

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 2019-20 to 2023-24, 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* 2022-23

The major changes in key fiscal aggregates of the State during the financial year 2023-24, compared to the previous year are given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2023-24 compared to 2022-23

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 11.01 <i>per cent</i> ✓ Own Tax receipts of the State increased by 8.51 <i>per cent</i> ✓ Non-tax receipts increased by 5.56 <i>per cent</i> ✓ State's Share of Union Taxes and Duties increased by 19.01 <i>per cent</i> ✓ Grants-in-Aid from Government of India increased by 2.31 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 7.38 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 11.39 <i>per cent</i> ✓ Revenue expenditure on Social Services increased by 14.58 <i>per cent</i> ✓ Revenue expenditure on Economic Services decreased by 8.78 <i>per cent</i>
Capital Receipts	<ul style="list-style-type: none"> ✓ Debt capital receipts increased by 10.68 <i>per cent</i> ✓ Non-Debt Capital receipts decreased by 9.55 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure decreased by 5.15 <i>per cent</i> ✓ Capital expenditure on General Services increased by 41.82 <i>per cent</i> ✓ Capital expenditure on Social Services decreased by 3.24 <i>per cent</i> ✓ Capital expenditure on Economic Services decreased by 9.94 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances increased by 1,040.64 <i>per cent</i> ✓ Recoveries of Loans and Advances decreased by 9.55 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts increased by 10.68 <i>per cent</i> ✓ Repayment of Public Debt increased by 87.80 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 5.15 <i>per cent</i> ✓ Disbursement of Public Account increased by 4.40 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by 145.69 <i>per cent</i>

Source: Finance Accounts of respective years.

Each of the above key fiscal aggregates is analysed in the succeeding paragraphs.

2.3 Sources and Application of Funds

A summary of the components of the sources and application of funds of the State during 2023-24 with that of 2022-23 in figures, is given in **Table 2.2**.

Table 2.2: Details of Sources and Application of funds during 2022-23 and 2023-24

(₹ in crore)

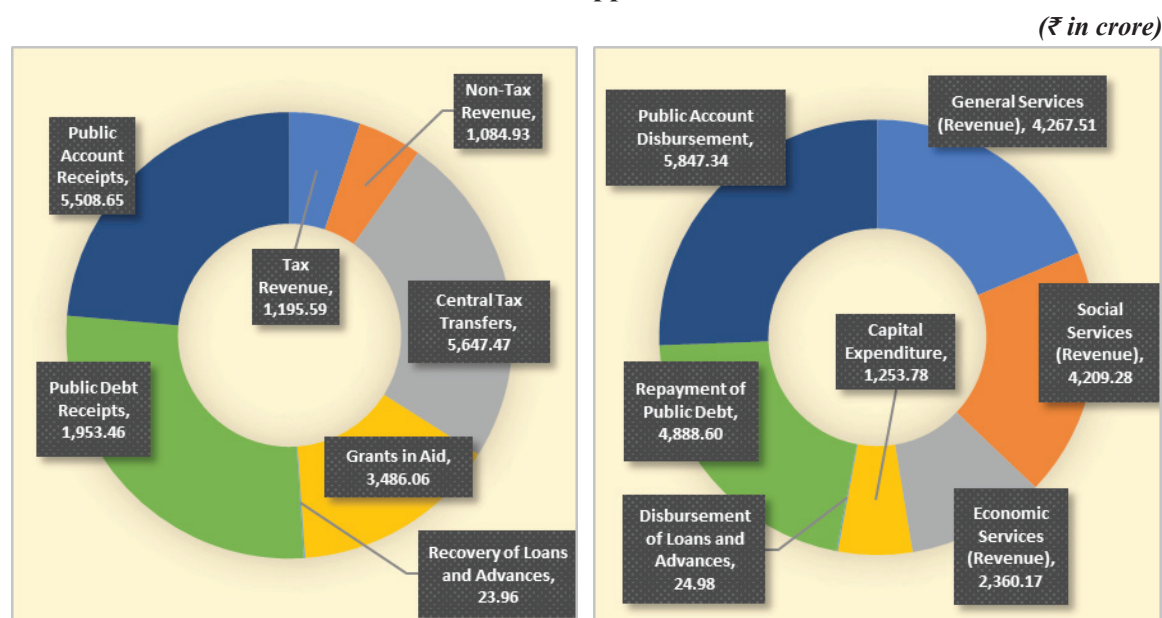
	Particulars	2022-23	2023-24	Increase/ Decrease
Sources	Opening Cash Balance with RBI	265.54	323.17	57.63
	Revenue Receipts	10,282.06	11,414.05	1,131.99
	Recoveries of Loans and Advances	26.49	23.96	-2.53
	Public Debt Receipts (Net)	1,416.24	1,513.44	97.20
	Public Account Receipts (Net)	-250.94	-292.79	-41.85
	Total	11,739.39	12,981.83	1,242.44
Application	Revenue Expenditure	10,092.17	10,836.96	744.79
	Capital Expenditure	1,324.05	1,278.76	-45.29
	<i>Capital Outlay</i>	1,321.86	1,253.78	-68.08
	<i>Disbursement of Loans and Advances</i>	2.19	24.98	22.79
	Closing Cash Balance with RBI	323.17	866.11	542.94
	Total	11,739.39	12,981.83	1,242.44

Source: Finance Accounts

Appendix III provides details of receipts and disbursements and the overall fiscal position of the State during the current year as well as previous years.

Composition and application of resources in the Consolidated Fund of the State during 2023-24 is given in **Chart 2.1**.

Chart 2.1 Sources and Application of Resources



Source: Finance Accounts

Revenue receipts grew significantly, contributing to the overall increase in total sources. The State's improved cash reserves indicate prudent fiscal practices and a controlled increase in revenue expenditure suggests cautious spending.

However, the decline in capital outlay and expenditure could delay infrastructure and developmental projects. Further, reliance on public debt receipts indicates a growing dependence on borrowings which is a matter of concern.

2.4 Resources of the State

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

The resources of the State are discussed in 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** (Debt and Non-debt 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.

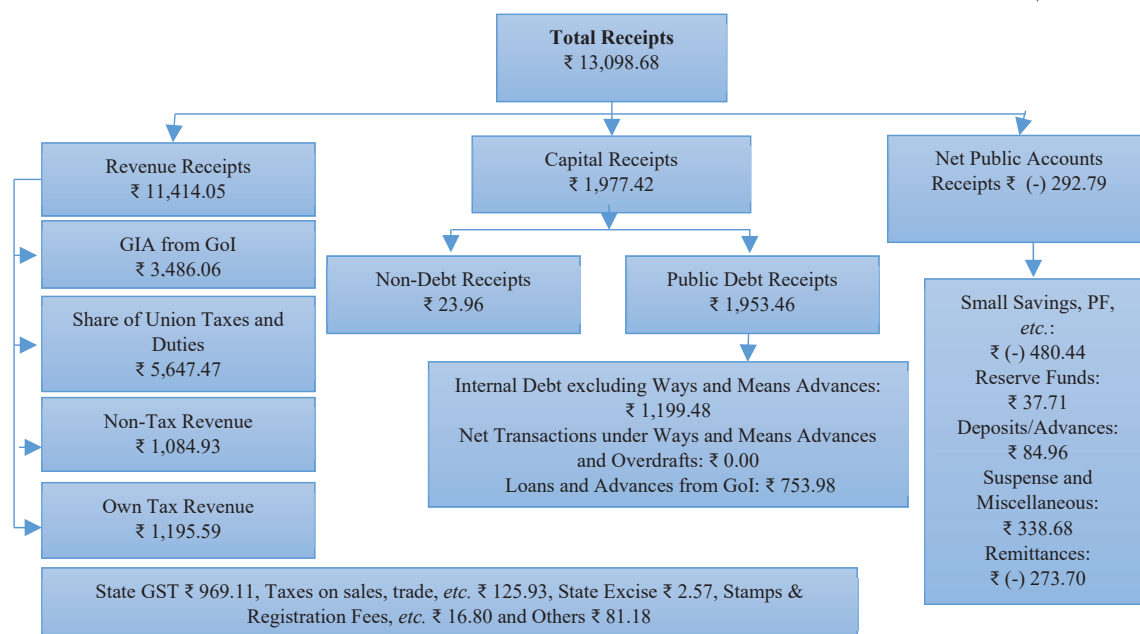
Both revenue and capital receipts form part of the Consolidated Fund of the State.

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. Besides the Revenue and Capital Receipts as well as funds available in the Public Account (net of disbursements made from it) are utilised by the Government to finance its deficit. The composition of receipts of Government of Mizoram during 2023-24 is given in **Chart 2.2**.

Chart 2.2: Composition of receipts of the State during 2023-24(*₹ in crore*)

Out of the total resources of ₹ 13,098.68 crores of the State Government during the year 2023-24, Revenue Receipts (₹ 11,414.05 crores) constituted 87.14 *per cent*, while Capital Receipts (₹ 1,977.42 crores) constituted 15.10 *per cent* which was offset by Net Public Accounts Receipts (₹ - 292.79 crores) 2.24 *per cent* of the total resources.

2.5.1 State's Revenue Receipts

This paragraph outlines the trends in revenue receipts of Government of Mizoram for the year 2023-24.

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 2019-24. 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	2019-20	2020-21	2021-22	2022-23	2023-24
Revenue Receipts (RR) (₹ in crore)	9,658.26	7,740.67	9,159.74	10,282.06	11,414.05
Rate of growth of RR (<i>per cent</i>)	6.85	-19.85	18.33	12.25	11.01
Tax Revenue	3,748.78	3,658.11	5,076.80	5,847.07	6,843.06
Own Tax Revenue	730.98	647.56	853.94	1,101.82	1,195.59
Share of Union Taxes and Duties	3,017.80	3,010.55	4,222.86	4,745.25	5,647.47
Non-Tax Revenue	522.35	561.76	622.12	1,027.77	1,084.93
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (<i>per cent</i>)	6.52	-3.51	22.06	44.28	7.09

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Grants-in-aid from GoI	5,387.13	3,520.80	3,460.82	3,407.22	3,486.06
Rate of growth of Grants in aid	23.56	-34.64	-1.70	-1.55	2.31
GSDP (₹ in crore) (2011-12 Series)	24,990	23,923	26,695	30,690	35,579
Rate of growth of GSDP (per cent)	14.04	-4.27	11.59	14.97	15.93
RR/GSDP (per cent)	38.65	32.36	34.31	33.50	32.08
Buoyancy Ratios¹⁵					
Revenue Buoyancy w.r.t. GSDP	0.49	-	1.58	0.82	0.69
State's Own Revenue Buoyancy w.r.t. GSDP	0.46	-	1.90	2.96	0.44

Note: Buoyancy Ratios have not been shown where growth is negative.

Source: Finance Accounts and Directorate of Economics and Statistics

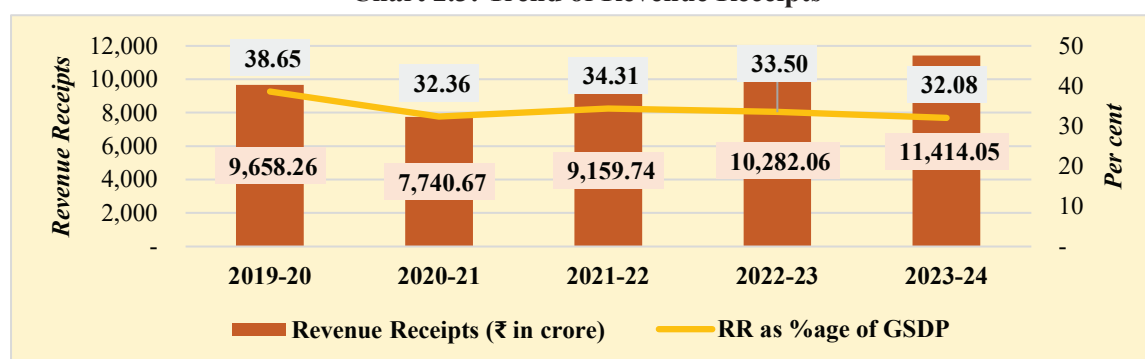
Revenue Receipts increased by 18.18 per cent from ₹ 9,658.26 crore in 2019-20 to ₹ 11,414.05 crore in 2023-24 at an annual average growth rate of 5.72 per cent. During 2023-24, Revenue Receipts increased by ₹ 1,131.99 crore (11.01 per cent) over the previous year due to increase in Own Tax Revenue (₹ 93.77 crore), Non-tax Revenue (₹ 57.16 crore), State's share of Union Taxes and Duties (₹ 902.22 crore) and Grants-in-Aid from GoI (₹ 78.84 crore).

Grants-in-aid from GoI decreased by 35.29 per cent (₹ 1901.07 crore) during 2019-20 to 2023-24 but increased by 2.31 per cent (₹ 78.84 crore) in 2023-24 as compared to 2022-23.

The Revenue buoyancy with reference to GSDP was 0.69 and Own Revenue buoyancy with reference to GSDP was 0.44 during the year 2023-24.

Chart 2.3 shows the trend of Revenue Receipts during the period 2019-20 to 2023-24 and its contribution to GSDP.

Chart 2.3: Trend of Revenue Receipts



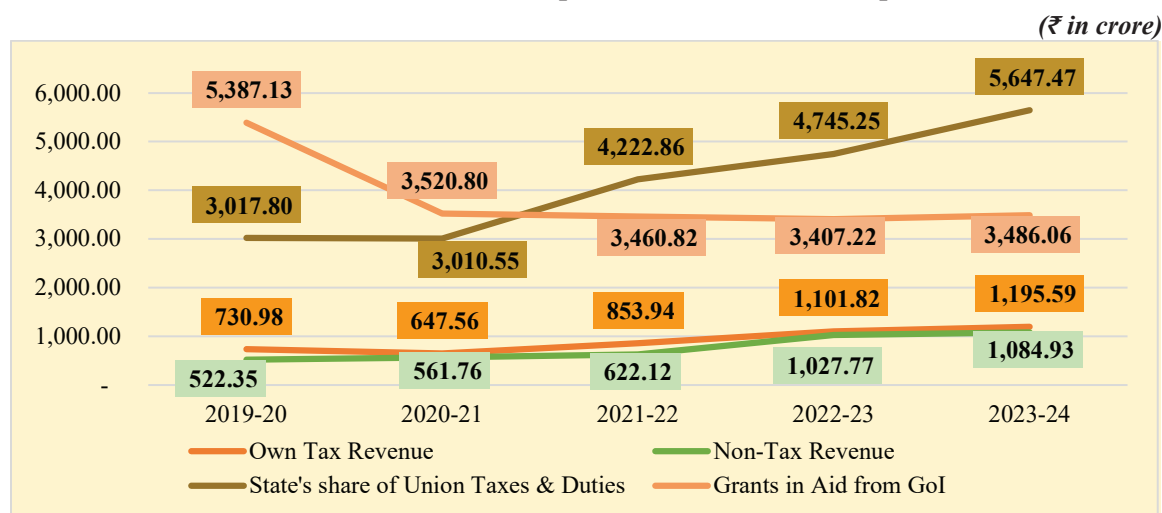
Source: Finance Accounts

Revenue Receipts as a percentage of GSDP, which had started to show an increasing trend in 2021-22 continued to fall in the current year. The contribution of Revenue Receipts to GSDP decrease from 33.50 per cent in the previous year to 32.08 per cent in this year.

¹⁵ 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 2.4 shows the trend of components of Revenue Receipts.

Chart 2.4: Trend of components of Revenue Receipts



Source: Finance Accounts

During 2023-24, Grants in Aid from the GoI made up 30.54 *per cent* of the Revenue Receipts while Central Tax Transfers contributed 49.48 *per cent*. State's own sources of revenue made up just 19.98 *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 (80.02 *per cent*).

On the positive side of the revenue receipts scenario, the steady growth in tax and non-tax revenues, reflects strong resource mobilization. Resilience in revenue receipts is noticed despite fluctuating grants-in-aid from the central government. Further, robust GSDP growth (15.93%) in 2023-24 highlights strong economic recovery and expansion.

