

CHAPTER-2
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 2016-17 to 2020-21, 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* 2019-20

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2020-21, compared to the previous year.

Table 2.1 : Changes in key fiscal aggregates in 2020-21 compared to 2019-20

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State decreased by 19.85 <i>per cent</i> ✓ Own Tax receipts of the State decreased by 11.41 <i>per cent</i> ✓ Non-tax receipts increased by 7.54 <i>per cent</i> ✓ State's Share of Union Taxes and Duties decreased by 0.24 <i>per cent</i> ✓ Grants-in-Aid from Government of India decreased by 34.64 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure decreased by 9.93 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 2.20 <i>per cent</i> ✓ Revenue expenditure on Social Services decreased by 6.33 <i>per cent</i> ✓ Revenue expenditure on Economic Services decreased by 27.37 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 17.97 <i>per cent</i> ✓ Capital expenditure on General Services decreased by 55.22 <i>per cent</i> ✓ Capital expenditure on Social Services decreased by 6.89 <i>per cent</i> ✓ Capital expenditure on Economic Services decreased by 22.58 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 96.49 <i>per cent</i> ✓ Recoveries of Loans and Advances increased by 26.18 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 127.53 <i>per cent</i> ✓ Repayment of Public Debt increased by 357.13 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 31.79 <i>per cent</i> ✓ Disbursement of Public Account increased by 35.61 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance decreased by 22.54 <i>per cent</i>

Each of the above key fiscal aggregates 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 2020-21 with that of 2019-20 in figures, while **Chart 2.1** gives the details of receipts and expenditure from the Consolidated Fund of the State during 2020-21 in terms of percentages.

Table 2.2 : Details of Sources and Application of funds during 2019-20 and 2020-21

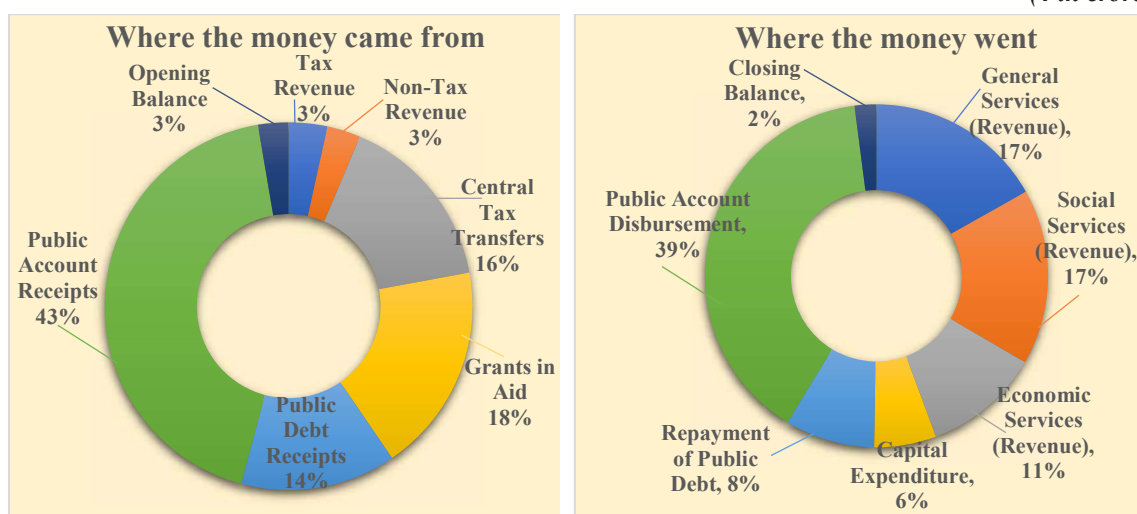
(₹ in crore)

	Particulars	2019-20	2020-21	Increase/ Decrease
Sources	Opening Cash Balance with RBI	-166.50	-30.50	136.00
	Revenue Receipts	9,658.26	7,740.67	-1,917.50
	Recoveries of Loans and Advances	26.70	33.69	6.99
	Public Debt Receipts (Net)	793.75	993.43	199.68
	Public Account Receipts (Net)	566.56	783.03	216.47
	Total	10,878.77	9,520.32	-1,358.45
Application	Revenue Expenditure	9,453.96	8,514.80	-939.16
	Capital Expenditure	1,372.67	1,125.97	-246.70
	Disbursement of Loans and Advances	82.64	2.90	-79.74
	Closing Cash Balance with RBI	-30.50	-123.35	-92.85
	Total	10,878.77	9,520.32	-1,358.45

Source: Finance Accounts

Chart 2.1 : Sources and application of funds

(₹ in crore)



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, 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 discussed in details in the succeeding paragraphs:

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

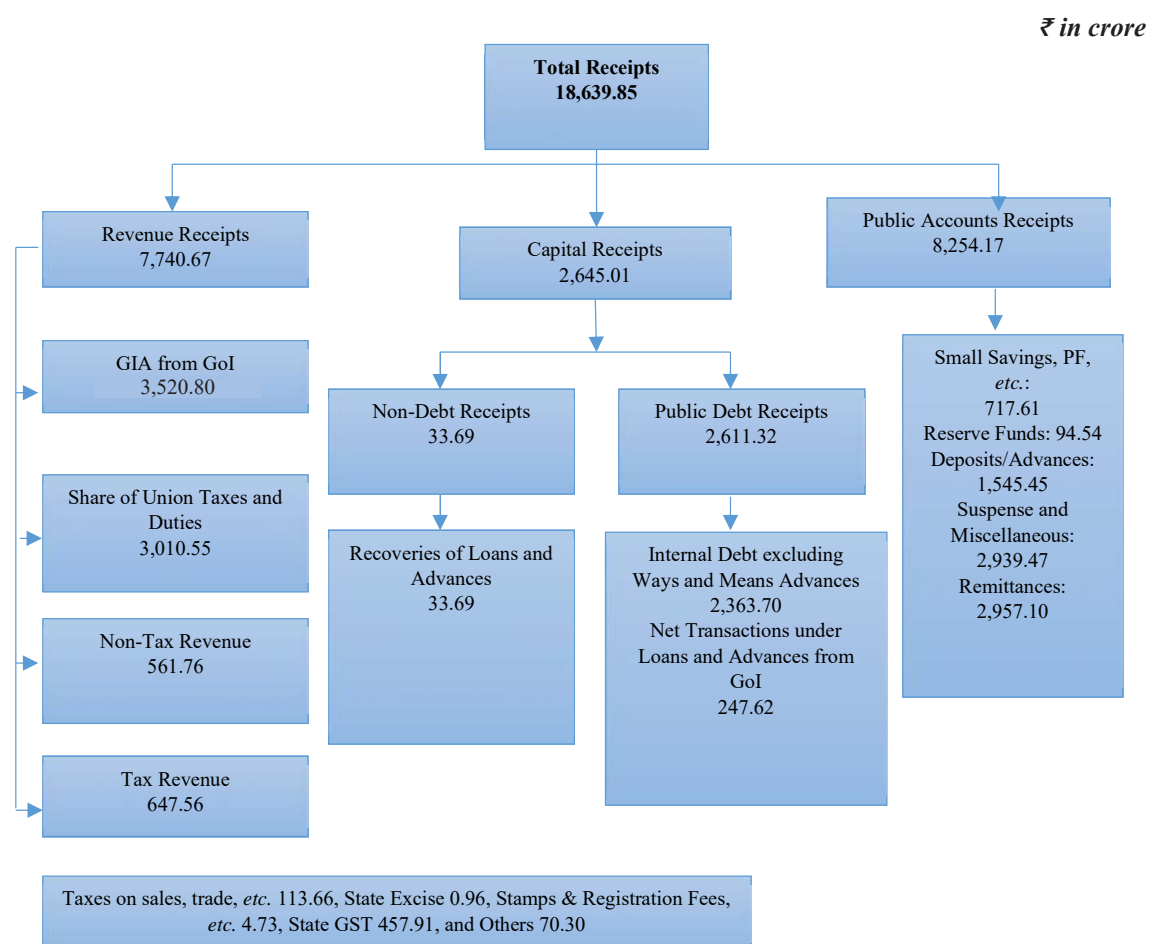
- 3. Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

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 its use.

2.5 Receipts of the State

This paragraph provides the composition of the overall receipts. The composition of receipts of Government of Mizoram during 2020-21 is given in **Chart 2.2**.

Chart 2.2 : Composition of receipts of the State during 2020-21



2.5.1 State's Revenue Receipts

This paragraph outlines the trends in revenue receipts of Government of Mizoram for the year 2020-21.

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 2016-21. 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	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	7,398.30	8,580.20	9,039.50	9,658.26	7,740.67
Rate of growth of RR (per cent)	10.81	15.98	5.35	6.85	-19.85
Own Tax Revenue	441.81	545.91	726.70	730.98	647.56
Non-Tax Revenue	365.22	390.65	449.96	522.35	561.76
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	23.02	16.05	25.64	6.52	-3.51
GSDP (₹ in crore) (2011-12 Series)	17,192	19,385	21,879	25,149	29,076
Rate of growth of GSDP (per cent)	13.56	12.76	12.87	14.94	15.62
RR/GSDP (per cent)	43.03	44.26	41.32	38.40	26.62
Buoyancy Ratios⁵					
Revenue Buoyancy w.r.t. GSDP	0.80	1.25	0.42	0.46	-1.27
State's Own Revenue Buoyancy w.r.t. GSDP	1.70	1.26	1.99	0.44	-0.22

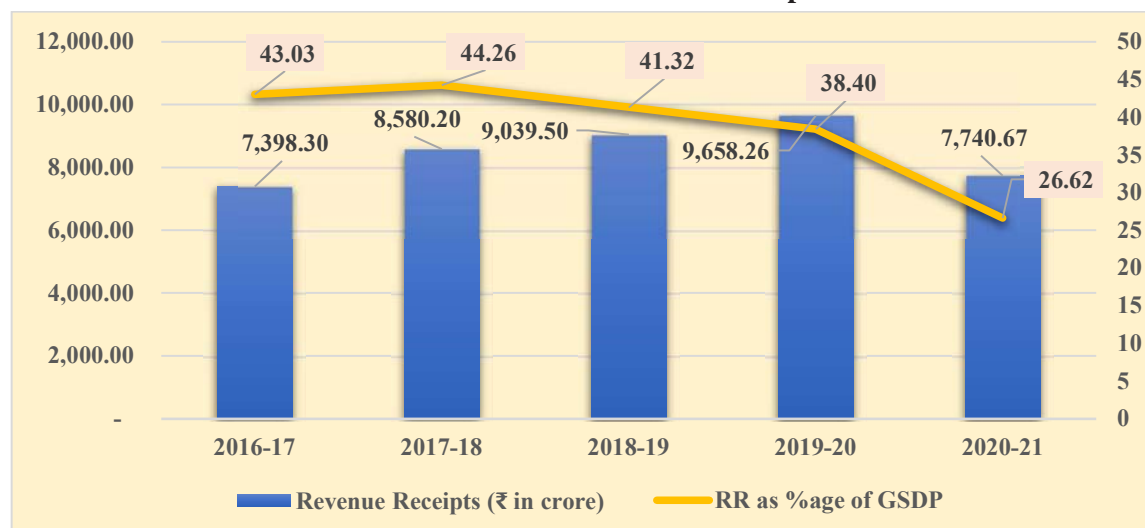
Source: Finance Accounts and Directorate of Economics and Statistics

Revenue Receipts increased by 4.63 per cent from ₹ 7,398.30 crore in 2016-17 to ₹ 7,740.67 crore in 2020-21 at an annual average growth rate of 3.83 per cent. During 2020-21, Revenue Receipts decreased by ₹ 1,917.59 crore (19.85 per cent) over the previous year due to decrease in Tax Revenue (₹ 83.42 crore), Grants-in-Aid from GoI (₹ 1,866.33 crore), State's share of Union Taxes and Duties (₹ 7.25 crore) offset by increase in Non-tax Revenue (₹ 39.41 crore).

⁵ 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 one implies that Revenue Receipts tend to change by one percentage points, if the GSDP changes by one per cent

Chart 2.3 shows the trend of Revenue Receipts during the period 2016-17 to 2020-21.

