



सत्यमेव जयते

**State Finances Audit Report
of the
Comptroller and Auditor General of India
for the year ended 31 March 2022**



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Mizoram
(Report No. 1 of 2023)

Laid before the Legislature on
23 August 2023

**State Finances Audit Report
of the
Comptroller and Auditor General of India**

for the year ended 31 March 2022

**Government of Mizoram
Report No. 1 of 2023**

TABLE OF CONTENTS

<i>Para No.</i>	<i>Title</i>	<i>Page</i>
	<i>Preface</i>	<i>v</i>
	<i>Executive Summary</i>	<i>vii</i>
CHAPTER-1 Overview		
<i>1.1</i>	<i>Profile of the State</i>	<i>1</i>
<i>1.2</i>	<i>Basis and Approach to State Finances Audit Report</i>	<i>2</i>
<i>1.3</i>	<i>Report Structure</i>	<i>3</i>
<i>1.4</i>	<i>Overview of Government Accounts' Structure and Budgetary Processes</i>	<i>4</i>
<i>1.5</i>	<i>Fiscal Balance: Achievement of Deficit and total Debt targets</i>	<i>9</i>
<i>1.6</i>	<i>Implementation of State Finance Commission recommendations</i>	<i>14</i>
<i>1.7</i>	<i>Deficits and Total Debt after Examination in Audit</i>	<i>15</i>
<i>1.8</i>	<i>Conclusion</i>	<i>16</i>
<i>1.9</i>	<i>Recommendations</i>	<i>17</i>
CHAPTER-2 Finances of the State		
<i>2.1</i>	<i>Introduction</i>	<i>19</i>
<i>2.2</i>	<i>Major Changes in Key Fiscal Aggregates vis-à-vis 2020-21</i>	<i>19</i>
<i>2.3</i>	<i>Sources and Application of Funds</i>	<i>20</i>
<i>2.4</i>	<i>Resources of the State</i>	<i>20</i>
<i>2.5</i>	<i>Receipts of the State</i>	<i>21</i>
<i>2.6</i>	<i>Application of Resources</i>	<i>32</i>
<i>2.7</i>	<i>Contingency Fund</i>	<i>45</i>
<i>2.8</i>	<i>Public Account</i>	<i>45</i>
<i>2.9</i>	<i>Debt Management</i>	<i>50</i>
<i>2.10</i>	<i>Debt Sustainability Analysis</i>	<i>56</i>
<i>2.11</i>	<i>Conclusion and Recommendations</i>	<i>62</i>
CHAPTER-3 Budgetary Management		
<i>3.1</i>	<i>Introduction</i>	<i>65</i>
<i>3.2</i>	<i>Budget Process</i>	<i>65</i>
<i>3.3</i>	<i>Appropriation Accounts</i>	<i>68</i>
<i>3.4</i>	<i>Comments on Integrity of Budgetary and Accounting Process</i>	<i>68</i>

Para No.	Title	Page
3.5	<i>Comments on Transparency of Budgetary and Accounting Process</i>	78
3.6	<i>Comments on Effectiveness of Budgetary and Accounting Process</i>	78
3.7	<i>Conclusion</i>	87
3.8	<i>Recommendations</i>	87
CHAPTER-4		
<i>Quality of Accounts & Financial Reporting Practices</i>		
4.1	<i>Introduction</i>	89
4.2	<i>Funds Transferred Directly to State Implementing Agencies</i>	89
4.3	<i>Implementation of Single Nodal Agency Accounts for CSS</i>	89
4.4	<i>Delay in Submission of Utilisation Certificates</i>	90
4.5	<i>Abstract Contingent Bills</i>	91
4.6	<i>Indiscriminate use of Minor Head 800</i>	92
4.7	<i>Outstanding Balance under Major Suspense and DDR Heads</i>	93
4.8	<i>Non-reconciliation of Departmental figures</i>	94
4.9	<i>Reconciliation of Cash Balances</i>	95
4.10	<i>Opening of Bank Accounts by the DDOs</i>	96
4.11	<i>Cess Levied by the State Government</i>	96
4.12	<i>Compliance with Accounting Standards</i>	98
4.13	<i>Submission of Accounts/ Separate Audit Reports of Autonomous Bodies</i>	98
4.14	<i>Departmental Commercial Undertakings/ Corporations/ Companies</i>	99
4.15	<i>Non-submission of Details of Grants / Loans Given to Bodies and Authorities</i>	100
4.16	<i>Timeliness and Quality of Accounts</i>	100
4.17	<i>Follow up Action on State Finances Audit Report</i>	101
4.18	<i>Conclusions</i>	102
4.19	<i>Recommendations</i>	102

<i>Appendix Number</i>	<i>Title</i>	<i>Page</i>
<i>Appendix-I</i>	<i>State Profile</i>	<i>105</i>
<i>Appendix- II</i>	<i>Time Series Data on State Government Finances</i>	<i>106</i>
<i>Appendix-III</i>	<i>Expenditure under MH-3435 Ecology and Environment Complied Based on Vouchers/Information Received from the State Government</i>	<i>109</i>
<i>Appendix-IV</i>	<i>Excess/ unnecessary/ insufficient re-appropriation (For final excess/ savings of ₹ 10 lakhs or above)</i>	<i>110</i>
<i>Appendix-V</i>	<i>Details of surrender of funds in excess of ₹ 10 crore at the end of March, 2021</i>	<i>112</i>
<i>Appendix-VI</i>	<i>Grant wise unutilised funds during 2021-22</i>	<i>114</i>
<i>Appendix-VII</i>	<i>Funds Transferred by Government of India Directly to State Implementing Agencies</i>	<i>116</i>

PREFACE

1. This Report on the Finances of the State Government of Mizoram has been prepared for submission to the Governor of Mizoram under Article 151 of the Constitution.
2. Chapter 1 of this Report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/ deficit, *etc.*
3. Chapters 2 & 3 of the Report contain audit findings on matters arising from an examination of the Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2022. Information has been obtained from Government of Mizoram, wherever necessary.
4. Chapter 4 on ‘Quality of Accounts & Financial Reporting Practices’ provides an overview and status of the State Government’s compliance with various financial rules, procedures and directives during the current year.
5. The Reports containing the findings of Performance Audit and Compliance Audit in various Government departments, observations arising out of audit of Statutory Corporations, Boards and Government Companies and observations on Revenue Receipts are presented separately.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Report

Based on the audited accounts of the Government of Mizoram for the year ending March 2022, this Report provides an analytical review of the finances of the State Government. The Report is structured in four Chapters.

Chapter 1-Overview of State Finances

This Chapter provides brief profile of the State and basis of the report, structure of the Government accounts, Budgetary processes, macro-fiscal analysis of key indices and fiscal position of the State including the deficit/surplus.

Chapter 2-Finances of the State

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 last five years, debt management of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter 3-Budgetary Management

This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter 4- Quality of Accounts and Financial Reporting Practices

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

Audit findings

Overview

The growth rate of GSDP at current prices, during 2017-22 ranged between 12.76 *per cent* (2017-18) to -1.11 *per cent* (2020-21). During 2021-22, the GSDP (Advance Estimates) at current price was ₹ 24,807 crore, up from ₹ 24,712 crore in 2020-21, representing meagre growth of 0.38 *per cent*. During the last five-year period from 2017-18 to 2021-22, there was a significant decrease in the growth rate of the Agriculture sector in GSDP, declining from 13.38 *per cent* in 2017-18 to 7.48 *per cent* in 2021-22. During the same period growth in the Industry sector also declined steadily from 17.03 *per cent* in 2017-18 to 12.17 *per cent* in 2021-22. The Services sector continued to be the largest contributor to the GSDP (43.91 *per cent*).

EXECUTIVE SUMMARY

The State Government recovered from the previous year's Revenue Deficit and achieved Revenue Surplus of ₹ 602.25 crore during 2021-22. However, although the Fiscal Deficit-GSDP ratio at 1.50 *per cent* of GSDP was within the target, the Debt-GSDP ratio at 42.61 *per cent* did not achieve the target of 27.63 *per cent* set under Mizoram Fiscal responsibility and Budget Management (MZFRBM) Act as amended in October 2020.

The XV FC had projected a Revenue Deficit (RD) of ₹ 1,790 crore for the State of Mizoram, however, Mizoram had a Revenue Surplus of ₹ 602.25 crore. Fiscal Deficit (FD) stood at ₹ 372.53 crore during 2021-22.

Internal Debt and Loans and Advances from Government of India (GoI) increased by ₹ 475.53 crore and ₹ 286.80 crore respectively while Public Account Liabilities increased by ₹ 286.80 crore for the current year.

Out of the 94 recommendations of the 1st MFC accepted by the State Government, only one recommendation was implemented (December 2022).

The State Government overstated Revenue Surplus and understated Fiscal Deficit by ₹ 32.76 crore due to non-provision of interests and non-contribution to designated Funds.

Recommendations

- *The Government may adhere to the targets of Mizoram Fiscal responsibility and Budget Management (MZFRBM) Act set for ratio of total outstanding debt to Gross State Domestic Product.*
- *The Government needs to fully implement the recommendations of the 1st MFC.*

(Chapter 1)

Finances of the State

Revenue Receipts during the year 2021-22 was ₹ 9,159.74 crore which had increased by ₹ 1,419.07 crore (18.33 *per cent*) from the previous year. State's Own Tax Revenue increased by ₹ 206.38 crore (31.87 *per cent*) from the previous year while Non-Tax revenue increased by ₹ 60.36 crore (10.74 *per cent*). Compared to the previous year, State's Share of Union taxes and Duties increased by ₹ 1,212.31 crore (40.27 *per cent*) while Grants-in-Aid from GoI decreased by ₹ 59.98 crore (1.70 *per cent*).

In the five years during which the GST Act has been in effect, revenue collected by Government of Mizoram through SGST had risen by ₹ 462.58 crore (272.49 *per cent*) from ₹ 169.76 crore in 2017-18 to ₹ 632.34 crore in 2021-22. This amount included Advance Apportionment of IGST (₹ 18.78 crore). In addition, the State received ₹ 1,268.97 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax. The total receipts under GST were ₹ 1,901.31 crore.

EXECUTIVE SUMMARY

Revenue expenditure during the year 2021-22 was ₹ 8,557.49 crore (89.47 *per cent*) against the total expenditure of ₹ 9,564.45 crore. Committed expenditure like salary & wages, pension, interest payments which had been rising steadily during the last four years fell in 2021-22. Committed expenditure during 2021-22 was ₹ 5,062.78 crore (55.27 *per cent* of the Revenue Receipts and 59.16 *per cent* of the Revenue Expenditure).

Capital Expenditure decreased by ₹ 121.59 crore (10.80 *per cent*) from ₹ 1,125.97 crore to ₹ 1,004.38 crore.

As on 31 March 2022, 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 2021-22 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 between 4.29 and 5.04 *per cent*.

As of 31 March 2022, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of ₹ 57.26 crore. Out of this, accumulated losses of the two Government Companies whose net worth has completely been eroded.

Capital Expenditure of ₹ 1,858.27 crore incurred on 151 incomplete projects (in all departments) 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 151 incomplete projects resulting in cost overrun of ₹ 97.74 crores in various projects under PHED, P&E and PWD departments.

During the year 2021-22, the State Government received ₹ 37.60 crore as Central Government's share of SDRF; accordingly, the State Government's share during the year was ₹ 4.18 crore. The State Government transferred ₹ 22.30 crore (Central share ₹ 18.80 crore against actual receipts of ₹ 37.60 crore from Central Government and State share ₹ 3.50 crore) to the Fund under Major Head 8121-122 SDRF. Thus, the state short-transferred ₹ 19.48 crore (₹ 18.80 crore being central share and ₹ 0.68 crore being state share) into SDRF.

In the year 2021-22, Government contributed ₹ 45.15 crore to the Consolidated Sinking Fund as against ₹ 49.41 crore it was required to contribute to the fund, resulting in short contribution by ₹ 4.26 crore. The total accumulation of the Fund was ₹ 391.19 crore as on 31 March 2022 (₹ 346.04 crore as on 31 March 2021).

The State's outstanding liabilities increased from ₹ 9,881.09 crore in 2020-21 to ₹ 10,570.93 crore in 2021-22, whereas Debt/GSDP ratio increased from 39.98 *per cent* to 42.61 *per cent* during the same period.

EXECUTIVE SUMMARY

As on 31 March 2022, the maturity profile of outstanding stock of Public Debt was ₹ 5,773.78 crore out of which ₹ 3,889.52 crore (67.37 *per cent*) was to attain maturity in the coming 10 years. This balance amount of ₹ 1,884.26 crore (32.63 *per cent*) was in maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 2,755.87 crore. Out of this, interest of ₹ 2,301.42 crore was payable during the next 10 years up to 2031-32.

The State Government had utilised borrowed funds of ₹ 3,797.95 crore (82.28 *per cent*) for re-payment of earlier borrowings (principal) and the balance amount of borrowed funds of ₹ 762.33 crore (17.72 *per cent*) was utilised for other expenditure.

The State had Outstanding guarantees of ₹ 125.46 crore including interest as on 31 March 2022. The outstanding guarantees of ₹ 138.62 crore as on 1 April 2021 worked out to 0.56 *per cent* of Gross State Domestic Product (GSDP) and was within the limit prescribed in Mizoram Ceiling on Government Guarantees Rules.

Recommendations

- *State Government may take necessary measures to increase both Tax and Non-Tax sources of revenue to augment its income sources.*
- *State Government needs to review its investments in loss making enterprises and take corrective action to reduce the fiscal burden on the exchequer.*
- *The State Government Should transfer Central and State shares of State Disaster Response Fund to Public Account under Major head 8121.*

(Chapter 2)

Budgetary Management

Budgetary assumptions of the State Government were not realistic during 2021-22 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent. Control over the execution and monitoring of budget by Departments was inadequate.

Against the total budget provision of ₹ 17,356.33 crore, State Government Departments incurred an expenditure of ₹ 13,476.19 crore. There was an overall savings of ₹ 3,885.83 crore which was offset by excess of ₹ 5.69 crore under one Grant and one appropriation, resulting in net savings of ₹ 3,880.14 crore which was 22.36 *per cent* of total grants/Appropriation and 28.79 *per cent* of the expenditure.

Supplementary Grants/Appropriations were obtained without adequate justification. Instances noticed in insufficient re-appropriation in sub-heads which resulted excess expenditure.

EXECUTIVE SUMMARY

Utilisation of budget fluctuated and ranged between 77.64 *per cent* (2021-22) and 83.73 *per cent* (2017-18) during the last five years.

The State Government had incurred excess expenditure of ₹ 850.03 crore over budget provision under 11 grants and one Appropriations during 2017-18 to 2021-22 which is required to be regularised by the State Legislature as per Article 205 of the Constitution.

Recommendations

- *State Government needs to ensure that the departments submit budget proposals which reflect their financial requirements to the closest possible. The Finance Department also needs to conduct a thorough scrutiny of the budget so that unrealistic estimates do not get passed in the budget.*
- *An appropriate budget monitoring and control mechanism needs to be instituted to ensure that anticipated savings are identified and surrendered within the specified timeframe and demands for supplementary grants made as per actual requirements depending on the remaining budgetary positions of the departments.*
- *Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. State Government should view such excess expenditure very seriously and regularized it at the earliest.*

(Chapter 3)

Quality of Accounts and Financial Reporting Practices

State Government had designated 20 Single Nodal Agencies for 86 CSS schemes being implemented in the state of which 80 bank accounts had been linked to their corresponding schemes i.e. 93.02 *per cent* compliance. The unlinked schemes were Deen Dayal Upadhyaya Gram Jyoti, Integrated Power Development Scheme, Saubhagya, Atal Vayo Abhyuday Yojana, Green India Mission-National Afforestation Programme and National AYUSH Mission (Medicinal Plant).

94 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 109.50 crore given to the three Autonomous District Councils during the period upto March 2021 were not submitted to the Principal Accountant General by the entities. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud.

Although all AC Bills drawn during 2021-22 were settled, there were seven AC Bills worth ₹ 3.86 crore pending adjustment relating to previous years.

During 2021-22, ₹ 1,106.49 crore under 45 Major Heads of accounts, constituting 11.57 *per cent* of the total Revenue and Capital expenditure (₹ 9,561.87 crore) was classified under the Minor Head 800 Other Expenditure in the accounts.

As per information provided by the State Government, 171 DDOs (out of 1007) had an amount of ₹ 392.60 crore lying in Savings/Current Bank Account as on 31 March 2022.

EXECUTIVE SUMMARY

The available funds to Construction Workers' Welfare Board (MBOCWWB) during the year was ₹ 51.86 crore. Out of the available funds, the Board spent an amount ₹ 29.30 crore on Administrative expenses and welfare schemes/benefits as envisaged in the Building and Other Construction Workers' Welfare Cess Act.

The Principal Accountant General, Mizoram has not received three Annual Accounts of Autonomous Councils/Government Bodies which were due up to 2021-22 for audit as of 30 September 2022.

The Annual Accounts were pending in respect of two Departmental Commercial Undertakings since 2018-19 and one Departmental Commercial Undertaking since inception.

Recommendations

- *The Government may ensure submission of Utilisation Certificates (UCs) by the grantee within the time frame and institute a mechanism whereby subsequent release of funds is made consequent on furnishing of UCs of earlier releases.*
- *The Government may consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.*
- *The Finance Department should avoid indiscriminate use of Minor Head 800 and booked the expenditure under appropriate Minor Head wherever available.*
- *Finance Department should review all Savings /Current Bank Accounts in the name Drawing and Disbursing Officers (DDOs). Further, the Finance Department should reiterate the instructions contained in the Central Treasury Rules (CTR) that no money should be drawn in anticipated of demand or to prevent the lapse of budgetary grants.*

(Chapter 4)

CHAPTER-1

OVERVIEW

Chapter 1: Overview

1.1 Profile of the State

Mizoram is situated in the North-Eastern Region (NER) of India bordering three of the eight states in the NER¹ and shares an international border with Myanmar and Bangladesh. It is the fifth smallest State of India in terms of geographical area (21,081 sq.km.) and second least populated State in the country. The population of the State increased from 8,88,573 in 2001 to 10,97,206 in 2011 at a decadal growth rate of 23.48 *per cent* which was higher than the National decadal growth rate of 12.30 *per cent*. The projected population as of March 2022 was 13,83,703.

The State has eleven districts and three Autonomous District Councils (ADCs). The per capita GSDP (advance estimates) of the State at current prices was ₹ 2,03,170.19 during 2021-22, which was more than the North Eastern and Himalayan States' average of ₹ 1,57,332.21 and all India average of ₹ 1,72,912.92. General and financial data relating to the State are given in *Appendix I*.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Change in sectoral contribution to the GSDP is also important to understand the changing structure of economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture and Allied Activities, Industry and Service sectors. **Table 1.1** provides a comparison of GDP and GSDP for the period 2017-18 to 2021-22.

Table 1.1 : Trends in GSDP compared to GDP

	(₹ in crore)				
Year	2017-18	2018-19 ²	2019-20 ³	2020-21 ⁴	2021-22 ⁵
GDP at current price	1,70,90,042	1,88,99,668	2,00,74,856	1,98,00,914	2,36,64,637
Growth rate of GDP over previous year (in per cent)	11.03	10.59	6.22	-1.36	19.51
GSDP at current prices	19,385	21,912	24,990	24,712	24,807
Growth rate of GSDP over previous year (in per cent)	12.76	13.03	14.04	-1.11	0.38

Source: GoI's Economic Survey and Department of Economics and Statistics, State Government.

¹ Assam, Manipur and Tripura

² 3rd Revised Estimate

³ 2nd Revised Estimate

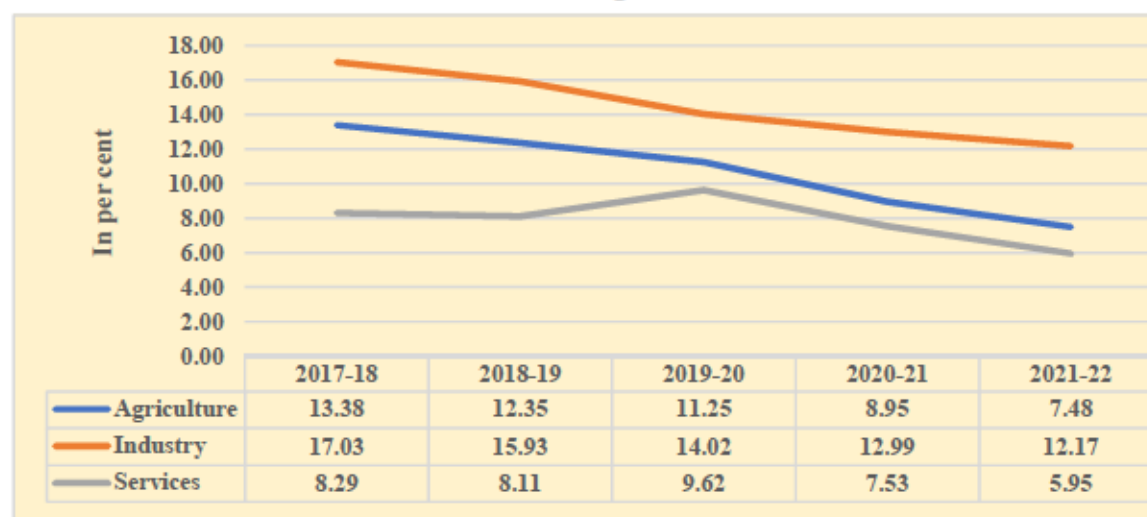
⁴ 1st Revised Estimate

⁵ Provisional Estimates

As can be seen from the preceding table, GSDP grew at a higher rate during the period from 2017-18 to 2021-22 compared to GDP except in the last two years. GSDP of Mizoram registered growth of 0.38 per cent during 2021-22.

Chart 1.1 reveals that during the five-year period from 2017-18 to 2021-22, there has been a significant decrease in the growth rate of the Agriculture sector in GSDP, declining from 13.38 per cent in 2017-18 to 7.48 per cent in 2021-22. The growth rate of the Industry sector fell from 17.03 per cent in 2017-18 to 12.17 per cent in 2021-22. The growth rate of the Services sector ranged between 9.62 per cent in 2019-20 to 5.95 per cent in 2021-22 during the period.

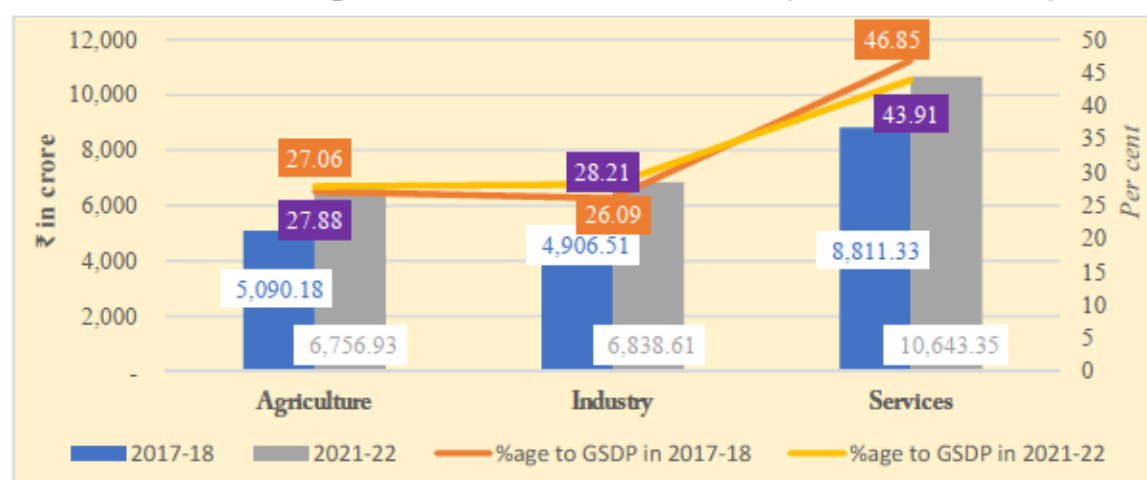
Chart 1.1 : Sectoral growth in GSDP



Source: Department of Economics and Statistics, Government of Mizoram

Chart 1.2 shows the change in sectoral contribution between the years 2017-18 and 2021-22.

Chart 1.2 : Change in sectoral contribution to GSDP (2017-18 and 2021-22)



Source: Department of Economics and Statistics, Government of Mizoram

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to

the Governor of the State, who shall cause them to be laid before the State Legislature. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Accounts Wing of the Office of the Principal Accountant General, Mizoram prepares Finance Accounts and Appropriation Accounts of Government of Mizoram (GoM) annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, State Government offices and Departments responsible for keeping of such accounts as well as statements received from the Reserve Bank of India. These accounts are audited independently by the Audit Wing of the Office of the Principal Accountant General, and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this Report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Pr. Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as Management Information System),
- GSDP data and other State related statistics; and
- Various Audit Reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XV Finance Commission (FC), the State Financial Responsibility and Budget Management Act, best practices and guidelines of Government of India.

1.3 Report Structure

The SFAR is structured into the following four Chapters:

Chapter - 1	Overview This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - 2	Finances of the State 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 period from 2017-18 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - 3	Budgetary Management This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter - 4	Quality of Accounts & Financial Reporting Practices This Chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
--------------------	--

1.4 Overview of Government Accounts' Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (e.g., salaries of Constitutional authorities, loan repayments etc.), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditures (Voted expenditure) are voted by the Legislature.

2. Contingency Fund of the State (Article 267 (2) of the Constitution of India)

This Fund is in the nature of an imprest, which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Account of the State (Article 266(2) of the Constitution)

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditure of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consists of Own Tax Revenue (OTR), Non-Tax Revenue (NTR), share of Union Taxes/ Duties, and Grants-in-Aid (GIA) from Government of India.

Revenue Expenditure consists of all those expenditure of the Government, which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The **Capital Receipts** consists of:

- **Debt Receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, etc.;
- **Non-debt Receipts:** Proceeds from disinvestment, Recoveries of loans and advances;

Capital Expenditure includes expenditure on the acquisition of land, buildings, machinery, equipment, investment in shares and loans and advances by the Government to PSUs and other parties.

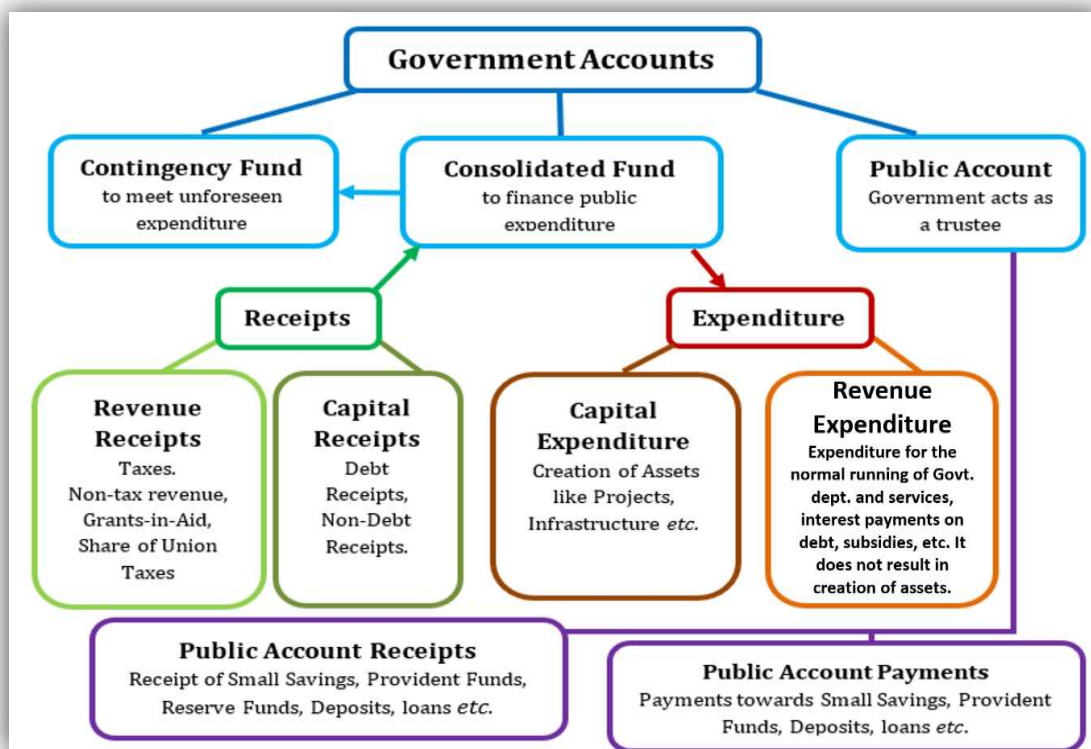
At present, we have an accounting classification system in government that is both functional and economic.

Table 1.2 : Classification of Accounts

	Attribute of transaction	Classification
Standardised in LMMH by CGA	Function- Education, Health, etc. /Department	Major Head under Grants (4-digits)
	Sub-Function	Sub Major head (2-digits)
	Programme	Minor Head (3-digits)
Flexibility left for States	Scheme	Sub-Head (2-digits)
	Sub scheme	Detailed Head (2-digits)
	Economic nature/Activity	Object Head-salary, minor works, etc. (2-digits)

The functional classification gives information about the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, etc. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, and 4 and 5 for capital expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents.

Chart 1.3 : Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Mizoram causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2021-22, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Snapshot of Finances

The following table provides the details of the financial actuals *vis-a-vis* the Budget Estimates for the year 2021-22 and the actuals of 2020-21.

Table 1.3 : Details of financial results for the year 2021-22

(₹ in crore)

Sl. No.	Components	2020-21 (Actuals)	2021-22		Percentage of Actuals to BEs	Percentage of Actuals to GSDP
			(Budget Estimates)	(Actuals)		
1	Tax Revenue	3,658.11	4,047.38	5,076.80	125.43	20.47
	(i) Own Tax Revenue	647.56	719.56	853.94	118.68	3.44
	(ii) Share of Union Taxes/ Duties ^a	3,010.55	3,327.82	4,222.86	126.90	17.02
2	Non-Tax Revenue	561.76	852.26	622.12	73.00	2.51
3	Grants-in-aid and Contributions	3,520.80	4,896.17	3,460.82	70.68	13.95
4	Revenue Receipts (1+2+3)	7,740.67	9,795.81	9,159.74	93.51	36.92
5	Recovery of Loans and Advances	33.69	27.56	32.18	116.76	0.13
6	Other Receipts	NIL	NIL	NIL	NIL	-
7	Borrowings and other Liabilities	2,611.32	1,325.52	4,560.28	344.04	18.38
8	Capital Receipts (5+6+7)	2,645.01	1,353.08	4,592.46	339.41	18.51
9	Total Receipts (4+8)	10,385.68	11,148.89	13,752.20	123.35	55.44
10	Revenue Expenditure	8,514.80	9,398.38	8,557.49	91.05	34.50
11	Interest payments	400.99	383.94	450.64	117.37	1.82
12	Capital Expenditure (13+14)	1,128.87	1,418.05	1,006.96	71.01	4.06
13	Capital outlay	1,125.97	1,417.45	1,004.38	70.86	4.05
14	Loans and advances	2.90	0.60	2.58	430.00	0.01
15	Total Expenditure (10+12)	9,643.67	10,816.43	9,564.45	88.43	38.56
16	Revenue Surplus (+)/ Deficit (-) (4-10)	-774.13	397.43	602.25	151.54	2.43
17	Fiscal Deficit {(4+5+6)-15}	-1,869.31	-993.06	-372.53	37.51	-1.50
18	Primary Surplus(+)/ Deficit (-) (17-11)	-1,468.32	-609.12	78.11	12.82	0.31

Source: Finance Accounts

(a) Includes State's share of Union Taxes.

(b) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

(c) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed

During 2021-22, Revenue Receipts (₹ 9,159.74 crore) fell short of the estimates (₹ 9,795.81 crore), which was compensated by Debt-Capital Receipts (₹ 4,592.46 crore) in excess of estimates (₹ 1,353.08 crore). As a result, total receipts for the year exceeded budget estimates by about 23.35 *per cent*. Both Revenue and Capital Expenditure fell short of estimates for the year by ₹ 840.89 crore and ₹ 411.09 crore respectively. As a result, total expenditure (₹ 9,564.45 crore) was 88.43 *per cent* of budget estimates (₹ 10,816.43 crore) for the year.

An analysis of the Own Tax Revenues (OTR) of Mizoram *vis a vis* those of the eight North Eastern (NE) states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura) during 2020-21 and 2021-22 revealed the following:

- In terms of the absolute OTR, Mizoram generated the lowest revenue in both years with ₹ 647.56 crore in 2020-21 and ₹ 853.94 crore in 2021-22. Assam generated the highest OTR of ₹ 17,133.61 crore 2020-21 and ₹ 19,533.10 crore in 2021-22. The average OTR of NE states during this period was ₹ 3,362.65 crore and ₹ 3,893.52 crore respectively.
- In terms of percentage of OTR to total Tax revenue, Mizoram was the second poorest performing state in the region with 17.70 *per cent* and 16.82 *per cent* respectively. The average of NE states was 34.59 *per cent* and 29.67 *per cent* for the two years in the period.

The State had a Revenue Surplus of ₹ 602.25 crore exceeding the estimated ₹ 397.43 crore for the year and Fiscal Deficit stood at ₹ 372.53 crore *vis-à-vis* target of ₹ 993.06 crore. However, instead of the targeted Primary Deficit of ₹ 609.12 crore there was a Primary Surplus of ₹ 78.11 crore during the year.

With respect to GSDP, Revenue and Capital Receipts contributed 36.92 *per cent* and 18.51 *per cent* respectively to the GSDP for the year.

1.4.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred, though comprehensive accounting of fixed assets like land and buildings owned by the Government is not done in the existing Government accounting system. The liabilities consist mainly of internal borrowings, loans and advances from Government of India (GoI), receipts into public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.4 shows summarised position of Assets and Liabilities for Government of Mizoram as on 31 March 2022 *vis-a-vis* the position as on 31 March 2021.

Table 1.4 : Summarised position of Assets and Liabilities

(₹ in crore)

As on 31.03.21	Liabilities	As on 31.03.22	As on 31.03.21	Assets	As on 31.03.22
Consolidated Fund of the State					
4,527.09	Internal Debt	5,002.62	16,510.92	Gross Capital Outlay on Fixed Assets	17,515.30
484.36	Loans and Advances from Central Government	771.16	272.63	Loans and Advances	243.03
Contingency Fund					
0.10	Contingency Fund	0.10	0.00	Civil Advances	0.00
Public Account					
2,403.34	Small Savings, Provident Funds, etc.	2,695.72	0.00	Remittance Balances	65.69
2,223.68	Deposits	1,844.17	9.08	Cash Balance	-167.14
619.17	Reserve Funds	680.96	385.54	Investment out of Reserve Fund	432.69
1,252.97	Suspense and Miscellaneous	909.49			
84.36	Remittance Balances	0			
5,583.10	Surplus on Government Account	6,185.35			
17,178.17	Total	18,089.57	17,178.17	Total	18,089.57

Source: Statement No. 1 of Finance Accounts

As can be seen from the table above, during 2021-22, assets and liabilities (excluding surplus on Government Accounts) both increased by ₹ 911.40 crore and ₹ 309.15 crore respectively. Further, the growth rate of assets decreased from 5.71 *per cent* in 2020-21 to 5.31 *per cent* in 2021-22 and the growth rate of liabilities excluding surplus on Government Accounts, decreased from 17.21 *per cent* in 2020-21 to 2.67 *per cent* in 2021-22.