Among the concerns in the above scenario, the declining proportion of revenue receipts to GSDP may indicate under-utilization of revenue potential. As in the past, dependence on central grants has reduced overall growth in revenue receipts in the State, necessitating efforts to boost state-level revenue generation. Overall, revenue buoyancy with respect to GSDP and state's own revenue buoyancy show a declining trend, highlighting the need for improved revenue elasticity.

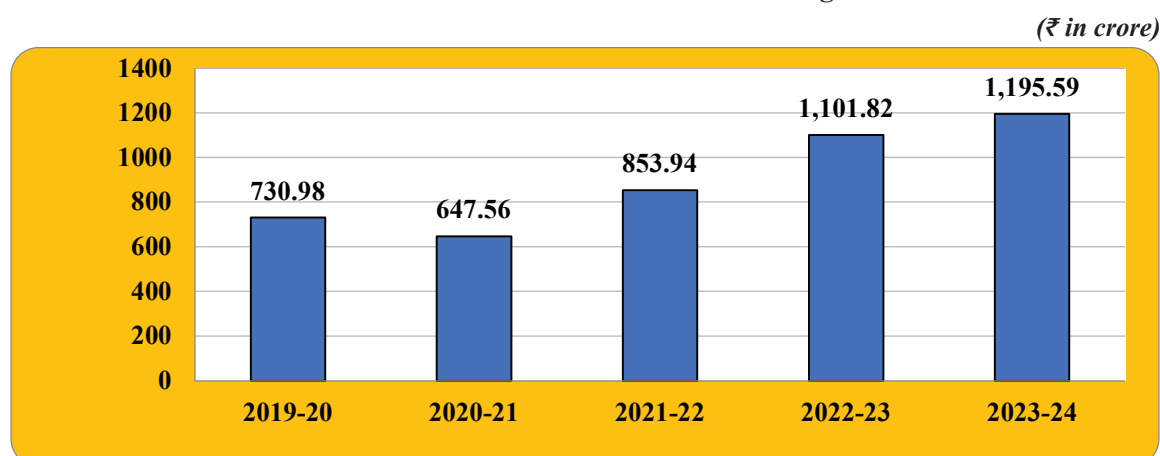
2.5.1.2 State's Own Resources

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 2019-24 is given in **Appendix III**.

(i) Own Tax Revenue

Own tax revenue of the State consists of State Goods and Services Tax (SGST), State excise, taxes on vehicles, Stamp Duty and Registration fees, Land revenue, taxes on goods and passengers, *etc*. The Own Tax Revenue of the State during the five-year period 2019-24 are given in **Chart 2.5**.

Chart 2.5: Growth of Own Tax Revenues during 2019-24



Source: Finance Accounts

Component-wise details of Own Tax Revenue collected during the years 2019-24 are presented in Table 2.4.

Table 2.4: Components of State's own tax revenue

(₹ in crore)

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24 (BE)	2023-24 (Actuals)
Taxes on Sales, Trades, etc.	117.61	113.66	150.75	112.94	120.00	125.93
State Goods and Services Tax	532.22	457.91	632.34	904.20	865.00	969.11
State Excise	2.72	0.96	1.79	1.89	1.80	2.57
Taxes on Vehicles	40.66	29.01	27.90	41.32	42.56	46.17
Stamp Duty and Registration Fees	5.85	4.73	7.48	7.80	14.48	16.80
Land Revenue	9.05	20.74	13.04	9.56	19.50	10.14
Taxes on Goods and Passengers	7.44	4.85	5.39	7.99	5.96	8.47
Others	15.43	15.70	15.25	16.13	15.00	16.40
Total	730.98	647.56	853.94	1,101.82	1,084.30	1,195.59

Source: Finance Accounts

Own Tax Revenues of the State increased by ₹ 464.61 crore from ₹ 730.98 crore in 2019-20 to ₹ 1,195.59 crore in 2023-24. During the current year, Own Tax Revenue (₹ 1,195.59 crore) increased by ₹ 93.77 crore (8.51 per cent) from the previous year (₹ 1,101.82 crore). Major contributors of Tax Revenue were State Goods and Services Tax (SGST) (81.06 per cent), Taxes on Sales, Trades, etc., (10.53 per cent) and Taxes on Vehicles (3.86 per cent). State's Own Tax Revenue as percentage of GSDP during the year increased to 3.36 per cent from the previous year's 3.59 per cent. Own Tax Revenue was ₹ 111.29 crore over budget estimates during 2023-24.

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

The arrears of revenue indicate delayed realisation of revenues due to the Government. Similarly, arrears of assessment indicate potential revenue which is blocked by delayed assessment. Both deprive the State of potential revenue receipts and ultimately affect the revenue surplus/deficit.

➤ **Arrears of Revenue**

The arrears of revenue as on 31 March 2024 on some principal heads of revenue amounted to ₹ 52.92 crore, out of which ₹ 13.77 crore was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5: Arrears of Revenue as on 31 March 2024

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2024	Total amount outstanding for more than 5 years as on 31 March 2024
1	Taxes/VAT on sales, Trades, etc.	52.22	13.76
2	Taxes on Professions, Trades, Callings and Employment, etc.	0.19	0
3	Taxes on Entertainment	0.51	0.01
Total		52.92	13.77

Source: Information furnished by the Taxation Department

➤ **Arrears of assessment**

The details of cases pending at the beginning of the year, cases due for assessment, cases disposed of during the year and number of cases pending finalisation at the end of the year as furnished by the Taxation Department in respect of Sales Tax, Motor Spirit Tax, Luxury Tax and Tax on Works Contracts are shown in **Table 2.6**.

Table 2.6: Arrears in assessment as on 31 March 2024

Sl. No.	Head of Revenue	Opening balance as on 01 April 2023	New cases due for assessment during 2023-24	Total assessments due	Cases disposed during 2023-24	Closing balance as on 31 March 2024	Percentage of disposal
1	Taxes/VAT on sales, Trades, etc.	5	-	5	-	5	-
2	Taxes on Professions, Trades, Callings and Employment, etc.	0	51,772	51,772	51,772	0	100.00
3	Taxes on Entertainment	0	0	0	0	0	-
Total		5	51,772	51,777	51,772	5	99.99

Source: Information furnished by the Taxation Department

From the table, it may be seen that out of 51,777 assessments due during 2023-24, 51,772 cases (99.99 per cent) were assessed by the end of 2023-24, leaving five 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 2023-24

Sl. No.	Head of revenue	Cases pending as on 31 March 2023	Cases detected during 2023-24	Total	No. of cases in which assessment / investigation completed and additional demand with penalty <i>etc.</i> raised		No. of cases pending for finalisation as on 31 March 2024
					No. of cases	Amount of demand (₹ in crore)	
1	Goods and Services Tax	40	696	736	658	6.67	78
2	Taxes/VAT on sales, Trades, etc	0	0	0	0	0	0
3	Taxes on Professions, Trades, Callings and Employment, <i>etc.</i>	0	0	0	0	0	0
4	Taxes on Entertainment	0	0	0	0	0	0
Total		40	696	736	658	6.67	78

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 2023-24

(₹ in crore)

Sl. No.	Particulars	Tax/Duty	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	11	0.98
2	Claims received during the year	23	10.08
3	Refunds made during the year	18	10.92
4	Refunds rejected during the year	1	0.03
5	Balance outstanding at the end of the year	15	0.11

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 2019-20 to 2023-24 were as shown in **Table 2.9**.

Table 2.9: Components of State's Non-Tax Revenue

(₹ in crore)

Revenue Head	2019-20	2020-21	2021-22	2022-23	2023-24 (BE)	2023-24 (Actuals)
Other Fiscal Services¹⁶	2.05	12.05	18.86	5.01	20.75	68.04
Interest Receipts, Dividends and Profits	32.84	19.12	41.83	50.19	46.00	15.45
Other Non-Tax Revenues						
i. General Services	27.61	34.55	47.93	94.43	69.66	288.84
ii. Social Services	54.91	65.16	64.46	74.42	85.25	83.24
iii. Economic Services	404.94	430.88	449.04	803.72	675.33	629.36
Total	522.35	561.76	622.12	1,027.77	896.99	1,084.93

Source: Finance Accounts

¹⁶ Other Fiscal Services include Other Receipts of the State Government.

Non-Tax Revenue ranged between 5.41 (2019-20) and 9.51 *per cent* (2023-24) of Revenue Receipts during the five-year period from 2019-20 to 2023-24. It increased by ₹ 57.16 crore (5.56 *per cent*) during the current year, over the previous year. The major contributor to Non-Tax Revenues during 2019-24 was revenue received under Economic Services which at ₹ 629.36 crore contributed 58.01 *per cent* of the total non-tax receipts during 2023-24. Non-Tax revenue was 120.95 *per cent* of budget estimates for 2023-24.

(iii) Transfers from the Centre

The details of Central Transfers to the State during 2019-24 are given in the following table.

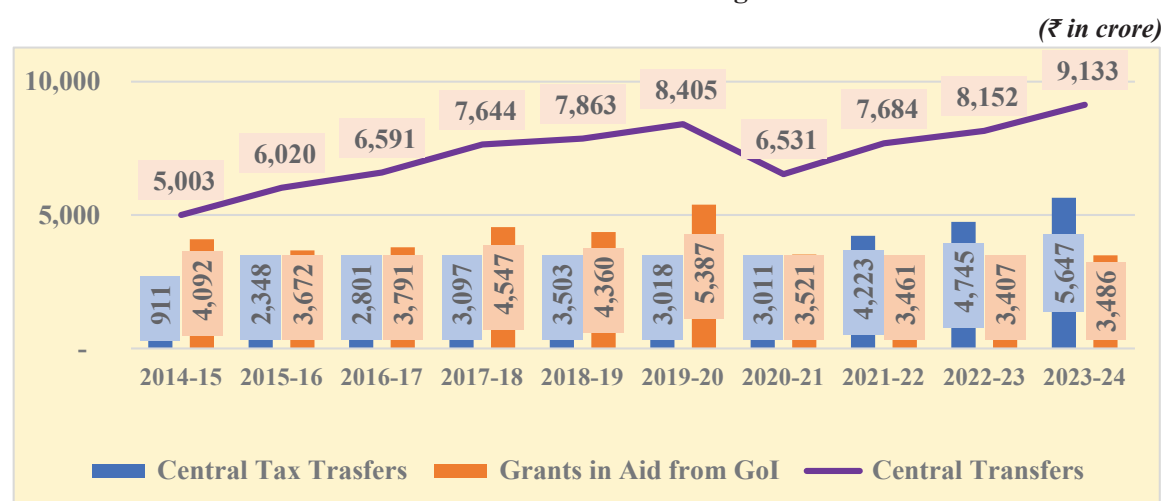
Table 2.10: Central Transfers during 2019-20 to 2023-24

	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Grants in Aid from GoI	5,387.13	3,520.80	3,460.82	3,407.22	3,486.06
Central Tax Transfers	3,017.80	3,010.55	4,222.86	4,745.25	5,647.47
Total Transfers from Centre	8,404.93	6,531.35	7,683.68	8,152.47	9,133.53

Source: Finance Accounts

Chart 2.6 depicts the trend of Central transfers over the decadal period 2014-24. Over the period, these transfers increased by 82.55 *per cent* from ₹ 5,003 crore in 2014-15 to ₹ 9,133 crore in 2023-24. During the current year, the amount increased by 12.03 *per cent* from ₹ 8,152 crore in 2022-23 and constituted 80.02 *per cent* of the Revenue Receipts.

Chart 2.6: Trend of Central Transfers during 2014-15 to 2023-24



Source: Finance Accounts

(A) Central Tax Transfers

As per the XV Finance Commission (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 2019-24.

Table 2.11: Central Tax Transfers: Actual devolution *vis-à-vis* Finance Commission projections¹⁷*(₹ in crore)*

Year	Finance Commission projections	Projections in FC Report	Actual tax devolution	Difference
2019-20	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 (As per recommendations of XIVFC)	4,769	3,018	-1,751
2020-21	0.506 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of XVFC)	4,327	3,011	-1,317
2021-22	0.500 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of XVFC)	3,293	4,223	930
2022-23	0.500 <i>per cent</i> of net proceeds of shareable taxes	3,663	4,745	1,082
2023-24	0.500 <i>per cent</i> of net proceeds of shareable taxes	4,122	5,647	1,525

Source: Finance Accounts and XIV and XV FC Reports

Table 2.12 shows the component-wise distribution of Central Tax Transfers. There was an increase of 87.11 *per cent* from ₹ 3,018 crore in 2019-20 to ₹ 5,647 crore in 2023-24. During 2023-24, there was an increase of ₹ 902 crore (19.01 *per cent*) *vis-a-vis* the previous year. Central Tax Transfers made up 49.48 *per cent* of Revenue Receipts for the year.

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

Head	2019-20	2020-21	2021-22	2022-23	2023-24 (BE)	2023-24 (Actuals)
Central Goods and Services Tax (CGST)	856.36	897.91	1,268.97	1,341.69	1,651.44	1,713.94
Integrated Goods and Services Tax (IGST)	Nil	Nil	Nil	Nil	Nil	Nil
Corporation Tax	1,028.94	906.03	1,225.41	1,588.99	1,634.65	1,695.13
Taxes on Income other than Corporation Tax	806.25	928.54	1,287.88	1,554.09	1,590.30	1,957.62
Customs	191.29	162.09	276.41	186.69	162.01	197.91
Union Excise Duties	133.00	101.51	127.21	58.58	67.86	74.89
Service Tax	Nil	12.42	32.49	7.40	1.03	1.04
Other Taxes	1.96	2.05	4.50	7.81	-0.04	6.94
Central Tax transfers	3,017.80	3,010.55	4,222.86	4,745.25	5107.25	5647.47
Percentage of increase over previous year	-13.85	-0.24	40.27	12.37	-	19.01
Percentage of Central tax transfers to Revenue Receipts	31.25	38.89	46.10	46.15	-	49.48

Source: Finance Accounts

¹⁷ 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.

(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 2023-24, GIA increased by ₹ 78.84 crore (2.31 *per cent*) from ₹ 3,407.22 crore in 2022-23 to ₹ 3,486.06 crore in 2023-24. GIA received by the State Government from GoI during 2019-24 are detailed in **Table 2.13**.

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

(₹ in crore)						
Head	2019-20	2020-21	2021-22	2022-23	2023-24 (BE)	2023-24 (Actuals)
Grants for Centrally Sponsored Schemes (CSS)	2,103.97	1,329.94	1,366.12	1,599.98	2,670.42	1,777.72 ¹⁸
Finance Commission Grants	2,778.73	1,725.48	1,879.10	1,722.10	1,635.00	1,635.90
Other transfers/Grants to States	504.43	465.38	215.60	85.14	92.66	72.44
Total	5,387.13	3,520.80	3,460.82	3,407.22	4,398.08	3,486.06
Percentage of increase/decrease over the previous year	23.56	-34.64	-1.70	-1.55	-	2.31
Percentage of GIA to Revenue Receipts	55.78	45.48	37.78	33.14	-	30.54

Source: Finance Accounts

➤ **Single Nodal Agency**

The Government of India, Ministry of Finance, Department of Expenditure, New Delhi vide Office Memorandum No 1(13)/PFMS/FCD/2020 dated 8 December 2021 provided that every State Government is required to designate a Single Nodal Agency (SNA) for implementing each Centrally Sponsored Scheme (CSS). The Single Nodal Agency will open Single Nodal Account for each CSS at the State level in a Scheduled Commercial Bank authorised to conduct business by the State Government. Further, as per the new procedure, it is the responsibility of the State Government concerned to ensure that the entire unspent amount is returned by all the Implementing Agencies (IAs) to the Single Nodal Account of the Single Nodal Agency. Detailed vouchers and supporting documents of actual expenditure were not received in Accounts Wing of the Office of the Principal Accountant General, Mizoram from the SNAs.

As per Public Financial Management System (PFMS) Report, the State Government received ₹ 1,672.41 crore being Central share of CSS during the year 2023-24 in its Treasury Accounts. As on 31 March 2024, the Government transferred Central share of ₹ 1613.55 crore received in Treasury Accounts and State share of ₹ 211.19 crore to the SNAs leading to short transfer of ₹ 58.86 crore of Central Share. As per SNA report of PFMS portal, ₹ 408.47 crore was lying unspent in the bank accounts of SNAs as on 31 March 2024.