Chart 2.3 : Trend of Revenue Receipts

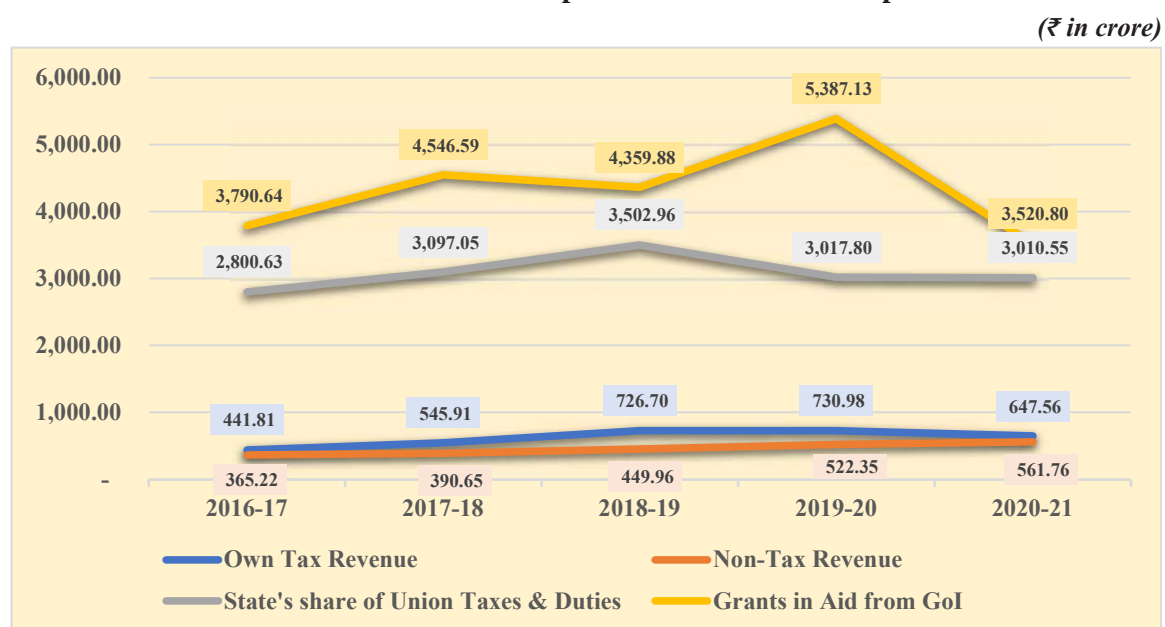


Source: Finance Accounts

Revenue Receipts which had steadily increased over the period declined sharply in the current year. As a result, the contribution of Revenue Receipts to GSDP continued to decrease. There was wide fluctuation in State's own revenue buoyancy, due to factors such as implementation of GST (in 2017-18) and the onset of the COVID-19 pandemic (2020-21), which impacted the actual receipts in different components of revenue.

Chart 2.4 shows the trend of components of Revenue Receipts.

Chart 2.4 : Trend of components of Revenue Receipts



Source: Finance Accounts

Grants in Aid from the GoI made up 45.48 per cent of the Revenue Receipts during 2020-21 while Central Tax Transfers contributed 38.89 per cent. State's own sources of revenue made up just 15.63 per cent of the 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.

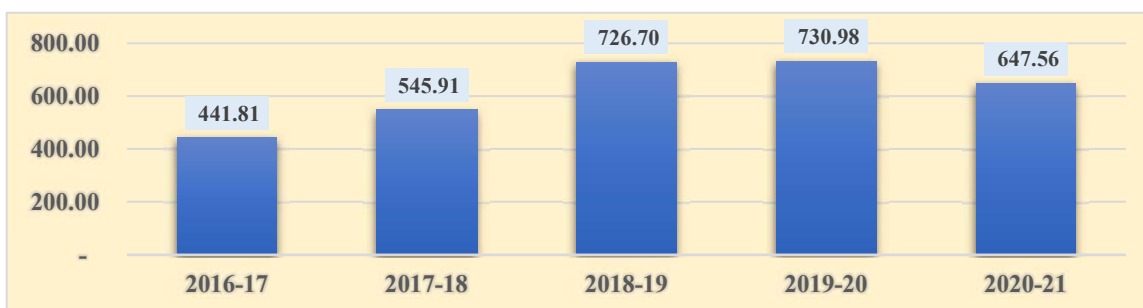
2.5.1.2 State's Own Resources

State's performance in mobilisation of resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major Tax and Non-Tax Revenues and their relative share in GSDP during 2016-21 is given in *Appendix II*.

(i) Own Tax Revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), State excise, taxes on vehicles, Stamps 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 2016-21 are given in **Chart 2.5**.

Chart 2.5 : Growth of Own Tax Revenues during 2016-21



Source: Finance Accounts

Component-wise details of Own Tax Revenue collected during the years 2016-21 are presented in **Table 2.4**.

Table 2.4 : Components of State's own tax revenue

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21 (BE)	2020-21 (Actuals)
Taxes on Sales, Trades, <i>etc.</i>	307.81	242.85	135.93	117.61	81.00	113.66
State Goods and Services Tax	Nil	169.76	454.73	532.22	504.00	457.91
State Excise	72.26	65.83	65.34	2.72	1.00	0.96
Taxes on Vehicles	25.75	31.58	38.36	40.66	32.27	29.01
Stamp Duty and Registration Fees	3.26	3.20	4.43	5.85	7.01	4.73
Land Revenue	8.58	8.29	8.64	9.05	15.00	20.74
Taxes on Goods and Passengers	7.90	7.83	4.71	7.44	6.40	4.85
Others	16.25	16.57	14.56	15.43	15.01	15.70
Total	441.81	545.91	726.70	730.98	661.69	647.56

Source: Finance Accounts

Own Tax Revenues of the State increased by ₹ 205.75 crore from ₹ 441.81 crore in 2016-17 to ₹ 647.56 crore in 2020-21 at an annual average rate of 13.83 *per cent*. However, during the current year, Own Tax Revenue (₹ 647.56 crore) decreased by ₹ 83.42 crore (11.41 *per cent*) from the previous year (₹ 730.98 crore). Major contributors of Tax Revenue

were SGST (70.71 per cent), Taxes on Sales, Trades, etc., (17.55 per cent) and Taxes on Vehicles (4.48 per cent). State's Own Tax Revenue as percentage of GSDP during the year decreased to 2.23 per cent from the previous year's 2.91 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 (MGST) Act, 2017 received the assent of the Governor on 26 May, 2017 and came into effect from 01 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 (2015-16), 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 four years during which the GST Act has been in effect, revenue collected by Government of Mizoram through SGST has risen by ₹ 288.15 crore (169.74 per cent) from ₹ 169.76 crore in 2017-18 to ₹ 457.91 crore in 2020-21. This amount included the Advance Apportionment of IGST amounting to ₹ 17.93 crore. During the year, the State received ₹ 897.91 crore as its share under Central Goods and Services Tax. The State did not receive compensation on account of loss of revenue arising out of implementation of GST during 2020-21.

➤ Analysis of arrears of revenue and arrears of assessment

The arrears of revenue as on 31 March 2021 on some principal heads of revenue amounted to ₹ 23.03 crore out of which, ₹ 1.39 crore was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5 : Arrears of Revenue as on 31 March 2021

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2021	Total amount outstanding for more than 5 years as on 31 March 2021
1	Taxes/VAT on sales, Trades, etc.	22.76	1.39
2	Taxes on Professions, Trades, Callings and Employment, etc.	0.19	-
3	Taxes on Entertainment	0.08	-
Total		23.03	1.39

Source: Information furnished by the Taxation Department

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed off 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**.

Table 2.6 : Arrears in assessment as on 31 March 2021

Sl. No.	Head of Revenue	Opening balance as on 01 April 2020	New cases due for assessment during 2020-21	Total assessments due	Cases disposed off during 2020-21	Closing balance as on 31 March 2021	Percentage of disposal
1	Taxes/VAT on sales, Trades, etc.	2,488	16	2,504	23	2,481	0.92
2	Taxes on Professions, Trades, Callings and Employment, etc.	0	78	78	78	0	100.00
3	Taxes on Entertainment	-	-	-	-	-	-
	Total	2,488	94	2,582	101	2,481	3.91

Source: Information furnished by the Taxation Department

From the table, it is evident that out of 2,582 assessments due during 2020-21, only 101 cases (3.91 per cent) could be assessed at the end of 2020-21, leaving 2,481 cases unassessed.

➤ **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 during 2020-21

Sl. No.	Head of revenue	Cases pending as on 31 March 2020	Cases detected during 2020-21	Total	No. of cases in which assessment / investigation completed and additional demand with penalty etc. raised		No. of cases pending for finalisation as on 31 March 2021
					No. of cases	Amount of demand (₹ in crore)	
1	Taxes/VAT on sales, Trades, etc.	391	34 ⁶	425	34	4.49	391
2	Taxes on Professions, Trades, Callings and Employment, etc.	-	-	-	-	-	-
3	Taxes on Entertainment	2	0	2	2	0	0
	Total	393	34	427	36	4.49	391

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 for 2020-21

(₹ 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	44	2.12
3	Refunds made during the year	20	1.15
4	Balance outstanding at the end of the year	44	1.00

Source: Information furnished by the Taxation Department

⁶ 34 cases include 16 VAT and 18 GST cases

(ii) Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Component-wise details of Non-Tax Revenue collected during the years 2016 - 21 were as shown in **Table 2.9**.

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

(₹ in crore)

Revenue Head	2016-17	2017-18	2018-19	2019-20	2020-21 (BE)	2020-21 (Actuals)
Other Fiscal Services	Nil	Nil	Nil	2.05	0.03	12.05
Interest Receipts, Dividends and Profits	48.35	51.14	57.68	32.84	50.27	19.12
Other Non-Tax Revenues						
i. General Services	26.77	32.13	19.27	27.61	80.36	34.55
ii. Social Services	43.66	46.83	50.75	54.91	66.02	65.16
iii. Economic Services	246.44	260.55	322.26	404.94	386.39	430.88
Total	365.22	390.65	449.96	522.35	583.07	561.76

Source: Finance Accounts

Non-Tax Revenue ranged between 4.55 and 7.26 *per cent* of Revenue Receipts during the five-year period from 2016-17 to 2020-21 and increased by ₹ 39.41 crore (7.54 *per cent*) during the current year, over the previous year. The major contributor to Non-Tax Revenues during 2016-21 was revenue received under Economic Services which at ₹ 430.88 crore contributed 76.70 *per cent* of the total non-tax receipts during 2020-21 and averaged 72 *per cent* over the five year period.

(iii) Transfers from the Centre

The details of Central Transfers to the State during 2016-21 are given in the following table.

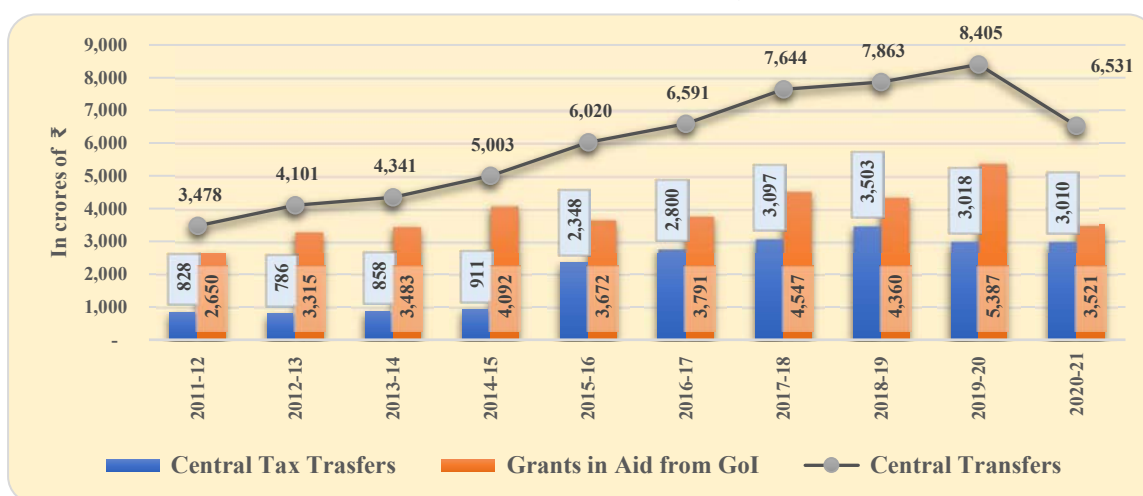
Table 2.10 : Central Transfers during 2016-17 to 2020-21

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21
Grants in Aid from GoI	3,790.64	4,546.59	4,359.88	5,387.13	3,520.80
Central Tax Transfers	2,800.63	3,097.05	3,502.96	3,017.80	3,010.55
Total Transfers from Centre	6,591.27	7,643.64	7,862.84	8,404.93	6,531.35

Source: Finance Accounts

Chart 2.6 depicts the trend of Central transfers over the decadal period 2011-21. Over the period, these transfers increased by 87.78 *per cent* from ₹ 3,478 crore in 2011-12 to ₹ 6,531 crore in 2020-21. However, during the current year, the amount decreased substantially by 22.30 *per cent* from ₹ 8,405 crore in 2019-20 and constituted 84.38 *per cent* of the Revenue Receipts.

