₹6.52 crore in inoperative funds

⁶ 0.50 *per cent* of the total outstanding liabilities of ₹7,300.30 crore

1.18.2 Guarantee Redemption Fund

Guarantee Redemption Fund (GRF) was set up in 2009-10 with an initial corpus of ₹50.00 lakh to meet the possible invoking of guarantees given by the State Government to loans raised by its entities. The State Government was required to contribute an amount equivalent to at least 1/5th of the outstanding guarantees *plus* guarantees likely to be invoked as a result of the incremental guarantees during the year. There was no outstanding invoked guarantee in 2018-19. During 2018-19, the State Government contributed ₹Seven crore to the GRF. The balance under GRF as on 31 March 2019 was ₹25.50 crore, which was invested in Government of India Securities.

1.18.3 State Disaster Response Fund

The State Government replaced the existing Calamity Relief Fund (CRF) with “State Disaster Response Fund” (SDRF) in 2010-11 as per the recommendation of the XIII FC which also envisaged that the Centre and the State were to contribute to the fund in the proportion of 90:10.

As per the Guidelines (September 2010) of Union Ministry of Home Affairs, relating to the constitution and administration of SDRF, the Fund was to be constituted as the Reserve Fund bearing interest and invested in one or more of the instruments *viz.* (i) Central Government dated Securities, (ii) Auctioned Treasury Bills and (iii) Interest earning deposits and certificates of deposits with Scheduled Commercial Banks. Accordingly, a savings bank account in State Bank of India was opened⁷.

The SDRF had an opening balance of ₹2.64 crore at the beginning of 2018-19 and ₹45.97 crore⁸ was transferred to the Fund during 2018-19. Against the total available Fund of ₹48.61 crore, the State Government withdrew ₹48.73 crore and kept the amount in the bank account, which resulted in a closing balance of (-)₹0.12 crore.

As per the Ministry of Home Affairs Guidelines (September 2010), the State Government should pay the interest on SDRF at the rate applicable to overdrafts under ‘Overdraft Regulation Guidelines’ of the RBI. The un-discharged interest liability of the State Government was ₹1.61 crore as of March 2019.

Further, GoI released ₹18.00 crore towards SDRF in 2018-19 against which, the State Government transferred only ₹Nine crore to the Fund, resulting in understatement of the Fund Head as well as Revenue Expenditure and overstatement of Revenue Surplus to that extent.

1.18.4 Inoperative Reserve Funds

Two Reserve Funds under Major Head 8235-General and other Reserve Funds having a balance of ₹6.52 crore were inoperative/dormant for a period ranging from 08 to 16 years. The details in this regard are given in **Table-1.19**.

⁷ Operated jointly by the Additional Secretary, Finance Department (Economic Affairs) and Director, Disaster Management and Rehabilitation Department

⁸ National Disaster Response Fund (2017-18): ₹35.97 crore: + GoI (2018-19): ₹Nine crore and State matching share (2018-19): ₹One crore

Table-1.19: Inoperative Reserve Funds

						(₹in crore)
Sl. No.	Head of Account with nomenclature	No. of Reserve Funds	Balance as on 31 March 2018		Year of last transaction	Dormant (in years)
	8235 – General and other Reserve Funds					
1.	101 – General Reserve Funds of Government Commercial Department/ Undertakings	01	Cr.	2.83	2002-03	16
	200 – Other Funds	01	Cr.	3.69	2010-11	08
	Total	02	Cr.	6.52	--	--

Source: Finance Accounts, 2018-19

As can be seen from the table above, ₹6.52 crore was lying inoperative/dormant for the period ranging from 08 to 16 years. The State Government needs to initiate action to close the Fund.

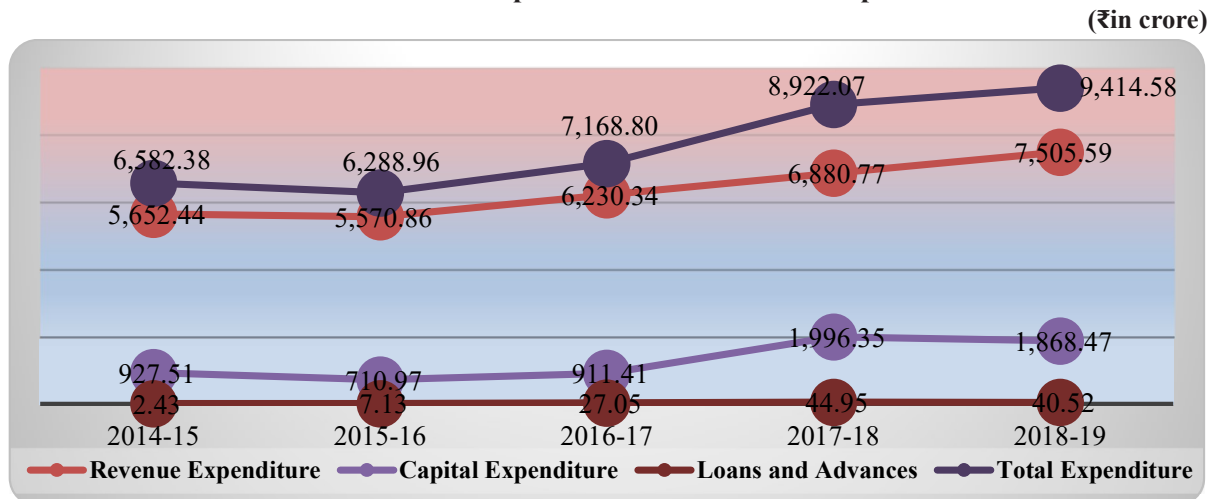
1.19 Application of Resources

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

1.19.1 Growth and Composition of Expenditure

Statement 15 of Finance Accounts depicts the detailed Revenue Expenditure and Statement 16 depicts Capital Expenditure. States raise resources to perform their sovereign functions to maintain their existing level of delivery of Social and Economic Services, to extend the network of these services through Capital Expenditure and investments and to discharge their debt service obligations.

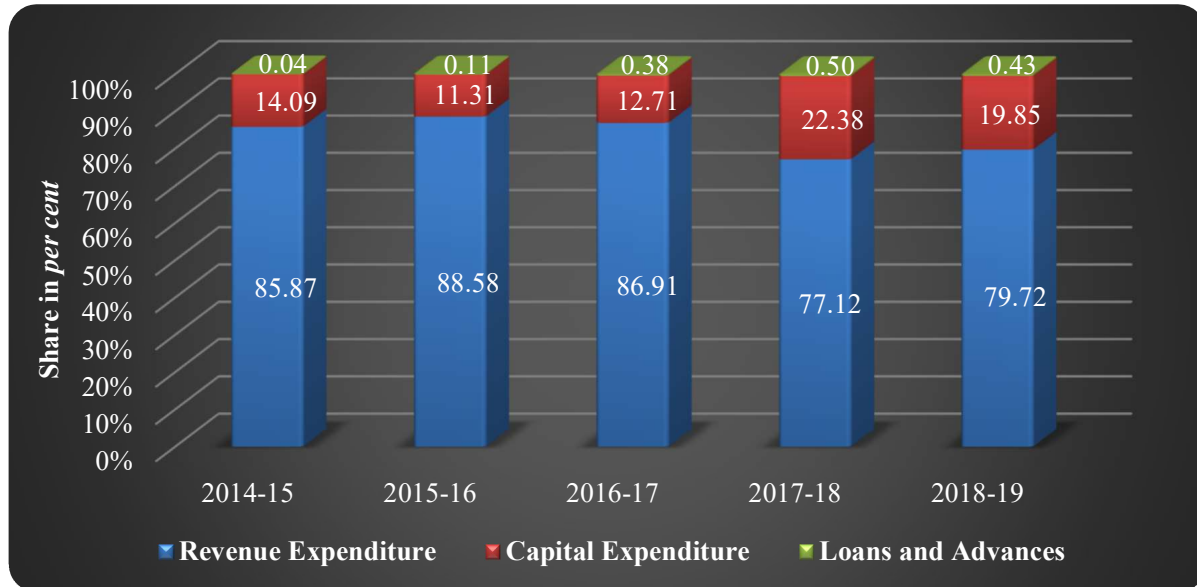
Chart-1.15 presents the trends in Total Expenditure over a period of five years (2014-19) and its composition in terms of economic classification and activities.

Chart-1.15: Total Expenditure: Trends and Composition

Source: Finance Accounts of respective years

The composition of Total Expenditure during 2014-19 is shown in **Chart-1.16**:

Chart-1.16: Trends showing share of components of Total Expenditure



Source: Finance Accounts of respective years

Total Expenditure of the State Government increased steadily (except 2015-16) at a CAGR of 9.36 per cent. It increased by 5.52 per cent from ₹8,922.07 crore in 2017-18 to ₹9,414.58 crore in 2018-19. Of the Total Expenditure during 2018-19, Revenue Expenditure constituted 79.72 per cent, while Capital Expenditure constituted 19.85 per cent and Loans and Advances constituted 0.43 per cent.