➤ **Finance Commission Grants**

Finance Commission (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 2019-20 (during the XIV FC period) and 2020-24 (XV FC period) are given in **Table 2.14**.

¹⁸ Out of the grants of ₹ 1,777.72 crore for Centrally Sponsored Schemes during 2023-24 the major recipients of the Grants were Samagrah Shiksha (₹ 278.24 crore), PMGSY (₹ 141.37 crore), PMAY (₹ 45.51 crore).

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		
	2019-20 to 2022-23	2023-24	Total	2019-20 to 2022-23	2023-24	Total	2019-20 to 2022-23	2023-24	Total
Local Bodies									
(i) Grants to Rural Local Bodies (RLBs)									
(a) General Basic Grant	140.00	72.00	212.00	127.50	70.00	197.50	127.50	70.00	197.50
(b) General Performance Grants									
(ii) Grants to Urban Local Bodies (ULBs)									
(a) General Basic Grant	150.78	37.00	187.78	123.86	35.00	158.86	123.87	35.00	158.87
(b) General Performance Grants									
(iii) Grant for Health	62.00	33.00	95.00	31.19	0.00	31.19	31.19	0.00	31.19
Total for Local Bodies(i+ii+iii)	352.78	142.00	494.78	282.55	105.00	387.55	282.56	105.00	387.56
SDRF ¹⁹	178.00	58.00	236.00	141.80	41.60	183.40	182.00	46.40	228.40
SDMF ²⁰	0.00	0.00	0.00	14.30	15.30	29.60	11.40	11.60	23.00
Grand Total	530.78	200.00	730.78	438.65	161.90	600.55	475.96	163.00	638.96
Post devolution Deficit Grant	7,543.00	1,474.00	9,017.00	7,542.96	1,474.00	9,016.96	8,516.00	1,615.00	10,131.00

Source: XIV-FC Report, XV-FC Report, State Government data

From the above data, it is seen that only ₹ 31.19 crore (33% of recommended amount) was released by both GoI and the state for health-related grants. Gaps in local body grants were also noticed. There were shortfalls across RLBs and ULBs, particularly in General Basic Grants, with gaps ranging from ₹ 14.50 crore to ₹ 28.92 crore.

Post-Devolution Deficit Grant was efficiently managed, with full releases by both GoI and the state. It was noticed that the State Government allocated more than GoI's releases for SDRF and the deficit grant, showcasing fiscal commitment to bridge funding gaps.

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 2019-24, Capital Receipts grew by 79.42 *per cent* from ₹ 1,102.09 crore in 2019-20 to ₹ 1,977.42 crore in 2023-24 mainly due to increased

¹⁹ SDRF = State Disaster Response Fund

²⁰ SDMF = State Disaster Mitigation Fund

public debt receipts. Recovery of loans and advances decreased by 10.26 *per cent* from ₹ 26.70 crore in 2019-20 to ₹ 23.96 crore in 2023-24.

During 2023-24, Public Debt Receipts (₹ 1,953.46 crore) represented 98.79 *per cent* of Capital Receipts (₹ 1,977.42 crore) and increased by 10.68 *per cent* over the previous year. Similarly, Recovery of loans and advances decreased by 9.55 *per cent* (₹ 2.53 crore) compared to the previous year (₹ 26.49 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

<i>(₹ in crore)</i>					
Sources of State's Receipts	2019-20	2020-21	2021-22	2022-23	2023-24
Capital Receipts	1,102.09	1,424.87	1,240.21	1,791.46	1,977.42
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	26.70	33.69	32.18	26.49	23.96
Public Debt Receipts	1,075.39	1,391.18	1,208.03	1,764.97	1,953.46
<i>Internal Debt (excluding Ways and Means Advances and Overdrafts)</i>	1,060.51	1,143.56	898.21	1,464.57	1,199.48
<i>Growth rate (per cent)</i>	763.19	7.83	-21.45	63.05	-18.10
<i>Net transactions under Ways and Means Advances and Overdrafts</i>	-	-	-	-	-
<i>Growth rate (per cent)</i>	-	-	-	-	-
<i>Loans and advances from GoI</i>	14.88	247.62	309.82	300.40	753.98
<i>Growth rate (per cent)</i>	30.99	1,564.11	25.12	-3.04	150.99
Rate of growth of debt Capital Receipts	701.21	29.37	-13.17	46.10	10.68
Rate of growth of non-debt capital receipts (<i>per cent</i>)	20.49	26.18	-4.48	-17.68	-9.55
Rate of growth of GSDP (<i>per cent</i>)	14.04	-4.27	11.59	14.97	15.93
Rate of growth of Capital Receipts (<i>per cent</i>)	604.75	29.29	-12.96	44.45	10.38

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. The components of Public Debt Receipts comprised of Internal Debt (₹ 1,199.48 crore) and Loans and Advances from GoI (₹ 753.98 crore).

It is seen that Capital receipts are heavily reliant on debt sources, particularly internal debt, which constitutes the majority of public debt receipts. Recovery of loans and advances and other non-debt receipts shows declining trends, limiting diversification of capital sources. Growth rates of capital receipts and their components reflects significant volatility, particularly during the pandemic years (2020-21). The sharp rise in loans from the central government indicates increased reliance on GoI support.

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 2023-24

(₹ in crore)

	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				XV FC projections	Budget estimates
Own Tax revenue	1,217.00	1,084.30	1,195.59	-1.76	10.26
Non-Tax revenue	302.00	897.00	1,084.93	259.25	20.95
Total	1,519.00	1,981.30	2,280.52	50.13	15.10

It can be seen from the table above that Own Tax Revenue for the year is less than FC projections by 1.76 *per cent* and surpassed budget estimates by 10.26 *per cent*. Non-Tax revenue exceeded FC projections by 259.25 *per cent* and surpassed budget estimates by 20.95 *per cent*.

2.6 Application of resources

Analysis of expenditure at the State Government level assumes significance, since major expenditure responsibilities are entrusted to 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.

Loans and Advances: Loans and advances by the Government to the State Public Sector Enterprises (SPSEs) and other parties.

Table 2.17 depicts the trend of overall expenditure of the State for the five-year period 2019-20 to 2023-24.

Table 2.17: Total expenditure and its composition

(₹ in crore)

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	10,909.26	9,643.67	9,564.45	11,416.22	12,115.72
Revenue Expenditure (RE)	9,453.96	8,514.80	8,557.49	10,092.17	10,836.96
Capital Expenditure (CE)	1,372.67	1,125.97	1,004.38	1,321.86	1,253.78
Loans and Advances	82.63	2.90	2.58	2.19	24.98
As a percentage of GSDP					
TE/GSDP	43.66	40.31	35.83	37.20	34.05
RE/GSDP	37.83	35.59	32.06	32.88	30.46
CE/GSDP	5.49	4.71	3.76	4.31	3.52
Loans and Advances/GSDP	0.33	0.01	0.01	0.01	0.07

Source: Finance Accounts and Government of Mizoram

Total Expenditure (TE) increased by ₹ 699.50 crore (6.13 *per cent*) in 2023-24 as compared to 2022-23. This was due to increase in Revenue Expenditure by ₹ 744.79 crore (7.38 *per cent*). Capital Expenditure decreased by ₹ 68.08 crore (5.15 *per cent*). Simultaneously, disbursement of Loans and Advances increased by ₹ 22.79 crore (1,040.64 *per cent*). As percentage of GSDP, TE decreased from 43.66 *per cent* in 2019-20 to 34.05 *per cent* in 2023-24 of GSDP.

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 89.45 *per cent* of the State's TE, whereas Capital Expenditure, which is in the nature of asset creation, was 10.35 *per cent* in 2023-24. This trend of expenditure was seen to be consistent over the five-year period. Revenue Expenditure was 86.66 (2019-20) and 89.45 *per cent* (2023-24) of TE while Capital Expenditure was 12.58 (2019-20) and 10.37 *per cent* (2023-24) of TE which signified that the Government was spending most of its resources in activities which did not involve asset creation.

Relative share of various sectors of expenditure during 2019-20 to 2023-24 is depicted in **Table 2.18** and **Chart 2.7**.

Table 2.18: Relative share of various sectors of expenditure

Sector	2019-20	2020-21	2021-22	2022-23	2023-24
General Services	3,256.64	3,273.58	3,180.96	3,914.04	4,385.02
Social Services	3,994.10	3,737.76	3,795.19	3,979.29	4,504.88
Economic Services	3,575.89	2,629.43	2,585.72	3,520.70	3,200.83
Loans and Advances	82.63	2.90	2.58	2.19	24.98

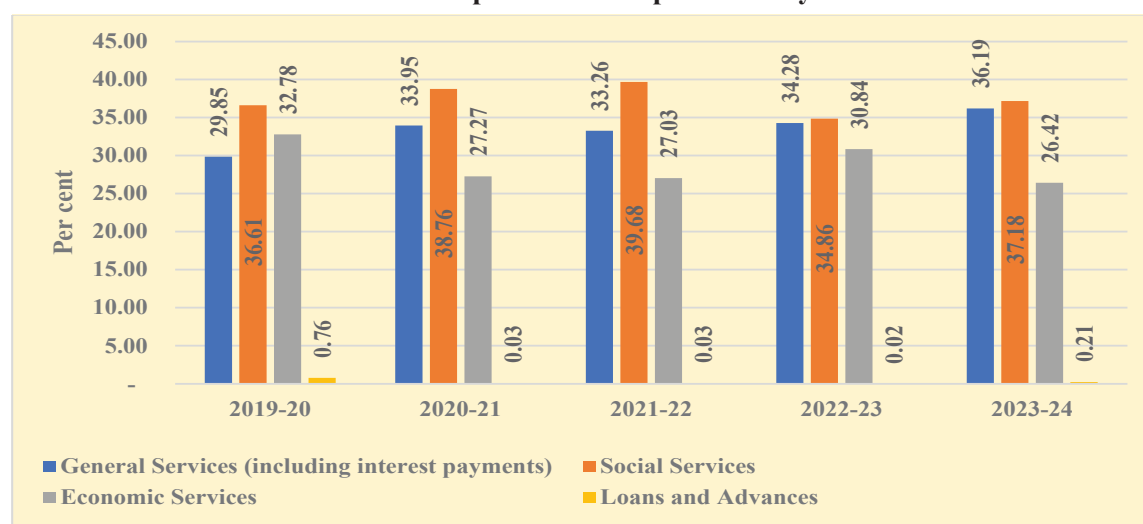
Source: Finance Accounts

Expenditure on General Services increased by ₹ 470.98 crore (12.03 *per cent*) from ₹ 3,914.04 crore in 2022-23 to ₹ 4,385.02 crore in 2023-24, Social Services expenditure increased by ₹ 525.59 crore (13.21 *per cent*) from ₹ 3,979.29 crore in 2022-23 to ₹ 4,504.88 crore in 2023-24 and expenditure on Economic Services decreased by ₹ 319.86 crore (9.09 *per cent*) from ₹ 3,520.70 crore in 2022-23 to ₹ 3,200.83 crore in 2023-24. Disbursement of Loans and Advances increased by ₹ 22.79 crore (1,040.64 *per cent*) from ₹ 2.19 crore in 2022-23 to ₹ 24.98 crore in 2023-24.

As may be seen in **Chart 2.7**, the relative share of various components of expenditure in the total expenditure fluctuated during 2019-24. The share of General Services increased

from 29.85 per cent in 2019-20 to 36.19 per cent in 2023-24 and the share of Social Services in total expenditure increased from 36.61 per cent in 2019-20 to 37.18 per cent in 2023-24, while that of Economic Services and Loans and advances decreased from 32.78 per cent and 0.76 per cent to 26.42 per cent and 0.21 per cent respectively during the same period.

Chart 2.7: Total expenditure - Expenditure by activities



Source: Finance Accounts

2.6.2 Revenue Expenditure

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

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 2.19** and the sectoral distribution of Revenue Expenditure for 2023-24 is given in **Chart 2.8**.

Table 2.19: Revenue Expenditure – Basic Parameters

Parameters	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure (TE)	10,909.26	9,643.67	9,564.45	11,416.22	12,115.72
Revenue Expenditure (RE)	9,453.96	8,514.80	8,557.49	10,092.17	10,836.96
Rate of Growth of RE (per cent)	25.96	-9.93	0.50	17.93	7.38
RE/TE (per cent)	86.66	88.29	89.47	88.40	89.45
RE/GSDP (per cent)	37.83	35.59	30.76	30.74	30.46
RE/Revenue Receipts (per cent)	97.88	110.00	93.43	98.15	94.94
Buoyancy²¹ of Revenue Expenditure with					
GSDP (ratio)	1.85	-	0.04	1.19	0.46
Revenue Receipts (ratio)	3.79	-	0.03	1.46	0.67

Note: Buoyancy Ratios have not been shown where growth is negative.

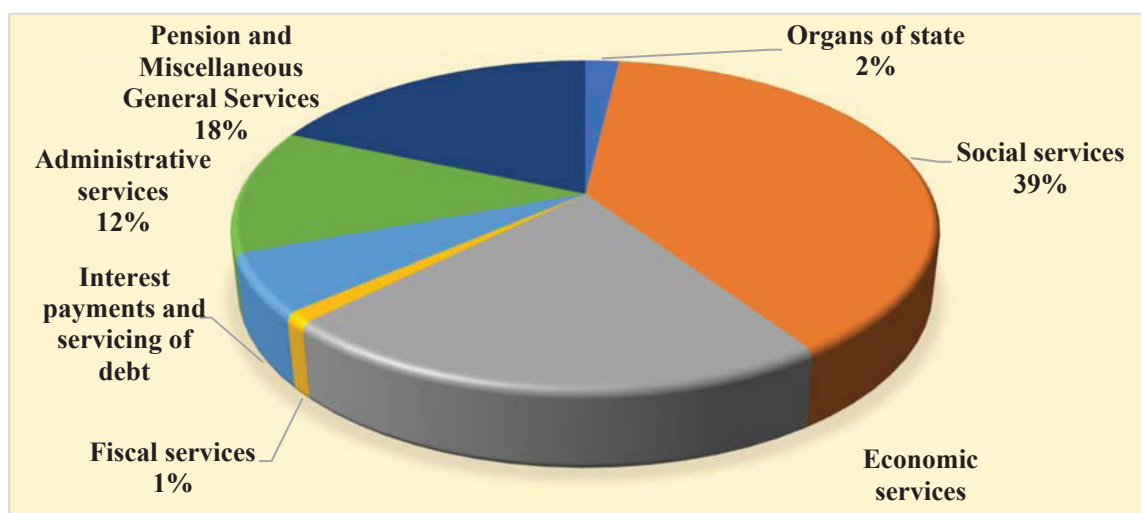
Source: Finance Accounts of respective years

²¹ Buoyancy indicates the 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 Expenditure tends to change by one percentage point, if the GSDP changes by one per cent.

Revenue Expenditure formed on an average 88.45 *per cent* (ranging from 86.66 *per cent* in 2019-20 to 89.45 *per cent* in 2023-24) of the total expenditure during the period 2019-24. Rate of growth of Revenue Expenditure has displayed wide fluctuations during the five- year period 2019-24.

As a percentage of GSDP, Revenue Expenditure marginally decreased from 37.83 *per cent* in 2019-20 to 30.46 *per cent* in 2023-24. Revenue Expenditure increased by 7.38 *per cent* and is less than as per the assessment made in MTFP 2023-24 (₹ 11,068.76 crore) by 0.63 *per cent*. It stood at 94.94 *per cent* of Revenue Receipts for the year. The buoyancy of Revenue Expenditure with GSDP was 0.67 during 2023-24.