Chart 2.6 : Trend of Central Transfers during 2011-12 to 2020-21

Source: Finance Accounts

(A) Central Tax Transfers

As per the XV FC recommendations, the share of the States in shareable Central Taxes decreased from 42 per cent (XIV FC award period) to 41 per cent. The State's share during the XIV FC award period was 0.460 per cent and 0.464 per cent for all shareable taxes and Service Tax respectively, which increased to 0.506 per cent of shareable taxes during XV FC award period. **Table 2.11** gives the position of Central Tax transfers *vis-à-vis* the recommendation made by the XIV FC and the XV FC during 2016-21.

Table 2.11 : Central Tax Transfers: Actual devolution *vis-à-vis* Finance Commission projections⁷

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
2016-17	0.46 per cent of net proceeds of all shareable taxes excluding service tax and 0.464 per cent of net proceeds of shareable service tax	3,081	2,801	-280
2017-18		3,559	3,097	-462
2018-19		4,118	3,503	-615
2019-20	0.506 per cent of net proceeds of shareable taxes	4,769	3,018	-1,751
2020-21		4,327	3,011	-1,316

Source: Finance Accounts and XIV and XV FC Reports

Table 2.12 shows the component-wise distribution of Central Tax Transfers. There was an increase of 7.50 per cent from ₹ 2,800.63 crore in 2016-17 to ₹ 3,010.55 crore in 2020-21. However, the current year saw a decrease of ₹ 7.25 crore (0.24 per cent) *vis-a-vis* the previous year. Central Tax Transfers made up 38.89 per cent of Revenue Receipts for the year.

⁷ Source : Reports of the XIV & XV FC, Finance Accounts and Annual Financial Statements of the State Government. For clarity, figures have been rounded to the nearest crore and may not tally

Table 2.12 : Central Tax Transfers(*₹ in crore*)

Head	2016-17	2017-18	2018-19	2019-20	2020-21 (BE)	2020-21 (Actuals)
Central Goods and Services Tax (CGST)	Nil	44.16	864.63	856.36	1,201.00	897.91
Integrated Goods and Services Tax (IGST)	Nil	312.80	69.00	Nil	Nil	Nil
Corporation Tax	899.01	948.82	1,218.27	1,028.94	1,220.53	906.03
Taxes on Income other than Corporation Tax	624.82	801.20	897.21	806.25	1,134.88	928.54
Customs	386.72	312.70	248.31	191.29	247.66	162.09
Union Excise Duties	441.60	326.90	165.03	133.00	161.81	101.51
Service Tax	446.42	350.50	31.92	Nil	2.12	12.42
Other Taxes	2.06	-0.03	8.59	1.96	-0.04	2.05
Central Tax transfers	2,800.63	3,097.05	3,502.96	3,017.80	3,967.96	3,010.55
Percentage of increase over previous year	19.27	10.58	13.11	-13.85	-	-0.24
Percentage of Central tax transfers to Revenue Receipts	37.86	36.10	38.75	31.25	-	38.89

Source: Finance Accounts

(B) Grants-in-aid from GoI

Grants-in-Aid (GIA) are sums of money (grants) given to the States by the GoI over and above the States' share of Union taxes and duties for the fulfilment of specific works, plans and policies. During 2020-21, GIA decreased by ₹ 1,866.33 crore (34.64 per cent) from ₹ 5,387.13 crore in 2019-20 to ₹ 3,520.80 crore in 2020-21. GIA received by the State Government from GoI during 2016-21 are detailed in **Table 2.13**.

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

Head	2016-17	2017-18	2018-19	2019-20	2020-21 (BE)	2020-21 (Actuals)
Non-Plan Grants	2,356.38	-	-	-	-	-
Grants for State Plan Schemes	771.41	-	-	-	-	-
Grants for Central Plan Schemes*	37.83	-	-	-	-	-
Grants for Centrally Sponsored Plan Schemes	545.87	-	-	-	-	-
Grants for Special Plan Schemes	79.15	-	-	-	-	-
Grants for Centrally Sponsored Schemes (CSS)	-	1,464.80	1,249.68	2,103.97	2,033.39	1,329.94
Finance Commission Grants	-	2,535.51	2,616.67	2,778.73	2,153.00	1,725.48
Other transfers/Grants to States	-	546.28	493.53	504.43	385.85	465.38
Total	3,790.64	4,546.59	4,359.88	5,387.13	4,572.24	3,520.80
Percentage of increase/decrease over the previous year	3.22	19.94	-4.11	23.56	-	-34.64
Percentage of GIA to Revenue Receipts	51.24	52.99	48.23	55.78	-	45.48

Source: Finance Accounts

➤ Finance Commission Grants

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 2016-20 (during the XIV period) and 2020-21(XV FC period) 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 FC			Actual release by GoI			Release by State Government		
	Upto 2019-20 (XIV-FC)	2020-21 (XV-FC)	Total	Upto 2019-20 (XIV-FC)	2020-21 (XV-FC)	Total	Upto 2019-20 (XIV-FC)	2020-21 (XV-FC)	Total
Local Bodies									
(i) Grants to RLBs									
(a) General Basic Grant	0	93.00	93.00	0	0	0	0	23.25	23.25
(b) General Performance Grants	0			0			0	23.25	23.25
(ii) Grants to ULBs									
(a) General Basic Grant	96.17	45.00	165.21	106.23	45.00	151.23	96.17	22.50	118.67
(b) General Performance Grants	24.04						37.70	22.50	60.20
Total for Local Bodies	120.21	138.00	258.21	106.23	45.00	151.23	133.87	91.50	225.37
State Disaster Response Fund	94.00	52.00	146.00	84.60	47.00	131.60	55.05	50.50	105.55
Grand Total	214.21	190.00	404.21	190.83	92.00	282.83	188.92	142.00	330.92

Source: XIV-FC Report, XV-FC Report, State Government data 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., Public debt receipts consisting of borrowings from Market, Financial Institutions and Central Government, create future repayment obligations.

During the five-year period 2016-21, Capital Receipts grew by 239.99 per cent from ₹ 777.96 crore in 2016-17 to ₹ 2,645.01 crore in 2020-21 mainly due to increased public debt receipts. Recovery of loans and advances grew by 50.07 per cent from ₹ 22.45 crore in 2016-17 to ₹ 33.69 crore in 2020-21.

During 2020-21, Public Debt Receipts (₹ 2,611.32 crore) represented 98.73 per cent of Capital Receipts (₹ 2,645.01 crore) and increased by 127.53 per cent over the previous year while Recovery of loans and advances increased by 26.18 per cent (₹ 6.99 crore) compared to the previous year (₹ 26.70 crore).

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	2016-17	2017-18	2018-19	2019-20	2020-21
Capital Receipts	777.96	915.78	156.38	1,174.38	2,645.01
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	22.45	21.64	22.16	26.70	33.69
Net Public Debt Receipts	755.51	894.14	134.22	1,147.68	2,611.32
Internal Debt (excluding Ways and Means Advances and Overdrafts)	748.67	868.76	122.86	1,132.80	2,363.70

Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
Growth rate (per cent)	152.30	16.04	-85.86	822.03	108.66
Net transactions under Ways and Means Advances and Overdrafts	-	17.51	-	-	-
Growth rate (per cent)	-100.00	-	-100.00	-	-
Loans and advances from GoI	6.84	7.87	11.36	14.88	247.62
Growth rate (per cent)	80.00	15.06	44.35	30.99	1,564.11
Rate of growth of debt Capital Receipts	34.18	18.35	-84.99	755.07	127.53
Rate of growth of non-debt capital receipts (per cent)	-13.12	-3.61	2.40	20.49	26.18
Rate of growth of GSDP (per cent)	13.56	12.76	12.87	14.94	15.62
Rate of growth of Capital Receipts (per cent)	32.10	17.72	-82.92	650.98	125.23

Source: Finance Accounts and State Government

From the table, it can be seen that the State Government is relying heavily on Public debt receipts to meet budgetary requirements. During 2020-21, the components of Public Debt Receipts comprised of Internal Debt (₹ 2,363.70 crore) and Loans and Advances from GoI (₹ 247.62 crore).

2.5.3 State's performance in mobilisation of resources

State's performance in mobilisation 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 tax and non-tax 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 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	868.00	661.69	647.56	-25.40	-2.14
Non-Tax revenue	246.00	583.07	561.76	128.36	-3.65
Total	1,114.00	1,244.76	1,209.32	8.56	-2.85

It can be seen from the table above that Own Tax Revenue for the year failed to meet FC projections by 25.40 per cent and budget estimates by 2.14 per cent. Non-Tax revenue exceeded FC projections by 128.36 per cent, but remained short of budget estimates figures by 3.65 per cent. In summary, receipts from own sources surpassed FC projections by 8.56 per cent and fell short of budgetary projections by 2.85 per cent.

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 the 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 2016 to 2021.

Table 2.17 : Total expenditure and its composition

(₹ in crore)

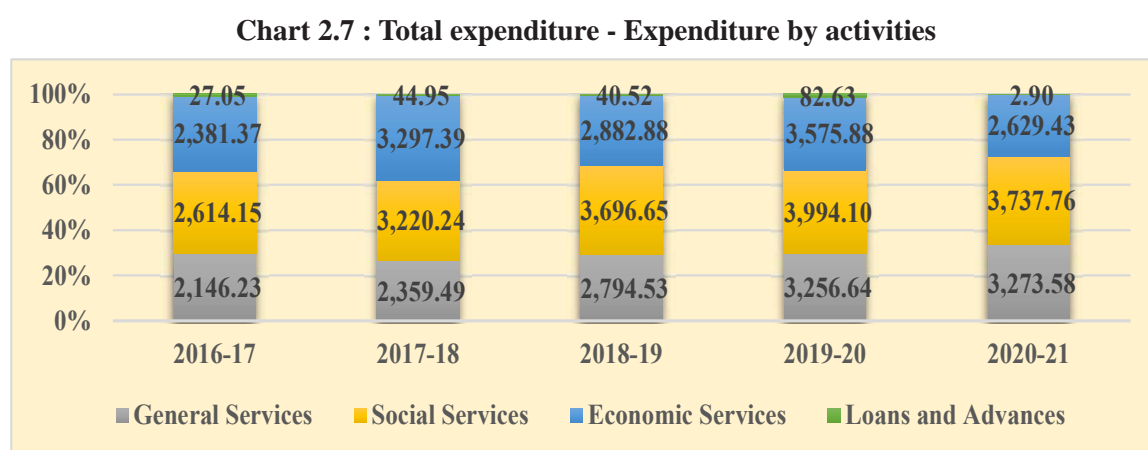
Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	7,168.80	8,922.07	9,414.58	10,909.26	9,643.67
Revenue Expenditure (RE)	6,230.34	6,880.77	7,505.59	9,453.96	8,514.80
Capital Expenditure (CE)	911.41	1,996.35	1,868.47	1,372.67	1,125.97
Loans and Advances	27.05	44.95	40.52	82.63	2.90
As a percentage of GSDP					
TE/GSDP	41.70	46.02	43.03	43.38	33.17
RE/GSDP	36.24	35.49	34.31	37.59	29.28
CE/GSDP	5.30	10.30	8.54	5.46	3.87
Loans and Advances/GSDP	0.16	0.23	0.19	0.33	0.01

Source: Finance Accounts and Government of Mizoram

Total Expenditure (TE) decreased by ₹ 1,265.59 crore (11.60 per cent) in 2020-21 as compared to 2019-20. This was due to decrease in Revenue Expenditure by ₹ 939.16 crore (9.93 per cent), Capital Expenditure by ₹ 246.70 crore (17.97 per cent) and disbursement of Loans and Advances by ₹ 79.73 crore (96.49 per cent). As percentage of GSDP, TE decreased from 41.70 per cent to 33.17 per cent of GSDP during the five year period from 2016 to 2021.

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 88.29 *per cent* of the State's TE, whereas Capital Expenditure, which is in the nature of asset creation, was 11.68 *per cent* in 2020-21. This trend of expenditure was seen to be consistent over the five year period. Revenue Expenditure was within the range of 77.12 to 88.29 *per cent* of TE while Capital Expenditure was between 11.68 to 19.85 *per cent* of TE which signified that the Government was spending most of its resources in activities which did not involve asset creation.

Chart 2.7 presents the share of different components of Total Expenditure as per activity during the five year period 2016 to 2021.



Source: Finance Accounts

Expenditure on General Services increased by ₹ 16.94 crore (0.52 *per cent*) from ₹ 3,256.64 crore in 2019-20 to ₹ 3,273.58 crore in 2020-21, Social Services expenditure decreased by ₹ 256.34 crore (6.42 *per cent*) from ₹ 3,994.10 crore in 2019-20 to ₹ 3,737.76 crore in 2020-21 and expenditure on Economic Services decreased by ₹ 946.46 crore (26.47 *per cent*) from ₹ 3,575.88 crore in 2019-20 to ₹ 2,629.43 crore in 2020-21. Disbursement of Loans and Advances declined by ₹ 79.73 crore (96.49 *per cent*) from ₹ 82.63 crore in 2019-20 to ₹ 2.90 crore in 2020-21.