The Total Expenditure, its annual growth rate, its ratio and buoyancy with respect to GSDP and Revenue Receipts are given in **Table-1.20**.

Table-1.20: Total Expenditure – Basic Parameters

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Total Expenditure (TE) (₹in crore)	6,582.38	6,288.96	7,168.80	8,922.07	9,414.58
Rate of Growth (per cent)	18.66	(-).4.46	13.99	24.46	5.52
TE/GSDP ratio (per cent)	48.72	41.54	41.70	46.16	42.33
RR/TE ratio (per cent)	83.73	106.16	103.20	96.17	96.02
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	0.60	(-).0.37	1.03	1.97	0.37
RR (ratio)	1.19	(-).0.21	1.29	1.53	1.03

Source: Finance Accounts of respective years

Total Expenditure increased by ₹492.51 crore (5.52 per cent) in 2018-19 over 2017-18. This was due to increase in Revenue Expenditure by ₹624.82 crore (9.08 per cent), which was offset by decrease in Capital Expenditure by ₹127.88 crore (6.41 per cent) and disbursement of Loans and Advances by ₹4.43 crore (9.86 per cent).

During 2018-19, 96.02 per cent of the Total Expenditure (₹9,414.58 crore) was met from Revenue Receipts (₹9,039.50 crore) and the remaining was met from the Capital Receipts and borrowed funds.

The decrease in the share of Revenue Receipts to Total Expenditure from 103.20 per cent in 2016-17 to 96.02 per cent in 2018-19 was due to lower rate of growth of Revenue Receipts

vis-à-vis the higher growth rate of Revenue Expenditure. The decreased buoyancy of Total Expenditure with respect to GSDP during 2018-19 was due to significant decrease in the growth rate of Total Expenditure (18.94 *per cent*) coupled with an increased growth rate of GSDP (2.64 *per cent*). Similarly, the buoyancy ratio of Total Expenditure with respect to Revenue Receipts decreased during 2018-19 due to significant decrease in the growth rate of Total Expenditure (18.94 *per cent*) offset by lower growth rate of Revenue Receipts (10.63 *per cent*).

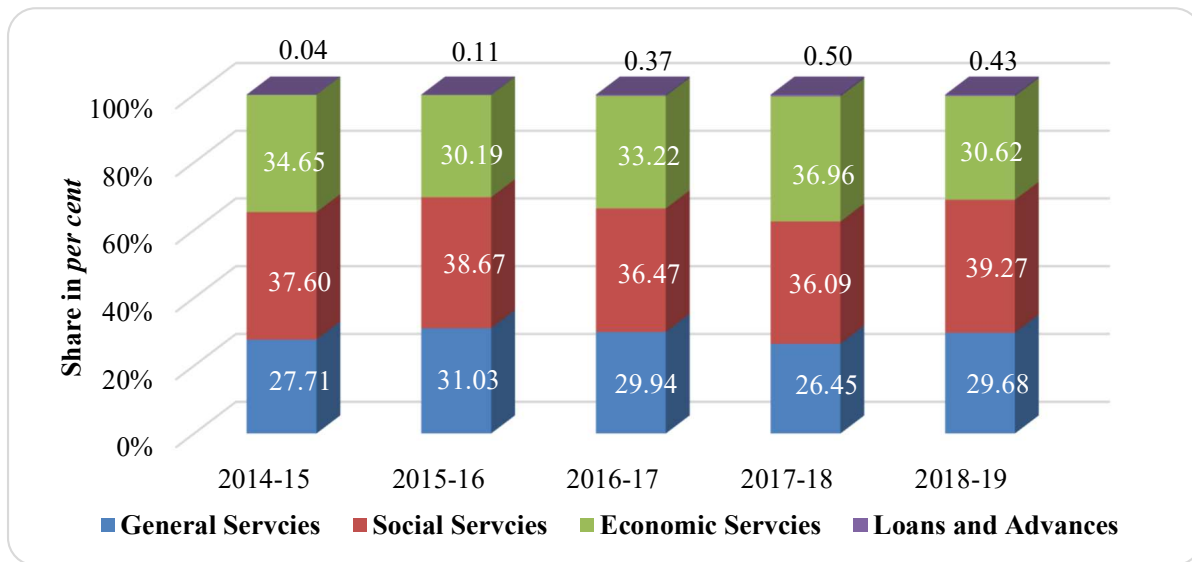
In the context of State Finances, the quality of expenditure has always been an important issue. Revenue Expenditure, which is in the nature of current consumption, accounted for 79.72 *per cent* of the State's aggregate expenditure, whereas the Capital Expenditure ranged between 11.31 and 22.38 *per cent* of the aggregate expenditure during 2014-15 to 2018-19.

Expenditure on General Services increased by ₹435.04 crore (18.44 *per cent*) from ₹2,359.49 crore in 2017-18 to ₹2,794.53 crore in 2018-19, Social Services expenditure increased by ₹476.41 crore (14.79 *per cent*) from ₹3,220.24 crore in 2017-18 to ₹3,696.65 crore in 2018-19 and expenditure on Economic Services decreased by ₹414.51 crore (12.57 *per cent*) from ₹3,297.39 crore in 2017-18 to ₹2,882.88 crore in 2018-19.

1.19.2 Trends in Total Expenditure in terms of activities

In terms of activities, Total Expenditure comprises expenditure on General (including Interest Payments), Social and Economic Services and Loans and Advances. The trends in composition of Total Expenditure by activities during 2014-19 are shown in **Chart-1.17**:

Chart-1.17: Trends in composition of Total Expenditure by activities during 2014-19



Source: Finance Accounts of respective years

The movement of relative share of these components of expenditure in 2018-19 *vis-à-vis* 2014-15 indicated that the expenditure on General Services (including Interest Payments), accounted for 29.68 *per cent* in 2018-19 as against 27.71 and 26.45 *per cent* in 2014-15 and 2017-18 respectively. On the other hand, expenditure on Social and Economic Services together (termed as Development Expenditure) accounted for 70.32 *per cent* in 2018-19 as against 72.29 and 73.55 *per cent* in 2014-15 and 2017-18 respectively.

1.19.3 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payments for the past obligations and as such does not result in any addition to the State's infrastructure and service network. Revenue Expenditure had a predominant share varying between 77.12 and 88.58 per cent of the Total Expenditure of the State during 2014-19. The growth rate of Revenue Expenditure, its buoyancy and ratio with respect to GSDP and Revenue Receipts are indicated in **Table-1.21**.

Table-1.21: Revenue Expenditure vis-à-vis GSDP and Revenue Receipts

(₹in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Expenditure (RE), of which	5,652.44	5,570.86	6,230.34	6,880.77	7,505.59
Non-Plan Revenue Expenditure (NPRE)	3,500.62	3,623.00	4,078.13	--	--
Plan Revenue Expenditure (PRE)	2,151.82	1,947.86	2,152.21	6,880.77	7,505.59
Rate of growth of RE (per cent)	14.96	(-)1.44	11.84	10.44	9.08
RE/TE (per cent)	85.87	88.58	86.91	77.12	79.72
Buoyancy of RE with GSDP (ratio)	0.48	(-)0.12	0.87	0.84	0.60
Buoyancy of RE with RR (ratio)	0.96	(-)0.07	1.10	0.65	1.70

Source: Finance Accounts of respective years

The overall Revenue Expenditure of the State Government increased in gross terms from ₹5,652.44 crore in 2014-15 to ₹7,505.59 crore in 2018-19 at a CAGR of 7.35 per cent. Revenue Expenditure increased by 9.08 per cent from ₹6,880.77 crore in 2017-18 to ₹7,505.59 crore in 2018-19.

The increase in Revenue Expenditure over the previous year was primarily due to increase on General Education (₹137.31 crore), Police (₹133.48 crore), Pensions and other Retirement Benefits (₹132.59 crore) and Urban Development (₹105.67 crore), which was offset by a decrease in expenditure on Rural Employment (₹127.59 crore). The actual Revenue Expenditure during 2018-19 was ₹7,505.59 crore as against ₹7,545 crore assessed by the XIV FC for the year and was marginally lower than the normative assessment made by XIV FC by ₹39.41 crore (0.52 per cent).

Further, due to non-transfer of ₹Nine crore out of ₹18.00 crore released by GoI towards State Disaster Response Fund (SDRF) in 2018-19, the Revenue Expenditure (under Major Head-2245-05-101-Transfer of Reserve Fund and Deposit Accounts-State Disaster Response Fund) was understated by the same amount.

1.19.4 Parking of Government Funds outside Government Account

Rule 290 of Central Treasury Rules (CTR), provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demand or to prevent the lapse of budgetary grants.

Audit scrutiny of records of 262⁹ Drawing and Disbursing Officers (DDOs) pertaining to 38 Departments, revealed that funds amounting to ₹534.20 crore were withdrawn from the Treasuries and parked in 591 bank accounts of Commercial/Nationalised Banks in

⁹ Differs from Finance Accounts by ₹1.34 crore in four DDOs bank accounts due to detailed audit scrutiny after finalisation of accounts

contravention of the CTR codal provision and the instructions of the Finance Department. Details are shown in **Appendix-1.5**.

