

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 2018-19 to 2022-23, 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* 2021-22

The major changes in key fiscal aggregates of the State during the financial year 2022-23, compared to the previous year are given in **Table 2.1**.

Table 2.1: Changes in key fiscal aggregates in 2022-23 compared to 2021-22

Revenue Receipts	<ul style="list-style-type: none"> ✓ Revenue receipts of the State increased by 12.25 <i>per cent</i> ✓ Own Tax receipts of the State increased by 29.03 <i>per cent</i> ✓ Non-tax receipts increased by 65.20 <i>per cent</i> ✓ State's Share of Union Taxes and Duties increased by 12.37 <i>per cent</i> ✓ Grants-in-Aid from Government of India decreased by 1.55 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ✓ Revenue expenditure increased by 17.93 <i>per cent</i> ✓ Revenue expenditure on General Services increased by 21.95 <i>per cent</i> ✓ Revenue expenditure on Social Services increased by 10.07 <i>per cent</i> ✓ Revenue expenditure on Economic Services decreased by 24.48 <i>per cent</i>
Capital Receipts	<ul style="list-style-type: none"> ✓ Debt capital receipts decreased by 11.86 <i>per cent</i> ✓ Non-Debt Capital receipts decreased by 17.68 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ✓ Capital expenditure increased by 31.61 <i>per cent</i> ✓ Capital expenditure on General Services increased by 110.14 <i>per cent</i> ✓ Capital expenditure on Social Services decreased by 33.24 <i>per cent</i> ✓ Capital expenditure on Economic Services increased by 84.00 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ✓ Disbursement of Loans and Advances decreased by 15.12 <i>per cent</i> ✓ Recoveries of Loans and Advances decreased by 17.68 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ✓ Public Debt Receipts decreased by 11.86 <i>per cent</i> ✓ Repayment of Public Debt decreased by 31.46 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ✓ Public Account Receipts increased by 15.25 <i>per cent</i> ✓ Disbursement of Public Account increased by 9.57 <i>per cent</i>
Cash Balance	<ul style="list-style-type: none"> ✓ Cash balance increased by 32.44 <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

Components of the sources and application of funds of the State during 2022-23 with that of 2021-22 in figures, is given in **Table 2.2**.

Table 2.2 : Details of Sources and Application of funds during 2021-22 and 2022-23

(₹ in crore)

	Particulars	2021-22	2022-23	Increase/ Decrease
Sources	Opening Cash Balance with RBI	394.62	265.54	-129.08
	Revenue Receipts	9,159.74	10,282.06	1,122.32
	Recoveries of Loans and Advances	32.18	26.49	-5.69
	Public Debt Receipts (Net)	762.33	1,416.24	653.91
	Public Account Receipts (Net)	-518.88	-250.94	267.94
	Total	9,829.99	11,739.39	1,909.40
Application	Revenue Expenditure	8,557.49	10,092.17	1,534.68
	Capital Expenditure	1,006.96	1,324.05	317.09
	<i>Capital Outlay</i>	<i>1,004.38</i>	<i>1,321.86</i>	<i>317.48</i>
	<i>Disbursement of Loans and Advances</i>	<i>2.58</i>	<i>2.19</i>	<i>-0.39</i>
	Closing Cash Balance with RBI	265.54	323.17	57.63
	Total	9,829.99	11,739.39	1,909.40

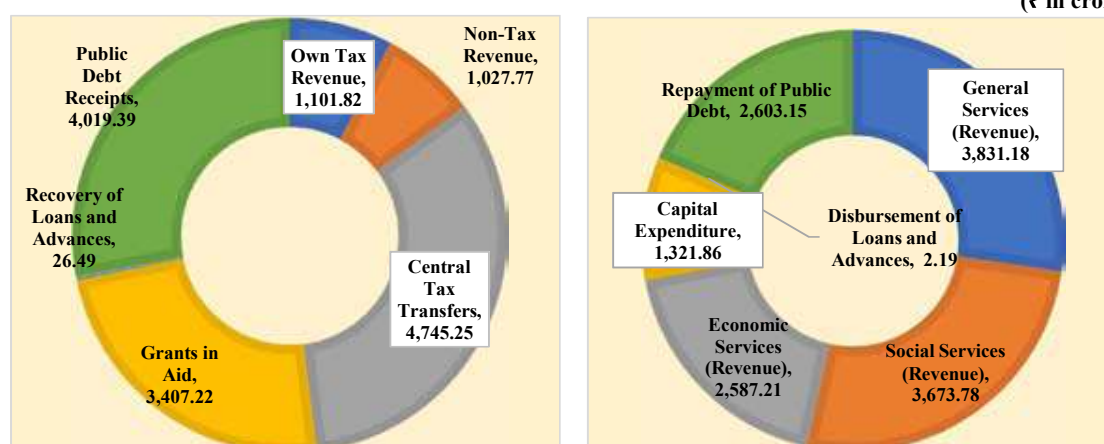
Source: Finance Accounts

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 2022-23 is given in **Chart 2.1**.

Chart 2.1: Composition of Resources and Application of Resources

(₹ in crore)



Source : Finance Accounts

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.