2.6.2 Revenue Expenditure

Revenue Expenditure (RE) 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 88.29 *per cent* in 2020-21) of the total expenditure during the period 2016-21. Rate of growth of Revenue Expenditure has displayed wide fluctuations during the five-year period 2016-21. The overall RE, 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 RE pertaining to 2020-21 is given in **Chart 2.8**.

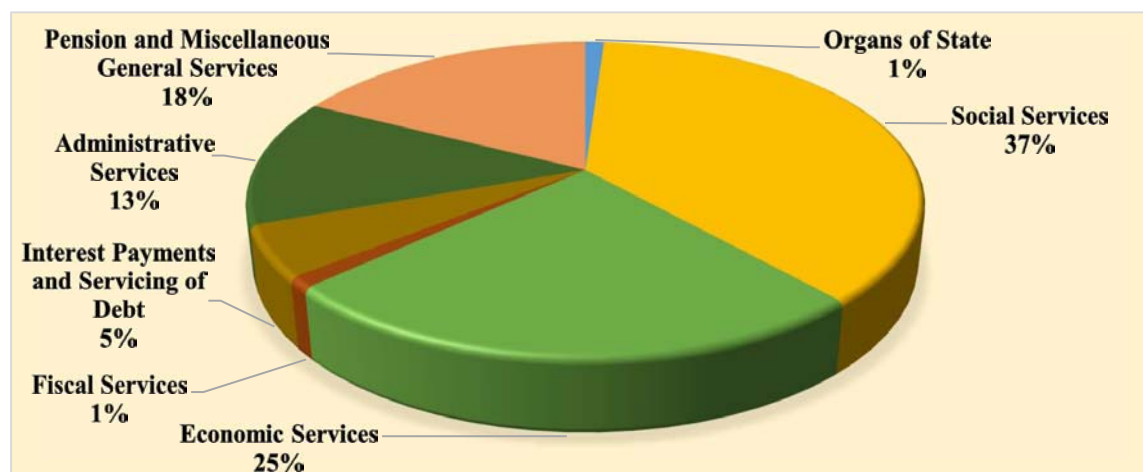
Table 2.18 : Revenue Expenditure – Basic Parameters*(₹ in crore)*

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	7,168.80	8,922.07	9,414.58	10,909.26	9,643.67
Revenue Expenditure (RE)	6,230.34	6,880.77	7,505.59	9,453.96	8,514.80
Rate of Growth of RE (Per cent)	11.84	10.44	9.08	25.96	-9.93
RE/TE (Per cent)	86.91	77.12	79.72	86.66	88.29
RE/GSDP (Per cent)	36.24	35.49	34.31	37.59	29.28
RE/Revenue Receipts (Per cent)	84.21	80.19	83.03	97.88	110.00
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.87	0.82	0.71	1.74	-0.64
Revenue Receipts (ratio)	1.09	0.65	1.70	3.79	0.50

Source: Finance Accounts of respective years

Revenue Expenditure as a percentage of GSDP decreased from 37.59 per cent in 2019-20 to 29.28 per cent in 2020-21 and witnessed a regression of 9.93 per cent (₹ 939.15 crore) from the previous year. Revenue Expenditure was lower by ₹ 507.50 crore *vis-à-vis* the assessment made in MTFP 2020-21 (₹ 9,021.85 crore) and stood at 110 per cent of Revenue Receipts for the year.

The buoyancy of Revenue Expenditure with GSDP reversed for the first time in five years at a Buoyancy Ratio of -0.64 and also showed a proportionate decrease in growth when compared to Revenue Receipts with a Buoyancy Ratio of 0.50.

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 2020-21 compared to 2019-20*(₹ in crore)*

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
2801-Power	738.64	806.29	67.65
2408-Food, Storage and Warehousing	56.85	117.90	61.05
2049-Interest Payments	343.12	400.99	57.87
2071-Pensions and Other Retirement Benefits	1,432.50	1,482.89	50.39
3054-Roads and Bridges	983.75	183.04	-800.71
2202-Education	1,558.24	1,456.47	-101.77
2052-Secretariat-General Services	189.73	126.53	-63.20
2401-Crop Husbandry	243.90	205.45	-38.45

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 ₹ 236.95 crore under the heads 'Power', 'Food, Storage and Warehousing', 'Interest Payments' and 'Pensions and other retirement benefits'. This was offset by decreased expenditure of ₹ 1,004.13 crore under the heads 'Roads and Bridges', 'Education', 'Secretariat General Services' and 'Crop Husbandry'.

2.6.2.2 Committed Expenditure

Committed Expenditure of Government 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, the efforts towards the same get hampered due to the fact 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 2016-21. The table also gives specific details of percentage of various components to Revenue Receipts as well as percentage of the same to Revenue Expenditure over the period.

Table 2.20 : Components of Committed Expenditure*(₹ in crore)*

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries & Wages	2,323.02	2,400.82	2,739.45	3,211.44	3,320.15
Expenditure on Pensions	761.40	837.78	970.37	1,432.50	1,482.72
Interest Payments	341.26	339.20	368.68	343.12	400.99
Total	3,425.68	3,577.80	4,078.50	4,987.06	5,204.40
<i>As a percentage of Revenue Receipts (RR)</i>					
Salaries & Wages	31.40	27.98	30.31	33.25	42.90
Expenditure on Pensions	10.29	9.76	10.73	14.83	19.15
Interest Payments	4.61	3.95	4.08	3.55	5.18
Total	46.30	41.70	45.12	51.64	67.23

Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
As a <i>percentage</i> of Revenue Expenditure (RE)					
Salaries & Wages	37.29	34.89	36.50	33.97	39.00
Expenditure on Pensions	12.22	12.18	12.93	15.15	17.41
Interest Payments	5.48	4.93	4.91	3.63	4.71
Total	54.98	52.00	54.34	52.75	61.12

Source: Finance Accounts

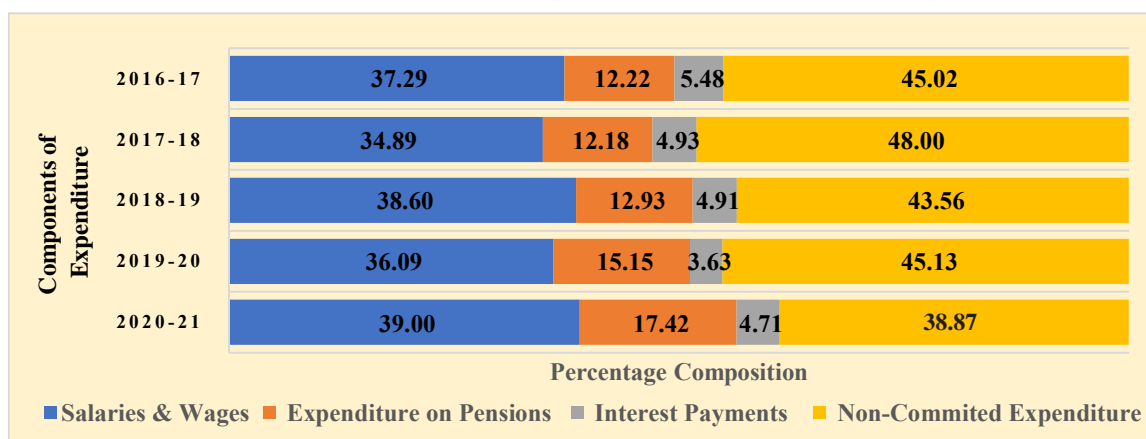
As can be seen from the table above, Committed Expenditure varied between 41.70 to 67.23 *per cent* of Revenue Receipts and 52.00 to 61.12 *per cent* of Revenue Expenditure with a commensurate yearly variation in development funds. During 2020-21, expenditure on Salaries and Wages accounted for 42.90 *per cent* of Revenue Receipts and 39 *per cent* of Revenue Expenditure. It increased from ₹ 2,323.02 crore during 2016-17 to ₹ 3,320.15 crore in 2020-21. The expenditure on Salaries and Wages increased by ₹ 109.07 crore (3.40 *per cent*) compared to the previous year.

Over the five year period 2016-21, expenditure on Pension Payments increased by 94.74 *per cent* from ₹ 761.40 crore in 2016-17 to ₹ 1,482.72 crore in 2020-21. During the current year, Pension Payments increased by ₹ 50.22 crore (3.51 *per cent*) over the previous year mainly due to increase in the number of Pensioners and Family Pensioners by 1,593 and 384 respectively. Expenditure on Pension Payments accounted for approximately 19.15 *per cent* of Revenue Receipts and 17.41 *per cent* of Revenue Expenditure for the year.

Interest Payments in 2020-21 increased by ₹ 57.87 crore (16.87 *per cent*) as compared to 2019-20.

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 National Pension System (NPS) a New Defined Contribution Pension Scheme 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 2020-21, Government of Mizoram collected ₹ 43.52 crore being employees' contribution and contributed ₹ 43.68 crore as employer's contribution (₹ 43.52 crore being Government matching share for 2020-21 plus ₹ 0.16 crore being four *per cent* additional Government matching share for 2020-21). Total amount of ₹ 87.20 crore was transferred to NSDL thereby leaving zero balance outstanding at the end of the year 2020-21.

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 2020-21 was ₹ 0.22 crore, a drop of 89.86 *per cent* from ₹ 2.17 crore in 2016-17 and a drop of 98.99 *per cent* from ₹ 21.76 crore in 2019-20. The entire amount of subsidy was spent providing Assistance to other Cooperatives. 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 2016-21

	2016-17	2017-18	2018-19	2019-20	2020-21
Subsidies (₹ in crore)	2.17	13.00	12.43	21.76	0.22
Subsidies as a percentage of Revenue Receipts	0.03	0.15	0.14	0.23	0.003
Subsidies as a percentage of Revenue Expenditure	0.03	0.19	0.17	0.23	0.003

Source : Finance Accounts

As may be seen from the table, expenditure on subsidies made up less than one *per cent* of both Revenue Receipts and Expenditure.

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 2016-21 is given in **Table-2.22**.

Table 2.22 : Financial Assistance to Local Bodies, etc.(*₹ in crore*)

Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	118.74	342.41	348.40	404.66	369.12
Panchayati Raj Institutions/Urban Local Bodies	29.15	64.14	63.36	63.44	52.45
Autonomous District Councils	293.72	343.70	408.65	463.87	450.45
Other Institutions ⁸	1,003.70	928.36	840.20	1,604.74	908.81
Total	1,445.31	1,678.61	1,660.61	2,536.71	1,780.83
Revenue Expenditure	6,230.34	6,880.77	7,505.59	9,453.96	8,514.80
Assistance as percentage of Revenue Expenditure	23.20	24.40	22.12	26.83	20.91

Source: Finance Accounts

The grants extended to local bodies and other institutions decreased by 29.80 *per cent* from ₹ 2,536.71 crore in 2019-20 to ₹ 1,780.83 crore in 2020-21. The decrease in financial assistance by ₹ 755.88 crore in 2020-21 over 2019-20 was due to decrease in assistance to Other Institutions (₹ 695.93 crore), Educational Institutions (₹ 35.54 crore), Autonomous District Councils (₹ 13.42 crore) and Urban Local Bodies (₹ 10.99 crore). Further, the share of financial assistance to Local Bodies and Other Institutions as percentage of Revenue Expenditure had also decreased from 23.20 *per cent* in 2016-17 to 20.91 *per cent* in 2020-21.

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

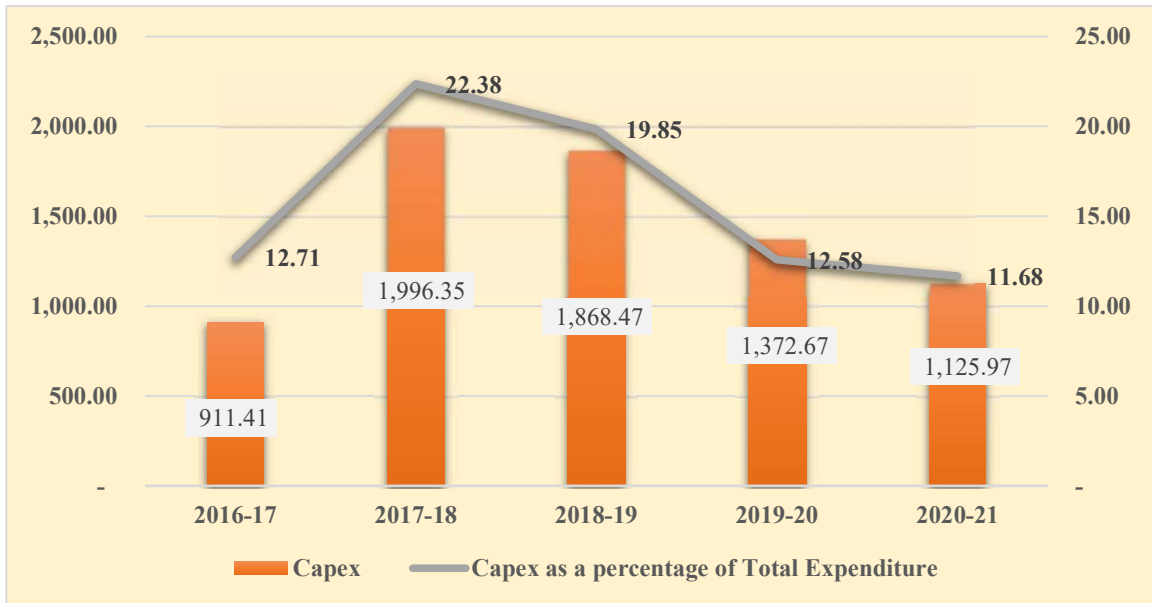
Scrutiny of Finance Accounts for the year 2020-21 showed that the Statement of Grants-in-Aid given by the State Government discloses the grants paid in cash while those paid in kind by the State Government were not disclosed and details in this regard were not furnished by the State Government.

