

**CHAPTER-I:
OVERVIEW**

Chapter I: Overview

This chapter describes the basis and approach to the Report and the underlying data, providing an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including fiscal/ revenue deficits/surplus, quality of accounts and financial reporting practices.

1.1 Profile of the State

Sikkim, a sparsely populated State situated in the Eastern Himalayas became part of the Indian Union on 16 May 1975. It has a total area of 7,096 sq. km. which constitutes 0.22 per cent of the total geographical area of India; and a population of 6.11 lakh. Sikkim being a landlocked State, National Highway 10 is the lifeline, which connects the State with the rest of the country. Sikkim has six districts and 16 sub-divisions. The State has been included in the North Eastern Council (NEC) since December 2002.

Gross State Domestic Product (GSDP) of Sikkim in 2021-22 at current prices was ₹ 36,824.97 crore. General and financial data relating to Sikkim is given in **Appendix 1.1 (Part-A)**.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. State Finances Audit Report (SFAR) of Sikkim for the year ending 31 March 2022 has been prepared by the CAG for submission to the Governor of Sikkim under Article 151 (2) of the Constitution of India.

The Office of the Sr. Deputy Accountant General (Accounts & Entitlements), Sikkim prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans, initial and subsidiary accounts rendered by the treasuries, offices, and departments responsible for keeping of such accounts functioning under the control of the State Government. These accounts are audited independently by the Principal Accountant General (Audit) 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;
- ✓ **GSDP data** and other State related statistics;
- ✓ **Results of audit** carried out by the Office of the Pr. Accountant General (Audit) Sikkim at the State Secretariat as well as at the field level offices during the year;

- ✓ Other data with Departmental Authorities and Treasuries (accounting as well as MIS); and
- ✓ Various Audit Reports of the CAG of India.

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

1.3 Report Structure

The SFAR is structured into the four Chapters as detailed in **Table 1.1**:

Table 1.1: Structure of SFAR

Chapter - I	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 - II	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 - III	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 - IV	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 Departments of the State Government.

1.4 Overview of Government Account Structure and Budgetary Processes

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 expenditure.

This section provides a broad perspective of the finances of Government of Sikkim (GoS) during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The analysis has been made based on Finance Accounts and the information obtained from the State Government. The structure and form of Government Accounts, layout of Finance Accounts, methodology adopted for the assessment of fiscal position and State Profile are given in **Appendix 1.1 (Parts A, B & C)**. The time series data on key fiscal variables/ parameters and fiscal ratios relating to the State Government finances for the period 2017-22 are presented in **Appendix 1.2**.

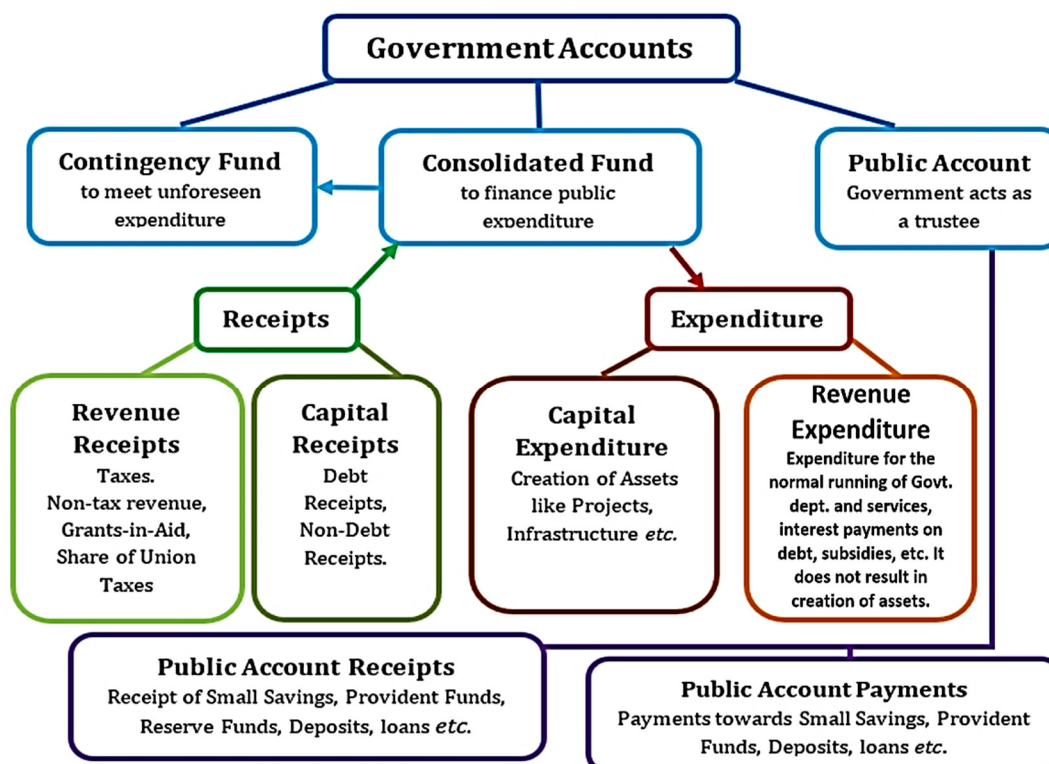
Revenue Receipts consist of Tax Revenue, State's share of Union Taxes/ Duties, Non-Tax Revenue and Grants-in-Aid received from GoI.

