

CHAPTER-II
FINANCES OF THE STATE



Chapter 2: Finances of the State

2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2015-16 to 2019-20, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government where necessary.

2.2 Major changes in Key fiscal aggregates vis-à-vis 2018-19

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2019-20, compared to the previous year.

Table 2.1 : Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 6.85 per cent ✓ Own Tax receipts of the State increased by 0.59 per cent ✓ Own Non-tax receipts increased by 16.09 per cent ✓ State's Share of Union Taxes and Duties decreased by 13.85 per cent ✓ Grants-in-Aid from Government of India increased by 23.56 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 25.96 per cent ✓ Revenue expenditure on General Services increased by 17.30 per cent ✓ Revenue expenditure on Social Services increased by 15.62 per cent ✓ Revenue expenditure on Economic Services increased by 54.58 per cent
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 26.54 per cent ✓ Capital expenditure on General Services decreased by 4.12 per cent ✓ Capital expenditure on Social Services decreased by 21.10 per cent ✓ Capital expenditure on Economic Services decreased by 32.86 per cent
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 103.92 per cent ✓ Recoveries of Loans and Advances increased by 20.49 per cent
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 755.07 per cent ✓ Repayment of Public Debt increased by 44.91 per cent
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 17.88 per cent ✓ Disbursement of Public Account increased by 6.80 per cent
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by ₹ 136 crore (81.68 per cent) during 2019-20 compared to previous year

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

2.3 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2019-20 with that of 2018-19 in figures, while **Chart 2.1** gives the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

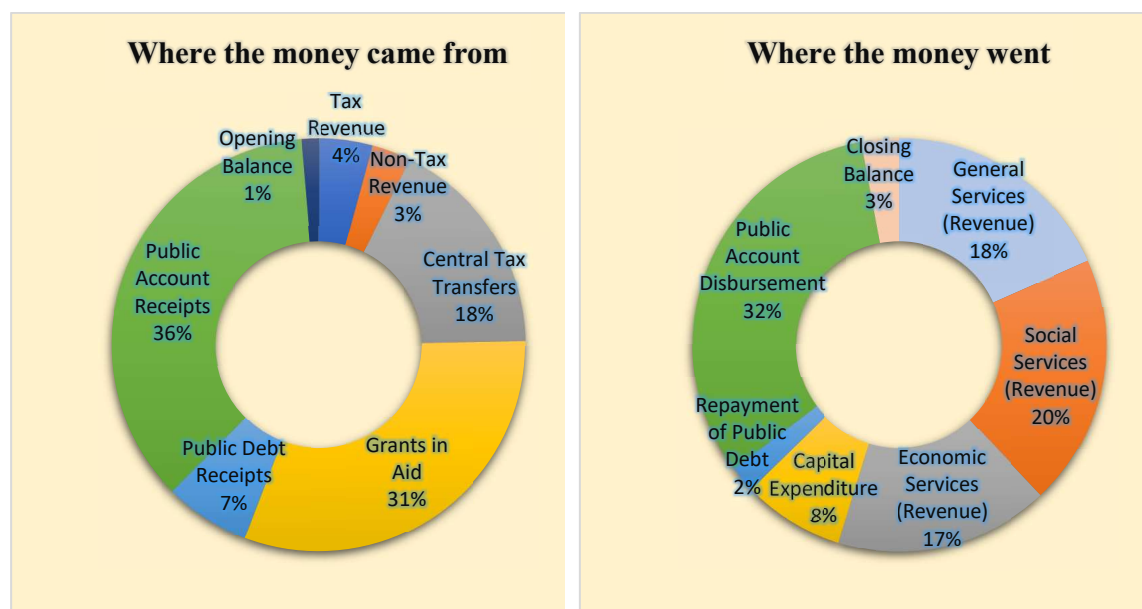
Table 2.2 : Details of Sources and Application of funds during 2018-19 and 2019-20

(₹ in crore)

	Particulars	2018-19	2019-20	Increase/ Decrease
Sources	Opening Cash Balance	-61.87	-166.50	-104.63
	Revenue Receipts	9,039.50	9,658.26	618.76
	Recoveries of Loans and Advances	22.16	26.70	4.54
	Public Debt Receipts (Net)	-110.01	793.75	903.76
	Public Account Receipts (Net)	358.31	566.56	208.25
	Total	9,248.09	10,878.77	1,630.68
Application	Revenue Expenditure	7,505.59	9,453.96	1,948.36
	Capital Expenditure	1,868.47	1,372.67	-495.79
	Disbursement of Loans and Advances	40.53	82.64	42.11
	Closing Cash Balance	-166.50	-30.50	136.00
	Total	9,248.09	10,878.77	1,630.68

Source: Finance Accounts

Chart 2.1 : Sources and application of funds



2.4 Resources of the State

Revenue Receipts and Capital Receipts are the two streams of receipts that constitute the resources of the State Government. Besides these, the funds available in the Public Account after disbursements are also utilised by the Government to finance its deficit.

The resources of the State are described in greater detail below:

- 1. Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).

2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

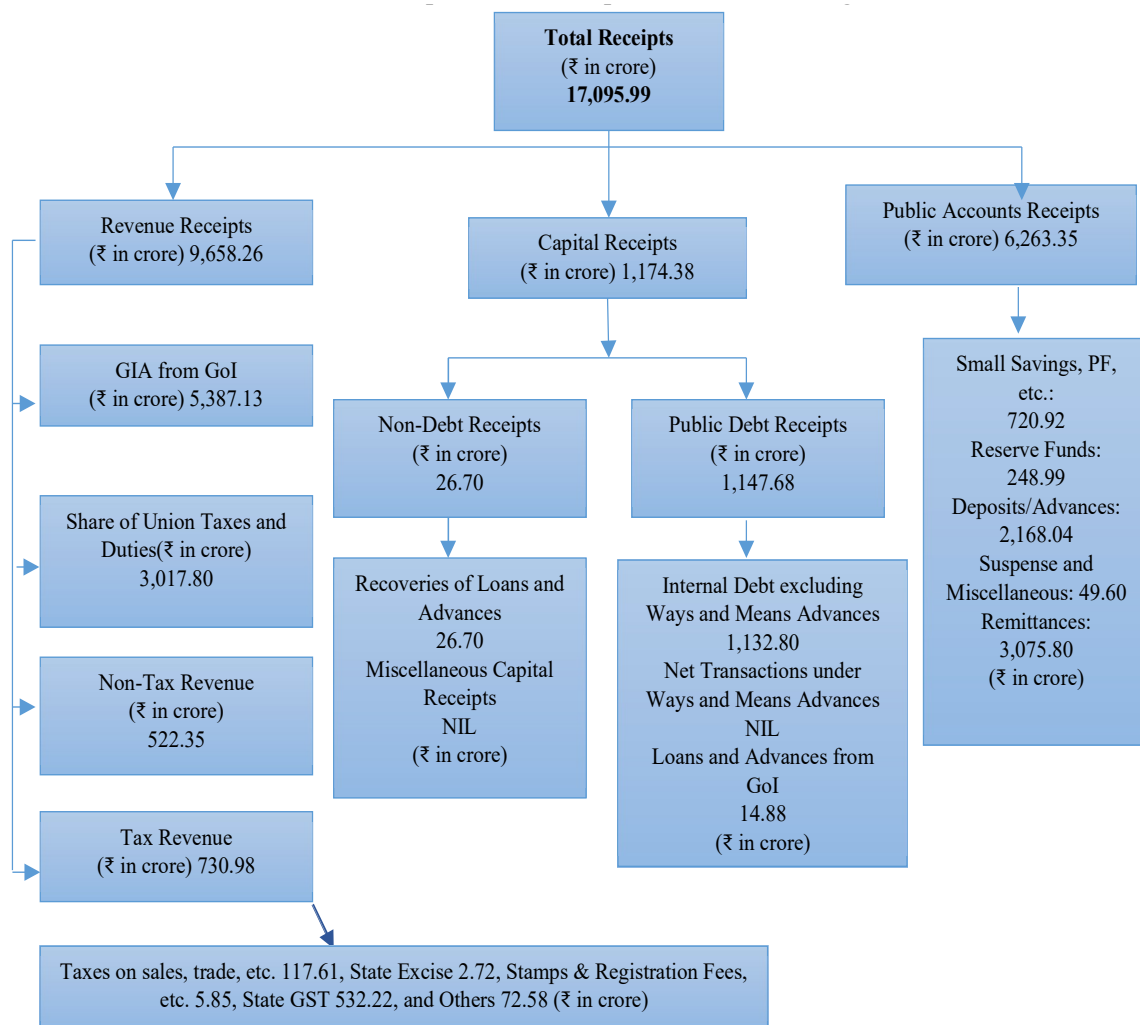
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These 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.

2.5 Receipts of the State

This paragraph provides the composition of the overall receipts. The composition of receipts of the Government of Mizoram during 2019-20 is given in **Chart 2.2**.

Chart 2.2 : Composition of receipts of the State during 2019-20



2.5.1 State's Revenue Receipts

This paragraph outlines the trends in total revenue receipts and its components earned by the Government of Mizoram for the year 2019-20. Trends in the receipts - bifurcated into receipts from the Central Government and State's own receipts, are also analysed.

2.5.1.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Charts 2.3** and **2.4** respectively.

Table 2.3 : Trend in Revenue Receipts

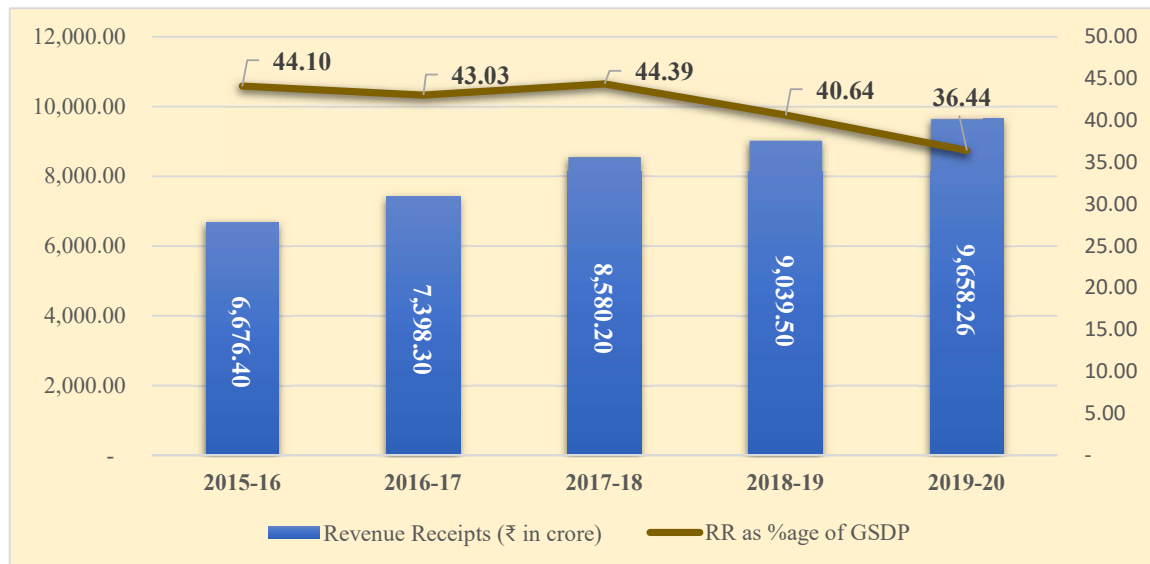
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	6,676.40	7,398.30	8,580.20	9,039.50	9,658.26
Rate of growth of RR (<i>per cent</i>)	21.14	10.81	15.98	5.35	6.85
Own Tax Revenue	358.41	441.81	545.91	726.70	730.98
Non-Tax Revenue	297.63	365.22	390.65	449.96	522.35
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	29.02	23.02	16.05	25.64	6.52
Gross State Domestic Product (₹ in crore) (2011-12 Series)	15,139	17,192	19,385	22,287	26,503
Rate of growth of GSDP (<i>per cent</i>)	12.06	13.56	12.76	14.97	18.91
RR/GSDP (<i>per cent</i>)	44.10	43.03	44.26	40.56	36.44
Buoyancy Ratios²					
Revenue Buoyancy w.r.t GSDP	1.75	0.80	1.25	0.36	0.36
State's Own Revenue Buoyancy w.r.t GSDP	2.41	1.70	1.26	1.71	0.34

Source: Finance Accounts and Directorate of Economics and Statistics

Revenue Receipts increased by 44.66 *per cent* from ₹ 6,676.40 crore in 2015-16 to ₹ 9,658.26 crore in 2019-20 at an annual average growth rate of 12.05 *per cent*. During 2019-20, Revenue Receipts increased by ₹ 618.76 crore (6.85 *per cent*) over the previous year. **Chart 2.3** shows that Revenue Receipts have steadily increased during the period 2015-20. However, their contribution to GSDP decreased during the same period. There was wide fluctuation in State's own revenue buoyancy, due to factors such as Finance Commission Award (XIV FC impact on 2015-16) and implementation of GST (in 2017-18), impacted the actual receipts in different components of revenue.

² Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.36 implies that Revenue Receipts tend to increase by 0.36 percentage points, if the GSDP increases by one *per cent*.

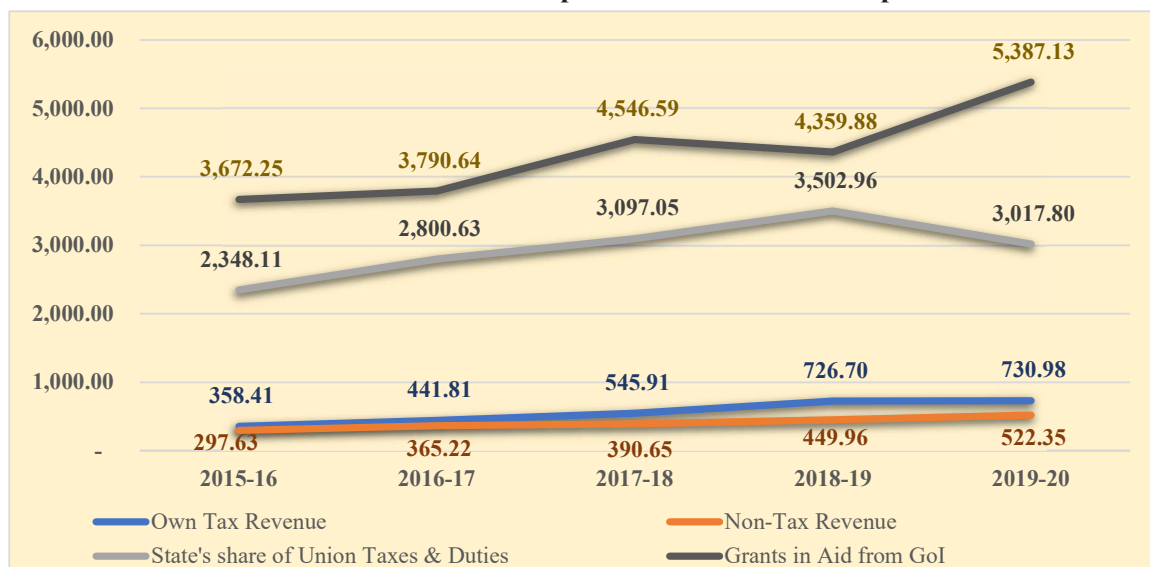
Chart 2.3 : Trend of Revenue Receipts



Source: Finance Accounts

About 55.78 per cent of the Revenue Receipts during 2019-20 came from the Grants in Aid from the GoI while Central Tax Transfers contributed 31.25 per cent. State's own sources of revenue made up just 12.98 per cent of the total Revenue Receipts of the State. This is indicative of the fact that Mizoram's fiscal position is largely dependent on Central Tax Transfers and Grants-in-Aid from GoI. **Chart 2.4** shows the trend of components of Revenue Receipts.