2.6.3 Capital Expenditure

Capital Expenditure (Capex) is incurred to create assets and add to the infrastructure and service network. During 2020-21, Capital Expenditure of the State decreased by ₹ 246.70 crore (17.97 *per cent*) from ₹ 1,372.67 crore during 2019-20 to ₹ 1,125.97 crore during the current year. The share of Capital Expenditure as percentage of Total Expenditure hovered between 11.68 to 22.38 *per cent* during 2016-21. It increased significantly to 22.38 *per cent* during 2017-18 and subsequently dropped to 11.68 *per cent* in 2020-21. The growth in Capital Expenditure and its share as a percentage of Total Expenditure are indicated in **Chart 2.10**.

⁸ Other Institutions include five schemes which had received GIA of at least ₹ 50 crore MGNREGA (₹ 120.46 crore), National Health Mission (₹ 105.24 crore), NRLM (₹ 88.07 crore), Smart City Mission (₹ 55.06 crore) and MLA-LADS (₹ 54.00 crore)

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 2020-21 compared to 2019-20

(₹ in crore)

Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
4225 - Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes and Minorities	-	104.14	104.14
4215 - Capital Outlay on Water Supply and Sanitation	151.33	247.47	96.14
4408 - Capital Outlay on Food Storage and Warehousing	92.19	8.95	-83.24
4801 - Capital Outlay on Power Projects	128.82	53.70	-75.12
4059 - Capital Outlay on Public Works	87.31	36.16	-51.15

Source: Finance Accounts

The preceding table shows only the five largest positive and negative outliers in variation of expenditure over the previous year. It can be seen that variation in Capital Expenditure for the year occurred mainly due to increased expenditure of ₹ 200.28 crore under the head 'Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes and Minorities' and 'Capital Outlay on Water Supply and Sanitation' which was offset by decreased expenditure of ₹ 209.51 crore under the heads 'Capital Outlay on Food Storage and Warehousing', 'Capital Outlay on Power Projects' and 'Capital Outlay on Public Works'.

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 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 (RoI) 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 RoI of Government of Mizoram over the period 2016-21.

Table 2.24 : Return on Investment

Investment/return/cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year (₹ in crore)	34.73	38.67	42.77	42.77	42.77
Return (₹ in crore)	Nil	Nil	Nil	Nil	Nil
Rate of return (per cent)	Nil	Nil	Nil	Nil	Nil
Average rate of interest on Government Borrowings (per cent)	5.20	4.84	5.04	4.29	4.32
Difference between interest rate and rate of return (per cent)	5.20	4.84	5.04	4.29	4.32
Difference between interest on Government borrowings and return on investment (₹ in crore)	1.81	1.87	2.16	1.83	1.85

Source: Finance Accounts

As on 31 March 2021, the State Government had invested⁹ ₹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 2020-21 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at average rates of interest ranging from 4.29 to 5.20 per cent.

As of 31 March 2021, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of

⁹ Government Companies: ₹6.99 crore; Co-operative Bank, Societies, etc.: ₹35.78 crore

₹ 55.84 crore¹⁰. The accumulated losses of three¹¹ of these Government Companies had exceeded their paid-up capital and further, the aggregate net worth of these Companies stood at ₹ -2.40 crore. In the remaining three¹² Government Companies, the accumulated losses were more than 84.34 *per cent* of their paid-up capital. The functioning of these SPSEs is discussed in greater details in Chapter V.

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 being closed down. However, financial assistance in the form of loans and grants have been provided by Government of Mizoram and other financial institutions as detailed below:

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

(₹ in crore)

Quantum of loans disbursed and recovered	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding debt of PSEs/PSUs	29.68	29.68	29.68	29.77	29.77
Loans from Central Government	-	-	-	-	-
Loans from State Government	9.35	9.35	9.35	9.44	9.44
Bonds/Debentures	-	-	-	-	-
Foreign Parties	-	-	-	-	-
Banks	-	-	-	-	-
Other Financial Institutions like LIC, NABARD, etc.	20.33	20.33	20.33	20.33	20.33
Intra-PSU Lending	-	-	-	-	-
Others	-	-	-	-	-

Source: Information received from Audit Wing

2.6.3.5 Capital locked in incomplete projects

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

¹⁰ 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: ₹6.34 crore; Zoram Industrial Development Corporation Limited: ₹14.91 crore; Mizoram Agricultural Marketing Corporation Limited: ₹6.91 crore; and Mizoram Mineral Development Corporation Limited: ₹0.18 crore

¹¹ Mizoram Agricultural Marketing Corporation Limited, Mizoram Food and Allied Industries Corporation Limited and Mizoram mineral Development Corporation Limited

¹² Zoram Electronic Development Corporation Limited, Mizoram Handloom and Handicraft Development Corporation Limited and Zoram Industrial Development Corporation Limited

Table 2.26 : Profile of incomplete projects as on 31 March 2021

Age profile of incomplete projects as on 31 March 2021				Department-wise profile of incomplete projects as on 31 March 2021			
₹ 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)
2016-17	15	180.09	97.53	Public Works Department	75	704.74	426.80
2017-18	25	230.07	195.47	PHED	8	131.15	134.91
2018-19	45	535.48	353.20	P&E	11	473.31	522.71
2019-20	18	389.94	423.62	Others ¹³	18	253.89	225.34
2020-21	9	227.51	239.94				
Total	112	1,563.09	1,309.76	Total	112	1,563.09	1,309.76

Source: Finance Accounts (Vol-II)

Thus, the Capital Expenditure of ₹ 1,309.76 crore incurred on these 112 incomplete projects remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun¹⁴ ranging from one to 10 years¹⁵ on these 112 incomplete projects resulting in cost overrun of ₹ 61.86 crores¹⁶ during 2019-20 and 2020-21 in six projects under PHED, P&E, PWD and UD&PA department. Further delay in completion of these projects was fraught with the risk of additional cost overrun. Therefore, effective steps need to be taken to complete all these projects without further delay in order to avoid cost overrun and ensure that the intended benefits are received by the public.

2.6.4 Expenditure priorities

Enhancing human development levels require 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 better the quality of expenditure is considered to be. **Table-2.27** analyses the expenditure priority of the State Government with regard to Capital Expenditure (CE), Education and Health during 2020-21 by comparing these to the state's Total Expenditure (TE).

¹³ Others include Minor Irrigation, UD&PA, School Education, EMRS (Social Welfare), NEC, NEDP, NLCPR, Police

¹⁴ Oldest incomplete project was 'Construction of 5MW Tlawva SHP' which started in 2010 and was estimated to be completed in 2018. The project remained incomplete as on 31 March 2021 as per Finance Accounts of that year

¹⁵ 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

¹⁶ 6 cost overrun projects are Construction of 5MW Tlawva SHP, Construction of 110 km, 132 KV S/C Melriat S/S-Lunglei line including one bay at Melriat and one bay at Khawiva, Rehabilitation and Extension of Water Distribution Networks and Feeder Mains(P&SN/WS/AIZ/T2/ICB-2), Construction of sanitary landfill and compost plant (SL&CP/SWM/AIZ/T3/NCB-4), Construction of Approach road and internet roads at Industrial Growth centre and Construction of 5MW Tlawva SHP

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

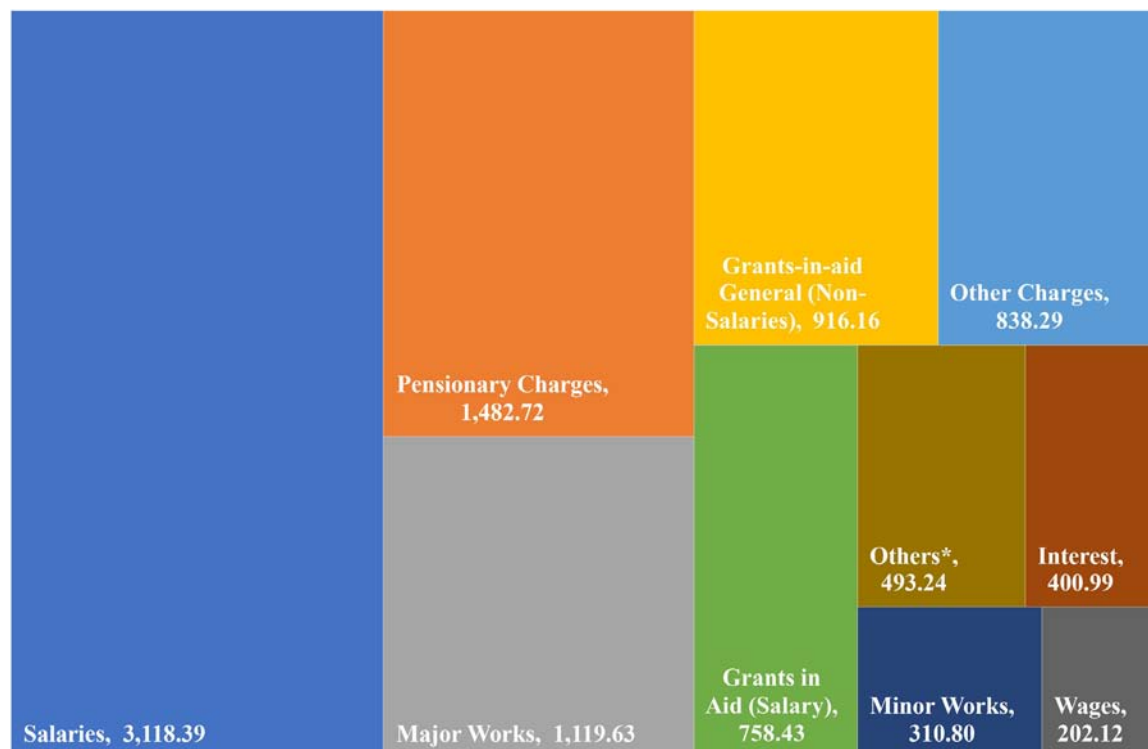
	TE/GSDP	CE/TE	Education/TE	Health/TE
NE and Himalayan States Average (2016-17)	26.50	15.97	16.67	5.67
Mizoram	41.70	13.09	15.96	5.57
NE and Himalayan States Average (2020-21)	26.92	15.83	16.95	7.04
Mizoram	33.17	11.71	15.67	5.96

(In per cent)

The State had a high TE-GSDP ratio as compared to the average for NE and Himalayan States. However, it fell from 41.70 per cent in 2016-17 to 33.17 per cent in 2020-21. During the same period expenditure on Health grew by 0.39 per cent while Capital expenditure and expenditure on Education both fell by 1.38 per cent and 0.29 per cent when compared to TE .