Revenue Expenditure consists of all those expenditure of the Government which do not result in creation of physical or financial assets. It relates to expenses incurred for the normal functioning of 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 main items of **Capital Receipts** are loans raised by the Government from the public which are called market borrowings, borrowing from the commercial banks and other financial institutions, and recoveries of loans granted by the Government. Other items include small savings (Post-Office Savings Accounts, National Savings Certificates, etc.), Provident Funds and net receipts obtained from the sale of shares in State Public Sector Enterprises (SPSEs).

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

Chart 1.1: Structure of Government Accounts



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

1. Consolidated Fund of the State as per Article 266(1) of the Constitution of India.
2. Contingency Fund of the State as per Article 267(2) of the Constitution of India.
3. Public Account of the State constituted under Article 266(2) of the Constitution of India.

In Government Accounts, classification system is based on both functional and economic properties, as detailed in **Table 1.2**.

Table 1.2: Government Accounts Classification System

Particulars	Attribute of transaction	Classification
Standardised in LMMH by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (four-digit)
	Sub-Function	Sub Major head (two-digit)
	Programme	Minor Head (three-digit)
Flexibility left for States	Scheme	Sub-Head (two or three digits)
	Sub scheme	Detailed Head (two or three digits)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (two-digit)

The functional classification provides us 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 four-digit Major Heads. For instance, zero and one is for revenue receipts, two and three for revenue expenditure, four and five for capital expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while “salary” object head is Revenue Expenditure, “construction” object head is Capital Expenditure. Object Head is the primary unit of appropriation in the budget document.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year in form of an Annual Financial Statement. As per 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.

In terms of Article 203, the Annual Financial Statement or Budget of Government of Sikkim for year 2021-22 was submitted to the State Legislature in the form of 47 Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

1.4.1 Gross State Domestic Product

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

Trends in annual growth of Sikkim’s GSDP *vis-à-vis* that of the Country are given in **Table 1.3**.

Table 1.3: Trends in growth of GDP and GSDP

Year	2017-18	2018-19	2019-20	2020-21	2021-22
All India GDP (₹ in crore)	1,70,90,000	1,88,99,668 (3 rd RE)	2,00,74,857 (2 nd RE)	1,98,00,915 (1 st RE)	2,36,64,638 (PE)
Growth rate of GDP (per cent)	11.03	10.59	6.62	-1.36	19.51
GSDP of State at current prices (₹ in crore)	25,971	28,402	31,441	31,800 (RE)	36,825 (QE)
Growth rate of GSDP at current prices (per cent)	25.54	9.36	10.70	1.14	15.80
Per capita GDP					1,72,913
Per capita GSDP					4,72,543