Chart 2.4 : Trend of components of Revenue Receipts



Source: Finance Accounts

2.5.1.2 State's Own Resources

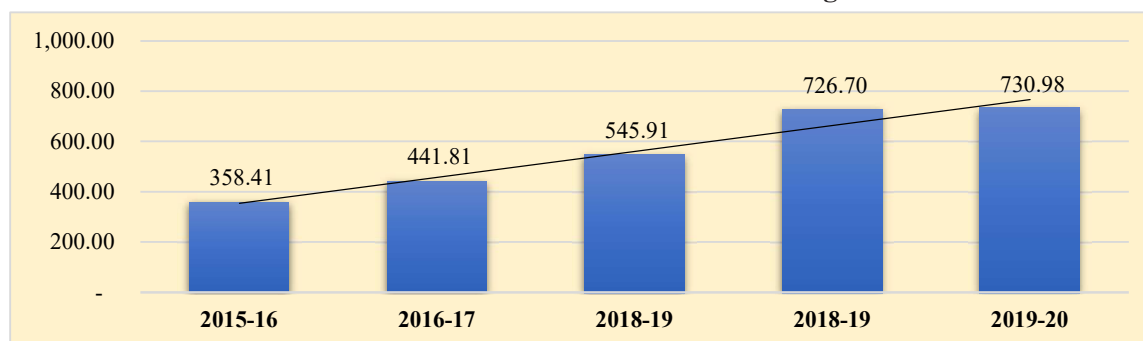
The State's share in Central taxes is determined on the basis of recommendations of the Finance Commission; share of Grants-in-Aid is determined by the quantum of collection of Central taxes and anticipated Central assistance for schemes, etc. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collections in respect

of major Tax and Non-Tax Revenues and their relative share in GSDP during 2015-20 are given in **Appendix II**.

(i) Own Tax revenue

Own tax revenues of the State consist of State GST (SGST), State excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue, taxes on goods and passengers, etc. The details of Own Tax Revenue of the State during the five-year period 2015-20 is given in **Chart 2.5**.

Chart 2.5 : Growth of Own Tax Revenues during 2015-20



Source: Finance Accounts

The component-wise details of Own Tax Revenue collected during the years 2015-20 are presented in **Table 2.4**.

Table 2.4 : Components of State's own tax revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Sales Tax	247.04	307.81	242.85	135.93	117.61	
SGST	Nil	Nil	169.76	454.73	532.22	
State Excise	60.6	72.26	65.83	65.34	2.72	
Taxes on Vehicles	19.44	25.75	31.58	38.36	40.66	
Stamp Duty and Registration Fees	3.57	3.26	3.2	4.43	5.85	
Land Revenue	8.88	8.58	8.29	8.64	9.05	
Taxes on Goods and Passengers	2.71	7.9	7.83	4.71	7.44	
Other Taxes	16.17	16.25	16.57	14.56	15.43	
Total	358.41	441.81	545.91	726.7	730.98	

Source: Finance Accounts

Own Tax Revenues of the State increased by ₹ 372.57 crore from ₹ 358.41 crore in 2015-16 to ₹ 730.98 crore in 2019-20 at an annual average rate of 23 per cent. During the current year, major contributors of Tax Revenue were SGST (72.81 per cent), Taxes on Sales, Trades etc., (16.09 per cent) and Taxes on Vehicles (5.56 per cent). State's Own Tax Revenue of ₹ 730.98 crore as percentage of GSDP at 2.76 per cent was lower than that of the previous year's which was 3.27 per cent.

➤ *State Goods and Services Tax (SGST)*

Twelve years after the implementation of Value Added Tax (VAT) in 2005, the Union Government rolled out the Goods and Services Tax (GST) on July 01, 2017. The Mizoram Goods and Services Tax (GST) Act, 2017 received the assent of the Governor on 26 May, 2017 and came into effect from 22 June, 2017.

As per the GST (Compensation to States) Act, 2017, States are to be compensated for the shortfall in revenue arising on account of implementation of the Goods and Services Tax considering an annual growth of 14 *per cent* from the base year, for a period of 5 years. The centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the state's share of tax to the State where the goods or services are consumed. In the three years during which the GST Act has been in effect, revenue collected by the Government of Mizoram through SGST has risen by 213.51 *per cent* from ₹ 169.76 crore in 2017-18 to ₹ 532.22 crore in 2019-20.

In accordance with Section 6 of GST (Compensation to States) Act, 2017, the projected revenue of Mizoram for the year 2019-20 was fixed at ₹ 321.05 crore. Since the GST receipts in 2019-20 exceeded the projected revenue by ₹ 211.17 crore, the State did not receive compensation during 2019-20.

➤ *Analysis of arrears of revenue and arrears of assessment*

The arrears of revenue as on 31 March 2020 on some principal heads of revenue amounted to ₹ 3.73 crore out of which, ₹ 0.83 crore was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5 : Arrears of Revenue as on 31 March 2020

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2020	Total amount outstanding for more than 5 years as on 31 March 2020
1	Taxes/VAT on sales, Trades, etc.	2.94	0.72
2	Taxes on Professions, Trades, Callings and Employment, etc.	0.41	0.11
3	Taxes on Entertainment	0.38	0
Total		3.73	0.83

Source: Information furnished by the Taxation Department

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed of during the year and number of cases pending finalisation at the end of the year as furnished by the Taxation Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax and Tax on Works Contracts are shown in **Table 2.6**. From the table it may be seen that out of 2,757 assessments due, the disposal was 269 (9.76 *per cent*) leaving 2,488 cases yet to be disposed of at the end of 2019-20.

Table 2.6 : Arrears in assessment as on 31 March 2020(*₹ in crore*)

Sl. No.	Head of Revenue	Opening balance as on 01 April 2019	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Closing balance as on 31 March 2020	Percentage of disposal
1	Taxes/VAT on sales, Trades, etc.	2,561	105	2,666	178	2,488	6.68
2	Taxes on Professions, Trades, Callings and Employment, etc.	0	91	91	91	0	100.00
3	Taxes on Entertainment	0	0	0	0	0	NA
Total		2,561	196	2,757	269	2,488	9.76

Source: Information furnished by the Taxation Department

➤ **Details of evasion of tax detected by Department, refund cases, etc.**

The details of cases of tax evasion detected by the Taxation Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 2.7**.

Table 2.7 : Evasion of Tax Detected

Sl. No.	Head of revenue	Cases pending as on 31st March 2019	Cases detected during 2019-20	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalization as on 31st March 2020
					No. of cases	Amount of demand (₹ in crore)	
1	Taxes/VAT on sales, Trades, etc.	409	105	514	123	5.9	391
2	Taxes on Professions, Trades, Callings and Employment, etc.	0	0	0	0	0	0
3	Taxes on Entertainment	0	2	2	0	0	2
Total		409	107	516	123	5.90	393

Source: Information furnished by the Taxation Department

The details of refund cases detected by the Taxation Department and the associated amounts as reported by the Department are given in **Table 2.8**.

Table 2.8 : Details of refund cases(*₹ in crore*)

Sl. No.	Particulars	Tax/Duty	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	20	0.03
2	Claims received during the year	13	0.48
3	Refunds made during the year	13	0.48
4	Balance outstanding at the end of the year	20	0.03

Source: Information furnished by the Taxation Department

(ii) Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The component-wise details of Non-Tax Revenue collected during the years 2015 - 20 were as shown in **Table 2.9**.

Table 2.9 : Components of State's non-tax revenue

(₹ in crore)

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
General Services	26.00	26.77	32.13	19.27	27.61	
Social Services	42.55	43.66	46.83	50.75	54.91	
Economic Services	198.36	246.44	260.55	322.26	404.94	
Interest Receipts, Dividends and Profits	30.73	48.35	51.14	57.68	32.84	
Other Fiscal Services	Nil	Nil	Nil	Nil	Nil	
Total	297.64	365.22	390.65	449.96	522.35	

Source: Finance Accounts

Non-Tax Revenue which ranged between 4.46 and 5.41 *per cent* of Total Revenue Receipts of the State during the five-year period from 2015-16 to 2019-20, increased significantly from ₹ 297.64 crore during 2015-16 to ₹ 522.35 crore in 2019-20. The major contributor to Non-Tax Revenues during 2015-20 was revenue received under Economic Services which at ₹ 404.94 crore contributed 77.52 *per cent* of the total non-tax receipts during 2019-20 and averaged 69.99 *per cent* over the five year period.

(iii) Transfers from the Centre

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 *per cent* to 42 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to the State.

The details of Central tax transfers to the State during 2015-20 are given in the following table.

Table 2.10 : Central Tax Transfers during 2015-16 to 2019-20

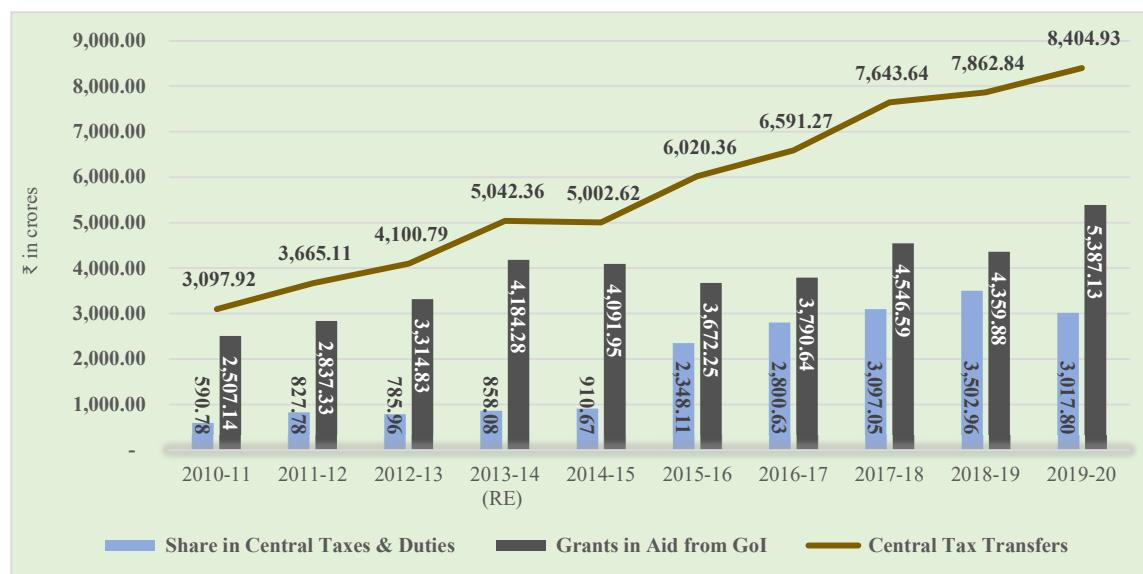
(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	Sparkline
Grants in Aid from GoI	3,672.25	3,790.64	4,546.59	4,359.88	5,387.13	
State's share of Union Taxes and duties	2,348.11	2,800.63	3,097.05	3,502.96	3,017.80	
Total Transfers from Center	6,020.36	6,591.27	7,643.64	7,862.84	8,404.93	

Source: Finance Accounts

Chart 2.6 depicts the trend of Central Tax Transfers over the decadal period 2010-20. Over the ten-year period 2010-20, Central tax transfers increased by 171.31 *per cent* from ₹ 3,097.92 crore in 2010-11 to ₹ 8,404.93 crore in 2019-20. During the current year, Central Transfers increased by 6.89 *per cent* from ₹ 7,862.84 crore in 2018-19 to ₹ 8,404.93 crore in 2019-20 and constituted 87.02 *per cent* of the State's total Revenue Receipts.

Chart 2.6 : Trend of Central Tax Transfers during 2010-11 to 2019-20



Source: Finance Accounts

(iv) State's Share in Union Taxes and Duties

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 2.11** gives the position of State's share in Union Transfers and Duties *vis-à-vis* the recommendation made by the XIV FC during 2019-20.

Table 2.11 : State's share in Union taxes and duties: Actual devolution *vis-à-vis* Finance Commission projections

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
2015-16	0.46 per cent of net proceeds of all shareable taxes excluding service tax and 0.464 per cent of net proceeds of sharable service tax (As per recommendations of XIV FC)	2,668.48	2,348.11	-320.37
2016-17		3,079.26	2,800.63	-278.63
2017-18		3,557.96	3,097.05	-460.91
2018-19		4,116.16	3,502.96	-613.20
2019-20		4,219.51	3,017.80	-1,201.71

Source: Reports of the XIVFC, Finance Accounts and AFS.

Table 2.12 shows the component-wise distribution of State's share in Union Taxes and Duties. There was an increase of 28.52 per cent from ₹ 2,348.11 crore in 2015-16 to ₹ 3,017.80 crore in 2019-20. However, the current year saw a decrease of ₹ 485.16 crore (13.85 per cent) *vis-a-vis* that of the previous year. State's share of Union Taxes and Duties made up 31.25 per cent of Revenue Receipts for the year.

Table 2.12 : State's share in Union Taxes and Duties(*₹ in crore*)

Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax (CGST)	Nil	Nil	44.16	864.63	856.36
Integrated Goods and Services Tax (IGST)	Nil	Nil	312.80	69.00	Nil
Corporation Tax	744.21	899.01	948.82	1,218.27	1,028.94
Taxes on Income other than Corporation Tax	522.28	624.82	801.20	897.21	806.25
Customs	374.23	386.72	312.70	248.31	191.29
Union Excise Duties	306.57	441.60	326.90	165.03	133.00
Service Tax	399.66	446.42	350.50	31.92	Nil
Other Taxes ³	1.16	2.06	-0.03	8.59	1.96
Total	2,348.11	2,800.63	3,097.05	3,502.96	3,017.80
Percentage of increase over previous year	157.84	19.27	10.58	13.11	-13.85
Percentage to Revenue Receipts	35.17	37.86	36.10	38.75	31.25

Source: Finance Accounts

(v) Grants-in-aid from GoI

Grants-in-Aid (GIA) are sums of money (grants) given to the States by the Center over and above the States' share of Union taxes and duties for the fulfilment of specific works, plans and policies. The nature and amount of these grants are fixed mainly on the recommendation of the Finance Commissions. During 2019-20, GIA increased by ₹ 1,027.25 crore (23.56 per cent) from ₹ 4,359.88 crore in 2018-19 to ₹ 5,387.13 crore in 2019-20. 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.

GIA received by the State Government from GoI during 2015-20 are detailed in **Table 2.13**.