1.5 Fiscal Balance: Achievement of Deficit and total Debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)	<i>It refers to the difference between revenue expenditure and revenue receipts.</i> - When the government incurs a revenue deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. - Existence of revenue deficit is a cause of concern as it indicates that revenue receipts were not able to meet even the revenue expenditure. Moreover, part of capital receipts was utilised to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets. - This situation means that the government have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. - If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.
---	---

Fiscal Deficit/ Surplus {Total expenditure – (Revenue receipts + Non-debt creating capital receipts)}	<i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit is reflective of the total borrowing requirements of Government.</i> • Fiscal deficit is the difference between the government's total expenditure and its total receipts excluding borrowing. • Non-debt creating capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of shares of PSUs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus, it is desirable to fully utilise borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.
Primary Deficit/ (Gross fiscal deficit – Net Interest liabilities)	<i>It refers to the fiscal deficit minus the interest payments.</i> • Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending. • The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the primary deficit.

Deficits must be financed by borrowing giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more savings. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. There has also been an attempt to raise receipts through the sale of shares in PSUs. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

The Central and State Governments have passed Fiscal Responsibility and Budget Management Act (FRBM) with the objective of ensuring prudence in fiscal management by eliminating revenue deficits, reducing fiscal deficits and keeping overall/ outstanding debt to acceptable levels, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered to by the state with regard to deficit measures and debt level.

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

In line with the recommendations of Finance Commissions, the MZFRBM Act was amended thrice, with the latest amendment being in September 2020.

As per the provisions of the MZFRBM Act, 2006 the State Government is required to prepare every year, a Medium Term Fiscal Policy Statement⁶ (MTFPS) showing the rolling fiscal targets, in addition to the Fiscal Correction Path (FCP). Due to this, the fiscal targets set by XIV FC have been adopted in the MTFPS laid before the Mizoram Legislative Assembly.

The period of the Fourteenth Finance Commission has ended and the Fifteenth Finance Commission (XV FC) was constituted by the President of India on 27 November 2017. The XV FC was initially expected to submit its reports by November 2019. However, with the creation of two new Union Territories by the Jammu and Kashmir Reorganisation Act, 2019, the Commission submitted an interim Report for the year 2020-21 which was substantially accepted by Government of India. The XV FC in its report for 2021-22 to 2025-26 did not recommend any significant change in fiscal reformation thereby implying that the architecture introduced by XIV FC is still relevant.

The status of achievement *vis-à-vis* projections set during the period 2017-18 to 2021-22 is given in **Table 1.5**.

⁶ As required under Section 5(1)(a) of MZFRBM Act, 2006.

Table 1.5 : Compliance with provisions of State FRBM Act

Fiscal Parameters	Fiscal Targets	Achievement ⁷				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus (Abolition of Revenue Deficit)	1,699.43	1,533.91	204.31	-774.13	602.25
		✓	✓	✓	✗	✓
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	Targets (below):	-320.23	-352.92	-1,224.29	-1,869.31	-372.53
	2017-18 - 3 per cent	1.65	1.61	4.90	7.56	1.50
	2018-19 - 3 per cent					
	2019-20 - 8.34 per cent ⁸	✓	✓	✓	✗	✓
	2020-21 - 6.40 per cent					
Ratio of total outstanding debt to GSDP (in per cent)	2021-22 - 5.20 ⁹ per cent					
	Projections (below):	37.65	33.39	34.73	39.98	42.61
	2017-18 - 40.87 per cent					
	2018-19 - 34.19 per cent					
	2019-20 - 32.66 per cent	✓	✓	✗	✗	✗
	2020-21 - 27.85 per cent					
	2021-22 - 27.63 per cent					

The State Government recovered from the previous year's Revenue Deficit and achieved Revenue Surplus of ₹ 602.25 crore in 2021-22. However, although the target of Fiscal Deficit-GSDP ratio at 1.50 per cent of GSDP set under MZFRBM Act as amended in October 2020 was achieved, the Debt-GSDP ratio at 42.61 per cent did not achieve the target of 27.63 per cent set under the Fiscal Policy Strategy Statement¹⁰.

Similarly, the Medium Term Fiscal Plan (MTFP) has set forth a five-year rolling target for the prescribed fiscal indicators. **Table 1.6** indicates the variation between projections made for 2021-22 and actual achievement.

Table 1.6 : Actuals vis-à-vis projections in MTFP for 2021-22

(₹ in crore)				
Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2021-22)	Variation (in per cent)
1	Own Tax Revenue	719.56	853.94	18.68
2	Non-Tax Revenue	852.26	622.12	-27.00
3	Share of Central Taxes	3,327.82	4,222.86	26.90
4	Grants-in-aid from GoI	4,896.16	3,460.82	-29.32
5	Revenue Receipts (1+2+3+4)	9,795.80	9,159.74	-6.49
6	Revenue Expenditure	9,216.38	8,557.49	-7.15
7	Revenue Surplus (+)/ Revenue Deficit (-)(5-6)	581.01	602.25	3.66
8	Fiscal Deficit	-812.66	-372.53	-54.16
9	Debt-GSDP ratio (per cent)	27.63	42.61	54.22
10	GSDP growth rate at current prices (per cent)	21.56	0.38	-98.24

As can be seen from the table above, the projections made in MTFP relating to key fiscal variables showed significant variation from the projections made for 2021-22.

⁷ ✓ denotes targets achieved and ✗ denotes targets not achieved

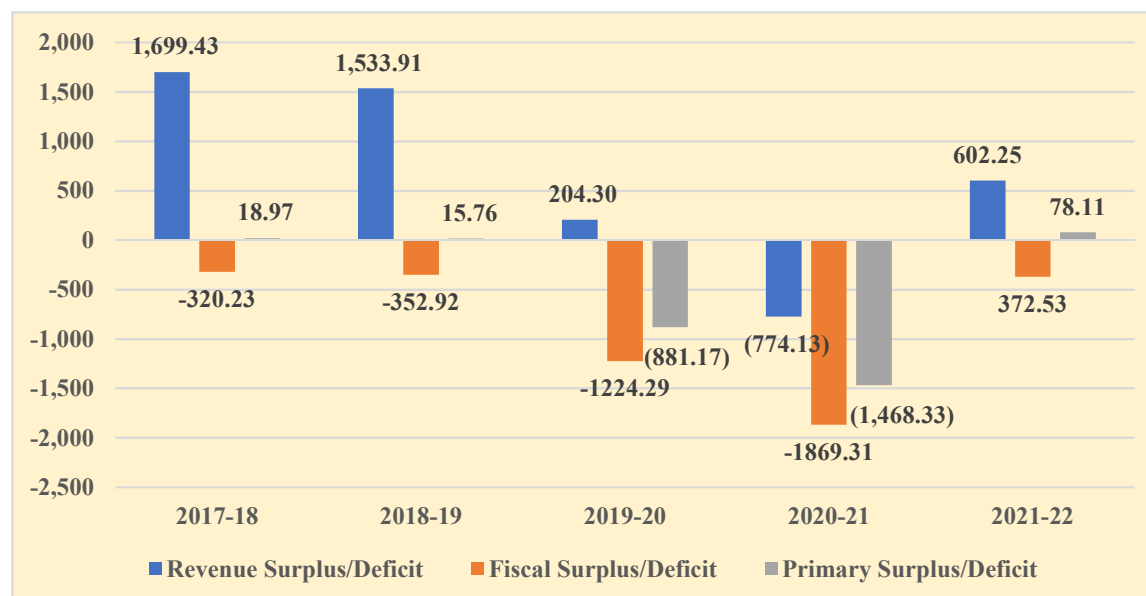
⁸ Targets set as per latest amendment (September 2020) of the MZFRBM Act.

⁹ Targets set as per latest amendment (September 2020) of the MZFRBM Act.

¹⁰ As required under Section 5(1)(b) of MZFRBM Act, 2006.

The trend of deficit parameters over the five-year period from 2017-18 to 2021-22 is depicted in **Chart 1.4**.

Chart 1.4 : Trends in deficit parameters

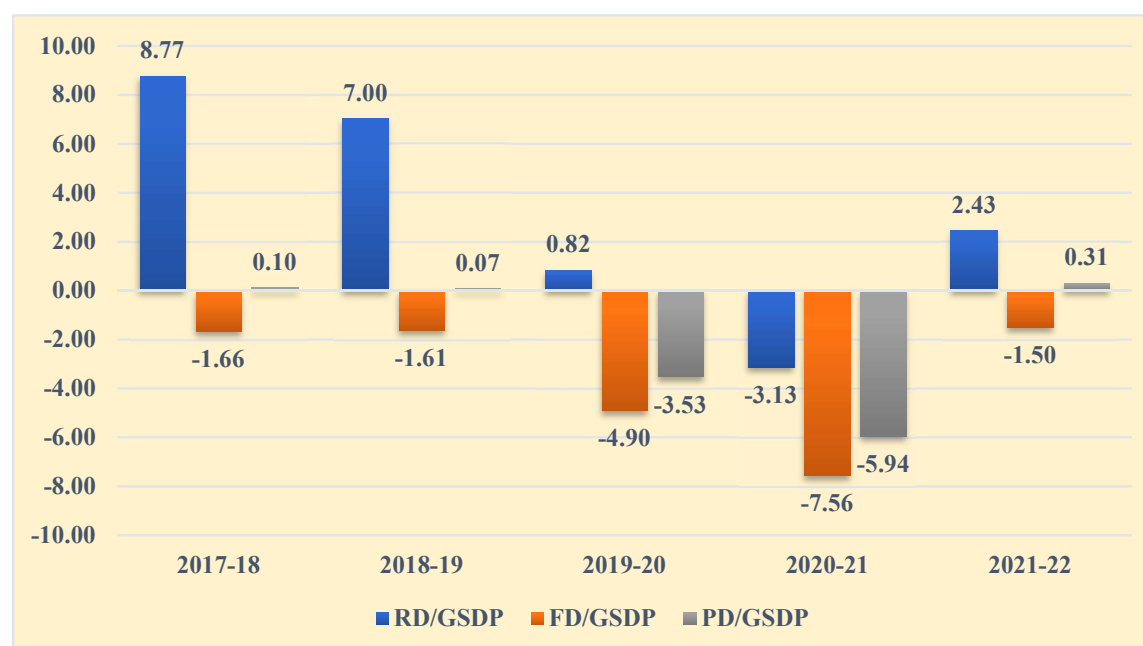


Source: Finance Accounts

The XV FC had projected a Revenue Deficit (RD) of ₹ 1,790 crore for the State of Mizoram, however, Mizoram had a Revenue Surplus of ₹ 602.25 crore. Fiscal Deficit (FD) stood at ₹ 372.53 crore during 2021-22.

Chart 1.5 depicts the trends in surplus/ deficit relative to GSDP over the five-year period 2017-18 to 2021-22.

Chart 1.5 : Trends in Surplus/ Deficit relative to GSDP

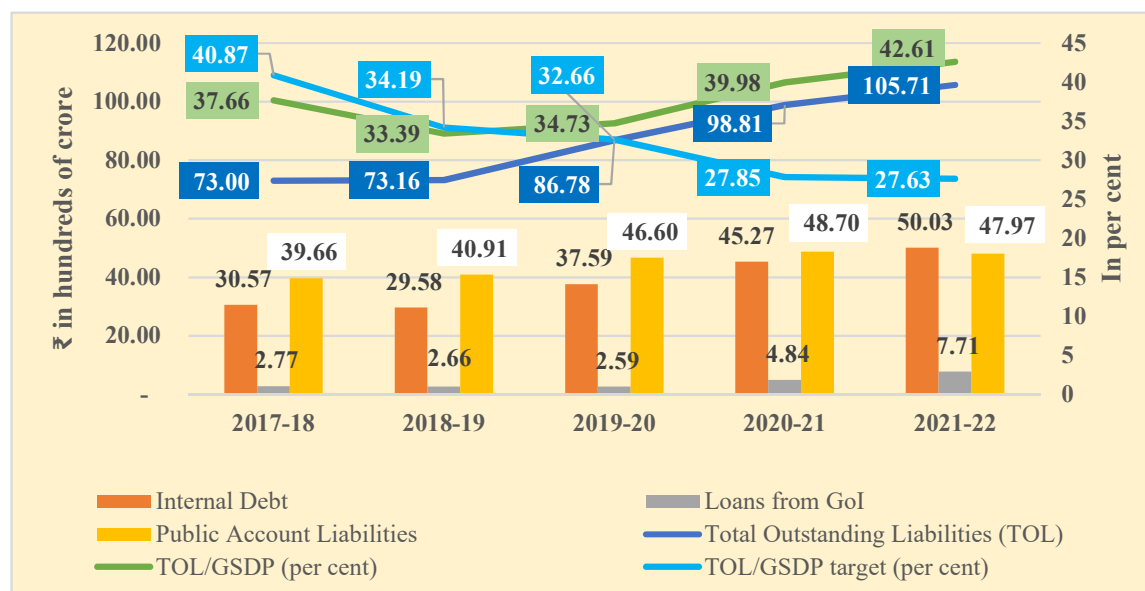


Source: Finance Accounts

Improvement in the status of deficits/ surpluses compared to the previous two years could be clearly seen from the trend shown in the chart. This resulted from the increased economic prosperity of the state due to the resumption of normal economic activity after the COVID-19 pandemic.

Total outstanding liabilities (TOL) for the year was ₹ 10,570.93 crore which as a percentage of GSDP at 42.61 per cent failed to meet the target of 27.63 per cent set under the MTFP. **Chart 1.6** depicts the trends in fiscal liabilities relative to GSDP.

Chart 1.6 : Trends in Fiscal Liabilities and GSDP



Source: Finance Accounts

Internal Debt and Loans from GoI increased by ₹ 475.53 crore and ₹ 286.80 crore respectively while Public Account Liabilities decreased by ₹ 72.49 crore for the current year.

1.6 Implementation of State Finance Commission recommendations

With a view to provide greater decentralisation and autonomy to local bodies the Constitution of India empowered the States to establish State Finance Commissions (SFC), to be appointed after every 5 years, to recommend devolution of funds from the State Government to Local Bodies and suggest measures for augmenting their own resources.

In keeping with these provisions, the 1st Mizoram Finance Commission (I MFC) was constituted on September 30, 2011, in pursuance of sub-section (1) of section 3 of the Mizoram Finance Commission Act, 2010. The Commission was to submit its report by 31 October 2014. The term of the Commission was subsequently extended twice upto 31 March, 2015. The Report of the commission was submitted on 19 February 2015 and covered a period of five years commencing on 1 April 2015 i.e. 2015-16 to 2019-20.

Further, the Second Finance Commission had also been established in the State through the revalidation of the posts created for the Mizoram Finance Commission by order of the Governor of Mizoram on 26 November 2021. As of November 2022, the Commission is yet to submit its report to the Government.

1.6.1 Terms of Reference of State Finance Commission

As per their Terms of Reference (ToR), the I MFC was to submit its recommendations on the following matters:

1. The principles which should govern-
 - i. The distribution between the state and the Village Councils, Aizawl Municipal Council and the Autonomous District Councils (ADC) of the net proceeds of the taxes, duties, tolls, and fees leviable by the State, which may be divided between them to enable these bodies to perform the functions assigned, and which may be assigned to it under any laws in force or orders, and the allocation between the Village Councils, Aizawl Municipal Council and the Autonomous District Councils at all levels of their respective shares of such proceeds;
 - ii. The determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the Village Councils, Aizawl Municipal Council and the Autonomous District Councils;
 - iii. The grant-in-aid to the Village Councils, Aizawl Municipal Council and the Autonomous District Councils from the Consolidated Fund of Mizoram;
2. The measures needed to improve the financial position of the Village Councils, Aizawl Municipal Council and the Autonomous District Councils.

1.6.2 State Government's compliance to 1st MFC Report

In its report, the 1st MFC made 94 separate recommendations as per the ToR. These topics included functioning and finances of local bodies and ADCs, State Finances, devolution and deficit financing and various other relevant issues. At the time of preparation of this Report (November 2022) the State Government had accepted the report of the Commission but had only implemented the recommendations regarding fiscal devolution to local bodies and ADCs. Therefore, as per the recommended procedure, 15 *per cent* of the State's Own Tax revenue devolved to local bodies during the period up to 2019-20. However, the State did not implement the Commission's recommendation to give local bodies revenue raising power in the areas indicated by the activity mapping proposed in the report.

In light of the above, the State Government may take necessary action to fully implement the recommendations of the 1st MFC to enable the realisation of the benefits envisaged under the Constitution.

1.7 Deficits and Total Debt after examination in Audit

In order to present a better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off-budget fiscal operations.

1.7.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impact the deficit figures. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption

funds, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities needs to be reversed.

The impact on Revenue Surplus and Fiscal Deficit of the State Government as per the findings of audit is given in the following table:

Table 1.7 : Impact of Misclassification and Deferment of Expenditure on Revenue Surplus and Fiscal Deficit

(₹ in crore)

Particulars	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Understatement	Overstatement	Understatement	Overstatement
Short payment of Interest adjustment	-	9.02	9.02	-
Short transfer into State Disaster Response Fund (State Share ₹0.68 crore and Central Share ₹18.80 crore)	-	19.48	19.48	-
Non-contribution to Consolidated Sinking Fund	-	4.26	4.26	-
Net Impact	-	32.76	32.76	-

Source: Finance Accounts and Audit Analysis

It may be seen from the preceding table that the State Government overstated Revenue Surplus and understated Fiscal Deficit by ₹ 32.76 crore through short payment of interest adjustment (₹ 9.02 crore), short transfer into State Disaster Response Fund (₹ 19.48 crore) and non-contribution to Consolidated Sinking Fund (₹ 4.26 crore).

1.8 Conclusion

The growth rate of GSDP at current prices, during 2017-22 ranged between 12.76 *per cent* (2017-18) to -1.11 *per cent* (2020-21). During 2021-22, the GSDP (Advance Estimates) at current price was ₹ 24,807 crore, up from ₹ 24,712 crore in 2020-21, representing meagre growth of 0.38 *per cent*. During the last five-year period from 2017-18 to 2021-22, there was a significant decrease in the growth rate of the Agriculture sector in GSDP, declining from 13.38 *per cent* in 2017-18 to 7.48 *per cent* in 2021-22. During the same period growth in the Industry sector also declined steadily from 17.03 *per cent* in 2017-18 to 12.17 *per cent* in 2021-22. The Services sector continued to be the largest contributor to the GSDP (43.91 *per cent*).

The State Government recovered from the previous year's Revenue Deficit and achieved Revenue Surplus of ₹ 602.25 crore during 2021-22. However, although the Fiscal Deficit-GSDP ratio at 1.50 *per cent* of GSDP was within the target, the Debt-GSDP ratio at 42.61 *per cent* did not achieve the target of 27.63 *per cent* set under Mizoram Fiscal responsibility and Budget Management (MZFRBM) Act as amended in October 2020.

The XV FC had projected a Revenue Deficit (RD) of ₹ 1,790 crore for the State of Mizoram, however, Mizoram had a Revenue Surplus of ₹ 602.25 crore. Fiscal Deficit (FD) stood at ₹ 372.53 crore during 2021-22.

Internal Debt and Loans and Advances from Government of India (GoI) increased by ₹ 475.53 crore and ₹ 286.80 crore respectively while Public Account Liabilities increased by ₹ 286.80 crore for the current year.

Out of the 94 recommendations of the 1st MFC accepted by the State Government, only one recommendation was implemented (December 2022).

The State Government overstated Revenue Surplus and understated Fiscal Deficit by ₹ 32.76 crore due to non-provision of interests and non-contribution to designated Funds.

1.9 Recommendations

- *The Government may adhere to the targets of Mizoram Fiscal responsibility and Budget Management (MZFRBM) Act set for ratio of total outstanding debt to Gross State Domestic Product..*
- *The Government needs to fully implement the recommendations of the 1st MFC.*

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 2017-18 to 2021-22, 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* 2020-21

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2021-22, compared to the previous year.

Table 2.1 : Changes in key fiscal aggregates in 2021-22 compared to 2020-21

Revenue Receipts	✓ Revenue receipts of the State increased by 18.33 <i>per cent</i> ✓ Own Tax receipts of the State increased by 31.87 <i>per cent</i> ✓ Non-tax receipts increased by 10.74 <i>per cent</i> ✓ State's Share of Union Taxes and Duties increased by 40.27 <i>per cent</i> ✓ Grants-in-Aid from Government of India decreased by 1.70 <i>per cent</i>
Revenue Expenditure	✓ Revenue expenditure increased by 0.50 <i>per cent</i> ✓ Revenue expenditure on General Services decreased by 2.77 <i>per cent</i> ✓ Revenue expenditure on Social Services increased by 5.03 <i>per cent</i> ✓ Revenue expenditure on Economic Services decreased by 1.31 <i>per cent</i>
Capital Expenditure	✓ Capital expenditure decreased by 10.80 <i>per cent</i> ✓ Capital expenditure on General Services decreased by 7.53 <i>per cent</i> ✓ Capital expenditure on Social Services decreased by 18.27 <i>per cent</i> ✓ Capital expenditure on Economic Services decreased by 3.07 <i>per cent</i>
Loans and Advances	✓ Disbursement of Loans and Advances decreased by 11.03 <i>per cent</i> ✓ Recoveries of Loans and Advances increased by 4.48 <i>per cent</i>
Public Debt	✓ Public Debt Receipts increased by 74.64 <i>per cent</i> ✓ Repayment of Public Debt increased by 134.75 <i>per cent</i>
Public Account	✓ Public Account Receipts decreased by 44.93 <i>per cent</i> ✓ Disbursement of Public Account decreased by 32.18 <i>per cent</i>
Cash Balance	✓ Cash balance decreased by 32.71 <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 2021-22 with that of 2020-21 in figures, while **Chart 2.1** gives the details of receipts and expenditure from the Consolidated Fund of the State during 2021-22 in terms of percentages.

Table 2.2 : Details of Sources and Application of funds during 2020-21 and 2021-22

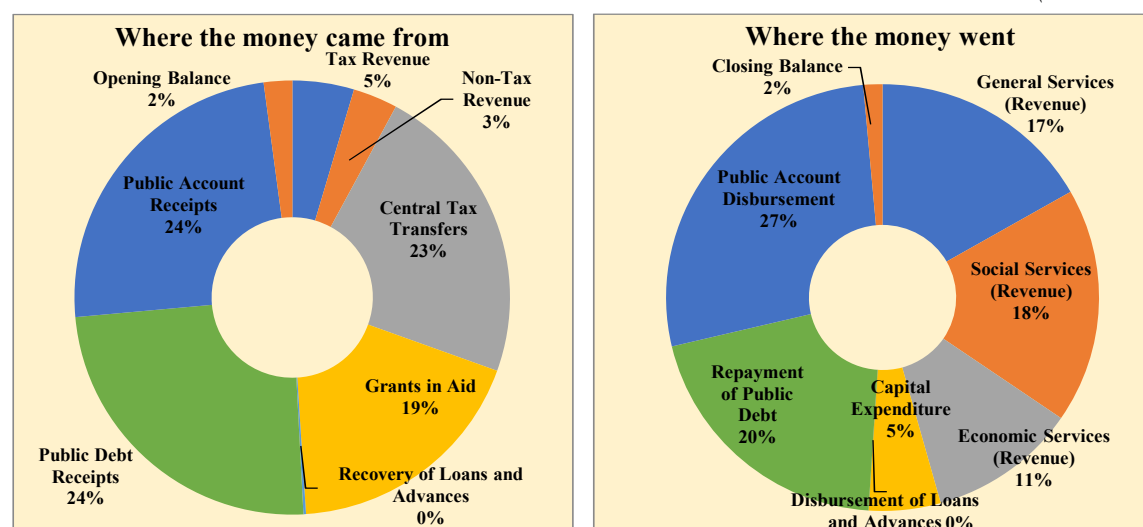
(₹ in crore)

	Particulars	2020-21 ¹¹	2021-22	Increase/Decrease
Sources	Opening Cash Balance with RBI	509.43	-394.62	-114.81
	Revenue Receipts	7,740.67	9,159.74	1,419.07
	Recoveries of Loans and Advances	33.69	32.18	-1.51
	Public Debt Receipts (Net)	993.43	762.33	-231.10
	Public Account Receipts (Net)	761.07	-518.87	-1,279.94
	Total	10,038.29	9,830.00	-208.29
Application	Revenue Expenditure	8,514.80	8,557.49	42.69
	Capital Expenditure	1,125.97	1,004.38	-121.59
	Disbursement of Loans and Advances	2.90	2.58	-0.32
	Closing Cash Balance with RBI	394.62	265.55	-129.07
	Total	10,038.29	9,830.00	-208.29

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.

¹¹ There is a difference between the opening and closing balance with RBI during 2020-21 and balances under Public Account Receipts (Net) due to exclusion of balance of investment held with the RBI from the Public Accounts Receipts (Net) and the same have been included under RBI Balance as per the Finance Accounts.

The resources of the State are discussed in detail 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.

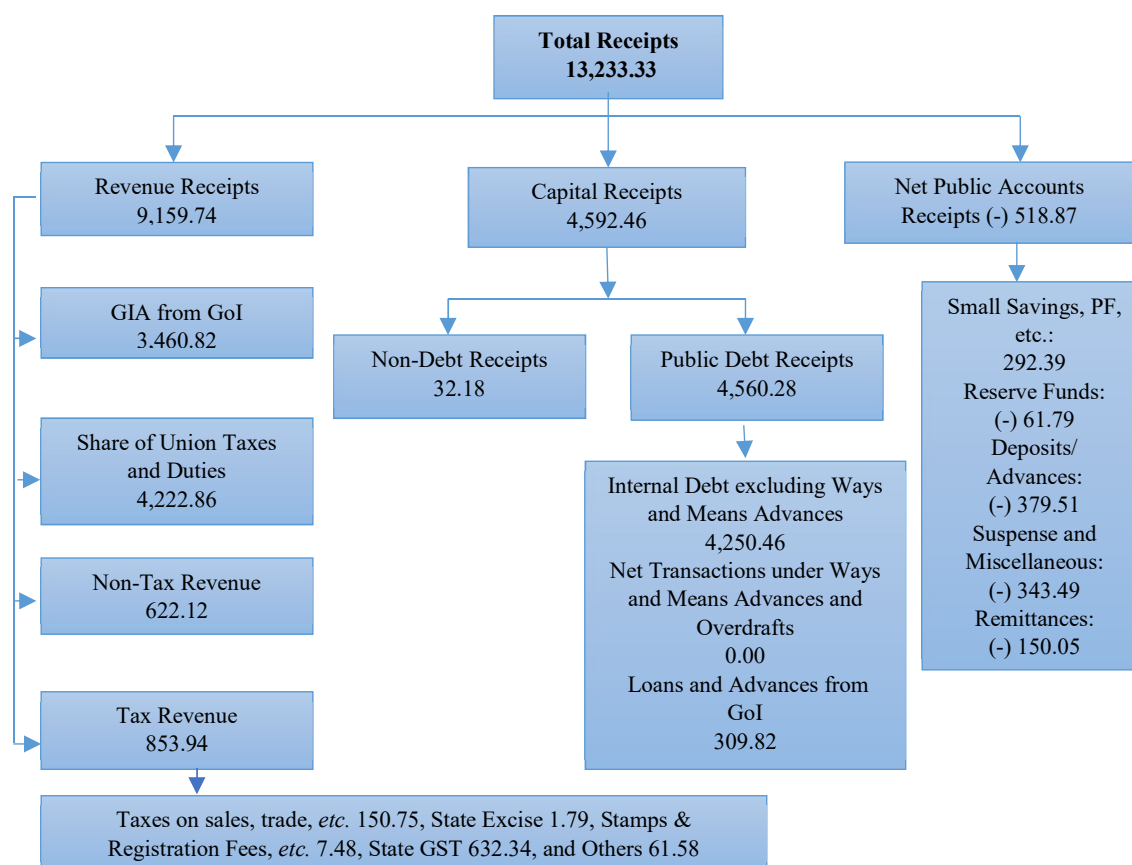
These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for its use.

2.5 Receipts of the State

This paragraph provides the composition of the overall receipts. The composition of receipts of Government of Mizoram during 2021-22 is given in **Chart 2.2**.

Chart 2.2 : Composition of receipts of the State during 2021-22

₹ in crore



2.5.1 State's Revenue Receipts

This paragraph outlines the trends in revenue receipts of Government of Mizoram for the year 2021-22.

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 2017-22. 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	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Receipts (RR) (₹ in crore)	8,580.20	9,039.50	9,658.26	7,740.67	9,159.74
Rate of growth of RR (per cent)	15.98	5.35	6.85	-19.85	18.33
Own Tax Revenue	545.91	726.70	730.98	647.56	853.94
Non-Tax Revenue	390.65	449.96	522.35	561.76	622.12
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	16.05	25.64	6.52	-3.51	22.06
GSDP (₹ in crore) (2011-12 Series)	19,385.33	21,912.08	24,989.60	24,712.26	24,807.08
Rate of growth of GSDP (per cent)	12.76	13.03	14.04	-1.11	0.38
RR/GSDP (per cent)	44.26	41.25	38.65	31.32	36.92
Buoyancy Ratios¹²					
Revenue Buoyancy w.r.t GSDP	1.25	0.41	0.49	(-) 0.19	48.24
State's Own Revenue Buoyancy w.r.t. GSDP	1.26	1.97	0.46	(9-)0.03	58.05

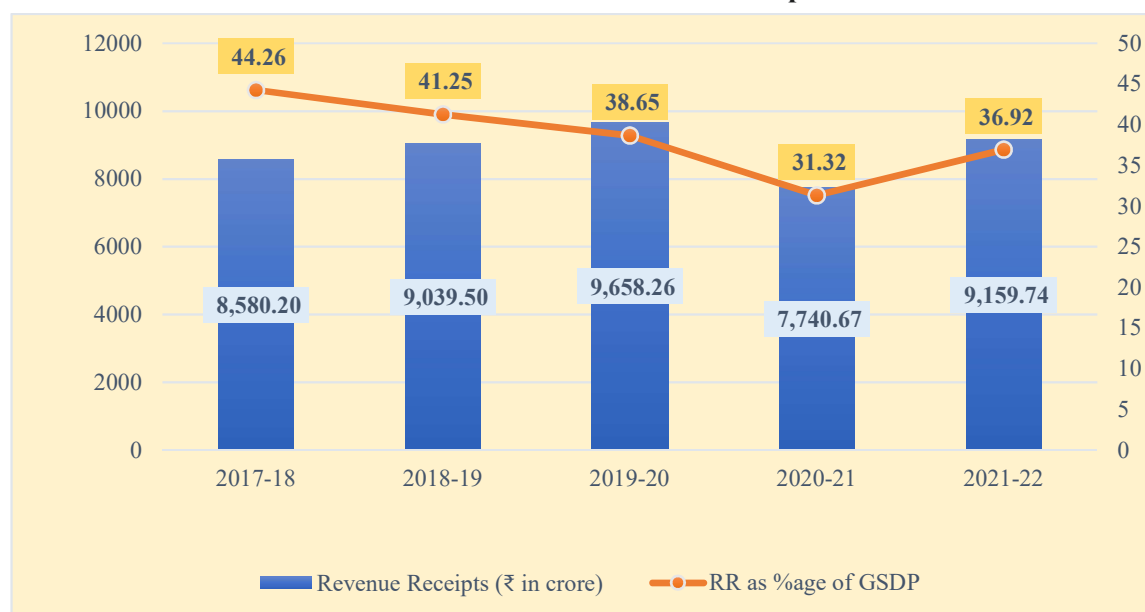
Source: Finance Accounts and Directorate of Economics and Statistics

Revenue Receipts increased by 6.75 per cent from ₹ 8,580.20 crore in 2017-18 to ₹ 9,159.74 crore in 2021-22 at an annual average growth rate of 5.33 per cent. During 2021-22, Revenue Receipts increased by ₹ 1,419.07 crore (18.33 per cent) over the previous year due to increase in Tax Revenue (₹ 206.38 crore), Non-tax Revenue (₹ 60.36 crore) and State's share of Union Taxes and Duties (₹ 1,212.31 crore) offset by decrease in Grants-in-Aid from GoI (₹ 59.98 crore).

Chart 2.3 shows the trend of Revenue Receipts during the period 2017-18 to 2021-22 and its contribution to GSDP.

¹² 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 : Trend of Revenue Receipts



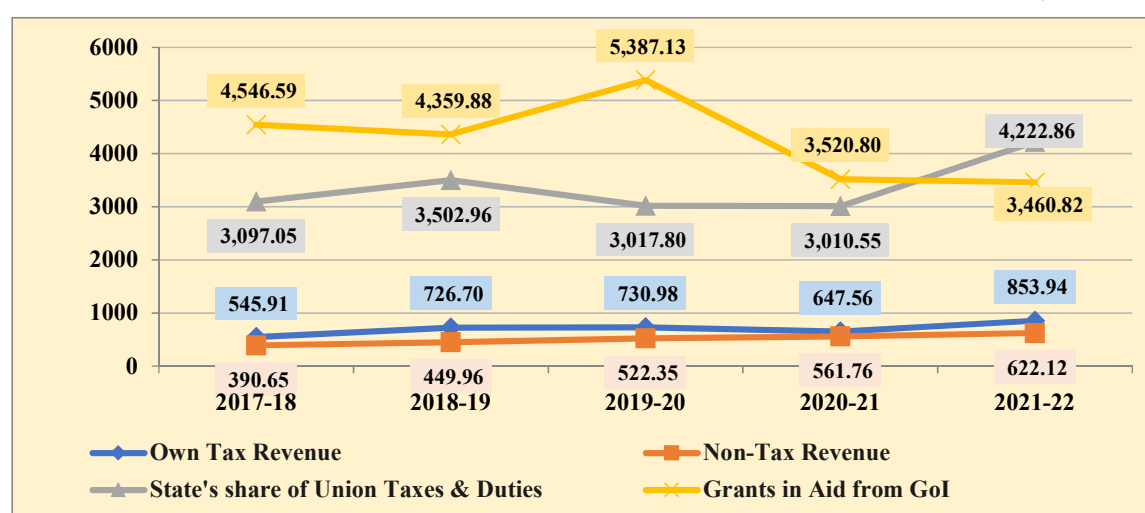
Source: Finance Accounts

Revenue Receipts which had been declining steadily over the past four years and rose in the current year. As a result, the contribution of Revenue Receipts to GSDP rose to 36.92 per cent from 31.32 per cent in the previous year. There was wide fluctuation in State's own revenue buoyancy, due to onset of 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

(₹ in crore)



Source: Finance Accounts

Grants in Aid from the GoI made up 37.78 per cent of the Revenue Receipts during 2021-22 while Central Tax Transfers contributed 46.10 per cent. State's own sources of revenue made up just 16.11 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 (83.89 *per cent*).