Source: National Statistical Office, Ministry of Statistics & Programme

Note: RE:-Revised Estimates; PE:-Preliminary Estimates; QE:-Quick Estimates

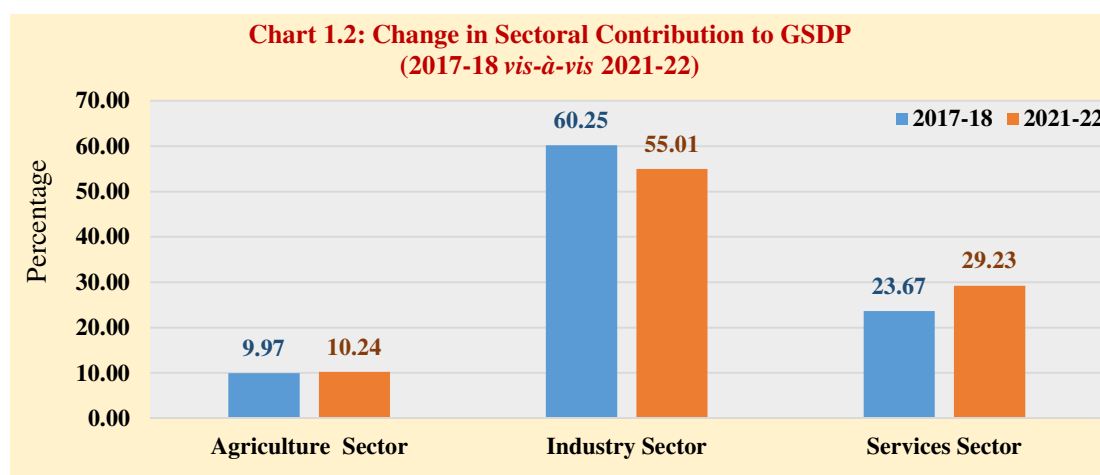
During 2021-22, the GSDP at current price was ₹ 36,825 crore, up from ₹ 31,800 crore in 2020-21, representing an increase of 15.80 per cent which was lower than that of GDP growth rate of 19.51 per cent.

The per capita GSDP (₹ 4,72,543) of 2021-22 was more than two times the per capita GDP (₹ 1,72,913). The per capita GSDP is highest among the North Eastern & Himalayan (NE&H) States. Further, the GSDP growth rate has remained positive during 2021-22.

Sectoral components of GSDP

Changes 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 Sectors¹, which corresponds to the Agriculture, Industry and Service sectors respectively.

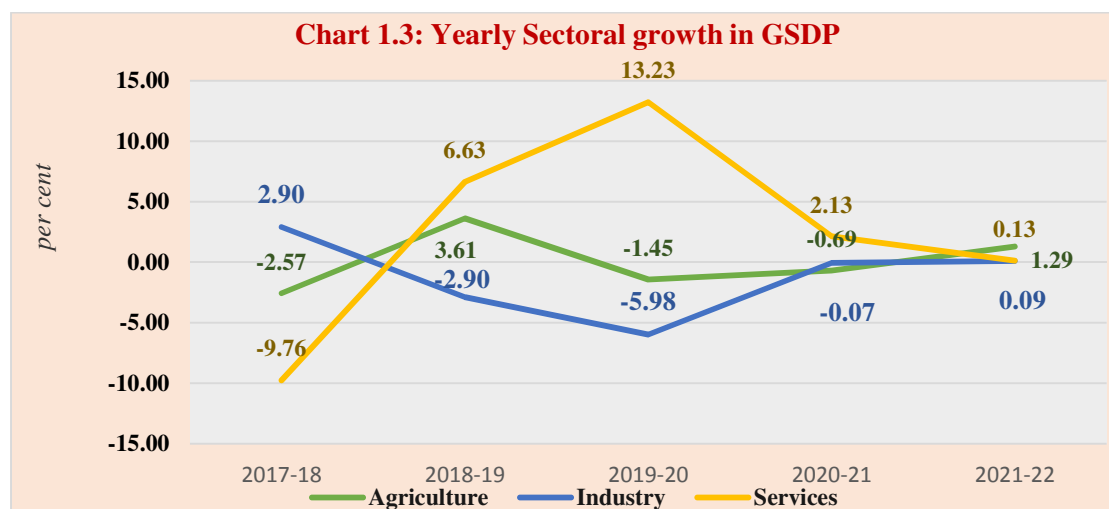
Chart 1.2 shows that during the five-year period 2017-22, there was a marginal increase in the relative share of Agriculture Sector in GSDP, as the share of agriculture grew from 9.97 per cent in 2017-18 to 10.24 per cent in 2021-22. However, the share of Industry Sector dropped from 60.25 per cent in 2017-18 to 55.01 per cent in 2021-22. The share of Services Sector grew from 23.67 per cent in 2017-18 to 29.23 per cent in 2021-22.