Chart 2.8: Sector-wise distribution of revenue expenditure



Source: Finance Accounts

2.6.2.1 Major changes in Revenue Expenditure

Table 2.20 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 2.20: Variation in Revenue Expenditure during 2023-24 compared to 2022-23

(₹ in crore)

Major Head Code	Major Heads of Account	2022-23	2023-24	Increase (+)/ Decrease (-) in <i>per cent</i>
2245	Relief on account of Natural Calamities	23.61	-12.01	-150.86
2211	Family Welfare	17.92	3.02	-83.13
2236	Nutrition	8.88	3.81	-57.12
3056	Inland Water Transport	2.12	0.92	-56.70
2415	Agricultural Research and Education	4.04	10.07	149.16
2216	Housing	57.56	143.49	149.28
2015	Elections	15.63	94.02	501.53
2217	Urban Development	86.58	680.82	686.38

Source: Finance Accounts

The table above shows only the 8 largest positive and negative outliers in variation of expenditure over the previous year. The decrease of expenditure under Major Head '2245' 'Relief on account of Natural Calamities' was mainly due to adjustment of

amount incurred under the Major Head 2245 and subsequently set off in Public Account. . The decrease of expenditure under Major Head '2211' '**Family Welfare**' was mainly due to less expenditure under Minor Head 101- 'Rural Family Welfare Services' and 103- 'Maternity and Child Health'. The decrease of expenditure under Major Head '2236'- '**Nutrition**' was mainly due to less expenditure under Minor Head 101- 'Special Nutrition Programmes'. The decrease of expenditure under Major Head '3056' '**Inland Water Transport**' was mainly due to less expenditure under Minor Head 001 'Direction and Administration'. The increase of expenditure under Major Head '2415' '**Agricultural Research and Education**' was mainly due to more expenditure under Minor Head 277- 'Education'.

The increase in expenditure under the Major Head '2216' '**Housing**' was mainly due to more expenditure under Minor Head 105- 'Indira Awaas Yojana'. The increase in expenditure under the Major Head '2015' '**Elections**' was mainly due to more expenditure under Minor Head 800- 'Other Expenditure'. The increase in expenditure under the Major Head '2217' '**Urban Development**' was mainly due to more expenditure under Minor Head 191- 'Assistance to Local Bodies, Corporations, Urban Development Authorities, Town Improvement Boards, etc.'.

2.6.2.2 Committed Expenditure

Committed Expenditure of Government consists 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.

Apart from the above, there are certain items of Inflexible Expenditure which cannot be ordinarily altered, varied or are statutorily required on an annual basis, unlike for variable transactions such as capital expenditure, *etc.* For example, the following items may be considered as Inflexible Expenditure.

- i. Devolution to Local Bodies – Statutory devolutions to local bodies for pay and allowance (devolution, transfer for capital expenditure).
- ii. Statutory requirements of contribution to Reserve Funds – Contribution to Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), State Disaster Mitigation / Response Fund (SDMF/ SDRF), *etc.*
- iii. Recoupment of Contingency Fund - Amount recouped within the year.
- iv. Transfer of Cess to reserve fund / other body, which are statutorily required.
- v. Share contribution of CSS against the Central Fund received – Amount of State share to be transferred to SNAs / spent by the State.
- vi. Payment of Interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - Interest payment.

Table 2.21 presents the trends in the components of committed expenditure and inflexible expenditure during 2019-24. 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 2.21: Components of Committed and Inflexible Expenditure*(₹ in crore)*

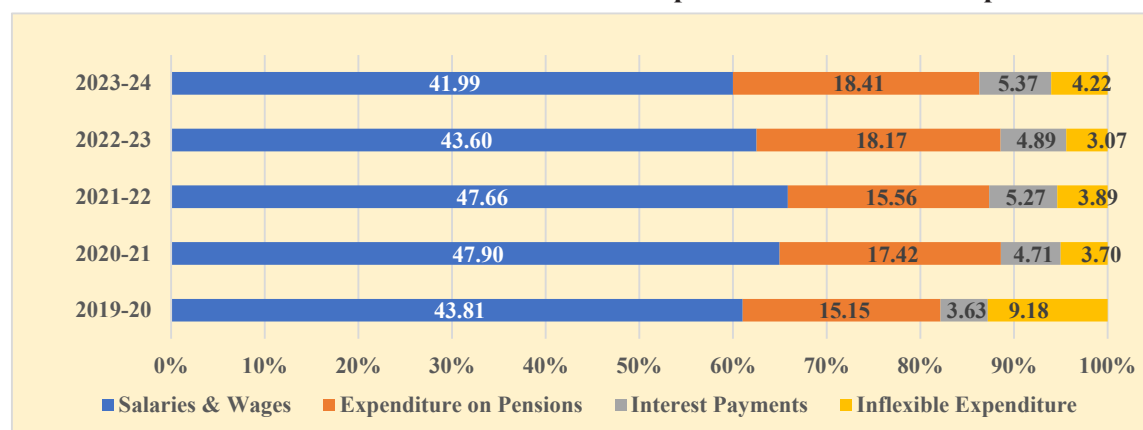
Components of Committed Expenditure	2019-20	2020-21	2021-22	2022-23	2023-24
Salaries & Wages	4,142.04	4,078.94	4,078.69	4,399.72	4,550.36
Expenditure on Pensions	1,432.50	1,482.90	1,331.45	1,834.18	1,994.59
Interest Payments	343.12	400.99	450.64	493.88	581.90
Total	5,917.66	5,962.83	5,860.78	6,727.78	7,126.85
Components of Inflexible Expenditure					
<i>Statutory devolution to Local Bodies</i>	<i>63.44</i>	<i>52.45</i>	<i>37.46</i>	<i>38.75</i>	<i>57.76</i>
<i>Contribution to Reserve Fund*</i>	<i>248.98</i>	<i>94.55</i>	<i>84.00</i>	<i>73.22</i>	<i>86.70</i>
<i>Recoupment of Contingency Fund</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Transfer of cess for reserve fund/other body</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Share contribution of CSS against Central Fund received</i>	<i>249.80</i>	<i>151.13</i>	<i>194.53</i>	<i>179.86</i>	<i>304.78</i>
<i>Payment of Interest on the balances of the interest-bearing funds as if they could have been invested and payment of interest on public debt as charged expenditure - Interest payment.</i>	<i>305.93</i>	<i>16.51</i>	<i>17.03</i>	<i>18.13</i>	<i>7.95</i>
Total	868.15	314.64	333.02	309.96	457.19
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	42.89	52.69	44.53	42.79	39.87
Expenditure on Pensions	14.83	19.16	14.54	17.84	17.47
Interest Payments	3.55	5.18	4.92	4.80	5.10
Total	61.27	77.03	63.98	65.43	62.44
Inflexible Expenditure	8.99	4.06	3.64	3.01	4.01
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	43.81	47.90	47.66	43.60	41.99
Expenditure on Pensions	15.15	17.42	15.56	18.17	18.41
Interest Payments	3.63	4.71	5.27	4.89	5.37
Total	62.59	70.03	68.49	66.66	65.77
Inflexible Expenditure	9.18	3.70	3.89	3.07	4.22

Source: Finance Accounts

* Figures for 2019-20 to 2022-23 differs with last year's Report due to depiction of gross figures.

Chart 2.9 depicts the yearly share of Committed and Inflexible Expenditure.

Chart 2.9: Share of Committed and Inflexible Expenditure in Revenue Expenditure



Source: Finance Accounts

We noticed the following key trends. Pensions and interest payments are growing faster than salaries, reflecting increasing commitments toward past liabilities and debt servicing. Salaries show a declining trend as a percentage of RR and RE, indicating improved fiscal management. Decline in inflexible expenditure as a percentage of both RR and RE highlights improved resource allocation flexibility. The growing proportion of interest payments to RR and RE suggests the need for careful debt management.

Salaries

As can be seen from **Table 2.21**, Committed Expenditure varied between 61.27 to 77.03 *per cent* of Revenue Receipts and 62.59 to 70.03 *per cent* of Revenue Expenditure. During 2023-24, expenditure on Salaries and Wages accounted for 39.87 *per cent* of Revenue Receipts and 41.99 *per cent* of Revenue Expenditure. It increased from ₹ 4,142.04 crore during 2019-20 to ₹ 4,550.36 crore in 2023-24. The expenditure on Salaries and Wages increased by ₹ 150.64 crore (3.42 *per cent*) compared to the previous year mainly due to increase in components of salary like Dearness Allowance and annual increments.

Pension Payments

Over the five-year period 2019-24, expenditure on Pension Payments increased by 39.25 *per cent* from ₹ 1,432.50 crore in 2019-20 to ₹ 1,994.72 crore in 2023-24. During the current year, Pension Payments increased by ₹ 160.54 crore (8.75 *per cent*) over the previous year. Expenditure on Pension Payments accounted for approximately 17.48 *per cent* of Revenue Receipts and 18.41 *per cent* of Revenue Expenditure during 2023-24 mainly due to increase in components of pension like Dearness Relief.

Interest Payments

Interest Payments in 2023-24 increased by ₹ 88.02 crore (17.8 *per cent*) as compared to 2022-23. Expenditure on Interest Payments accounted for approximately 5.10 *per cent* of Revenue Receipts and 5.37 *per cent* of Revenue Expenditure for the year.

Inflexible Expenditure

The components of Inflexible expenditure which include, among others, Statutory devolution to local bodies, contribution to Reserve Funds and share contribution of CSS to Central

Fund varied over the period between ₹ 868.15 crore in 2019-20 to ₹ 457.19 crore in 2023-24. During 2023-24, Inflexible expenditure (₹ 457.19 crore) accounted for approximately 4.01 *per cent* of Revenue Receipts and 4.22 *per cent* of Revenue Expenditure.

2.6.2.3 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, the State contributes 14 *per cent* as contribution towards NPS w.e.f 1st April, 2019 (10 *per cent* up to 31 March 2019) and an employee contributes 10 *per cent* of monthly salary and Dearness Allowance. 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). Axis Bank is the Trustee Bank in charge of operation of Pension Funds. Accordingly, the entire amount is transferred to NSDL/Trustee Bank.

During the year 2022-23, total contribution to NPS was ₹ 123.89 crore [(Employees' Contribution ₹ 61.91 crore and Government's Contribution ₹ 61.98 crore (including ₹ 0.07 crore and ₹ 0.04 crore of 14 *per cent* Contribution for AIS Officers and direct credit of Subscribers Contributions posted in various Mizoram Houses into Chief Controller of Accounts, Accounts and Treasuries' Bank Account)]. During 2023-24, as per the Office Memorandum No. G. 27011/2/2011-F. APF dated 9.9.2011 issued by the Government of Mizoram, the Government of Mizoram transferred the total contribution of ₹ 123.89 crore to the designated fund manager through the National Securities Depository Limited (NSDL). The NPS funds were not routed through by operating **MH 8342-117 Defined Contribution Pension Scheme**. There was no short contribution by the State Government to the NPS during 2023-24 and thus, there was no impact on overstatement/understatement of Revenue surplus/deficit and Fiscal surplus/deficit.

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 2023-24 was ₹ 142.61 crore, a rise of ₹ 7.60 crore from ₹ 135.01 crore in 2022-23. The details of expenditure on subsidies by the Government and its relation to both Revenue Receipts and Revenue Expenditure is given in **Table 2.22**.

Table 2.22: Expenditure on subsidies during 2019-24

	2019-20	2020-21	2021-22	2022-23	2023-24
Subsidies (₹ in crore)	52.09	29.07	111.09	135.01	142.61
Subsidies as a percentage of Revenue Receipts	0.54	0.38	1.21	1.31	1.24
Subsidies as a percentage of Revenue Expenditure	0.55	0.34	1.30	1.34	1.32

Source: Finance Accounts

As may be seen from the table, expenditure on subsidies during 2023-24 was the highest in the five-year period but was still only about one *per cent* of both Revenue Receipts and Revenue Expenditure. Further, during 2023-24 subsidy expenditure on Cooperation²² increased from 0.06 crore in 2022-23 to ₹ 0.70 crore while subsidy expenditure on Power²³ rose to ₹ 116.00 crore from ₹ 109.22 crore in 2022-23. Subsidies on food amounted to ₹ 25.91 crore during the year.

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 2019-24 is given in **Table-2.23**.

Table 2.23: Financial Assistance to Local Bodies, etc.

	(₹ in crore)				
Financial Assistance to Institutions	2019-20	2020-21	2021-22	2022-23	2023-24
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	404.66	369.12	395.60	467.36	522.44
Rural/Urban Local Bodies ²⁴	63.44	52.45	37.46	38.75	57.77
Autonomous District Councils	463.87	450.45	496.97	550.07	573.10
Other Institutions ²⁵	1,604.74	908.81	973.61	1,174.62	1,827.45
Total	2,536.71	1,780.83	1,903.64	2,230.80	2,980.76
Revenue Expenditure	9,453.96	8,514.80	8,557.49	10,092.17	10,836.96
Assistance as percentage of Revenue Expenditure	26.83	20.91	22.25	22.10	27.51

Source: Finance Accounts

The grants extended to local bodies and other institutions increased by 33.62 *per cent* from ₹ 2,230.80 crore in 2022-23 to ₹ 2,980.76 crore in 2023-24. The increase in financial assistance by ₹ 749.96 crore in 2023-24 over 2022-23 was due to increase in assistance to Educational Institutions (₹ 55.08 crore), Rural/Urban Local Bodies (₹ 19.02), Autonomous District Councils (₹ 23.03 crore) and Other Institutions (₹ 652.83 crore). The share of financial assistance to Local Bodies and Other Institutions as percentage of Revenue Expenditure had increased from 22.10 *per cent* in 2022-23 to 27.51 *per cent* in 2023-24.

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 2023-24 showed that the Statement of Grants-in-Aid given by the State Government discloses the grants paid in cash while those paid in kind as well as Grants-in-Aid given for creation of capital assets by the State

²² Assistance to Cooperatives

²³ Expenditure on Direction

²⁴ Mizoram is a Sixth Schedule state under the Constitution of India and does not have Panchayati Raj Institutions.

²⁵ Other Institutions include five schemes which had received GIA of at least ₹ 50 crore – National Health Mission (₹ 118.10 crore), Integrated Child Protection Scheme (₹ 63.94 crore), MGNREGS (₹ 84.52 crore), Pradhan Mantri Awas Yojana (₹ 140.62 crore) and Socio Economic Development Policy (₹ 51.07 crore).

Government were not disclosed and details in this regard were not furnished by the State Government.

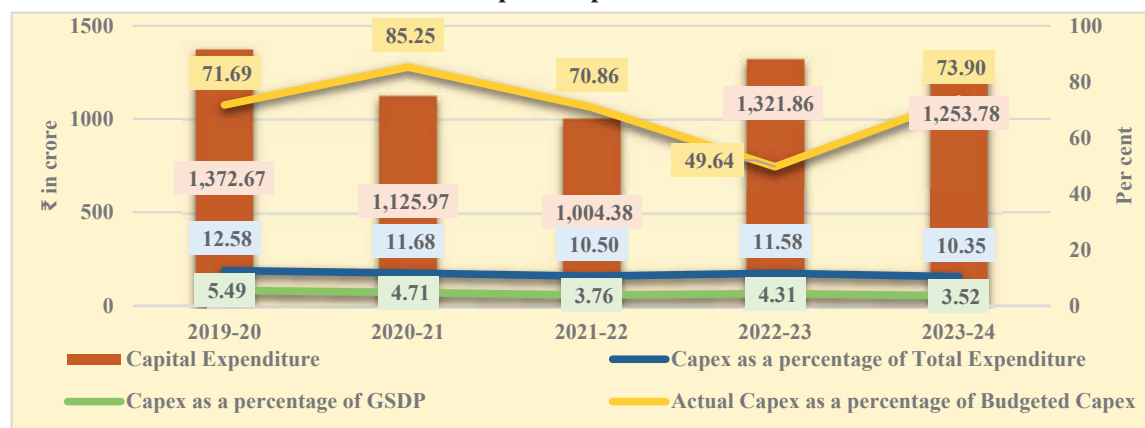
2.6.3 Capital Expenditure

Capital Expenditure (Capex) is incurred to create assets and add to the infrastructure and service network. During 2023-24, Capex of the State decreased by ₹ 68.08 crore (5.15 *per cent*) from ₹ 1,321.86 crore during 2022-23 to ₹ 1,253.78 crore. Capex as a percentage of GSDP fell from 5.49 *per cent* in 2019-20 to 3.52 *per cent* in 2023-24. Additionally, as a percentage of Total Expenditure, Capex dropped from 12.58 *per cent* during 2019-20 to 10.35 *per cent* in 2023-24.

When compared to the estimates for Capex as per Budget Estimates (BEs), actual Capex ranged from 71.69 *per cent* of BE in 2019-20 to 73.90 *per cent* of BE in 2023-24.

The trend of Capital Expenditure and its share as a percentage of GSDP, Total Expenditure and Budget Estimates respectively are indicated in **Chart 2.10**.