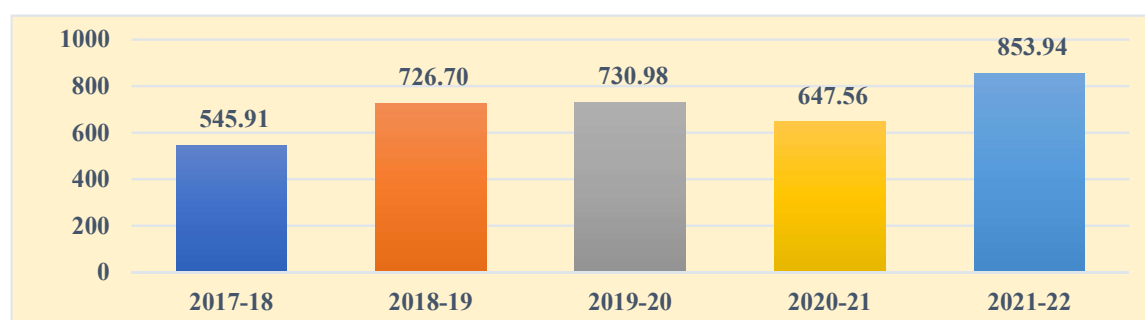
2.5.1.2 State's Own Resources

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 2017-22 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 2017-22 are given in **Chart 2.5**.

Chart 2.5 : Growth of Own Tax Revenues during 2017-22



Source: Finance Accounts

Component-wise details of Own Tax Revenue collected during the years 2017-22 are presented in **Table 2.4**.

Table 2.4 : Components of State's own tax revenue

Revenue Head	(₹ in crore)					
	2017-18	2018-19	2019-20	2020-21	2021-22 (BE)	2021-22 (Actuals)
Taxes on Sales, Trades, etc.	242.85	135.93	117.61	113.66	95.00	150.75
State Goods and Services Tax	169.76	454.73	532.22	457.91	538.00	632.34
State Excise	65.83	65.34	2.72	0.96	1.00	1.79
Taxes on Vehicles	31.58	38.36	40.66	29.01	34.36	27.90
Stamp Duty and Registration Fees	3.20	4.43	5.85	4.73	11.16	7.48
Land Revenue	8.29	8.64	9.05	20.74	18.00	13.04
Taxes on Goods and Passengers	7.83	4.71	7.44	4.85	5.03	5.39
Others	16.57	14.56	15.43	15.70	17.00	15.25
Total	545.91	726.70	730.98	647.56	719.55	853.94

Source: Finance Accounts

Own Tax Revenues of the State increased by ₹ 308.03 crore from ₹ 545.91 crore in 2017-18 to ₹ 853.94 crore in 2021-22 at an annual average rate of 15.50 *per cent*. However, during the current year, Own Tax Revenue (₹ 853.94 crore) increased by ₹ 206.38 crore (31.87 *per cent*) from the previous year (₹ 647.56 crore). Major contributors of Tax Revenue

were State Goods and Services Tax (SGST) (74.05 *per cent*), Taxes on Sales, Trades, etc., (17.65 *per cent*) and Taxes on Vehicles (3.27 *per cent*). State's Own Tax Revenue as percentage of GSDP during the year increased to 3.44 *per cent* from the previous year's 2.91 *per cent*. Own Tax Revenue was ₹118.68 *per cent* over the budget estimates during 2021-22.

➤ *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 came into effect vide Gazette Notification dated 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.

During 2021-22, revenue collected by Government of Mizoram through SGST had risen by ₹ 462.58 crore (272.49 *per cent*) from ₹ 169.76 crore in 2017-18 to ₹ 632.34 crore in 2021-22. It also registered an increase of ₹ 174.43 crore (38.09 *per cent*) over the last year (₹ 457.91 crore). This amount included Advance Apportionment of IGST (₹ 18.78 crore). In addition, the State received ₹ 1,268.97 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax. The total receipts under GST were ₹ 1,901.31 crore. The State did not receive compensation on account of loss of revenue arising out of implementation of GST during 2021-22.

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

The arrears of revenue as on 31 March 2022 on some principal heads of revenue amounted to ₹ 36.76 crore out of which, ₹ 2.50 crore was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5 : Arrears of Revenue as on 31 March 2022

(₹ in crore)			
Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2022	Total amount outstanding for more than 5 years as on 31 March 2022
1	Taxes/VAT on sales, Trades, etc.	36.11	2.50
2	Taxes on Professions, Trades, Callings and Employment, etc.	0.36	0
3	Taxes on Entertainment	0.29	0
Total		36.76	2.50

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 2022

Sl. No.	Head of Revenue	Opening balance as on 01 April 2021	New cases due for assessment during 2021-22	Total assessments due	Cases disposed during 2021-22	Closing balance as on 31 March 2022	Percentage of disposal
1	Taxes/VAT on sales, Trades, etc.	2,481	13	2,494	2487	7	99.71
2	Taxes on Professions, Trades, Callings and Employment, etc.	0	6722	6722	6722	0	100.00
3	Taxes on Entertainment	0	1	1	1	0	100.00
Total		2,481	6376	9,217	9,210	7	99.92

Source: Information furnished by the Taxation Department

From the table, it may be seen that out of 9,217 assessments due during 2021-22, 9,210 cases (99.92 per cent) were assessed by the end of 2021-22, leaving seven 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 2021-22

Sl. No.	Head of revenue	Cases pending as on 31 March 2021	Cases detected during 2021-22	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 2022
					No. of cases	Amount of demand (₹ in crore)	
1	Taxes/VAT on sales, Trades, etc.	391	13	404	401	0.91	3
2	Taxes on Professions, Trades, Callings and Employment, etc.	0	0	0	0	0	0
3	Taxes on Entertainment	0	0	0	0	0	0
Total		391	13	404	401	0.91	3

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 2021-22*(₹ in crore)*

Sl. No.	Particulars	Tax/Duty	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	44	1.00
2	Claims received during the year	39	5.43
3	Refunds made during the year	32	5.13
4	Balance outstanding at the end of the year	19 ¹³	1.30

Source: Information furnished by the Taxation Department

(ii) Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. Component-wise details of Non-Tax Revenue collected during the years 2017-18 to 2021-22 were as shown in **Table 2.9**.

Table 2.9 : Components of State's Non-Tax Revenue*(₹ in crore)*

Revenue Head	2017-18	2018-19	2019-20	2020-21	2021-22 (BE)	2021-22 (Actuals)
Other Fiscal Services	Nil	Nil	2.05	12.05	0.20	18.86
Interest Receipts, Dividends and Profits	51.14	57.68	32.84	19.12	53.07	41.83
Other Non-Tax Revenues						
i. General Services	32.13	19.27	27.61	34.55	56.33	47.93
ii. Social Services	46.83	50.75	54.91	65.16	74.24	64.46
iii. Economic Services	260.55	322.26	404.94	430.88	668.42	449.04
Total	390.65	449.96	522.35	561.76	852.26	622.12

Source: Finance Accounts

Non-Tax Revenue ranged between 4.55 and 7.26 *per cent* of Revenue Receipts during the five-year period from 2017-18 to 2021-22 and increased by ₹ 60.36 crore (10.74 *per cent*) during the current year, over the previous year. The major contributor to Non-Tax Revenues during 2017-22 was revenue received under Economic Services which at ₹ 449.04 crore contributed 72.18 *per cent* of the total non-tax receipts during 2021-22. Non-Tax revenue was 73 per cent of the budget estimates during 2021-22.

(iii) Transfers from the Centre

The details of Central Transfers to the State during 2017-22 are given in the following table.

Table 2.10 : Central Transfers during 2017-18 to 2021-22*(₹ in crore)*

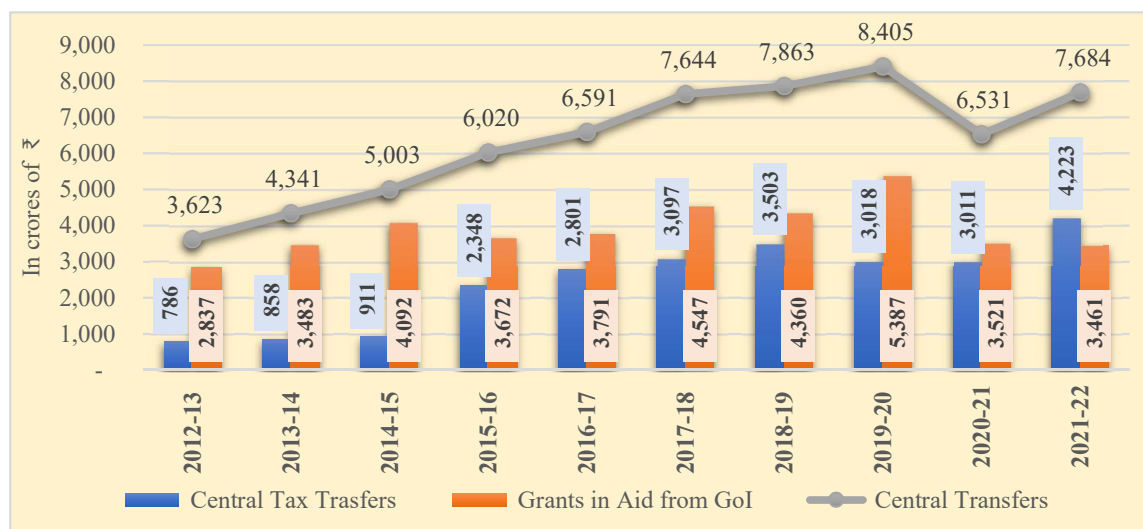
	2017-18	2018-19	2019-20	2020-21	2021-22
Grants in Aid from GoI	4,546.59	4,359.88	5,387.13	3,520.80	3,460.82
Central Tax Transfers	3,097.05	3,502.96	3,017.80	3,010.55	4,222.86
Total Transfers from Centre	7,643.64	7,862.84	8,404.93	6,531.35	7,683.68

Source: Finance Accounts

¹³ As per information furnished by the Department of Taxation 32 refund claims were rejected during the year leaving 19 refund claims outstanding for the year 2021-22

Chart 2.6 depicts the trend of Central transfers over the decadal period 2012-22. Over the period, these transfers increased by 112.07 *per cent* from ₹ 3,623 crore in 2012-13 to ₹ 7,684 crore in 2021-22. However, during the current year, the amount increased by 17.64 *per cent* from ₹ 6,531 crore in 2020-21 and constituted 83.89 *per cent* of the Revenue Receipts.

Chart 2.6 : Trend of Central Transfers during 2012-13 to 2021-22



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*. Mizoram's share of the central pool during the XIV FC award period was 0.460 *per cent* and 0.464 *per cent* for all shareable taxes and Service Tax respectively. As per recommendation of the XV FC share of net proceeds of tax for Mizoram was 0.506 *per cent* during 2020-21 and 0.500 *per cent* during the remaining period from 2021-22 to 2025-26. **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 2017-22.

Table 2.11 : Central Tax Transfers: Actual devolution *vis-à-vis* Finance Commission projections¹⁴

(₹ in crore)

Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
2017-18	0.460 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.464 <i>per cent</i> of net proceeds of shareable service tax	3,559	3,097.05	-461.95
2018-19		4,118	3,502.96	-615.04
2019-20		4,769	3,017.80	-1,751.20
2020-21	0.506 <i>per cent</i> of net proceeds of shareable taxes	4,327	3,010.55	-1,316.64
2021-22	0.500 <i>per cent</i> of net proceeds of shareable taxes	3,293	4,222.86	929.86

Source: Finance Accounts and XIV and XV FC Reports

¹⁴ 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 shows the component-wise distribution of Central Tax Transfers. There was an increase of 36.36 *per cent* from ₹ 3,097 crore in 2017-18 to ₹ 4,223 crore in 2021-22. During 2021-22 there was an increase of ₹ 1,212.31 crore (40.27 *per cent*) *vis-a-vis* the previous year. Central Tax Transfers made up 46.10 *per cent* of Revenue Receipts for the year.

Table 2.12 : Central Tax Transfers

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22 (BE)	2021-22 (Actuals)
Central Goods and Services Tax (CGST)	44.16	864.63	856.36	897.91	1,075.24	1,268.97
Integrated Goods and Services Tax (IGST)	312.80	69.00	Nil	Nil	Nil	Nil
Corporation Tax	948.82	1,218.27	1,028.94	906.03	968.22	1,225.41
Taxes on Income other than Corporation Tax	801.20	897.21	806.25	928.54	983.89	1,287.88
Customs	312.70	248.31	191.29	162.09	201.08	276.41
Union Excise Duties	326.90	165.03	133.00	101.51	97.38	127.21
Service Tax	350.50	31.92	Nil	12.42	2.05	32.49
Other Taxes	-0.03	8.59	1.96	2.05	-0.04	4.50
Central Tax transfers	3,097.05	3,502.96	3,017.80	3,010.55	3,327.82	4,222.87
Percentage of increase over previous year	10.58	13.11	-13.85	-0.24	-	40.27
Percentage of Central tax transfers to Revenue Receipts	36.10	38.75	31.25	38.89	-	46.10

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 2021-22, GIA decreased by ₹ 59.98 crore (1.70 *per cent*) from ₹ 3,520.80 crore in 2020-21 to ₹ 3,460.82 crore in 2021-22. GIA received by the State Government from GoI during 2017-22 are detailed in **Table 2.13**.

Table 2.13 : Grants-in-aid from Government of India

(₹ in crore)

Head	2017-18	2018-19	2019-20	2020-21	2021-22 (BE)	2021-22 (Actuals)
Grants for Centrally Sponsored Schemes (CSS)	1,464.80	1,249.68	2,103.97	1,329.94	2,570.39	1,366.12
Finance Commission Grants	2,535.51	2,616.67	2,778.73	1,725.48	1,940.00	1,879.10
Other transfers/Grants to States	546.28	493.53	504.43	465.38	385.77	215.60
Total	4,546.59	4,359.88	5,387.13	3,520.80	4,896.16	3,460.82
Percentage of increase/decrease over the previous year	19.94	-4.11	23.56	-34.64	-	-1.70
Percentage of GIA to Revenue Receipts	52.99	48.23	55.78	45.48	-	37.78

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 2017-20 (during the XIV FC period) and 2020-22 (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		
	2017-18 to 2020-21	2021-22	Total	2017-18 to 2020-21	2021-22	Total	2017-18 to 2020-21	2021-22	Total
Local Bodies									
(i) Grants to RLBs									
(a) General Basic Grant	93.00	69.00	162.00	0	34.50	34.50	171.65	34.50	206.15
(b) General Performance Grants									
(ii) Grants to ULBs									
(a) General Basic Grant	148.28	34.00	182.28	172.96	17.00	189.96	119.00	17.00	136.00
(b) General Performance Grants									
Total for Local Bodies	241.28	103.00	344.28	172.96	51.50	224.46	290.65	51.50	342.15
State Disaster Response Fund	118.00	52.00	170.00	100.10	37.60	137.70	100.10	37.60	137.70
Grand Total	359.28	155.00	514.28	273.06	89.10	362.16	390.75	89.10	479.85

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 2017-22, Capital Receipts grew by 401.48 *per cent* from ₹ 915.78 crore in 2017-18 to ₹ 4,592.45 crore in 2021-22 mainly due to increased public debt receipts. Recovery of loans and advances grew by 48.71 *per cent* from ₹ 21.64 crore in 2017-18 to ₹ 32.17 crore in 2021-22.

During 2021-22, Public Debt Receipts (₹ 4,560.28 crore) represented 99.30 *per cent* of Capital Receipts (₹ 4,592.45 crore) and increased by 74.64 *per cent* over the previous year while Recovery of loans and advances decreased by 4.48 *per cent* (₹ 1.52 crore) compared to the previous year (₹ 33.69 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	2017-18	2018-19	2019-20	2020-21	2021-22
Capital Receipts	915.78	156.38	1,174.38	2,645.01	4,592.46
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	21.64	22.16	26.70	33.69	32.18
Net Public Debt Receipts	894.14	134.22	1,147.68	2,611.32	4,560.28
<i>Internal Debt (excluding Ways and Means Advances and Overdrafts)</i>	<i>868.76</i>	<i>122.86</i>	<i>1,132.80</i>	<i>2,363.70</i>	<i>4,250.46</i>
<i>Growth rate (per cent)</i>	<i>16.04</i>	<i>-85.86</i>	<i>822.03</i>	<i>108.66</i>	<i>79.82</i>
<i>Net transactions under Ways and Means Advances and Overdrafts</i>	<i>17.51</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Growth rate (per cent)</i>	<i>-</i>	<i>-100.00</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Loans and advances from GoI</i>	<i>7.87</i>	<i>11.36</i>	<i>14.88</i>	<i>247.62</i>	<i>309.82</i>
<i>Growth rate (per cent)</i>	<i>15.06</i>	<i>44.35</i>	<i>30.99</i>	<i>1,564.11</i>	<i>25.12</i>
Rate of growth of debt Capital Receipts	18.35	-84.99	755.07	127.53	74.64
Rate of growth of non-debt capital receipts (per cent)	-3.61	2.40	20.49	26.18	-4.48
Rate of growth of GSDP (per cent)	12.76	12.87	14.94	15.62	0.38
Rate of growth of Capital Receipts (per cent)	17.72	-82.92	650.98	125.23	73.63

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 2021-22, the components of Public Debt Receipts comprised of Internal Debt (₹ 4,250.46 crore) and Loans and Advances from GoI (₹ 309.82 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	912.00	719.56	853.94	-6.37	18.68
Non-Tax revenue	227.00	852.26	622.12	174.06	-27.00
Total	1,139.00	1,571.82	1,476.06	29.59	-6.09

It can be seen from the table above that Own Tax Revenue for the year failed to meet FC projections by 6.37 per cent but surpassed budget estimates by 18.68 per cent. Non-

Tax revenue exceeded FC projections by 174.06 *per cent*, but remained short of budget estimates figures by 27 *per cent*. In summary, receipts from own sources surpassed FC projections by 29.59 *per cent* and fell short of budgetary projections by 6.09 *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 2017-18 to 2021-22.

Table 2.17 : Total expenditure and its composition

(₹ in crore)					
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	8,922.07	9,414.58	10,909.26	9,643.67	9,564.45
Revenue Expenditure (RE)	6,880.77	7,505.59	9,453.96	8,514.80	8,557.49
Capital Expenditure (CE)	1,996.35	1,868.47	1,372.67	1,125.97	1,004.38
Loans and Advances	44.95	40.52	82.63	2.90	2.58
As a percentage of GSDP					
TE/GSDP	46.02	42.97	43.66	39.02	38.56
RE/GSDP	35.49	34.25	37.83	34.46	34.63
CE/GSDP	10.53	8.71	5.82	4.57	4.06
Capital Expenditure/GSDP	10.30	8.53	5.49	4.56	4.05
Loans and Advances/GSDP	0.23	0.18	0.33	0.01	0.01

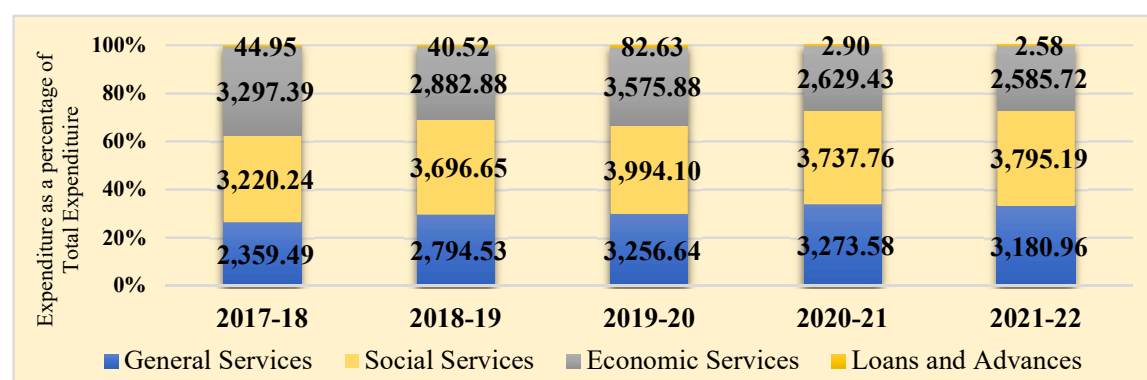
Source: Finance Accounts and Government of Mizoram

Total Expenditure (TE) decreased by ₹ 79.22 crore (0.82 *per cent*) in 2021-22 as compared to 2020-21. This was due to decrease in Capital Expenditure by ₹ 121.59 crore (10.80 *per cent*) and disbursement of Loans and Advances by ₹ 0.32 crore (11.03 *per cent*) which was offset by an increase in Revenue Expenditure ₹ 42.69 crore (0.50 *per cent*). As percentage of GSDP, TE decreased from 46.02 *per cent* to 38.56 *per cent* of GSDP during the five year period from 2017 to 2022.

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 89.47 *per cent* of the State's TE, whereas Capital Expenditure, which is in the nature of asset creation, was 10.53 *per cent* in 2021-22. This trend of expenditure was seen to be consistent over the five year period. Revenue Expenditure was within the range of 77.12 to 89.47 *per cent* of TE while Capital Expenditure was between 10.53 to 22.38 *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 2017 to 2022.

Chart 2.7 : Total expenditure - Expenditure by activities



Source: Finance Accounts

Expenditure on General Services decreased by ₹ 92.62 crore (2.83 *per cent*) from ₹ 3,273.58 crore in 2020-21 to ₹ 3,180.96 crore in 2021-22, Social Services expenditure increased by ₹ 57.43 crore (1.54 *per cent*) from ₹ 3,737.76 crore in 2020-21 to ₹ 3,795.19 crore in 2021-22 and expenditure on Economic Services decreased by ₹ 43.71 crore (1.66 *per cent*) from ₹ 2,629.43 crore in 2020-21 to ₹ 2,585.72 crore in 2021-22. Disbursement of Loans and Advances declined by ₹ 0.32 crore (11.03 *per cent*) from ₹ 2.90 crore in 2020-21 to ₹ 2.58 crore in 2021-22.

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 84.25 *per cent* (ranging from 77.12 *per cent* in 2017-18 to 89.47 *per cent* in 2021-22) of the total expenditure during the period 2017-22.

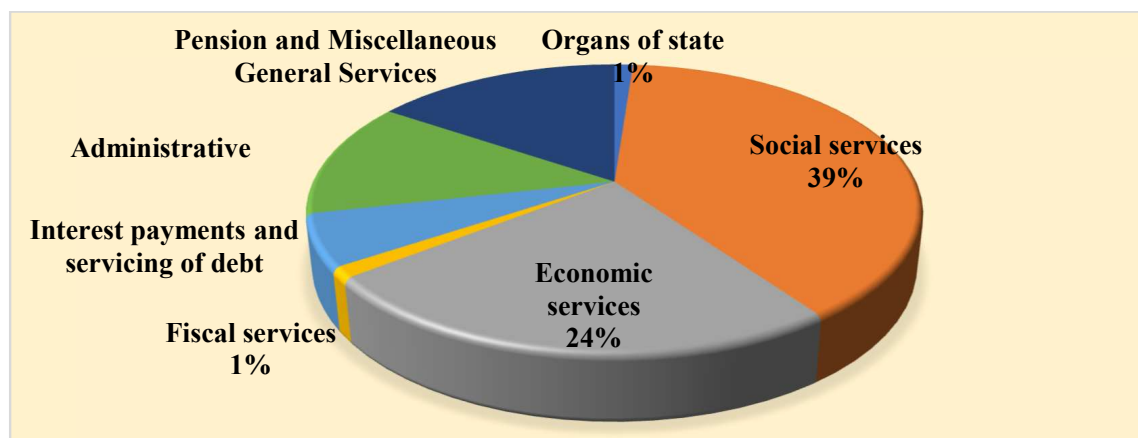
Rate of growth of Revenue Expenditure has displayed wide fluctuations during the five- year period 2017-22. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in **Table 2.18** and the sectoral distribution of Revenue Expenditure pertaining to 2021-22 is given in **Chart 2.8**.

Table 2.18 : Revenue Expenditure – Basic Parameters

(₹ in crore)					
Parameters	2017-18	2018-19	2019-20	2020-21	2021-22
Total Expenditure (TE)	8,922.07	9,414.58	10,909.26	9,643.67	9,564.45
Revenue Expenditure (RE)	6,880.77	7,505.59	9,453.95	8,514.80	8,557.49
Rate of Growth of RE (Per cent)	10.44	9.08	25.96	-9.93	0.50
RE/TE (Per cent)	77.12	79.72	86.66	88.29	89.47
RE/GSDP (Per cent)	35.49	34.25	37.83	34.46	34.50
RE/Revenue Receipts (Per cent)	80.19	83.03	97.88	110.00	93.43
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.82	0.70	1.74	0.64	1.31
Revenue Receipts (ratio)	0.65	1.70	3.79	0.08	0.03

Source: Finance Accounts of respective years

Revenue Expenditure as a percentage of GSDP increased from 34.46 *per cent* in 2020-21 to 34.50 *per cent* in 2021-22 and increased by 0.50 *per cent* (₹ 42.69 crore) from the previous year. Revenue Expenditure was lower by ₹ 658.89 crore *vis-à-vis* the assessment made in MTFP 2021-22 (₹ 9,216.38 crore) and stood at 93.43 *per cent* of Revenue Receipts for the year. The buoyancy of Revenue Expenditure with GSDP and Revenue Receipts was 1.31 and 0.08 respectively during 2021-22.

Chart 2.8 : Sector-wise distribution of revenue expenditure

Source : Finance Accounts

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 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Account	2020-21	2021-22	Increase (+)/ Decrease (-)
2210-Medical and Public Health	515.92	602.44	86.52
2406-Forestry and Wild Life	84.01	148.86	64.85
2217-Urban Development	179.31	235.77	56.46
2049-Interest Payment	400.98	450.64	49.66
2071-Pensions and Other Retirement Benefits	1,482.90	1,331.45	-151.45
2801-Power	806.30	700.99	-105.31
2501-Special Programmes for Rural Development	91.08	15.84	-75.24
2401-Crop Husbandry	205.45	174.47	-30.98
3054-Roads and Bridges	183.04	229.13	(+) 46.09

The table above shows only nine 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 ₹ 303.58 crore under the heads ‘Medical and Public Health’, ‘Forestry and Wild Life’, ‘Urban Development’ and ‘Interest Payments’ and ‘Roads and Bridges’. There was decreased in expenditure of ₹ 362.98 crore under the heads ‘Pensions and Other Retirement Benefits’, ‘Power’, ‘Special Programmes for Rural Development’ 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 2017-22. 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	2017-18	2018-19	2019-20	2020-21	2021-22
Salaries & Wages	2,400.82	2,739.45	3,211.44	3,320.51	3,280.69
Expenditure on Pensions	837.78	970.37	1,432.50	1,482.72	1,331.25
Interest Payments	339.20	368.68	343.12	400.99	450.64
Total	3,577.80	4,078.50	4,987.06	5,204.22	5,062.78
<i>As a percentage of Revenue Receipts (RR)</i>					
Salaries & Wages	27.98	30.31	33.25	42.90	35.82
Expenditure on Pensions	9.76	10.73	14.83	19.15	14.53
Interest Payments	3.95	4.08	3.55	5.18	4.92
Total	41.70	45.12	51.64	67.23	55.27
<i>As a percentage of Revenue Expenditure (RE)</i>					
Salaries & Wages	34.89	36.50	33.97	39.00	38.34
Expenditure on Pensions	12.18	12.93	15.15	17.41	15.56
Interest Payments	4.93	4.91	3.63	4.71	5.27
Total	52.00	54.34	52.75	61.12	59.16

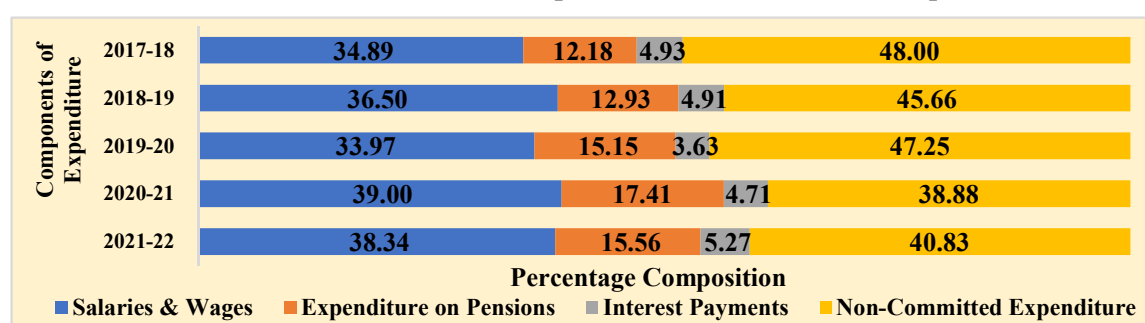
Source: Finance Accounts

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 2021-22, expenditure on Salaries and Wages accounted for 35.82 *per cent* of Revenue Receipts and 38.34 *per cent* of Revenue Expenditure. It increased from ₹ 2,400.82 crore during 2017-18 to ₹ 3,280.69 crore in 2021-22. The expenditure on Salaries and Wages decreased by ₹ 39.82 crore (1.20 *per cent*) compared to the previous year.

Over the five year period 2017-22, expenditure on Pension Payments increased by 58.90 *per cent* from ₹ 837.78 crore in 2017-18 to ₹ 1,331.25 crore in 2021-22. During the current year, Pension Payments decreased by ₹ 151.47 crore (10.22 *per cent*) over the previous year mainly due to decrease in the number of Pensioners and Family Pensioners by 1,169 and 365 respectively. Expenditure on Pension Payments accounted for approximately 14.53 *per cent* of Revenue Receipts and 15.56 *per cent* of Revenue Expenditure for the year.

Interest Payments in 2021-22 increased by ₹ 49.65 crore (12.38 *per cent*) as compared to 2020-21.

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 2021-22, Government of Mizoram collected ₹ 44.27 crore being employees' contribution and contributed ₹ 44.39 crore as employer's contribution (including ₹ 0.08 crore and ₹ 0.04 crore of 14 per cent contribution for AIS officers and direct credit of subscribers' contribution by various Mizoram Houses). Although a portion of the contribution for February 2022 (₹ 8.50 crore) was transferred in April 2022, total contribution for the year (₹ 88.66 crore) was transferred to NSDL leaving no undischarged liability.

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 2021-22 was ₹ 83.80 crore, a rise of ₹ 83.80 crore from ₹ 0.22 crore in 2020-21. 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 2017-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Subsidies (₹ in crore)	13.00	12.43	21.76	0.22	83.80
Subsidies as a percentage of Revenue Receipts	0.15	0.14	0.23	0.003	0.91
Subsidies as a percentage of Revenue Expenditure	0.19	0.17	0.23	0.003	0.98

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 2017-22 is given in **Table-2.22**.

Table 2.22 : Financial Assistance to Local Bodies, etc.

(₹ in crore)

Financial Assistance to Institutions	2017-18	2018-19	2019-20	2020-21	2021-22
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	342.41	348.40	404.66	369.12	395.60
Panchayati Raj Institutions/Urban Local Bodies	64.14	63.36	63.44	52.45	37.46
Autonomous District Councils	343.70	408.65	463.87	450.45	496.97
Other Institutions ¹⁵	928.36	840.20	1,604.74	908.81	973.61
Total	1,678.61	1,660.61	2,536.71	1,780.83	1,903.64
Revenue Expenditure	6,880.77	7,505.59	9,453.96	8,514.80	8,557.49
Assistance as percentage of Revenue Expenditure	24.40	22.12	26.83	20.91	22.25

Source: Finance Accounts

The grants extended to local bodies and other institutions increased by 6.90 *per cent* from ₹ 1,780.83 crore in 2020-21 to ₹ 1,903.64 crore in 2021-22. The increase in financial assistance by ₹ 122.81 crore in 2021-22 over 2020-21 was due to increase in assistance to Educational Institutions (₹ 26.48 crore), Autonomous District Councils (₹ 46.52 crore) and Other Institutions (₹ 64.80 crore) which was offset by a decrease in Urban Local Bodies (₹ -14.99 crore). Further, the share of financial assistance to Local Bodies and Other Institutions as percentage of Revenue Expenditure had also decreased from 24.40 *per cent* in 2017-18 to 22.25 *per cent* in 2021-22.

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.

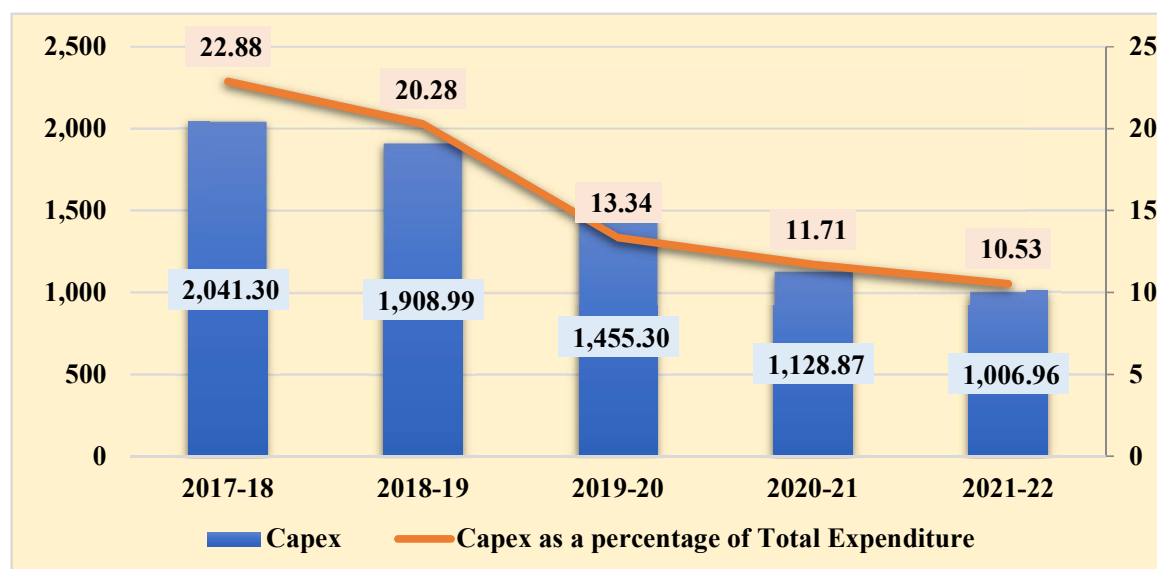
Scrutiny of Finance Accounts for the year 2021-22 showed that the Statement of Grants-in-Aid given by the State Government discloses the grants paid in cash while those paid in kind by the State Government were not disclosed and details in this regard were not furnished by the State Government.