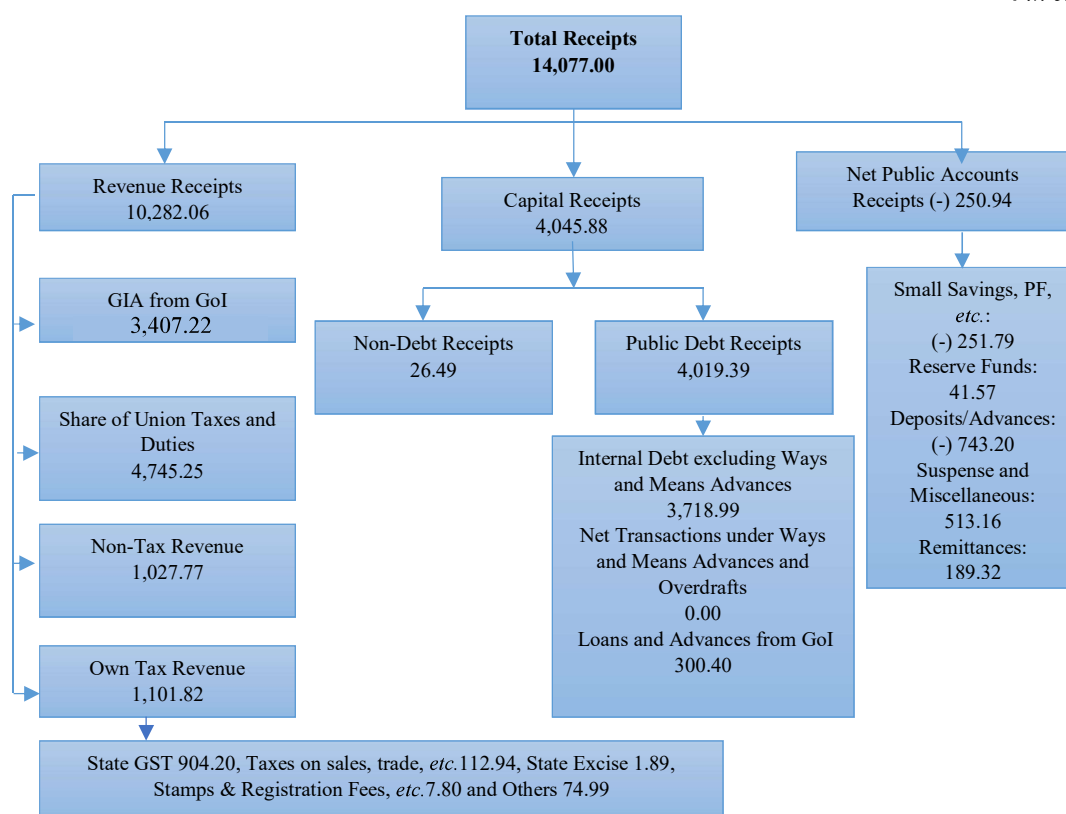
These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for its use.

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 2022-23 is given in **Chart 2.2**.

Chart 2.2 : Composition of receipts of the State during 2022-23

₹ in crore



Out of the total resources of ₹ 14,077.00 crores of the State Government during the year 2022-23, Revenue Receipts (₹ 10,282.06 crores) constituted 73.04 *per cent*, while Capital Receipts (₹ 4,045.88 crores) and Net Public Accounts Receipts (-₹ 250.94 crores) constituted 28.74 *per cent* and 1.78 *per cent* of the total resources respectively.

2.5.1 State's Revenue Receipts

This paragraph outlines the trends in revenue receipts of Government of Mizoram for the year 2022-23.

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 2018-23. 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	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Receipts (RR) (₹ in crore)	9,039.50	9,658.26	7,740.67	9,159.74	10,282.06
Rate of growth of RR (per cent)	5.35	6.85	-19.85	18.33	12.25
Tax Revenue	4,229.66	3,748.78	3,658.11	5,076.80	5,847.07
Own Tax Revenue	726.70	730.98	647.56	853.94	1,101.82
Share of Union Taxes and Duties	3,502.96	3,017.80	3,010.55	4,222.86	4,745.25
Non-Tax Revenue	449.96	522.35	561.76	622.12	1,027.77
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	25.64	6.52	-3.51	22.06	44.28
Grants-in-aid from GoI	4,359.88	5,387.13	3,520.80	3,460.82	3,407.22
Rate of growth of Grants in aid	-4.11	23.56	-34.64	-1.70	-1.55
GSDP (₹ in crore) (2011-12 Series)	21,912.08	24,989.60	23,922.94	27,823.50	32,829.46
Rate of growth of GSDP (per cent)	13.03	14.04	-4.27	16.30	17.99
RR/GSDP (per cent)	41.25	38.65	32.36	32.92	31.32
Buoyancy Ratios¹⁴					
Revenue Buoyancy w.r.t GSDP	0.41	0.49	-	1.12	0.68
State's Own Revenue Buoyancy w.r.t. GSDP	1.97	0.46	0.82	1.35	2.46

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

Source: Finance Accounts and Directorate of Economics and Statistics

Revenue Receipts increased by 13.75 *per cent* from ₹ 9,039.50 crore in 2018-19 to ₹ 10,282.06 crore in 2022-23 at an annual average growth rate of 4.59 *per cent*. During 2022-23, Revenue Receipts increased by ₹ 1,122.32 crore (12.25 *per cent*) over the previous year due to increase in Own Tax Revenue (₹ 247.88 crore), Non-tax Revenue (₹ 405.65 crore) and State's share of Union Taxes and Duties (₹ 522.39 crore) offset by decrease in Grants-in-Aid from GoI (₹ 53.60 crore).

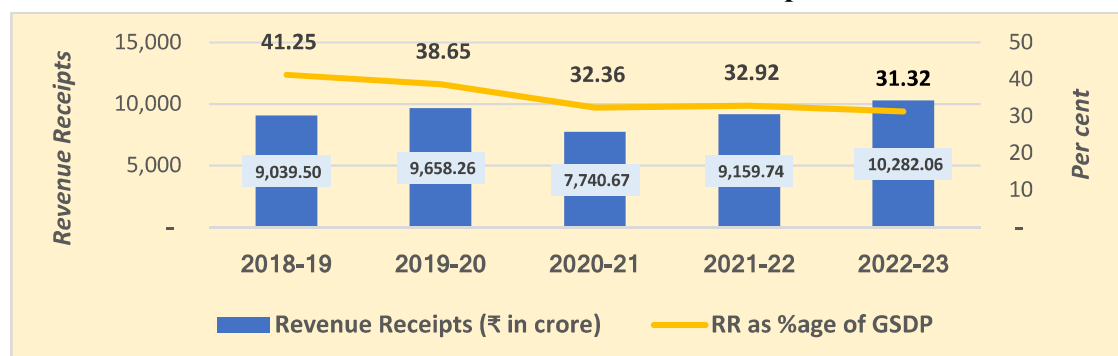
¹⁴ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at one implies that Revenue Receipts tend to change by one percentage points, if the GSDP changes by one per cent.