Table 2.13 : Grants-in-aid from Government of India(*₹ in crore*)

Head ⁴	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants	2,190.37	2,356.38	-	-	-
Grants for State Plan Schemes	824.67	771.41	-	-	-
Grants for Central Plan Schemes	40.22	37.83	-	-	-
Grants for Centrally Sponsored Plan Schemes	520.03	545.87	-	-	-
Grants for Special Plan Schemes	96.96	79.15	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	-	1,464.80	1,249.68	2,103.97

³ Includes Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

⁴ Figures missing since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Head ⁴	2015-16	2016-17	2017-18	2018-19	2019-20
Finance Commission Grants	-	-	2,535.51	2,616.67	2,778.73
Other transfers/Grants to States/Union Territories with Legislature	-	-	546.28	493.53	504.43
Total	3,672.25	3,790.64	4,546.59	4,359.88	5,387.13
Percentage of increase/decrease over the previous year	-10.26	3.22	19.94	-4.11	23.56
Percentage of GIA to Revenue Receipts	55.00	51.24	52.99	48.23	55.78

Source: Finance Accounts

➤ Fourteenth Finance Commission Grants

As mentioned in the previous paragraph, XIV FC Grants were provided to the states for local bodies and SDRF. Details of grants provided by the GoI to the State in this regard during the years 2015-19 and 2019-20 are given in **Table 2.14**.

Table 2.14 : Recommended amount, actual release and transfers of Grant-in-aid

(₹ in crore)

Transfers	Recommendation of the XIV-FC			Actual release by GoI			Release by State Government		
	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total	2015-16 to 2018-19	2019-20	Total
Local Bodies									
(i) Grants to PRIs									
(a) General Basic Grant	0	0	0	0	0	0	0	0	0
(b) General Performance Grants	0	0	0	0	0	0	0	0	0
(ii) Grants to ULBs									
(a) General Basic Grant	67.32	28.85	96.17	61.36	44.87	106.23	56.65	39.52	96.17
(b) General Performance Grants	16.11	7.93	24.04				32.36	5.34	37.7
Total for Local Bodies	83.43	36.78	120.21	61.36	44.87	106.23	89.01	44.86	133.87
State Disaster Response Fund ⁵	74.00	20.00	94.00	66.60	18.00	84.60	47.74	7.31	55.05
Grand Total	157.43	56.78	214.21	127.96	62.87	190.83	136.75	52.17	188.92

Source: XIV-FC Report and Finance Accounts

2.5.2 Capital receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. The net public debt receipts after discharging of public debt plus other capital receipts, is the net Capital Receipts. Public debt receipts create future repayment obligation and these are then met from Market, Financial Institutions and Central Government.

⁵ Including 10 per cent of State share of SDRF

During the five-year period 2015-20, Capital Receipts grew by 99.42 *per cent* from ₹ 588.91 crore to ₹ 1,174.38 crore mainly due to increased public debt receipts. Recovery of loans and advances showed little change over the same period and grew by only 3.33 *per cent* from ₹ 25.84 crore to ₹ 26.70 crore.

During 2019-20 Public Debt Receipts (₹ 1,147.68 crore) represented 97.73 *per cent* of Capital Receipts (₹ 1,174.38 crore). However, Public Debt Receipts increased by 755.05 *per cent* while recovery of Non-Debt Capital Receipts increased by 20.49 *per cent* compared to the previous year.

Table 2.15 shows the trends in growth and composition of net Capital Receipts.

Table 2.15 : Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	588.91	777.96	915.78	156.38	1,174.38
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	25.84	22.45	21.64	22.16	26.70
Net Public Debt Receipts	563.07	755.51	894.14	134.22	1,147.68
<i>Internal Debt (excluding Ways and Means Advances and Overdrafts)</i>	<i>296.74</i>	<i>748.67</i>	<i>868.76</i>	<i>122.86</i>	<i>1,132.80</i>
<i>Growth rate (per cent)</i>	<i>-4.68</i>	<i>152.30</i>	<i>16.04</i>	<i>-85.86</i>	<i>822.03</i>
<i>Net transactions under Ways and Means Advances and Overdrafts</i>	<i>262.53</i>	<i>-</i>	<i>17.51</i>	<i>-</i>	<i>-</i>
<i>Growth rate (per cent)</i>	<i>-75.39</i>	<i>-100.00</i>	<i>-</i>	<i>-100.00</i>	<i>-</i>
<i>Loans and advances from GoI</i>	<i>3.80</i>	<i>6.84</i>	<i>7.87</i>	<i>11.36</i>	<i>14.88</i>
<i>Growth rate (per cent)</i>	<i>-22.29</i>	<i>80.00</i>	<i>15.06</i>	<i>44.35</i>	<i>30.99</i>
Rate of growth of debt Capital Receipts	-59.29	34.18	18.35	-84.99	755.07
Rate of growth of non-debt capital receipts (<i>per cent</i>)	-18.31	-13.12	-3.61	2.40	20.49
Rate of growth of GSDP (<i>per cent</i>)	12.06	13.56	12.76	14.97	18.91
Rate of growth of Capital Receipts (<i>per cent</i>)	-58.37	32.10	17.72	-82.92	650.98

Source: Finance Accounts and State Government

From the table it may be seen that the State Government is relying heavily on Public debt receipts to meet budgetary requirements. During 2019-20, the components of Public Debt Receipts comprised of Internal Debt (₹ 1,132.80 crore) and Loans and Advances from GoI (₹ 14.88 crore).

2.5.3 State's performance in mobilization of resources

State's performance in mobilization of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. This indicates the extent to which the State has been successful in fulfilling its potential revenue earning capacity from both taxable and non-taxable sources. The performance of the State would also indicate the degree of accuracy with which the Finance Commission had projected its growth as well as the budgetary astuteness of the state itself in assessing its own revenue earning potential. **Table 2.16** shows the actual earnings of the Government of Mizoram and the achievement with regard to projections of the Finance Commission and State budget estimates.

Table 2.16 : Tax and non-tax receipts vis-à-vis projections

(₹ in crore)

	FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				FC projections	Budget estimates
Own Tax revenue	829.00	573.69	730.98	-11.82	27.42
Non-Tax revenue	171.00	459.30	522.35	205.47	13.73
Total	1,000.00	1,032.99	1,253.33	25.33	21.33

It may be seen from the table that although actual Own Tax Revenue for the year failed to meet FC projections by 11.82 *per cent* it did surpass budget estimates by 27.42 *per cent*. Further, Non-Tax revenue exceeded both FC projections and Budget estimates by 205.47 *per cent* and 13.73 *per cent* respectively. This meant that the actual total receipts surpassed both Finance Commission and budgetary projections by 25.33 *per cent* and 21.33 *per cent* respectively.

2.6 Application of resources

Analysis 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. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

2.6.1 Growth and composition of expenditure

Capital Expenditure: All charges for the first construction of a project as well as charges for intermediate maintenance of the work while not opened for service and also the charges for such further additions and improvements as may be sanctioned under the rules made by competent authority shall be classified as Capital expenditure.

Revenue Expenditure: Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses shall be classified as revenue 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.

Table 2.17 depicts the Revenue and Capital Expenditure of the State for the five year period from 2015-20.

Table 2.17 : Total expenditure and its composition(*₹ in crore*)

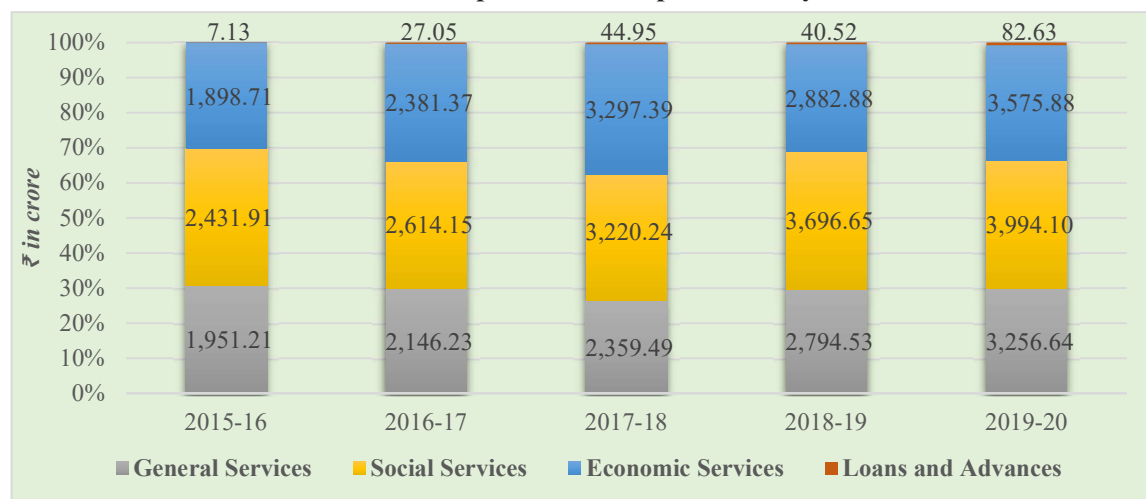
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	6,288.96	7,168.80	8,922.07	9,414.58	10,909.26
Revenue Expenditure (RE)	5,570.86	6,230.34	6,880.77	7,505.59	9,453.96
Capital Expenditure (CE)	710.97	911.41	1,996.35	1,868.47	1,372.67
Loans and Advances	7.13	27.05	44.95	40.52	82.63
As a percentage of GSDP					
TE/GSDP	41.54	41.70	46.03	42.24	41.16
RE/GSDP	6.80	36.24	35.50	33.68	35.67
CE/GSDP	4.70	5.30	10.30	8.38	5.18
Loans and Advances/GSDP	0.05	0.16	0.23	0.18	0.31

Source: Finance Accounts and Government of Mizoram

Total Expenditure increased by ₹ 1,494.67 crore (15.88 per cent) in 2019-20 over 2018-19. This was due to increase in both Revenue Expenditure by ₹ 1,948.36 crore (25.87 per cent) and disbursement of Loans and Advances by ₹ 42.11 crore (103.92 per cent) which was offset by a decrease in Capital Expenditure by ₹ 495.80 crore (26.54 per cent). As a percentage of GSDP, the Total Expenditure increased from 23.73 per cent to 41.16 per cent of GSDP during the five year period from 2015 to 2020.

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 86.66 per cent of the State's aggregate expenditure, whereas Capital Expenditure, which is in the nature of asset creation, was 12.58 per cent in 2019-20. Revenue Expenditure was within the range of 77.12 to 88.58 per cent while Capital Expenditure was between 12.58 to 29.01 per cent.

Chart 2.7 presents the share of different components of Total Expenditure as per activity during the five year period from 2015 to 2020.

Chart 2.7 : Total expenditure - Expenditure by activities

Source: Finance Accounts

Expenditure on General Services increased by ₹ 462.11 crore (16.54 per cent) from ₹ 2,794.53 crore in 2018-19 to ₹ 3,256.64 crore in 2019-20, Social Services expenditure increased by ₹ 297.45 crore (8.05 per cent) from ₹ 3,696.65 crore in 2018-19 to ₹ 3994.10 crore in 2019-20 and expenditure on Economic Services increased by ₹ 693 crore (24.04 per cent) from ₹ 2,882.88 crore in 2018-19 to ₹ 3,575.88 crore in 2019-20. Disbursement of Loans and Advances doubled from ₹ 40.52 crore in 2018-19 to ₹ 82.63 crore in 2019-20.

2.6.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure formed on an average 83.80 per cent (ranging from 77.12 per cent in 2017-18 to 88.58 per cent in 2015-16) of the total expenditure during the period 2015-20. Rate of growth of Revenue Expenditure has displayed wide fluctuations during the five-year period 2015-20. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in **Table 2.18** and the sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in **Chart 2.8**.

Table 2.18 : Revenue Expenditure – Basic Parameters

(₹ in crore)

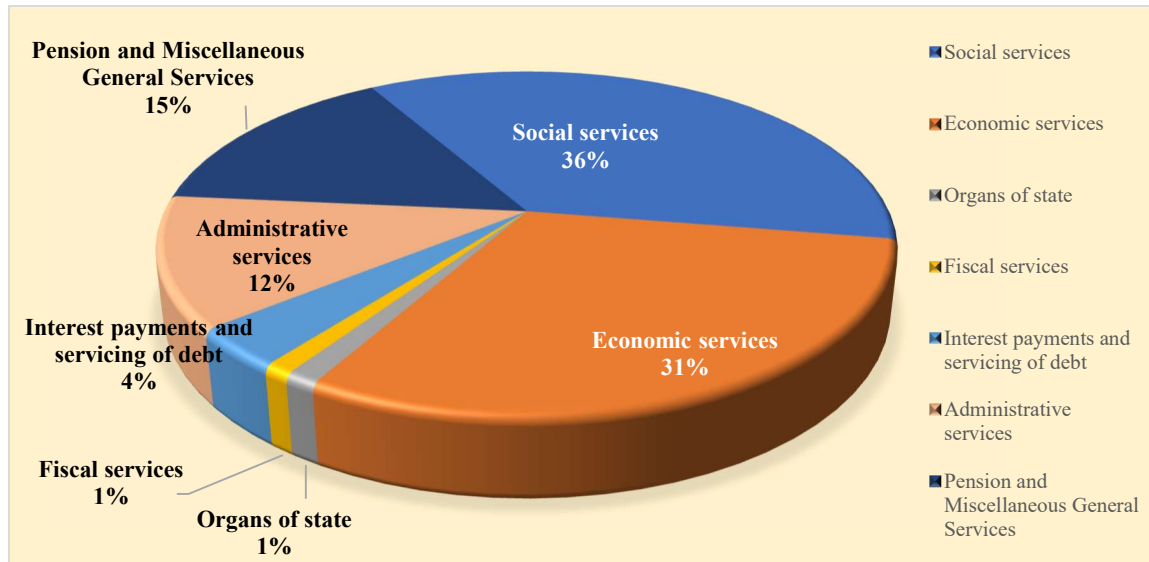
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	6,288.96	7,168.80	8,922.07	9,414.58	10,909.26
Revenue Expenditure (RE)	5,570.86	6,230.34	6,880.77	7,505.59	9,453.96
Rate of Growth of RE (per cent)	-1.44	11.84	10.44	9.08	25.96
Revenue Expenditure as percentage of TE	88.58	86.91	77.12	79.72	86.66
RE/GSDP (per cent)	36.80	36.24	35.50	33.68	35.67
RE as percentage of RR	83.44	84.21	80.19	83.03	97.88
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	-0.12	0.87	0.82	0.61	1.37
Revenue Receipts (ratio)	-0.07	1.09	0.65	1.70	3.79

Source: Finance Accounts of respective years

Revenue Expenditure as a percentage of GSDP increased from 33.68 per cent in 2018-19 to 35.67 per cent in 2019-20. It also witnessed a year on year growth of 25.96 per cent (₹ 1,948.36 crore) over the previous year as a result of which Revenue Expenditure amounted to 97.88 per cent of Revenue Receipts for the year. Revenue Expenditure was higher by ₹ 1,050.44 crore vis-à-vis the assessment made in Medium Term Fiscal Plan (MTFP) (₹ 8,403.52 crore).

Revenue Expenditure grew faster than GSDP for the first time in five years at a Buoyancy Ratio of 1.37 and also showed a proportionate increase in growth when compared to Revenue Receipts with a Buoyancy Ratio of 3.79.

Chart 2.8 : Sector-wise distribution of revenue expenditure



2.6.2.1 Major changes in Revenue Expenditure

Table 2.19 details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year vis-à-vis the previous year.