2.6.3 Capital Expenditure

Capital Expenditure (Capex) is incurred to create assets and add to the infrastructure and service network. During 2021-22, Capital Expenditure of the State decreased by ₹ 121.91 crore (10.80 *per cent*) from ₹ 1,128.87 crore during 2020-21 to ₹ 1,006.96 crore during the current year. The share of Capital Expenditure as percentage of Total Expenditure dropped from 22.88 *per cent* during 2017-18 to 10.53 *per cent* in 2021-22. The trend of Capital Expenditure and its share as a percentage of Total Expenditure are indicated in **Chart 2.10**.

¹⁵ Other Institutions include five schemes which had received GIA of at least ₹ 50 crore MGNREGA (₹ 143.36 crore), National Health Mission (₹ 107.22 crore), Housing for All (₹ 71.70 crore), Smart City Mission (₹ 68.56 crore), PMGSY (₹ 82.59 crore) and MLA-LADS (₹ 60.00 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 2021-22 compared to 2020-21

(₹ in crore)

Major Heads of Accounts	2020-21	2021-22	Increase (+)/ Decrease (-)
4210-Capital Outlay on Medical and Public Health	24.75	80.67	55.92
4408-Capital Outlay on Food Storage and Warehousing	8.95	33.60	24.65
4215-Capital Outlay on Water Supply and Sanitation	247.47	173.87	-73.60
4217-Capital Outlay on Urban development	99.75	52.03	-47.72
4235-Capital Outlay on Social Security and Welfare	43.36	14.87	(-) 28.49
5053-Capital Outlay on Civil Aviation	45.30	7.84	-37.46

Source: Finance Accounts

The preceding table shows only the six 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 ₹ 80.57 crore under the head 'Capital Outlay on Medical and Public Health' and 'Capital Outlay on Food Storage and Warehousing' and decrease in expenditure of ₹ 187.27 crore under the heads 'Capital Outlay on Water Supply and Sanitation', 'Capital Outlay on Urban Development', Capital Outlay on Social Security and Welfare and 'Capital Outlay on Civil Aviation'.

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 State Public Sector Undertakings (SPSUs) 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 2017-22.

Table 2.24 : Return on Investment

Investment/return/cost of borrowings	2017-18	2018-19	2019-20	2020-21	2021-22
Investment at the end of the year (₹ in crore)	38.67	42.77	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)	4.84	5.04	4.29	4.32	4.41
Difference between interest rate and rate of return (per cent)	4.84	5.04	4.29	4.32	4.41
Difference between interest on Government borrowings and return on investment (₹ in crore)	1.87	2.16	1.83	1.85	1.89

Source: Finance Accounts

As on 31 March 2022, the State Government had invested¹⁶ ₹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 2021-22 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 5.04 per cent.

As of 31 March 2022, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of ₹ 56.28 crore¹⁷. Four¹⁸ out of six Government Companies, the accumulated losses were

¹⁶ Government Companies: ₹6.99 crore; Co-operative Bank, Societies, etc.: ₹35.78 crore

¹⁷ Zoram Industrial Development Corporation Limited: ₹13.90 crore; 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; Mizoram Agricultural Marketing Corporation Limited: ₹8.54 crore; and Aizawl Smart City Limited: ₹NIL.

¹⁸ Zoram Electronic Development Corporation Limited, Mizoram Handloom and Handicraft Development Corporation Limited, Zoram Industrial Development Corporation Limited and Aizawl Smart City Limited.

more than 84.25 *per cent* of their paid-up capital. The accumulated losses of the remaining two¹⁹ of these Government Companies whose net worth has completely been eroded as detailed in **Table 2.25**.

Table 2.25: Erosion of net worth of SPSEs*(₹ in crore)*

Sl. No.	Name of SPSEs (1)	Latest year of finalised accounts (2)	Total Paid Up Capital (3)	Net Profit (+)/ Loss (-) after interest, tax and dividend (4)	Accumulated loss (5)	Net Worth (6)	State Government Equity as on 31 March 2022 (7)	State Government Loans as on 31 March 2022 (8)
1	MAMCO ²⁰	2011-12	5.45	(-) 1.63	8.54	9.42	-	-
2	MIFCO ²¹	2014-15	20.00	(-) 1.59	20.91	22.16	-	-

Source: As per the Accounts of State Public Sector Undertakings.

Accumulation of huge losses by these SPSEs had eroded public wealth and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

2.6.3.4 Quantum of loans disbursed and recovered by the State Government

In addition to investments in Cooperative Societies, Corporations and Companies, the Government also provides loans and advances to many of these institutions/ organisations. Trends in quantum of loans disbursed and recovered show the Government's efficiency in disbursement of financial assistance and its subsequent recovery. Financial assistance in the form of loans and advances was provided to various departments and Government servants by Government of Mizoram as detailed in **Table 2.26**.

Table 2.26: Quantum of loans disbursed and recovered during five years*(₹ in crore)*

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance of loans outstanding	205.81	229.12	247.48	303.42	272.63
Amount advanced during the year	44.95	40.52	82.64	2.90	2.58
Amount recovered during the year	21.64	22.16	26.70	33.69	32.18
Closing Balance of the loans outstanding	229.12	247.48	303.42	272.63	243.03
Net addition	23.31	18.36	55.94	-30.79	-29.60
Interest received	26.41	27.85	22.55	17.37	13.45
Interest rate on Loans and Advances given by the Government.	12.14	11.69	8.19	6.03	5.22
Rate of Interest paid on the outstanding borrowings of the Government	10.86	11.24	9.48	8.88	8.36
Difference between the rate of interest paid and interest received (<i>per cent</i>)	-1.29	-0.44	1.29	2.85	3.14

Source: Finance Accounts of various years and information received from the State Government

¹⁹ Mizoram Agricultural Marketing Corporation Limited and Mizoram Food and Allied Industries Corporation Limited

²⁰ MAMCO - Mizoram Agriculture Marketing Corporation Limited

²¹ MIFCO - Mizoram Food & Allied Industries Corporation Limited

New loans given to entities without progress in recovery of outstanding loans from previous years is an indicator of loose financial control and is not beneficial for the State. During the period 2017-18 to 2020-21.

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 2.27** outlines the status of capital blocked in incomplete capital works.

Table 2.27 : Profile of incomplete projects as on 31 March 2022

Age profile of incomplete projects as on 31 March 2022				Department-wise profile of incomplete projects as on 31 March 2022			
₹ 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)
2017-18	25	230.07	195.47	Public Works Department	111	1,428.86	757.94
2018-19	45	535.49	353.20	PHED	8	131.15	134.91
2019-20	18	389.94	423.63	P&E	15	675.69	744.94
2020-21	9	227.51	239.94	Others ²²	17	248.35	220.48
2021-22	54	1,101.04	646.03				
Total	151	2,484.05	1,858.27	Total	151	2,484.05	1,858.27

Source: Finance Accounts (Vol-II)

Thus, the Capital Expenditure of ₹ 1,858.27 crore incurred on these 151 incomplete projects remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun²³ ranging from one to 10 years²⁴ on these 151 incomplete projects resulting in cost overrun of ₹ 97.74 crores²⁵ in various projects under PHED, P&E and PWD departments. 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.

²² Others include Minor Irrigation, UD&PA, School Education, EMRS (Social Welfare), NEC, NEDP, NLCPR, Police

²³ Oldest incomplete project was 'Construction of 5MW Tlawva SHP' which commenced in 2012 and was to be completed in 2015. The project remained incomplete as on 31 March 2022 as per Finance Accounts of that year.

²⁴ 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.

²⁵ 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

Analysis of Incomplete Projects

In order to better understand the causes and impact of capital blocked in incomplete projects, field audits were conducted on two Small Hydro Power (SHP) projects under Power and Electricity Department, Government of Mizoram, namely Construction of Tlawva SHP (5 MW) and Construction of Kawlhem SHP (4MW). Observations based on audit scrutiny are given in the following paragraphs –

(i) Construction of Tlawva SHP (5 MW):

The construction of Tlawva SHP (5 MW) commenced in March 2012 at an estimated cost of ₹ 57.49 crore. As per the agreement made between the P&E Department and M/S Nortech Power Projects Pvt. Ltd., the power project was supposed to be completed within 3 years from the date of commencement *i.e.* by March 2015.

However, it was observed that the power project was not yet completed as on 31 March 2022. Further, the progressive expenditure incurred in the project was ₹ 71.16 crore exceeding the estimated cost by ₹ 13.67 crore. The main reasons for delay of the power project as stated by the Department were due to heavy rainfall and landslides several times, political reasons which created obstacles for deployment of manpower at site, non-availability of skilled local mechanic during heavy machineries break-down, due to higher water level in riverbed at weir and tail race area and water leakage accident in the powerhouse, etc.

The department stated that the project was however completed and commissioned on 11 August 2022 with progressive expenditure of ₹ 72.21 crore. As such, the project was delayed and capital remained blocked for more than 7 years with cost overrun of ₹ 14.72 crore and failed to provide the intended benefits during the period.

(i) Construction of Kawlhem SHP (4 MW):

The construction of Kawlhem SHP (4 MW) commenced in August 2017 at an estimated cost of ₹ 49.60 crore. As per the agreement made between the P&E Department and M/S Nortech Power Projects Pvt. Ltd., the power project was supposed to be completed within 18 months from date of its commencement *i.e.* by March 2019.

However, it was observed that the power project was not yet completed as on 31 March 2022. Further, the progressive expenditure was ₹ 51.42 crore as on 31 March 2022. The main reasons for delay of the power project as stated by the Department were due to re-construction of Desilting tank damaged by landslide and other natural calamities like stone fall, massive floods, continuous rainfall, etc.

The Department stated that Pre-commissioning works had started and the project was expected to be commissioned during September 2022. The progressive expenditure incurred in the project as on August 2022, which had not changed since 31 March 2022, stood at ₹ 51.42 crore. As such the stated deadline of September 2022 for commissioning the project remained doubtful as there was no financial progress in the last five months (April to August 2022). Delays in implementation of the project caused blockage of capital for more than 3 and half years with cost overrun of ₹ 1.82 crore and also failed to provide the intended benefits for this period.

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-2.28** analyses the expenditure priority of the State Government with regard to Capital Expenditure (CE), Education and Health during 2021-22 by comparing these to the state's Total Expenditure (TE).

Table 2.28 : Expenditure priority of the State with regards to Health, Education and Capital expenditure

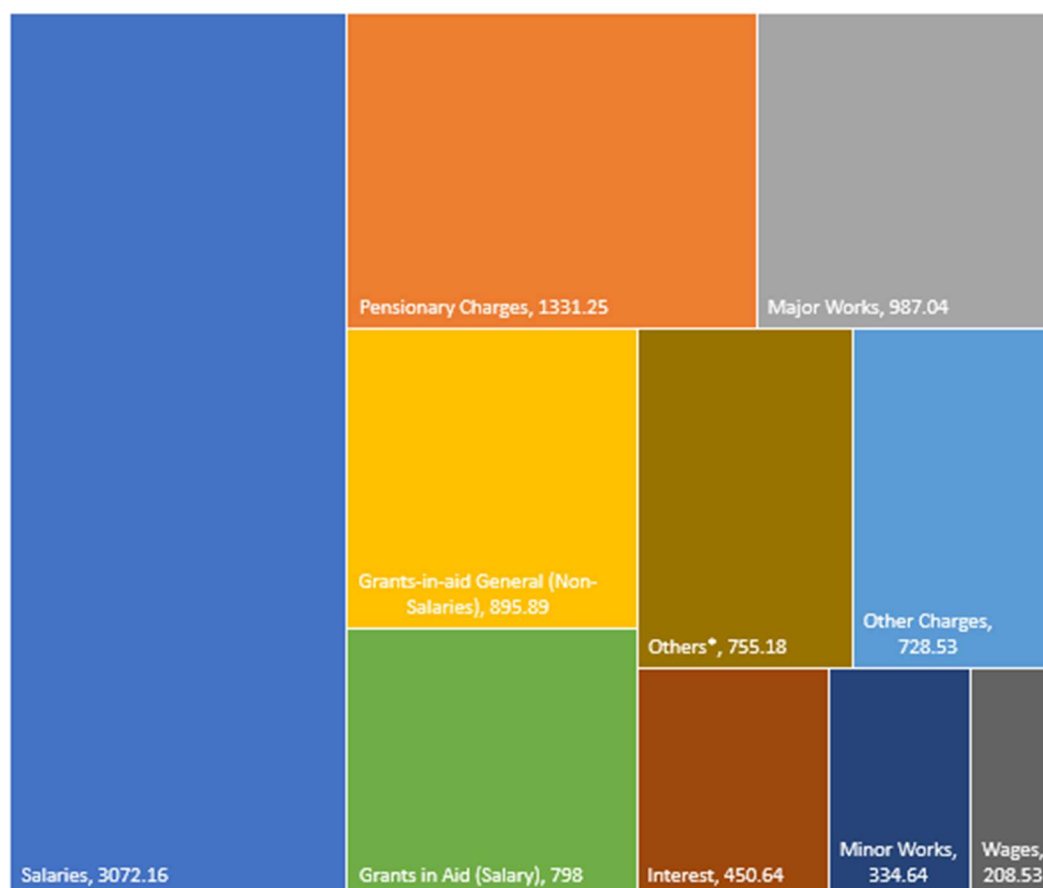
(In per cent)

	TE/GSDP	CE/TE	Education/TE	Health/TE	DE/TE
NE and Himalayan States Average (2017-18)	26.07	16.10	17.56	6.22	64.15
Mizoram	46.02	22.88	14.31	6.21	73.10
NE and Himalayan States Average (2021-22)	27.56	17.47	15.95	7.25	62.56
Mizoram	37.08	10.53	15.80	7.42	66.74

The State had a high TE-GSDP ratio as compared to the average for NE and Himalayan States. However, it fell from 46.02 *per cent* in 2017-18 to 37.08 *per cent* in 2021-22. When compared to TE, during the same period Capital expenditure fell by 12.35 *per cent* while expenditure on Education and expenditure on Health both grew by 1.49 *per cent* and 1.21 *per cent* respectively. Development Expenditure of the State as a percentage of TE was above the average of NE and Himalayan States in both 2017-18 and 2021-22.

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, Major Works, Grants in Aid (Non Salaries), 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 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 thus no outstanding balance as on 31 March 2022.

2.8 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.

2.8.1 Net Public Account Balances

The component-wise net balances in Public Account of the State are shown in **Table 2.29**.

Table 2.29 : Component-wise net balances in Public Account as of 31 March 2022

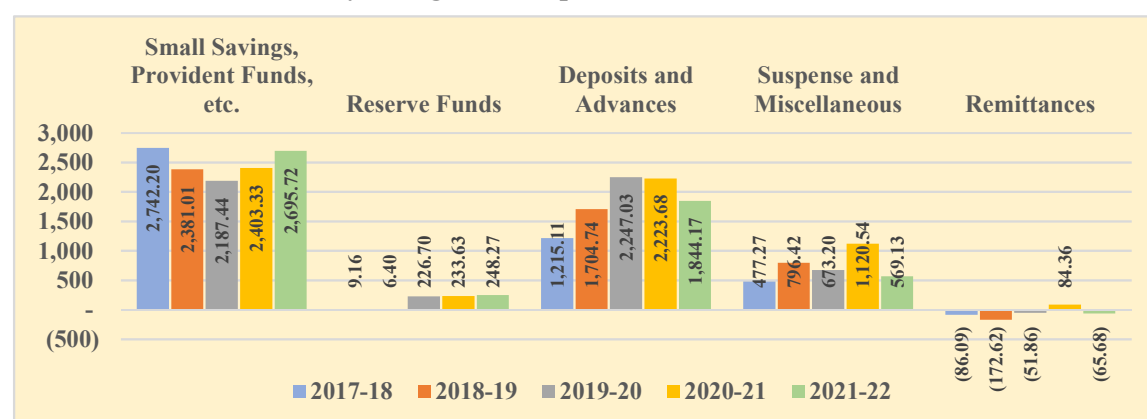
(₹ in crore)

Sector	Sub Sector	2017-18	2018-19	2019-20	2020-21	2021-22
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	2,742.20	2,381.01	2,187.44	2,403.33	2,695.72
J. Reserve Funds	(a) Reserve Funds bearing Interest	2.64	-0.12	220.18	227.11	241.75
	(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	1,212.12	1,701.31	2,243.54	2,230.12	1,850.61
	(c) Advances	0.44	0.88	0.94	-8.99	-8.99
L. Suspense and Miscellaneous	(b) Suspense	841.85	863.11	871.97	1,253.35	909.86
	(c) Other Accounts	-364.22	-66.33	-198.39	-132.43	-340.35
	(d) Accounts with Governments of Foreign Countries	-0.36	-0.36	-0.38	-0.38	-0.38
	(e) Miscellaneous	Nil	Nil	Nil	Nil	Nil
M. Remittances	(a) Money Orders, and other Remittances	-69.53	-159.49	-42.62	91.89	-58.52
	(b) Inter-Governmental Adjustment Account	-16.56	-13.13	-9.24	-7.53	-7.16
TOTAL		4,357.65	4,715.95	5,282.51	6,065.54	5,291.61

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

The yearly changes in composition of balances in Public Account over the five-year period 2017-22 are given in **Chart 2.12**.

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



Source: Finance Accounts of respective years

2.8.2 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 ₹ 680.96 crore. Out of this, ₹ 241.75 crore was under interest bearing Reserve Fund and ₹ 439.21 crore under Non-Interest bearing Reserve Fund. The status of Reserve Funds is discussed in greater details in the following paragraphs.

2.8.2.1 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. The SDRF is to be used only for meeting the expenditure for providing immediate relief to the victims of a disaster and provision for disaster preparedness, restoration, reconstruction and mitigation should not be a part of SDRF. Such expenditure has to be built into the normal budgetary heads of the State.

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. 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 2021-22, the State Government received ₹ 37.60 crore as Central Government's share of SDRF. The State Government's share during the year was ₹ 4.18 crore. The State Government transferred ₹ 22.30 crore (Central share ₹ 18.80 crore, State share ₹ 3.50 crore) to the Fund under Major Head 8121-122 SDRF. Thus, the state short-transferred ₹ 19.48 crore (₹ 18.80 crore being central share and ₹ 0.68 crore being state share) into SDRF. The State did not receive fund from the Central Government towards National Disaster Response Fund (NDRF) during 2021-22.

The contributions to the Fund, expenditure and the balance therein are as shown in **Table 2.30:**

Table 2.30 : State Disaster Response Fund*(₹ in crore)*

Opening balance (01 April 2021)	Details of contribution received during 2021-22						Amount set off (MH 2245-05)	Balance in the fund	Invested by RBI/State Government during the year
	Centre	State Share	Interest	NDRF	Others	Total			
40.13	18.80	3.50	0.99	Nil	0.36	23.65	22.21	41.57	Nil

Source : Finance Accounts

The expenditure of ₹ 22.21 crore incurred on natural calamities was set off (MH 2245) against the Fund balance of ₹ 63.78 crore. The balance lying under the Fund as at the end of 31 March 2022 was ₹ 41.57 crore.

(B) State Compensatory Afforestation Fund:

In Rule 2 (6) of the Compensatory Afforestation Fund (Accounting procedure) Rules, 2018 issued by the Ministry of Environment, Forest and Climate Change and adopted by the Government of Mizoram, it is prescribed that monies received by the State Governments from user agencies is to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor head level below the Major Head 8336 Civil Deposits. 90 *per cent* of the fund needs to be transferred to the Major Head 8121 General and Other Reserve Funds in Public Account of State and balance 10 *per cent* is to be credited into the National Fund on yearly basis provided that the credit of 10 *per cent* Central share of funds should be ensured on monthly basis so that the same is transferred to the National Fund.

Up to 2021-22, the State did not follow these guidelines and did not operate the Fund under 8336 Civil Deposits. As per the information furnished by the Government of Mizoram, ₹ 3.06 crore had been deposited by User Agencies directly in the official Bank Account maintained by State Authority, CAMPA. The monies received were utilized by the Department directly from the Bank Account with due approval from Finance Department, Government of Mizoram without deducting/remitting the 10 *per cent* to the National Fund. Additionally, the Government did not receive any amount from National Compensatory Afforestation Deposits during the past two years. As per the Accounts, the total balance in the State Compensatory Afforestation Fund as on 31 March 2022 was ₹ 200.18 crore.

2.8.2.2 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 Funds (8235 General and Other Reserve Funds 101 General Reserve Funds of Government Commercial Departments/Undertakings) and (ii) Other Funds (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.

During the year 2021-22, Government contributed ₹ 45.15 crore to the fund as against ₹ 49.41 crore it was required to contribute to the fund, resulting in short contribution by ₹ 4.26 crore. The total accumulation of the Fund was ₹ 391.19 crore as on 31 March 2022 (₹ 346.04 crore as on 31 March 2021). The position of contribution to CSF against the actual requirement during 2017-22 is shown in **Table-2.31**.

Table-2.31: Details of contribution *vis-à-vis* requirement in CSF

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding fiscal liability of the previous year	6,725.00	7,300.30	7,315.54	8,678.26	9,881.09
Requirement (minimum 0.50 <i>per cent</i> of previous year's liabilities)	33.63	36.50	36.58	43.39	49.41
Actual Contribution	40.00	36.00	-	37.00	45.15
Shortfall	-6.38	0.50	36.58	6.39	4.26

Source: Finance Accounts of respective years

(B) 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. The total accumulation of the Fund was ₹ 41.50 crore as on 31 March 2022. The entire amount had been invested by RBI (₹ 39.50 crore as on 31 March 2021).

During 2021-22, Government of Mizoram had issued fresh guarantee of ₹ 2.50 crore to Mizoram Co-operative Bank Ltd. Further, guarantees to the extent of ₹ 5.82 crore (₹ 4.92 crore discharged and ₹ 0.90 crore not yet discharged) were invoked and ₹ 10.15 crore was deleted.

Under the Government Guarantee Act 2013, the Government shall charge a minimum of 0.75 *per cent* of the guaranteed amount as guarantee commission which worked out to ₹ 1.03 crore. No guarantee commission was received by the State Government during the year.

2.8.3 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 ₹ 22.06 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 2021-22, an expenditure of ₹ 22.06 crore was incurred on Construction of Roads (CRF) under Major Head 5054 Capital Outlay on Roads and Bridges.

2.8.4 Expenditure on Ecology and Environment under MH-3435

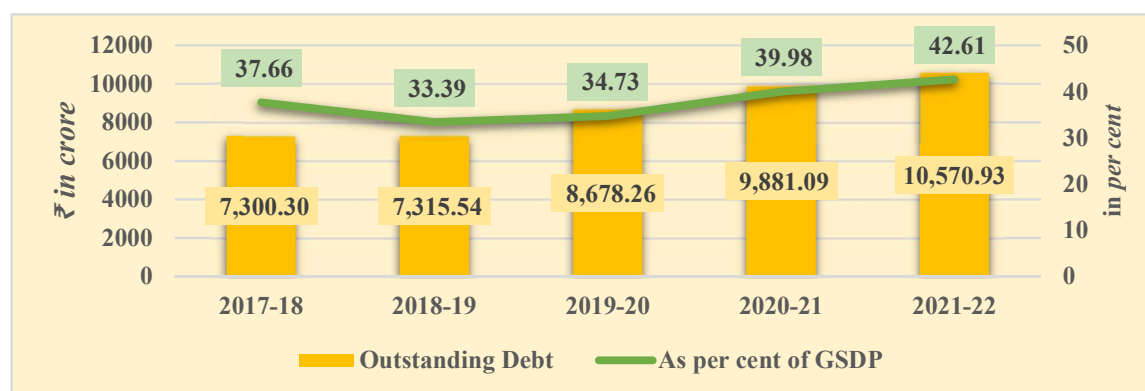
The National Environment Policy, 2006 is intended to mainstream environmental concerns in all developmental activities. The Budget and Expenditure data relating to nomenclature viz., “Environment”, “Waste Management”, “Prevention and Control of Pollution”, “Environment Research and Education” and “Environmental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

During 2021-22, the Government of Mizoram incurred ₹ 1.52 crore against the budget allocation of ₹ 1.62 crore under Major Head 3435 Ecology and Environment. During the previous year 2020-21, the Government of Mizoram incurred ₹ 1.45 crore against the budget allocation of ₹ 1.45 crore under Major Heads 3435. Details may be seen in **Appendix III**.

2.9 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 2017-22 as well as the percentage of debt to GSDP.

Chart 2.13 : Trend of Outstanding Debt during 2017-22



Source: Finance Accounts

2.9.1 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 in the following page.

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.	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 2022 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)
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.

Item	What it means	Interest rate
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 2021-22 was ₹ 10,570.93 crore of which, 45.38 *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 2017-22 are given in **Table-2.32**.

Table 2.32 : Component wise debt trends

		(₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Overall Debt		7,300.30	7,315.54	8,678.26	9,881.09	10,570.93
Public Debt	Internal Debt	3,057.24	2,958.10	3,758.92	4,527.09	5,002.62
	Loans from GoI	277.04	266.17	259.11	484.36	771.16
Liabilities on Public Account		3,966.02	4,091.27	4,660.23	4,869.64	4,797.15
Off Budget Borrowings		-	-	-	-	-
Rate of growth of outstanding Overall debt (<i>percentage</i>)		8.55	0.21	18.63	13.86	6.98
Gross State Domestic Product (GSDP)		19,385.33	21,912.08	24,989.60	24,712.26	24,807.08
Debt/GSDP (<i>per cent</i>)		37.66	33.39	34.73	39.98	42.61
Total Debt Receipts		3,048.72	2,517.05	4,277.17	4,963.79	6,679.68
Total Debt Repayments		2,473.43	2,501.81	2,914.45	3,760.96	5,989.84
Total Debt Available		575.29	15.24	1,362.72	1,202.83	689.84
Debt Repayments/Debt Receipts (<i>percentage</i>)		81.13	99.39	68.14	75.77	89.67

Source: Finance Accounts

As shown in the table above, overall debt has been increasing steadily during the period 2017-18 to 2021-22 from ₹ 7,300.30 crore in 2017-18 to ₹ 10,570.93 crore in 2021-22, an increase of ₹ 3,270.63 crore (44.80 *per cent*) while it grew by ₹ 689.84 crore (6.98 *per cent*) compared to the previous year.

Chart 2.14 shows the components of outstanding overall debt as on 31 March 2022. As shown in the chart, 93 *per cent* of outstanding debt was made up of Internal Debt (₹ 5,002.62 crore) and Liabilities on Public Account (₹ 4,797.15 crore) while only seven *per cent* consisted of Loans from GoI (₹ 771.16).

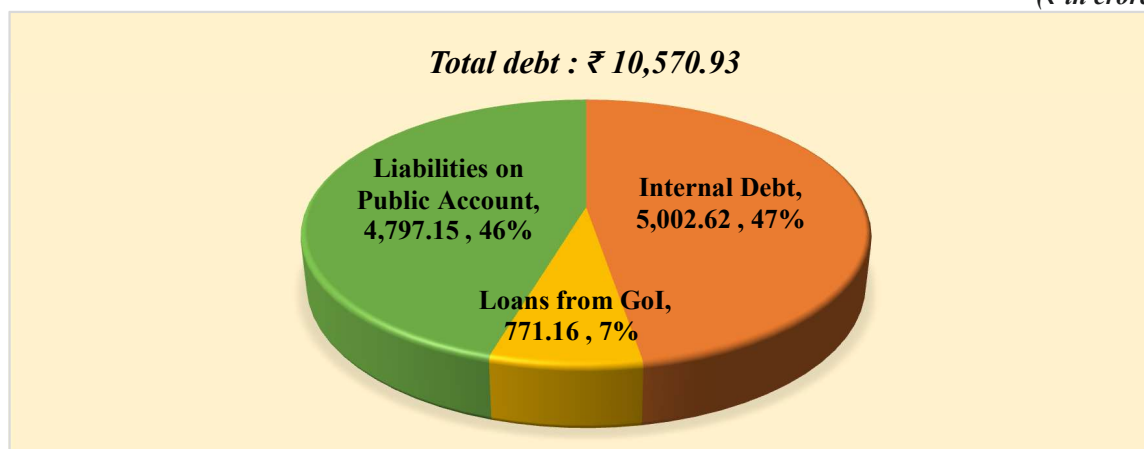
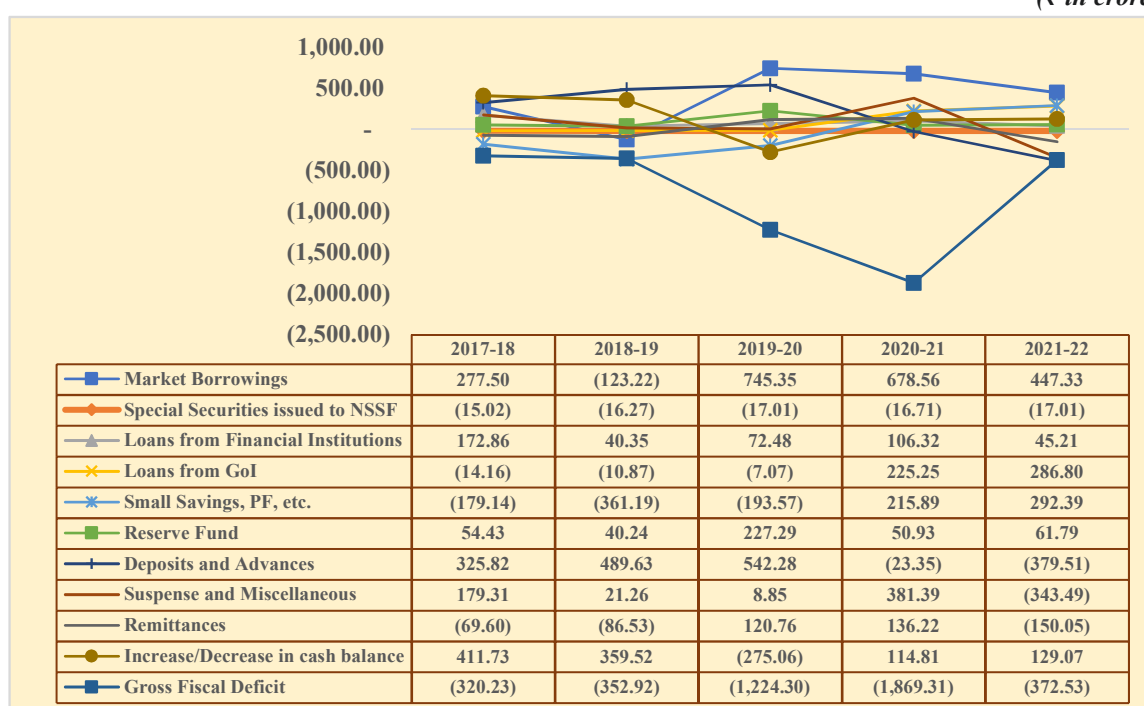
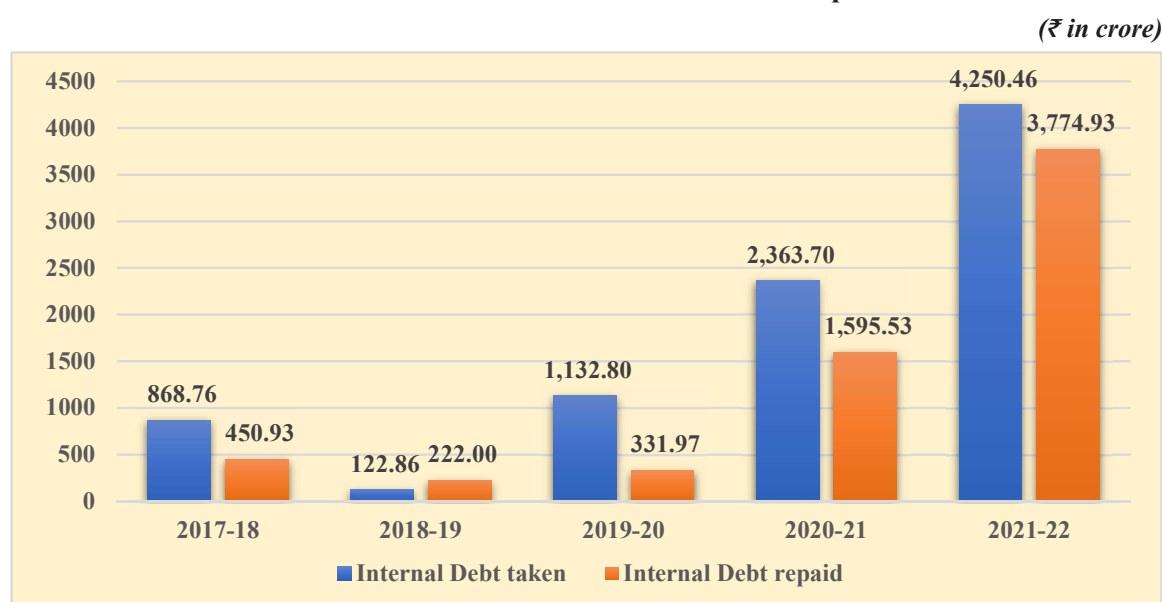
Chart 2.14: Break Up of Outstanding Overall Debt at the end of 31 March 2022*(₹ in crore)*

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

Chart 2.15 : Components wise debt trends*(₹ in crore)*

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 2017-22.

Chart 2.16 : Internal Debt taken *vis-a-vis* repaid

Source: Finance Accounts

As may be seen from the chart, the amount of internal debt taken by the State has been steadily increasing from ₹ 122.86 crore in 2018-19 to ₹ 4,250.46 crore in 2021-22, an increase of ₹ 4127.60 crore (3,359.60 *per cent*). Internal debt taken during the year also increased by ₹ 1,886.72 crore (79.86 *per cent*).

Table 2.33: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
Composition of Fiscal Deficit (-)/ Fiscal Surplus (+)		-320.23	-352.92	-1,224.30	-1,869.31	-372.53
1	Revenue Surplus(+) / Revenue Deficit (-)	1,699.43	1,533.91	204.30	-774.13	602.25
2	Net Capital Expenditure	-1,996.35	-1,868.47	-1,372.67	-1,125.97	-1,004.38
3	Net Loans and Advances	-23.31	-18.36	-55.94	30.79	29.59
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	277.50	-123.22	745.35	678.56	447.33
2	Special Securities issued to NSSF	-15.02	-16.27	-17.01	-16.71	-17.01
3	Loans from Financial Institutions	172.86	40.35	72.48	106.32	45.21
4	Loans from GoI	-14.16	-10.87	-7.07	225.25	286.80
5	Small Savings, PF, etc.	-179.14	-361.19	-193.57	215.89	292.39
6	Reserve Fund	54.43	40.24	227.29	50.93	61.79
7	Deposits and Advances	325.82	489.63	542.28	-23.35	-379.51
8	Suspense and Miscellaneous	179.31	21.26	8.85	381.39	-343.49
9	Remittances	-69.60	-86.53	120.76	136.22	-150.05
10	Overall Deficit	731.96	-6.60	1,499.36	1,754.50	243.46
11	Increase/Decrease in cash balance	411.73	359.52	-275.06	114.81	129.07
12	Gross Fiscal Deficit (-)/Fiscal Surplus (+)	-320.23	-352.92	-1,224.30	-1,869.31	-372.53

Source: Finance Accounts

2.9.2 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 2021-22, the maturity profile of public debt is shown in **Table 2.34**.