Grants-in-aid from GoI on the other hand decreased by 21.85 *per cent* (₹ 952.66 crore) during 2018-19 to 2022-23 and also decreased by 1.55 *per cent* (₹ 53.60 crore) in 2022-23 as compared to 2021-22.

The Revenue buoyancy with reference to GSDP is 0.68 and Own Revenue buoyancy with reference to GSDP is 2.46 during the year 2022-23.

Chart 2.3 shows the trend of Revenue Receipts during the period 2018-19 to 2022-23 and its contribution to GSDP.

Chart 2.3 : Trend of Revenue Receipts

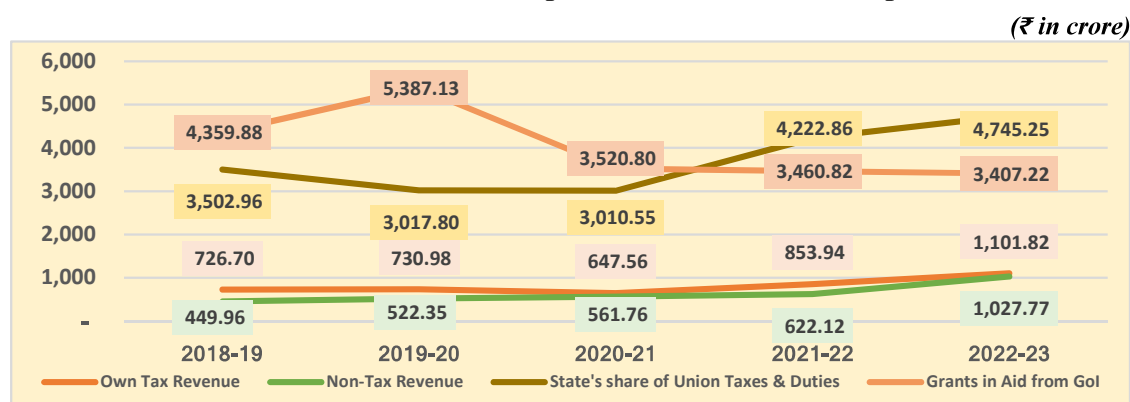


Source: Finance Accounts

Revenue Receipts as a percentage of GSDP, which had started to show an increasing trend in 2021-22 fell in the current year. The contribution of Revenue Receipts to GSDP fell to 31.32 *per cent* from 32.92 *per cent* in the previous year.

Chart 2.4 shows the trend of components of Revenue Receipts.

Chart 2.4 : Trend of components of Revenue Receipts



Source: Finance Accounts

During 2022-23, Grants in Aid from the GoI made up 33.14 *per cent* of the Revenue Receipts while Central Tax Transfers contributed 46.15 *per cent*. State's own sources of revenue made up just 20.71 *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 (79.29 *per cent*).

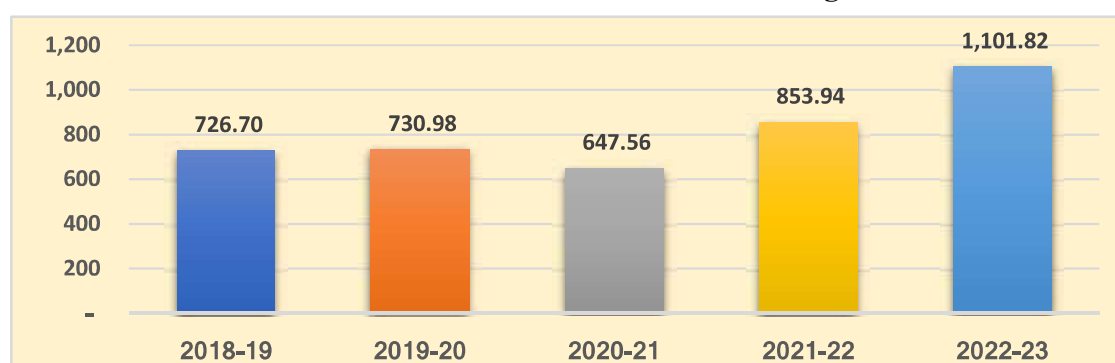
2.5.1.2 State's Own Resources

State's performance in mobilisation of resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major Tax and Non-Tax Revenues and their relative share in GSDP during 2018-23 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 2018-23 are given in **Chart 2.5**.

Chart 2.5 : Growth of Own Tax Revenues during 2018-23



Source: Finance Accounts

Component-wise details of Own Tax Revenue collected during the years 2018-23 are presented in **Table 2.4**.

Table 2.4 : Components of State's own tax revenue

Revenue Head	2018-19	2019-20	2020-21	2021-22	(₹ in crore)	
					2022-23 (BE)	2022-23 (Actuals)
Taxes on Sales, Trades, <i>etc.</i>	135.93	117.61	113.66	150.75	115.02	112.94
State Goods and Services Tax	454.73	532.22	457.91	632.34	598.00	904.20
State Excise	65.34	2.72	0.96	1.79	1.00	1.89
Taxes on Vehicles	38.36	40.66	29.01	27.90	34.95	41.32
Stamp Duty and Registration Fees	4.43	5.85	4.73	7.48	11.28	7.80
Land Revenue	8.64	9.05	20.74	13.04	19.00	9.56
Taxes on Goods and Passengers	4.71	7.44	4.85	5.39	5.03	7.99
Others	14.56	15.43	15.70	15.25	17.02	16.13
Total	726.70	730.98	647.56	853.94	801.30	1,101.82

Source: Finance Accounts

Own Tax Revenues of the State increased by ₹ 375.12 crore from ₹ 726.70 crore in 2018-19 to ₹ 1,101.82 crore in 2022-23 at an annual average rate of 16.64 *per cent*. During the current year, Own Tax Revenue (₹ 1,101.82 crore) increased by ₹ 247.88 crore (29.03 *per cent*) from the previous year (₹ 853.94 crore). Major contributors of Tax Revenue were State Goods and Services Tax (SGST) (82.06 *per cent*), Taxes on Sales, Trades, *etc.*, (10.25 *per cent*) and Taxes on Vehicles (3.75 *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 3.07 *per cent*. Own Tax Revenue was ₹ 300.52 crore over budget estimates during 2022-23.