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 Supplies and Materials, 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 Suspense 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 2021¹⁷

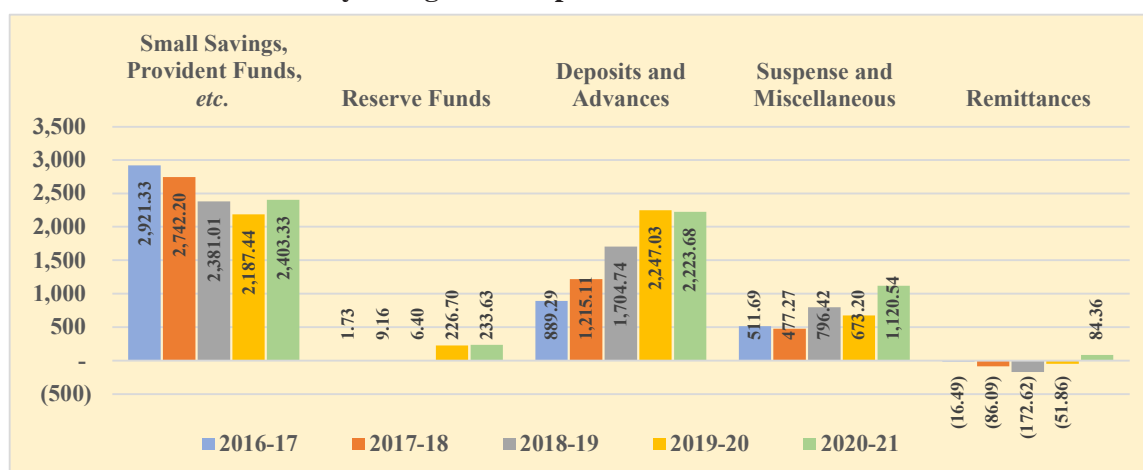
(₹ in crore)

Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, <i>etc.</i>	2,921.33	2,742.20	2,381.01	2,187.44	2,403.33
J. Reserve Funds	(a) Reserve Funds bearing Interest	-4.79	2.64	-0.12	220.18	227.11
	(b) Reserve Funds not bearing Interest	6.52	6.52	6.52	6.52	6.52
K. Deposits and Advances	(a) Deposits bearing Interest	2.55	2.55	2.55	2.55	2.55
	(b) Deposits not bearing Interest	886.30	1,212.12	1,701.31	2,243.54	2,230.12
	(c) Advances	0.44	0.44	0.88	0.94	-8.99
L. Suspense and Miscellaneous	(b) Suspense	662.39	841.85	863.11	871.97	1,253.35
	(c) Other Accounts	-150.39	-364.22	-66.33	-198.39	-132.43
	(d) Accounts with Governments of Foreign Countries	-0.31	-0.36	-0.36	-0.38	-0.38
	(e) Miscellaneous	Nil	Nil	Nil	Nil	Nil
M. Remittances	(a) Money Orders, and other Remittances	0.25	-69.53	-159.49	-42.62	91.89
	(b) Inter-Governmental Adjustment Account	-16.74	-16.56	-13.13	-9.24	-7.53
Total		4,307.55	4,357.65	4,715.95	5,282.51	6,065.54

Note: +ve denotes credit balance and -ve denotes debit balances as per Finance Accounts

The yearly changes in composition of balances in Public Account over the five year period 2016-21 are given in **Chart 2.12**.

¹⁷ Values in Table 2.28 differ from SFAR 2019-20 due to change in methodology for calculation of information

Chart 2.12 : Yearly changes in composition of Net Public Account balances

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 2021, the total accumulated balance of Reserve Funds maintained by Government of Mizoram was ₹ 619.17 crore. Out of this, ₹ 227.11 crore was under interest bearing Reserve Fund and ₹ 392.06 crore under Non-Interest bearing Reserve Fund. The status of Reserve Funds is discussed in greater details in the following paragraphs.

2.7.2.1 Reserve Funds Bearing Interest

(A) State Disaster Response Fund

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 1601-07-104. 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, along with 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.

During the year 2020-21, the State Government received ₹ 47.00 crore as Central Government's share of SDRF; accordingly, the State Government's share during the year was ₹ 5.22 crore. The State Government transferred ₹ 50.50 crore (Central share ₹ 47.00 crore against actual receipts of ₹ 47.00 crore from Central Government, State share ₹ 3.50 crore against due State share of ₹ 5.22 crore leaving ₹ 1.72 crore un-transferred) to the Fund under Major Head 8121-122 SDRF. During 2020-21, Government of Mizoram also deposited ₹ 0.05 crore being interest earned from the savings account covering the period from 2017-18 to 2020-21.

The contributions to the Fund, expenditure and the balance therein are as shown in **Table 2.29**:

Table 2.29 : State Disaster Response Fund

(₹ in crore)

Opening balance (01 April 2020)	Details of contribution received during 2020-21					Amount set off (MH 2245-05)	Balance in the fund	Amount invested during the year
	Centre	State	NDRF	Interest	Total			
7.19	47.00	3.50	Nil	0.05	50.55	17.61	40.13	Nil

Source : Finance Accounts

The entire expenditure of ₹ 17.61 crore incurred on natural calamities was set off (MH 2245) against the Fund balance of ₹ 57.74 crore. The balance lying under the Fund as at the end of 31 March 2021 was ₹ 40.13 crore. During the year, the State had neither invested any amount from the balance nor paid the interest liable (₹ 0.36 crore) to be paid on the balance amount at the end of the year.

(B) State Compensatory Afforestation Fund:

Information regarding the monies received by the State Government from user agencies and the corresponding transfer to Major head 8121- General and Other Reserve Funds, remission to the National Fund and amount received from National Compensatory Afforestation Deposit during the year had not been furnished by the State Government. However, as per the Finance Accounts, during 2020-21, a total amount of ₹ 26.00 crore was expended under '**2406 Forestry and Wild Life 04 Afforestation and Ecology Development 103 State Compensatory Afforestation**' and the same amount was contra debited to '**8121 General and Other Reserve Funds 129 State Compensatory Afforestation Fund**' in Public Account. The total balance in the State Compensatory Afforestation Fund as on 31 March 2021 was ₹ 186.99 crore. During the year, the State had neither invested any amount from the balance nor paid the interest liable to be paid (₹ 7.24 crore) on the balance amount at the end of the year.

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 Funds¹⁸ (8235 General and Other Reserve Funds 101 General Reserve Funds of

¹⁸ **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

Government Commercial Departments/Undertakings) and (ii) Other Funds¹⁹ (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 the guidelines of the Reserve Bank of India, States are required to contribute into the Fund annually 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 2020-21, against the minimum required contribution of ₹ 43.39 crore (0.50 *per cent* of outstanding liabilities of ₹ 8,678.26 crore as on 1 April 2020), the State Government contributed ₹ 37 crore to the CSF leaving an amount of ₹ 6.39 crore as total accumulated outstanding contribution for the year. Total accumulations in the Fund as on 31 March 2021 was ₹ 346.04 crore which has been invested in Government of India Securities. The position of contribution to CSF against the actual requirement during 2016-21 is shown in **Table-2.30**.

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

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding fiscal liability of the previous year	6,407.39	6,725.00	7,300.30	7,315.54	8,678.26
Requirement (minimum 0.50 <i>per cent</i> of previous year's outstanding liabilities)	32.04	33.63	36.50	36.58	43.39
Actual Contribution	31.30	40.00	36.00	-	37.00
Shortfall	0.74	-6.38	0.50	36.58	6.39

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 eventuality of invoking of guarantees given by the State Government to loans raised by its entities. The fund is administered by Reserve Bank of India.

The State Government is required to contribute into the Fund, with contributions made annually or at lesser intervals, to ensure that anticipated guarantees devolving on the Government as a result of the likely invocation of outstanding guarantees in the succeeding 5 years can be fulfilled. Additionally, vide Para 5 (b) of the notification mentioned above, during each year the Government shall contribute an amount equivalent at least to 1/5th of the outstanding invoked guarantees plus an amount of guarantees likely to be invoked due to incremental guarantees issued during the year.

¹⁹ **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 ₹ 39.50 crore in the Fund as on 31 March 2021 has been invested in Government of India securities. There were no outstanding invoked guarantees in 2020-21.

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 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).

During the year 2020-21, the State Government received grants of ₹ 32.28 crore towards CRF. No corresponding Budget Provision was made under 3054-80-797- Transfer to/from Reserve Fund/Deposit Account and there was no transfer to Public Account under 8449-Other Deposits. This was in violation of the Fund accounting procedure.

As per the Finance Accounts 2020-21, an expenditure of ₹ 43.75 crore was incurred on Construction of Roads (CRF) under Major Head 5054 Capital Outlay on Roads and Bridges.

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.

The expenditure incurred by the State Government towards environment is depicted in the Finance Accounts upto the level of Minor Head under various functional head of accounts. During the year 2020-21, Government of Mizoram incurred an expenditure of ₹ 1.45 crore against the budget allocation of ₹ 1.59 crore under Major Head 3435 – Ecology and Environment *i.e.* 0.02 *per cent* of Revenue Expenditure. Details may be seen in **Appendix III**.

2.7.5 Contingency Fund

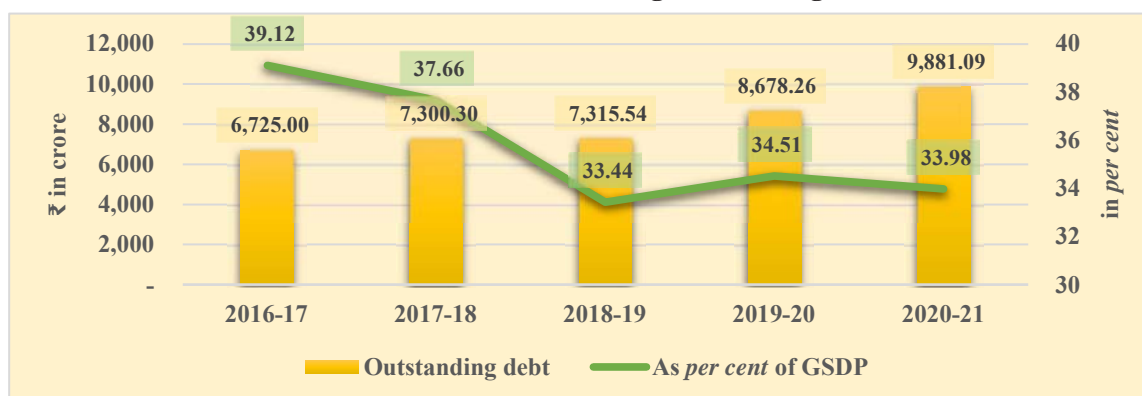
The Contingency Fund of Government of Mizoram is set up under Article 267(2) of the Constitution of India for meeting unforeseen expenditure and is recouped when the State Legislature authorises the additional expenditure. The corpus of the Fund is ₹ 0.10 crore. No amount was drawn from the Contingency Fund during the year and there is no outstanding balance remaining un-recouped as on 31 March 2021.

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 2016-21 as well as the percentage of debt to GSDP.

Chart 2.13 : Trend of Outstanding Debt during 2016-21



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 taking the advance. RBI announced 60% increase in WMA limit recently to fight Covid -19 (until end of March 2021)	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 as of March 2021 stood at 4.00 per cent.
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 6.00 per cent.
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)

Item	What it means	Interest rate
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 2020-21 was ₹ 9,881.09 crore of which, 49.28 per cent was accounted as 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 2016-21 are given in **Table-2.31**.

Table 2.31 : Component wise debt trends

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Overall Debt	6,725.00	7,300.30	7,315.54	8,678.26	9,881.09
Public Debt					
<i>Internal Debt</i>	2,621.90	3,057.24	2,958.10	3,758.92	4,527.09
<i>Loans from GoI</i>	291.19	277.04	266.17	259.11	484.36
<i>Liabilities on Public Account</i>	3,811.91	3,966.02	4,091.27	4,660.23	4,869.64
Rate of growth of outstanding Overall debt (percentage)	4.96	8.55	0.21	18.63	13.86
Gross State Domestic Product (GSDP)	17,192	19,385	21,879	25,149	29,076
Debt/GSDP (per cent)	39.12	37.66	33.44	34.51	33.98
Total Debt Receipts	2,332.40	3,048.72	2,517.05	4,277.17	4,963.79
Total Debt Repayments	2,014.79	2,473.43	2,501.81	2,914.45	3,760.96
Total Debt Available	317.61	575.29	15.24	1,362.72	1,202.83
Debt Repayments/Debt Receipts (percentage)	86.38	81.13	99.39	68.14	75.77

Source: Finance Accounts

Chart 2.14: Break Up of Outstanding Overall Debt at the end of 31 March 2021

(₹ in crore)