Table 2.34: Debt Maturity Profile of State Debt

(₹ in crore)

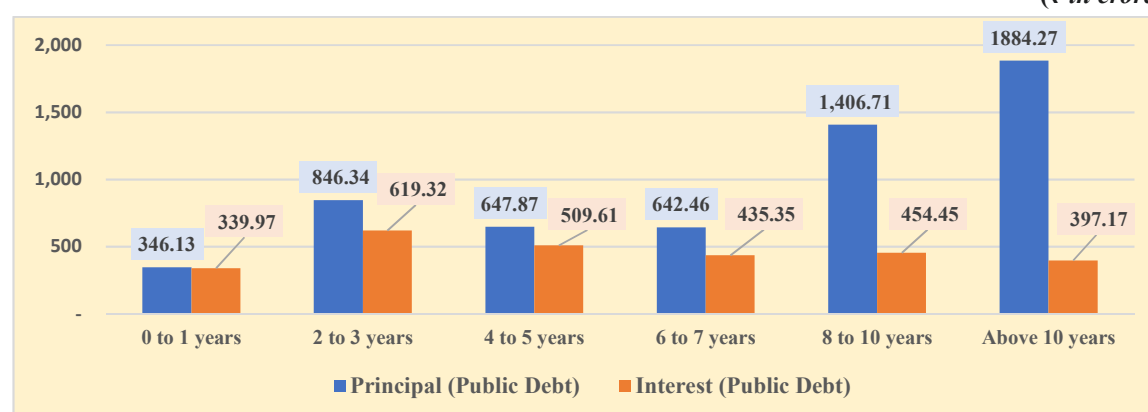
Year of Maturity	Period of repayment (Years)	Amount (₹ in crore)			Percentage (w.r.t. Public Debt)	Interest due ¹⁵
		Internal Debt	Loans and advances from GoI	Total		
By 2022-23	0 to 1	322.11	24.02	346.13	6.00	339.97
Between 2023-24 & 2024-25	2 to 3	797.38	48.96	846.34	14.66	619.32
Between 2025-26 & 2026-27	4 to 5	616.03	31.84	647.87	11.22	509.61
Between 2027-28 & 2028-29	6 to 7	623.01	19.45	642.46	11.13	435.35
Between 2029-30 & 2031-32	8 to 10	1,386.09	20.62	1,406.71	24.36	454.45
2032-33 onwards	Above 10 years	1,258.00	626.27	1,884.27	32.63	397.17
Total		5,002.62	771.16	5,773.78	100.00	2,755.87

Source: Finance Accounts

Repayment schedule of the outstanding public debt along with interest has been given in **Chart 2.17**.

Chart 2.17: Repayment schedule of Public Debt

(₹ in crore)



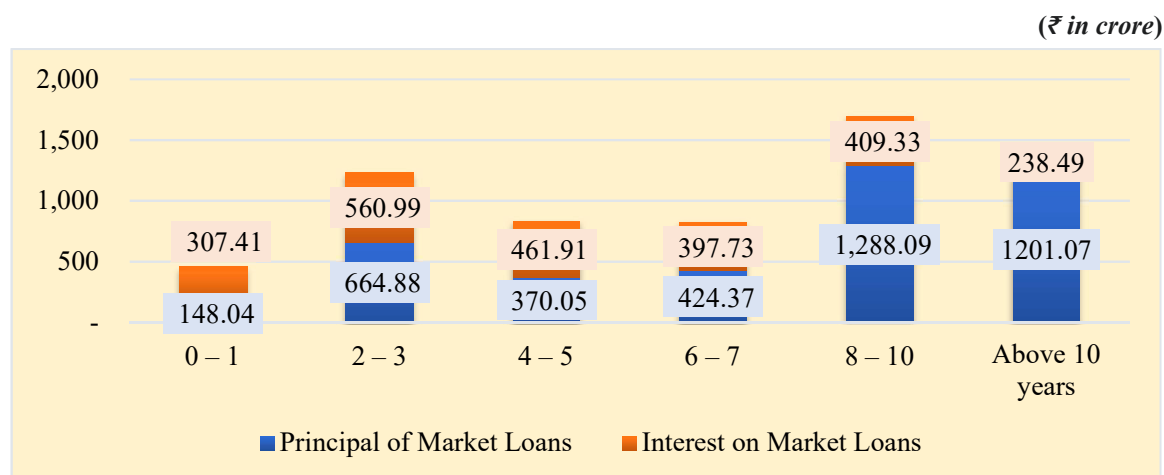
Source: Finance Accounts

As on 31 March 2022, the maturity profile of outstanding stock of Public Debt was ₹ 5,773.78 crore out of which ₹ 3,889.52 crore (67.37 per cent) was to attain maturity in the coming 10 years. This balance amount of ₹ 1,884.26 crore (32.63 per cent) was in maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 2,755.87 crore. Out of this, interest of ₹ 2,301.42 crore was payable during the next 10 years up to 2031-32.

Market Loans

The maturity profile of outstanding market loans and interest to be paid thereon over the next ten years is detailed in Chart 2.18.

Chart 2.18: Repayment schedule of market loans



Source: Finance Accounts

As on 31 March 2022, the maturity profile of outstanding Market Loans of ₹ 4,096.49 crore and interest of ₹ 2,375.86 crore out of which ₹ 2,895.42 crore (70.68 per cent) was to attain maturity in the coming 10 years. This balance amount of ₹ 1,201.07 crore (29.32 per cent) was in maturity bracket of more than 10 years. Interest payable on outstanding market loans during the next 10 years up to 2031-32 will be ₹ 2137 crore.

2.10 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 amount of debt raises many 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, 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 2.35**.

Table 2.35: Trends in Debt Sustainability Indicators

(*₹ in crore*)

Debt Sustainability Indicators	2017-18	2018-19	2019-20	2020-21	2021-22
Outstanding Public Debt*	3,334.28	3,224.27	4,018.03	5,011.45	5,773.78
Rate of Growth of Outstanding Public Debt	14.46	-3.30	24.62	24.72	15.21
GSDP	19,385.33	21,912.08	24,989.60	24,712.26	24,807.08
Rate of Growth of GSDP	12.76	13.03	14.04	-1.11	0.38
Debt/GSDP (<i>per cent</i>)	17.20	14.71	16.08	20.28	23.27
Debt Maturity profile of repayment of State debt – including default history, if any	61.54	66.71	56.97	53.72	43.00
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.17	8.68	7.13	7.00	6.41
Percentage of Interest payment to Revenue Receipt	2.97	3.15	2.67	4.08	3.77
Percentage of Public Debt Repayment to Public Debt Receipt	52.90	181.96	30.84	61.96	83.28
Net Debt available to the State [#]	165.98	-394.69	535.64	677.44	416.69
Net Debt available as <i>per cent</i> to Debt Receipts	18.56	-294.06	46.67	25.94	9.14
Debt Stabilisation (Quantum spread + Primary Deficit)	152.69	155.43	-658.31	-1,794.15	-224.07

Source: Finance Accounts

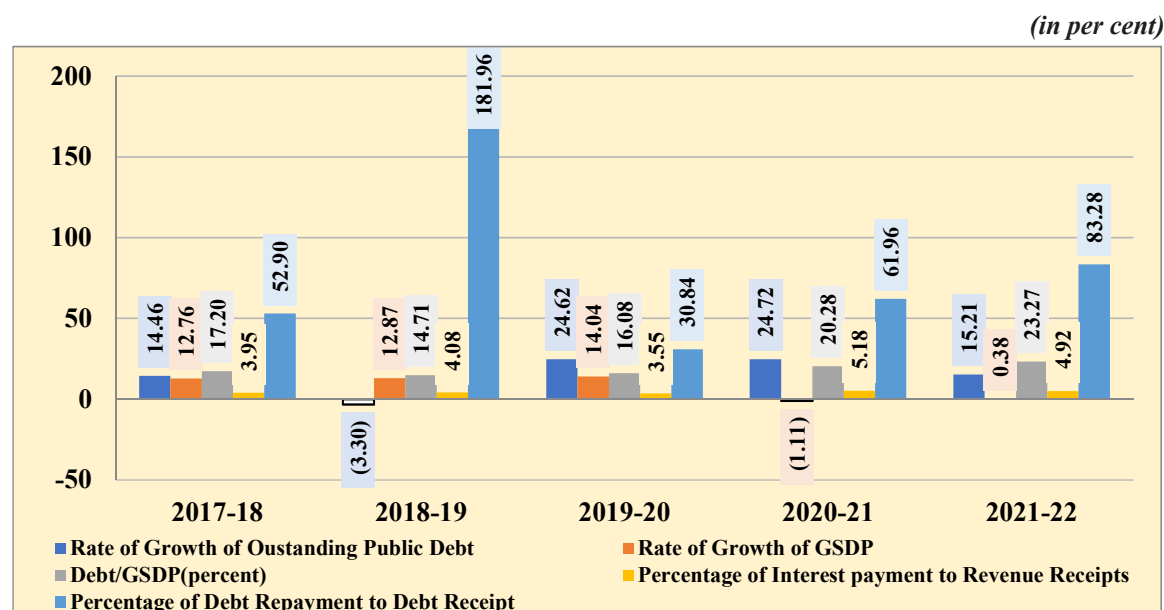
* Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government. [#]Net Debt available to the State Government is calculated as excess of Public Debt receipts over Public Debt repayment and interest payment on Public 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 lower than the previous year's by ₹ 260.75 crore and stood at 9.14 *per cent* of Debt Receipts of the State Government for the year.
- The percentage of debt repaid to the debt received was 83.28 *per cent* and fluctuated between 30.84 to 181.96 *per cent* during the five-year period.
- Rate of growth of outstanding debt had decreased from 24.72 *per cent* in the previous year to 15.21 *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 43.00 *per cent* of debt within the ensuing seven years.
- Average Interest Rate of Outstanding Public Debt during the last five years was highest during 2018-19 at 8.68 *per cent*. It decreased by 0.59 *per cent* over the previous year and stood at 6.41 *per cent* for the current year.

- g) Interest payments made up 3.77 *per cent* of Revenue Receipts for the current year falling from 4.08 *per cent* in the previous year.

Chart 2.19: Trends of Debt Sustainability indicators



Source : Finance Accounts

2.10.1 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 2.36** shows the trend of utilisation of borrowed funds during the period 2016-21 for the State Government.

Table 2.36 : Utilisation of borrowed Funds²⁷

(₹ in crore)

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Total Borrowings	894.14	134.22	1,147.68	2,611.32	4,560.28
Repayment of earlier borrowings (Principal)	472.96	244.23	353.92	1,617.89	3,797.95
(As a percentage to Total Borrowings)	(52.90)	(181.96)	(30.84)	(61.96)	(83.28)
Net capital expenditure	1,996.35	1,868.47	1,372.67	1,125.97	1,004.38
Net loans and advances	-23.31	-18.36	-55.93	(-)30.79	29.59

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 83.28 *per cent* during the current year compared to 61.96 *per cent* during the previous year. Net Capital Expenditure was once again lower than the Total Borrowings of the State.

2.10.2 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. As per the Mizoram Ceiling on

²⁷ Values in Table 2.35 differ from SFAR 2019-20 due to change in methodology of calculation.

Government Guarantees Rules, 2013, the total outstanding Government Guarantees as on the first day of April of any year shall not exceed 25 *per cent* of the Gross State Domestic Product (GSDP) estimated for the year. The maximum amount for which guarantees were given by the Government and outstanding guarantees for the last five years are given in **Table-2.37**.

Table 2.37 : Guarantees given by the State Government

	(₹ in crore)				
Guarantees	2017-18	2018-19	2019-20	2020-21	2021-22
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	4,846.33	5,478.02	6,247.40	6,178.07	6,201.77
Outstanding amount of guarantees including interest	133.92	97.99	140.66	138.62	125.46

Source: Finance Accounts

The outstanding guarantees of ₹ 138.62 crore as on 1 April 2021, worked out to 0.56 *per cent* of GSDP (₹ 24,807.08 crore) and were within the limits prescribed.

During 2021-22, no amount was received by the State Government towards guarantee commission. Under the Government Guarantee Act 2011, the Government shall charge a minimum of 0.75 *per cent* of the guaranteed amount as guarantee commission which worked out to ₹ 1.03 crore.

2.10.3 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/Overdrafts amounting to ₹ 3,352.25 crore from the RBI during 2021-22 and was able to repay the entire amount including the interest of ₹ 2.32 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 2021-22 are shown in **Table-2.38**.

Table 2.38 : Cash Balances and their investment

(₹ in crore)

Particulars	Opening balance on 01 April 2021	Closing balance on 31 March 2022
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	-123.35	-507.49
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	-123.35	-507.49
Investments held in Cash Balance investment account	130.94	338.12
Total (A)	7.59	-169.37
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	1.49	2.23
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	385.54	432.69
Total (B)	387.03	434.92
Total (A + B)	394.62	265.55
Interest realised	1.75	28.38

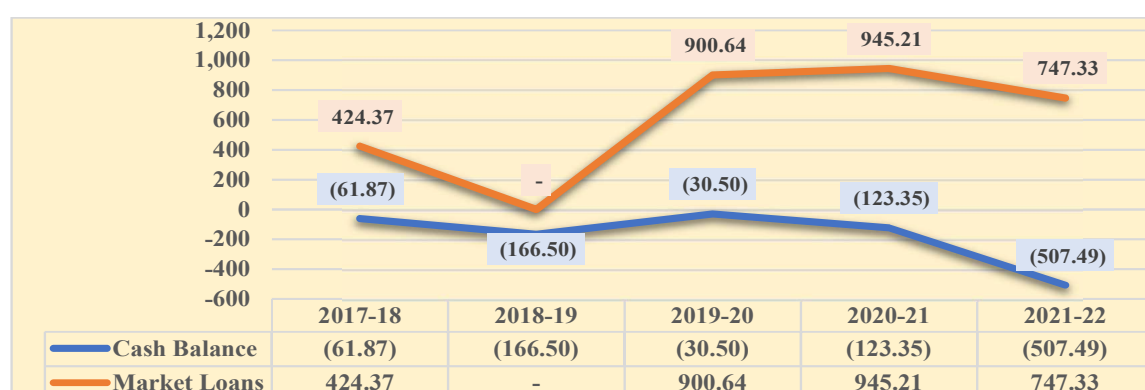
Source: Finance Accounts

Cash Balance of the State Government at the end of the current year decreased by ₹ 129.07 crore from ₹ 394.62 crore in 2020-21 to ₹ 265.55 crore in 2021-22. 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 ₹ 28.38 crore during 2021-22 from the investments made in GoI Securities and Treasury Bills. Investment held in Cash Balance Investment Account stood at ₹ 338.12 crore as on 31 March 2022.

Out of the investment of ₹ 432.69 crore of earmarked funds, ₹ 391.19 crore was invested out of Consolidated Sinking Fund and ₹ 41.50 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 2017-22 is shown in **Chart 2.20**

Chart 2. 20 : Trend of Cash Balance and Market Loans during 2017-22



Source: Finance Accounts

2.11 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.

2.11.1 Conclusion

Revenue Receipts during the year 2021-22 was ₹ 9,159.74 crore which had increased by ₹ 1,419.07 crore (18.33 *per cent*) from the previous year. State's Own Tax Revenue increased by ₹ 206.38 crore (31.87 *per cent*) from the previous year while Non-Tax revenue increased by ₹ 60.36 crore (10.74 *per cent*). Compared to the previous year, State's Share of Union taxes and Duties increased by ₹ 1,212.31 crore (40.27 *per cent*) while Grants-in-Aid from GoI decreased by ₹ 59.98 crore (1.70 *per cent*).

In the five years during which the GST Act has been in effect, revenue collected by Government of Mizoram through SGST had risen by ₹ 462.58 crore (272.49 *per cent*) from ₹ 169.76 crore in 2017-18 to ₹ 632.34 crore in 2021-22. This amount included Advance Apportionment of IGST (₹ 18.78 crore). In addition, the State received ₹ 1,268.97 crore as its share of net proceeds assigned to the State under Central Goods and Services Tax. The total receipts under GST were ₹ 1,901.31 crore.

Revenue expenditure during the year 2021-22 was ₹ 8,557.49 crore (89.47 *per cent*) against the total expenditure of ₹ 9,564.45 crore. Committed expenditure like salary & wages, pension, interest payments which had been rising steadily during the last four years fell in 2021-22. Committed expenditure during 2021-22 was ₹ 5,062.78 crore (55.27 *per cent* of the Revenue Receipts and 59.16 *per cent* of the Revenue Expenditure).

Capital Expenditure decreased by ₹ 121.59 crore (10.80 *per cent*) from ₹ 1,125.97 crore to ₹ 1,004.38 crore.

As on 31 March 2022, 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 2021-22 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 between 4.29 and 5.04 *per cent*.

Capital Expenditure of ₹ 1,858.27 crore incurred on 151 incomplete projects (in all departments) 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 151 incomplete projects resulting in cost overrun of ₹ 97.74 crores in various projects under PHED, P&E and PWD departments.

During the year 2021-22, the State Government received ₹ 37.60 crore as Central Government's share of SDRF; accordingly, the State Government's share during the year was ₹ 4.18 crore. The State Government transferred ₹ 22.30 crore (Central share ₹ 18.80 crore against actual receipts of ₹ 37.60 crore from Central Government and State share ₹ 3.50 crore) to the Fund under Major Head 8121-122 SDRF. Thus, the state short-

transferred ₹ 19.48 crore (₹ 18.80 crore being central share and ₹ 0.68 crore being state share) into SDRF.

In the year 2021-22, Government contributed ₹ 45.15 crore to the Consolidated Sinking Fund as against ₹ 49.41 crore it was required to contribute to the fund, resulting in short contribution by ₹ 4.26 crore. The total accumulation of the Fund was ₹ 391.19 crore as on 31 March 2022 (₹ 346.04 crore as on 31 March 2021).

The State's outstanding liabilities increased from ₹ 9,881.09 crore in 2020-21 to ₹ 10,570.93 crore in 2021-22, whereas Debt/GSDP ratio increased from 39.98 *per cent* to 42.61 *per cent* during the same period.

As on 31 March 2022, the maturity profile of outstanding stock of Public Debt was ₹ 5,773.78 crore out of which ₹ 3,889.52 crore (67.37 *per cent*) was to attain maturity in the coming 10 years. This balance amount of ₹ 1,884.26 crore (32.63 *per cent*) was in maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 2,755.87 crore. Out of this, interest of ₹ 2,301.42 crore was payable during the next 10 years up to 2031-32.

As of 31 March 2022, there were six working Government Companies in the State. As per their latest finalised annual accounts, these Companies had accumulated losses of ₹ 57.26 crore. Out of this, accumulated losses of the two Government Companies whose net worth has completely been eroded.

The State Government had utilised borrowed funds of ₹ 3,797.95 crore (82.28 *per cent*) for re-payment of earlier borrowings (principal) and the balance amount of borrowed funds of ₹ 762.33 crore (17.72 *per cent*) was utilised for other expenditure.

The State had Outstanding guarantees of ₹ 125.46 crore including interest as on 31 March 2022. The outstanding guarantees of ₹ 138.62 crore as on 1 April 2021 worked out to 0.56 *per cent* of Gross State Domestic Product (GSDP) and was within the limit prescribed in Mizoram Ceiling on Government Guarantees Rules.

2.11.2 Recommendations

- i) *State Government may take necessary measures to increase both Tax and Non-Tax sources of revenue to augment its income sources.*
- ii) *State Government needs to review its investments in loss making enterprises and take corrective action to reduce the fiscal burden on the exchequer.*
- iii) *The State Government Should transfer Central and State shares of State Disaster Response Fund to Public Account under Major head 8121 .*

CHAPTER-3

BUDGETARY MANAGEMENT

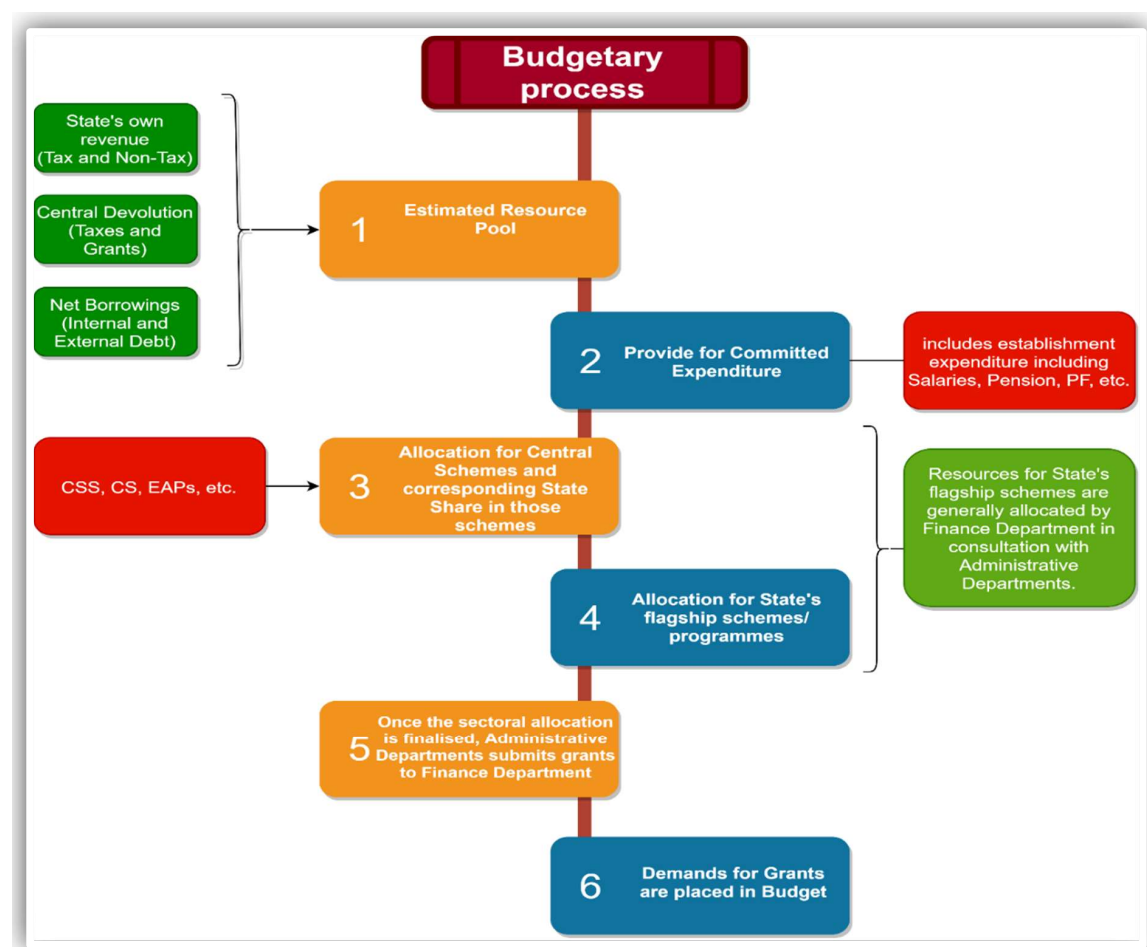
Chapter 3: Budgetary Management

3.1 Introduction

Effective financial management ensures that decisions taken at the policy level are implemented successfully at the administrative level without wastage or diversion of funds. This Chapter reviews the allocative priorities of the State Government and comments on the transparency of budget formulation and effectiveness of its implementation.

3.2 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is shown below.



CSS: Centrally Sponsored Schemes; CS: Central Schemes.

The Finance Bill, Annual Financial Statement (Budget), and Demands for Grants are mandated by Articles 199, 202 and 203 of the Constitution of India, respectively.

Article 202 of Constitution of India requires laying of a statement of the estimated receipts and expenditure of the State for that year, as the “Annual Financial Statement” before the House or Houses of the Legislature of the State. The annual financial statement should show expenditure charged on consolidated fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

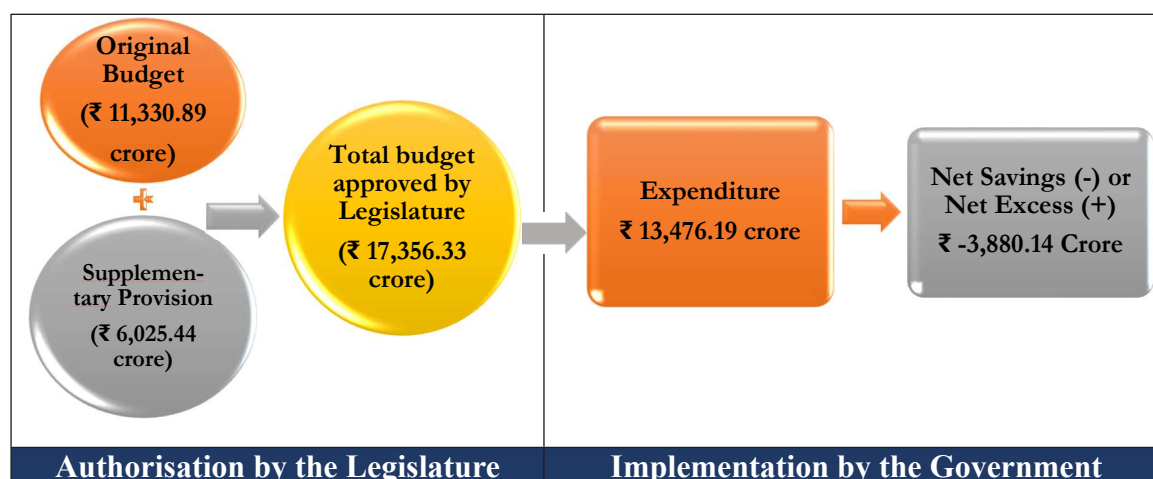
The annual financial statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands for Grants are shown according to the accounting classification under Article 150 of the Constitution.

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with provisions of Article 204 of the Constitution. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year, in accordance with Article 205 of the Constitution. It is the provision for meeting expenditure in excess of the budgeted amount.

Legislative authorisation is the *sine qua non* for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government has framed financial rules and provided for delegation of financial powers. These delegations establish limits for incurrence of expenditure and the levels authorised to sanction such expenditure together with restrictions on appropriation and re-appropriations. The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 48 Demands for Grants (47 Grants and one Appropriation). Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Supplementary or additional Grant/Appropriation can be provided during the course of the financial year for meeting expenditure in excess of the originally budgeted amount. Apart from supplementary grant, Re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation.

Various components of budget of Government of Mizoram for the Year 2021-22 are depicted in **Chart 3.1**.

Chart 3.1: Summary of Budget and Expenditure of Mizoram for 2021-22

Before obtaining Supplementary grants of ₹ 6,025.44 crore in February 2022 the actual expenditure up to the month of January 2022 was ₹ 9,443.90 crore against the original budget provision of ₹ 11,330.89 crore which was 83 *per cent* of the original provision.

3.2.1 Summary of total provisions, actual disbursements and savings/ excess during financial year

The summarised position of budget including supplementary budget, actual expenditure, and excess/savings during Financial Year 2021-22 against 48 Grants/ Appropriation (47 Grants and one Appropriation) is given in **Table 3.1**:

Table 3.1 : Budget provision, disbursement and savings/ excess during 2021-22.

(₹ in crore)

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
12,527.79	4,828.54	9,150.83	4325.36	3,377.10	508.74	0.14	5.55

Source: Appropriation Accounts

There was an overall saving of ₹ 3,885.83 crore offset by excess of ₹ 5.69 crore during the year 2021-22 resulting in net savings of ₹ 3,880.14 crore which was 22.36 *per cent* of total Grants/ Appropriations and 28.79 *per cent* of the expenditure.

These savings may be seen in context of over estimation on the expenditure side being ₹ 17,356.35 crore during the year 2021-22. As against the estimated Receipts of ₹ 11,148.89 crore, the actual Receipts were ₹ 13,752.19 crore thereby restricting the total expenditure to ₹ 13,476.19 crore. This implied that substantial portion of the savings were notional, as the funds were not actually available for expenditure.

3.2.2 Charged and voted disbursements

Table 3.2 shows the break-up of charged and voted disbursements for the State during the five-year period from 2017-18 to 2021-22.

Table 3.2 : Details of Charged and Voted Disbursements*(₹ in crore)*

Year	Budget Estimates		Disbursement		Saving		Excess	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
2017-18	10,357.14	732.32	8,620.96	664.01	1,748.69	68.31	12.51	0.00
2018-19	11,890.16	754.14	9,103.48	686.93	2,741.68	67.22	0.00	0.00
2019-20	13,566.80	779.93	10,633.37	734.00	2,943.32	55.36	9.91	9.43
2020-21	12,380.36	1,551.53	9,284.23	2,090.87	3,371.88	4.65	275.76	543.98
2021-22	12,527.79	4,828.54	9,150.83	4325.36	3,377.10	508.74	0.14	5.55

Source: Appropriation Accounts

From the table it may be seen that Voted disbursements increased by ₹ 529.87 crore from ₹ 8,620.96 crore in 2017-18 to ₹ 9,150.83 in 2021-22. Charged disbursements also showed an increase of ₹ 3,661.35 crore over the same period from ₹ 664.01 crore in 2017-18 to ₹ 4,325.36 crore in 2021-22. Savings in Voted increased from ₹ 1,748.69 crore in 2017-18 to ₹ 3,377.10 crore in 2021-22 whereas in Charged sections it fluctuated from year to year and stood at ₹ 508.74 crore. Excess expenditure in some grants was seen in four out of five years and in 2021-22 excess Voted expenditure stood at ₹ 0.13 crore (0.001 *per cent* of Voted expenditure) and excess Charged expenditure stood at ₹ 5.55 crore (0.13 *per cent* of Charged expenditure). All these parameters are discussed in greater detail in the following paragraphs.

3.3 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year, compared with the amounts of grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act passed under Article 204 and 205 of the Constitution of India. Appropriation Accounts are on Gross basis. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both Charged and Voted items of budget. Appropriation Accounts thus facilitate understanding of utilisation of funds, the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants was in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.4 Comments on Integrity of Budgetary and Accounting Process

The following section explores in greater detail the State Government's compliance to the budgetary and accounting process as duly required by law.

3.4.1 Transfers not mandated by the Appropriation Act/ Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act, authorises incurrence of expenditure from the Consolidated Fund under specified Grants, during the financial year. Transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts, not authorised through the Appropriation Act is irregular.

During 2021-22, no transaction was found under Minor Head 800 Other Deposits subordinate to Major Head 8443 Civil Deposits. However, the accumulated balance of previous years' deposits amounting to ₹ 108.88 crore at the close of the year should be written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred. Withdrawals from the Minor Head of account in subsequent years would not require Legislative approval and thus escape Legislative scrutiny through the Appropriation Account mechanism.

3.4.2 Unnecessary or excessive supplementary grants

As per Article 205 of the Constitution, a Supplementary or Additional Grant or Appropriation over the provision made by the Appropriation Act for the year can be made during the current financial year, but not after the expiry of the current financial year, as is necessary to meet.

- i. Expenditure on Schemes of New Expenditure to be taken up within the current financial year.
- ii. Inadequacy of provision.
- iii. Fresh expenditure but not technically "Schemes of New Expenditure."
- iv. Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the Grant to cover the excess by Re-Appropriation, the Secretary in the Department concerned proposes to the Finance Department for Supplementary or Additional Grant or Appropriation.

In deserving cases which are unforeseen and which cannot wait for provision by Supplementary or Additional Grant or Appropriation, advances from the Contingency Fund may be sanctioned in accordance with the provisions made in the Constitution and the relevant rules. The advances so sanctioned will have to be regularised by a Supplementary Grant or Appropriation and recouped to the Contingency fund before the close of the financial year.

Table 3.3 shows details of cases where supplementary provision of ₹ 50 lakh or more in each case proved unnecessary at the end of the year and consequently resulted in surrender of funds which could have been re-appropriated at an earlier point of time.

Table 3.3 : Details of cases where supplementary provision proved unnecessary²⁸*(₹ in crore)*

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Saving out of original Provisions
A) Revenue (Voted)					
1	1-Legislative Assembly	30.32	1.03	28.01	2.31
2	6-Land Revenue & Settlement	30.17	0.97	28.12	2.05
3	8-Taxation	22.83	0.53	20.28	2.55
4	11-Secretariat Administration	125.74	0.76	114.99	10.75
5	16-Home	760.47	26.93	707.69	52.78
6	19- Local Administration	100.45	112.18	98.69	1.76
7	20-School Education	1,530.34	67.66	1,237.24	293.10
8	21-Higher & Technical Education	259.04	45.89	245.52	13.52
9	22-Sports and Youth Services	25.61	0.66	24.01	1.60
10	28-Labour, Employment, Skill Development and Entrepreneurship	31.35	4.52	17.18	14.17
11	30-Disaster Management and rehabilitation	61.14	9.50	40.86	20.28
12	31-Agriculture	184.23	10.42	123.12	61.11
13	32-Horticulture	89.78	11.75	64.13	25.65
14	34-Animal Husbandry and Veterinary	79.43	3.73	61.26	18.17
15	36-Environment, Forests and CC	217.98	41.48	150.38	67.60
16	37-Co-operation	14.95	1.01	14.40	0.55
17	38-Rural Development	438.45	65.18	229.92	208.53
18	40-Commerce & Industries	78.05	12.53	66.42	11.63
19	41-Sericulture	20.04	1.58	17.82	2.22
20	42-Transport	59.62	6.68	45.60	14.02
21	45-Public Works	540.21	22.68	292.56	247.65
22	46- Urban Development & Poverty Alleviation	319.16	12.71	232.67	86.49
	Total	5019.36	460.38	3860.87	1158.49

²⁸ Threshold for determination of excess provision has been taken at ₹ 50 lakh or more.