➤ **State Goods and Services Tax (SGST)**

As per the books of the RBI, the amount of SGST is ₹ 229.77 crore and as per the Finance Accounts the amount of SGST is ₹ 904.20 crore. The difference is under reconciliation.

➤ **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 2023 on some principal heads of revenue amounted to ₹ 24.38 crore, out of which ₹ 9.44 crore was outstanding for more than five years, as detailed in **Table 2.5**.

Table 2.5 : Arrears of Revenue as on 31 March 2023

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2023	Total amount outstanding for more than 5 years as on 31 March 2023
1	Taxes/VAT on sales, Trades, <i>etc.</i>	23.76	9.43
2	Taxes on Professions, Trades, Callings and Employment, <i>etc.</i>	0.36	0
3	Taxes on Entertainment	0.26	0.01
Total		24.38	9.44

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 2023

Sl. No.	Head of Revenue	Opening balance as on 01 April 2022	New cases due for assessment during 2022-23	Total assessments due	Cases disposed during 2022-23	Closing balance as on 31 March 2023	Percentage of disposal
1	Taxes/VAT on sales, Trades, <i>etc.</i>	7	8	15	10	5	66.67
2	Taxes on Professions, Trades, Callings and Employment, <i>etc.</i>	0	25,660	25,660	25,660	0	100.00
3	Taxes on Entertainment	0	0	0	0	0	-
Total		7	25,668	25,675	25,670	5	99.98

Source: Information furnished by the Taxation Department

From the table, it may be seen that out of 25,675 assessments due during 2022-23, 25,670 cases (99.98 *per cent*) were assessed by the end of 2022-23, 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 2022-23

Sl. No.	Head of revenue	Cases pending as on 31 March 2022	Cases detected during 2022-23	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 2023
					No. of cases	Amount of demand (₹ in crore)	
1	Goods and Services Tax	0	249	249	209	1.03	40
2	Taxes/VAT on sales, Trades, etc	3	8	11	11	0.15	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		3	257	260	220	1.18	40

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 2022-23

(₹ in crore)

Sl. No.	Particulars	Tax/Duty	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	19	0.01
2	Claims received during the year	36	8.89
3	Refunds made during the year	39	6.52
4	Balance outstanding at the end of the year	16	2.38

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 2018-19 to 2022-23 were as shown in **Table 2.9**.

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

Revenue Head	2018-19	2019-20	2020-21	2021-22	2022-23 (BE)	2022-23 (Actuals)
Other Fiscal Services¹⁵	Nil	2.05	12.05	18.86	0.22	5.01
Interest Receipts, Dividends and Profits	57.68	32.84	19.12	41.83	58.38	50.19
Other Non-Tax Revenues						
i. General Services	19.27	27.61	34.55	47.93	57.30	94.43
ii. Social Services	50.75	54.91	65.16	64.46	80.17	74.42
iii. Economic Services	322.26	404.94	430.88	449.04	640.36	803.72
Total	449.96	522.35	561.76	622.12	836.43	1,027.77

Source: Finance Accounts

Non-Tax Revenue ranged between 4.98 (2018-19) and 10.00 *per cent* (2022-23) of Revenue Receipts during the five-year period from 2018-19 to 2022-23. It increased by ₹ 405.65 crore (65.20 *per cent*) during the current year, over the previous year. The major contributor to Non-Tax Revenues during 2018-23 was revenue received under Economic Services which at ₹ 803.72 crore contributed 78.20 *per cent* of the total non-tax receipts during 2022-23. Non-Tax revenue was 122.88 *per cent* of budget estimates for 2022-23.

(iii) Transfers from the Centre

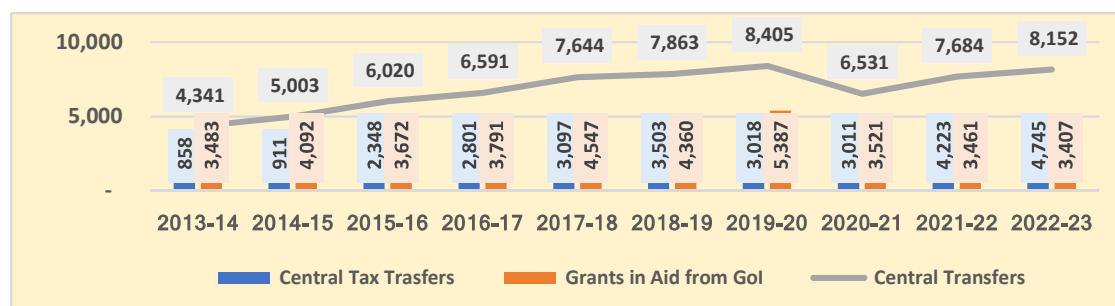
The details of Central Transfers to the State during 2018-23 are given in the following table.

Table 2.10 : Central Transfers during 2018-19 to 2022-23**(₹ in crore)**

	2018-19	2019-20	2020-21	2021-22	2022-23
Grants in Aid from GoI	4,359.88	5,387.13	3,520.80	3,460.82	3,407.22
Central Tax Transfers	3,502.96	3,017.80	3,010.55	4,222.86	4,745.25
Total Transfers from Centre	7,862.84	8,404.93	6,531.35	7,683.68	8,152.47

Source: Finance Accounts

Chart 2.6 depicts the trend of Central transfers over the decadal period 2013-23. Over the period, these transfers increased by 87.80 *per cent* from ₹ 4,341 crore in 2013-14 to ₹ 8,152 crore in 2022-23. During the current year, the amount increased by 6.10 *per cent* from ₹ 7,684 crore in 2021-22 and constituted 79.29 *per cent* of the Revenue Receipts.