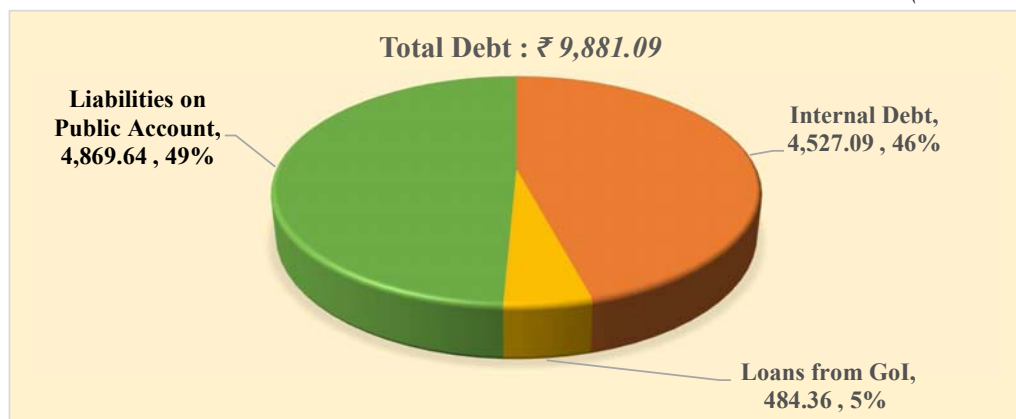
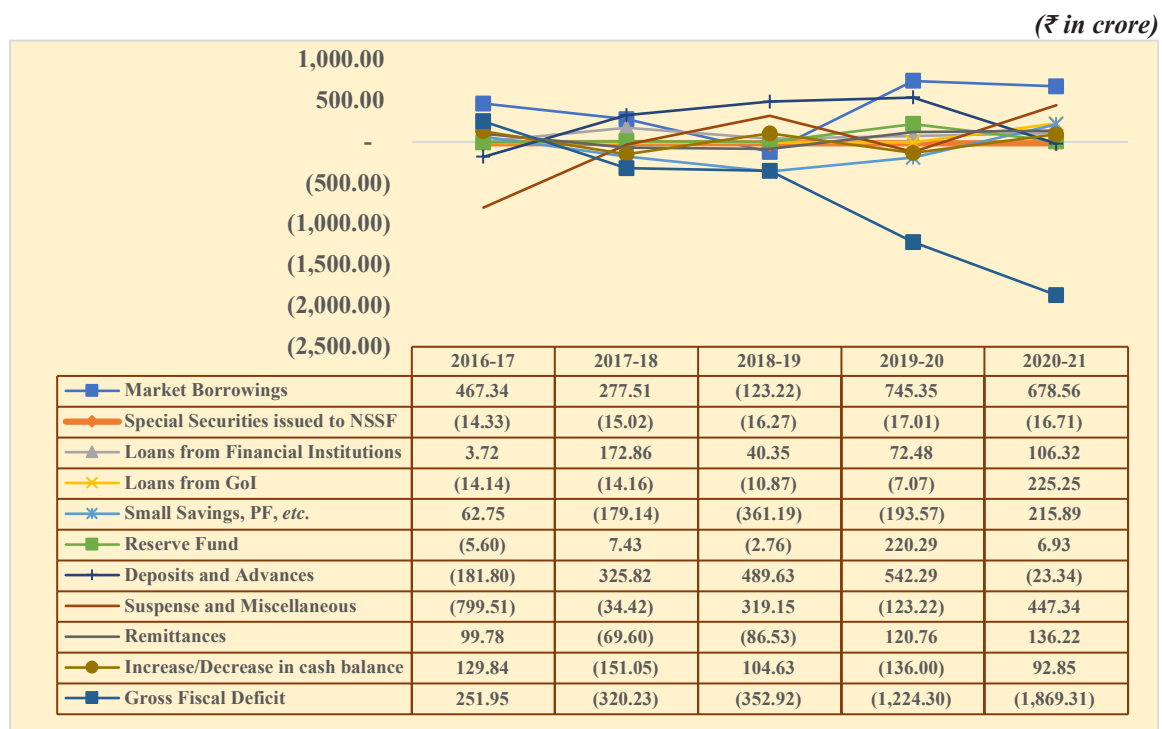


Chart 2.15 describes in greater detail the components of Public Debt and Liabilities on Public Account.

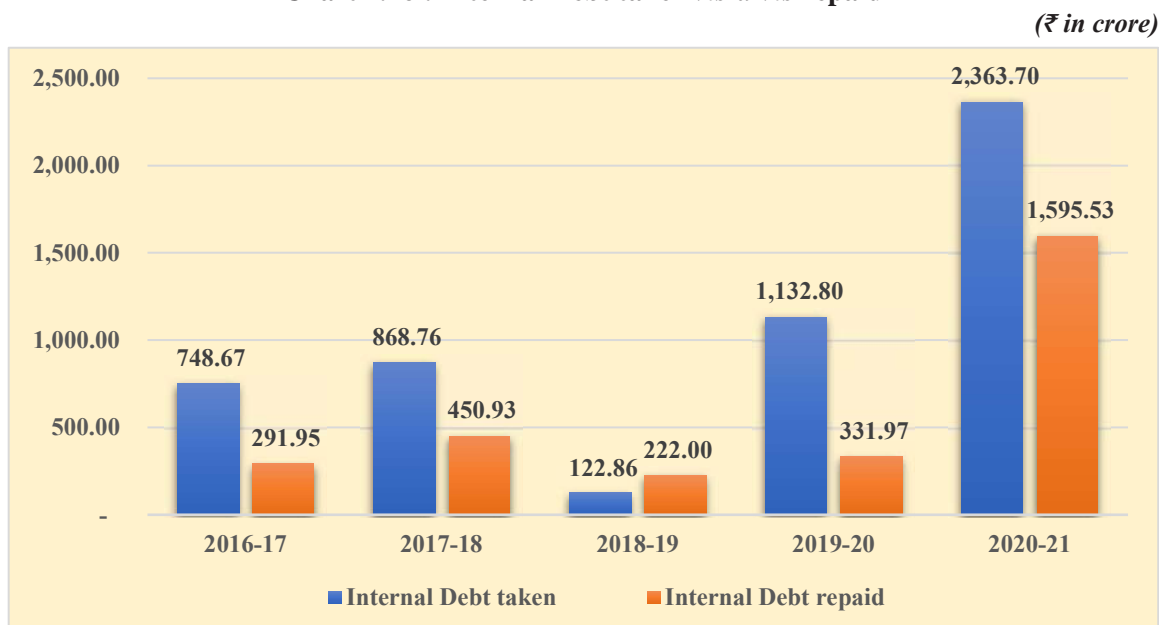
Chart 2.15 : Components-wise debt trends



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 2016-21.

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		2016-17	2017-18	2018-19	2019-20	2020-21
Composition of Fiscal Deficit (-)/ Fiscal Surplus (+)		251.95	-320.23	-352.92	-1,224.30	-1,869.31
1	Revenue Surplus(+) / Revenue Deficit (-)	1,167.96	1,699.43	1,533.91	204.30	-774.13
2	Net Capital Expenditure	-911.41	-1,996.35	-1,868.47	-1,372.67	-1,125.97
3	Net Loans and Advances	-4.60	-23.31	-18.36	-55.94	30.79
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	467.34	277.51	-123.22	745.35	678.56
2	Special Securities issued to NSSF	-14.33	-15.02	-16.27	-17.01	-16.71
3	Loans from Financial Institutions	3.72	172.86	40.35	72.48	106.32
4	Loans from GoI	-14.14	-14.16	-10.87	-7.07	225.25
5	Small Savings, PF, etc.	62.75	-179.14	-361.19	-193.57	215.89
6	Reserve Fund	-5.60	7.43	-2.76	220.29	6.93
7	Deposits and Advances	-181.80	325.82	489.63	542.29	-23.34
8	Suspense and Miscellaneous	-799.51	-34.42	319.15	-123.22	447.34
9	Remittances	99.78	-69.60	-86.53	120.76	136.22
10	Overall Deficit	-381.79	471.28	248.29	1353.82	1,776.46
11	Increase/Decrease in cash balance	129.84	-151.05	104.63	-136.00	92.85
12	Gross Fiscal Deficit (-)/Fiscal Surplus (+)	251.95	-320.23	-352.92	-1,224.30	-1,869.31

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 2020-21, the maturity profile of public debt is shown in **Table 2.33**.

Table 2.33 : Debt Maturity Profile of State Debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	443.79	8.86
Above 1 – 3	784.14	15.65
Above 3 – 5	717.15	14.31
Above 5 – 7	746.90	14.90
Above 7	2,319.47	46.28
Others	-	-
Total	5,011.45	100.00

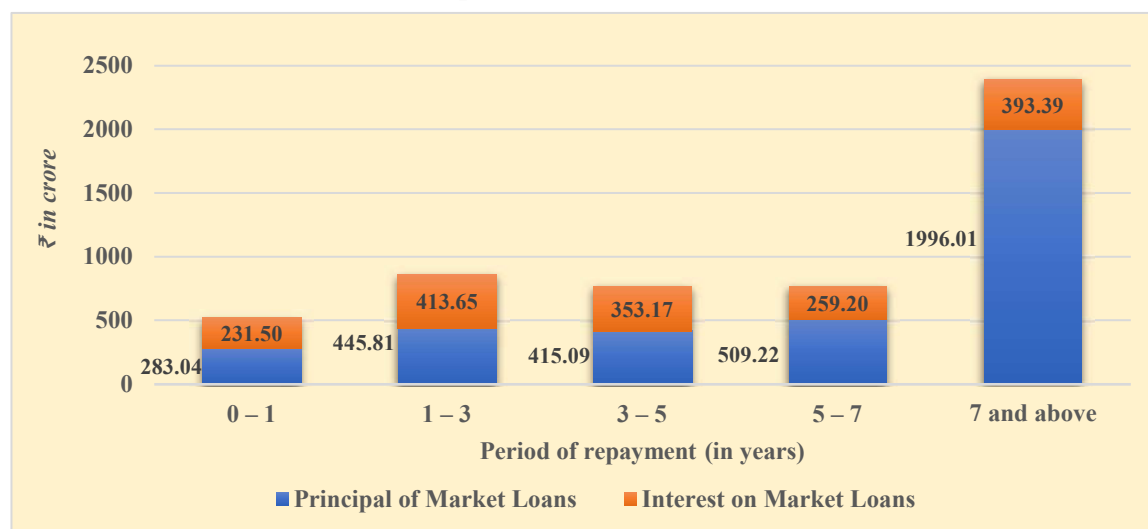
Source: Finance Accounts

The maturity profile of outstanding stock of public debt as on 31 March 2021 indicated that out of the outstanding public debt of ₹ 5,011.45 crore, 53.72 per cent (₹ 2,691.98 crore) was payable within the next seven years while the remaining 46.28 per cent (₹ 2,319.47 crore) was in the maturity bracket of more than seven years. Further, during 2020-21, State Government received an amount of ₹ 200 crores under Scheme for Special Assistance as Loan for Capital Expenditure provided by Government of India as a special scheme of assistance to the State Government for the financial year 2020-21 in respect of capital expenditure in the form of 50-year interest free loan. As per the guidelines of the Scheme,

State Governments shall be liable to repay the entire loan amount released under the Scheme in a single installment in the financial year immediately following the 50th year of release of loan.

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

As on March 2021, the total amount of outstanding market loans was ₹ 3,649.17 crore and interest due and payable until their maturity was ₹ 1,650.91 crore. Out of these amounts, 7.76 per cent of the total principal and 14.02 per cent of the total interest was payable in 2020-21, 12.22 per cent of the total principal and 25.06 per cent of the total interest was payable during 2021-23, 11.37 per cent of the total principal and 21.39 per cent of the total interest was payable during 2023-25, 13.95 per cent of the total principal and 15.70 per cent of the total interest was payable during 2025-27 and the remaining 54.70 per cent and 23.83 per cent of the interest was payable in the following eight years.

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 fulfil 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 is shown in **Table 2.34**.

Table 2.34: Trends in Debt Sustainability Indicators

(₹ in crore)

Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt*	2,913.09	3,334.28	3,224.27	4,018.03	5,011.45
Rate of Growth of Outstanding Public Debt	17.91	14.46	-3.30	24.62	24.72
GSDP	17,192	19,385	21,879	25,149	29,076
Rate of Growth of GSDP	13.56	12.76	12.87	14.94	15.62
Debt/GSDP (<i>per cent</i>)	16.94	17.20	14.74	15.98	17.24
Debt Maturity profile of repayment of State debt – including default history, if any	71.88	61.54	66.71	56.97	53.72
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	12.68	10.86	11.24	9.48	8.88
Percentage of Interest payment to Revenue Receipt	4.61	3.95	4.08	3.55	5.18
Percentage of Debt Repayment to Debt Receipt	41.42	52.90	181.96	30.84	61.96
Net Debt available to the State [#]	101.33	81.98	-478.69	450.64	592.44
Net Debt available as <i>per cent</i> to Debt Receipts	13.41	9.17	-356.65	39.27	22.69
Debt Stabilisation (Quantum spread + Primary Deficit)	614.95	74.32	69.78	-705.12	-1,197.50

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.