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Saving out of original Provisions
B) Capital (Voted)					
1	46- Urban Development & Poverty Alleviation	107.12	12.71	52.03	55.09
2	47- Irrigation & Water Resources	45.00	3.94	7.76	37.24
	Total	152.12	16.65	59.79	92.33
C) Revenue (Charged)					
1	10-Mizoram Public Service Commission	8.48	0.50	8.18	0.30
	Total	8.48	0.50	8.18	0.30
	Grand Total (A+B)	5,179.96	477.53	3,928.84	1,251.12

Source : Appropriation Accounts

As may be seen from the table, during 2021-22, ₹ 5,657.49 crore (Original and Supplementary) was allocated for 23 Grants under Revenue (Voted), Revenue (Charged) and Capital (Voted) section which subsequently closed with savings ranging between ₹ 0.55 crore to ₹ 293.10 crore. against original provision. Further, it was found that total expenditure of ₹ 3,928.84 crore (69 per cent) was incurred out of total allocation (Original plus Supplementary) which meant that approximately 31 per cent of the funds allocated to 23 out of the 48 Grants and appropriation were not utilised where supplementary provision of ₹ 50 lakh or more were made. This was mainly due to (i) non-receipt of expenditure sanction from Government, (ii) non-release of funds by GoI (iii) non-approval of expenditure by Finance Department (iv) limitation of official tours due to COVID-19 pandemic and (v) non-filling of vacant posts, etc. It was also found in audit that the supplementary demand for grants was laid before the legislature on 24th February 2022 and this contributed to late release/non-release of fund.

3.4.3 Unnecessary or excessive re-appropriation

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where need for additional funds is identified. State Government has the power to sanction/authorise any re-appropriation within a Grant, which does not involve the undertaking of a recurring liability.

Injudicious re-appropriation proved insufficient in 14 sub-heads and resulted in excess expenditure of over ₹ 10 lakh and above in each case as detailed in **Appendix –IV**.

Further scrutiny revealed that re-appropriation orders for all 14 cases were issued on 31 March 2022. Reasons for excess were not furnished (July 2022) in 12 out of the 14 cases and the cumulative amount of these excesses worked out to be ₹ 43.52 crores. The remaining two cases of excess were due to wrong entry of data while preparing surrender statement and delay in passing bill resulted in inclusion of the previous year's amount during current financial year. This clearly shows the inadequacy of the expenditure control mechanism of the Government.

In ten cases, it was found that the total expenditure did not exceed original budget provisions. Thus, revision of provision through re-appropriation orders proved injudicious because excess expenditure occurred due to the excessive re-appropriations.

3.4.4 Unspent amount and surrendered appropriations and/or Large Savings/ Surrenders

Complete accuracy of estimates may not always be possible; but there are cases where the omission or inaccuracy is the result of lack of forethought or neglect of the obvious. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of previous month's expenditure should enable a Controlling Officer to fix his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

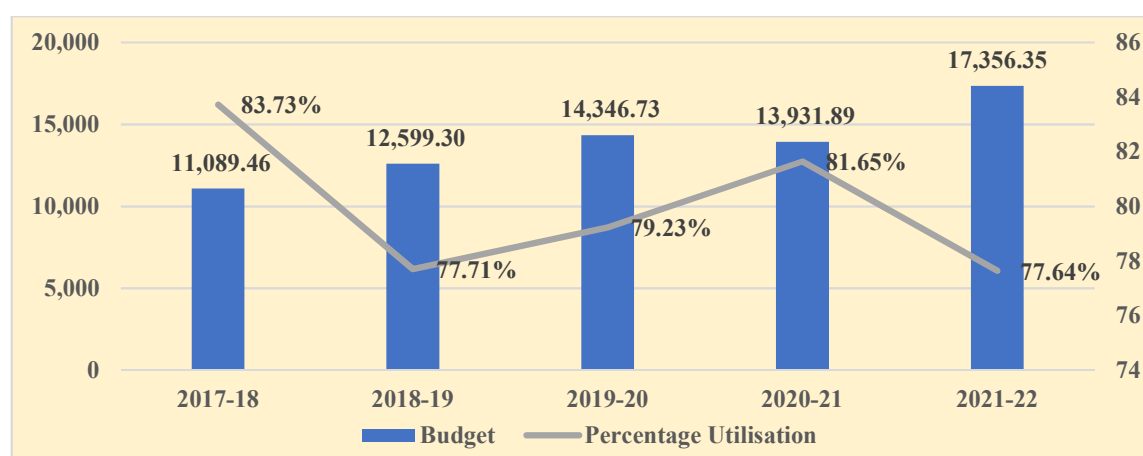
Principal Accountant General (Accounts) provides the draft Appropriation Accounts to the Controlling Officers of the Departments (July/ August 2022) and seeks the reasons/ explanation for the variations in expenditure with reference to approved budgetary allocation in keeping with the limits set by the Public Accounts Committee (PAC). The current limits, set by the State PAC in October 2011 are as follows:

Savings	• Comments are to be made for overall savings exceeding 5 <i>per cent</i> of the total provision; if individual sub-heads, where savings exceed ₹5 lakh and the Grant is less than ₹20 crore; if savings exceed ₹10 lakh and the Grant is over ₹20 crore • Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹5 lakh
Excess	• General comments are to be made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount) • Comments are to be made if variations (excesses) under sub-heads of Grants/ Appropriation are ₹5 lakh and the Grant is less than ₹20 crore; if excess exceeds ₹10 lakh and the Grant is over ₹20 crore • Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹5 lakh

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprive other Departments of the funds which could have been provided for them to utilise.

Utilisation of budgeted funds by the State has been sub-optimal every year during the past few years. The extent of savings during the last five years is given in **Chart 3.2**.

Chart 3.2 : Budget Utilisation during 2017-18 to 2021-22



Source: Appropriation Accounts of the respective years

As can be seen from the chart, utilisation of budget fluctuated and ranged between 77.64 per cent (2021-22) and 83.73 per cent (2017-18) during the last five years. Large amount of savings in allocated funds indicate inaccurate assessment of receipts and expenditure.

During 2021-22 eight Grants/Appropriations had savings of ₹ 100 crore or more, the details of which are shown in **Table 3.4**. Reasons for these large savings were stated due to non-receipt of sanction from Government of India, non-accord of expenditure sanction by the State Government, due to non-filling up of vacant posts and re-provision of fund to other departments from Finance department, etc.

Table 3.4 : Grants having large savings²⁹ during the year 2021-22

(₹ in crore)

Sl. No.	Number and name of the grant	Original	Supplementary	Total	Actual Expenditure	Saving/ Excess	Surrender
Revenue (Voted)							
1	19-Local Administration	100.45	112.18	212.63	98.69	113.94	113.94
2	20-School Education	1,530.34	67.66	1,598.00	1,237.24	360.76	359.36
3	24- Health and Family Welfare	595.97	147.76	743.73	629.43	114.30	114.30
4	36-Environment, Forests and Climate change	217.98	41.48	259.45	150.38	109.07	109.06
5	38-Rural Development	438.45	65.18	503.64	229.92	273.71	273.28

²⁹ Savings above ₹ 100 crore

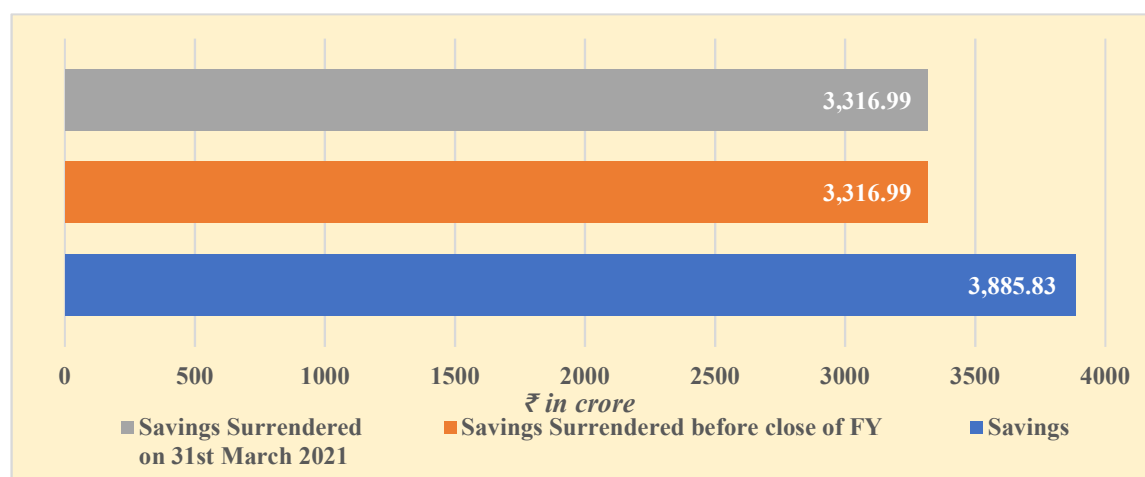
Sl. No.	Number and name of the grant	Original	Supplementary	Total	Actual Expenditure	Saving/ Excess	Surrender
6	39-Power	697.40	108.82	806.22	700.99	105.24	104.46
7	45-Public Works	540.21	22.68	562.89	292.56	270.33	269.55
	Total	4,120.80	565.76	4,686.56	3,339.21	1,347.35	1,343.95
Capital (Voted)							
1	9-Finance	930.00	0.00	930.00	0.00	930.00	930.00
	Total	930.00	0.00	930.00	0.00	930.00	930.00
	Grand Total	5,050.80	565.76	5,616.56	3,339.21	2,277.35	2,273.95

Source: Appropriation Accounts

Appendix V further lists the details of 23 Grants which had surrendered funds in excess of ₹ 10 crore by 31 March 2022. Audit scrutiny of the Appropriation Accounts revealed that in one³⁰ out of the 23 grants, the reasons for the savings in expenditure during the year were not provided. The main reasons for surrender of the remaining 22 grants were stated due to non-filling up of vacant posts, wrong calculation of budget estimates, less official tours under domestic and foreign travel expenses, freezing of dearness allowance and MACP arrears, non-release/short release of funds by GoI, non-receipt of expenditure sanction from the State Government, *etc.* This has been a common occurrence through the previous years and points to weak budgetary control by the State Government.

Chart 3.3 shows the status of savings and surrenders occurring from these savings before the close of the year. As may be seen from the chart, an amount of ₹ 3,316.99 crore was surrendered from the total gross savings of ₹ 3,885.83 crore leaving a balance of ₹ 568.84 crore which was not surrendered. As per records available, all surrenders occurred on 31 March 2022.

Chart 3.3: Savings and surrenders before close of financial year 2021-22

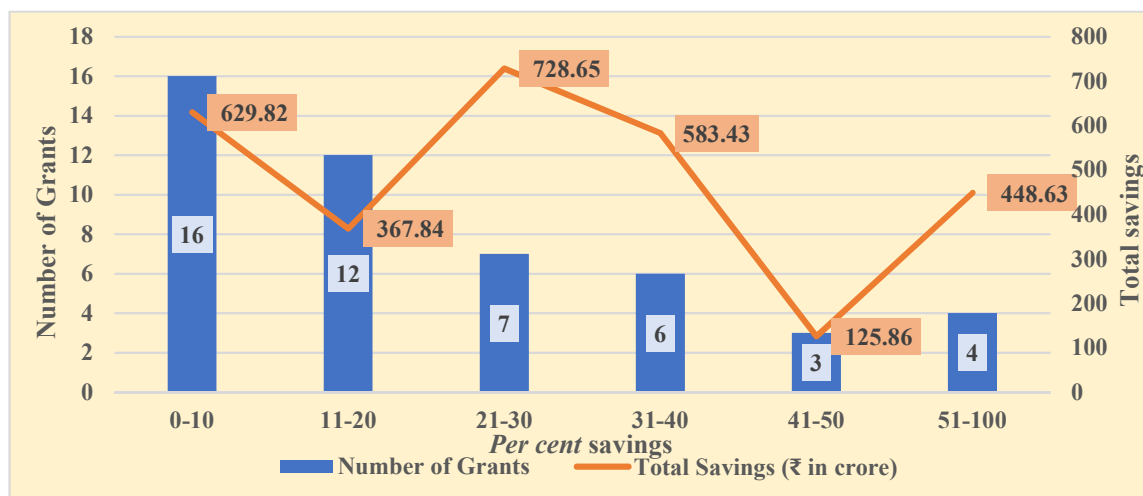


Source: Appropriation Accounts; * = Gross savings for the year

Chart 3.4 shows the distribution of the 48 Grants/ Appropriations as per savings percentage during the year with the resulting total savings in each group.

³⁰ Reasons for savings not stated by Finance Department.

Chart 3.4: Distribution of Grants/ Appropriations grouped by percentage of Savings along with total savings in ₹ crore in each group



Source: Appropriation Accounts

Out of total provisions made for each Grant during the year, 16 out of 47 grants had savings of 0-10 *per cent*, 12 grants had savings between 11 - 20 *per cent*, 7 grants had savings between 21 - 30 *per cent*, 6 grants had savings between 31 – 40 *per cent*, 3 grants had savings between 41 - 50 *per cent* and 4 grants had savings above 50 *per cent*. The largest savings from an individual grant occurred in Grant No.9 – Finance which had savings of ₹ 982.93 crore which was 41.66 *per cent* of total allocation. Occurrence of such huge savings indicates poor budgetary management.

3.4.5 Excess expenditure and its regularisation

Apart from showing the expenditure against the approved budget, Appropriation Accounts also provide explanation for cases where the expenditure varies significantly from the budgeted provision (Original + Supplementary).

3.4.5.1 Excess expenditure during 2021-22

Article 205(1)(b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the PAC. Failure to do so is in contravention of constitutional provisions and defeats the objective of ensuring accountability by the Legislature of the Executive over utilisation of public money.

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but is also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the

purpose. Cases of excess expenditure over the provisions for the financial year are carefully examined to ascertain whether sufficient reasons were available to disregard prevalent rules and also to determine if these reasons, if available, were justifiable.

A summary of excess expenditure requiring regularisation during 2021-22 is given in Table 3.5.

Table 3.5: Summary of excess disbursements over grants/appropriations during the financial year

(₹ in crore)

Type of Expenditure		Name of Department/Grant			
		Grant No. 27--District Councils and Minority Affairs		Appropriation No 49- Public Debt	
		Total Grant	Actual Expenditure	Total Grant	Actual Expenditure
Voted	Revenue	496.84	496.97	0.00	0.00
	Capital	0.00	0.00	0.00	0.00
Charged	Revenue	0.00	0.00	492.24	497.79
	Capital	0.00	0.00	0.00	0.00
Total Excess		0.13		5.55	
Grand Total		5.68			

Source: Appropriation Accounts

During 2021-22, there was a total excess disbursement of ₹ 5.68 crore under two Grants (27--District Councils and Minority Affairs) and one appropriation (Public Debt) as shown above. Excess disbursement also occurred in Public Debt last year. Reasons for excess disbursement under District Councils and Minority Affairs was stated to be due to delay in passing of bill related to previous year and inclusion of the said amount in current year whereas reasons under Public Debt had not been intimated by the Government (July 2022).

In light of the above, it is clear that the Government and Department concerned did not exercise adequate control over the expenditure.

3.4.5.2 Unauthorised expenditure escaping the notice of the Legislature

Expenditure without proper authority of the Legislature is in contravention of the letter and spirit of the Constitution of India. It indicates improper planning and lack of financial foresight on the part of the Government.

During 2021-22, a case of unauthorised expenditure was reported in the Appropriation Accounts under Grant no. 46- Urban Development and Poverty Alleviation for an amount of ₹ 10.20 crore through the creation of new provision through re-appropriation under Major Head 2217-01-191-06. This expenditure under the Grant was unauthorised and escaped the notice of the legislature.

The State Government may take steps to regularise this expenditure and ensure non-recurrence of such instances in the future.

3.4.5.3 Regularisation of excess expenditure during the five-year period

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive and is in violation of Article 204 (3) of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources. The excess expenditure relating to the period 2017-18 to 2021-22 has not been regularised as shown in **Table 3.6**.

Table 3.6 : Excess expenditure during 2017-18 to 2021-22 requiring regularisation

(₹ in crore)

Year	Grant No./ Appropriation	Grant/ Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts	Status of regularisation
Revenue Portion (Voted)				
2017-2018	2	Governor	0.07	Not Regularised
2019-2020	3	Council of Ministers	0.61	-Do-
2019-2020	22	Sports & Youth Services	0.65	-Do
2019-2020	27	District Councils and Minority Affairs	0.07	-Do
2019-2020	30	Disaster Management and Rehabilitation	0.61	-Do
2019-2020	37	Co-operation	0.65	-Do
2020-2021	9	Finance	275.76	-Do
2021-2022	27	District Councils and Minority Affairs	0.14	-Do
Capital Portion (Voted)				
2017-2018	20	School Education	10.38	-Do
2017-2018	45	Public Works	2.12	-Do
2019-2020	13	Personnel and Administrative Reforms	0.01	-Do
Revenue Portion (Charged)				
2020-2021	...	Public Debt	30.46	-Do
2021-2022	...	Public Debt	5.55	-Do
Capital Portion (Charged)				
2019-2020	...	Public Debt	9.43	-Do
2020-2021	...	Public Debt	513.52	-Do
TOTAL	15		850.03	

Source: Appropriation Accounts

During the period 2017-22, there was an excess expenditure of ₹ 850.03 crore under 11 Grants and one Appropriation, covering 11 departments which was yet to be regularised in accordance with Article 205 of the Constitution.

3.5 Comments on Transparency of Budgetary and Accounting process

Transparency in the budgetary and accounting process ensures that clarity is maintained in the management of funds by the Government.

3.5.1 Lump Sum budgetary provisions

Lump sum provision in estimates are generally discouraged except in cases where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme which has been accepted in principle for being taken up in the financial year. Detailed explanations justifying provision proposed are required to be given in the budget note accompanying the lump sum estimates. Lump sum provisions without identifying the exact object of expenditure is against transparency. In the case of Union Government, for example, Rule 8 of DFPRs stipulates that object head '42-Lump sum provision' should be used to record expenditure in respect of schemes whose provision does not exceed ₹ 10 lakhs. No cases of lumpsum provision by Government of Mizoram were found during 2021-22 which indicated that the budgetary and accounting process was transparent in this respect.

3.6 Comments on Effectiveness of Budgetary and Accounting process

The effectiveness of budgetary and Accounting process may be most easily measured by comparing the outcome of a given budget. This section attempts to highlight the deficiencies or lack thereof in the budgetary and accounting process of Government of Mizoram.

3.6.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised. **Table 3.7** gives the summarised position of actual expenditure as compared to the original and supplementary budget provisions during 2021-22.

Table 3.7 : Summarised position of Actual Expenditure vis-à-vis Budget provisions

(₹ in crore)

Nature of expenditure		Original grant	Supplementary grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of Surrender	
							Amount	Per cent
Voted	I Revenue	8,948.28	1,197.86	10,146.14	8,143.88	-2,002.26	1,941.83	96.98
	II Capital	1,417.45	963.61	2,381.06	1,006.55	-1,374.51	1,371.18	99.76
	III Loans and Advances	0.60	0.00	0.60	0.40	-0.20	0.20	100.00
Total Voted		10,366.33	2,161.47	12,527.80	9,150.83	-3,376.97	3,313.21	98.11

Nature of expenditure			Original grant	Supplementary grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of Surrender	
								Amount	Per cent
Charged	IV	Revenue	450.11	75.68	525.79	527.41	1.62	3.78	233.33
	V	Capital	0.00	0.00	0.00	0.00	0.00	0.00	NA
	VI	Public Debt Repayment	514.46	3788.30	4302.76	3797.95	-504.81	0.00	0.00
	Total Charged		964.57	3,863.98	4,828.55	4,325.36	-503.19	3.78	0.75
Appropriation to Contingency Fund			0.00	0.00	0.00	0.00	0.00	0.00	NA
Grand Total			11,330.90	6,025.45	17,356.35	13,476.19	-3,880.16	3,316.99	85.49

Source: Appropriation Accounts.

As against the total budget provision of ₹ 17,356.33 crore, the Government could spend ₹ 13,476.19 crore. The net savings of ₹ 3,880.16 crore was the result of overall savings of ₹ 3,885.83 crore in 46 Grants under Revenue Section and 22 Grants/Appropriation under Capital Section offset by excess of ₹ 5.68 crore in one Grant and one Appropriation under Revenue Section.

Out of overall gross savings of ₹ 3,885.83 crore, savings of ₹ 3,316.99 crore (85.36 per cent) was surrendered on the last day of March 2022 leaving a balance of ₹ 568.84 crore which was not surrendered. The Finance Department needs to take stringent measures to curb this violation of Budgetary Rules.

Table 3.8 shows the details of budget and actual expenditure over the five-year period from 2017-18 to 2021-22.

Table 3.8 : Original Budget, Revised Estimate and Actual Expenditure during 2017-22

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Original budget	8,803.09	9,672.64	10,872.58	10,895.26	11,330.89
Supplementary Budget	2,286.36	2,926.66	3,474.15	3,036.63	6,025.44
Revised Estimate (RE)	11,089.45	12,599.30	14,346.73	13,931.89	17,356.33
Actual Expenditure	9,284.96	9,790.41	11,367.37	11,375.10	13,476.19
Savings/Excess	-1,804.49	-2,808.89	-2,979.36	-2,556.79	-3,880.14
Savings as Percentage of RE	16.27	22.29	20.76	18.35	22.35

Source: Appropriation Accounts

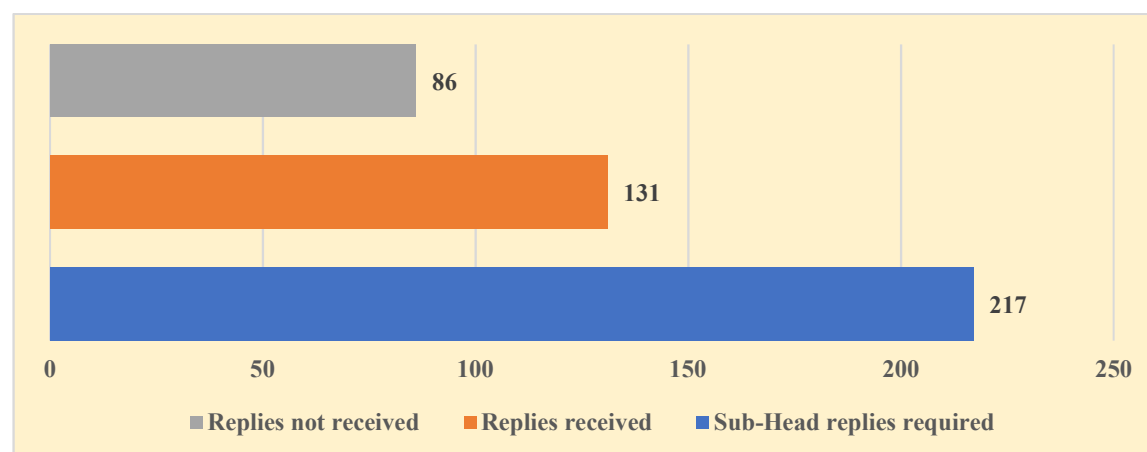
As may be seen from the table, the total allocation in the budget of the State increased by 56.51 per cent from ₹ 11,089.45 crore in 2017-18 to ₹ 17,356.33 crore in 2021-22. During the same period, savings had also increased by 115.03 per cent from ₹ 1,804.49 crore in 2017-18 to ₹ 3,880.16 crore in 2021-22.

Supplementary provisions exhibited an upward trend over the five-year period, growing from 25.97 per cent in 2017-18 to 53.18 per cent in 2021-22 of original allocations.

Chart 3.5 shows the summary of explanations received for variations in appropriations as depicted in the accounts for the year. As may be seen from the chart, out of 217 explanations

due to be received from the Government for excess and/or savings in expenditure, 131 replies had been received (July 2022) and 86 explanations were yet to be received at the time of preparing this report.

Chart 3.5 : Summary of Explanations for Variation in Appropriations



Source: Appropriation Accounts

3.6.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments reported to the legislature large additional requirement for different purposes under various schemes/activities; but ultimately they were unable to spend not only the entire supplementary provision or part thereof but also the original budget provision. As a result, the unutilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public and may lead to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister's (FM) Budget Speech and other budget documents which are either for that Financial Year *i.e.* one-time activity or are of recurring nature. Actual figures related to expenditure with funding pattern *i.e.* from the State's own resources or from Central Government assistance or through debt are gathered from the Finance Accounts of the State. Of these, several schemes/programmes declared by the Government do not typically get operationalised due to lack of preparatory work and/or lack of adequate allocation of budget.

During 2021-22, there were 11 Sub-heads under seven Grants which had no expenditure at all although supplementary budgetary allocation had been made by the Government under the grant. The total savings in these sub-heads (six under Revenue Voted and five under Capital Voted) amounted to ₹ 10.29 crore. Details are in **Appendix VI**.

3.6.3 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several policy initiatives taken up by the Government are partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, *etc.* This deprives the beneficiaries of

intended benefits. Savings in such schemes deprives other Departments of the funds which they could have utilised. **Table 3.9** gives details of schemes/ projects for which budget provision of ₹ one crore and above was made but no expenditure was incurred.

Table 3.9 : Details of the schemes/projects for which provision of ₹ 1 crore and above was made but no expenditure was incurred during Financial Year 2021-22

(₹ in crore)

Sl. No	Department Name	Scheme Name	Budgetary provision	Actual expenditure	Reasons
1	Grant No. 9-Finance	Capital Outlay on other Fiscal Services Socio-Economic Development Policy (SEDP)	400.00	Nil	Withdrawal of entire original provision of ₹ 400.00 crore by way of surrender, stated due to re-provision of fund to other Department.
Total			400.00		

Source: Appropriation Accounts

Non-expenditure of provisioned grants deprives the beneficiaries of the intended benefits and was also reflective of inefficient planning and budget management.

3.6.4 Trend of Expenditure

Government funds should be evenly spent throughout the year and the rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month. **Table 3.10** provides the details of grants with expenditure more than 50 per cent of total allocation in March alone. The grants have been listed in decreasing order of expenditure during the month of March 2022.

Table 3.10 : Grants with more than 50 per cent of expenditure in March alone

(₹ in crore)

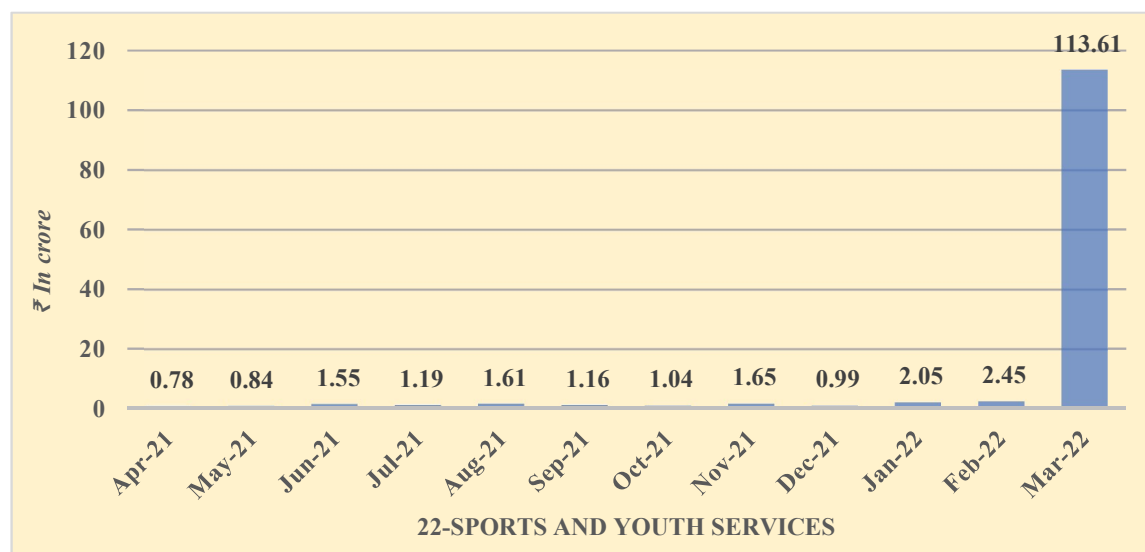
Sl. No	Grant No. & Description	Q1	Q2	Q3	Q4	Total	Expenditure in March	
							Amount	As percent of Total
1	22 - Sports and Youth Services	3.17	3.96	3.68	118.11	128.92	113.61	88.12
2	46 - Urban Development and Poverty Alleviation	5.44	12.31	26.28	240.54	284.57	225.47	79.23
3	31 - Agriculture	11.39	11.19	10.36	99.80	132.74	76.88	57.92
4	45-Public Works	35.32	44.32	154.08	460.44	694.16	358.79	51.69

Source: Monthly Appropriation Accounts

From the table it may be seen that in four out of 48 Grants/Appropriations, more than 50 per cent of expenditure of total allocation for the year was booked during the month of March. The magnitude of expenditure during month of March ranged between 88.12 per cent in Grant 22 – Sports and Youth Services and 51.69 per cent in Grant 45 – Public Works.

Chart 3.6 depicts the monthly trend of expenditure in Grant 22 – Sports and Youth Services. As may be seen from the chart, expenditure during March 2022 was very high when compared to the other 11 months of the financial year. The department incurred 88 per cent of the total expenditure during the month of March 2022. The trend of month wise expenditure is shown in the graph below:

Chart 3.6 : Month wise expenditure of Grant 22 -Sports and Youth Services



Source: VLC Data

3.6.5 Review of selected grants

During the year 2021-22, two grants namely **Grant No. 32–Horticulture & Grant No. 39–Power and Electricity** were selected for detailed scrutiny to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within these grants. Outcome of the review is discussed in the succeeding paragraphs.

3.6.5.1 Budget and Expenditure (Grant No. 32–Horticulture)

The summarised position of budgetary allocation and actual expenditure there-against during the year 2021-22 in respect of the Grant is given below:

Table 3.11 : Budget and expenditure under Grant No. 32 during 2021-22

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	89.78	11.75	101.53	64.13	-37.40
Capital	0.00	9.60	9.60	9.60	0.00
Total	89.78	21.35	111.13	73.73	-37.40

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 37.40 crore under Revenue section. The Chief Controlling Officer (CCO) of the Department stated that savings of ₹ 37.40 crore was due to short release of fund from the Government of India

(under Central Assistance), non-filling up of vacant posts (under Salary) and regularisation of provisional employees (under Wages).

In view of the final savings of ₹ 37.40 crore, supplementary provision of ₹ 11.75 crore obtained during the year proved unnecessary as the original provision of ₹ 89.78 was not fully utilised. This indicated a lack of budgetary foresight and planning.

3.6.5.2 Persistent Savings (Grant No. 32–Horticulture)

During the period from 2017-18 to 2021-22, there were persistent savings within the grant as shown in **Table- 3.12** below. The percentage of savings to total grant ranged between 8.07 and 33.65 *per cent*.

Table 3.12 : Persistent Savings

(₹ in crore)

32-Horticulture	Amount of Savings				
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	4.37	4.55	14.66	18.32	37.40
Capital	3.00	2.76	0.00	0.00	0.00
Total Savings	7.37	7.31	14.66	18.32	37.40
Total Grant	87.15	90.58	129.53	111.14	111.13
Percentage of savings to total Grant	8.46	8.07	11.32	16.48	33.65

Source: Appropriation Accounts of respective years

Persistent savings in the last five years as shown in the table indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management and utilisation of funds for envisaged developmental programmes. The performance of the Department in this avenue indicates that there is room for improvement.

3.6.5.3 Substantial Surrenders (Grant No. 32–Horticulture)

There were three cases of substantial surrenders (more than 50 *per cent* of total provision) within this grant in three sub-heads on account of short release of fund from the Government of India as shown in **Table 3.13**.

Table 3.13 : Surrenders more than 50 *per cent* of total provision

(₹ in crore)

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
(-2401-119-09 Mission for Integrated Development of Horticulture (CSS)	34.50	17.75	51.45	Due to short release of fund from the Government of India
2401-119-10 Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) (CSS)	19.57	15.82	80.84	Due to short release of fund from the Government of India
2401-119-03 Horticulture Farms	0.59	0.31	52.54	Due to non-filling up of vacant posts
Total	54.66	33.88	61.98	

Source: Appropriation Accounts, 2021-22

3.6.5.4 Opening of Bank Accounts by the DDO (Grant No. 32–Horticulture)

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

Detailed scrutiny revealed that 14 DDOs under Horticulture Department had opened 42 Current/Saving Accounts in Commercial Banks. Out of these 42 Accounts, two accounts (one saving and one current) were found utilised for non-CSS purposes. It was further observed that these accounts were operated without proper authority/extension of authority. The balance lying in the two accounts as on 31 March 2022 was ₹ 2.68 crore of State funds. This has had the impact of overstating the actual expenditure of the Government and overstating the deficit indicators by the same amount.

3.6.5.5 Implementation of Single Nodal Agency accounts for CSS (Grant No. 32–Horticulture)

Department of Expenditure, GoI issued instructions (March 2021) for a revised procedure for release of funds to States for implementation of CSS and monitoring utilisation of the funds released. The aim of the revised procedure, which came into effect from 01 July 2021, was to ensure effective cash management and improve transparency in public expenditure management.

As per the revised procedure, the State Government was to designate a Single Nodal Agency (SNA) for each CSS which would be registered in the Public Financial Management System (PFMS). Each SNA would open a bank account and map it into PFMS for the receipt of funds. This would restrict use of the funds by the State Government as they were required to transfer funds received to the concerned SNA's account within a period of 21 days of its receipt.

It was observed that the three Centrally Sponsored Schemes namely Mission for Integrated Development of Horticulture (MIDH), Pradhan Mantri Krishi Sinchai Yojana (PMKSY) and National Bamboo Mission (NBM) were implemented by the department during the year. All the three CSS were given designated SNA and mapped to PFMS. The unspent amount in SNA Accounts of the three CSS were ₹ 2.83 crore (MIDH), ₹ 0.03 crore (PMKSY) and ₹ Nil (NBM).

3.6.5.6 Budget and Expenditure (Grant No. 39–Power and Electricity)

The summarised position of budgetary allocation and actual expenditure there-against during the year 2021-22 in respect of the Grant is given below:

Table 3.14: Budget and expenditure under Grant No. 39 during 2021-22

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	697.40	108.82	806.22	700.99	-105.23
Capital	7.32	86.90	94.22	64.32	-29.90
Total	704.72	195.72	900.44	765.31	-135.13

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 105.23 and ₹ 29.90 crore under Revenue and Capital sections respectively. The Chief Controlling Officer (CCO) of the Department stated that savings of ₹ 105.23 crore under Revenue section was due to non-accord of expenditure sanction by the Government of Mizoram, non-filling up of vacant posts and non-approval of MACP arrears. Reasons for savings of ₹ 29.90 crore under Capital section was due to non-allocation of fund from the Government of Mizoram.

In view of the final savings of ₹ 135.13 crore, supplementary provision of ₹ 195.72 crore obtained during the year proved excessive. However, original budget provision of ₹ 7.32 crore under Capital section appeared to be thoroughly inadequate considering the final expenditure of ₹ 64.32 crore. This indicated a lack of budgetary foresight and planning.

3.6.5.7 Persistent Savings (Grant No. 39–Power and Electricity)

During the period 2017-18 to 2021-22, there were persistent savings within the grant as shown in **Table- 3.15** below. The percentage of savings to total grant ranged between 0.92 and 15.01 *per cent*.