This has had the impact of overstating the actual expenditure of the Government by ₹534.20 crore and understating the Revenue Surplus by the same amount. Further, the Fiscal Deficit also stands overstated to this extent.

It was also noticed that 60 DDOs who had parked ₹368.13 crore in 103 bank accounts of Commercial/Nationalised Banks during 2017-18 continued to operate the accounts during 2018-19. There was a decrease in the amount parked in these 103 bank accounts by ₹142.61 crore during 2018-19 over the previous year, leaving a balance of ₹225.52 crore.

Drawal of money from the Consolidated Fund and parking it in the DDOs' bank accounts for future utilisation is fraught with the risk of misappropriation and fraud. There is also a possibility of diversion of funds for other unauthorised purposes and the expenditure moving out of the purview of Legislative oversight. State Government needs to investigate this matter and fix responsibility on the concerned DDOs. The issue of parking of funds in bank accounts for prolonged period is also a matter of concern, as it has a cost to the State Government.

1.19.5 Committed Expenditure

Committed Expenditure of the State Government on revenue account consists of expenditure on Salaries and Wages, Interest Payments and Pensions. **Table-1.22** presents the trends in the expenditure on these components during 2014-19.

Table-1.22: Components of Committed Expenditure

(₹in crore)					
Components of Committed Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries and Wages*	2,051.47	2,201.39	2,323.02	2,400.82	2,739.45
	(37.22)	(32.97)	(31.40)	(27.98)	(30.31)
of which, Non-Plan Head	1,695.24	1,782.85	1,881.04	--	--
Plan Head**	356.23	418.54	441.98	2,400.82	2,739.45
Interest Payments	305.83	369.27	341.26	339.20	368.68
	(5.55)	(5.53)	(4.61)	(3.95)	(4.08)
Expenditure on Pensions	545.26	616.30	761.40	837.78	970.37
	(9.89)	(9.23)	(10.29)	(9.76)	(10.73)
Total Committed Expenditure	2,902.56	3,186.96	3,425.68	3,577.80	4,078.50
	(52.67)	(47.73)	(46.30)	(41.70)	(45.12)
Percentage of Committed Expenditure to Total Expenditure	44.10	50.68	47.79	40.10	43.32

Source: Finance Accounts of respective years

* Salaries and wages also includes those spent from GIA

** Also includes the salaries and wages paid under Centrally Sponsored Schemes

Figures in the parentheses indicate percentage to Revenue Receipts

1.19.5.1 Salaries

Salaries and Wages (₹2,739.85 crore) accounted for almost one third of the Revenue Receipts (₹9,039.50 crore) during 2018-19. While the share of salaries and wages with reference to Revenue Receipts decreased significantly from 37.22 per cent in 2014-15 to 30.31 per cent in 2018-19, the expenditure on salaries and wages increased from ₹2,051.47 crore during 2014-15 to ₹2,739.45 crore in 2018-19. The expenditure on

Salaries and Wages has increased by 14.10 *per cent* from ₹2,400.82 crore in 2017-18 to ₹2,739.45 crore in 2018-19.

1.19.5.2 Interest Payments

Interest Payments increased by 20.55 *per cent* in 2018-19 compared to 2014-15 while it increased by 8.69 *per cent* over 2017-18. This was primarily due to increase in interest on Internal Debt by ₹31.35 crore, offset by decrease in interest on loans and advances from Central Government by ₹1.87 crore.

1.19.5.3 Pension Payments

The expenditure on Pension Payments increased by 77.96 *per cent* from ₹545.26 crore in 2014-15 to ₹970.37 crore in 2018-19. During 2018-19, Pension Payments increased by ₹132.59 crore (15.83 *per cent*) over the previous year due to increase in the number of State and Family Pensioners by 7,437 and 2,050 respectively.

The State Government had introduced ‘The New Defined Contribution Pension Scheme’ (NPS) on 01 September 2010 which covered State Government employees recruited on or after 01 September 2010. In terms of NPS, an employee contributes 10 *per cent* of monthly salary and Dearness Allowance and the State Government contributes a matching amount. The State Government adopted NPS architecture designed by the Pension Fund Regulatory Development Authority (PFRDA) and appointed the National Securities Depository Limited (NSDL) as the Central Record Keeping Agency (CRA). Bank of India is the Trustee Bank in charge of operation of Pension Funds. Accordingly, the entire amount is transferred to NSDL/ Trustee Bank.

The Ministry of Finance notification (January 2019) envisages that if the deducted amount of employees’ share or the Government’s share is either not deposited or deposited late to the CRA, then the Government has to compensate the employees at the rate applicable to GPF from time to time.

During 2014-19, the employees’ contribution amounted to ₹80.67 crore, while the State Government contributed ₹80.78 crore, resulting in an excess contribution of ₹0.11 crore.

Audit analysis of functioning of NPS revealed that the State Government received ₹27.75 crore from employees as contribution towards NPS and contributed ₹27.96 crore as its matching share during 2018-19. Further, against the total collected funds of ₹59.49 crore (including previous year’s balance ₹3.78 crore), the State Government transferred an amount of ₹59.44 crore to the designated authority (NSDL). Thus, due to short transfer to the NSDL, current liability stands at ₹0.05 crore as on 31 March 2019. Further, due to non-transfer of matching share during the previous years, the State Government created an interest liability (₹0.50 crore) on the amount which was not transferred to NSDL. This was an avoidable financial liability to Government in future and could have an impact on the implementation of the scheme in the State.

1.19.6 Expenditure on Subsidies

To encourage production and consumption in specific industries, Government provides subsidies to various departments. These include subsidies for food grains, water tariff, electricity

tariff, etc. Expenditure on account of subsidies is used to fill the gap between the income and expenditure incurred for procurement of goods/services. The total subsidy provided by the State Government during 2018-19 was ₹12.43 crore (Agriculture (Crop Husbandry): ₹10.56 crore and Co-operative Societies: ₹1.87 crore). State Government took active steps to minimise the expenditure on subsidies while giving due consideration to the welfare of the people. However, expenditure on subsidies increased in 2018-19 by almost six times (from ₹2.08 crore in 2014-15), while it decreased by four *per cent* over 2017-18 (₹13.00 crore).

1.19.7 Capital Expenditure

Capital Expenditure (CE) is incurred to create assets and add to the State's infrastructure and service network. The share of CE as a percentage of TE hovered between 11 to 14 *per cent* during 2014-17; however, it increased significantly to 20 *per cent* during 2017-18 and 2018-19. The rate of growth of CE, its buoyancy and ratio with respect to GSDP and TE respectively are indicated in **Table-1.23**.

Table-1.23: Capital Expenditure vis-à-vis GSDP

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Capital Expenditure (CE) (₹in crore)	927.51	710.97	911.41	1,996.35	1,868.47
Rate of Growth of CE	54.74	(-23.35)	28.19	119.04	(-6.41)
CE/TE (<i>per cent</i>)	14.09	11.31	12.71	22.38	19.85
Buoyancy of CE with GSDP (ratio)	1.75	(-1.94)	2.08	9.58	(-0.43)

Source: Finance Accounts of respective years

Capital Expenditure decreased by ₹127.88 crore (6.41 *per cent*) in 2018-19 over the previous year mainly due to decreased expenditure on Power Projects (₹103.25 crore), Food Storage and Warehousing (₹56.18 crore), Tourism (₹53.78 crore) and Crop Husbandry (₹51.82 crore) as detailed below:

- **Power Projects:** Restructured Accelerated Power Development and Reforms Programme (R-APDRP) (₹65.04 crore); New Economic Development Policy (NEDP) (₹16.43 crore); Construction of Hydel Project/Ministry of New and Renewable Energy (MNRE) (₹12.29 crore) and Distribution (Additional Central Assistance/Special Plan Assistance) ₹10.64 crore.
- **Food Storage and Warehousing:** Procurement and Supply (₹46.97 crore) and Construction of Go-down/National Bank for Agriculture and Rural Development (NABARD) (₹9.21 crore).
- **Tourism:** Tourist accommodation (₹60.13 crore).
- **Crop Husbandry:** New Economic Development Policy (NEDP) (₹60.03 crore).

The above decrease was offset by increase in capital expenditure on Water Supply and Sanitation (₹74.30 crore), Urban Development (₹26.04 crore), Other Agriculture Programme (₹25.93 crore) and Sports and Youth Services (₹17.25 crore) as detailed below:

- **Water Supply and Sanitation:** Swatch Bharat Mission (₹34.91 crore); National Rural Drinking Water Project (NRDWP) (₹22.18 crore); Rural Water Supply (₹10.59 crore) and New Economic Development Policy (NEDP) (₹5.67 crore).