Chart 2.10: Capital expenditure in the State



Source: Finance Accounts and State budget documents

2.6.3.1 Major changes in Capital Expenditure

Table 2.24 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 2.24: Capital expenditure during 2023-24 compared to 2022-23

(₹ in crore)

Major Head Code	Major Head of Accounts	2022-23	2023-24	Increase(+)/ Decrease(-) in <i>per cent</i>
4851	Capital Outlay on Village and Small Industries	2.00	0.00	-100.00
5275	Capital Outlay on other Communication Services	72.50	0.00	-100.00
5425	Capital Outlay on other Scientific and Environmental Research	1.40	0.00	-100.00
5053	Capital Outlay on Civil Aviation	20.93	0.60	-97.13
4070	Capital Outlay on other Administrative Services	24.48	1.52	-93.79
5452	Capital Outlay on Tourism	9.47	1.54	-84.00
4055	Capital Outlay on Police	10.47	25.16	140.31
4217	Capital Outlay on Urban Development	25.53	68.77	169.39

Major Head Code	Major Head of Accounts	2022-23	2023-24	Increase(+)/ Decrease(-) in per cent
4408	Capital Outlay on Food Storage and Warehousing	7.00	24.40	248.58
4435	Capital Outlay on Other Agricultural Programmes	31.50	110.42	250.61
4225	Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, other Backward Classes and Minorities	3.12	11.56	270.75
4047	Capital Outlay on other Fiscal Services	5.56	20.75	273.39

Source: Finance Accounts

The preceding table shows only the eleven 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 decreased expenditure of ₹ 127.12crore under the head ‘Capital Outlay on Civil Aviation’, ‘Capital Outlay on other Administrative Services, Capital Outlay on Tourism and nil expenditure under ‘Capital Outlay on Village and Small Industries’, ‘Capital Outlay on other Communication services’ and ‘Capital Outlay on Other Scientific and Environmental Research’ while there was an increase in expenditure of ₹ 177.89 crore under the heads ‘Capital Outlay on Police’, ‘Capital Outlay on Urban Development’, ‘Capital Outlay on Food Storage and Warehousing’, ‘Capital Outlay on Other Agricultural Programmes’, ‘Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes, other Backward Classes and Minorities’ and ‘Capital Outlay on other Fiscal Services’.

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 whose net worth is completely eroded, affect quality of capital expenditure. Return on Investment (RoI) in share capital invested in State Public Sector Enterprises (SPSEs) and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure. **Table 2.25** shows the details of RoI of Government of Mizoram over the period 2019-24.

Table 2.25: Return on Investment

Investment/return/cost of borrowings	2019-20	2020-21	2021-22	2022-23	2023-24
Investment at the end of the year (<i>₹ in crore</i>)	42.77	42.77	42.77	42.77	42.77
Return (<i>₹ in crore</i>)	Nil	Nil	Nil	Nil	Nil
Rate of return (<i>per cent</i>)	Nil	Nil	Nil	Nil	Nil
Average rate of interest on Government Borrowings (<i>per cent</i>)	4.29	4.32	4.41	4.58	5.05
Difference between interest rate and rate of return (<i>per cent</i>)	4.29	4.32	4.41	4.58	5.05
Difference between cost of Government borrowings and return on investment [#] (<i>₹ in crore</i>)	1.83	1.85	1.89	1.96	2.16

[#] Investment at the end of the year x difference between interest rate and rate of return

Source: Finance Accounts

As on 31 March 2024, the State Government had invested²⁶ ₹ 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 2023-24 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 5.05 *per cent* during 2019-20 to 2023-24.

Finance Commissioner stated during the exit conference (February 2025) that the issue would be looked into and the respective administrative departments/SPSEs would be asked to reconcile the discrepancy between the figures contained in the Finance Accounts with those in the accounts of the SPSEs as required.

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 disbursal 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

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Opening Balance of loans outstanding	247.48	303.42	272.63	243.03	218.73
Amount advanced during the year	82.64	2.90	2.58	2.19	24.98
Amount recovered during the year	26.70	33.69	32.18	26.49	23.96
Closing Balance of the loans outstanding	303.42	272.63	243.03	218.73	219.75
Net addition	55.94	-30.79	-29.60	-24.30	1.02
Interest received	22.55	17.37	13.45	18.11	11.56
Interest rate on Loans and Advances given by the Government.	8.19	6.03	5.22	7.84	5.27
Rate of Interest paid on the outstanding Public Debt of the Government	9.48	8.88	8.36	7.59	7.32
Difference between the rate of interest paid and interest received (<i>per cent</i>)	1.29	2.85	3.14	-0.25	2.05

Source: Finance Accounts of various years

²⁶ Government Companies: ₹6.99 crore; Co-operative Bank, Societies, *etc.*: ₹35.78 crore

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 which were due to be completed during the year 2023.

Table 2.27: Profile of incomplete projects due to be completed by December 2023

(₹ in crore)

Age profile of incomplete projects up to 2023				Department-wise profile of incomplete projects up to 2023			
Target year of completion	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2024)	Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2024)
2019	8	158.61	111.20	Public Works Department	60	921.17	481.78
2020	4	123.95	74.49	UD&PA	5	39.81	27.03
2021	1	28.82	13.58	Power & Electricity	2	41.31	11.62
2022	18	216.38	160.18	Public Health Engineering	1	6.89	3.17
2023	37	481.41	164.15				
Total	68	1,009.18	523.59	Total	68	1,009.18	523.59

Source: Finance Accounts (Vol-II)

Thus, the Capital Expenditure of ₹ 523.59 crore incurred on 68 incomplete projects up to 2023 remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun²⁷ ranging from one to five years²⁸ on 68 incomplete projects resulting in cost overrun of ₹ 5.88 crores²⁹ in two projects under the PWD. Further delay in completion of these projects was fraught with the risk of additional cost overrun. Therefore, effective steps need to be taken to complete all these projects without further delay in order to avoid cost overrun and ensure that the intended benefits are received by the public.

2.6.4 Expenditure priorities

Enhancing human development levels require the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total

²⁷ Oldest incomplete projects were 'Construction of Serhuan-Lamthai Road, Construction and Maintenance of Khawzawl - Ngaizawl Road, Construction and Maintenance of Khawzawl - Vankal Road and Construction of Muallungthu - Lungphun Road which commenced in 2017 to be completed in 2019. The projects remained incomplete as on 31 March 2024 as per Finance Accounts of that year.

²⁸ As per data taken from Finance Accounts 2023-24, the projects with the longest time overrun over the target date of completion were – 'Diblibagh to Sugarbasora Road', 'Construction of Serhuan-Lamthai Road', 'Construction and Maintenance of Khawzawl - Ngaizawl Road', 'Construction and Maintenance of Khawzawl - Vankal Road', 'Construction and Maintenance of Khawzawl - Hmuncheng Road', 'Construction and maintenance of Phuldungsei - Parvatui (0.00 Km - 17.30 Km)', 'Construction and Maintenance of Tuipuibari- Andermanik Road (0.00 Km - 2.76 Km)' and 'Construction of Muallungthu - Lungphun Road'.

²⁹ Cost overrun projects are 'Diblibagh to Sugarbasora Road' and 'Construction and maintenance of Phuldungsei - Parvatui (0.00 Km - 17.30 Km)'.

expenditure, the quality of expenditure is considered to be better. **Table 2.28** analyses the expenditure priority of the State Government with regard to Capital Expenditure (CE), Education, Health and Development Expenditure (DE) during 2023-24 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 (2019-20)	26.21	14.94	17.08	6.37	64.22
Mizoram (2019-20)	43.65	13.34	14.67	5.34	69.40
NE and Himalayan States Average (2023-24)	25.19	17.61	15.93	6.43	63.05
Mizoram (2023-24)	34.05	10.55	14.02	5.32	63.63

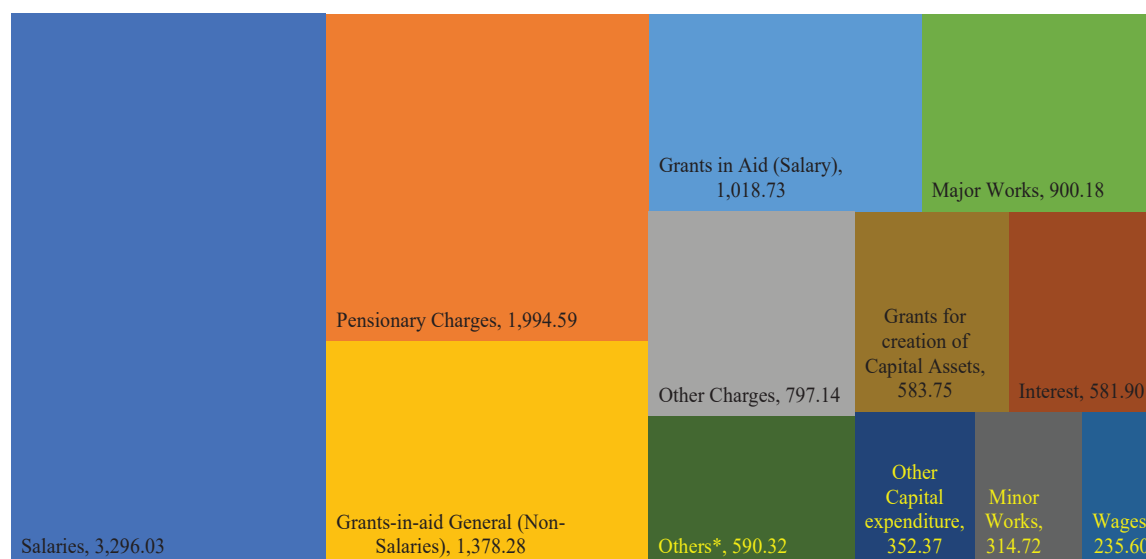
Source: SFAR Compilation of all States 2023-24

The State had a high TE-GSDP ratio as compared to the average for NE and Himalayan States. However, it fell from 43.65 per cent in 2019-20 to 34.05 per cent in 2023-24. When compared to TE, during the same period Capital expenditure fell from 13.34 per cent in 2019-20 to 10.55 per cent in 2023-24, expenditure on Education fell from 14.67 per cent of TE in 2019-20 to 14.02 per cent of TE in 2023-24 and expenditure on Health fell from 69.40 per cent of TE in 2019-20 to 63.63 per cent of TE in 2023-24. DE of the State as a percentage of TE was above the average of NE and Himalayan States in both 2019-20 and 2023-24.

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 ₹)



Source: Finance Accounts for the year 2023-24

* Others includes Supplies and Materials, Medical Treatment, OE, Domestic Traveling Expenses, Foreign Traveling Expenses, Machinery & Equipment, Subsidies, Motor Vehicles, 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 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 there was no outstanding balance as on 31 March 2024.

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 2024

(₹ in crore)

Sector	Sub Sector	2019-20	2020-21	2021-22	2022-23	2023-24
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	2,187.44	2,403.33	2,695.72	2,443.93	1,963.50
J. Reserve Funds	(a) Reserve Funds bearing Interest	220.18	227.11	241.75	222.06	213.87
	(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	2,243.54	2,230.12	1,850.61	1,107.41	1,192.36
	(c) Advances	0.94	-8.99	-8.99	-8.99	-8.99
L. Suspense and Miscellaneous	(b) Suspense	871.97	1,253.35	909.86	1,423.02	1,761.70
	(c) Other Accounts	-198.39	-132.43	-340.35	-172.09	(-)169.61
	(d) Accounts with Governments of Foreign Countries	-0.38	-0.38	-0.38	-0.38	-0.38
	(e) Miscellaneous	Nil	Nil	Nil	Nil	Nil
M. Remittances	(a) Money Orders, and other Remittances	-42.62	91.89	-58.52	131.82	(-)143.40
	(b) Inter-Governmental Adjustment Account	-9.24	-7.53	-7.16	-8.19	-6.67
TOTAL		5,282.51	6,065.54	5,291.61	5,147.66	5,437.45

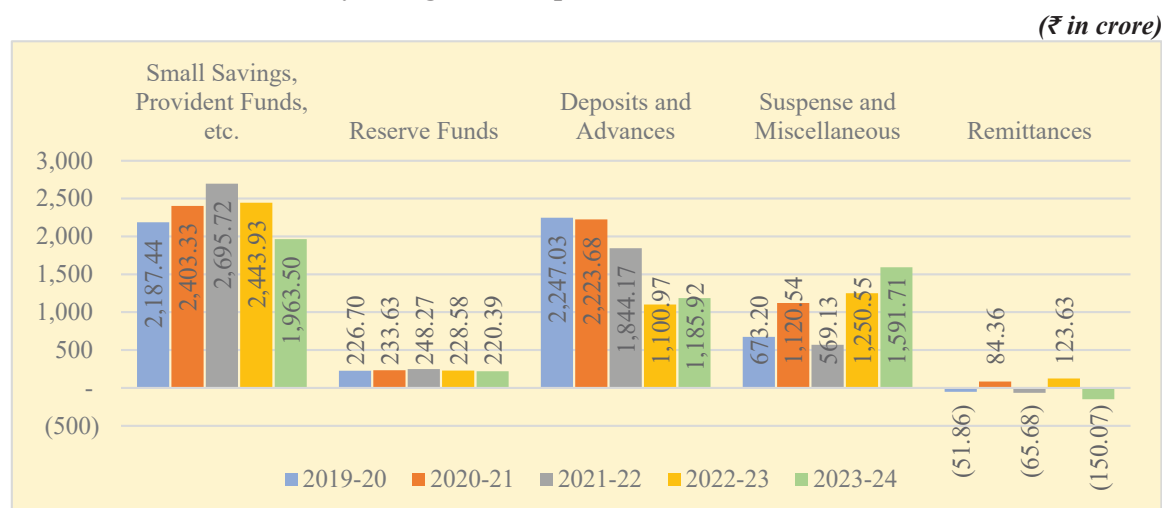
Note: (+) denotes credit balance and (-) denotes debit balances as per Finance Accounts

The peak in 2020-21 (₹ 6,065.54 crore) and subsequent decline suggest variations in inflows and outflows within the Public Account sectors. Substantial decrease in small savings and provident funds in 2023-24 indicates increased withdrawals, potentially reflecting

financial strain on depositors. The consistent increase in suspense balances highlights potential inefficiencies in clearing transactions. Persistent negative balances in advances and remittances suggest issues in recoveries and settlements.

The yearly changes in composition of balances in Public Account over the five-year-period 2019-24 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 2024, the total accumulated balance of Reserve Funds maintained by Government of Mizoram was ₹ 760.24 crore. Out of this, ₹ 213.87 crore was under interest bearing Reserve Fund and ₹ 546.37 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 on the recommendations of the Thirteenth Finance Commission (XIII FC). Under the Guidelines on Constitution and Administration of the State Disaster Response Fund issued in September 2010, 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. While the arrangement has continued in the XV FC period, Special Category States have been referred to as North East and Himalayan (NEH) States in the revised guidelines issued in January 2022. 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.

During 2023-24, the State Government received ₹ 41.60 crore from the Central Government, while its own contribution amounted to ₹ 4.62 crore. However, the total amount of ₹46.22 crore (comprising both contributions) was not transferred to the SDRF under Major Head 8121-00-122 during that year. Instead, ₹ 19.60 crore, which was the Central share for the year 2022-23, was transferred into the fund during 2023-24.

Additionally, the State did not receive any funds from the Central Government for the National Disaster Response Fund (NDRF). An expenditure of ₹ 27.79 crore was set off in Major Head 2245-05-101 as expenditure met from the fund without any corresponding investment made from SDRF. Consequently, as of 31 March 2024, the closing balance in the SDRF stood at ₹ 1.73 crore.

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 2023)	Details of contribution received during 2023-24						Amount set off (MH 2245-05)	Balance in the fund	Invested by RBI/State Government during the year
	Centre	State Share	Inter-est due	NDRF	Others	Total			
9.92	Nil	Nil	Nil	Nil	Nil	9.92	8.19	1.73	Nil

Source: Finance Accounts

Additional Secretary, Finance Department stated during the exit conference that from 2024-25 Interest-bearing Reserve funds have not been routed through Treasuries but as an Advice to the Office of the Principal Accountant General.