Table 2.19 : Variation in Revenue Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
3054 - Roads and Bridges	264.52	983.75	719.23
2071 - Pensions and other retirement benefits	970.37	1,432.50	462.13
2202 - General Education	1,348.54	1,558.24	209.70
2801 - Power	583.04	738.64	155.60
2015 - Election	79.11	31.60	-47.51
2048 - Appropriation for reduction or avoidance of debt	43.00	7.00	-36.00
2070 - Other administrative services	133.55	106.53	-27.02
2049 - Interest payments	368.68	343.12	-25.56

The table above shows only eight largest positive and negative outliers in variation of expenditure over the previous year. It may be seen that major variation in Revenue Expenditure for the year occurred mainly due to increased expenditure of ₹ 1,547.66 crore under the heads 'Roads and Bridges', 'Pensions and other retirement benefits', 'General Education' and 'Power'. This was offset by decreased expenditure of ₹ 136.09 crore under the heads 'Election', 'Appropriation for reduction or avoidance of debt', 'Other administrative services' and 'Interest payments'.

2.6.2.2 Committed expenditure

Committed Expenditure of Government on revenue account consists mainly of expenditure on salaries and wages, interest payments and pensions. Although the FRBM Act of the State prescribes that there should be a Revenue Surplus, it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed expenditure on items like salaries and wages, interest payments and pensions. An upward trend in

committed expenditure leaves the Government with lesser flexibility for the development sector.

Table 2.20 presents the trends in the components of committed expenditure during 2015-20. The table also gives specific details of the percentage of various components to total Revenue Receipts as well as the percentage of the same to total Revenue Expenditure over the same period. As may be seen from the table, Committed Expenditure varied between 41.70 to 51.64 *per cent* of Revenue Receipts and 52 to 57.21 *per cent* of Revenue Expenditure with a commensurate yearly variation in development funds.

Table 2.20 : Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries & Wages	2,201.39	2,323.02	2,400.82	2,739.45	3,211.44
Expenditure on Pensions	616.30	761.40	837.78	970.37	1,432.50
Interest Payments	369.27	341.26	339.20	368.68	343.12
Total	3,186.96	3,425.68	3,577.80	4,078.50	4,987.06
As a <i>percentage</i> of Revenue Receipts					
Salaries & Wages	32.97	31.40	27.98	30.31	33.25
Expenditure on Pensions	9.23	10.29	9.76	10.73	14.83
Interest Payments	5.53	4.61	3.95	4.08	3.55
Total	47.73	46.30	41.70	45.12	51.64
As a <i>percentage</i> of Revenue Expenditure					
Salaries & Wages	39.52	37.29	34.89	36.50	33.97
Expenditure on Pensions	11.06	12.22	12.18	12.93	15.15
Interest Payments	6.63	5.48	4.93	4.91	3.63
Total	57.21	54.98	52.00	54.34	52.75

Source: Finance Accounts

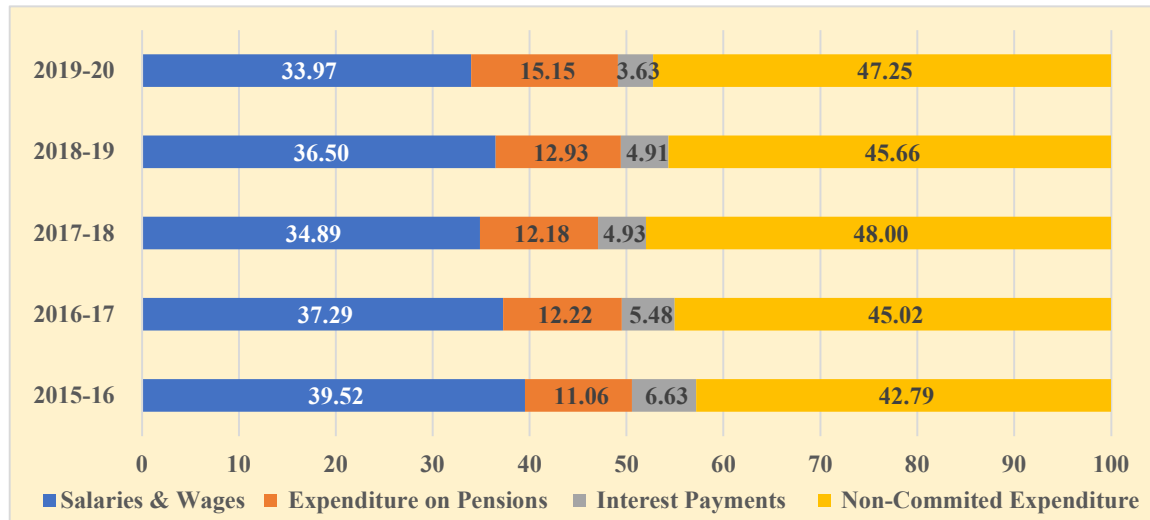
Salaries and Wages (₹ 3,211.44 crore) accounted for almost one third of the Revenue Receipts (₹ 9,658.26 crore) as well as Revenue Expenditure (₹ 9,453.96 crore) during 2019-20 and increased from ₹ 2,201.39 crore during 2015-16 to ₹ 3,211.44 crore in 2019-20. The expenditure on Salaries and Wages increased by 17.23 *per cent* over the previous year.

Interest Payments in 2019-20 decreased by 7.08 and 6.93 *per cent* compared to 2015-16 and 2018-19 respectively. This was primarily due to decrease in interest on Internal Debt by ₹ 25.01 crore and interest on loans and advances from Central Government by ₹ 1.55 crore.

The expenditure on Pension Payments increased by 132.44 *per cent* from ₹ 616.30 crore in 2015-16 to ₹ 1,432.50 crore in 2019-20. During 2019-20, Pension Payments increased by ₹ 462.13 crore (47.62 *per cent*) over the previous year due to increase in the number of State and Family Pensioners by 3,622 and 4,554 respectively. Expenditure on Pension Payments accounted for approximately 14.83 *per cent* of Revenue Receipts and 15.15 *per cent* of Revenue Expenditure for the year.

Chart 2.9 depicts the yearly variation of Committed and Non - Committed Expenditure.

Chart 2.9 : Share of Committed expenditure in total Revenue Expenditure



2.6.2.3 Undischarged liabilities in National Pension System

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.

During 2019-20, the Government of Mizoram collected ₹ 32.79 crore being employees’ contribution and ₹ 32.86 crore employers’ contribution (₹ 32.79 crore being Government matching share for 2019-20 plus ₹ 0.07 crore previous years’ Government matching share). The Total amount transferred to NSDL was ₹ 65.72 crore, thereby leaving zero balance outstanding for the year 2019-20.

2.6.2.4 Subsidies

To encourage production and consumption in specific industries, Government provides subsidies to various departments. These include subsidies for food grains, water tariffs, electricity tariffs, 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 2019-20 was ₹ 21.76 crore, the entire amount being spent on subsidisation of Crop Husbandry. Although the State Government took active steps to minimise the expenditure on subsidies while giving due consideration to the welfare of the people the expenditure on subsidies increased in 2019-20 by almost five times from ₹ 4.91 crore in 2015-16. There was also an increase of 75.06 *per cent* in expenditure on subsidies from 2018-19 (₹ 12.43 crore). The details of expenditure on subsidies by the Government and its relation to both Revenue Receipts and Revenue Expenditure is given in **Table 2.21**.

Table 2.21 : Expenditure on subsidies during 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20
Subsidies (₹ in crore)	4.91	2.17	13.00	12.43	21.76
Subsidies as a percentage of Revenue Receipts	0.07	0.03	0.15	0.14	0.23
Subsidies as a percentage of Revenue Expenditure	0.09	0.03	0.19	0.17	0.23

As may be seen from the table, expenditure on subsidies made up less than one *per cent* of both Revenue Receipts and Expenditure even though it had risen by over 75 *per cent* during the period 2015-20.

2.6.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institutions by way of grants and loans. The quantum of assistance provided by way of grants and loans to local bodies and others during 2015-20 is given in **Table-2.22**.

Table 2.22 : Financial Assistance to Local Bodies etc.

	(₹ in crore)				
Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	115.11	118.74	342.41	348.40	404.66
Panchayati Raj Institutions/Urban Local Bodies	25.10	29.15	64.14	63.36	63.44
Autonomous District Councils	16.05	293.72	343.70	408.65	463.87
Other Institutions	1,181.98	1,003.70	928.36	840.20	1,604.74
Total	1,338.24	1,445.31	1,678.61	1,660.61	2,536.71
Revenue Expenditure	5,570.86	6,230.34	6,880.77	7,505.59	9,453.96
Assistance as percentage of Revenue Expenditure	24.02	23.20	24.40	22.12	26.83

Source: Finance Accounts

The grants extended to local bodies and other institutions increased by 52.76 *per cent* from ₹ 1,660.61 crore in 2018-19 to ₹ 2,536.71 crore in 2019-20. The increase in financial assistance by ₹ 876.10 crore in 2019-20 over 2018-19 was mainly due to increase in assistance to Other Institutions (₹ 764.54 crore), Educational Institutions (₹ 56.26 crore) and Autonomous District Councils (₹ 55.22 crore). Further, the share of financial assistance to Local Bodies and Other Institutions as a percentage of Revenue Expenditure has also increased from 24.02 *per cent* in 2015-16 to 26.83 *per cent* in 2019-20.

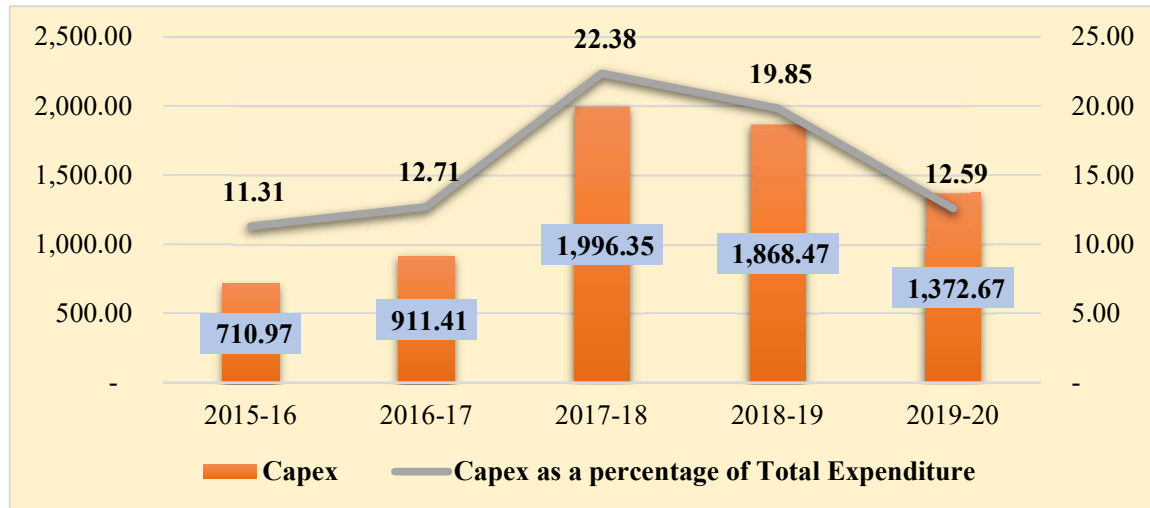
The Indian Government Accounting Standards (IGAS) 2 on Accounting and Classification on Grants-in-Aid issued by Ministry of Finance envisages the disclosure of value of grants given in cash as well as in kind.

Scrutiny of Finance Accounts for the year 2019-20 showed that the Statement of Grants-in-Aid given by the State Government discloses the grants paid in cash while those paid in kind by the State Government were not disclosed and details in this regard were not furnished by the State Government.

2.6.3 Capital Expenditure

Capital Expenditure (Capex) is incurred to create assets and add to the State's infrastructure and service network. The share of Capex as a percentage of Total Expenditure hovered between 11.31 to 12.71 *per cent* during 2015-17; however, it increased significantly to 20 *per cent* during 2017-18 and 2018-19 and subsequently dropped to 12.59 *per cent* in 2019-20. The growth in Capex and its share as a percentage of Total Expenditure are indicated in **Chart 2.10**.

Chart 2.10 : Capital expenditure in the State



Source: Finance Accounts

2.6.3.1 Major changes in Capital Expenditure

Table 2.23 details significant variations under various Heads of Account with regard to Capital Expenditure of the State during the current year vis-à-vis the previous year.

Table 2.23 : Capital expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
4059 - Capital Outlay on Public Works	55.72	87.31	31.59
5054 - Capital Outlay on Roads and Bridges	610.58	376.48	-234.10
4210 - Capital Outlay on Medical and Public Health	91.28	31.29	-59.99
4216 - Capital Outlay on Housing	59.49	1.41	-58.08
4202 - Capital Outlay on Education, Sports, Art and Culture	70.67	27.31	-43.36

Source: Finance Accounts

The table above shows only the five largest positive and negative outliers in variation of expenditure over the previous year. It may be seen that variation in Capital Expenditure for the year occurred mainly due to increased expenditure of ₹ 31.59 crore under the head 'Capital Outlay on Public Works' which was offset by decreased expenditure of ₹ 395.53 crore under the heads 'Capital Outlay on Roads and Bridges', 'Capital Outlay on Housing' and 'Capital Outlay on Education, Sports, Art and Culture'.

2.6.3.2 Quality of capital expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

2.6.3.3 Quality of investments in Companies, Corporations and other Bodies

Capital expenditure in the companies, corporations, and other bodies, which are loss making or where net worth is completely eroded is not sustainable.

Investments made and loans given to companies (e.g. DISCOMs), Corporations (e.g. SC & ST Financial Corporations), and Cooperatives (e.g. sugar mills), which are loss making and those where net worth is completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in PSUs and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure. **Table 2.24** shows the details of return on investments of the Government of Mizoram over the period 2015-20.

Table 2.24 : Return on Investment

Investment/return/cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	33.39	34.73	38.67	42.77	42.77
Return (₹ in crore)	Nil	Nil	Nil	Nil	Nil
Rate of return (<i>per cent</i>)	Nil	Nil	Nil	Nil	Nil
Average rate of interest on Government Borrowings (<i>per cent</i>)	5.70	5.20	4.84	5.04	4.29
Difference between interest rate and rate of return (<i>per cent</i>)	NA	NA	NA	NA	NA
Difference between interest on Government borrowings and return on investment (₹ in crore) #	5.70	5.20	4.84	5.04	4.29

Source: Finance Accounts

Investment at the end of the year

As on 31 March 2020, the State Government had invested⁶ ₹42.77 crore in Government Companies, Co-operative Bank, Societies, etc. with no additional investment made during the year. However, it did not receive any dividend on these investments in 2019-20 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at rates ranging from 7.21 to 9.72 *per cent*.

As of 31 March 2020, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of

⁶ Government Companies: ₹6.99 crore; Co-operative Bank, Societies, etc.: ₹35.78 crore

₹ 56.46 crore⁷. The accumulated losses of three of these Government Companies⁸ had exceeded their paid-up capital and further, the aggregate net worth⁹ of these Companies¹⁰ stood at (-)₹2.57 crore. In the remaining three Government Companies¹¹, the accumulated losses were more than 72.84 *per cent* of their paid-up capital.