- **Urban Development:** Atal Mission for Rejuvenation and Urban Transformation (AMRUT) (₹45.13 crore).
- **Other Agriculture Programme:** New Economic Development Policy (NEDP) (₹19.73 crore) Construction of Agri-Marketing and Training Infrastructure (₹6.50 crore).
- **Sports and Youth Services:** New Economic Development Policy (NEDP) (₹20.95 crore).

1.19.8 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during 2014-19 is given in **Table-1.24**.

Table-1.24: Financial Assistance to Local Bodies, etc.

	(₹in crore)				
Financial Assistance to Institutions	2014-15	2015-16	2016-17	2017-18	2018-19
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	260.95	115.11	118.74	342.41	348.40
Panchayati Raj Institutions/Urban Local Bodies	65.49	25.10	29.15	64.14	63.36
Autonomous District Councils ¹⁰	239.41	16.05	293.72	343.70	408.65
Other Institutions ¹¹	1,065.96	1,181.98	1,003.70	928.36	840.20
Total	1,631.81	1,338.24	1,445.31	1,678.61	1,660.61
Assistance as percentage of RE	28.87	24.02	23.20	24.40	22.12

Source: Finance Accounts of respective years

The grants extended to local bodies and other institutions decreased marginally by 1.07 per cent from ₹1,678.61 crore in 2017-18 to ₹1,660.61 crore in 2018-19. The decrease of financial assistance by ₹18.00 crore in 2018-19 over 2017-18 was mainly due to decrease in assistance to Other Institutions (₹88.16 crore), which was compensated by an increase in the assistance to Autonomous District Councils (₹64.95 crore). Further, the share of financial assistance to Local Bodies and Other Institutions as a percentage of Revenue Expenditure has also decreased during the last five years from 28.87 per cent in 2014-15 to 22.12 per cent in 2018-19.

The Indian Government Accounting Standards (IGAS) 2 on Accounting and Classification on Grants-in-Aid issued by Ministry of Finance envisages the disclosure of value of grants given in cash as well as in kind.

Scrutiny of Finance Accounts for the year 2018-19 showed that although the Statement of Grants-in-Aid given by the State Government discloses the grants paid in cash, those paid in kind by the State Government were not disclosed as details in this regard were not furnished by the State Government. Details in this regard are given in **Paragraph 3.9**.

¹⁰ Figures for 2018-19: Lai Autonomous District Council (₹164.32 crore), Mara Autonomous District Council (₹145.50 crore) and Chakma Autonomous District Council (₹98.83 crore)

¹¹ Figures for 2018-19: National Health Mission (₹105.43 crore), New Economic Development Policy (₹98.67 crore), Housing for all (₹61.77 crore), Pradhan Mantri Gram Sadak Yojana (₹60.10 crore), Smart City Mission (₹53.00 crore), Mahatma Gandhi Nation Rural Employment Guarantee Act (₹50.97 crore) and Others (₹410.26 crore)

1.20 Quality of Expenditure

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

1.20.1 Adequacy of Public Expenditure

The analysis of expenditure data is disaggregated into Developmental and Non-Developmental Expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into Social, Economic and General Services. Broadly, Social and Economic Services constitute Developmental Expenditure, while expenditure on General Services is treated as Non-Developmental Expenditure. In terms of quality of expenditure, the State was well placed compared to other Special Category States (SCS) in terms of expenditure on developmental activities. **Table-1.25** analyses the fiscal priority and fiscal capacity of the State Government with regard to Developmental Expenditure, Social Sector Expenditure and Capital Expenditure during 2018-19.

Table-1.25: Fiscal Priority and Fiscal Capacity of the State during 2014-19

Fiscal Priority by the State (<i>per cent</i>)	TE/ GSDP	DE/ TE	SSE/ TE	CE/ TE	Education/ TE	Health/ TE
SCS Average (Ratio) 2014-15	26.00	66.76	36.27	14.46	18.52	5.60
Mizoram State's Average (Ratio) 2014-15	48.72	72.28	37.60	14.09	16.94	5.25
SCS Average (Ratio) 2018-19	26.73	64.82	35.75	15.69	18.21	6.48
Mizoram State's Average (Ratio) 2018-19	42.33	69.89	39.27	19.85	14.84	6.18

Source: Finance Accounts of respective years

TE: Total Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure; Development Expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans and Advances disbursed

A comparison of the data related to Mizoram with that of SCS showed the following:

- Total Expenditure (TE) as a proportion of GSDP was almost twice the SCS average in 2014-15 and 2018-19. However, the ratio of TE as a proportion of GSDP decreased from 48.72 *per cent* in 2014-15 to 42.33 *per cent* in 2018-19.
- Development Expenditure (DE) as a proportion of TE was higher than the SCS average during 2014-15 and 2018-19. However, the State's DE to TE ratio decreased marginally from 72.28 *per cent* in 2014-15 to 69.89 *per cent* in 2018-19.
- Expenditure on Social Sector (SSE) as a proportion of TE was higher than the SCS average during 2014-15 and 2018-19. The ratio of SSE to TE increased from 37.60 *per cent* in 2014-15 to 39.27 *per cent* in 2018-19.
- The share of Capital Expenditure (CE) of the State was less than the SCS average in 2014-15, however, it was more than SCS average in 2018-19. The proportion of CE to TE increased during 2018-19 in comparison to 2014-15.

- The share of expenditure on Education as a proportion of TE was lower than the SCS average in 2014-15 and 2018-19. The ratio decreased in 2018-19 as compared to 2014-15.
- The share of expenditure on Health Sector as a proportion of TE was lower than the SCS average in 2014-15 and 2018-19. The ratio, however, improved during 2018-19 and was marginally higher than 2014-15.

1.20.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods¹². Apart from improving the allocation towards developmental expenditure, particularly in view of the State's fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure (and/or GSDP) and proportion of Revenue Expenditure being spent on operation and maintenance of the existing Social and Economic Services. The higher the ratio of these components to Total Expenditure (and/or GSDP), the better would be the quality of expenditure. **Table-1.26** presents the components of Development Expenditure and their share (in *per cent*) to Total Expenditure of the State during 2014-19.

Table-1.26: Development Expenditure

(₹in crore)					
Components of Development Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
Development Expenditure (a + b + c)	4,757.89 (72.28)	4,337.65 (68.97)	5,000.51 (69.75)	6,522.18 (73.10)	6,579.53 (69.89)
a. Development Revenue Expenditure	3,902.79 (59.29)	3,653.85 (58.10)	4,133.29 (57.66)	4,641.63 (52.02)	4,810.37 (51.09)
b. Development Capital Expenditure	853.30 (12.96)	676.77 (10.76)	862.23 (12.03)	1,876.00 (21.03)	1,769.16 (18.79)
c. Development Loans and Advances	1.80 (0.03)	7.03 (0.11)	4.99 (0.07)	4.55 (0.05)	0.00 (0.00)

Source: Finance Accounts of respective years

Figures in parentheses indicate percentage to Total Expenditure

Development Expenditure on socio-economic services increased from ₹4,757.89 crore in 2014-15 to ₹6,579.53 crore in 2018-19. It registered an increase of 0.88 *per cent* (₹57.35 crore) in 2018-19 over the previous year. During the five-year period ending 2018-19, the share of State's Development Expenditure averaged around 70 *per cent* of State's Total Expenditure.

Table-1.27 and **1.28** summarise the percentage of expenditure incurred by the State Government in intensifying and sustaining social and economic services in the State under different components during the period 2014-19.

¹² Core public goods are which all citizens enjoy in common like enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and infrastructure, *etc.* Merit goods are commodities that the public sector provides free or at subsidised rates like provision of free or subsidised food for the poor, *etc.*

Table-1.27: Efficiency of Capital Expenditure in Social and Economic Services
(in per cent)

Services	Ratio of Capital Expenditure to Total Expenditure [@]				
	2014-15	2015-16	2016-17	2017-18	2018-19
Social Services (SS)					
Education, Sports, Art and Culture	1.86	2.53	1.74	4.21	4.81
Health and Family Welfare	5.15	2.96	7.12	15.35	15.69
WS, Sanitation and HUD	47.37	36.21	45.20	58.47	56.65
Other Social Services	9.35	6.48	5.69	4.38	6.21
Total (SS)	12.69	8.72	11.98	19.06	20.62
Economic Services (ES)					
Agriculture and Allied Activities	17.66	24.82	8.09	32.35	24.24
Irrigation and Flood Control	4.49	41.24	36.24	62.47	40.01
Power and Energy	29.52	15.69	8.51	29.38	15.81
Transport	49.13	50.60	56.42	61.25	67.45
Other Economic Services	10.86	11.42	12.65	19.81	38.91
Total (ES)	23.64	24.48	23.05	38.28	34.93
Grand Total (SS+ES)	17.94	15.63	17.26	28.78	26.89

Source: Finance Accounts of respective years

[@] Total Revenue and Capital Expenditure of the services concerned
WS-Water Supply, HUD-Housing and Urban DevelopmentEfficiency of Revenue Expenditure with respect to Social and Economic services is detailed in **Table-1.28**.**Table-1.28: Efficiency of Revenue Expenditure in Social and Economic Services**
(₹in crore)