Chart 2.6 : Trend of Central Transfers during 2013-14 to 2022-23

Source: Finance Accounts

¹⁵ Other Fiscal Services include Other Receipts of the State Government.

(A) Central Tax Transfers

As per the XV FC recommendations, the share of the States in shareable Central Taxes decreased from 42 *per cent* (XIV FC award period) to 41 *per cent*. Mizoram's share of the central pool during the XIV FC award period was 0.460 *per cent* and 0.464 *per cent* for all shareable taxes and Service Tax respectively. As per recommendation of the XV FC, share of net proceeds of tax for Mizoram was 0.506 *per cent* during 2020-21 and 0.50 *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 2018-23.

Table 2.11 : Central Tax Transfers: Actual devolution *vis-à-vis* Finance Commission projections¹⁶

(₹ in crore)

Year	Finance Commission projections	Projections in FC Report	Actual tax devolution	Difference
2018-19	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)	4,118	3,503	-615
2019-20	0.506 <i>per cent</i> of net proceeds of all shareable taxes (As per recommendations of XVFC)	4,769	3,018	-1,751
2020-21	0.500 <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

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 35.46 *per cent* from ₹ 3,503 crore in 2018-19 to ₹ 4,745 crore in 2022-23. During 2022-23 there was an increase of ₹ 522.39 crore (12.37 *per cent*) *vis-a-vis* the previous year. Central Tax Transfers made up 46.15 *per cent* of Revenue Receipts for the year.

Table 2.12 : Central Tax Transfers

(₹ in crore)

Head	2018-19	2019-20	2020-21	2021-22	2022-23 (BE)	2022-23 (Actuals)
Central Goods and Services Tax (CGST)	864.63	856.36	897.91	1,268.97	1,340.74	1,341.69
Integrated Goods and Services Tax (IGST)	69.00	Nil	Nil	Nil	Nil	Nil
Corporation Tax	1,218.27	1,028.94	906.03	1,225.41	1,274.94	1,588.99
Taxes on Income other than Corporation Tax	897.21	806.25	928.54	1,287.88	1,231.33	1,554.09
Customs	248.31	191.29	162.09	276.41	177.04	186.69
Union Excise Duties	165.03	133.00	101.51	127.21	55.14	58.58
Service Tax	31.92	Nil	12.42	32.49	4.10	7.40
Other Taxes	8.59	1.96	2.05	4.50	-0.05	7.81
Central Tax transfers	3,502.96	3,017.80	3,010.55	4,222.86	4,083.24	4,745.25
Percentage of increase over previous year	13.11	-13.85	-0.24	40.27	-	12.37
Percentage of Central tax transfers to Revenue Receipts	38.75	31.25	38.89	46.10	-	46.15

Source: Finance Accounts

¹⁶ 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 2022-23, GIA decreased by ₹ 53.60 crore (1.55 per cent) from ₹ 3,460.82 crore in 2021-22 to ₹ 3,407.22 crore in 2022-23. GIA received by the State Government from GoI during 2017-22 are detailed in **Table 2.13**.

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

Head	(₹ in crore)					
	2018-19	2019-20	2020-21	2021-22	2022-23 (BE)	2022-23 (Actuals)
Grants for Centrally Sponsored Schemes (CSS)	1,249.68	2,103.97	1,329.94	1,366.12	2,570.39	1,599.98 ¹⁷
Finance Commission Grants	2,616.67	2,778.73	1,725.48	1,879.10	1,940.00	1,722.10
Other transfers/Grants to States	493.53	504.43	465.38	215.60	385.77	85.14
Total	4,359.88	5,387.13	3,520.80	3,460.82	4,896.16	3,407.22
Percentage of increase/decrease over the previous year	-4.11	23.56	-34.64	-1.70	-	-1.55
Percentage of GIA to Revenue Receipts	48.23	55.78	45.48	37.78	-	33.14

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. Details vouchers and supporting documents of actual expenditure were not received in Accounts Wing of the Office of the Principal Accountant General, Mizoram from SNAs.

As per Public Financial Management System (PFMS) Report the State Government received ₹ 1,538.65 crore being Central share of CSS during the year 2022-23 in its Treasury Accounts. As on 31 March 2023, the Government transferred Central share of ₹ 950.92 crore received in Treasury Accounts and State share of ₹ 202.84 crore to the SNAs leading to short transfer of ₹ 587.73 crore of Central Share. As per SNA report of PFMS portal, ₹ 344.23 crore are lying unspent in the bank accounts of SNAs as on 31 March 2023.

¹⁷ Out of the grants of ₹ 1,599.98 crore for Centrally Sponsored Schemes during 2022-23 the major recipients of the Grants were PMGSY (₹ 584.20 crore), PMAY (₹ 159.55 crore), Samagrah Shiksha (₹ 142.68 crore), MGNREGA (₹ 120.02) and NRHM (₹ 106.86 crore).

➤ Finance Commission Grants

FC Grants were provided to the States for local bodies and SDRF. Details of grants provided by the GoI to the State in this regard during the years 2018-20 (during the XIV FC period) and 2020-23 (XV FC period) are given in **Table 2.14**.

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

(₹ in crore)

Transfers	Recommendation of the FC			Actual release by GoI			Release by State Government		
	2018-19 to 2021-22	2022-23	Total	2018-19 to 2021-22	2022-23	Total	2018-19 to 2021-22	2022-23	Total
Local Bodies									
(i) Grants to RLBs									
(a) General Basic Grant	162.00	71.00	233.00	34.50	0.00	34.50	57.75	0.00	57.75
(b) General Performance Grants									
(ii) Grants to ULBs									
(a) General Basic Grant	143.19	35.00	178.19	117.55	53.60	171.15	95.04	17.50	112.54
(b) General Performance Grants									
(iii) Grant for Health	31.00	31.00	62.00	31.19	0.00	0.00	31.19	0.00	31.19
Total for Local Bodies(i+ii+iii)	336.19	137.00	473.19	152.05	53.60	205.65	152.79	17.50	170.29
SDRF ¹⁸	144.00	54.00	198.00	120.60	39.20	159.80	113.41	54.00	167.41
SDMF ¹⁹	47.00	49.00	96.00	0.00	14.30	14.30	0.00	0.00	0.00
Grand Total	527.19	240.00	767.19	272.65	107.10	379.75	266.20	71.50	337.70
Post devolution Deficit Grant	8,516.00	1,615.00	10,131.00	8,516.00	1,615.00	10,131.00	8,516.00	1,615.00	10,131.00

Source: XIV-FC Report, XV-FC Report, State Government data and Finance Accounts

2.5.2 Capital Receipts

Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI. Public debt receipts consisting of borrowings from Market, Financial Institutions and Central Government, create future repayment obligations.