2.6.3.4 Loans and Advances given to PSUs by the State Government

All the PSUs in Mizoram except one PSU viz. Zoram Industrial Development Corporation Limited (ZIDCO) are either non-functional, loss making or on the verge of closing down. However, financial assistance in the form of loans and grants have been provided by the Government of Mizoram and other financial institutions as detailed below:

Table 2.25: Quantum of loans disbursed and recovered during five years

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding debt of PSEs/ PSUs	30.93	20.68	29.68	29.68	29.68	29.68	29.68	29.77
Loan from Central Government	...	...	...	...	...	...	...	...
Loans from State Government	9.35	9.35	9.35	9.35	9.35	9.35	9.35	9.44
Bonds/Debentures	...	...	...	...	...	...	...	...
Foreign Parties	...	...	...	...	...	...	...	...
Banks	...	...	...	...	...	...	...	...
Other Financial Institutions like LIC, NABARD, etc.	21.58	20.33	20.33	20.33	20.33	20.33	20.33	20.33
Intra-PSU lending	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...

Source: Finance Accounts

2.6.3.5 Capital locked in incomplete projects

Blocking of funds on incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years leads to the extra burden in terms of servicing of debt and interest liabilities. **Table 2.26** outlines the status of capital blocked in incomplete capital works.

⁷ 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

⁸ Mizoram Agricultural Marketing Corporation Limited, Mizoram Food and Allied Industries Corporation Limited and Zoram Industrial Development Corporation Limited

⁹ Net Worth represents Paid-up Capital *plus* free reserves *less* accumulated losses

¹⁰ 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

¹¹ Mizoram Handloom and Handicraft Development Corporation Limited, Zoram Electronic Development Corporation Limited and Mizoram Mineral Development Corporation Limited

Table 2.26 : Profile of incomplete projects as on 31 March 2020

Age profile of incomplete projects as on 31 March 2020				Department-wise profile of incomplete projects as on 31 March 2020			
(₹ in crore)				(₹ in crore)			
Year	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March)	Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2019)
2015-16	18	127.81	79.40	Public Works Department	89	810.95	471.52
2016-17	15	180.09	97.53	PHED	8	123.86	134.91
2017-18	25	230.07	195.47	P&E	10	342.73	364.70
2018-19	45	535.48	353.20	Others ¹²	14	185.85	178.09
2019-20	18	389.94	423.62				
Total	121	1,463.39	1,149.22	Total	121	1,463.39	1,149.22

Source: Finance Accounts (Vol-II)

Thus, the Capital Expenditure of ₹ 1,149.22 crore incurred on these 121 incomplete projects remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun¹³ ranging from one to 10 years¹⁴ on these 121 incomplete projects resulting in cost overrun of ₹ 33.69 crore during 2019-20 in 18 projects under PHED and P&E department. Further delay in completion of these projects was fraught with the risk of cost overrun as evidenced in the year 2019-20 where there was a cost overrun of ₹ 33.69 crores¹⁵. Therefore, effective steps need to be taken to complete all these projects without further delay so as to avoid cost overrun and so that the intended benefits can flow to the public.

2.6.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. **Table-2.27** analyses the expenditure priority of the State Government with regard to Capital Expenditure (CE), Education and Health during 2019-20 by comparing these to the state's Aggregate Expenditure (AE).

¹² Others include the following Departments/Schemes - Education, North Eastern Council (NEC), Police, Urban Development & Poverty Alleviation, Minor Irrigation, Non-Lapsable Central Pool of Resources (NLCPR), New Economic Development Policy (NEDP) and Eklavya Model Residential Schools (EMRS)

¹³ Oldest incomplete project was 'Construction of Road Lengpui – W. Serzawl (PWD)' which started in 2006 and was estimated to be completed in 2008. The project remained incomplete as on 31 March 2016 as per Finance Accounts of that year.

¹⁴ As per data taken from Finance Accounts 2017-18, the project with the longest time overrun over the target date of completion was 'Construction of Mizoram State Museum at New Secretariat Complex, Aizawl' (PWD) which had overrun its target date of completion by 10 years.

¹⁵ Largest cost overrun, as per Finance Accounts 2019-20, was found in 'Rehabilitation and Extension of Water Distribution Networks and Feeder Mains' (PHE) which had overrun its estimated cost of ₹ 39.44 crores by ₹ 26.59 crores with a cumulative expenditure of ₹ 66.03 crores.

Table 2.27 : Expenditure priority of the State with regards to Health, Education and Capital expenditure

	<i>(In per cent)</i>			
	AE/GSDP	CE/AE	Education/AE	Health/ AE
NE and Himalayan States Average (2015-16)	24.58	13.96	18.32	5.95
Mizoram	41.54	11.31	18.34	6.02
NE and Himalayan States Average (2019-20)	23.02	14.08	17.42	6.19
Mizoram	41.14	12.59	15.10	5.35

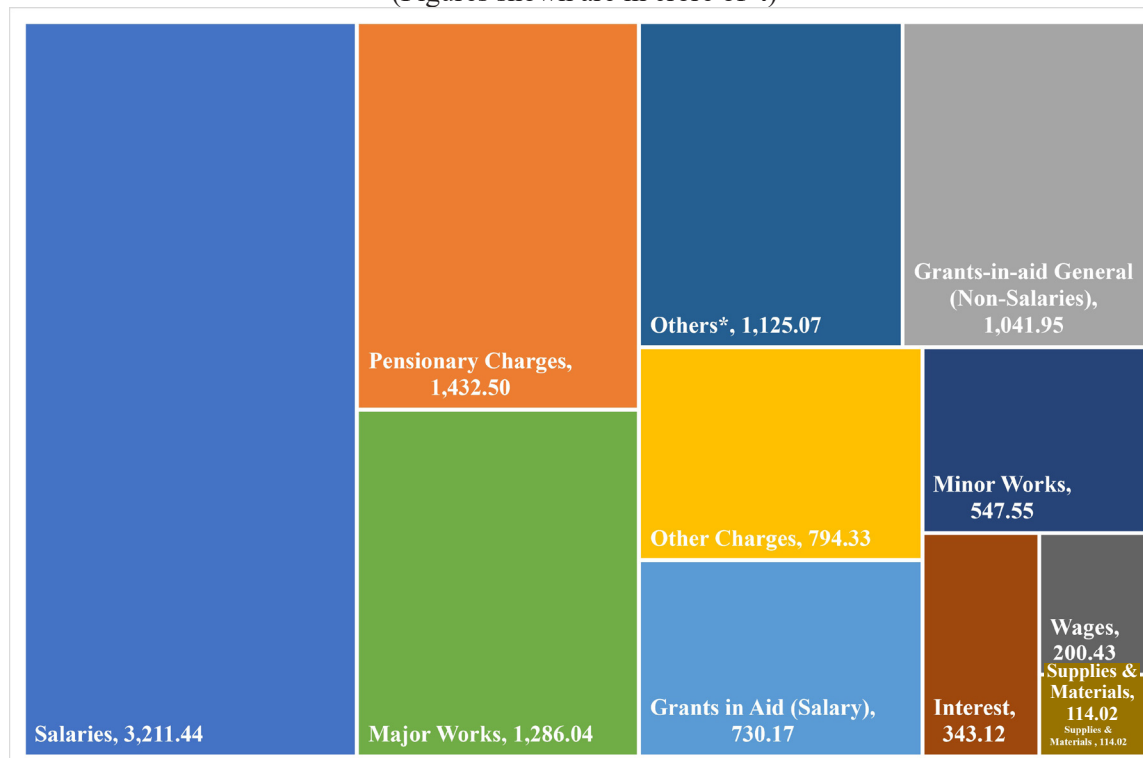
The State had a high AE-GSDP ratio as compared to the average for NE and Himalayan States, it however fell from 41.54 *per cent* to 41.14 *per cent* from 2015-16 to 2019-20. During the same period Capital expenditure grew by 1.28 *per cent* while expenditure on Education and Health both fell by 3.28 *per cent* and 0.68 *per cent* when compared to AE.

2.6.5 Object head wise expenditure

Object head wise expenditure gives information about the object/ purpose of the expenditure. Finance Accounts depict transactions only up to the Minor Head level. Therefore, a drill down view of budgetary allocation and extent of actual expenditure (above ₹ 100 crore) incurred on the items at the Object Head Level are given in **Chart 2.11**.

Chart 2.11 : Object head wise expenditure

(Figures shown are in crore of ₹)



* Others includes Medical Treatment, OE, Domestic Traveling Expenses, Foreign Traveling Expenses, Machinery & Equipment, Subsidies, Motor Vehicles, Grants for creation of Capital Assets, Investment, Professional Services, Other Administrative Expenses, Publications, Rent, Rate & Taxes, Advertising and Publicity, POL, Write off Losses, Secret Services and Suspenses Object heads.

As depicted in the chart, expenditure related to remuneration *i.e.* Salaries, Pensionary Charges, Grants in Aid (Salary), Wages, etc. accounted for the major portion of expenditure. Non-Salary Object heads accounted for less than half of the total expenditure incurred during the year.

2.7 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balances under these heads after disbursements during the year are available with the Government for use for various purposes.

2.7.1 Net Public Account Balances

The component-wise net balances in Public Account of the State are shown in **Table 2.28**.

Table 2.28 : Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

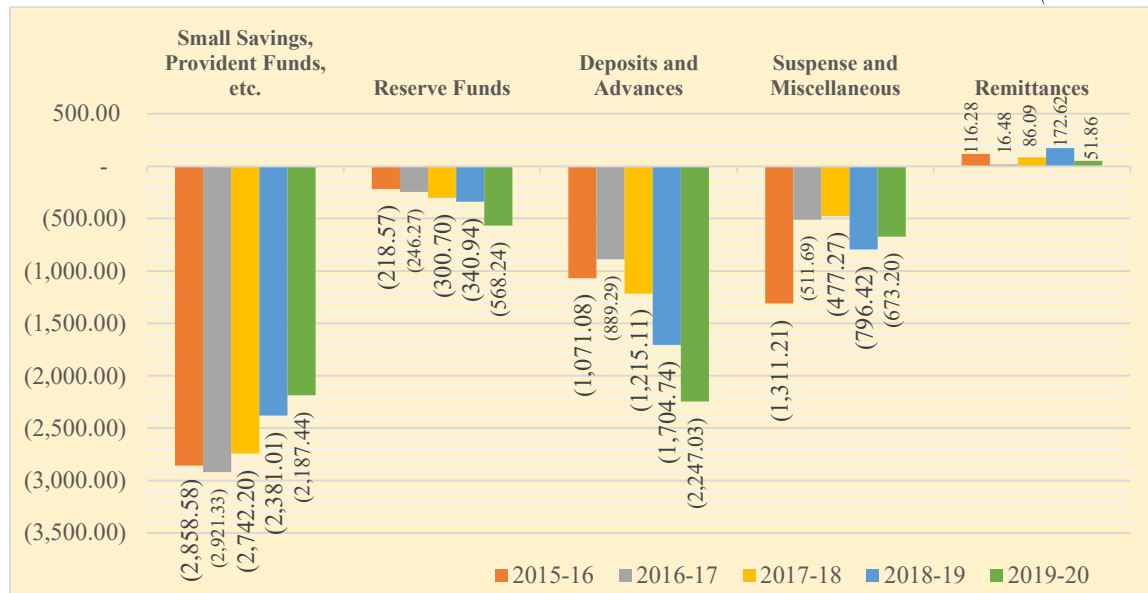
Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	-2858.58	-2921.33	-2742.20	-2381.01	-2187.44
J. Reserve Funds	(a) Reserve Funds bearing Interest	-0.81	4.79	-2.64	0.12	-220.18
	(b) Reserve Funds not bearing Interest	-217.76	-251.06	-298.06	-341.06	-348.06
K. Deposits and Advances	(a) Deposits bearing Interest	-2.55	-2.55	-2.55	-2.55	-2.55
	(b) Deposits not bearing Interest	-1068.42	-886.30	-1212.12	-1701.31	-2,243.54
	(c) Advances	-0.11	-0.44	-0.44	-0.88	-0.94
L. Suspense and Miscellaneous	(b) Suspense	-1173.93	-662.39	-841.85	-863.11	-871.97
	(c) Other Accounts	-137.54	150.39	364.22	66.33	198.39
	(d) Accounts with Governments of Foreign Countries	0.26	0.31	0.36	0.36	0.38
	(e) Miscellaneous	Nil	Nil	Nil	Nil	Nil
M. Remittances	(a) Money Orders, and other Remittances	100.73	-0.25	69.53	159.49	42.62
	(b) Inter-Governmental Adjustment Account	15.55	16.73	16.56	13.13	9.24
TOTAL		-5,343.16	-4,552.10	-4,649.19	-5,050.49	-5,624.05

Note: +ve denotes debit balance and -ve denotes credit balances

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart 2.12**.

Chart 2.12 : Yearly changes in composition of Public Account balances

₹ in crore)



Source: Finance Accounts of respective years

2.7.2 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.

As on 31 March 2020, the total accumulated balance of Reserve Funds maintained by the Government of Mizoram was ₹ 568.24 crore (₹ 561.72 crore in active funds and ₹ 6.52 crore in inactive funds), out of which, up to the end of 31 March 2020, ₹ 341.54 crore (₹ 7.00 crore for 2019-20) (60 per cent) was invested. The status of Reserve Funds is discussed in greater detail in the following paragraphs.

2.7.2.1 Reserve Funds Bearing Interest

(A) State Disaster Response Fund

The Government of India replaced the existing Calamity Relief Fund with the State Disaster Response Fund (SDRF) in 2010-11 on the recommendations of the Thirteenth Finance Commission. Under the guidelines of the Fund, in the case of the Special Category States like Mizoram the Centre and States are required to contribute to the Fund in the proportion of 90:10.

As per guidelines on Constitution and Administration of State Disaster Response Fund (SDRF) (September 2010), the SDRF Fund would be constituted in the Public Account under Reserve Fund bearing interest, under MH 8121 in the accounts of the State government. The State government shall take the amount as receipts in its budget and account under MH 1601-01-109. In order to enable transfer of the total amount of the contribution to the fund, including the State share, the State government would make suitable budget provision on the expenditure side of the budget under MH 2245-05-101

(Relief on account of natural calamities). Immediately upon receipt of GoI share, the State would transfer the amount, alongwith its share to the Public Account head (MH 8121-122). The actual expenditure on relief works will be booked only under respective minor head under MH 2245 and the expenditure to be charged to the SDRF will be shown as a negative entry under 2245-05-901. Direct expenditure should not be made from the Public Account.

As on 1 April 2019, the Fund had a debit balance of ₹ 0.12 crore. During 2019-20, the Government of India released ₹ 18.00 crore towards SDRF to the State of Mizoram and the Government of Mizoram transferred ₹ 29.00 crore (₹ 18.00 crore plus ₹ 2.00 crore State's share for the year 2019-20 plus ₹ 9.00 crore previous year's un-transferred amount) to the Fund. During 2019-20, Government of Mizoram had withdrawn ₹ 21.68 crore from the Fund which was kept in the Saving Bank account (State Bank of India) operated jointly by the Additional Secretary, Finance Department (Economic Affairs) and Director, Disaster Management and Rehabilitation Department in violation of Fund guidelines.

Besides above, as no expenditure towards natural calamities was booked under MH-2245, except those relating to transfer to fund and withdrawal for current account, it was not possible to assess the extent to which the withdrawn amounts have actually been spent on natural calamities. As on 31 March 2020, the Fund had a closing balance of ₹ 7.19 crore.