Services	Share of Salary and Wages					Non-Salary				
	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
Social Services (SS)										
Education, Sports, Art and Culture	689.94 (60.41)	743.66 (65.93)	785.82 (67.63)	821.02 (65.32)	897.31 (64.17)	452.08 (39.59)	384.26 (34.07)	376.04 (32.37)	435.85 (34.68)	500.99 (35.83)
Health and Family Welfare	190.11 (57.95)	215.05 (58.56)	226.43 (61.10)	231.75 (49.43)	286.83 (58.46)	137.95 (42.05)	152.17 (51.44)	144.18 (38.90)	237.14 (50.57)	203.84 (41.54)
WS, Sanitation and HUD	53.44 (20.96)	58.11 (23.89)	60.35 (21.17)	61.23 (19.26)	70.32 (16.43)	201.53 (79.04)	185.18 (76.11)	224.72 (78.83)	256.70 (80.74)	357.65 (83.57)
Other Social Services	39.95 (9.17)	41.47 (8.61)	42.84 (8.86)	44.78 (7.96)	49.14 (7.96)	395.93 (90.83)	440.06 (91.39)	440.47 (91.14)	518.06 (92.04)	568.37 (92.04)
Total (SS)	973.44 (45.05)	1,058.29 (47.67)	1,115.44 (48.48)	1,158.78 (44.46)	1,303.60 (44.42)	1,187.49 (54.95)	1,161.67 (52.33)	1,185.41 (51.52)	1,447.75 (55.54)	1,630.85 (55.58)
Economic Services (ES)										
Agriculture and Allied Activities	173.85 (24.08)	182.09 (47.16)	190.31 (37.38)	190.24 (34.94)	210.41 (37.01)	548.02 (75.92)	203.99 (52.84)	318.76 (62.62)	354.20 (65.06)	358.11 (62.99)
Irrigation and Flood Control	8.09 (71.72)	8.49 (77.68)	8.36 (79.47)	8.27 (72.54)	9.85 (65.23)	3.19 (28.28)	2.44 (22.32)	2.16 (20.53)	3.13 (27.46)	5.25 (34.77)
Power and Energy	80.11 (23.68)	85.81 (23.71)	91.12 (19.60)	93.74 (18.33)	104.29 (17.89)	258.23 (76.32)	276.03 (76.29)	373.68 (80.40)	417.63 (81.67)	478.75 (82.11)
Transport	74.42 (39.13)	79.89 (40.78)	85.75 (29.69)	86.22 (21.65)	99.83 (32.89)	115.78 (60.87)	116.00 (59.22)	203.05 (70.31)	312.07 (78.35)	203.66 (67.11)

Services	Share of Salary and Wages					Non-Salary				
	2014-15	2015-16	2016-17	2017-18	2018-19	2014-15	2015-16	2016-17	2017-18	2018-19
Other Economic Services	91.21 (19.00)	98.26 (20.51)	102.53 (18.33)	103.97 (18.25)	114.69 (28.26)	388.96 (81.00)	380.89 (79.49)	456.72 (81.67)	465.63 (81.75)	291.08 (71.74)
Total (ES)	427.68 (24.55)	454.54 (31.70)	478.07 (26.09)	482.44 (23.71)	539.07 (28.74)	1,314.18 (75.45)	979.35 (68.30)	1,354.37 (73.91)	1,552.66 (76.29)	1,336.85 (71.26)
Grand Total (SS+ES)	1,401.12 (35.90)	1,512.83 (41.40)	1,593.51 (38.55)	1,641.22 (35.36)	1,842.67 (38.31)	2,501.67 (64.10)	2,141.02 (58.60)	2,539.78 (61.45)	3,000.41 (64.64)	2,967.70 (61.69)

Source: Finance Accounts of respective years

Figures in parentheses represent per cent to Revenue Expenditure in the respective services of respective years

The above table shows that:

- The expenditure on Salary and Wages component under Social and Economic Services during 2018-19 increased by 31.51 and 12.27 per cent over 2014-15 and 2017-18 respectively. The expenditure on Non-Salary component under Social and Economic Services in 2018-19 increased by 18.63 per cent over 2014-15 while it decreased by 1.09 per cent over 2017-18.
- The Salary and Wages component under Revenue Expenditure in Social Services in 2018-19 increased by 33.92 and 12.50 per cent over 2014-15 and 2017-18 respectively. The Non-Salary component in 2018-19 increased by 37.34 and 12.65 per cent over 2014-15 and 2017-18 respectively.
- The Salary and Wages component under Revenue Expenditure in Economic Services in 2018-19 increased by 26.05 and 11.74 per cent over 2014-15 and 2017-18 respectively. The Non-Salary component in 2018-19 increased by 1.73 per cent over 2014-15 while it decreased by 13.90 per cent over 2017-18.

From Paragraphs 1.20.1 and 1.20.2, it can be seen that the State Government was well placed in terms of Development Expenditure when compared to other SCS. However, it needs to increase its share of expenditure on Education and Health in order to match the other SCS.

1.21 Financial Analysis of Expenditure and Investments

In the post-FRBM framework, the State is expected not only to keep its Fiscal Deficit (and borrowing) at low levels but also meet its Capital Expenditure investment (including Loans and Advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowings to avoid complete dependence on market borrowings.

1.21.1 Incomplete projects

As per the Finance Accounts of the State for the year 2018-19, there were 261 incomplete/ongoing projects in the State as on 31 March 2019. These were being executed by five Departments. Out of these, 215 projects, which were initially budgeted to be completed at a cost of ₹2,380.29 crore, were scheduled to be completed by March 2019. The Department-wise details of these incomplete projects are given below in Table-1.29.

Table-1.29: Department-wise Profile of Incomplete Projects

(₹in crore)

Department	Number of incomplete projects	Initial Budgeted Cost	Cost overrun (No. of Projects)	Cumulative expenditure as on 31 March 2019
Power and Electricity	08	190.11	15.91 (01)	190.97
Public Health and Engineering	08	129.75	0.00	85.77
Irrigation and Water Resources	46	51.66	0.00	19.55
Public Works (Buildings)	25	467.47	0.00	322.94
Public Works (Roads)	127	1,535.31	7.20 (02)	580.69
Urban Development and Poverty Alleviation	01	6.00	0.00	0.10
Total	215	2,380.29	23.11	1,200.02

Source: Appendix-IX, Finance Accounts, 2018-19

Analysis of the above 215 incomplete projects revealed the following:

- In 60 projects, there was no financial progress during 2018-19;
- There was 100 *per cent* financial achievement in eight projects; however, 100 *per cent* physical progress was not achieved;
- No expenditure was incurred in 27 projects which had an estimated cost of ₹240.95 crore;
- In 12 projects, 100 *per cent* physical progress was achieved; however, there was pending payments of ₹23.45 crore in respect of these projects;
- An amount of ₹3.29 crore was incurred on 10 projects up to March 2019; however, no physical progress was achieved; and
- The estimated cost of three incomplete projects was not furnished by the State Government; however, a cumulative expenditure of ₹3.29 crore was incurred on these projects.

Thus, the Capital Expenditure of ₹1,200.02 crore incurred on these 215 incomplete projects remained blocked and the benefits expected to be accrued from these projects were yet to flow. Further, delay in completion of the projects was fraught with the risk of cost overrun and does not add to the GSDP of the State. Therefore, effective steps need to be taken to complete all these projects without further delay to avoid cost overrun due to time overrun.

1.21.2 Investments and returns

As on 31 March 2019, the State Government had invested¹³ ₹42.77 crore in Government Companies, Co-operative Bank, Societies, *etc.* During 2018-19, the State Government invested ₹4.10 crore in Co-operative Bank, Societies, *etc.* However, it did not receive any dividend on these investments in 2018-19 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bears an interest liability at rates ranging from 7.21 to 9.72 *per cent*.

As of 31 March 2019, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of

¹³ Government Companies: ₹6.99 crore; Co-operative Bank, Societies, *etc.*: ₹35.78 crore

₹56.46 crore¹⁴. The accumulated losses of three of these Government Companies¹⁵ had exceeded their paid-up capital and further, the aggregate net worth¹⁶ of these Companies¹⁷ stood at (-)₹2.57 crore. In the remaining three Government Companies¹⁸, the accumulated losses were more than 72.84 per cent of their paid-up capital.

1.21.3 Loans and Advances by the State Government

In addition to investments in Co-operative Societies, Corporations and Companies, the State Government has also been providing Loans to these institutions/organisations and Advances to Government Servants. **Table-1.30** presents the outstanding Loans and Advances during the last three years.