Table 3.15: Persistent Savings

(₹ in crore)

Grant No. 39-Power and Electricity	Amount of Savings				
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue	9.72	6.45	19.03	38.73	105.24
Capital	11.62	0.01	3.40	0.22	29.91
Total Savings	21.34	6.46	22.43	38.95	135.15
Total provision	747.66	700.50	894.74	898.95	900.45
Percentage of savings to total Provision	2.85	0.92	2.51	4.33	15.01

Source: Appropriation Accounts of respective years

Persistent savings in the last five years, with substantial savings (₹ 135.15 crore) during 2021-22, as shown in the table indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management and utilisation of funds for envisaged developmental programmes. The performance of the Department in this avenue indicates that there is room for improvement.

3.6.5.8 Substantial Surrenders (Grant No. 39–Power and Electricity)

There were four cases of substantial surrenders which were more than 50 *per cent* of total provision within this grant in respect of four sub-heads on account of non-accord of expenditure sanction and non-receipt of allocation of fund from the State Government as shown in **Table 3.16**.

Table 3.16: Surrenders more than 50 per cent of total provision*(₹ in crore)*

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
2801-80-001-01 Direction	175.00	92.04	52.59	Due to non-accord of expenditure sanction by the Government of Mizoram
3053-60-800-90 Socio-Economic Expenditure (SEDP)	0.33	0.33	100.00	Stated surrender made as per instruction of the Government of Mizoram vide No. B.24032/125/2018-P&E/Loose: dated 10.02.22
4801-05-800-18 Scheme under Special Central Assistance	43.60	21.80	50.00	Due to non-receipt of allocation of fund from the Government of Mizoram
(4801-05-800-05 Distribution/ CSS	7.32	7.32	100.00	Due to non-receipt of allocation of fund from the Government of Mizoram
Total	226.25	121.49	53.70	

Source: Appropriation Accounts, 2021-22

3.6.5.9 Opening of Bank Accounts by the DDO (Grant No. 39–Power and Electricity)

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

Detailed scrutiny revealed that 15 DDOs under Power Department had opened 15 Current Accounts in Commercial Banks. It was found that these accounts had been operated for the purpose of depositing/clearing of collected revenue during demonetisation of erstwhile ₹ 500 and ₹ 1,000 bank notes and were operated without proper extension of authority after expiry of their authorised period of operation (upto 31 March 2017). The balance lying in these accounts as on 31 March 2022 was ₹ 1.15 crore.

3.6.5.10 Implementation of Single Nodal Agency accounts for CSS (Grant No. 39–Power and Electricity)

Department of Expenditure, GoI issued instructions (March 2021) for a revised procedure for release of funds to States for implementation of CSS and monitoring utilisation of the funds released. The aim of the revised procedure, which came into effect from 01 July 2021, was to ensure effective cash management and improve transparency in public expenditure management.

As per the revised procedure, the State Government was to designate a Single Nodal Agency (SNA) for each CSS which would be registered in the Public Financial Management System (PFMS). Each SNA would open a bank account and map it into PFMS for the receipt of funds. This would restrict use of the funds by the State Government as they were required to transfer funds received to the concerned SNA's account within a period of 21 days of its receipt.

It was observed that three Centrally Sponsored Schemes viz. Deen Dayal Upadhyaya Gram Jyoti (DDUGJY), Integrated Power Development Scheme (IPDS) and Saubhagya were

implemented by the department during the year. However, none of the CSS had designated SNAs nor were mapped to PFMS.

3.7 Conclusion

Budgetary assumptions of the State Government were not realistic during 2021-22 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent. Control over the execution and monitoring of budget by Departments was inadequate.

Against the total budget provision of ₹ 17,356.33 crore, State Government Departments incurred an expenditure of ₹ 13,476.19 crore. There was an overall savings of ₹ 3,885.83 crore which was offset by excess of ₹ 5.69 crore under one Grant and one appropriation, resulting in net savings of ₹ 3,880.14 crore which was 22.36 per cent of total grants/Appropriation and 28.79 per cent of the expenditure.

Supplementary Grants/ Appropriations were obtained without adequate justification. Instances noticed in insufficient re-appropriation in sub-heads which resulted excess expenditure.

Utilisation of budget fluctuated and ranged between 77.64 per cent (2021-22) and 83.73 per cent (2017-18) during the last five years.

The State Government had incurred excess expenditure of ₹ 850.03 crore over budget provision under 11 grants and one Appropriations during 2017-18 to 2021-22 which is required to be regularised by the State Legislature as per Article 205 of the Constitution.

3.8 Recommendations

1. *State Government needs to ensure that the departments submit budget proposals which reflect their financial requirements to the closest possible. The Finance Department also needs to conduct a thorough scrutiny of the budget so that unrealistic estimates do not get passed in the budget.*
2. *An appropriate budget monitoring and control mechanism needs to be instituted to ensure that anticipated savings are identified and surrendered within the specified timeframe and demands for supplementary grants made as per actual requirements depending on the remaining budgetary positions of the departments.*
3. *Excess expenditure over grants approved by the Legislature is in violation of the will of the Legislature. State Government should view such excess expenditure very seriously and regularized it at the earliest.*

CHAPTER-4
QUALITY OF ACCOUNTS
AND FINANCIAL REPORTING
PRACTICES

Chapter 4: Quality of Accounts and Financial Reporting Practices

4.1 Introduction

Sound internal financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the year. During preparation of this Report, the State Government was furnished a copy for comment on observations made therein. As on December 2022, the Principal Accountant General, Mizoram had not received any comments from the State Government.

Completeness of Accounts

4.2 Funds Transferred Directly to State Implementing Agencies (SIAs)

GoI decided to implement a revised procedure for release of funds to States for Centrally Sponsored Schemes (CSS) and monitoring utilization of the funds released to ensure effective cash management and improve transparency in public expenditure management with effect from 01 July 2021.

As per PFMS portal of Controller General of Accounts (CGA), ₹ 1,048.26 crore was directly received by the implementing agencies in the State during 2021-22. The direct transfer of fund to the implementing agencies has increased by 25.33 *per cent* as compared to the previous year *i.e.* 2020-21 (from ₹ 836.40 crore in 2020-21 to ₹ 1,048.26 crore in 2021-22). There is no single agency in the State to monitor the funds directly transferred by the GoI to the implementing agencies and no data is readily available as to how much money was actually spent in a particular year in the major schemes funded directly by the GoI. **Appendix VII** gives the details of the funds transferred directly to the SIAs mentioned above during 2021-22.

4.3 Implementation of Single Nodal Agency accounts for CSS

Department of Expenditure, GoI issued instructions (March 2021) for a revised procedure for release of funds to States for implementation of CSS and monitoring utilisation of the funds released. The aim of the revised procedure was to ensure effective cash management and improve transparency in public expenditure management and would come into effect from 01 July 2021.

As per the revised procedure the State Government was to designate a Single Nodal Agency (SNA) for each CSS which would be registered in the Public Financial Management System (PFMS). Each SNA would open a bank account and map it into PFMS for the receipt of funds. This would restrict use of the funds by the State Government as they were required to transfer funds received to the concerned SNA's account within a period of 21 days of its receipt.

During 2021-22, the State Government had designated 20 Single Nodal Agencies for 86 CSS schemes being implemented in the state of which 80 bank accounts had been linked to their corresponding schemes *i.e.* 93.02 *per cent* compliance. The unlinked schemes were Deen Dayal Upadhyaya Gram Jyoti Yojana, Integrated Power Development Scheme, Saubhagya, Atal Vayo Abhyuday Yojana, Green India Mission-National Afforestation Programme and National AYUSH Mission (Medicinal Plant).

As per information furnished by the State Government, during 2021-22 an amount of, ₹ 492.80 crore had been released into the SNA accounts and as on 31 March 2022, the unspent amount in SNA Accounts, including balances from previous years, was ₹ 530.74 crore.

Issues related to transparency

4.4 Delay in Submission of Utilisation Certificates

In terms of Rules 3.20.4 of the Mizoram Treasury Rules 2011, Utilization Certificates (UCs) in respect of Grants-in-Aid received by the grantee should be furnished by the grantee to the authority that sanctioned it, within one year from the date of receipt of grant or before applying for a further grant on the same object, whichever is earlier. **Table 4.1** shows the age-wise arrears in submission of outstanding UCs with the amount.

Table 4.1 : Age-wise arrears in submission of outstanding UCs

(₹ in crore)

Year	Opening Balance		Additions during the respective years		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	76	106.53	76	179.66	41	145.4	111	140.79
2019-20	111	140.79	43	32.40	3	1.02	151	172.17
2020-21	151	172.17	27	32.90	84	95.57	94	109.50

Table 4.2 shows the number of UCs due from various departments/bodies for the grants paid up to 2020-21. All the UCs pending for submission are due from the three Autonomous District Councils (ADCs) of the State. The State Government needs to monitor the submission of UCs as well as timely preparation of accounts by the ADCs on priority.

Table 4.2 : Outstanding Utilisation Certificates for grants paid up to 2020-21

(₹ in crore)

Sl. No.	Name of the department	Amount of Outstanding UCs	No. of pending UCs
1	Chakma Autonomous District Council	8.72	7
2	Lai Autonomous District Council	76.64	63
3	Mara Autonomous District Council	24.14	24
Total		109.50	94

Non-submission of the UCs means that the authorities have not appropriately explained how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid (GIA) meant for capital expenditure. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud. It is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

4.5 Abstract Contingent Bills

Abstract Contingent (AC) bills are drawn to make contingent charges on items of expenditure by a State Government when final classification and supporting vouchers are not available at the time of withdrawal. These bills are subsequently adjusted through submission of Detailed Countersigned Contingent (DCC) bills within a stipulated period from the date of withdrawal through AC bill. Drawing and Disbursing officers (DDO) are required to present Detailed Countersigned Contingent (DC) bills duly countersigned by the Controlling Officer in all these cases.

Government of Mizoram has authorised Drawing and Disbursing Officers to draw sums of money through AC Bills by debiting service heads. DDOs are then required to submit the DCC Bills containing vouchers in support of final expenditure within one month of the withdrawal of AC Bills. Prolonged non-submission of DCC bills renders the accounts opaque. Details of AC Bills outstanding as on 31 March 2022 are shown in **Table 4.3**.

Table 4.3: Year wise progress in submission of DCC bills

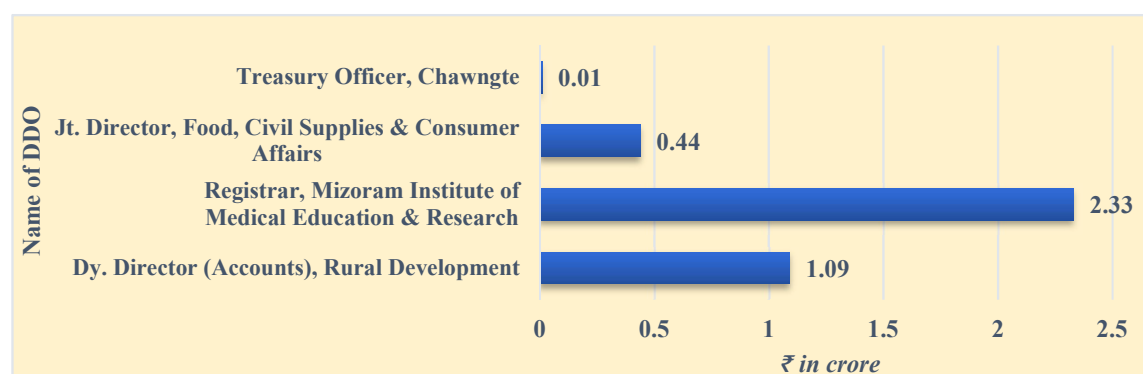
(₹ in crore)

Year	Opening Balance		Additions during the respective years		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto 2019-20	28	85.49	1	0.01	1	0.01	28	85.49
2020-21	28	85.49	12	17.46	12	17.46	28	85.49
2021-22	28	85.49	6	8.48	27	90.11	7	3.86

Source: Finance Accounts

It is seen from the above table that as on 31 March 2022, seven AC bills remained outstanding which indicates poor public expenditure management and may point to the withdrawal being done primarily to exhaust the budget provision. Non-submission of DCC bills against AC bills within the prescribed time breaches financial discipline and entails risk of misappropriation of public money and unhealthy practice. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final. During the year 2021-22, all AC bills drawn were settled at the end of the year including 21 AC bills from previous years. However, 7 AC bills drawn in previous years amounting to ₹ 3.86 crore were pending. The details of the major defaulting DDOs which had outstanding AC bills are shown in **Chart 4.1**.

Chart 4.1 : Value of DCC Bills pending for major defaulters at the end of the year



Source: Finance Accounts.

4.6 Indiscriminate use of Minor Head 800

The omnibus Minor Head 800 relating to Other Receipts/ Other Expenditure is to be operated only in cases where the appropriate Minor Head has not been provided under a Major Head in the accounts. If such instances occur on a regular basis, it is the responsibility of the State Government to discuss with the Principal Accountant General (A&E) and obtain approval to open appropriate Minor Heads. Indiscriminate booking of receipts and expenditure under Minor Head 800 obscures the nature of transactions thereby rendering the accounts opaque.

During the year, ₹ 1,106.49 crore under 45 Major Heads of accounts, constituting 11.46 *per cent* of the total Revenue and Capital expenditure (₹ 9,561.87 crore) was classified under the Minor Head 800 Other Expenditure in the accounts. During 2020-21, ₹ 1,143.58 crore under 61 Major Heads of accounts, constituting 11.86 *per cent* of total expenditure (₹ 9,640.77 crore) was classified under this Minor Head. Receipts booked under Minor Head 800 did not exceed 10 *per cent* of total receipts during 2021-22.

4.6.1 Expenditure Booked under Minor Head 800

Instances of substantial proportion (50 *per cent* or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’ during the financial year 2021-22, are given in **Table 4.4**. During 2020-21, ₹ 1,143.58 crore under 61 Major Heads of accounts, constituting 11.86 *per cent* of total expenditure (₹ 9,640.77 crore) was classified under this Minor Head. It may be seen from the table that expenditure under four heads in the Capital section and two heads in the Revenue section had their entire expenditure of ₹ 673.11 crore booked under the Minor Head 800 – Other Expenditure. Out of this amount, ₹563.86 crore (89 *per cent*) pertained to two heads 2225- Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹469.97 crore) and 4225- Capital Outlay on Welfare of Schedule Castes, Schedule Tribes, Other Backward Classes and Minorities (₹104.92 crore).

Table 4.4 : Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year 2021-22

Major Head	Expenditure		Percentage
	Total	Minor Head 800	
2225 - Welfare of SCs, STs, OBCs and Minorities	496.97	496.97	100.00
4225 - Capital Outlay on Welfare of SCs, STs, OBCs and Minorities	104.92	104.92	100.00
4801 - Capital Outlay on Power Projects	64.32	64.32	100.00
3275 - Other Communication Services	4.89	4.89	100.00
4415 - Capital outlay on Agricultural Research & Education	1.41	1.41	100.00
5055 - Capital Outlay on Road Transport	0.60	0.60	100.00
4202 - Capital Outlay on Education, Sports, Art and Culture	28.32	27.06	95.55
4401 - Capital Outlay on Crop Husbandry	17.58	12.59	71.62
2415 - Agricultural Research and Education	12.78	8.70	68.08
2217 - Urban Development	235.78	154.78	65.65

Major Head	Expenditure		Percentage
	Total	Minor Head 800	
4535- Capital Outlay on Other Rural Development Programmes	9.12	5.67	62.17
4055 - Capital Outlay on Police	8.89	5.44	61.19

Source Finance Accounts

The State Government may take necessary steps to curtail upward movement in future years by ensuring appropriate booking of all expenditure as per the proper format of accounts.

4.6.2 Misclassification of expenditure booked under Minor Head 800

During 2021-22, it was found that 65.65 per cent of expenditure under 2217 – Urban Development amounting to ₹ 154.78 crore was received and booked under Minor Head 800. Out of this amount, expenditure of ₹ 71.70 crores for Housing for All (CSS) and ₹ 83.00 crores for Smart City Mission (CSS) was received and booked under the Detail Heads 32 - Grants in Aid (Non-Salaries) and 35 - Grants for Creation of Capital Assets respectively. As both these funds were assistance received from GoI, the State Government should have booked the expenditure under Minor Head 191 - Assistance to Local Bodies Corporations, Urban Development Authorities, Town Improvement Boards etc. which was available under the Major Head 2217 – Urban Development.

The State Government may take necessary steps to rectify the issue and ensure that such cases of misclassification do not recur.

Issues related to measurement

4.7 Outstanding Balances under Major Suspense and DDR heads

Certain intermediary/adjusting heads of accounts known as ‘Suspense heads’ are opened in Government accounts to reflect transactions of receipts and payments which cannot be booked to a final head of account due to lack of information such as non-furnishing of Schedule of Settlement by the Treasuries/PAOs, non-receipt of clearance memos from RBI, non-receipt of vouchers, etc. These heads of accounts are finally cleared by minus debit or minus credit when the accounts under them are booked to their respective final heads of accounts. If these amounts remain uncleared, the balance under the suspense heads would accumulate and would not reflect Government’s receipts and expenditure accurately.

Remittances embrace all transactions which are adjusting Heads of Account and the debits or credits under these heads are eventually cleared by corresponding credit or debit within the same or in another circle of accounting.

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/Works and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in Table 4.5.

Table 4.5 : Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2019-20		2020-21		2021-22	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	75.91	76.81	93.01	80.70	90.79	113.54
Net		Cr. 0.90		Dr. 12.31		Cr. 22.75
102 - Suspense Account-Civil	71.41	72.40	72.89	72.40	78.78	72.64
Net		Cr. 0.99		Dr. 0.49		Dr. 6.14
107 - Cash Settlement Suspense Account	7.32	1.99	7.32	1.99	7.32	1.99
Net		Dr. 5.33		Dr. 5.33		Dr. 5.33
109 - Reserve Bank Suspense -Headquarters	14.76	(-)69.00	17.55	(-)55.13	15.88	(-)48.77
Net		Dr. 83.76		Dr. 72.68		Dr. 64.65
110 - Reserve Bank Suspense - CAO	834.50	1,792.75	3,371.85	4,712.39	3,342.42	4,303.50
Net		Cr. 958.25		Cr. 1,340.54		Cr. 961.08
112 - Tax Deducted at Source (TDS) Suspense	0.28	1.22	0.40	3.29	0.40	1.92
Net		Cr. 0.94		Cr. 2.89		Cr. 1.52
113 - Provident Fund Suspense	0.00	0.00	0.00	0.00	0.10	0.00
		0.00		0.00		Dr. 0.10
123 - A.I.S Officers' Group Insurance Scheme	0.02	0.00	(-)0.73	0.00	(-)0.73	0.00
Net		Dr. 0.02		Cr. 0.73		Cr. 0.73
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	24,853.10	24,480.59	27,494.68	27,259.29	30,200.19	29,780.31
Net		Dr. 372.51		Dr. 235.39		Dr. 419.88
103 - Forest Remittances	2,852.72	3,182.61	3,025.44	3,352.38	3,247.39	3,608.38
Net		Dr. 329.89		Cr. 326.94		Cr. 360.99

Source: Finance Accounts

The outstanding net debit and credit balances under Suspense Accounts (MH 8658) was ₹ 3,534.96 crore and ₹ 4,444.82 crore respectively as on 31 March 2022. This was mainly due to (i) non-reimbursement of claim expenditure incurred, (ii) non-receipt of scrolls from treasury, (iii) non-receipt of accounts as per clearance memo. Similarly, net debit balance of ₹ 33,447.58 crore and net credit balance of ₹ 33,388.69 crore were outstanding under Cash Remittances (MH 8782).

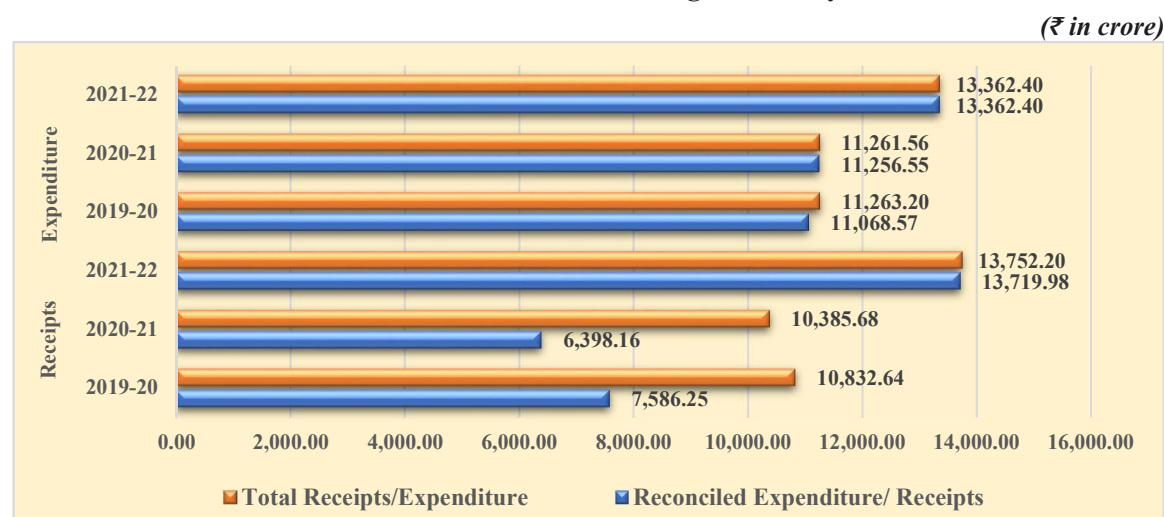
The Government needs to review and analyse all the unadjusted/outstanding transactions mentioned above and take appropriate corrective measures expeditiously.

4.8 Non-reconciliation of Departmental figures

Financial Rules stipulate that receipts and expenditure recorded in the books of accounts of Controlling Officers (COs) be reconciled by them every month during the financial year with those recorded in the books of the Principal Accountant General (Accounts and Entitlements). This is to enable the COs to exercise effective control over expenditure and manage their budgetary allocation efficiently, and ensure accuracy of their accounts.

The status of reconciliation of receipts and expenditure figures by the COs during the three year period 2019-20 to 2021-22 is shown in **Chart 4.2**.

Chart 4.2 : Status of reconciliation during the three years 2019-22



Source: Finance Accounts

While 61.61 *per cent* of the receipts and 99.96 *per cent* of the disbursements were reconciled during 2020-21, these figures were 99.77 *per cent* for receipts and 100 *per cent* in respect of disbursements for the year 2021-22.

The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table 4.6**.

Table 4.6 : Status of Reconciliation of Receipts and Expenditure figures

Year	Total no. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all
Receipts				
2019-20	61	39	0	22
2020-21	44	29	0	15
2021-22	61	61	0	0
Expenditure				
2019-20	87	83	0	4
2020-21	87	83	0	4
2021-22	88	88	0	0

Source: Accounts Wing

Non-reconciliation of figures has been pointed out in the Audit Reports year after year and it can be seen that there has been improvement over the last few years.

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/ adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

4.9 Reconciliation of Cash Balances

The Cash Balance as on 31 March 2022 as per record of the Principal Accountant General was ₹ 507.49 crore (Credit) and that reported by the RBI was ₹ 21.77 crore (Debit).

There was a net difference of ₹ 485.72 crore (Credit), mainly due to non- Reconciliation of figures between Treasuries and Agency Banks. The difference remained as on 30 June 2022 and is under Reconciliation.

4.10 Opening of Bank Accounts by the DDOs

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

It has been observed that most of the Drawing and Disbursing Officer (DDOs) have opened Current/ Savings Accounts in Commercial Banks. As per information provided by 344 DDOs (out of 1007) in the State, 171 DDOs had an amount of ₹ 392.60 crore lying in Savings/Current Bank Account as on 31 March 2022. This has had the impact of overstating the actual expenditure of the Government and overstating the deficit indicators by the same amount.

Further analysis by random sampling of 61 DDOs revealed that an amount of ₹ 145.71 crore was being kept in 59 Savings bank accounts (₹ 108.79 crore), 49 Current bank accounts (₹ 34.70 crore) and one Fixed Deposit account (₹ 2.22 crore) operated by 58 DDOs. As per information furnished by these DDOs these bank accounts were operated for transactions on non-CSS funds pertaining to day to day operations and contingent expenditure and for depositing revenue, taxes and fees collected by the Government.

4.10.1 Maintenance of Bank accounts beyond authorised period

During inspection of the records furnished by the State Government, it was found that 15 DDOs had operated bank accounts for the regularisation of demonetised bank notes as per approval given by their Controlling offices with the concurrence of the Finance Department for a fixed period (up to 31 March 2017). After the expiry of this period, the operation of these accounts was to be reviewed and, if justifiable and required, extension of time for their operation applied for with the Finance Department.

However, it was found that an amount of ₹ 1.15 crore was lying in these accounts as on 31 March 2022. Maintenance of large amounts in bank accounts increased the risk of diversion of funds for unauthorised purposes and the expenditure moving out of the purview of Legislative oversight. State Government needs to investigate the matter and take action to regularise the operation of these bank accounts. Further, the funds may be utilised for the purpose for which they were drawn or transferred back into Government account in view of the poor financial position of the State.

4.11 Cess Levied by the State Government

A cess is a form of tax levied for a specific purpose. It differs from the usual taxes and duties like excise and personal income tax and is imposed as an additional tax besides the existing tax (tax on tax). Another difference lies in the way the revenue recovered from cess is maintained. While revenue from taxes like income tax is kept in the Consolidated Fund and the government can use it for any purposes it deems fit, the revenue coming from

cess is first credited to the Consolidated Fund, and the Government may then, after due appropriation from the Assembly, utilise it for the specified purpose.

The Building and Other Construction Workers' Welfare Cess is the only cess currently being collected by Government of Mizoram as allowed under the Building and Other Construction Workers' Welfare Cess Act, 1996. An analysis of its collection, utilisation and management has been made in the following paragraphs.

4.11.1 Building and Other Construction Workers' Welfare Cess

As on 31 March 2022, the membership enrolment of the Welfare Board stood at 65,534 members, growing by 42,862 members from an enrolment of 21,865 members on 1 April 2017. Details of enrolment for the past five years is shown in **Table 4.7**.

Table 4.7 : Details of membership enrolment in the Welfare Board

Year	Number of members		Number of fresh registrations during the year
	As on 1 st April	As on 31 st March	
2017-2018	21,865	22,672	807
2018-2019	22,672	39,545	16,873
2019-2020	39,545	45,617	6,072
2020-2021	45,617	62,307	16,691
2021-2022	62,307	65,534	3,227

Source : Building and Other Construction Workers' Welfare Board

4.11.2 Cess collection and utilisation

Under Section 3 of the Building and Other Construction Workers' Welfare Cess Act, 1996, there shall be levied and collected a Cess at such rate not exceeding two *per cent*, but not less than one *per cent* of the cost of construction incurred by an employer, as the Government may, by notification in the Official Gazette, from time to time, specify. As per rule 5(3) of the Building and Other Construction Workers' Welfare Cess Rules, 1998, the amount collected is to be transferred to the account of the Building and Other Construction Workers' Welfare Board (MBOCWWB) within thirty days of its collection.

Details of cess and other receipts collected and actual expenditure incurred during the period 2017-18 to 2021-22 are given in **Table 4.8**.

Table-4.8 : Position of MBOCWW Fund for the period 2017-22

(₹ in crore)						
Year	Opening Balance	Cess Receipts	Others/ Misc. Receipts*	Available Fund	Total Expenditure	Closing Balance
2017-18	14.85	15.08	2.81	32.74	8.15	24.59
2018-19	24.59	20.55	19.43	64.57	13.56	51.01
2019-20	51.01	19.95	3.24	74.20	30.36	43.84
2020-21	43.84	14.06	2.30	60.20	37.02	23.18
2021-22	23.18	22.88	5.80	51.86	29.30	22.56

Source: Building and Other Construction Workers' Welfare Board

* Others/Miscellaneous Receipts include Labour Registration Fee/ Monthly Subscription Fee, Bank interest, Fixed Deposit (principal and Interest), Recovery of soft loan and sale of vehicle, etc.

From the table above, it can be seen that MBOCWWB received ₹ 28.68 crore during the year 2021-22, out of which ₹ 22.88 crore was Cess received for the year. During the year, the Board spent an amount of ₹ 29.30 crore on Administrative expenses and welfare schemes/benefits as envisaged in the Building and Other Construction Workers' Welfare Cess Act such as Children's Education Assistance, Medical Assistance, Maternity Assistance, Death Benefit, Funeral Assistance, Marriage/Disability/Cash Award and Welfare Pension, *etc.* The funds available through the cess deposited by various parties is kept in a Savings Bank account maintained by the MBOCWWB.

Issues related to disclosure

4.12 Compliance with Accounting Standards

Government Accounting Standards Advisory Board (GASAB) set up by the Comptroller and Auditor of India in 2002, has been formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. Three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by the GoM in its financial statements for the year 2020-21 are given in **Table 4.9**.

Table 4.9 : Compliance with IGAS

IGAS	Essence of IGAS	Status	Impact of non-compliance
IGAS -1 Guarantees given by government – Disclosure requirements	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year	Partially complied	The Government disclosed the Sector-wise guarantees as per format L of the IGAS; however, the Class-wise details for each Class as per format M of the IGAS were not disclosed in the Financial Statements.
IGAS – 2 Accounting and classification of Grants- in-Aid	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use. Grants-in-Aid should be disclosed in cash as well as in kind in the financial statements of the grantor	Partially complied	Grants-in-Aid given by the Government in cash were disclosed while Grants-in-Aid given in kind were not disclosed. Therefore, total Grants-in-Aid given by the State Government to the grantees could not be ascertained.
IGAS -3 Loans and Advances made by Government	This standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial statement to ensure complete, accurate and uniform accounting practices	Partially complied	The Government disclosed outstanding Loans and Advances at the beginning and end of the accounting period. However, details of interest payments in arrears and rate of interest were not disclosed in the additional disclosure of fresh loans and advances.

4.13 Submission of Accounts/ Separate Audit Reports of Autonomous Bodies

As per Section 19(3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law

made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

Apart from Section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law, he shall, if requested to do so by the President, or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority (Section 20).

Audit certificate is issued in case of above mentioned autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit them to Principal Accountant General (Audit) for audit. Apart from Audit certificate, on the completion of financial audit, the audit office issues separate audit report (SAR) that is part of the audit certificate on the accounts. These SARs are to be placed before the State legislature.

The Principal Accountant General (Audit), Mizoram has not received three annual accounts of two Autonomous District Councils (ADCs) due up to 2021-22 for audit as of 30 September 2022. The details of accounts due from Autonomous Councils and Government Bodies are as given in **Table 4.10**.

Table 4.10 : Arrears of accounts of bodies or authorities as of 30 September 2022

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to F.Y 2021-22
1	Chakma Autonomous District Council	No pendency	0
2	Mara Autonomous District Council	2020-21	2
3	Lai Autonomous District Council	2021-22	1
4	Joint Electricity Regulatory Commission (JERC)	No pendency	0
5	Mizoram Khadi & Village Industries Board	No pendency	0

Timely submission of annual accounts promotes effective audit of utilisation of the grants and loans disbursed to ADCs/Government Bodies. As may be seen from the table, three accounts were pending for submission by two ADCs

4.14 Departmental Commercial Undertakings

The Principal Accountant General (Audit), Mizoram has not received 4 annual accounts of two Departmental Commercial Undertakings due for audit up to 2021-22 (September 2022) and no accounts has been received from one departmental commercial undertaking since inception. The details of accounts due from these bodies are in **Table 4.11**.

Table 4.11 : Arrears of accounts of Commercial Undertakings

Sl. No.	Name of Departmental Commercial Undertaking	Accounts arrears since	No. of Accounts pending up to F.Y 2021-22
Departmental Undertakings			
1	Food, Civil Supplies & Consumer Affairs Department	2018-19	4
2	Mizoram State Transport Department	2018-19	4
3	Power & Electricity Department	No accounts have been submitted since inception <i>i.e.</i> 1983	

As it can be seen from the above, out of three departmental undertakings, the accounts of Mizoram State Transport Department and Food, Civil Supplies & Consumer Affairs Department were in arrears since 2018-19 and Power & Electricity Department had not submitted its accounts since its inception. Thus, in the absence of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

4.15 Non-submission of details of Grants/ Loans given to bodies and authorities

In order to identify institutions/ organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's DPC Act), the Government / HODs are required to furnish to Audit every year

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

Further, Regulations on Audit and Accounts (Amendments) 2020 provides that Governments and HODs, who sanction grants and / or loans to bodies or authorities shall furnish to Audit, by the end of July every year, a statement of such bodies and authorities to which grants and / or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

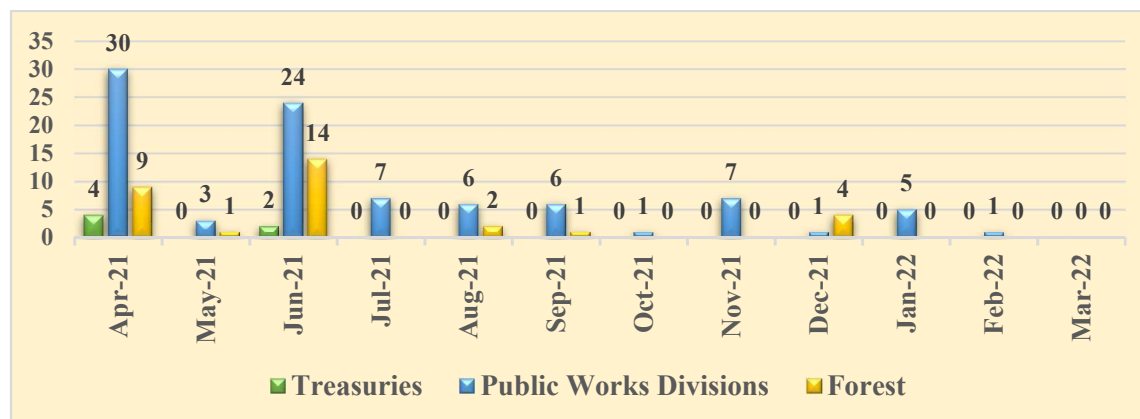
No information regarding the details of grants/ loans given by the Government to bodies and authorities was received by this office during 2021-22. In the absence of timely submission of these details, results of the grants/ investment of the Government escaped scrutiny of audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency in the functioning of the grantees could not be suggested.

4.16 Timeliness and Quality of Accounts

The accounts of receipts and expenditure of Government of Mizoram are compiled from the initial accounts rendered by 10 Treasuries, six Joint Resident Commissioners, 74 Public Works and 34 Forest Divisions and Advices of the Reserve Bank of India. Although delay in submission of the monthly accounts had affected timely submission of the Monthly Civil Accounts to the State Government, no accounts were excluded at

the end of the year. Details of accounts excluded from the Monthly Civil Accounts are given in **Chart 4.3**.