During the five-year period 2018-23, Capital Receipts grew by 2,487.20 *per cent* from ₹ 156.38 crore in 2018-19 to ₹ 4,045.88 crore in 2022-23 mainly due to increased public debt receipts. Recovery of loans and advances grew by 19.54 *per cent* from ₹ 22.16 crore in 2018-19 to ₹ 26.49 crore in 2022-23.

¹⁸ SDRF = State Disaster Response Fund

¹⁹ SDMF = State Disaster Mitigation Fund

During 2022-23, Public Debt Receipts (₹ 4,019.39 crore) represented 99.35 *per cent* of Capital Receipts (₹ 4,045.88 crore) and decreased by 11.86 *per cent* over the previous year. Similarly, Recovery of loans and advances decreased by 17.68 *per cent* (₹ 5.69 crore) compared to the previous year (₹ 32.18 crore).

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

Table 2.15 : Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
Capital Receipts	156.38	1,174.38	2,645.01	4,592.45	4,045.88
Miscellaneous Capital Receipts	-	-	-	-	-
Recovery of Loans and Advances	22.16	26.70	33.69	32.18	26.49
Net Public Debt Receipts	134.22	1,147.68	2,611.32	4,560.28	4,019.39
<i>Internal Debt (excluding Ways and Means Advances and Overdrafts)</i>	<i>122.86</i>	<i>1,132.80</i>	<i>2,363.70</i>	<i>4,250.46</i>	<i>3,718.99</i>
<i>Growth rate (per cent)</i>	<i>-85.86</i>	<i>822.03</i>	<i>108.66</i>	<i>79.82</i>	<i>-12.50</i>
<i>Net transactions under Ways and Means Advances and Overdrafts</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Growth rate (per cent)</i>	<i>-100.00</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Loans and advances from GoI</i>	<i>11.36</i>	<i>14.88</i>	<i>247.62</i>	<i>309.82</i>	<i>300.40</i>
<i>Growth rate (per cent)</i>	<i>44.35</i>	<i>30.99</i>	<i>1,564.11</i>	<i>25.12</i>	<i>-3.04</i>
Rate of growth of debt Capital Receipts	-84.99	755.07	127.53	74.64	-11.86
Rate of growth of non-debt capital receipts (<i>per cent</i>)	2.40	20.49	26.18	-4.48	-17.68
Rate of growth of GSDP (<i>per cent</i>)	13.03	14.04	-4.27	16.30	17.99
Rate of growth of Capital Receipts (<i>per cent</i>)	-82.92	650.98	125.23	73.63	-11.90

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 (₹ 3,718.99 crore) and Loans and Advances from GoI (₹ 300.40 crore).

2.5.3 State's performance in mobilisation of resources

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

Table 2.16 : Tax and non-tax receipts vis-à-vis projections*(₹ in crore)*

	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				XV FC projections	Budget estimates
Own Tax revenue	1,051.00	801.30	1,101.82	4.84	37.50
Non-Tax revenue	261.00	836.43	1,027.77	293.78	22.88
Total	1,312.00	1,637.73	2,129.59	62.32	30.03

It can be seen from the table above that Own Tax Revenue for the year exceeded FC projections by 4.84 *per cent* and surpassed budget estimates by 37.50 *per cent*. Non-Tax revenue exceeded FC projections by 293.78 *per cent* and surpassed budget estimates figures by 22.88 *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 2018-19 to 2022-23.

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

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	9,414.58	10,909.26	9,643.67	9,564.45	11,416.22
Revenue Expenditure (RE)	7,505.59	9,453.96	8,514.80	8,557.49	10,092.17
Capital Expenditure (CE)	1,868.47	1,372.67	1,125.97	1,004.38	1,321.86
Loans and Advances	40.52	82.63	2.90	2.58	2.19

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
As a percentage of GSDP					
TE/GSDP	42.97	43.66	40.31	34.38	34.77
RE/GSDP	34.25	37.83	35.59	30.76	30.74
CE/GSDP	8.53	5.49	4.71	3.61	4.03
Loans and Advances/GSDP	0.18	0.33	0.01	0.01	0.01

Source: Finance Accounts and Government of Mizoram

Total Expenditure (TE) increased by ₹ 1,851.77 crore (19.36 *per cent*) in 2022-23 as compared to 2021-22. This was due to increase in Revenue Expenditure by ₹ 1,534.68 crore (17.93 *per cent*) and Capital Expenditure by ₹ 317.48 crore (31.61 *per cent*). Simultaneously, disbursement of Loans and Advances decreased by ₹ 0.39 crore (15.12 *per cent*). As percentage of GSDP, TE decreased from 42.97 *per cent* in 2018-19 to 34.77 *per cent* in 2022-23 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 88.40 *per cent* of the State's TE, whereas Capital Expenditure, which is in the nature of asset creation, was 11.58 *per cent* in 2022-23. This trend of expenditure was seen to be consistent over the five year period. Revenue Expenditure was within the range of 79.72 (2018-19) to 89.47 *per cent* (2021-22) of TE while Capital Expenditure was between 10.50 (2021-22) to 19.85 *per cent* (2018-19) 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 2018-19 to 2022-23 is depicted in **Table 2.18** and **Chart 2.7**.