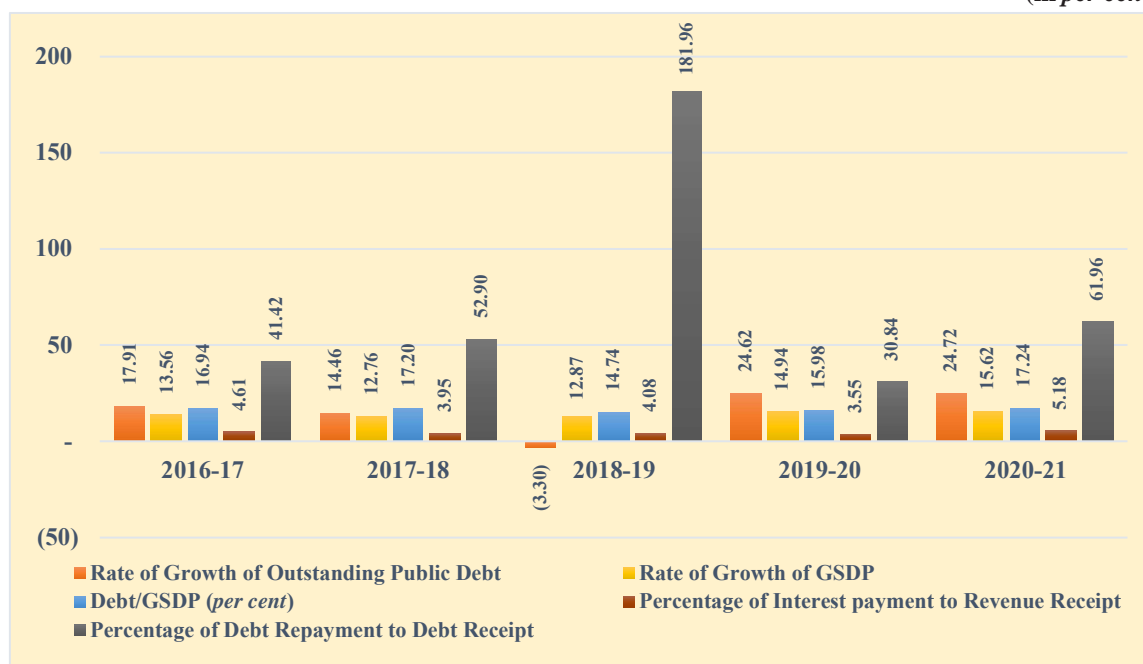
[#] Net Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and interest payment on Public Debt.

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.
- Net Debt available is higher than the previous year's by ₹ 141.80 crore and stood at 22.69 *per cent* of Debt Receipts of the State Government for the year.
- The percentage of debt repaid to the debt received was 61.96 *per cent* and fluctuated between 30.84 to 181.96 *per cent* during the five-year period.
- Rate of growth of outstanding debt had increased from 24.62 *per cent* in the previous year to 24.72 *per cent* for the current year.
- As of the current year the Debt Maturity profile of repayment of State debt, although high, was declining. The State has to repay 53.72 *per cent* of debt within the ensuing seven years.
- Average Interest Rate of Outstanding Public Debt during the last five years was highest during 2016-17 at 12.68 *per cent*. It decreased by 0.60 *per cent* over the previous year and stood at 8.88 *per cent* for the current year.
- Interest payments made up 5.18 *per cent* of Revenue Receipts for the current year which was higher than any of the previous four years.

Chart 2.18: Trends of Debt Sustainability indicators

(in per cent)



Source : Finance Accounts

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 2016-21 for the State Government.

Table 2.35 : Utilisation of borrowed Funds²⁰

₹ in crore)

Year		2016-17	2017-18	2018-19	2019-20	2020-21
Total Borrowings	1	755.51	894.14	134.22	1,147.68	2,611.32
Repayment of earlier borrowings (Principal)	2	312.92	472.96	244.23	353.92	1,617.89
(As a percentage to Total Borrowings)		(41.42)	(52.90)	(181.96)	(30.84)	(61.96)
Net capital expenditure	3	911.41	1,996.35	1,868.47	1,372.67	1,125.97
(As a percentage to Total Borrowings)		(120.64)	(223.27)	(1,392.10)	(119.60)	(43.12)
Net loans and advances	4	-4.60	-23.31	-18.36	-55.93	30.79
Portion of Revenue expenditure met out of net available borrowings	5= 1-2-3-4	-473.42	-1,598.48	-1,996.84	-634.85	-101.75

Source: Finance Accounts

From the table, it can be seen that repayment of earlier borrowings expressed as a percentage of Total Borrowings varied between 181.96 per cent in 2018-19 to 30.84 per cent during 2019-20. The percentage of repayment of earlier borrowings to Total Borrowings rose to 61.96 per cent during the current year.

²⁰ Values in Table 2.35 differ from SFAR 2019-20 due to change in methodology of calculation

Meanwhile, except for the current year, Net Capital Expenditure constantly exceeded the Total Borrowings of the State. Expressed as a percentage of Total Borrowings it stayed below 223.27 *per cent* during 2016-17 to 2017-18 but rose dramatically in 2018-19 to 1,392.10 *per cent* then came down to 119.60 *per cent* during 2019-20. The percentage of Capital Expenditure to Total Borrowings fell to 43.12 *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 ₹ -473.42 crore in 2016-17 to ₹ -1,996.84 crore in 2018-19. During the current year, Revenue Expenditure met out of net available borrowing was ₹ -101.75 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

Guarantees	₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	4,297.98	4,846.33	5,469.74	6,287.14	7,269.11
Outstanding amount of guarantees including interest	123.99	133.92	97.99	140.66	138.63

Source: Finance Accounts

The total outstanding guarantees of ₹ 140.66 crore as on 1 April 2020 worked out to 0.48 *per cent* of the GSDP estimated at ₹ 29,076.42 crore for the year 2020-21 which is within the limits prescribed. During the year, fresh guarantees of ₹ 4.76 crore were given by the State Government. Outstanding Guarantees at the end of the year stood at ₹ 138.63 crore.

During 2020-21, the State Government received ₹ 0.88 crore (as per Finance Accounts) towards guarantee fee, which constituted 0.44 *per cent* of the guaranteed amount during 2020-21. As per the Act, the State Government shall charge a minimum of 0.75 *per cent* of the amount of the guaranteed loan as guarantee commission which works out to ₹ 1.50 crore.

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.

Government of Mizoram availed Ways and Means Advances amounting to ₹ 1,220.14 crore from the RBI during 2020-21 and was able to repay the entire amount including the interest of ₹ 0.42 crore.

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 2020-21 are shown in **Table-2.37**.

Table 2.37 : Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance on 01 April 2020	Closing balance on 31 March 2021
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	-30.50	-123.35
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	-30.50	-123.35
Investments held in Cash Balance investment account	202.87	130.94
Total (A)	172.37	7.59
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	-4.48	1.49
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	341.54	385.54
Total (B)	337.06	387.03
Total (A + B)	509.43	394.62
Interest realised	10.29	1.75

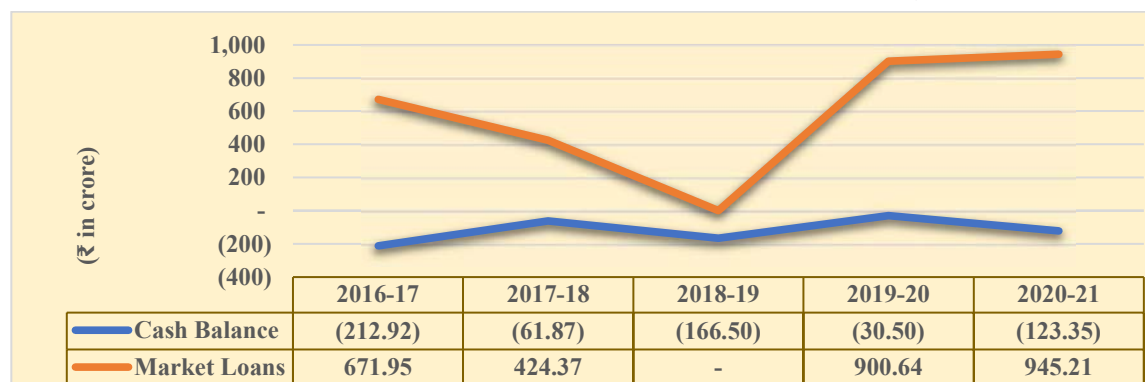
Source: Finance Accounts

General Cash Balance of the State Government at the end of the current year decreased by ₹ 114.81 crore from ₹ 509.43 crore in 2019-20 to ₹ 394.62 crore in 2020-21. 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 State Government has earned an interest of ₹ 1.75 crore during 2020-21 from the investments made in GoI Securities and Treasury Bills. Investment held in Cash Balance Investment Account stood at ₹ 130.94 crore as on 31 March 2021.

Out of the investment of ₹ 385.54 crore in earmarked funds, ₹ 346.04 crore was invested out of Consolidated Sinking Fund and ₹ 39.50 crore out of Guarantee Redemption Fund at the end of the year.

The details and trend of market loans taken by the State Government during the period 2016-21 is shown in **Chart 2.19**.

Chart 2.19 : Trend of Cash Balance and Market Loans during 2016-21



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.

2.10.1 Conclusion

Revenue Receipts during the year 2020-21 was ₹ 7,740.67 crore which had decreased by ₹ 1,917.59 crore (19.85 *per cent*) from the previous year. State's Own Tax Revenue decreased by ₹ 83.42 crore (11.41 *per cent*) from the previous year while Non-Tax revenue increased by ₹ 39.41 crore (7.54 *per cent*). Compared to the previous year, Grants-in-Aid from GoI and State's Share of Union taxes and Duties also decreased by ₹ 1,866.33 crore (34.64 *per cent*) and ₹ 7.25 crore (0.24 *per cent*) respectively.

In the four years during which the GST Act has been in effect, revenue collected by Government of Mizoram through SGST has risen by ₹ 288.15 crore (169.74 *per cent*) from ₹ 169.76 crore in 2017-18 to ₹ 457.91 crore in 2020-21. This amount included the Advance Apportionment of IGST amounting to ₹ 17.93 crore. In addition, the State received ₹ 897.91 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax.

Revenue expenditure during the year 2020-21 was ₹ 8,514.80 crore (88.29 *per cent*) against the total expenditure of ₹ 9,643.67 crore. Committed expenditure like salary & wages, pension, interest payments steadily increased during the last five years. The Committed expenditure during 2020-21 was ₹ 5,204.40 crore (67.23 *per cent* of the Revenue Receipts and 61.12 *per cent* of the Revenue Expenditure).

Capital expenditure decreased by ₹ 246.70 crore (17.97 *per cent*) from ₹ 1,372.67 crore to ₹ 1,125.97 crore.

As on 31 March 2021, 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 2020-21 nor

in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at average rates of interest ranging from 4.29 to 5.20 *per cent*.

Capital Expenditure of ₹ 1,309.76 crore incurred on 112 incomplete projects remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun ranging from one to 10 years on these 112 incomplete projects resulting in cost overrun of ₹ 61.86 crore during 2019-20 and 2020-21 in six projects under PHED, P&E, PWD and UD&PA department.

During the year 2020-21, the State Government received ₹ 47.00 crore as Central Government's share of SDRF; accordingly, the State Government's share during the year was ₹ 5.22 crore. The State Government transferred ₹ 50.50 crore (Central share ₹ 47.00 crore against actual receipts of ₹ 47.00 crore from Central Government, State share ₹ 3.50 crore against due State share of ₹ 5.22 crore leaving ₹ 1.72 crore un-transferred) to the Fund under Major Head 8121-122 SDRF.

In the year 2020-21, against the minimum required contribution of ₹ 43.39 crore (0.50 *per cent* of outstanding liabilities of ₹ 8,678.26 crore as on 1 April 2020), the State Government contributed ₹ 37 crore to the CSF leaving an amount of ₹ 6.39 crore as total accumulated outstanding contribution for the year. Total accumulations in the Fund as on 31 March 2021 was ₹ 346.04 crore which has been invested in Government of India Securities.

The State's outstanding liabilities increased from ₹ 8,678.26 crore in 2019-20 to ₹ 9,881.09 crore in 2020-21, whereas, Debt/GSDP ratio decreased from 34.51 *per cent* to 33.98 *per cent* during the same period. Projections in the MTFP relating to Debt-GSDP ratio were not met during 2020-21.

An analysis of the outstanding debt indicated that out of the outstanding public debt of ₹ 5,011.45 crore, 53.72 *per cent* (₹ 2,691.98 crore) was payable within the next seven years while the remaining 46.28 *per cent* (₹ 2,319.47 crore) was in the maturity bracket of more than seven years. As on March 2021, the total amount of outstanding market loans was ₹ 3,649.17 crore.

The State Government had used borrowed funds for meeting both capital and revenue expenditure during the period 2016-21. During 2020-21, the percentage of capital expenditure to borrowings was 43.12 *per cent*.

The State had Outstanding guarantees of ₹ 138.63 crore including interest as on 31 March 2021.

2.10.2 Recommendations

- i) *State Government may take necessary steps to reduce the ratio of committed expenditure to the revenue expenditure and to the total expenditure so that resources could be channelled more to the socio-economic development works.*
- ii) *State Government needs to give stress on projects of capital nature to develop the infrastructure base for socio-economic progress.*
- iii) *The State Government needs to give greater thrust on completion of incomplete projects in a planned manner so that the scarce capital resources of the State do not get locked.*
- iv) *The State Government needs to make its due contribution to the Consolidated Sinking Fund for efficient Debt Management.*