As per the Ministry of Home Affairs guidelines dated 28 September 2010 (para 4), the State Government shall pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest will be credited on a half yearly basis. The un-discharged interest liability as on 31 March 2020, worked out to ₹ 1.61 crore as detailed below:

Table 2.29: Details of un-discharged interest liability of SDRF

(₹ in crore)					
Year	Opening Balance for the year	Investment made during the year	Total uninvested balance	Interest due*	Un-discharged interest liability
2010-11	4.21	...	...	0.32	0.32
2011-12	(-)0.16	...	...	...	...
2012-13	(-)0.04	...	...	...	...
2013-14	5.53	...	...	0.41	0.41
2014-15	7.20	...	...	0.17 ^(**)	0.17 ^{**}
2015-16	6.03	...	...	0.45	0.45
2016-17	0.81	...	...	0.06	0.06
2017-18	(-)4.79	...	...	...	...
2018-19	2.64	...	...	0.20	0.20
2019-20	(-)0.12	...	...	...	...
Total				1.61	1.61

Note: * Calculated at the rate 7.50 per cent (average of Ways and Means interest rate) & ** out of ₹ 0.54 crore, ₹ 0.37 crore was credited to the fund in 2014-15 and ₹ 0.17 crore was due as on 31 March 2020.

(B) State Compensatory Afforestation Fund

During 2019-20, the State Government received ₹ 212.98 crore for credit into State Compensatory Afforestation Deposits. As per the guidelines of the Fund, ₹ 212.98 crore has been transferred to the State Compensatory Afforestation Fund, leaving a closing balance of ₹ 212.98 crore as on 31 March 2020.

2.7.2.2 Reserve Funds Not Bearing Interest

Out of four Reserve Funds not bearing interest, two are active, namely (i) Consolidated Sinking Fund and (ii) Guarantee Redemption Fund and two are inactive, namely (i) General Reserve Funds¹⁶ (8235 General and Other Reserve Funds 101 General Reserve Funds of Government Commercial Departments/Undertakings) and (ii) Other Funds¹⁷ (8235 General and Other Reserve Funds 200 Other Funds).

(A) 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 and in terms of the guidelines of the Reserve Bank of India, States are required to contribute into the Fund a minimum of 0.50 *per cent* of their outstanding liabilities (Internal Debt *plus* Public Account liabilities) as at the end of the previous year. The Fund is administered by the Reserve Bank of India subject to such directions/instructions as the Government may issue from time to time.

In the year 2019-20, against the minimum required contribution of ₹ 36.58 crore (0.50 *per cent* of outstanding liabilities of ₹ 7,315.55 crore as on 1 April 2019), the State Government contributed ₹ Nil leaving an amount of ₹ 37.08 crore as total accumulated outstanding contribution (including ₹ 0.50 crore previous year's outstanding contribution). Total accumulations in the Fund as on 31 March 2020 was ₹ 309.04 crore which has been invested in Government of India Securities. The position of contribution to CSF against the actual requirement during 2015-20 is shown in **Table-2.30**.

Table-2.30: Details of contribution *vis-à-vis* requirement in CSF

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding fiscal liability of the previous year	6,550.39	6,407.39	6,725.00	7,300.30	7,315.54
Requirement (minimum 0.50 <i>per cent</i> of previous year's outstanding liabilities)	32.75	32.04	33.63	36.50	36.58
Actual Contribution	28.25	31.30	40.00	36.00	-
Shortfall	4.50	0.74	-6.38	0.50	36.58

Source: Finance Accounts of respective years

2.7.2.3 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. The fund is administered by Reserve Bank of India. There were no outstanding invoked guarantees in 2019-20.

¹⁶ **General Reserve Funds** (8235 General and Other Reserve Funds 101 General Reserve Funds of Government Commercial Departments/Undertakings): The Fund is inactive with closing balance of ₹ 2.83 crore since 2002-03

¹⁷ **Other Funds** (8235 General and Other Reserve Funds 200 Other Funds): The Fund is inactive with closing balance of ₹ 3.69 crore since 2010-11

The State Government transferred ₹ 7.00 crore during the year to the Fund. Balance of ₹ 32.50 crore in the Fund as on 31 March 2020 has been invested in Government of India securities.

2.7.3 Central Road Fund

The accounting procedure relating to the Central Road Fund (CRF) prescribes that the receipt of the grant from Government of India is first recorded under the Revenue Receipts Major head 1601 and thereafter transferred to the Fund (under Public Account Major Head **8449- Other Deposits-** 103 subvention from Central Road Fund), by operating the Revenue Expenditure Major Head 3054 in the same year of receipt. Further, expenditure on prescribed road works is first to be accounted for under the relevant Revenue or Capital Expenditure section and is to be reimbursed out of the Fund as a deduct expenditure to the concerned Revenue or Capital Major Head (3054 or 5054 as the case may be).

It was observed that the State Government received GoI grant of ₹ 34.55 crore under CRF in 2019-20 and booked it under MH 1601-08-108 Grants from CRF. However, since no corresponding budget provision was made under 3054-797-Transfer to Reserve Fund/ Deposit Account under Central Assistance, the amount was not transferred to Public Account under 8449-Other Deposits. This is in violation of the Fund accounting procedure. It is further observed that an expenditure of ₹ 33.99 crore was shown under 5054 Capital Outlay on Roads and Bridges, Minor Head 800-Schemes under CRF, during 2019-20.

2.7.4 Expenditure on Ecology and Environment under MH-3435

The National Environment Policy, 2006 is intended to mainstream environmental concerns in all developmental activities. The Budget and Expenditure data relating to nomenclature viz., “Environment”, “Waste Management”, “Prevention and Control of Pollution”, “Environment Research and Education” and “Environmental Protection” etc. are available in VLC system and Budget documents of State Government.

As a step towards depicting Natural Resource Accounts (NRA)/Environment Protection Expenditure in the Finance Accounts of State Government, the budget allocation vis-a-vis expenditure under Major Head 3435- Ecology and Environment of Mizoram State for three years upto the object Head level have been compiled based on vouchers/information received from the State Government and shown in **Appendix-III**. The Appendix depicts Revenue Expenditure under Major Head 3435- Ecology and Environment upto the Object Head level along with Budget allocations. The expenditure incurred under Major Head 3435-Ecology and Environment during 2019-20 was ₹ 1.33 crore as against the budget allocation of ₹ 1.33 crore. The expenditure was 0.01 per cent, 0.01 per cent and 0.02 per cent of the expenditure (total Revenue Expenditure) incurred during 2017-18, 2018-19 and 2019-20 respectively.

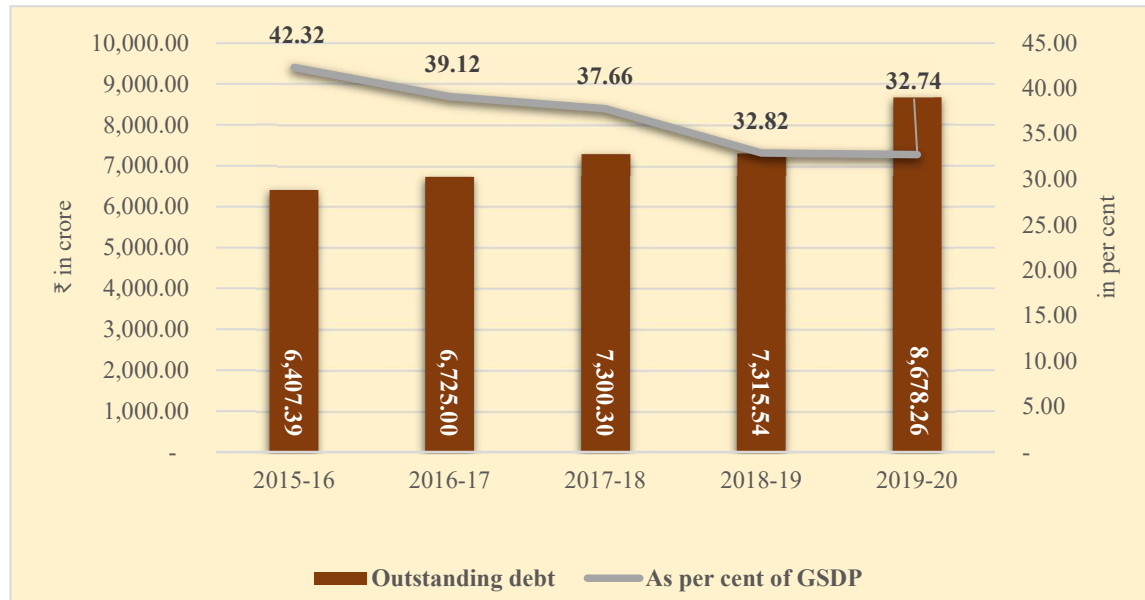
2.7.5 Contingency Fund

The Contingency Fund of the Government of Mizoram is set up under Article 267(2) of the Constitution of India for meeting unforeseen expenditure and is recouped when the State Legislature authorizes the additional expenditure. The corpus of the Fund is ₹ 0.10 crore. No amount was drawn from the Contingency Fund during the year and there is no outstanding balance remaining un-recouped as on 31 March 2020.

2.8 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements. **Chart 2.13** shows the trend of outstanding debt for the five year period 2015-20 as well the percentage of debt to GSDP.

Chart 2.13 : Trend of Outstanding Debt during 2015-20



Source: Finance Accounts

2.8.1 Debt profile: Components

Total debt of the State Government typically comprises of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), loans and advances from the Central Government, and Public Account Liabilities. The exact definition of the total debt may be taken from the FRBM Acts of the respective States. Some of the important terms are explained below:

Item	What it means	Interest rate
Ways and Means Advance (WMA)	It is a facility for both the Centre and states to borrow from the RBI to help them tide over temporary mismatches in cash flows of their receipts and expenditures. Such advances should be repaid not later than three months from the date of the taking the advance. RBI announced 60% extra in WMA limit recently to fight Covid -19 (until end of Sept 2020)	The interest rate on WMA is the RBI's repo rate, which is basically the rate at which it lends short-term money to banks. That rate is currently 4.4%.
Overdrafts	The governments are allowed to draw amounts in excess of their WMA limits. No state can run an overdraft with the RBI for more than a certain period. A state can be in overdraft from 14 to 21 consecutive working days, and from 36 to 50 working days during a quarter	The interest on overdraft is 2 percentage points above the repo rate, which works out to 6.4%.

Item	What it means	Interest rate
Government securities	A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more). In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).	Long term securities carry a fixed or floating coupon (interest rate) which is paid on the face value, payable at fixed time periods (usually half-yearly)
T-bills	Treasury bills are short-term securities issued by the Central government. Their maturity periods range up to one year. These securities are sold at a discount rate and will be paid at face value, which is how the investors make their money. At present, the active T-Bills are 91-days T-Bills, 182-day T-Bills and 364-days T-Bills	T-Bills are issued on discount to face value, while the holder gets the face value on maturity. The return on T-Bills is the difference between the issue price and face value. Thus, return on T-Bills depends upon auctions.
T -Notes	Treasury notes are government securities with maturity periods longer than treasury bills. Their maturity periods can be two, three, four, five, seven, and ten years. Interest is paid every six months.	
T-Bonds	Treasury bonds are long-term investments with a maturity period of 30 years. Interest is paid every six months.	

The total outstanding debt of the State Government at the end of 2019-20 was ₹ 8,678.26 crore of which 53.67 per cent was accounted for by Public Account Liabilities, which comprise primarily Small Savings, Provident Funds, etc., Reserve Funds, and Deposits and Advances. 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 2015-20 are given in **Table-2.31**.

Table 2.31 : Component wise debt trends

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Overall Debt	6,407.39	6,725.00	7,300.30	7,315.54	8,678.26
Public Debt					
Internal Debt	2,165.17	2,621.90	3,057.24	2,958.10	3,758.92
Loans from GoI	305.33	291.19	277.04	266.17	259.11
Liabilities on Public Account	3,936.89	3,811.91	3,966.02	4,091.27	4,660.23
Rate of growth of outstanding Overall debt (percentage)	-2.18	4.96	8.55	0.21	18.63
Gross State Domestic Product (GSDP)	15,139	17,192	19,385	22,287	26,503
Debt/GSDP (per cent)	42.32	39.12	37.66	32.82	32.74
Total Debt Receipts	2,086.60	2,332.40	3,048.72	2,517.05	4,277.17
Total Debt Repayments	2,229.60	2,014.79	2,473.43	2,501.81	2,914.45
Total Debt Available	-143.00	317.61	575.29	15.24	1,362.72
Debt Repayments/Debt Receipts (percentage)	106.85	86.38	81.13	99.39	68.14

Source: Finance Accounts

Chart 2.14: Break up of Outstanding Overall Debt at the end of 31 March 2020
(₹ in crore)

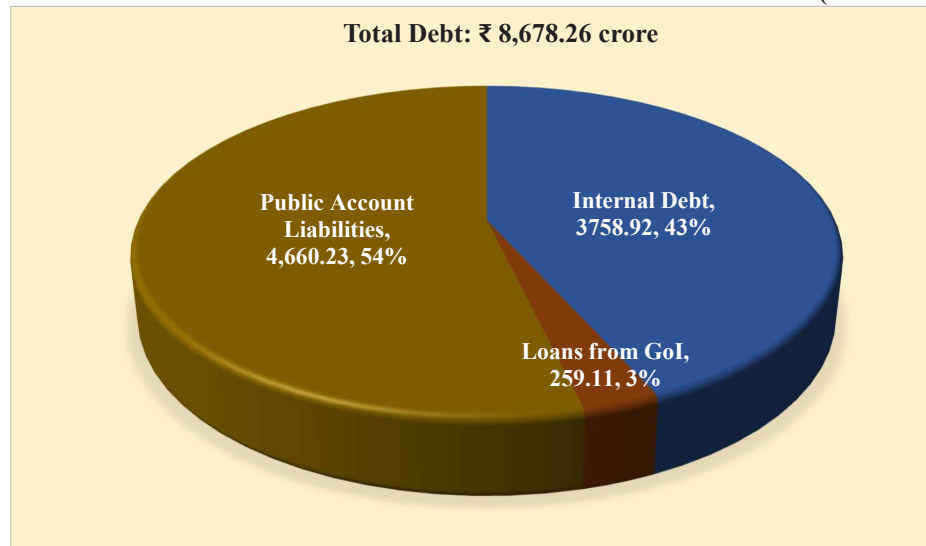
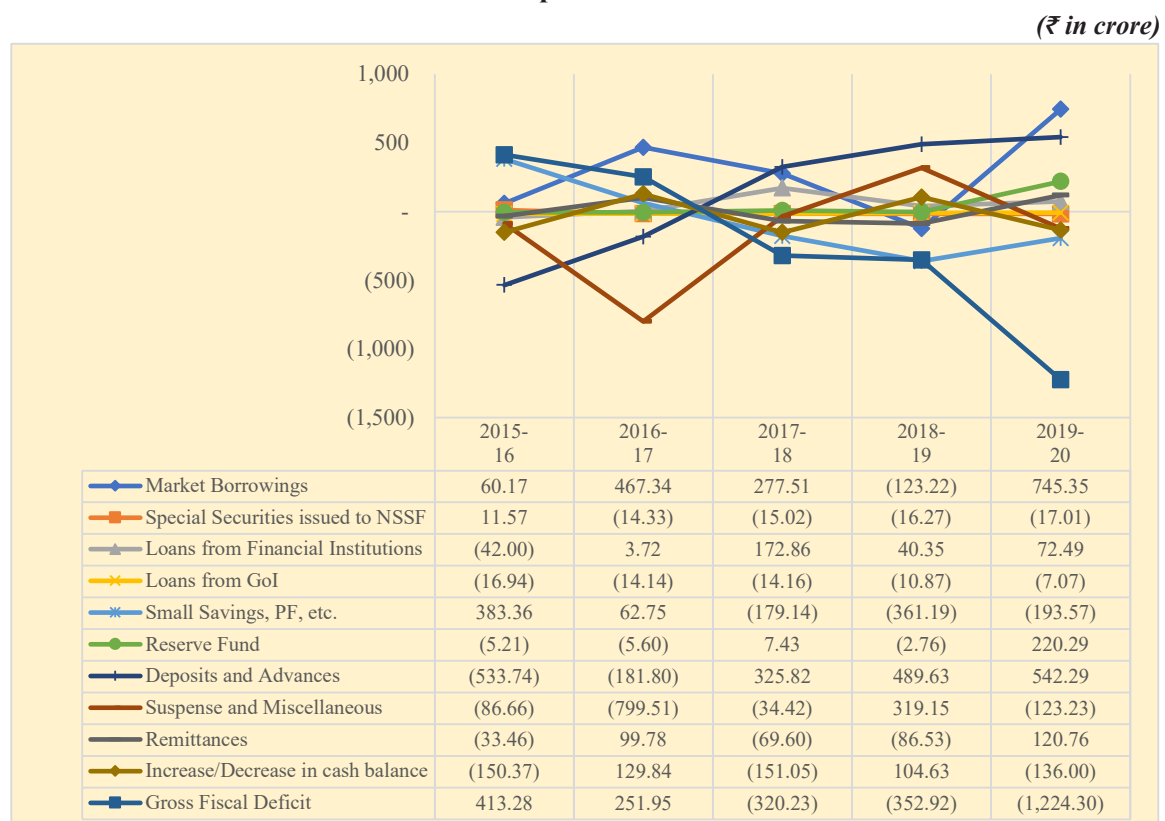


Chart 2.15 describes in greater detail the components of Public Debt and Liabilities on Public Account.