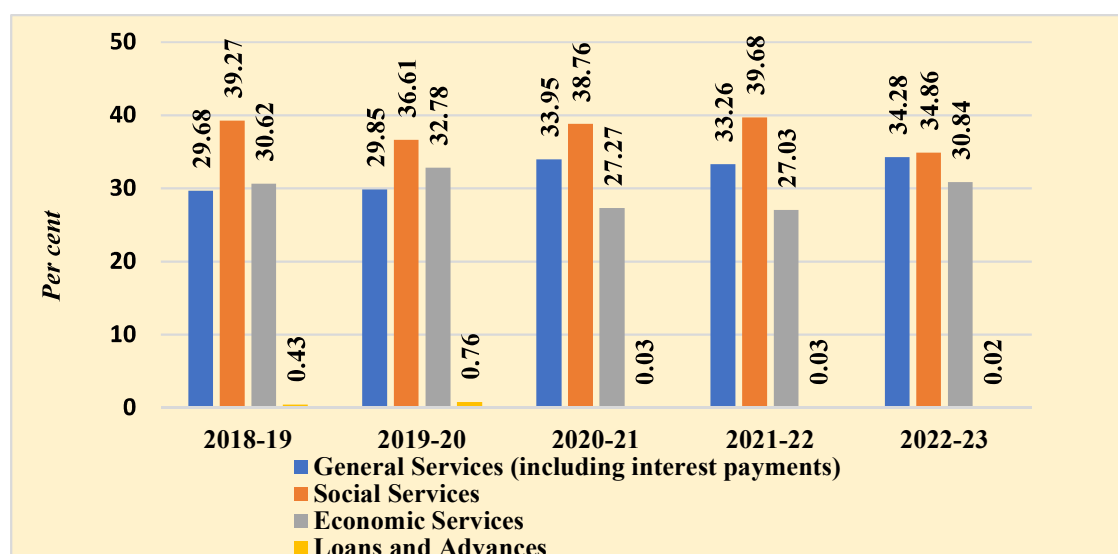
Table 2.18: Relative share of various sectors of expenditure

Sector	2018-19	2019-20	2020-21	2021-22	2022-23
General Services	2,794.53	3,256.64	3,273.58	3,180.96	3,914.04
Social Services	3,696.65	3,994.10	3,737.76	3,795.19	3,979.29
Economic Services	2,882.88	3,575.89	2,629.43	2,585.72	3,520.70
Loans and Advances	40.52	82.63	2.90	2.58	2.19

Source : Finance Accounts

Expenditure on General Services increased by ₹ 733.08 crore (23.05 *per cent*) from ₹ 3,180.96 crore in 2021-22 to ₹ 3,914.01 crore in 2022-23, Social Services expenditure increased by ₹ 184.10 crore (4.85 *per cent*) from ₹ 3,795.19 crore in 2021-22 to ₹ 3,979.29 crore in 2022-23 and expenditure on Economic Services increased by ₹ 934.98 crore (36.16 *per cent*) from ₹ 2,585.72 crore in 2021-22 to ₹ 3,520.70 crore in 2022-23. Disbursement of Loans and Advances declined by ₹ 0.39 crore (15.12 *per cent*) from ₹ 2.58 crore in 2021-22 to ₹ 2.19 crore in 2022-23.

Chart 2.7 depicts that the relative share of various components of expenditure in the total expenditure fluctuated during 2018-23. The share of General Services and Economic Services in total expenditure increased from 29.68 *per cent* and 30.62 *per cent* in 2018-19 to 34.28 *per cent* and 30.84 *per cent* respectively in 2022-23, while that of Social Services and Loans and advances decreased from 39.27 *per cent* and 0.43 to 34.86 *per cent* and 0.02 *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 2022-23 is given in **Chart 2.8**.

Table 2.19: Revenue Expenditure – Basic Parameters

Parameters	2018-19	2019-20	2020-21	2021-22	2022-23
Total Expenditure (TE)	9,414.58	10,909.26	9,643.67	9,564.45	11,416.22
Revenue Expenditure (RE)	7,505.59	9,453.96	8,514.80	8,557.49	10,092.17
Rate of Growth of RE (Per cent)	9.08	25.96	-9.93	0.50	17.93
RE/TE (Per cent)	79.72	86.66	88.29	89.47	88.40
RE/GSDP (Per cent)	34.25	37.83	35.59	30.76	30.74
RE/Revenue Receipts (Per cent)	83.03	97.88	110.00	93.43	98.15
Buoyancy²⁰ of Revenue Expenditure with					
GSDP (ratio)	0.70	1.85	2.33	0.03	1.00
Revenue Receipts (ratio)	1.70	3.79	-	0.03	1.46

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

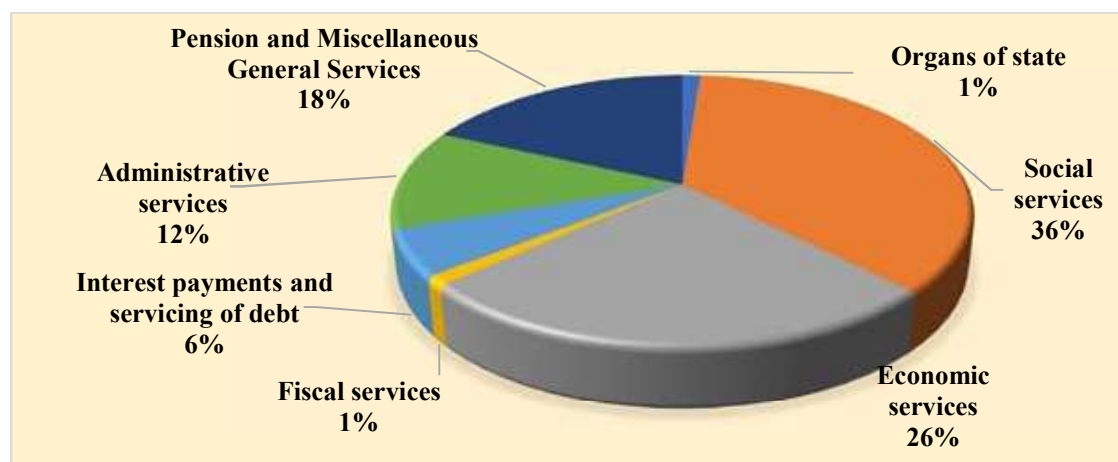
Source: Finance Accounts of respective years

²⁰ 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 86.51 *per cent* (ranging from 79.72 *per cent* in 2018-19 to 88.40 *per cent* in 2022-23) of the total expenditure during the period 2018-23. Rate of growth of Revenue Expenditure has displayed wide fluctuations during the five- year period 2018-23.