(B) State Disaster Mitigation Fund:

The State Disaster Mitigation Fund (SDMF) is to be constituted under section 48 (1) (c) of the Disaster Management Act, 2005. This Fund is exclusively for the purpose of mitigation project in respect of disasters covered under State Disaster Response Fund (SDRF)/National Disaster Response Fund (NDRF) guidelines and the State specific local disasters notified by the State Government from time to time. The State Government has created the SDMF vide Notification No. G. 25023/1/2022-FEA dated 02.03.2022 (as applicable) under Major Head 8121-130- State Disaster Mitigation Fund.

During 2023-24, the State Government received ₹ 15.30 crore as its share from the Central Government, alongside a State contribution of ₹ 1.70 crore. However, the total amount of ₹ 17.00 crore (comprising both shares) was not transferred to the State Disaster Mitigation Fund (SDMF) under Major Head 8121-130 during this period. Instead, the State Government transferred ₹ 21.20 crore to the fund, which pertained to prior years: ₹9.80 crore (Central share) and ₹ 1.00 crore (State share) for 2022-23 and ₹ 10.40 crore (Central share) for 2020-21.

Additionally, an expenditure of ₹ 21.20 crore was set off in Major Head 2245-08-101 as expenditure met from the fund without any investment made from SDMF. As a result, the closing balance of the fund as of 31 March 2024 was NIL.

Additional Secretary, Finance Department stated during the exit conference (February 2025) that from 2024-25 Interest-bearing Reserve funds have not been routed through Treasuries but as an Advice to the Office of the Principal Accountant General.

(C) State Compensatory Afforestation Fund:

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. As per the Rule the 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 is ensured on monthly basis so that the same is transferred to the National Fund.

During 2023-24, the State Government did not receive any funds from user agencies or the National Compensatory Afforestation Deposits. The Government incurred an expenditure of ₹13.39 crore under **2406 Forestry and Wildlife - 04 Afforestation and Ecology Development** 103 State Compensatory Afforestation. Notably, this expenditure was not financed through the State Compensatory Afforestation Fund (SCAF) which suggests a lack of adherence to financial management protocols and raises concerns about the effective use of funds allocated for afforestation and ecological development initiatives.

Additionally, there were no investments made from the fund during the year. As of March 31, 2024, the balance in the State Compensatory Afforestation Fund stood at ₹ 212.14 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. According to the guidelines of the Fund, States may contribute to the Fund on a modest scale of at least 0.50 *per cent* of the outstanding liabilities (internal debt plus public account) as at the end of the previous year.

During 2023-24, Government contributed ₹ 32.40 crore to the fund against its required contribution of ₹ 49.62 crore, resulting in less contribution by ₹ 17.22. As on 31 March 2024, the total accumulation of the Fund was ₹ 475.85 crore (₹ 443.45 crore as on 31 March 2023). The position of contribution to CSF against the actual requirement during 2019-24 is shown below.

Table-2.31: Details of contribution vis-à-vis requirement in CSF*(₹ in crore)*

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding fiscal liability of the previous year	7,049.37	8,419.16	9,396.71	9,799.77	10,972.49
Requirement (minimum 0.50 per cent of previous year's liabilities)	35.25	42.10	46.98	49.00	49.62
Actual Contribution	-	37.00	45.15	52.26	32.40
Shortfall	35.25	5.10	1.83	Nil	17.22

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 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. The latest amendment to the Fund notification issued by the State Government, effective from the year 2009-10, stipulates that the State Government shall initially contribute an amount of ₹ 0.50 crore and the balance in the fund shall be increased with contributions made annually or at lesser intervals, so as to reach the level deemed sufficient to meet the amount of anticipated guarantees devolving on the Government as a result of the likely invocation of outstanding guarantees in the succeeding 5 years (no fixed limit is prescribed).

During 2023-24, the State Government contributed ₹ 13.50 crore to the fund. The total accumulation of the Fund was ₹ 64.00 crore as on 31 March 2024. The entire amount of ₹ 64.00 crore has been invested by RBI.

2.8.3 Central Road Infrastructure Fund

The erstwhile Central Road Fund (CRF) has been renamed as the Central Road and Infrastructure Fund (CRIF) vide GoI's Gazette Notification dated 31.03.2018. The CRIF will be used for development and maintenance of National Highways, Railway projects, improvement of safety in Railways, State and Rural roads and other infrastructure, etc. In terms of the extant accounting procedure, the grants received by the State from the Centre are to be initially booked as Revenue Receipts under Major Head 1601. Thereafter, the amount so received is to be transferred by the State Government to the Public Account under Major Head 8449- 103 - Subventions from Central Road Fund through functional Major Head(s).

During the year 2023-24, although the State Government received grants of ₹ 35.60 crore towards CRIF it did not transfer any amount to the Fund in the Public Account as on 31 March 2024.

Further, as per the Finance Accounts, during 2023-24 the Government of Mizoram has incurred expenditure of ₹ 53.47 crore (Central Assistance) under Head of Account Major Head 5054 – Capital Outlay on Roads and Bridges 04 District and Other Roads 337 Road Works – Construction of Road (Central Road and Infrastructure Fund).

Additional Secretary, Finance Department stated during the exit conference that from 2024-25 Interest-bearing Reserve funds have not been routed through Treasuries but as an Advice to the Office of the Principal Accountant General.

2.8.4 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.

2.8.4.1 Building and Other Construction Workers' Welfare Cess

As on 31 March 2024, the membership enrolment of the Building and Other Construction Workers' Welfare Board stood at 71,510 members, growing by 31,965 members from an enrolment of 39,545 members as on 1 April 2019. Details of enrolment for the past five years is shown in **Table 2.32**.

Table 2.32: Details of membership enrolment in the Welfare Board³⁰

Year	Number of members		Number of fresh registrations during the year
	As on 1 st April	As on 31 st March	
2019-2020	39,545	45,617	6,072
2020-2021	45,617	62,308	16,691
2021-2022	62,308	65,535	3,227
2022-2023	65,535	68,245	2,710
2023-2024	68,245	71,510	3,265

Source: Building and Other Construction Workers' Welfare Board

2.8.4.2 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 specify by notification in the Official Gazette. 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 2019-20 to 2023-24 are given in **Table 2.33**.

³⁰ Figures may vary with the Composite Audit Report for 2022-23 as the figures depicted in this Report show the status of the entire state and not just for sampled districts in the case of Composite Audit Report.

Table-2.33: Position of MBOCWW Fund for the period 2019-24*(₹ in crore)*

Year	Opening Balance	Cess Receipts	Others/ Misc. Receipts*	Available Fund	Total Expenditure	Closing Balance
2019-20	51.02	19.95	3.24	74.21	30.36	43.85
2020-21	43.85	14.06	2.30	60.21	37.03	23.18
2021-22	23.18	22.88	5.80	51.86	29.29	22.57
2022-23	22.57	42.30	5.36	70.23	25.51	44.72
2023-24	44.72	46.91	3.57	95.20	11.99	83.21

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 ₹ 50.48 crore during 2023-24, out of which ₹ 46.91 crore was Cess received for the year. During the year, the Board spent an amount of ₹ 11.99 crore on Administrative and other expenses as well as 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. Total accumulated balance under the Fund as on 31 March 2024 was ₹ 83.21 crore.

2.8.4.3 Preparation of Annual Accounts and audit thereof

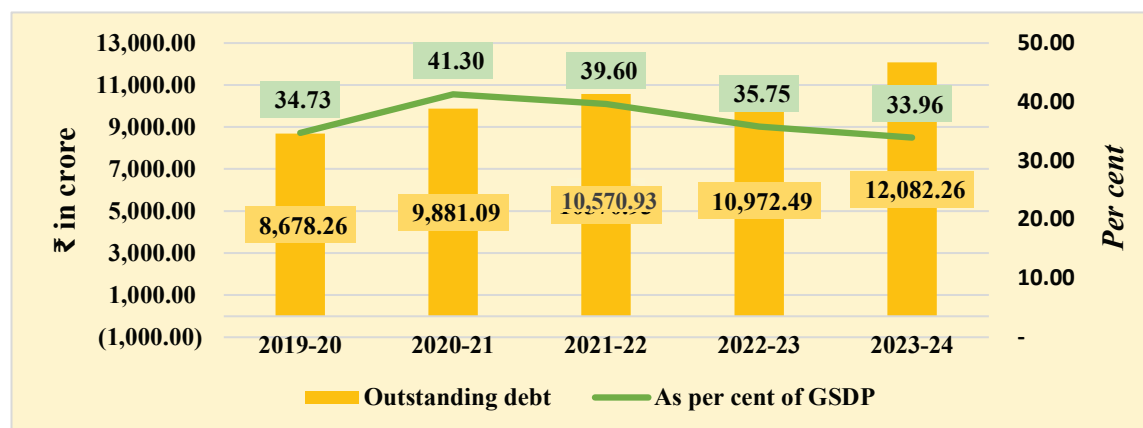
Section 27 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 specifies that the Mizoram Building and Other Construction Welfare Board (Board) shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India (C&AG). These accounts are then to be audited by Comptroller and Auditor-General of India or any other person appointed by him.

At the request of the Board, the Principal Accountant General, Mizoram advised the Board to prepare its Annual Accounts as per the Uniform/Common Format of Accounts for Central Autonomous Bodies prescribed by the Comptroller General of Accounts. However, no accounts have been received from the Board till date (December 2024).

2.9 Public Liability Management

Management of public liability is the process of establishing and executing a strategy for managing the Government's liabilities 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 liability for the five year period 2019-24 as well as the percentage of liability to GSDP.

Chart 2.13: Trend of Outstanding Public Liabilities and its percentage to GSDP



Source: Finance Accounts

2.9.1 Liability profile: Components

Total liabilities of the State Government typically comprise 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 component-wise liability trends of the State during the five-year period 2019-24 are given in **Table-2.34**.

Table 2.34: Component wise Liability trends

	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Outstanding Total Liability	8,678.26	9,881.09	10,570.93	10,972.49	12,082.26
Public Debt	4,018.03	5,011.45	5,773.78	7,190.02	8,703.46
<i>Internal Debt</i>	3,758.92	4,527.09	5,002.62	6,141.95	6,929.10
<i>Loans from GoI</i>	259.11	484.36	771.16	1,048.07	1,774.36
Public Account Liabilities	4,660.23	4,869.64	4,797.15	3,782.47	3,378.80
<i>Small Savings, Provident Funds, etc.</i>	2,187.44	2,403.33	2,695.72	2,443.93	1,963.50
<i>Reserve Funds bearing Interest</i>	220.18	227.11	241.75	222.06	213.87
<i>Reserve Funds not bearing Interest</i>	6.52	6.52	6.52	6.52	6.52
<i>Deposits bearing Interest</i>	2.55	2.55	2.55	2.55	2.55
<i>Deposits not bearing Interest</i>	2,243.54	2,230.12	1,850.61	1,107.41	1,192.36
Rate of growth of outstanding total liability (<i>per cent</i>)	18.63	13.86	6.98	3.80	10.11
Gross State Domestic Product (GSDP)	24,9909	23,923	26,695	30,690	35,579
Outstanding-Liability/GSDP (<i>per cent</i>)	34.73	41.30	39.60	35.75	33.96
<i>Total Liability Receipts</i>	4,277.17	4,963.79	6,679.68	5,857.39	8,403.39
<i>Total Liability Repayments</i>	2,914.45	3,760.96	5,989.84	5,455.83	7,293.62
<i>Net Funds Available</i>	1,362.72	1,202.83	689.84	401.56	1,109.77
Liability Repayments/Liability Receipts (<i>per cent</i>)	68.14	75.77	89.67	93.14	86.79

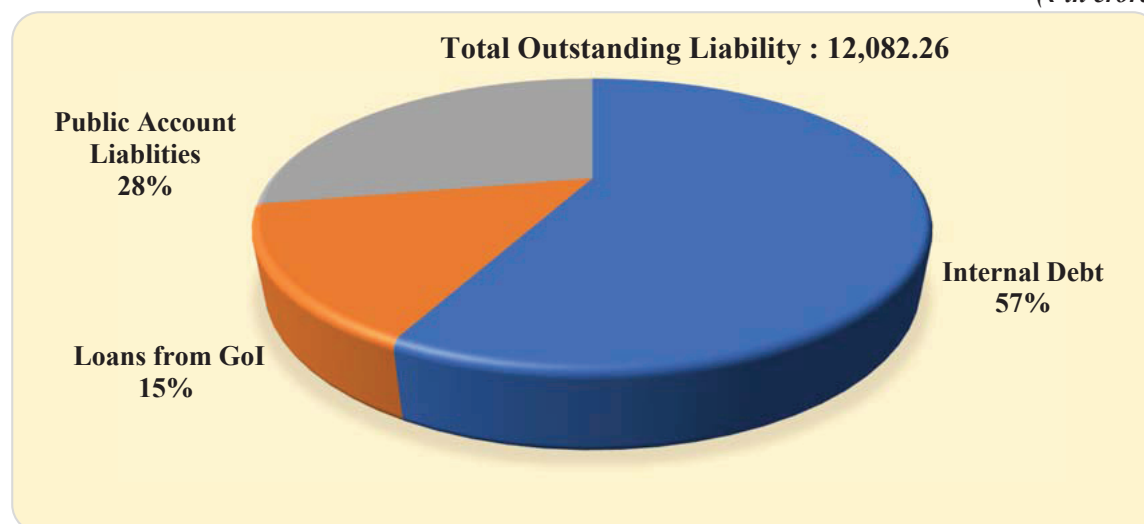
Source: Finance Accounts

As shown in the table above, overall liabilities have been increasing steadily during the period 2019-20 to 2023-24 from ₹ 8,678.26 crore in 2019-20 to ₹ 12,082.26 crore in 2023-24, an increase of ₹ 3,404.00 crore (39.22 *per cent*) while it grew by ₹ 1,109.77 crore (10.11 *per cent*) compared to the previous year. During the same period, Public Debt increased by

₹ 4,685.43 crore (116.61 *per cent*) wherein internal debt had increased by ₹ 3,170.18 crore (84.34 *per cent*) and Loans from GoI increased by ₹ 1,515.25 crore (584.79 *per cent*).

Chart 2.14 shows the break-up of outstanding overall liabilities as on 31 March 2024. As shown in the chart, 85.31 *per cent* of outstanding debt was made up of internal debt (₹ 6929.10 crore) and Public Account Liabilities (₹ 3,378.80 crore) while only 14.69 *per cent* consisted of Loans from GoI (₹ 1,774.36).

Chart 2.14: Break Up of Outstanding Overall Liabilities as of 31 March 2024
(₹ in crore)

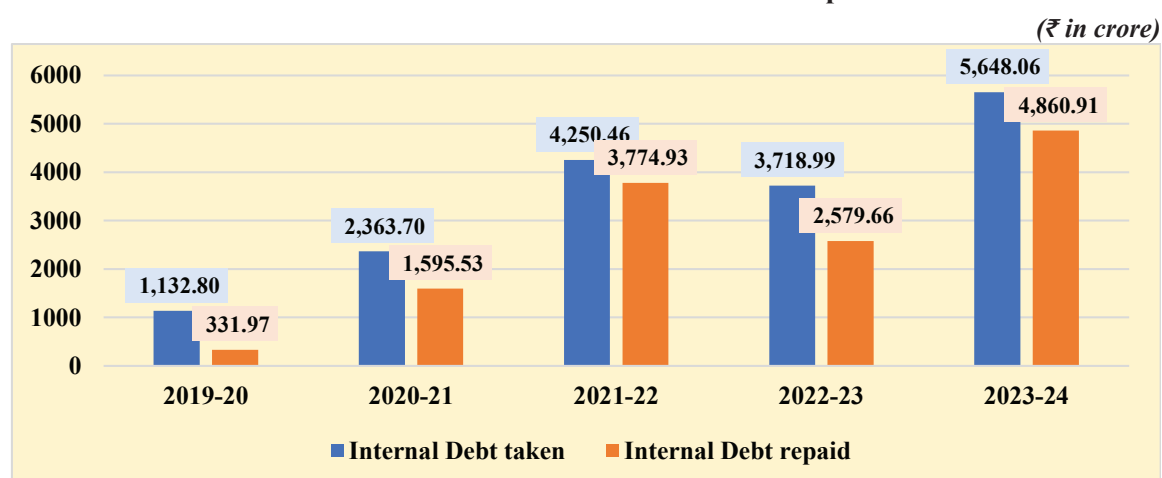


Source: Finance Accounts

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 2.15 shows the State Government's repayment of Internal Debt during the period 2019-24.