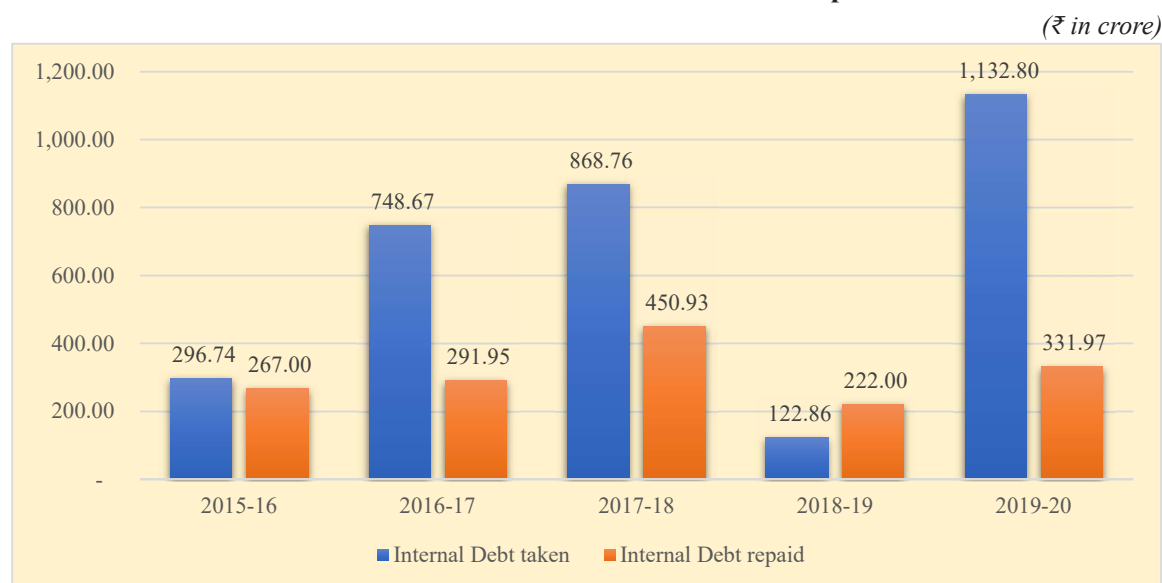
Chart 2.15 : Components wise debt trends



Source: Finance Accounts

Repayment of debt is an important indicator of the importance ascribed by the State Government in managing expenditure as well as discharging its liabilities. **Chart 2.16** shows the State Government's repayment of Internal Debt during the period 2015-20.

Chart 2.16 : Internal debt taken vis-a-vis repaid



Source: Finance Accounts

Table 2.32: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit	413.28	251.95	-320.23	-352.92	-1,224.31
1 Revenue Surplus	1,105.54	1,167.96	1,699.43	1,533.91	204.30
2 Net Capital Expenditure	-710.97	-911.41	-1,996.35	-1,868.47	-1,372.67
3 Net Loans and Advances	18.71	-4.60	-23.31	-18.36	-55.94
Financing Pattern of Fiscal Deficit					
1 Market Borrowings	60.17	467.34	277.51	-123.22	745.35
2 Special Securities issued to NSSF	11.57	-14.33	-15.02	-16.27	-17.01
3 Loans from Financial Institutions	-42.00	3.72	172.86	40.35	72.48
4 Loans from GoI	-16.94	-14.14	-14.16	-10.87	-7.07
5 Small Savings, PF, etc.	383.36	62.75	-179.14	-361.19	-193.57
6 Reserve Fund	-5.21	-5.60	7.43	-2.76	220.30
7 Deposits and Advances	-533.74	-181.80	325.82	489.63	542.29
8 Suspense and Miscellaneous	-86.66	-799.51	-34.42	319.15	-123.22
9 Remittances	-33.46	99.78	-69.60	-86.53	120.76
10 Overall Deficit	-262.91	-381.79	471.28	248.29	1,353.82
11 Increase/Decrease in cash balance	-150.37	129.84	-151.05	104.63	-136.00
12 Gross Fiscal Deficit	413.28	251.95	-320.23	-352.92	-1,224.31

Source: Finance Accounts

2.8.2 Debt profile: Maturity and Repayment

Public Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2019-20, the maturity profile of public debt is shown in Table 2.33.

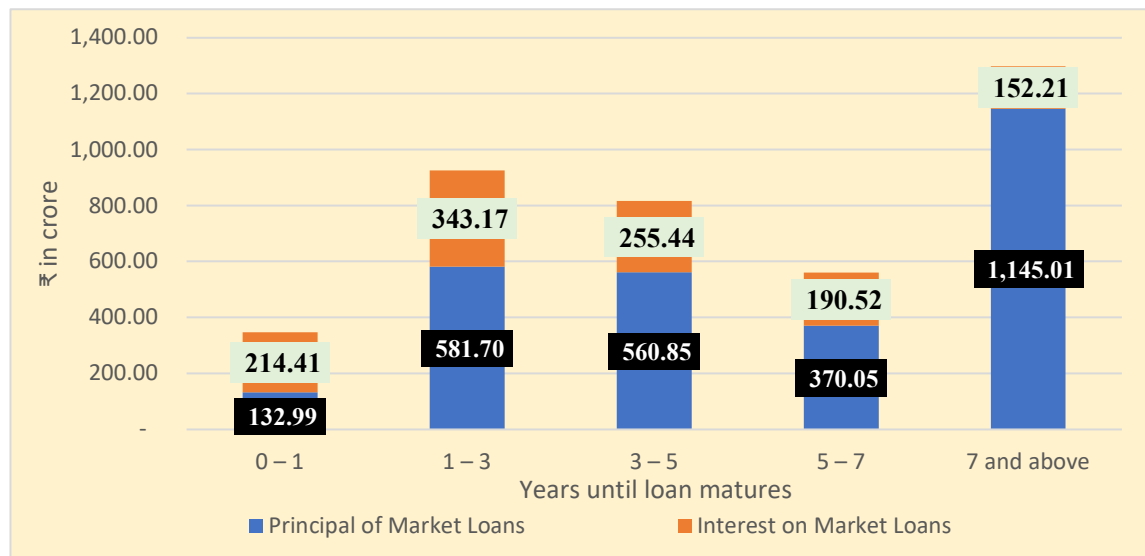
Table 2.33 : Debt Maturity profile of State debt(*₹ in crore*)

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	349.92	8.71
Above 1 – 3	701.58	17.46
Above 3 – 5	717.69	17.86
Above 5 – 7	520.08	12.94
Above 7	1,728.76	43.03
Others	-	-
Total	4,018.03	100.00

Source: Finance Accounts

The maturity profile of outstanding stock of public debt as on 31 March 2020 indicated that out of the outstanding public debt of ₹ 4,018.03 crore, 56.97 per cent (₹ 2,289.27 crore) was payable within the next seven years while the remaining 43.03 per cent (₹ 1,728.76 crore) was in the maturity bracket of more than seven years.

As on March 2020, the total amount of outstanding market loans was ₹ 2,790.60 crore and interest due and payable until their maturity was ₹ 1,155.75 crore. Out of these amounts, 4.77 per cent of the total principal and 18.55 per cent of the total interest was payable in 2019-20, 20.85 per cent of the total principal and 29.69 per cent of the total interest was payable during 2020-22, 20.10 per cent of the total principal and 22.10 per cent of the total interest was payable during 2022-24, 13.26 per cent of the total principal and 16.48 per cent of the total interest was payable during 2024-26 and the remaining 41.03 per cent and 13.08 per cent of the interest was payable in the three years after 2026-27. **Chart 2.17** shows the repayment schedule of market loans taken by the State Government.

Chart 2.17 : Repayment Schedule of market loans

Source: Finance Accounts

2.9 Debt Sustainability Analysis

Debt sustainability is defined as the ability of the State to service its debt now and in future. However, the higher the level of public debt, the more likely it is that fiscal policy and public debt are unsustainable, as a higher debt requires a higher primary surplus to sustain it. A high level of debt raises a number of challenges:

- large primary fiscal surpluses are needed to service a high level of debt; such surpluses may be difficult to sustain, both economically and politically.
- a high level of debt heightens an economy's vulnerability to interest rate and growth shocks.
- a high debt level is generally associated with higher borrowing requirements, and therefore a higher risk of a rollover crisis (i.e., being unable to fulfill borrowing requirements from private sources or being able to do so only at very high interest rates).
- high levels of debt may be detrimental to economic growth; while lower growth is a concern in itself, it also has a direct impact on debt dynamics and debt sustainability in the long term.

Debt vulnerability is also associated with its profile. A high share of short-term debt at original maturity, increases vulnerability to rollover (re-financing risk) and interest rate risks. Sustainability of Public debt ensures that it does not explode and governments are not forced to increase taxes, or decrease spending.

Debt Sustainability Indicators

Ratio of total outstanding debt to GSDP (<i>in per cent</i>)	The debt-to-GDP ratio is the metric comparing a state's public debt to its gross domestic product (GSDP). By comparing what a state owes with what it produces, the debt-to-GDP ratio reliably indicates that particular state's ability to pay back its debts. A falling debt/GSDP ratio can be considered as leading towards stability. If Debt/GSDP ratio is increasing rapidly and goes above a threshold, we can say that current level of the primary balance is not sufficient to stabilise the debt-to-GDP ratio, which is on an explosive path. Sufficient fiscal adjustment should be made by reducing the fiscal deficit (primary balance) to a level necessary to make public debt sustainable.
Ratio of revenue receipts to total outstanding debt	If the ratio is increasing, it would be easy for the government to repay its debt using revenue receipts only without resorting to additional debt.
Ratio of State's own resources to total outstanding debt	If the ratio is increasing, it would be easier for the government to repay its debt using its own resources.
Rate of Growth of Outstanding Public Debt <i>vis-à-vis</i> Rate of Growth of GSDP	If the growth rate of public debt is higher than the GSDP growth rate, it will lead to higher debt to GSDP ratio.
Average interest Rate of Outstanding Debt (Interest paid/OB of Public Debt + CB of Public Debt/2)	Higher interest rate means that there is scope for restructuring of debt.

Percentage of Interest payments to Revenue Receipt	Higher percentage of interest payments leaves less funds for priority areas. It measures the margin of safety a government has for paying interest on its debt during a given period. Governments need to have more than enough revenues to cover interest payments in order to survive future (and perhaps unforeseeable) financial hardships that may arise. If significant portion of borrowed funds are used for repayment of borrowings and interest thereon, the net debt available with State for development activities is curtailed.
Percentage of Public Debt Repayment to Public Debt Receipt	Higher the percentage, the greater the proportion of debt utilised for debt servicing rather than productively.
Net Debt available to the State	It is the excess of Public Debt Receipts over Public Debt repayment and Interest payment of Public Debt.

The trends in debt sustainability indicators for the State Government is shown in **Table 2.34**.

Table 2.34 : Trends in Debt Sustainability Indicators

(₹ in crore)

Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt*	2,470.50	2,913.09	3,334.28	3,224.27	4018.03
Rate of Growth of Outstanding Public Debt	0.52	17.91	14.46	-3.30	24.62
GSDP	15,139	17,192	19,385	22,287	26,503
Rate of Growth of GSDP	12.06	13.56	12.76	14.97	18.91
Debt/GSDP (<i>per cent</i>)	16.32	16.94	17.20	14.47	15.16
Debt Maturity profile of repayment of State debt – including default history, if any	88.52	71.88	61.54	66.71	56.97
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	5.70	5.20	4.84	5.04	4.29
Percentage of Interest payment to Revenue Receipt	5.53	4.61	3.95	4.08	3.55
Percentage of Debt Repayment to Debt Receipt	1.25	1.16	1.23	1.01	1.46
Net Debt available to the State [#]	-143.00	317.61	575.29	15.24	1,356.23
Net Debt available as <i>per cent</i> to Debt Receipts	-6.41	15.76	23.26	0.61	46.43
Debt Stabilisation (Quantum spread + Primary Deficit)	1,199.15	1,128.87	529.40	747.98	213.12