Table-1.30: Loans and Advances by the State Government

Particulars	(₹in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Balance	249.12	219.92	201.21	205.81	229.12
Loans and Advances given	2.43	7.13	27.05	44.95	40.52
Loans and Advances repaid	31.63	25.84	22.45	21.64	22.16
Closing Balance	219.92	201.21	205.81	229.12	247.48
Net addition	(-)29.20	(-)18.71	4.60	23.31	18.36

Source: Finance Accounts of respective years

The amount of Loans and Advances disbursed by the State Government decreased from ₹44.95 crore in 2017-18 to ₹40.52 crore in 2018-19. Simultaneously, the amount of Loans and Advances repaid increased from ₹21.64 crore in 2017-18 to ₹22.16 crore in 2018-19. Out of this, ₹17.99 crore were Loans to Government Servants, ₹2.57 crore to Economic Services and ₹1.60 crore to Social Services.

The State Government did not disclose interest payments in arrears or rate of interest on fresh loans and advances in Finance Accounts, which is violative of IGAS 3. Details in this regard are given in **Paragraph 3.9**.

1.21.3.1 Pendency in recovery of Loans and Advances by the State Government

Finance Accounts of Mizoram for the year 2018-19 showed that the outstanding balance of loans and advances to be recovered by the State Government was ₹247.48 crore as on 31 March 2019, out of which, there was a pendency in recovery of ₹15.10 crore under seven Major Heads for a prolonged period. Details in this regard are given below in **Table-1.31**.

¹⁴ Zoram Electronic Development Corporation Limited: ₹6.59 crore; Mizoram Food and Allied Industries Corporation Limited: ₹20.91 crore; Mizoram Handloom and Handicraft Development Corporation Limited: ₹6.05 crore; Zoram Industrial Development Corporation Limited: ₹16.46 crore; Mizoram Agricultural Marketing Corporation Limited: ₹6.43 crore; and Mizoram Mineral Development Corporation Limited: ₹0.02 crore

¹⁵ Mizoram Agricultural Marketing Corporation Limited, Mizoram Food and Allied Industries Corporation Limited and Zoram Industrial Development Corporation Limited

¹⁶ Net Worth represents Paid-up Capital plus free reserves less accumulated losses

¹⁷ Mizoram Agricultural Marketing Corporation Limited: (-)₹0.98 crore, Mizoram Food and Allied Industries Corporation Limited: (-)₹0.91 crore; and Zoram Industrial Development Corporation Limited : (-)₹0.68 lakh

¹⁸ Mizoram Handloom and Handicraft Development Corporation Limited, Zoram Electronic Development Corporation Limited and Mizoram Mineral Development Corporation Limited

Table-1.31: Pendency in recovery of Loans and Advances by the State Government
(₹in crore)

Head of Account	Department	Year from which recoveries are not effected	Amount outstanding as on 31 March 2019
6235-Loans for Social Security and Welfare	Social Welfare	1995-96	1.13
6403-Loans for Animal Husbandry	Animal Husbandry and Veterinary	2000-01	0.20
6435-Loans for Other Agricultural Programmes	Agriculture	2005-06	9.08
6801-Loans for Power Projects	Power and Electricity	2001-02	1.61
6851-Loans for Village and Small Industries 109-Composite Village and Small Industries Co-operatives	Commerce and Industries	2002-03	0.55
200-Other Village Industries		2005-06	0.26
6875-Loans for Other Industries		1993-94	2.25
7055-Loans for Road Transport	Transport	1992-93	0.02
Total			15.10

Source: Finance Accounts of the respective years

As can be seen from the table above, these loans and advances were outstanding and their recoveries had not been effected since 1992-93 to 2005-06. Out of the arrears of ₹15.10 crore, ₹3.40 crore (under three Major Heads) was pending recovery prior to 1999-2000 and ₹11.70 crore (under four Major Heads) was pending recovery from 2000-01 to 2005-06.

1.21.4 Cash Balances and Investment of Cash Balances

It is generally expected that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatch in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMAs) from the Reserve Bank of India (RBI) has been put in place. While the operative limit for Special WMAs is fixed by the RBI from time to time depending on the holding of Government securities, the limit for Ordinary WMAs to the State Government has been fixed at ₹55 crore with effect from 01 April 2006. Under an agreement with the RBI, the State Government is required to maintain a minimum daily cash balance of ₹0.20 crore with the Bank. If the minimum cash balance falls below the agreed minimum amount of such balance on any day, the deficiency is made good by taking Ordinary and Special WMAs/Overdrafts from time to time.

The State Government was able to maintain the minimum daily cash balance of ₹0.20 crore throughout 2018-19 and did not avail Ordinary or Special WMAs and Overdraft during the current year.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2018-19 are shown in **Table-1.32**.

Table-1.32: Cash Balances and Investment of Cash Balances

(₹in crore)

Particulars	Closing Balance on 31 March 2018	Closing Balance on 31 March 2019
(a) General Cash Balance		
Cash in Treasuries	---	---
Remittances in transit (local)	---	---
Deposits with Reserve Bank ¹⁹	(-)61.87	(-)166.50
Total	(-)61.87	(-)166.50
Investment held in Cash Balance investment account	369.13	71.01
Total (a)	307.26	(-)95.49
(b) Other Cash Balances and Investments		
Cash with Departmental Officers viz. Forest Officers and Public Work Officers	(-)4.91	(-)4.68
Permanent Advances for contingent expenditure with Departmental Officers	---	---
Investments of Earmarked Funds	291.54	334.54
Total (b)	286.63	329.86
Grand Total (a) + (b)	593.89	234.37

Source: Finance Accounts (Volume-I), 2018-19

* The Finance Accounts do not contain these figures

Cash Balance and Investments of Cash Balances of the State Government decreased by ₹359.52 crore over the previous year and stood at ₹234.37 crore in 2018-19. There was a difference of ₹12.89 crore (net credit) at the end of the accounting year 2018-19 between the General Cash Balance as worked out by the Accountant General (₹166.50 crore) and as reported by the RBI (₹179.39 crore). This difference was mainly due to misclassification of transactions by the Bank/Treasury.

1.22 Assets and Liabilities

1.22.1 Growth and composition of Assets and Liabilities

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

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the fiscal liabilities of the Government and the assets created out of the expenditure incurred. **Appendix-1.6** gives an abstract of such liabilities and the assets as on 31 March 2019 compared with the corresponding position as on 31 March 2018. While the liabilities in this Appendix consist mainly of Internal Debt²⁰, Loans and Advances from GoI and receipts from the Public Account²¹, the assets comprise mainly Capital Outlay and Loans and Advances given by the State Government and Cash Balances.

¹⁹ Balance under the head ‘Deposits with Reserve Bank’ is arrived after taking into account the Inter Government monetary settlements pertaining to transactions of financial year 2018-19 advised to the RBI as on 31 March 2019

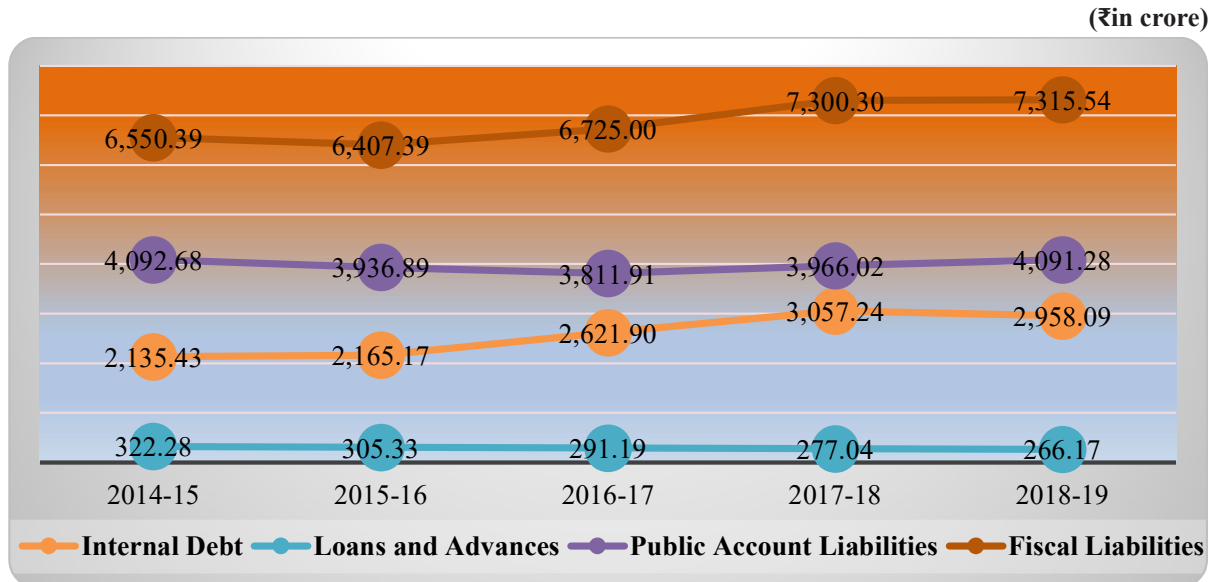
²⁰ Market loans, Loans from Banks and Financial Institutions, WMAs from RBI, etc.

²¹ Small Savings, Provident Funds, etc., Reserve Funds (Gross) and Deposits

1.22.2 Fiscal Liabilities

The trend and composition of Fiscal Liabilities during the last five years are presented in **Chart-1.18**.