Chart 2.15: Internal Debt taken vis-a-vis repaid



Source: Finance Accounts

It can be seen from the chart, the amount of internal debt taken by the State has increased from ₹ 1,132.80 crore in 2019-20 to ₹ 5,648.06 crore in 2023-24, an increase of ₹ 4,515.26 crore (398.59 *per cent*). Internal debt taken during the year increased by ₹ 1,929.07 crore

(51.87 per cent) and debt repaid also increased by ₹ 2,281.25 crore (88.43 per cent) from 2022-23.

Table 2.35: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Particulars		2019-20	2020-21	2021-22	2022-23	2023-24
Composition of Fiscal Deficit (-)/ Fiscal Surplus (+)		-1,224.30	-1,869.31	-372.54	-1,107.67	-677.70
1	Revenue Surplus	204.30	-774.13	602.25	189.89	577.09
2	Capital Expenditure	1,372.67	1,125.97	1,004.38	1,321.86	1,253.78
3	Net Loans and Advances ⁺	55.93	-30.79	-29.59	-24.30	-1.03
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	745.35	678.56	447.33	1,130.32	642.31
2	Special Securities issued to NSSF	-17.01	-16.71	-17.01	-17.01	-17.01
3	Loans from Financial Institutions	72.48	106.32	45.21	26.02	161.84
4	Loans and Advances from GoI	-7.07	225.25	286.80	276.91	726.29
5	Small Savings, PF, etc.	-193.57	215.89	292.39	-251.79	-480.44
6	Reserve Fund	227.29	50.93	61.79	41.57	37.71
7	Deposits and Advances	542.28	-23.35	-379.51	-743.20	84.96
8	Suspense	8.85	381.39	-343.49	513.16	338.68
9	Remittances	120.76	136.22	-150.05	189.32	-273.70
10	Overall Deficit	1,499.36	1,754.50	243.46	1,165.30	1,220.64
11	Increase(-)/Decrease (+) in cash balance and investment of cash balance	-275.06	114.81	129.08	-57.63	-542.94
12	Gross Fiscal Deficit (+)/Fiscal Surplus (-)	1,224.30	1,869.31	372.54	1,107.67	677.70

Source: Finance Accounts

⁺ Net Loans and Advances = Disbursement of Loans and Advances – Recoveries of Loans and Advances

Analysis of the fiscal deficit shows improving fiscal discipline as a decline in fiscal deficit as a percentage of overall expenditure reflects better budgetary management. Reduced capital expenditure could impact long-term growth. Significant growth in loans from GoI indicates higher reliance on central support. Increased use of cash reserves in 2023-24 reflects constrained revenue flows or higher expenditure demands.

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 2023-24, the maturity profile of public debt is shown in Table 2.36.

Table 2.36: Debt Maturity Profile of Public Debt

(₹ in crore)

Year	Period	Amount (₹ in crore)			Percentage (w.r.t. Public Debt)	Projected Interest due
		Internal Debt	Loans and Advances	Total		
By 2024-25	0 to 1	392.71	26.44	419.15	4.82	423.61
By 2025-26 & 2026-27	2 to 3	727.18	52.88	780.06	8.96	811.63
By 2027-28 & 2028-29	4 to 5	762.43	44.96	807.39	9.28	745.29
By 2029-30 & 2030-31	6 to 7	1,284.28	19.61	1,303.89	14.98	668.20
By 2031-32 & 2033-34	8 to 10	1,229.87	10.30	1,240.17	14.25	716.25
By 2034 onwards	Above 10 years	2,532.63	1,620.17	4,152.80	47.71	580.39
Total		6,929.10	1,774.36	8,703.46	100.00	3,945.97

Source: Finance Accounts

It can be seen from the above table that 47.71 *per cent* of debt is scheduled for repayment after 10 years, highlighting a preference for long-term borrowing to manage fiscal pressure. Only 4.82 *per cent* of the total debt is due within a year, indicating low immediate repayment risk. The interest burden of the State is spread across periods, with the highest amounts associated with medium-term debt (4 to 7 years).

The State's strengths lie in its manageable short-term debt as low short-term repayment obligations provide fiscal stability. Further, a significant portion of debt being long-term allows flexibility for developmental spending.

However, medium-term pressures are a matter of concern. Debt due between 4 to 7 years constitutes a substantial proportion (24.26%), requiring effective fiscal planning.

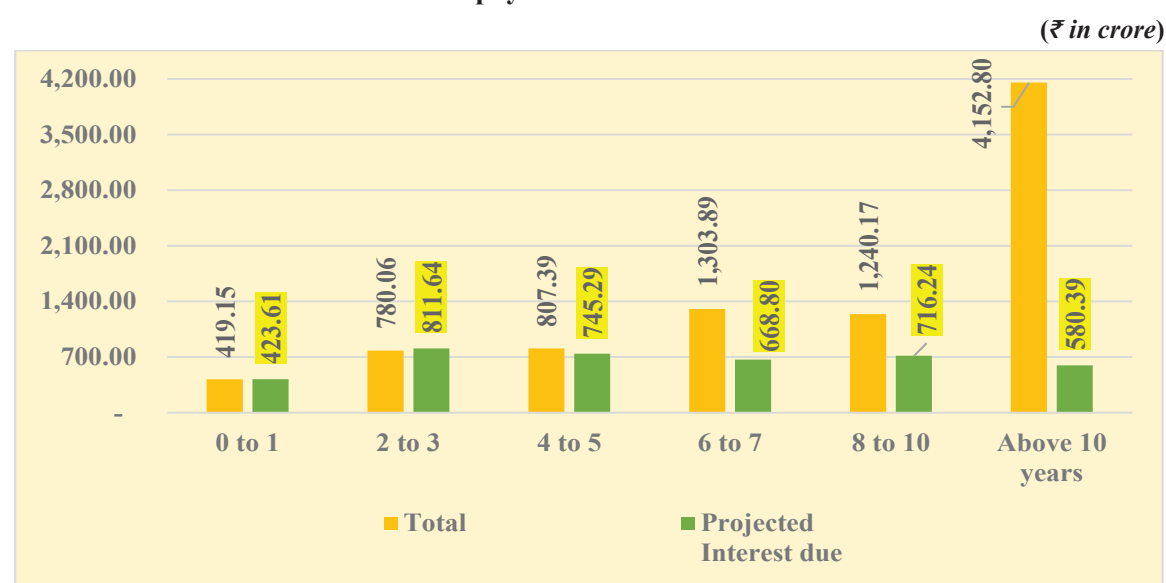
Further, the total projected interest of ₹ 3,945.97 crore is significant and demands careful debt servicing strategies.

The Debt/GSDP ratio declined from 35.75 *per cent* (2022-23) to 33.96 *per cent* (2023-24), reflecting improved debt sustainability and better fiscal management.

Nominal GSDP growth has rebounded to 15.93 *per cent* in 2023-24, consistently outpacing debt growth in the last three years, indicating a positive trend for debt sustainability. The Primary Balance has been in deficit for four of the last five years, with the deficit reducing to (-) ₹ 95.80 crore in 2023-24. Continued deficits indicate a reliance on borrowings to meet basic expenditure needs. Interest payments as a percentage of revenue receipts increased from 3.55 *per cent* (2019-20) to 5.10 *per cent* (2023-24), signalling a growing cost of debt servicing relative to revenue inflows. The increasing reliance on Ways and Means Advances and Overdrafts, growing from two instances in 2019-20 to 176 in 2023-24, indicates persistent liquidity issues and the need for improved cash flow management. Fiscal imbalance has widened, reaching ₹ 1,027.11 crore in 2023-24 from (-) ₹ 344.86 crore in 2019-20, reflecting potential misalignment between debt obligations and future revenue streams.

Repayment schedule of the outstanding public debt along with interest has been given in **Chart 2.16**.

Chart 2.16: Repayment schedule of Public Debt



Source: Finance Accounts

As on 31 March 2024, the maturity profile of outstanding stock of Public Debt of ₹ 8,703.46 crore was that ₹ 4,550.66 crore (52.29 *per cent*) was to attain maturity in the coming 10 years. The balance amount of ₹ 4,152.80 crore (47.71 *per cent*) was in the maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 3,945.97 crore. Out of this, interest of ₹ 3,365.58 crore was payable during the next 10 years.

The details of repayment of Public Debt for the next ten years (2024-25 to 2033-34) may be seen in **Table 2.37**.

Table 2.37: Repayment of Public debt from 2024-25 onwards

(₹ in crore)

Year	Principal Amount			Interest Amount		
	Internal debt	Loans from GoI	Total	Internal debt	Loans from GoI	Total
2024-25	392.71	26.44	419.15	421.68	1.93	423.61
2025-26	377.77	26.44	404.21	407.79	1.93	409.72
2026-27	349.41	26.44	375.85	399.99	1.93	401.92
2027-28	574.40	25.77	600.17	381.48	1.88	383.36
2028-29	188.03	19.19	207.22	360.53	1.40	361.93
2029-30	983.54	14.91	998.45	347.75	1.09	348.84
2030-31	300.74	4.70	305.44	319.62	0.34	319.96
2031-32	348.19	4.70	352.89	260.42	0.34	260.76
2032-33	435.85	2.80	438.65	234.47	0.20	234.67
2033-34	445.83	2.80	448.63	220.61	0.20	220.81
2034-35 onwards	2,532.63	1,620.17	4,152.80	574.61	5.78	580.39
Total	6,929.10	1,774.36	8,703.46	3,928.95	17.02	3,945.97

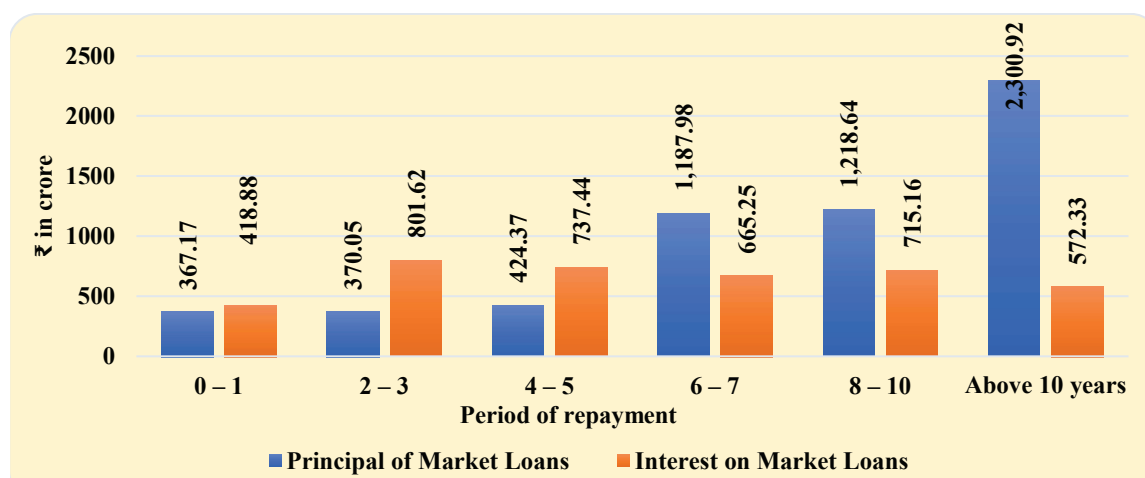
Source: Finance Accounts

Market Loans

The maturity profile of outstanding market loans and interest to be paid thereon over the next ten years is detailed in **Chart 2.17**.

Chart 2.17: Repayment schedule of market loans

(₹ in crore)



Source: Finance Accounts

As on 31 March 2024, outstanding Market Loans of ₹ 5,869.13 crore had interest liability of ₹ 3,910.69 crore. Out of this amount ₹ 3,568.21 crore (60.80 *per cent*) was to attain maturity in the coming 10 years. The balance amount of ₹ 2,300.92 crore (39.20 *per cent*) was in maturity bracket of more than 10 years.

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. The results of the debt sustainability analysis for the Government of Mizoram is given in the following paragraphs. The trends in debt sustainability indicators for the State is shown in **Table 2.38**.

Table 2.38: Trends in Debt Sustainability Indicators

(₹ in crore)						
Sl. No.	Debt Sustainability Indicators	(2019-20)	(2020-21)	(2021-22)	2022-23)	(2023-24)
1	Overall Liabilities or Overall Debt	8,678.26	9,881.09	10,570.93	10,972.49	12,082.26
2	Rate of Growth of Overall Debt (<i>per cent</i>)	18.63	13.86	6.98	3.80	10.11
3	GSDP (in nominal terms)	24,989.60	23,922.94	26,695.26	30,690.33	35,578.84
4	Nominal GSDP growth (<i>per cent</i>)	14.04	-4.27	11.59	14.97	15.93
5	Overall Debt/GSDP (<i>per cent</i>)	34.73	41.30	39.60	35.75	33.96
6	Maturity profile of all kinds of borrowings (including liabilities under Public Accounts, if any)	100.00	100.00	100.00	100.00	100.00
6a	0-2 years	18.67	15.82	13.49	11.90	9.46
6b	2-5 years	25.36	23.00	18.38	17.81	13.60
6c	5-10 years	47.45	39.38	35.49	30.26	29.23
6d	Over 10 years	8.52	21.80	32.64	40.03	47.71
7	Repayments to Gross Borrowings (<i>per cent</i>)	68.14	75.77	89.67	93.14	86.79
8	Net borrowings available as a percentage of Gross Borrowings	31.86	24.23	10.33	6.86	13.21
9	Interest payments	343.12	400.99	450.64	493.88	581.90
10	Effective rate of interest on Overall Debt (<i>per cent</i>)	5.70	5.70	5.51	5.32	5.61
11	Interest payment to Revenue Receipts (<i>per cent</i>)	3.55	5.18	4.92	4.80	5.10
12	Revenue Deficit/Surplus	204.31	-774.13	602.25	189.89	577.09
13	Primary Revenue Balance (PRB) (12+9)	547.42	-373.14	1,052.89	683.77	1,158.99
14	Primary Balance (PB)	-881.18	-1,468.32	78.11	-613.78	-95.80
15	PB/GSDP (<i>per cent</i>)	-3.53	-6.14	0.29	-2.00	-0.27
16	Difference between RoI and effective rate of interest on overall liability	30.92	34.91	485.37	754.01	79.48
17	Liquidity Management (use of financial accommodation instruments available with RBI)	2	82	105	93	176

Sl. No.	Debt Sustainability Indicators	(2019-20)	(2020-21)	(2021-22)	2022-23)	(2023-24)
18	Debt Stabilisation (Quantum spread + Primary balance)	-344.86	-2,230.26	607.81	337.28	1,027.11
19	Domar criteria					
19a	GSDP (in constant terms)	17,884	16,428	17,662	20,173	22,518
19b	Real Growth (in constant terms)	11.08	-8.15	7.52	14.22	11.62
19c	Inflation based on CPI (per cent)	5.08	9.52	6.22	7.88	4.44
19d	Effective Rate of interest	5.70	5.70	5.51	5.32	5.61
19e	Real effective rate of interest (Effective rate of interest-Inflation) (19.d-19.c)	0.62	-3.82	-0.71	-2.56	1.17
19f	Growth Interest Differential (Real Growth-Real effective rate of interest) (19b-19e)	10.46	-4.33	8.23	16.78	10.45

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.