Source: Directorate of Economics, Statistics, Monitoring and Evaluation, Government of Sikkim

¹ Agriculture and Related Sector is also known as Primary Sector; Industry and related Sector is also known as Secondary Sector; and Services and related Sector is also known as Tertiary Sector.

Further, it could be seen from **Chart 1.3** that rate of growth of all the three Sectors viz., Agriculture, Industry and Service witnessed a fluctuating trend during 2017-22.



Source: Directorate of Economics, Statistics, Monitoring and Evaluation, Government of Sikkim”

1.4.2 Summarised Position of Finances of State

Table 1.4 provides comparison of actual financial parameters of 2021-22 vis-à-vis Revised Estimates for the year 2021-22 and actuals of 2020-21.

Table 1.4: Summarised position of Finances of State

(₹ in crore)

Sl. No.	Components	2020-21 Actuals	2021-22		Percentage of Actual to Res	Percentage of Actual to GSDP
			Res	Actuals		
1	Tax Revenue	966.70	1,195.48	1,254.41	104.93	3.40
2	Non-Tax Revenue	662.29	544.22	680.63	125.06	1.85
3	Share of Union taxes/duties	2,302.27	3,022.32	3,287.55	108.78	8.93
4	Grants-in-Aid (GIA) and Contributions	1,676.56	3,461.24	1,858.13	53.68	5.05
5	Revenue Receipts (1+2+3+4)	5,607.82	8,223.26	7,080.72	86.11	19.23
6	Recovery of Loans and Advances	1.17	0.08	0.45	562.50	0.00
7	Other Receipts	0.00	0	0	--	0.00
8	Borrowings and other Liabilities	2,273.54	1,620.99	904.30	55.79	2.46
9	Capital Receipts (6+7+8)	2,274.71	1,621.07	904.75	55.81	2.46
10	Total Receipts (5+9)	7,882.53	9,844.33	7,985.47	81.11	21.68
11	Revenue Expenditure	6,368.65	7,461.86	6,668.84	89.37	18.11
12	a) Interest payments	548.41	689.13	635.04	91.15	1.72
13	b) GIA for creation of capital assets	0.00	0.00	0.00	--	--
14	Capital Expenditure	1,513.88	2,500.53	1,315.78	52.62	3.57
15	Loan and advances	0.00	1.35	0.85	0.00	0.00
16	Total Expenditure (11+14+15)	7,882.53	9,963.74	7,985.47	80.15	21.68
17	Revenue Surplus (+)/ Deficit (-) (5-11)	-760.83	-761.40	411.88	54.10	1.12
18	Fiscal Deficit {(5+6+7)-16}	2,273.54	1,740.40	904.30	51.96	2.46
19	Primary Deficit (18-12)	1,725.13	1,051.27	269.26	25.61	0.73

Source: Finance Accounts, Estimates of Receipts and Expenditure

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.

It can be seen from **Table 1.4** that Revenue Receipts of the State increased by ₹ 1,472.90 crore compared to the year 2020-21, mainly due to increase in GIA and contributions from Central Government. Total Expenditure increased to ₹ 7,985.47 crore in 2021-22 from ₹ 7,882.53 crore in the previous year, an increase of ₹ 102.94 crore.

During 2021-22, against an estimated Revenue Surplus of ₹ 761.40 crore, the State ended up with a Revenue Surplus of ₹ 411.88 crore and a Fiscal Deficit of ₹ 904.30 crore against the estimate of ₹ 1,740.40 crore.