Chart 4.3 : Number of accounts excluded from monthly Civil Accounts during 2021-22



Source: Information furnished by the Principal Accountant General (Accounts)

As can be seen from the chart, public works divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/units could not be incorporated in the Civil Accounts in the month of occurrence of the transaction. Due to the failure of the account rendering units to furnish accounts on time, some accounts were excluded from the Monthly Civil Accounts by the Principal Accountant General in 11 months during the year. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Principal Accountant General (Accounts) to the State Government were incomplete in these months.

Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments, *etc.* during the year. The State Government needs to monitor and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General on a timely basis, to manage its own budget more effectively.

Other Issues

4.17 Follow-up action on State Finances Audit Report

In his Audit Reports on the Finances of the GoM, the CAG of India has been flagging year after year, issues of concern relating to various aspects of financial and budgetary management, areas of non-compliance with the prescribed procedures, rules and regulations, *etc.*, by the State Government departments/authorities. These Reports can achieve the desired results only when they evoke positive and adequate response from the Government/administration itself. To ensure accountability of the executive with regard to the issues contained in the Audit Reports, the PAC of Mizoram Legislative Assembly issued instructions (April 2010) for submission of *suo motu* Action Taken Notes (ATNs) by the administrative departments concerned within three months of presentation of the Audit Reports to the State Legislature.

The Audit Reports on State Finances were placed before the State Legislature every year since 2010. While the audit observations featured in the State Finances Audit Reports up to 2015-16 have all been settled, there are 239 paragraphs remaining unsettled in the Reports for the years 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21.

4.18 Conclusion

State Government had designated 20 Single Nodal Agencies for 86 CSS schemes being implemented in the state of which 80 bank accounts had been linked to their corresponding schemes i.e. 93.02 *per cent* compliance. The unlinked schemes were Deen Dayal Upadhyaya Gram Jyoti, Integrated Power Development Scheme, Saubhagya, Atal Vayo Abhyuday Yojana, Green India Mission-National Afforestation Programme and National AYUSH Mission (Medicinal Plant).

94 Utilisation Certificates (UCs) in respect of grants aggregating ₹ 109.50 crore given to the three Autonomous District Councils during the period upto March 2021 were not submitted to the Principal Accountant General by the entities. High pendency of UCs was fraught with the risk of misappropriation of funds and fraud.

Although all AC Bills drawn during 2021-22 were settled, there were seven AC Bills worth ₹ 3.86 crore pending adjustment relating to previous years.

During 2021-22, ₹ 1,106.49 crore under 45 Major Heads of accounts, constituting 11.57 *per cent* of the total Revenue and Capital expenditure (₹ 9,561.87 crore) was classified under the Minor Head 800 Other Expenditure in the accounts.

As per information provided by the State Government, 171 DDOs (out of 1007) had an amount of ₹ 392.60 crore lying in Savings/Current Bank Account as on 31 March 2022.

The available funds to Construction Workers' Welfare Board (MBOCWWB) during the year was ₹ 51.86 crore. Out of the available funds, the Board spent an amount ₹ 29.30 crore on Administrative expenses and welfare schemes/benefits as envisaged in the Building and Other Construction Workers' Welfare Cess Act.

The Principal Accountant General, Mizoram has not received three Annual Accounts of Autonomous Councils/Government Bodies which were due up to 2021-22 for audit as of 30 September 2022.

The Annual Accounts were pending in respect of two Departmental Commercial Undertakings since 2018-19 and one Departmental Commercial Undertaking since inception.

4.19 Recommendations

- 1. The Government may ensure submission of Utilisation Certificates (UCs) by the grantee within the time frame and institute a mechanism whereby subsequent release of funds is made consequent on furnishing of UCs of earlier releases.*
- 2. The Government may consider carrying out adjustment of Abstract Contingent bills within stipulated period, as required under the Rules.*

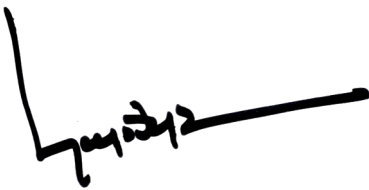
3. *The Finance Department should avoid indiscriminate use of Minor Head 800 and book the expenditure under appropriate Minor Head wherever available.*
4. *Finance Department should review all Savings /Current Bank Accounts in the name Drawing and Disbursing Officers (DDOs). Further, the Finance Department should reiterate the instructions contained in the Central Treasury Rules (CTR) that no money should be drawn in anticipated of demand or to prevent the lapse of budgetary grants.*

Aizawl
The: 21 February 2023


(LHUNKHOTHANG HANGSING)
Principal Accountant General,
Mizoram

Countersigned

New Delhi
The: 22 February 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendices

APPENDIX I State Profile

(Reference: Paragraph 1.1)

Sl. No.	Particulars	Unit	India	Mizoram
1	Area	Sq Km	32,87,263	21,081
2	Population as per Census, 2011	in lakh	12,108.55	13.84
3	Density of Population (2011)	per Sq Km	382	63
4	Population below poverty line (2016-17 based)	No. of Households/ in <i>per cent</i>	21.92	19.63
5	Literacy (2011)	<i>Per cent</i>	73	91.58
6	Infant Mortality Rate (2019)	Per 1000 live births	28	22
7	Life expectancy at Birth (in years:2015-19)	Year	69.70	69.70
8	Decadal Population Growth (2012-2022)	<i>Per cent</i>	12.12	23.48
9	GDP/GSDP at Current Prices (2011-12 Series)	(₹ in crore)	2,36,64,637	24,807.08

Source: State Economic & Statistics Department

APPENDIX II

Time Series data on State Government Finances

(Reference: Paragraph 2.5.1.2)

(₹ in crore)

	2017-18	2018-19	2019-20	2020-21	2021-22
Part A: Receipts					
1. Revenue Receipts	8,580.20	9,039.50	9,658.26	7,740.67	9,159.74
<i>(i) Tax Revenue</i>	545.91	726.70	730.98	647.56	853.94
Taxes on Agricultural Income	0.00	0.00	0.00	0.00	0.00
State Goods and Services Tax	169.76	454.73	532.22	457.91	632.34
Taxes on Sales, Trade, etc.	242.85	135.93	117.61	113.66	150.75
State Excise	65.83	65.34	2.72	0.96	1.79
Taxes on Vehicles	31.58	38.36	40.66	29.01	27.90
Stamps and Registration fees	3.20	4.43	5.85	4.73	7.48
Land Revenue	8.29	8.64	9.05	20.74	13.04
Taxes on Goods and Passengers	7.83	4.71	7.44	4.85	5.39
Other Taxes	16.57	14.56	15.43	15.70	15.25
<i>(ii) Non-Tax Revenue</i>	390.65	449.96	522.35	561.76	622.12
<i>(iii) State's share of Union taxes and duties</i>	3,097.05	3,502.96	3,017.80	3,010.55	4,222.86
<i>(iv) Grants-in-Aid from GoI</i>	4,546.59	4,359.88	5,387.13	3,520.80	3,460.82
2. Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
3. Recoveries of Loans and Advances	21.64	22.16	26.70	33.69	32.18
4. Total Revenue and Non-Debt Capital Receipts (1+2+3)	8,601.84	9,061.66	9,684.96	7,774.36	9,191.92
5. Public Debt Receipts	894.14	134.22	1,147.68	2,611.32	4,560.28
Internal Debt (excluding WMAs and Overdraft)	868.76	122.86	1,132.80	2,363.70	4,250.46
Net transaction under WMAs and Overdraft	17.51	0.00	0.00	0.00	0.00
Loans and Advances from GoI	7.87	11.36	14.88	247.62	309.82
6. Total Receipts in the Consolidated Fund	9,495.98	9,195.88	10,832.64	10,385.68	13,752.20
7. Contingency Fund Receipts	0.00	0.00	0.00	0.00	0.00
8. Public Account Receipts	4,521.83	5,313.51	6,263.35	8,254.17	4,545.74
9. Total Receipts of the State (6+7+8)	14,017.81	14,509.39	17,095.99	18,639.85	18,297.94
Part B: Expenditure/Disbursement					
10. Revenue Expenditure	6,880.77	7,505.59	9,453.96	8,514.80	8,557.49
General Services (including Interest Payments)	2,239.14	2,695.22	3,161.42	3,230.94	3,141.53
Social Services	2,606.53	2,934.45	3,392.73	3,177.84	3,337.57
Economic Services	2,035.10	1,875.92	2,899.81	2,106.02	2,078.39
Grants-in-Aid and Contributions	0.00	0.00	0.00	0.00	0.00
11. Capital Outlay	1,996.35	1,868.47	1,372.67	1,125.97	1,004.38
Plan	1,996.35	1,868.47	1,372.67	1,125.97	1,004.38

	2017-18	2018-19	2019-20	2020-21	2021-22
Non Plan	--	---	---	---	---
<i>General Services</i>	120.35	99.31	95.22	42.64	39.43
<i>Social Services</i>	613.71	762.20	601.37	559.92	457.62
<i>Economic Services</i>	1,262.29	1,006.96	676.08	523.41	507.33
12. Disbursement of Loans and Advances	44.95	40.52	82.63	2.90	2.58
13. Total Expenditure (10+11+12)	8,922.07	9,414.58	10,909.26	9,643.67	9,564.45
14. Repayments of Public Debt	472.96	244.23	353.92	1,617.89	3,797.95
Internal Debt (excluding WMAs and Overdraft)	450.93	222.00	331.97	1,595.53	3,774.93
Net transactions under WMAs and overdraft	0.00	0.00	0.00	0.00	0.00
Loans and Advances from GoI	22.03	22.23	21.95	22.36	23.02
15. Appropriation to Contingency Fund	0.00	0.00	0.00	0.00	0.00
16. Total disbursement out of Consolidated Fund (13+14+15)	9,395.03	9,658.81	11,263.18	11,261.56	13,362.40
17. Contingency Fund disbursements	0.00	0.00	0.00	0.00	0.00
18. Public Account disbursements	4,211.05	5,210.10	5,557.73	7,537.09	5,111.76
19. Total disbursement by the State (16+17+18)	13,606.08	14,868.91	16,820.91	18,798.65	18,474.16
Part C: Deficits					
20. Revenue Deficit (-)/ Surplus (+) (1-10)	1,699.43	1,533.91	204.30	-774.13	602.25
21. Fiscal Deficit (-)/ Surplus (+) (4-13)	-320.23	-352.92	-1,224.30	-1,869.31	-372.53
22. Primary Deficit (-)/ Surplus (+) (21-23)	18.97	15.76	-881.18	-1,468.32	(+)78.11
Part D: Other data					
23. Interest Payments (included in Revenue Expenditure)	339.20	368.68	343.12	400.99	450.64
24. Financial Assistance to LBs, etc.	1,678.61	1,660.61	2,536.71	1,780.83	1,903.64
25. WMAs/ Overdraft availed (days)	0	0	2	82	105
Ordinary WMAs availed (days)	0	0	0	59	101
Special WMAs availed (days)	0	0	2	23	0
Overdraft availed (days)	0	0	0	0	4
26. Interest on WMAs/Overdraft	0.00	0.00	0.00	0.42	2.32
27. Gross State Domestic Product	19,385.33	21,912.08	24,989.60	24,712.26	24,807.08
28. Outstanding Fiscal Liabilities (year-end)	7,300.30	7,315.54	8,678.26	9,881.09	10,570.93
29. Outstanding Guarantees (year-end) (including interest)	133.92	97.99	140.66	138.63	125.48
30. Maximum Amount Guaranteed (year-end)	293.94	277.58	200.58	167.72	178.87
31. Number of Incomplete Projects	25	45	18	9	54
32. Capital blocked in incomplete projects	195.47	353.20	423.62	239.94	646.03

	2017-18	2018-19	2019-20	2020-21	2021-22
Part E: Fiscal Health Indicators					
I - Resource Mobilisation					
Own Tax Revenue/GSDP	2.82	3.32	2.93	2.62	3.44
Own Non-Tax Revenue/GSDP	2.02	2.05	2.09	2.27	2.51
Central Transfers/GSDP	15.98	15.99	12.08	12.18	17.02
II - Expenditure Management					
Total Expenditure/GSDP	46.02	42.97	43.66	39.02	38.56
Total Expenditure/Revenue Receipts	103.98	104.15	112.95	124.58	104.42
Revenue Expenditure/Total Expenditure	77.12	79.72	86.66	88.29	89.47
Expenditure on Social Services/ Total Expenditure	36.09	39.27	36.61	38.76	39.68
Expenditure on Economic Services/ Total Expenditure	36.96	30.62	32.78	27.27	27.03
Capital Expenditure/ Total Expenditure	22.38	19.85	12.58	11.68	10.50
Capital Expenditure on Social and Economic Services/ Total Expenditure.	21.03	18.79	11.71	11.23	10.09
III -Management of Fiscal Imbalances					
Revenue Deficit (Surplus)/ GSDP	8.77	7.00	0.82	-3.13	2.43
Fiscal Deficit (Surplus)/ GSDP	-1.65	-1.61	-4.90	-7.56	-1.50
Primary Deficit (Surplus)/ GSDP	0.10	0.07	-3.53	-5.94	0.31
Revenue Deficit (Surplus)/ Fiscal Deficit (Surplus)	-530.69	-434.63	-16.69	41.41	-161.66
Primary Revenue Balance/ GSDP	10.63	8.78	2.30	-1.37	4.37
IV - Management of Fiscal Liabilities					
Fiscal Liabilities/ GSDP	37.66	33.39	34.73	39.98	42.61
Fiscal Liabilities/Revenue Receipts	85.08	80.93	89.85	127.65	115.41
Primary deficit <i>vis-à-vis</i> quantum spread	3.56	2.70	-123.54	311.59	-19.61
V - Other Fiscal Health Indicators					
Return on Investment	0.00	0.00	0.00	0.00	0.00
Financial Assets/ Liabilities	1.55	1.72	1.64	1.48	1.52

Source: Finance Accounts of respective year

APPENDIX III
Expenditure under MH-3435 Ecology and Environment complied based on vouchers/information received from the State Government
(Reference: Paragraph 2.7.4)

Major Head	Sub- Major Head	Minor Head	Sub-Head	Detailed Head	2019-20		2020-21		2021-22	
					Budget (Original + Supplementary)	Ex- penditure	Budget (Original + Supplementary)	Ex- penditure	Budget (Original +Supple- mentary)	Ex- penditure
1	2	3	4	5	6	8	9	10	11	12
3435	<i>03 Environment Research and Ecological Regeneration</i>	104 Climate Change Adaptation and Mitigation	01 Climate Change Adaptation and Mitigation	00	02 Wages		0.01			
					13 Office Expenses		0.01	0.01		
					27 Minor Works		0.01	0.01	0.04	0.04
					50 Other Charges		0.01	0.01		
						...	...	0.01		
	Total 03					...	0.04	0.03	0.04	0.04
3435	<i>04 Prevention and Control of Pollution</i>	103 Prevention of air and water pollution	Assistance to State Pollution Control Board	00	Grants-in-Aid (Salaries)		...	...	1.58	1.48
					31 Grants-in-Aid (Salaries)	1.33	1.55	1.42	...	...
	Total 04					1.33	1.55	1.42	1.58	1.48
	Grand Total					1.33	1.55	1.42	1.62	1.52

Source : Finance Accounts

APPENDIX IV
Excess/ unnecessary/ insufficient re-appropriation
(For final excess/ savings of ₹ 10 lakhs or above)

(Reference: Paragraph 3.4.3)

(₹ in crore)

Sl No.	Grant No. and Head of accounts	Provisions				Actual expenditure	Excess (+) Saving(-)
		O	S	R	Total		
1	16-Home 2055-Police 101-Criminal Investigation & Vigilance 05-DSB, Siaha	1.15	0.00	-0.25	0.90	1.01	0.11
2	20-School Education 2202-General Education 02-Secondary Education 109-Government Secondary Schools 01-Government High Schools	177.95	0.00	-34.97	142.98	147.72	4.74
3	20-School Education 2202-General Education 05-Language Development 102-Promotion of Modern Languages and Literature 02-Appointment of Modern Language Teachers	86.15	0.00	-18.20	67.95	76.46	8.51
4	20-School Education 2202-General Education 02-Secondary Education 110-Assistance to Non-Government Secondary Schools 02-Assistance to Non-Government Higher Secondary Schools	42.53	0.00	-5.42	37.11	40.08	2.97
5	20-School Education 2202-General Education 80-General 001-Direction and Administration 02-Physical Education	2.21	0.00	-0.81	1.40	1.84	0.44
6	20-School Education 2202-General Education 80-General 004-Research 01-Statistical and Educational Survey	0.29	0.00	-0.26	0.03	0.19	0.16
7	21-Higher and Technical Education 2202-General education 03-University and Higher education 103-Government Colleges and Institutes 01-College of Teacher Education	3.27	0.50	-1.11	2.66	2.97	0.31

Sl No.	Grant No. and Head of accounts	Provisions				Actual expenditure	Excess (+) Saving(-)
		O	S	R	Total		
8	21-Higher and Technical Education <i>2202-General education</i> 03-University and Higher education 001-Direction and Administration 01-Direction	4.85	0.15	-0.97	4.03	4.22	0.19
9	27-District Councils and Minority Affairs <i>2225-Welfare of SC,ST,OBC and Minorities</i> 80-General 800-Other Expenditure 34-VC Remuneration under ADC (MFC Grants)	5.04	0.04	0.00	5.08	5.22	0.14
10	40-Commerce and industries <i>2851-Village and Small Industries</i> 102- Small Scales Industries 01-Supervision of Small Scales Industries	8.36	0.00	-0.98	7.38	7.52	0.14
11	40-Commerce and industries <i>2851-Village and Small Industries</i> 102- Small Scales Industries 03-District Industries Centre	4.30	0.00	-0.40	3.90	4.14	0.24
12	Public Debt <i>2049-Interest Payments</i> 01-Interest on internal Debt 101-Interest on Market Loans 09-Interest on Market Borrowing	200.00	61.00	0.00	261.00	278.09	17.09
13	Public Debt <i>2049-Interest Payments</i> 01-Interest on internal Debt 101-Interest on Market Loans 10-Interest on NABARD Loan	25.00	0.00	0.00	25.00	25.43	0.43
14	Public Debt <i>6003-Internal Debt of the State Government</i> 111-Special Securities issued to National Small Saving Fund of the Central Government 01-National Small Saving Fund	8.96	0.00	0.00	8.96	17.01	8.05
TOTAL							43.52

Source: Appropriation Accounts

APPENDIX V
Details of surrender of funds in excess of ₹ 10 crore at the end of March, 2022

(Reference : Paragraph 3.4.4)

(₹ in crore)

Sl No.	Grant Number	Original	Supplementary	Total provisions	Actual	Saving (-) Excess (+)	Amount Surrendered
Revenue (Voted)							
1	9-Finance	1194.63	234.55	1429.18	1376.25	-52.93	28.79
2	11-Secretariat Administration	125.74	0.76	126.50	115.00	-11.50	10.82
3	15-General Administration Department	90.96	29.98	120.94	110.14	-10.80	10.76
4	16-Home	760.47	26.93	787.40	707.69	-79.71	79.51
5	19-Local Administration	100.45	112.18	212.63	98.69	-113.94	113.94
6	20-School education	1530.34	67.66	1598.00	1237.24	-360.76	359.36
7	21-Higher and Technucal Education	259.04	45.89	304.93	245.52	-59.41	58.48
8	24-Medical & Public Health Services	595.97	147.76	743.73	629.43	-114.30	114.30
9	25-Water Supply and Sanitation	216.01	55.64	271.65	250.15	-21.50	21.50
10	28-Labour, Employment, Skill Development and Entrepreneurship	31.35	4.52	35.87	17.18	-18.69	18.73
11	29-Social Welfare	125.64	64.21	189.85	144.92	-44.93	44.36
12	30-DM & R	61.14	9.50	70.64	40.86	-29.78	29.78
13	31-Agriculture	184.23	10.42	194.65	123.11	-71.54	71.48
14	32-Horticulture	89.78	11.75	101.53	64.13	-37.40	37.02
15	34-Animal Husbandry and Veterinary	79.43	3.73	83.16	61.26	-21.90	16.49
16	36-Enviroment, Forests and Climate Change	217.98	41.47	259.45	150.38	-109.07	109.06
17	38-Rural Development	438.45	65.18	503.63	229.92	-273.71	273.28
18	39-Power	697.40	108.82	806.22	700.99	-105.23	104.46
19	40-Commerce and Industries	78.05	12.53	90.58	66.42	-24.16	24.64
20	42-Transport	59.62	6.68	66.30	45.60	-20.70	20.71
21	45-Public Works	540.21	22.68	562.89	292.56	-270.33	269.55
22	46-Urban Development and Proverty Alleviation	319.16	12.71	331.87	232.67	-99.20	76.70
	Total	7796.05	1095.55	8891.60	6940.11	-1951.49	1893.72

Sl No.	Grant Number	Original	Supplementary	Total provisions	Actual	Saving (-) Excess (+)	Amount Surrendered
Capital (Voted)							
1	9-Finance	930.00	0.00	930.00	0.00	-930.00	930.00
2	24-Medical & Public Health Services	27.76	65.48	93.24	56.62	-36.62	36.62
3	25-Water Supply and Sanitation	247.99	95.01	343.00	177.32	-165.68	165.68
4	29-Social Welfare	29.00	14.87	43.87	14.87	-29.00	29.00
5	39-Power	7.32	86.90	94.22	64.32	-29.90	29.90
6	45-Public Works	20.00	421.94	441.94	409.37	-32.57	32.57
7	46-Urban Development and Poverty Alleviation	107.12	34.19	141.31	52.03	-89.28	89.28
8	47-Irrigation and Water Resources	45.00	3.94	48.94	7.76	-41.18	41.18
	Total	1414.19	722.33	2136.52	782.29	-1354.23	1354.23

Source: Appropriation Accounts, + Reasons for savings not stated.

APPENDIX VI
Grant-wise unutilised funds during 2021-22

(Reference Paragraph: 3.6.2)

(₹ in crore)

Sl. No.	Grant No.	Names	Original grant	Supplementary grant	Total	Expenditure	Savings	Details of Surrender	Percentage
Revenue Voted									
1	14	Planning & Programme Implementation(03) Central Assistance (CA) 3425 Other Scientific Research 60 Others 004 Research and Development 05 MISTIC/NEA	0.00	0.70	0.70	0.00	0.70	0.70	100
2	24	Medical and Public Health Services (03) Central Assistance (CA) 2210 Medical and Public Health 06 Public Health 003 Training 05 General Nursing and Midwifery School, Champhai/ CSS	0.00	1.00	1.00	0.00	1.00	1.00	100
3	24	(03) Central Assistance (CA) 2210 Medical and Public Health 05 Medical Education, Training and Research 105 Allopathy 55 Establishment of MIMER/NEA	0.00	0.10	0.10	0.00	0.10	0.10	100
4	31	Agriculture 2401 Crop husbandry 109 Extension and Farmers' Training 04 SMS for National Mission on Agriculture Extension and Technology (NMAET)	0.00	0.34	0.34	0.00	0.34	0.34	100
5	39	Power 3053 Civil Aviation 60 Other Aeronautical Services 800 Other Expenditure 90 Socio-Economic Development Policy (SEDP)	0.00	0.33	0.33	0.00	0.33	0.33	100

Sl. No.	Grant No.	Names	Original grant	Supplementary grant	Total	Expenditure	Savings	Details of Surrender	Percentage
6	40	Commerce and Industries 2851 Village and Small Industries 102 Small Scale Industries 10 SMS for Prime Minister Formalization of Macro Food Processing (PMFME)	0.00	0.16	0.16	0.00	0.16	0.16	100
Capital Voted									
1	24	Medical and Public Health Services (03) Central Assistance (CA) 4210 Capital outlay on Medical and Public Health 06 CSS 101 Central Assistance/Share 05 Strengthening of Trauma Cente/CSS	0.00	2.68	2.68	0.00	2.68	2.68	100
2	24	(03) Central Assistance (CA) 4210 Capital outlay on Medical and Public Health 04 Public Health 101 Prevention and control of Diseases 05 Strengthening of Trauma Cente/CSS	0.00	2.08	2.08	0.00	2.08	2.08	100
3	24	(03) Central Assistance (CA) 4210 Capital outlay on Medical and Public Health 04 Public Health 003 Training 07 General Nursing and Midwifery School, Serchhip/CSS	0.00	1.30	1.30	0.00	1.30	1.3	100
4	26	Information and Public Relations (03) Central Assistance (CA) 4220 Information and Publicity 60 Others 101 Buildings 02 SMS for construction of a Multi-Facility Centre Lianchhiari Run at Treasury Square, Aizawl	0.00	0.60	0.60	0.00	0.60	0.60	100
5	45	Public Works (03) Central Assistance (CA) 4202 Capital Outlay on Education, Sports, Art and Culture 02 Technical Education 104 Polytechnics 05 Setting up of Polytechnic, Siaha/CSS	0.00	1.00	1.00	0.00	1.00	1.00	100

Source: Appropriation Accounts

APPENDIX VII
Funds transferred by Government of India directly to State Implementing Agencies (excluding DBT and Government Agencies)

(Reference Paragraph:4.2)

(₹ in crore)

Sl. No.	GoI Scheme	Implementing Agency	GoI release during 2021-22
1.	Integrated Scheme on Agriculture Census and Statistics	Directorate of Economics and Statistics, Mizoram	0.19
2.	Organic Value Chain Development of NE Region	Mission Organic Mizoram	12.92
3.	Conservation of Aquatic Eco-Systems	Environment and Forest Department	0.02
4.	PM Formalization of Micro Food Processing Enterprises PM- FME	Directorate of Commerce and Industries	0.25
5.	Rashtriya Gokul Mission	State Implementation unit Mizoram of NPCBB	1.54
6.	Development of Skills	Jan Shikshan Sansthan	0.25
		Mission Foundation Movement	0.20
7.	Incentivization of Panchayat	Kolasib Venglai Village Council	0.05
		Maubuang VC	0.05
		Mualthuam N VC	0.10
		Sawleng VC	0.05
8.	Mahatma Gandhi National Rural Guarantee Programme	MGNREGA Rural Employment Guarantee Council, Mizoram	464.86
9.	National Action Plan for Drug Demand Reduction (SJE)	Mizoram Social Defence and Rehabilitation Board	2.22
10.	SAMARTHYA (BBBP Creche PMMVY Gender Budget Research Skilling Training etc.)	Women and Child Development Department	1.71
11.	SAMBAL (One Stop Centre Mahila Police Volunteer Women Helpline Swadhar Ujjwala Widow Homes, etc.)	Women and Child Development Department	3.83
12.	Jal Jeevan Mission (JJM) / National Rural Drinking Water Mission	SWSM Mizoram, Aizawl	227.91
13.	Pradhan Mantri Kisan Samman Nidhi (PM- Kisan)	Department of Agriculture, Mizoram	64.54
14.	Capacity Building for Service Providers	Mizoram Tourism Development Authority	0.94

Sl. No.	GoI Scheme	Implementing Agency	GoI release during 2021-22
15.	Domestic Promotion and Publicity including Market Development Assistance	Mizoram Tourism Development Authority	0.50
16.	Design and Technical Upgradation Scheme	Mizoram Khadi and Village Industries Board	0.20
17.	Human Resource Development- Handicrafts	Mizoram Khadi and Village Industries Board	0.36
18.	Marketing Support and Services	Mizoram Handloom and Handicrafts Development Corporation Ltd.	0.11
19.	National Handloom Development Programme	Directorate of Commerce and Industries Handloom and Handicrafts Wing	0.27
		Directorate of Commerce and Industries Handloom and Handicrafts Wing	4.42
		Kulikawn East Handloom Co-operative Society Ltd.	0.07
		Mizoram Apex Handloom and Handicrafts Co-operative Society	0.30
		Mizoram Handloom and Handicrafts Development Corporation Ltd.	0.70
		Ramhlun South Kawn Veng Handloom Co-operative Society Ltd.	0.07
		Weavers Services Centre, Aizawl	0.30
20.	NER Textiles Promotion Scheme	Director of Sericulture Department	2.55
21.	Assistance to State Agencies for intra-state movement of foodgrains and FPS dealers margin under NFSA	Food Civil Supplies and Consumer Affairs	7.71
22.	Integrated Management of Public Distribution System	Food, Civil Supplies and Consumer Affairs	0.50
23.	Developments of Museums	Director, Art and Culture Department	2.07
24.	Kala Sanskriti Vikash Yojana	Hranghleia Memorial Youth Club	0.01

Sl. No.	GoI Scheme	Implementing Agency	GoI release during 2021-22
25.	Kala Sanskriti Vikash Yojana	Mizoram Drama Organisation	0.01
26.	Research, Education and Training Outreach (REACHOUT)	Lunglei Government College	0.01
27.	Environmental Education, Awareness and Training	Environmental Education, Awareness and Training	1.34
28.	Environmental Information System	Environmental Information System	0.50
29.	Hazardous Substance Management (HSM)	Pollution Control Board	0.30
30.	Pradhan Mantri Kisan Sampada Yojana - Creation/Expansion of Food Processing and Preservation Capacities	Champhai Grape Growers Society	1.78
31.	Pradhan Mantri Kisan Sampada Yojana - Mega Food Parks	Directorate of Commerce and Industries Department	0.38
32.	Ayush Oushadhi Gunvatta Evam Utpadan Samvardhan Yojana (AOGUSY)	National AYUSH Mission, Mizoram	0.18
33.	Conservation Development and Sustainable Management of Medicinal Plants	State Medicinal Plants Board, Aizawl	0.27
34.	Development of Nursing Services	Mizoram Nursing Council	0.23
35.	Establishment and Strengthening of NCDC branches and Health Initiatives Inter-Sectoral Co-ordination for Preparation and Control of Zoonotic Diseases and other neglected tropical diseases surveillance of viral Hepatitis anti microbial resistance	DH/SRL/Aizawl/Mizoram	1.03
36.	National AIDS and STD Control Programme	State AIDS Control Society, Mizoram, Aizawl	29.15
37.	Higher Education Statistics and Public Information System (HESPIS)	AI SHE Mizoram Unit	0.02
38.	Electronic Governance	Mizoram State e-Governance Society	1.28
39.	National Database for Unorganized Workers	Labour and Employment Department	0.10

Sl. No.	GoI Scheme	Implementing Agency	GoI release during 2021-22
40.	E-Courts Phase II	Registrar General, High Court of Gauhati (Mizoram)	0.30
41.	Schemes of North East Council-Special Development Projects	Chakma Autonomous District Council, Mizoram	1.08
		Department of Horticulture	11.04
		D.C, Siaha	0.10
		D.C, Champhai	3.69
		D.C, Lawngtlai	2.89
		D.C, Lunglei	1.10
		D.C, Mamit	2.20
		Directorate of Commerce and Industries	0.10
		Directorate of Higher and Technical Education	0.12
		Directorate of Hospital and Medical Education	0.15
		District Rural Development Agency, Lawngtlai District	0.10
		GAD	1.58
		Mara Autonomous District Council, Siaha	0.08
		Mizoram Agriculture Marketing	1.60
		Mizoram Remote Sensing Application Centre (MIRSAC)	0.84
		Mizoram Scholarship Board	0.04
		Mizoram State Cooperative Marketing and Consumers Federation Ltd.	4.61
		Mizoram Tourism Department Authority	0.04
		Mizoram Youth Commission	1.82
		PWD, Aizawl	0.20
		Sinlung Hills Council	1.43
		Zodin Handloom	2.10
		Zoram Infrastructure and Industrial Development Co-operation Ltd.	1.46
		State Implementing Agency-NADCP	5.97
42.	Small Hydro Power - Grid Interactive	Zoram Energy Development Agency	1.41

Sl. No.	GoI Scheme	Implementing Agency	GoI release during 2021-22
43.	Solar Power - Offgrid	Power and Electricity Department	1.82
44.	Solar Power - Grid Interactive	Power and Electricity Department	0.05
45.	Action Research	State Institute of Rural Development	0.01
46.	Media and Publicity- Panchayati Raj	Local Administration	0.00
47.	SVAMITVA	SVAMITVA	0.03
48.	Training Schemes - PPG and P	Administrative Training Institute	0.14
49.	Consumer Awareness Publicity and Price Monitoring	Mizoram Drug Price Monitoring and Research unit Society	0.05
50.	Atal Innovation Mission including Self Employment and Talent Utilisation	Planning and Programme Implementation	0.48
51.	Capacity Development CSO and NSSO	Directorate of Economics and Statistics, Mizoram	0.86
52.	Member of Parliament Local Area Development Scheme (MPLADS)	Deputy Commissioner, Aizawl	6.50
53.	Official Development Assistance for Sustainable Development Goals (EAP Component)	SPV- Aspirational maint	13.01
54.	Research Training and Studies and Other Road Safety Schemes	Director, Transport	5.50
55.	Land Records Modernization Programme	Rural Development Department	1.37
56.	Management Support to Rural Development Programmes and Strengthening of District Planning Process	Extension Training Centre, Thingsulthliah, Mizoram	4.69
57.	Biotechnology Research and Development	Mizoram Science, Technology and Innovation Council	0.54
		Mizoram State Cancer Institute	0.01
		Zoram Medical College	0.69
58.	Industrial and Entrepreneurship Development	Mizoram Krishi Vigyan Kendra	0.04

Sl. No.	GoI Scheme	Implementing Agency	GoI release during 2021-22
59.	Innovation, Technology Development and Deployment	Mizoram Science and Technology and Innovation Council	1.49
60.	Research and Development (DST)	Trade and Commerce Department	0.67
61.	Science and Technology Institutional and Human Capacity Building	Science and Technology Department	1.15
62.	Schemes for differently Abled persons	Director, Social Welfare Department	0.04
63.	AID to Voluntary Organisations Working for the Welfare of Scheduled Tribes	Mizoram Hmeithai Association Aizawl, Mizoram	1.12
64.	National Fellowship and Scholarship for Higher Education of ST Students	National Institute of Technology Mizoram	0.01
65.	National Hydrology Project	Minor Irrigation Department	5.50
66.	Khelo India	Mizoram State Sports Council	6.60
67.	National Service Scheme	Mizoram State NSS Cell	2.01
68.	PDS Evaluation Monitoring and Research	State Institute of Rural Development	0.01
69.	CIC and RTI	Mizoram State Information Commission	0.30
70.	North East Road Sector Development Scheme	Mizoram Rural Roads Development Agency, Aizawl	49.14
71.	North East Special Infrastructure Development Scheme (NESIDS)	Development of North Eastern Region	57.03
72.	Establishment Expenditure (UD)	Directorate of Economics and Statistics	0.15
73.	Establishment Expenditure (Parliamentary Affairs)	Personnel , P.G. and P.	1.57
74.	Establishment Expenditure (Revenue)	Mizoram Police department NFCDA	1.31
Total			1,048.26

Source: Finance Accounts

© COMPTROLLER AND
AUDITOR GENERAL OF INDIA
www.cag.gov.in
2023