Chart-1.18: Trends in Fiscal Liabilities



Source: Finance Accounts of respective years

Table-1.33 gives the Fiscal Liabilities of the State, their rate of growth and the ratios and buoyancy of these liabilities to GSDP, Revenue Receipts and State's own resources.

Table-1.33: Fiscal Liabilities – Basic Parameters, Indicators and Trends

	2014-15	2015-16	2016-17	2017-18	2018-19
Fiscal Liabilities (FL)	6,550.39	6,407.39	6,725.00	7,300.30	7,315.54
Rate of Growth of FL (<i>per cent</i>)	16.69	(-)2.18	4.96	8.55	0.21
GSDP	13,509	15,139	17,192	19,329	22,241
Rate of growth of GSDP (<i>per cent</i>)	31.24	12.07	13.56	12.43	15.07
Ratio of Fiscal Liabilities to:					
GSDP (<i>per cent</i>)	48.49	42.32	39.12	37.77	32.89
Revenue Receipts (<i>per cent</i>)	118.86	95.97	90.90	85.08	80.93
Own Resources (<i>per cent</i>)	1,288.23	976.68	833.30	779.48	621.72
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (Ratio)	0.53	(-)0.18	0.37	0.69	0.01
Revenue Receipts (Ratio)	1.07	(-)0.10	0.46	0.54	0.04
Own Resources (Ratio)	0.84	(-)0.08	0.22	0.53	0.01

Source: Finance Accounts of respective years and for GSDP figures: Directorate of Economics and Statistics, GoM

The overall Fiscal Liabilities of the State increased at a CAGR of 2.80 *per cent* during the period 2014-19. In 2018-19, the overall Fiscal Liabilities of the State Government increased by ₹15.24 crore (0.21 *per cent*) over the previous year mainly due to increase in Public Account liabilities (₹125.26 crore), offset by a decrease in Internal Debt (₹99.15 crore) and Loans and Advances (₹10.87 crore). The ratios of Fiscal Liabilities to GSDP, Revenue Receipts and Own Resources in 2018-19 decreased with reference to the previous year and stood at 32.89 *per cent*, 80.93 *per cent* and 621.72 *per cent* respectively. The buoyancy of Fiscal Liabilities with respect to the GSDP, Revenue Receipts and Own Resources in 2018-19 was 0.01, 0.04 and 0.01 respectively.

1.22.3 Status of Guarantees – Contingent liabilities

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

The maximum amount for which guarantees were given by the State Government and outstanding guarantees for the last five years are given in **Table-1.34**.

Table-1.34: Guarantees given by Government of Mizoram

Guarantees	2014-15	2015-16	2016-17	2017-18	2018-19
Maximum amount guaranteed	273.94	273.94	293.94	293.94	277.58
Outstanding amount of guarantees as on 31 March of each year	96.90	100.22	123.99	133.92	97.99
Revenue Receipts	5,511.10	6,676.40	7,398.30	8,580.20	9,039.50
Percentage of maximum amount guaranteed to Revenue Receipts	4.97	4.10	3.97	3.43	3.07

Source: Finance Accounts (Statements 9 and 20) for the respective years

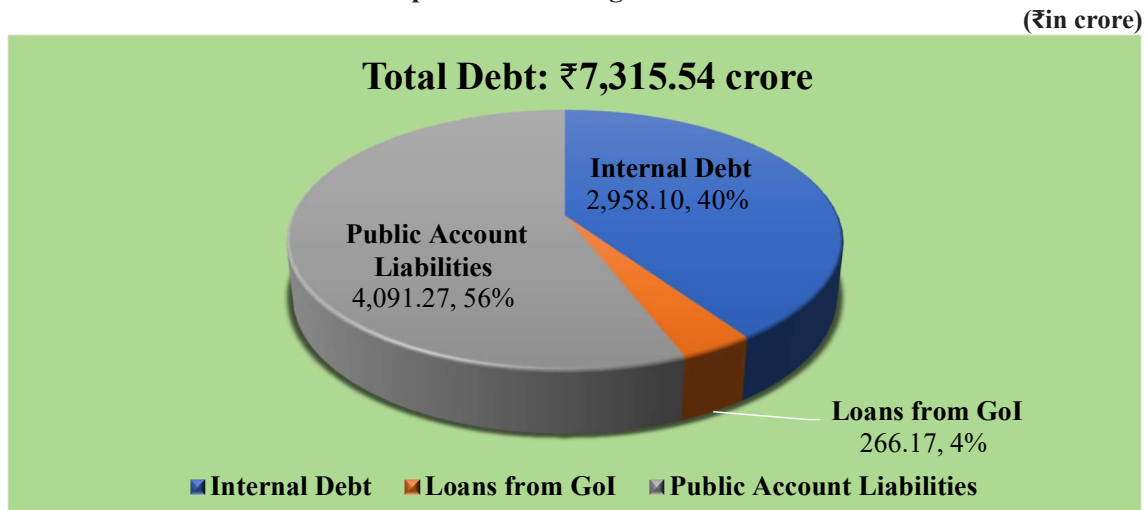
The State Government guaranteed loans raised by various Corporations and other institutions. During 2018-19, no new guarantees was provided and the outstanding amount of guarantees at the end of 2018-19 stood at ₹97.99 crore²². The maximum amount guaranteed during 2018-19 stood at ₹277.58 crore and was 3.07 per cent of the Revenue Receipts of the State.

The State Government disclosed the sector-wise guarantees as per format L of the IGAS; however, the Class-wise details for each Class – as per format M of IGAS 1 were not disclosed. Details in this regard are given in **Paragraph 3.9**.

1.23 Debt Management and Sustainability

The total outstanding debt of the State Government at the end of 2018-19 was ₹7,315.54 crore. Component-wise break-up of debt is shown below in **Chart-1.19**.

Chart-1.19: Break-up of Outstanding Debt at the end of FY 2018-19



Source: Finance Accounts, 2018-19

Public Account Liabilities, which comprise primarily Small Savings, Provident Funds, etc., Reserve Funds, and Deposits and Advances accounted for 56 per cent of the total outstanding debt.

²² Principal: ₹74.15 crore and Interest: ₹23.84 crore

1.23.1 Trend of Debt

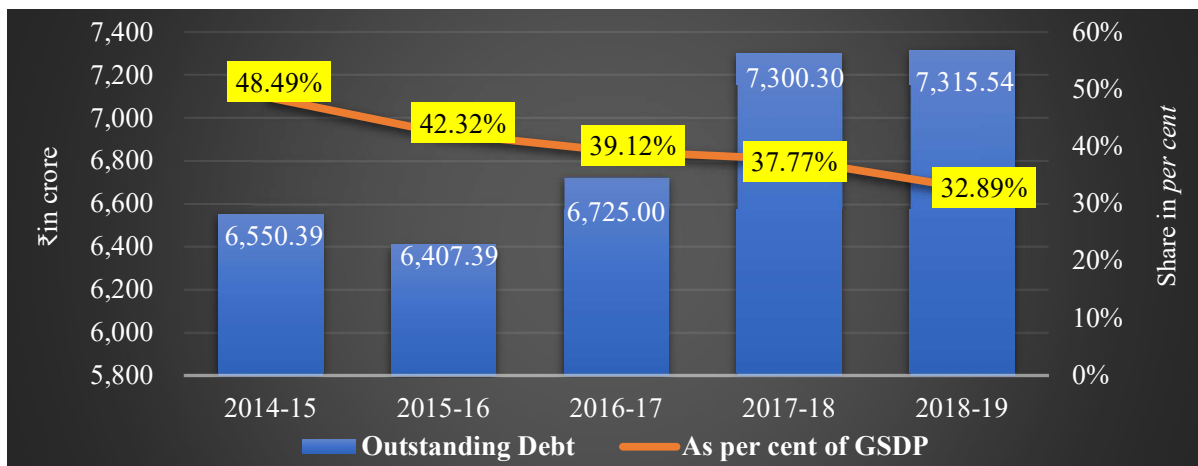
The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2014-19 are given in **Table-1.35**, as also in **Chart-1.20**.

Table-1.35: Trend of Debt

		(₹in crore)				
		2014-15	2015-16	2016-17	2017-18	2018-19
Outstanding Debt		6,550.39	6,407.39	6,725.00	7,300.30	7,315.54
Public Debt	Internal Debt	2,135.43	2,165.17	2,621.90	3,057.24	2,958.10
	Loans from GoI	322.28	305.33	291.19	277.04	266.17
Public Account Liabilities		4,092.68	3,936.89	3,811.91	3,966.02	4,091.27
Rate of growth of outstanding debt (per cent)		16.69	(-)2.18	4.96	8.55	0.21
GSDP		13,509.40	15,138.86	17,191.91	19,328.64	22,240.57
Debt/GSDP (per cent)		48.49	42.32	39.12	37.77	32.89
Total Debt Receipts		3,465.20	2,086.60	2,332.40	3,048.72	2,517.05
Total Debt Repayments		2,528.28	2,229.60	2,014.79	2,473.43	2,501.81
Interest Payments		305.83	369.27	341.26	339.20	368.68
Total Debt Available		631.09	(-)512.27	(-)23.65	236.09	(-)353.44

Source: Finance Accounts of respective years

Chart-1.20: Trend of overall Debt



Source: Finance Accounts of respective years and GSDP obtained from the Directorate of Economics and Statistics, GoM

1.23.2 Debt Sustainability

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and debt repayment out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of Debt/GSDP ratio, Fiscal Deficit and burden of interest payments (measured by ratio of Interest Payments to Revenue Receipts) of the State Government debt.