1.4.3 Summarised position 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. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from 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. The summarised position of assets and liabilities for 2020-21 and 2021-22 with increase and decrease is given in **Table 1.5**:

Table 1.5: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
Particulars	2020-21	2021-22	Per cent increase/decrease	Particulars	2020-21	2021-22	Per cent increase/decrease
Consolidated Fund							
a Internal Debt	6,598.09	8,068.39	22.28	a Gross Capital Outlay	14,714.10	16,029.88	8.94
b Loans and Advances from GoI	292.59	585.74	100.19	b Loans and Advances	252.89	253.30	0.16
Contingency Fund							
	1.00	1.00	0.00		--	--	
Public Account							
a Small Savings, Provident Funds, etc.	1,318.29	1,416.31	7.44	a Advances	1.03	1.03	0.00
b Deposits	362.34	376.98	4.04	b Remittance	0.00	0.00	
c Reserve Funds	1,080.83	1,034.72	-4.27	c Suspense and Miscellaneous	0.00	0.00	
d Remittances	513.66	369.98	-27.97	Cash balance (incl. investment in Earmarked Fund)	1,992.24	2,789.19	40.00
e Suspense and Miscellaneous	343.66	359.35	4.57				
Total	10,510.46	12,212.47	16.19				
Cumulative excess of receipts over expenditure	6,449.80	6,860.93	6.37				
Total	16,960.26	19,073.40	12.46	Total	16,960.26	19,073.40	12.46

Source: Finance Accounts, Statement No 1

As can be seen from **Table 1.5**, the assets increased by ₹ 2,113.14 crore and the liabilities (excluding surplus on Government Accounts) increased by ₹ 1,702.01 crore during 2021-22. Consequently, the growth rate of assets increased from 9.14 per cent in 2020-21 to 12.46 per cent in 2021-22 whereas, the growth rate of liabilities excluding surplus on Government Accounts decreased to 16.19 per cent from 26.19 per cent in 2020-21.

1.5 Fiscal Balance: Achievement of deficit and total debt targets

The State Government enacted the Sikkim Fiscal Responsibility and Budget Management (SFRBM) Act in September 2010 (last amended in June 2021). The Rules under the Sikkim FRBM Act were notified in March 2011 with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium-term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

As per the SFRBM Act, the State Government was to eliminate Revenue Deficit by 2011-12 and maintain Revenue Surplus thereafter and reduce Fiscal Deficit to three *per cent* of the estimated GSDP. Further, as per SFRBM (Amendment) Act, 2021, the Fiscal Deficit Target for the financial year 2021-22 was fixed at four *per cent* of the estimated GSDP. Further, the Act also envisaged that the State Government would limit the percentage of total outstanding debt to GSDP to 19.66 *per cent* in 2017-18 and 27.50 *per cent* in 2021-22 as shown in **Table 1.6**.

Targets of key fiscal parameters envisaged in the SFRBM Act and their achievement during 2017-22 are given in **Table 1.6**:

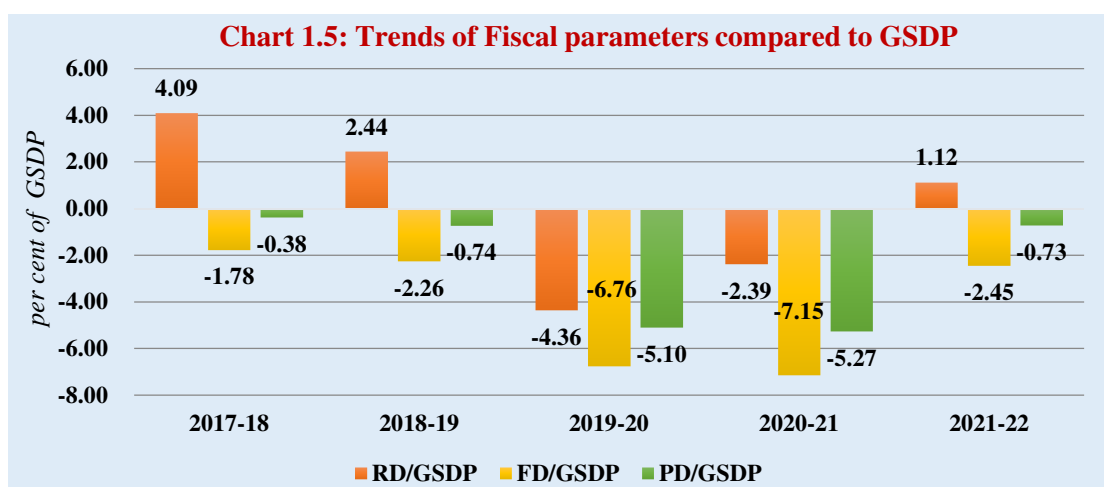
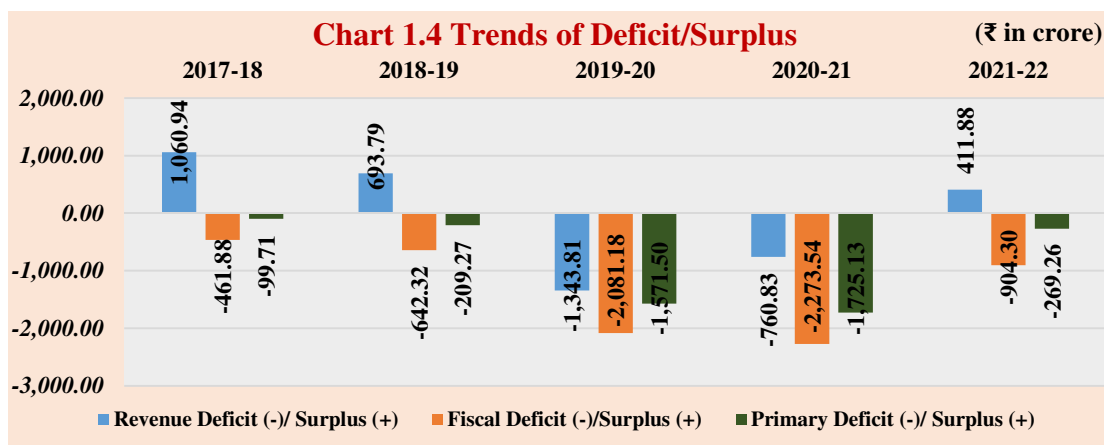
Table 1.6: Compliance with State FRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Actuals				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	Maintain Revenue Surplus	1,060.94	693.79	-1,343.81	-760.83	411.88
		✓	✓	✗	✗	✓
Fiscal Deficit (-)/ Surplus (+) (as per cent of GSDP)	2017-20: 3 <i>per cent</i>	-461.88	-642.32	-2,081.18	-2,273.54	-904.30
	2020-21: 5 <i>per cent</i> 2021-22: 4 <i>per cent</i>	(-1.78)	(-2.26)	(-6.62)	(-7.15)	(-2.46)
		✓	✓	✗	✗	✓
Ratio of total outstanding debt to GSDP (in <i>per cent</i>)	Target	19.66	19.32	19.04	24.64	27.50
	Achievement	20.99	22.30	24.02	27.68	29.50
		✗	✗	✗	✗	✗

Source: FRBM Act 2021 and Departmental information

During the five-year period 2017-22, the ratio of total outstanding debt to GSDP of the State consistently exceeded the norms prescribed in the SFRBM Act as well as projections² of Finance Commissions.

² XIV FC projections (Ratio): 2017-18: 19.66, 2018-19: 19.32, 2019-20: 19.04 and XV FC projections (Ratio): 2020-21:24.60 and 2021-22 :27.50.



Revenue Surplus/ Deficit

Revenue Deficit is the gap between Revenue Receipts and Revenue Expenditure. As per the SFRBM Act, the State Government was to eliminate Revenue Deficit by 2011-12 and maintain Revenue Surplus thereafter. The State had Revenue Surplus from 2017-18 to 2018-19 but it turned into huge deficit of ₹ 1,343.81 crore in 2019-20, though in 2020-21 the position improved slightly as it stood at ₹ 760.83 crore. However, the State could achieve Revenue Surplus of ₹ 411.88 crore in 2021-22.