From the analysis of debt sustainability parameters presented in the preceding table, several observations regarding key debt sustainability indicators for the medium term can be made:

- a. Average debt burden of the State during 2019-2024, measured by the total liabilities-GSDP ratio, remained higher than the pre-pandemic year (2019-20), even if the pandemic year (2020-21) is ignored. However, it was lower in the post-pandemic level during 2022-24. The State's debt burden increased from 34.73 *per cent* of GSDP in 2019-20 to 41.30 *per cent* in 2020-21, a record increase of 6.57 percentage points. The impact of the pandemic severely affected the State's resources with the contraction seen in nominal growth, leading to a historic increase in the debt-GSDP ratio in 2020-21 compared to 2019-20. Given post-pandemic recovery, the fiscal health of the State started improving as seen from the fiscal deficit-GSDP ratio, which declined from 7.81 *per cent* in 2020-21 to 1.40 *per cent* in 2021-22, resulting in declining the State's debt-GSDP ratio from 41.30 *per cent* of GSDP in 2020-21 to 39.60 *per cent* in 2020-21, 35.75 *per cent* in 2022-23 and 33.96 *per cent* in 2023-24. The steadily declining trend in the debt-to-GDP ratio since 2021-22 can be mainly attributed to the nominal growth, which was higher than the increase observed in overall liabilities during 2021-2024. If the State maintains this trend of consistent decline, its debt burden may stabilise in medium term.
- b. Year-wise analysis shows that out of the 5 years under consideration (2019-2024), except for the pandemic year (2020-21), the Growth Interest Differential (GID) remained favourable and improved steadily during 2021-2024. The GID was not sufficient to absorb the impact of the primary deficit, leading to an increase in the debt-GSDP ratio in 2019-20 as compared to 2018-19 but was sufficient to effectively absorb the impact of the primary balance in 2022-23 and 2023-24, leading to a decline in the debt-GSDP ratio in these years. Unlike in 2020-21, when both the primary balance and the GID were in the negative territory, resulting in an increase in the debt-GSDP ratio, the favourable GID and primary balance led to an improvement in debt-GSDP ratio in 2021-22.

- c. The Domar criterion shows that unlike nominal growth, the average effective rate of interest was largely driven by CPI inflation, which kept the average real interest rate suppressed. Average inflation as measured by the CPI broke the bandwidth of 2-6 *per cent* set by the RBI, helping the state keep the average real interest rate negative to make the GID favourable. This enabled the state to recover the cost of borrowing, except in the pandemic year when both real growth and real interest rate turned negative. The negative real interest rate in three consecutive years 2020-21, 2021-22 and 2022-23 shows how the state eroded the value of its debt during these years, which poses roll-over risks in the short and medium term.
- d. Overall liability-GSDP ratio of the State except 2023-24 continued to remain within targets set under the FRBM Act of the State. Despite the annual ceiling under indicative debt path as prescribed by the Finance Commission being relatively higher than FRBM targets, the State failed in keeping its debt-GSDP ratio within the indicative debt path set by XIV FC (2019-20) and XV FC (2020-21 to 2023-24).
- e. Further, elevated inflation measured by CPI leading to erosion in value of debt, thereby generating favorable GID is also a concern. The state should focus on a steady increase in development expenditure, which has been steadily declining relative to total expenditure and reached 63.3 *per cent* in 2023-24 from 73.1 *per cent* in 2017-18, which can help the state achieve potential growth and thus mobilise its own resources to a greater extent. This will help the State to reduce its dependence on borrowing, thereby bringing down its debt-GSDP ratio in line with the targets set under the FRBM Act and the indicative debt path set by the Finance Commission.

Based on these indicators, it can be concluded that while there are improvements in the State's debt sustainability, it is essential for the state to increase its revenue generation efforts and manage rising interest payments alongside liquidity measures effectively.

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 2.39** shows the trend of utilisation of borrowed funds during the period 2019-24 for the State Government.

Table 2.39: Utilisation of borrowed Funds³¹

		(₹ in crore)				
Year		2019-20	2020-21	2021-22	2022-23	2023-24
Total Borrowings	1	1,147.68	2,611.32	4,560.28	4,019.38	6,402.04
Repayment of earlier borrowings (Principal)	2	353.92	1,617.89	3,797.95	2,603.15	4,888.60
(percentage)		30.84	61.96	83.28	64.76	76.36
Borrowing available for capital expenditure etc.	3	793.84	993.43	762.33	1,416.24	1,513.44
Net capital expenditure	4	1,372.67	1,125.97	1,004.38	1,321.86	1,253.78
Net loans and advances	5	55.94	-30.79	-29.59	24.30	-1.03
Borrowings available for Revenue Expenditure	1-(2+4+5)	0.00	0.00	0.00	70.07	260.69

Source: Finance Accounts

³¹ Values differ from SFAR 2019-20 due to change in methodology of calculation.

From the table, it can be seen that during the period 2019-24 the State Government utilised 30.84 *per cent* (2019-20) to 76.36 *per cent* (2023-24) of its current borrowings for repayment of earlier borrowings. Further, only in 2022-23 and 2023-24, net borrowings were sufficient for meeting Capital expenditure. Thus, major part of the borrowed funds were being used mostly for meeting repayment of earlier borrowings. The State Government spent ₹ 1,253.78 crore (19.58 *per cent*) of the borrowed funds on Capital expenditure in 2023-24.

As per the Finance Commission, States are being given revenue deficit grants to reduce and ultimately eliminate revenue deficit and to enable all borrowings to be used for capital expenditure. In 2023-24, which is the fourth year of the XV Finance Commission period, although the State Government was able to achieve revenue surplus, it had to depend on borrowings to meet its expenditure requirements during the year.

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 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-2.40**.

Table 2.40: Guarantees given by the State Government

	(₹ in crore)				
Guarantees	2019-20	2020-21	2021-22	2022-23	2023-24
Ceiling applicable to the outstanding amount of guarantees including interest	6,247.40	5,980.74	6,955.88	8,207.25	8,894.75
Outstanding amount of guarantees including interest as on 1 April of the year	97.99	140.66	138.63	125.13	120.10

Source: Finance Accounts

The outstanding guarantees of ₹ 120.10 crore as on 1 April 2023 worked out to 0.34 *per cent* of the GSDP of the year 2023-24 (₹ 35,579 crore) and was within the prescribed limit of ₹ 8,894.75 crore.

During 2023-24, the Government of Mizoram issued a fresh guarantee of ₹ 2.12 crore to the Mizoram Co-operative Apex Bank Ltd. Besides, guarantees amounting to ₹ 40.12 crore—comprising ₹ 8.16 crore in principal and ₹ 31.96 crore in interest—was deleted (repaid). Furthermore, guarantees totaling ₹ 19.52 crore, which comprised of ₹ 12.99 crore (principal) and ₹ 6.53 crore (interest), were invoked. The State Government settled the invoked guarantee through Major Head 4047-00-800-(10) instead of debiting the Guarantee Redemption Fund under Head of Account 8235-00-117.

Additionally, under the Mizoram Ceiling on Government Guarantees Rules, 2013, the Government shall charge a minimum of 0.75 *per cent* of the amount of the guaranteed loan³² as a guarantee commission which shall not be waived under any circumstances and which works out to ₹ 0.51 crore. During the year, no amount was received by the State Government towards guarantee commission.

³² Amount of guaranteed loans at the beginning of the year was ₹ 86.52 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 ₹ 4,448.58 crore from the RBI during 2023-24 and was able to repay the entire amount including the interest of ₹ 5.49 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'.

It is not desirable that the State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use. Details of cash balances and their investment for 2023-24 are given in **Table-2.41**.

Table 2.41: Cash Balances and their investment

(₹ in crore)

	Opening balance on 01 April 2023	Closing balance on 31 March 2024
A. General Cash Balance		
Cash in treasuries	NIL	NIL
Deposits with Reserve Bank of India	-342.87	156.66
Deposits with other Banks	NIL	NIL
Remittances in transit – Local	NIL	NIL
Total	-342.87	156.66
Investments held in Cash Balance investment account	169.86	166.37
Total (A)	-173.01	323.03
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	2.23	3.23
Permanent advances for contingent expenditure with department officers	NIL	NIL
Investment in earmarked funds	493.95	539.85
Total (B)	496.18	543.08
Total (A + B)	323.17	866.11
Interest realised	32.09	3.90

Source: Finance Accounts

Cash Balance of the State Government at the end of the current year increased by ₹ 542.94 crore from ₹ 323.17 crore in 2022-23 to ₹ 866.11 crore in 2023-24. State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The interest earned from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹ 3.90 crore during 2023-24 from the investments made in GoI Securities and Treasury Bills. Investment held in Cash Balance Investment Account stood at ₹ 166.37 crore as on 31 March 2024.

Out of the investment of ₹ 539.85 crore of earmarked funds, ₹ 475.85 crore was invested out of Consolidated Sinking Fund and ₹ 64.00 crore out of Guarantee Redemption Fund at the end of the year.

Details of Cash Balance Investment Account during the last five years from 2019-20 to 2023-24 are shown in **Table 2.42**.

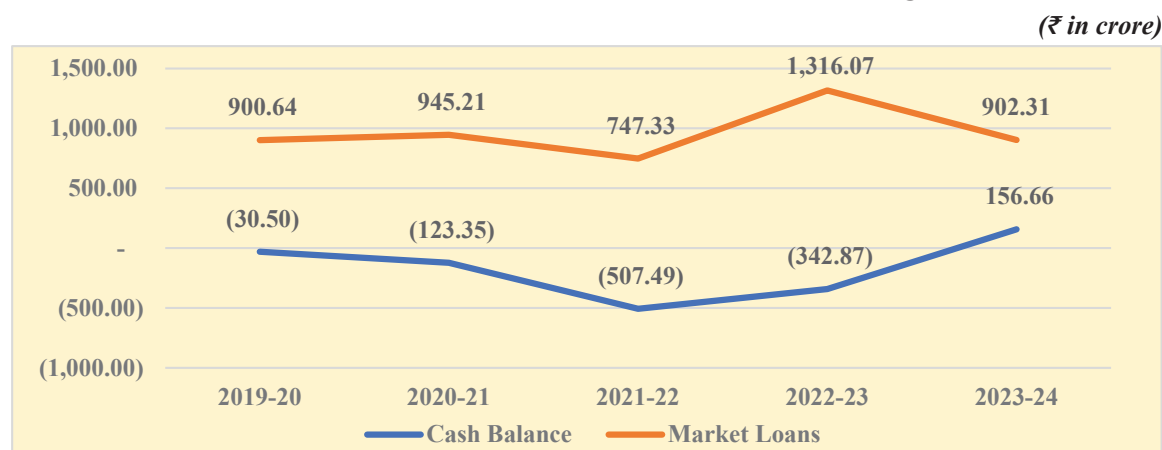
Table 2.42: Trend of Cash Balance Investment from 2019-20 to 2023-24

Year	Opening Balance	Closing Balance	Investment as on 31 March	Interest
2019-20	-95.49	172.37	202.87	10.29
2020-21	172.37	7.59	130.94	1.75
2021-22	7.59	-169.37	338.11	28.38
2022-23	-169.37	173.01	169.86	32.09
2023-24	-173.01	323.03	166.37	3.90

Source: Finance Accounts

The details and trend of market loans taken by the State Government during the period 2019-24 is shown in **Chart 2.18**.

Chart 2.18: Trend of Cash Balance and Market Loans during 2019-24



Source: Finance Accounts

@ Figures within brackets are minus figures.

During the year 2023-24, the State could have avoided market borrowings to the extent of the General Cash Balance of ₹ 323.03 crore which included Cash Balance Investment of ₹ 166.37 crore. An interest of ₹ 3.90 crore (0.05 per cent) was earned on these investments whereas the State Government paid ₹ 441.44 crore as interest on total market borrowings (at 8.45 per cent average interest) during 2023-24.

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

The State passed FRBM Act, 2006 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit. The State continued to be a revenue surplus State. Revenue Receipts during the year 2023-24 was ₹ 11,414.05 crore which had increased by ₹ 1,131.99 crore (11.01 *per cent*) from the previous year. State's Own Tax Revenue increased by ₹ 93.77 crore (8.51 *per cent*) from the previous year while Non-Tax revenue increased by ₹ 57.16 crore (5.56 *per cent*). Compared to the previous year, State's Share of Union taxes and Duties increased by ₹ 902.22 crore (19.01 *per cent*) while Grants-in-Aid from GoI decreased by ₹ 78.84 crore (2.31 *per cent*).

The State Government received ₹ 1,672.41 crore being Central share of Centrally Sponsored Scheme during the year 2023-24 in its Treasury Accounts. As on 31 March 2024, the Government transferred Central share of ₹ 1,613.55 crore received in Treasury Accounts and State share of ₹ 211.19 crore to the Single Nodal Agencies leading to short transfer of ₹ 58.86 crore of Central Share. As per SNA report of Public Financial Management System portal, ₹ 408.47 crore are lying unspent in the bank accounts of SNAs as on 31 March 2024.

Revenue Expenditure during the year 2023-24 was ₹ 10,836.96 crore (89.45 *per cent*) against the total expenditure of ₹ 12,115.72 crore. Committed expenditure like salary & wages, pension, interest payments had been rising steadily during consecutive years. Committed expenditure during 2023-24 was ₹ 7,126.98 crore (62.44 *per cent* of the Revenue Receipts and 65.77 *per cent* of the Revenue Expenditure).

Capital Expenditure decreased by ₹ 68.08 crore (5.15 *per cent*) from ₹ 1,321.86 crore in 2022-23 to ₹ 1,253.78 crore in 2023-24.

As on 31 March 2024, 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 2023-24 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 to 5.05 *per cent* during 2019-20 to 2023-24.

Capital Expenditure of ₹ 523.59 crore incurred on 68 incomplete projects (in all departments) which were due to be completed by 2023 remained blocked and the benefits envisaged from these projects were yet to be harnessed. There was time overrun ranging from one to five years on these incomplete projects resulting in cost overrun of ₹ 5.88 crores in two projects under Public Works Department.

During 2023-24, the State Government received ₹ 41.60 crore under State Disaster Response Fund (SDRF) from the Central Government, while its own contribution amounted to ₹ 4.62 crore. However, the total amount of ₹ 46.22 crore (comprising both contributions)

was not transferred to the SDRF under Major Head 8121-00-122 during that year. Instead, ₹ 19.60 crore, which was the Central share for the year 2022-23, was deposited into the fund.

The State Government received ₹15.30 crore as Central Government's share of State Disaster Mitigation Fund (SDMF). However, the State Government neither contributed its share of ₹ 1.70 crore to the fund nor did it transfer ₹ 17.00 crore (Central share *plus* State share) to the Fund. This resulted in understatement of Revenue Expenditure to that extent.

During the year 2022-23, Government contributed ₹ 32.40 crore to the Consolidated Sinking Fund as against ₹ 49.62 crore it was required to contribute to the fund. The total accumulation of the Fund was ₹ 475.86 crore as on 31 March 2024.

The funds available with the Mizoram Building and Other Construction Workers' Welfare Board (MBOCWVB) during the year was ₹ 95.20 crore. During the year, the Board spent an amount of ₹ 11.99 crore on Administrative and other expenses as well as welfare schemes/benefits as envisaged in the Building and Other Construction Workers' Welfare Cess Act leaving a balance of ₹ 83.21 crore at the end of the year. The annual accounts of MBOCWVB were not prepared as envisaged in the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996.

During the year 2022-23 the State's outstanding liabilities increased from ₹ 10,972.49 crore in 2022-23 to ₹ 12,082.26 crore in 2023-24, whereas Outstanding Liabilities/GSDP ratio decreased from 35.75 *per cent* to 33.96 *per cent* during the same period.

As on 31 March 2024, the maturity profile of outstanding stock of Public Debt was ₹ 8,703.46 crore out of which ₹ 4,550.66 crore (52.29 *per cent*) was to attain maturity in the coming 10 years. The balance amount of ₹ 4,152.80 crore (47.71 *per cent*) was in maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 3,945.97 crore. Out of this, interest of ₹ 3,365.58 crore was payable during the next 10 years.

During the year 2023-24, the State Government utilised 76.36 *per cent* (₹ 4,888.60 crore) of its borrowed funds (₹ 6,402.04 crore) for re-payment of earlier borrowings and the balance amount of borrowed funds of ₹ 1,513.44 crore (23.64 *per cent*) was utilised for other expenditure.

The outstanding guarantees of ₹ 120.10 crore as on 1 April 2023 worked out to 0.34 *per cent* of Gross State Domestic Product (GSDP) and were within the limit prescribed in Mizoram Ceiling on Government Guarantees Rules.

2.11.2 Recommendations

- *The State Government should take steps to ensure that its obligations to Reserve funds are discharged as required.*
- *Incomplete projects and capital works may be prioritized to ensure that benefits envisaged from these projects can be harnessed.*
- *State Government may rationalise expenditure to reduce the burden on its total outstanding public liabilities and improve debt sustainability.*