Table-1.36 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2014-15.

Table-1.36: Debt Sustainability - Indicators and Trends

Indicators of Debt sustainability	2014-15	2015-16	2016-17	2017-18	2018-19
Debt/GSDP (<i>per cent</i>)	48.49	42.32	39.12	37.77	32.89
Fiscal Deficit/GSDP (<i>per cent</i>)	7.70	(-2.73*	(-1.47*	1.66	1.59
Interest Payments/Revenue Receipts Ratio	5.55	5.53	4.61	3.95	4.08
Rate of growth of outstanding Debt (<i>per cent</i>)	16.69	(-2.18	4.96	8.55	0.21
Rate of growth of GSDP (<i>per cent</i>)	31.24	12.07	13.56	12.43	15.07
Rate of growth of Revenue Receipts (<i>per cent</i>)	15.66	21.14	10.81	15.98	5.35
Interest payments (₹in crore)	305.83	369.27	341.26	339.20	368.68
Average interest rate on Outstanding debt (<i>per cent</i>)	5.03	5.70	5.20	4.84	5.04
Available Debt as a percentage of Debt Receipts	18.21	(-24.55	(-1.01	7.74	(-14.04

Source: Finance Accounts of respective years

* Fiscal Surplus in 2015-16 and 2016-17

The fiscal consolidation roadmap recommended by the XIV FC had set the following targets relating to debt sustainability –

- Debt should be less than 25 *per cent* of GSDP; and
- Interest payments should be less than 10 *per cent* of Revenue Receipts.

As can be seen from **Table-1.36**, during the last five years, the ratio of debt to GSDP of GoM showed a declining trend from 48.49 *per cent* in 2014-15 to 32.89 *per cent* in 2018-19. This was however, above the 25 *per cent* recommended by the XIV FC.

During 2014-15, debt grew at a significantly faster rate than the revenue receipts. However, during the following four years 2015-16 to 2018-19, the growth rate of Revenue Receipts had generally outpaced the growth rate of debt.

The burden of interest payment ranged between 3.95 and 5.55 *per cent* of the Revenue Receipts during 2014-19 which indicated the sustainability of debt of the State.

During the five-year period 2014-15 to 2018-19, GSDP displayed growth at a CAGR of 13.27 *per cent*, while the outstanding debt had grown at a significantly lower rate of 2.80 *per cent*.

Sustainability of debt of the GoM is also assessed in terms of the Domar model in **Table-1.37**, 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 GoM is given below as per the Domar model.

Table-1.37: Debt sustainability as per the Domar model

Year	Growth Rate of GSDP (g)	Average Interest Rate (r)	g - r	Primary Deficit/ Surplus (s) (₹in crore)	Remarks
2014-15	31.24	5.03	26.21	(-733.82	As $g-r > 0$ and $s < 0$, public debt will converge to a stable level
2015-16	12.06	5.70	6.36	782.55	As $g-r > 0$ and $s > 0$, public debt will converge to a stable level and will lead to public savings
2016-17	13.56	5.20	8.36	593.21	
2017-18	12.43	4.84	7.59	18.97	
2018-19	15.07	5.04	10.03	15.76	

Note: The Domar model applies the real growth rate and real interest rate. Although the CPI rate for the State is available, in the absence of actual interest rate, the average interest rate on outstanding debt, as featured in the SFARs of the respective years, has been taken as 'r' rather than the real interest rate. The GSDP is nominal (at current price).

The positive Domar gap combined with primary surplus in 2018-19 was indicative of the debt of GoM being sustainable as per the Domar model.

While the Debt was not pegged at less than 25 per cent of GSDP as required by the fiscal consolidation roadmap recommended by the XIV FC, there has been a conscious effort by the State Government to bring down its outstanding debt, which is reflected in the progressive reduction of debt-GSDP ratio from 48.49 per cent in 2014-15 to 32.89 per cent in 2018-19 and the interest payments have also been less than 10 per cent of Revenue Receipts. Therefore, debt of GoM appears to be sustainable both as per the Domar model as well as the XIV FC prescription.

1.23.3 Maturity Profile of Public Debt

Public Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2018-19, the maturity profile of public debt is as follows.

Table-1.38: Maturity Profile of Public Debt (In years)

Year of maturity	Maturity Profile (years)	Amount (₹in crore)			Per cent of total Public Debt
		Internal Debt	Loans and Advances from GoI	Total	
During 2019-20	0 – 1	242.58	3.85	246.43	7.64
Between 2020-21 and 2021-22	1 – 3	745.24	4.93	750.17	23.27
Between 2022-23 and 2023-24	3 – 5	608.70	5.48	614.18	19.05
Between 2024-25 and 2025-26	5 – 7	532.87	7.16	540.03	16.75
Sub-total (A)		2,129.39	21.42	2,150.81	66.71
Between 2026-27 and 2027-28	7 – 9	624.77	5.08	629.85	19.53
Between 2028-29 and 2029-30	9 – 11	24.38	4.29	28.67	0.89
Between 2030-31 and 2031-32	11 – 13	16.50	3.73	20.23	0.63
Between 2032-33 and 2033-34	13 – 15	14.33	0.00	14.33	0.44
2034-35 onwards	15 and above	148.72	231.66	380.38	11.80
Sub-total (B)		828.70	244.76	1,073.46	33.29
Total (A+B)		2,958.09	266.18	3,224.27	100.00

Source: Finance Accounts, 2018-19

The maturity profile of outstanding stock of public debt as on 31 March 2019 indicated that out of the outstanding public debt of ₹3,224.27 crore, 66.71 per cent (₹2,150.81 crore) was payable within the next seven years while the remaining 33.29 per cent (₹1,073.46 crore) was in the maturity bracket of more than seven years. Of the total outstanding public debt, internal debt consisting of market borrowings, loans from NABARD and special securities issued to NSSF of Central Government constituted 91.74 per cent (₹2,958.09 crore).

1.24 Conclusion

The State achieved a Revenue Surplus for the fourth consecutive year during 2018-19 (₹1,533.91 crore). Fiscal Deficit of ₹352.92 crore (1.59 per cent) in 2018-19 was well within the limit of three per cent of GSDP recommended by XIV Finance Commission.

Revenue Receipts of the State grew significantly during the five-year period 2014-19 at a CAGR of 13.17 per cent. While the State's Own Resources constituted only around 10 per cent of the Revenue Receipts during 2014-18, their contribution increased to 13.02 per cent in 2018-19.

Revenue Expenditure increased by ₹624.82 crore (9.08 per cent) while Capital Expenditure decreased by ₹127.88 crore (6.41 per cent) during 2018-19 over the previous year. Revenue Expenditure accounted for 79.72 per cent of the State's Total Expenditure during 2018-19, leaving only 19.85 per cent for creation of assets (balance 0.43 per cent for Loans and Advances). Committed Expenditure increased by 40.51 per cent during the five-year period 2014-19.

During 2018-19, 262 DDOs of 38 Departments parked an amount of ₹534.20 crore in bank accounts in contravention of the CTR codal provisions and instructions of the Finance Department. Further, 60 DDOs who had parked ₹368.13 crore in bank accounts during 2017-18, continued the accounts during 2018-19 and parked ₹225.52 crore in these accounts.

Drawal of money from the Consolidated Fund and parking it in the DDOs' bank accounts for future utilisation is fraught with the risk of misappropriation and fraud. There is also a possibility of diversion of funds for other unauthorised purposes and the expenditure moving out of the purview of Legislative oversight.

The outstanding fiscal liabilities had shown an increase from ₹6,550.39 crore in 2014-15 to ₹7,315.54 crore in 2018-19. The ratio of fiscal liabilities to GSDP had decreased from 37.77 per cent in 2017-18 to 32.89 per cent in 2018-19. The maturity profile of outstanding stock of the public debt indicated that 66.71 per cent of the public debt would be payable within the next seven years, which was a matter of concern.

1.25 Recommendations

- i) State Government needs to plan adequately for rolling out its major policy initiatives and ensure that adequate capacities are developed for consumption of capital expenditure for creation of durable assets.
- ii) State Government should consider investigating the parking of funds outside the Government accounts and take necessary steps to close the unauthorised bank accounts. Further, responsibility may be fixed for violation of extant rules and risking public funds.
- iii) State Government needs to maintain an accurate database with regard to the capital works, amount invested in these projects which have been pending completion for several years; review its commitment to these and liabilities arising out of inordinate delays in their completion.