Source Finance Accounts

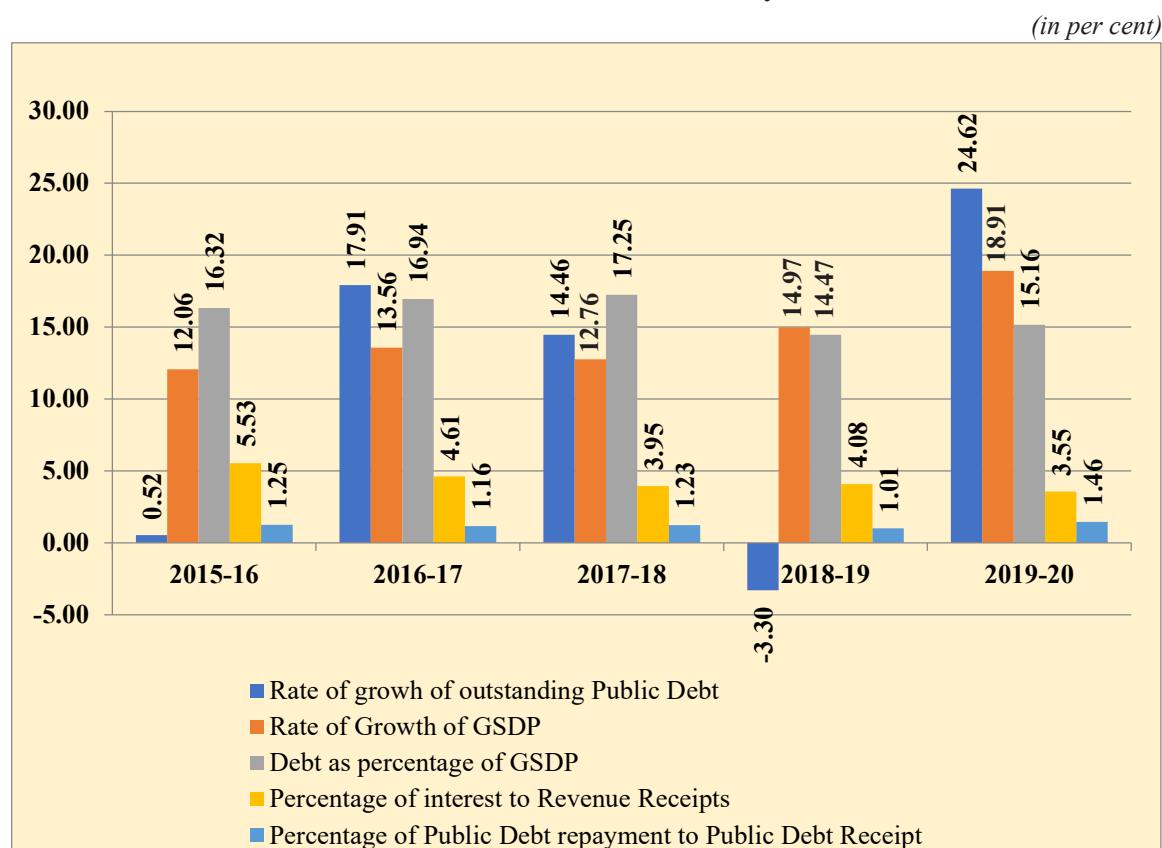
* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

[#] Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

Following conclusions can be drawn from the analysis of various parameters of debt sustainability shown in the preceding table,

- Debt/GSDP (*per cent*) has fluctuated over the five year period and is currently on the rise indicating that debt sustainability is less stable compared to the previous year.
- Total Debt Available is higher than the previous years ‘by ₹ 1,340.99 crore and stood at 46.43 *per cent* of Debt Receipts of the State Government for the year.
- The percentage of debt repaid to the debt received remained below 1.5 *per cent* and fluctuated between 1.01 to 1.46 *per cent* during the five year period.
- Rate of growth of GSDP was increasing for the pervious two years, grew by 3.94 *per cent* from the previous year and stood at 18.91 *per cent*.
- As of the current year the Debt Maturity profile of repayment of State debt, although high, was declining. The State had to repay 56.97 *per cent* of debt was to be repaid within the ensuing seven years.
- Average Interest Rate of Outstanding Public Debt during the last five years was highest during 2015-16 at 5.70 *per cent*. It decreased by 0.75 *per cent* over the previous year and stood at 4.29 *per cent* for the current year.
- Interest payments made up 3.55 *per cent* of Revenue Receipts for the current year which was lower than any of the previous four years.

Chart 2.18: Trends of Debt Sustainability indicators



2.9.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable. **Table 2.35** shows the trend of utilisation of borrowed funds during the period 2015-20 for the State Government.

Table 2.35 : Utilisation of borrowed funds

(₹ in crore)

Year		2015-16	2016-17	2017-18	2018-19	2019-20
Total Borrowings	1	563.07	755.51	894.14	134.22	1,147.68
Repayment of earlier borrowings (Principal)	2	550.28	312.92	472.96	244.23	353.92
(percentage)		97.73	41.42	52.90	181.96	30.84
Net capital expenditure	3	710.97	911.41	1,996.35	1,868.47	1,372.67
(percentage)		126.27	120.64	223.27	1,392.10	119.60
Net loans and advances	4	18.71	-4.60	-23.31	-18.36	-55.93
Portion of Revenue expenditure met out of net available borrowings	5 = 1-2-3-4	-716.89	-464.22	-1,551.86	-1,960.12	-522.98

Source: Finance Accounts

From the table it may be seen that Capital Expenditure constantly exceeded the Total Borrowings of the State. Capital Expenditure expressed as a percentage of Total Borrowings stayed below 223.27 per cent during 2015-16 to 2017-18 but rose dramatically in 2018-19 to 1,392.10 per cent. However, the percentage of Capital Expenditure to Total Borrowings fell to 119.60 per cent during the current year.

Meanwhile, repayment of earlier borrowings expressed as a percentage of Total Borrowings varied from 41.42 per cent during 2015-16 to 181.96 per cent in 2018-19. The percentage of repayment of earlier borrowings to Total Borrowings fell to 30.84 per cent during the current year

Over the same five year period the portion of Revenue Expenditure met out of net available borrowings ranged from ₹ -464.22 crore in 2016-17 to ₹ -1,960.12 crore in 2018-19. During the current year, Revenue Expenditure met out of net available borrowing was ₹ -522.98 crore.

2.9.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Government has fixed the cap on Guarantees at 25 per cent of GSDP. The maximum amount for which guarantees were given by the Government and outstanding guarantees for the last five years are given in **Table-2.36**.

Table 2.36 : Guarantees given by the State Government

(₹ in crore)

Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	3,784.72	4,297.98	4,832.16	5,560.14	6,625.64
Outstanding amount of guarantees including interest	100.22	123.99	133.92	97.99	142.29

Source: Finance Accounts

During the year, an amount of ₹ 1 crore was given as fresh guarantees by the State Government, however, no amount was collected as guarantee commission/fee by the State Government. As per Finance Accounts 2019-20 the outstanding amount of guarantees at the end of 2019-20 stood at ₹ 142.29 crore while the maximum amount guaranteed during 2019-20 stood at ₹ 200.58 crore and was 2.08 per cent of the Revenue Receipts of the State.

2.9.3 Management 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 unable to maintain the minimum daily cash balance of ₹ 0.20 crore throughout 2019-20 and availed Special WMAs of ₹ 72.29 crore for two days during the current year which was duly settled prior to the end of the year.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

The Cash Balances and Investments made by the State Government out of Cash Balances during 2019-20 are shown in **Table-2.37**.

Table 2.37 : Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance on 01 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	NIL	NIL
Deposits with Reserve Bank of India	-166.50	-30.50
Deposits with other Banks	NIL	NIL

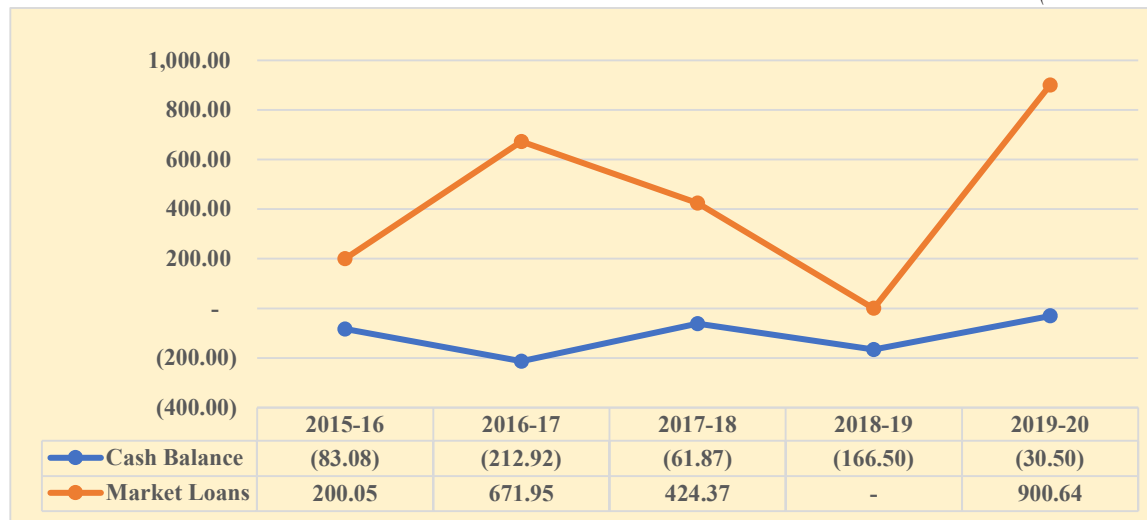
Particulars	Opening balance on 01 April 2019	Closing balance on 31 March 2020
Remittances in transit – Local	NIL	NIL
Total	-166.50	-30.50
Investments held in Cash Balance investment account	71.01	202.87
Total (A)	-95.49	172.37
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	-4.68	-4.48
Permanent advances for contingent expenditure with department officers	NIL	NIL
Investment in earmarked funds	334.54	341.54
Total (B)	329.86	337.06
Total (A + B)	234.37	509.43
Interest realized	29.83	10.29

Source: Finance Accounts

Investment held in Cash Balance Investment Account stood at ₹ 202.87 crore as on 31 March 2020. It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. The details and trend of market loans taken by the State Government during the period 2015-20 is shown in **Chart 2.19**.

Chart 2. 19 : Trend of Cash Balance and Market Loans during 2015-20

(₹ in crore)



Source: Finance Accounts

2.10 Conclusion and Recommendations

Deficit indicators, revenue augmentation and expenditure management are major yardsticks for judging the fiscal performance of the Government. Based on these key parameters the following conclusions and recommendations have been arrived at by audit.

2.10.1 Conclusion

- Revenue Receipts during the year 2019-20 were ₹ 9,658.26 crore which increased by ₹ 618.76 crore (6.85 per cent) over the previous year. State's Own Tax revenues and Non-Tax revenue increased by ₹ 4.28 crore (0.59 per cent) and ₹ 72.39 crore respectively (16.09 per cent) as compared to the previous year. Grants-in-aid from GoI also increased by ₹ 1,027.25 crore (23.56 per cent), whereas State's Share of Union taxes and Duties decreased by ₹ 485.16 crore (13.85 per cent) during 2019-20 as compared to the previous year.
- In the three years during which the GST Act has been in effect, revenue collected by the Government of Mizoram through SGST has risen by 213.51 per cent from ₹ 169.76 crore in 2017-18 to ₹ 532.22 crore in 2019-20. Besides, GST receipts in 2019-20 exceeded the projected revenue by ₹ 211.17 crore, therefore, the State Government did not receive any GST compensation during 2019-20.
- Revenue expenditure during the year 2019-20 was ₹ 9,453.96 crore (86.66 per cent) against the total expenditure of ₹ 10,909.26 crore. Committed expenditure like salary & wages, pension, interest payments steadily increased during the last five years period 2015-20. The Committed expenditure during 2019-20 was ₹ 4,987.06 crore (51.64 per cent of the total Revenue receipts of ₹ 9658.26 crore and 52.75 per cent of the total Revenue expenditure of ₹ 9453.96 crore).
- Capital expenditure is the expenditure incurred for creation of fixed infrastructure assets such as roads, building, etc. It is noticed that during the year capital expenditure decreased by ₹ 495.80 crore (26.54 per cent) from ₹ 1,868.47 crore to ₹ 1,372.67 crore. Salaries and Wages (₹ 3,211.44 crore) accounted for almost one third of the Revenue Receipts (₹ 9,658.26 crore) as well as Revenue Expenditure (₹ 9,453.96 crore). The expenditure on Pension Payments increased by 132.44 per cent from ₹ 616.30 crore in 2015-16 to ₹ 1,432.50 crore in 2019-20.
- As on 31 March 2020, the State Government had invested ₹ 42.77 crore in Government Companies, Co-operative Bank, Societies, etc. with no additional investment made during the year. However, it did not receive any dividend on these investments in 2019-20 nor in the preceding four financial years. Further delay in completion of these projects was fraught with the risk of cost overrun as evidenced during 2019-20 where there was a cost overrun of ₹ 33.69 crore.
- As on 31 March 2020, 121 projects (estimated cost ₹ 1,463.39 crore) on which an expenditure of ₹ 1,149.22 crore had been incurred, remained blocked and the benefits expected to be accrued from these projects were yet to flow.
- In the year 2019-20, against the minimum required contribution of ₹ 36.58 crore to the Consolidated Sinking Fund (0.50 per cent of outstanding liabilities of ₹ 7,315.55 crore as on 1 April 2019), the State Government did not make any contribution to the Fund, thereby violating the extant Rules and the Government has deferred the current year's liabilities of ₹ 37.08 crore to future years.
- During 2019-20, Government of Mizoram had withdrawn ₹ 21.68 crore from the State Disaster Response Fund which was kept in the Saving Bank account operated jointly by the Finance Department (Economic Affairs) and Disaster Management and Rehabilitation Department and no expenditure towards natural calamities was booked

under MH 2245, except those relating to transfer to fund and withdrawal for current account. The Fund accounting was not as per the prescribed guidelines.

- The State had Outstanding guarantees of ₹ 142.29 crore including interest as on 31 March 2020.
- The State's outstanding liabilities increased from ₹ 7315.54 crore in 2018-19 to ₹ 8,678.26 crore in 2019-20, whereas, Debt/GSDP ratio slightly decreased from 32.82 per cent to 32.74 per cent during the same period. Projection in the MTFP relating to Debt-GSDP ratio was not met during 2019-20. However, State Government was able to meet the target ratio of total outstanding debt to GSDP prescribed by XIV FC (44.78 per cent for 2019-20).
- An analysis of the outstanding debt revealed that out of the outstanding public debt of ₹ 4,018.03 crore as on 31 March 2020, 56.97 per cent (₹ 2,289.27 crore) was payable within the next seven years while the remaining 43.03 per cent (₹ 1,728.76 crore) was in the maturity bracket of more than seven years. The total amount of outstanding market loans was ₹ 2,790.60 crore and interest due and payable until their maturity was ₹ 1,155.75 crore.
- The State Government had used borrowed funds for meeting both capital and revenue expenditure during the period 2015-20. During 2019-20, the percentage of capital expenditure to borrowings was 119.60 per cent.
- The State Government was unable to maintain the minimum daily cash balance of ₹ 0.20 crore throughout 2019-20 and availed Special WMAs of ₹ 72.29 crore for two days during the current year which was duly settled prior to the end of the year.

2.10.2 Recommendations

- i) *State Government may take necessary steps to reduce the ratio of committed expenditure to revenue expenditure to ensure that debt levels remain serviceable by the resources of the State.*
- ii) *State Government may assess the potential sources of revenue available internally and take steps to ensure that maximum potential revenue is achieved. As an example, the State government may consider enhancing revenue generation through eco-tourism initiatives and other sustainable development goals of a similar nature.*
- iii) *The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments.*
- iv) *State Government needs to formulate effective plans for execution of its major policy initiatives and ensure that capital expenditure for creation of durable assets is increased.*
- v) *The State Government needs to give greater thrust on completion of incomplete projects in a planned manner with periodical review and monitoring mechanism at the highest level of administration so as to avoid time and cost inefficiencies and consequential extra financial burden on the Government.*
- vi) *Increasing trend of borrowings vis-à-vis the level of debt maturity profile needs to be reviewed so as to ensure that mobilised financial resources are used adequately for incurring capital expenditure for creation of assets.*