Fiscal Deficit

Fiscal Deficit represents the gap between the Non-debt receipts and Total Expenditure. This gap can be met either by additional Public Debt (internal or external) or by the use of surplus funds from Public Account. Fiscal Deficit normally represents the net incremental liabilities of the Government or its additional borrowing requirements. The State had Fiscal Deficit during the last five-year period (2017-22). After successfully containing the Fiscal Deficit below three *per cent* of GSDP during 2017-19, the State's Fiscal Deficit increased from 6.62 *per cent* in 2019-20 to 7.15 *per cent* of GSDP during 2020-21, however in 2021-22, the State's Fiscal Deficit was contained to 2.46 *per cent* of GSDP, well within the target set in the SFRBM Act, 2021. During 2021-22, the Fiscal Deficit decreased by ₹ 1,369.24 crore from ₹ 2,273.54 crore in 2020-21 to ₹ 904.30 crore, witnessing a decrease by 60.23 *per cent*.

Medium Term Fiscal Plan (MTFP)

As per the SFRBM Act, the State Government has to lay before the State Legislature, a Five-Year Fiscal Plan along with the Annual Budget. The Medium-Term Fiscal Plan (MTFP) sets forth a five-year rolling target for the prescribed fiscal indicators.

Table 1.7 indicates the variation between the projections made for 2021-22 in MTFP presented to the State Legislature and the Actuals of the year.

Table 1.7: Actuals vis-à-vis projection in MTFP for 2021-22

(₹ in crore)

Sl. No.	Fiscal Variables	Projections as per MTFP	Actuals	Variation
			(2021-22)	
1	Tax Revenue	1,195.48	1,254.41	58.93
2	Non-Tax Revenue	775.22	680.63	-94.37
3	Share of Central Taxes	2,582.39	3,287.55	705.16
4	Grants-in-Aid from GoI	3,189.61	1,858.13	-1,331.48
5	Revenue Receipts (1+2+3+4)	7,742.70	7,080.72	-661.98
6	Revenue Expenditure	7,390.88	6,668.84	-722.04
7	Revenue Deficit (-)/ Surplus (+) (5-6)	0.92	+411.88	+410.96
8	Fiscal Deficit (-)/ Surplus (+)	4.52	-904.30	-899.78
9	Debt-GSDP ratio (<i>per cent</i>)	28.15	29.50	+1.35
10	GSDP growth rate at current prices (<i>per cent</i>)	11	15.80	+4.80

Source: Departmental information, Finance Accounts and MTFP Report

From **Table 1.7**, it can be seen that the State could not achieve the projections of the MTFP for 2021-22.

1.6 Deficits and Total Debt after examination in audit

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

1.6.1 Post Audit – Deficits after Examination in Audit

Misclassification of revenue expenditure as capital and off budget fiscal operations impact 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 impact 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 Deficit/ Surplus and Fiscal Deficit of Government of Sikkim during the year 2021-22, consequent to under-booking of expenditure or non-crediting of receipts, is detailed in **Table 1.8**.

Table 1.8: Transactions impacting Revenue Deficit and Fiscal Deficit

(₹ in crore)

Item	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement	Under-statement	Over-statement	Under-statement
Misclassification between revenue and capital heads of accounts	--	11.26	--	--
Non-provision of interest towards Defined Contribution Pension Scheme for Government Employees (National Pension System)	5.90	--	--	5.90
Short contribution to Consolidated Sinking Fund	49.87	--	--	49.87

Item	Impact on Revenue Surplus		Impact on Fiscal Deficit	
	Over-statement	Under-statement	Over-statement	Under-statement
Non-Transfer of Cess/ fee/ surcharge	7.45	--	--	7.45
Receipts on account of sale of power (trading)	--	189.16	189.16	--
Royalty from HEPs	--	331.55	331.55	--
Expenditure towards purchase of Power	198.13		--	198.13
Royalty utilised for servicing loans	322.79	--	--	322.79
Total (Net) Impact	52.17 (Understatement)		63.43 (Understatement)	

Source: Notes to Finance Accounts, Sikkim State Electricity Regulatory Authority Report and Balance Sheet & Loan Schedule of SPICL

As could be seen from **Table 1.8**, the Revenue Surplus and Fiscal Deficit were understated by ₹ 52.17 crore and ₹ 63.43 crore respectively during the year 2021-22.

During 2021-22, GoS incorrectly booked expenditure of ₹ 11.26 crore under Revenue Section instead of Capital Section as has been determined from the purpose of expenditure. This led to understatement of Revenue Surplus to that extent.

GoS did not provide for interest towards Defined Contribution Pension Scheme for Government Employees (National Pension System), short contribution to Consolidated Sinking Fund and Non-Transfer of Cess/fee/surcharge. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit by ₹ 63.22 crore.

Role of Power Department of Sikkim in deficits

Power Department of Sikkim (PDS) had earned revenue of ₹ 189.16 crore by selling surplus power outside the State and had received royalty of ₹ 331.55 crore during the financial year 2021-22. These receipts of ₹ 520.71 crore were not deposited in the Consolidated Fund of State by the PDS. This led to understatement of Government Revenue Receipts by ₹ 520.71 crore, understatement of Revenue Surplus and overstatement of Fiscal Deficit to that extent.

During 2021-22, PDS had also incurred expenditure of ₹ 198.13 crore towards purchase of power without routing it through the Government account. This led to overstatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

Further, PDS transferred ₹ 322.79 crore to Sikkim Power Investment Corporation Limited (SPICL) for repayment of loan availed on behalf of Government of Sikkim. These transactions were not reflected in Government accounts. This led to understatement of Revenue Surplus and understatement of Fiscal Deficit to that extent.

It was noticed that the under-booking of expenditure or non-crediting of receipts into Government accounts impacting the Revenue Deficit/ Surplus and Fiscal Deficit of the Government of Sikkim was mainly by the PDS.

The matter was pointed out by the CAG in earlier Audit Reports also. However, the Department has persisted with same irregular practice. The act of receiving receipts and incurring expenses without routing through the Consolidated Fund of State is violative of Article 266 (2) of the Constitution of India.

1.7 Conclusion

During 2021-22, the GSDP at current price was ₹ 36,825 crore, up from ₹ 31,800 crore in 2020-21, representing an increase of 15.80 *per cent* which was lower than that of National growth rate. The per capita GSDP of the State (₹ 4,72,543) was more than the per capita GDP of India (₹ 1,72,913) during 2021-22.

During the five-year period of 2017-22, share of Agriculture (Primary) Sector in the GSDP grew from 9.97 *per cent* in 2017-18 to 10.24 *per cent* in 2021-22 and the share of Services (Tertiary) Sector grew from 23.67 *per cent* in 2017-18 to 29.23 *per cent* in 2021-22. However, Industry (Secondary) Sector's share shrunk from 60.25 *per cent* in 2017-18 to 55.01 *per cent* in 2021-22.

The State after maintaining Revenue Surplus for two years from 2017-18 to 2018-19, had run into Revenue Deficit of ₹ 1,343.81 crore in 2019-20 mainly due to decrease in Central transfers. The State was able to reduce Revenue Deficit to ₹ 760.83 crore in 2020-21 and maintained Revenue Surplus of ₹ 411.88 crore in 2021-22. Similarly, after successfully containing the Fiscal Deficit below three *per cent* of GSDP during 2017-19, the State's Fiscal Deficit was 6.62 *per cent* of GSDP during 2019-20 and 7.15 *per cent* of GSDP in 2020-21. However, the Fiscal Deficit during 2021-22 was contained to 2.46 *per cent* of GSDP. Fiscal Deficit decreased by ₹ 1,369.24 crore from ₹ 2,273.54 crore in 2020-21 to ₹ 904.30 crore in 2021-22, witnessing decrease of 60.23 *per cent*. Besides, the ratio of total outstanding debt to GSDP of the State which ranged between 20.99 *per cent* and 29.50 *per cent*, consistently exceeded the norms prescribed in the SFRBM Act as well as projections of Finance Commission, during the period 2017-22.

1.8 Recommendations

- *The State Government needs to make efforts to achieve the projections/ targets on major fiscal parameters, as per Sikkim FRBM Act through prudent financial management.*
- *The State Government may ensure that receipts of Power Department of Sikkim is accounted for in the Accounts and that it makes budget provisions for the expenditure incurred by the Power Department.*