As a percentage of GSDP, Revenue Expenditure marginally decreased from 30.76 *per cent* in 2021-22 to 30.74 *per cent* in 2022-23. Revenue Expenditure is increased by 17.93 *per cent* and exceeded the assessment made in MTFP 2022-23 (₹ 10,006.51 crore) by ₹ 85.66 crore. It stood at 98.15 *per cent* of Revenue Receipts for the year. The buoyancy of Revenue Expenditure with GSDP was 1.00 during 2022-23.

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 2022-23 compared to 2021-22
(₹ in crore)

Major Heads of Account	2021-22	2022-23	Increase (+)/ Decrease (-)
2216 Housing	7.76	57.56	49.80
2501 Special Programmes for Rural Development	15.84	97.39	81.55
2245 Relief on Account of Natural Calamities	6.83	23.61	16.78
2236 Nutrition	3.15	8.88	5.73
3054 Roads and Bridges	229.13	466.17	237.04
2415 Agricultural Research and Education	12.78	4.04	-8.74
2217 Urban Development	235.78	86.58	-149.20
2211 Family Welfare	26.99	17.92	-9.07
2408 Food Storage and Warehousing	158.52	115.70	-42.82
3055 Road Transport	23.26	17.97	-5.29

Source : Finance Accounts

The table above shows only the 10 largest positive and negative outliers in variation of expenditure over the previous year. The increase of expenditure under Major Head '2216' 'Housing' was mainly due to more expenditure under Minor Head 105-'Indira Awas

Yojana'. The increase of expenditure under Major Head '2501' 'Special Programmes for Rural Development' was mainly due to more expenditure under Minor Head 101- 'National Waste Land Development Programme' and 102- 'National Rural Livelihood Mission'. The increase of expenditure under Major Head '2245' Relief on Account of Natural Calamities' was mainly due to more expenditure under Minor Head 101- 'Transfer to Reserve Funds and Deposits Accounts- State Disaster Response Fund'. The increase of expenditure under Major Head '2236' 'Nutrition' was mainly due to more expenditure under Minor Head 101 'Special Nutrition Programmes' 'and 001- 'Direction and Administration'. The increase of expenditure under Major Head '3054' 'Roads and Bridges' was mainly due to more expenditure under Minor Head 337- 'Road Works', 105 'Maintenance and Repairs' and 338- 'Pradhan Mantri Gram Sadak Yojana'.

The decrease in expenditure under the Major Head '2415' 'Agricultural Research and Education' was mainly due to less expenditure under Minor Head 001- 'Direction and Administration' and 800- 'Other Expenditure'. The decrease in expenditure under the Major Head '2217' 'Urban Development' was mainly due to nil expenditure under Minor Head 051 – 'Construction' and under Minor Head 800- 'Other Expenditure'. The decrease in expenditure under the Major Head '2211' 'Family Welfare' was mainly due to less expenditure under Minor Head 101- 'Rural Family Welfare Services', 103- 'Maternity and Child Health' and nil expenditure under Minor Head 102- 'Urban Family Welfare Services'. The decrease in expenditure under the Major Head '2408' 'Food Storage and Warehousing' was mainly to less expenditure under Minor Head 101- 'Procurement and Supply'. The decrease in expenditure under the Major Head 3055 'Road Transport' was mainly due to less expenditure under Minor Head 001- 'Direction and Administration' and nil expenditure under Minor Head 800- 'Other Expenditure'.

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 2018-23. 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)

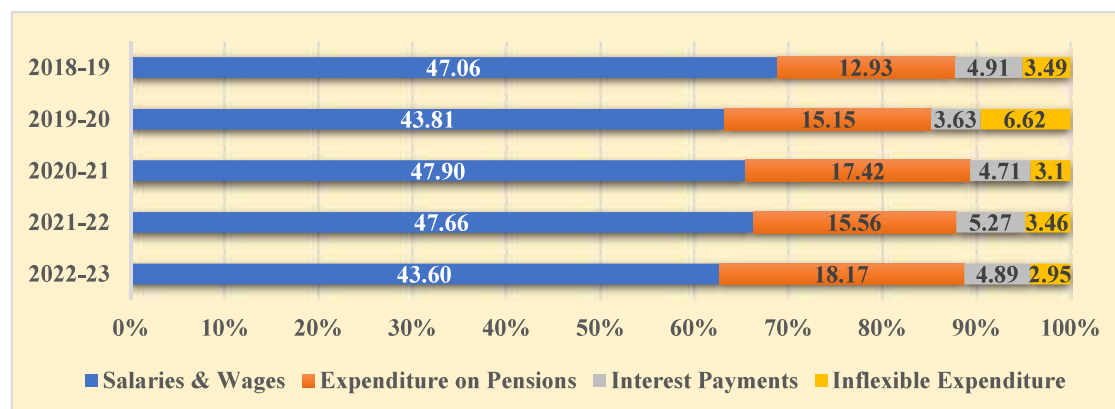
Components of Committed Expenditure ²¹	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	3,532.37	4,142.04	4,078.94	4,078.69	4,399.72
Expenditure on Pensions	970.37	1,432.50	1,482.90	1,331.45	1,834.18
Interest Payments	368.68	343.12	400.99	450.64	493.88
Total	4,871.42	5,917.66	5,962.83	5,860.78	6,727.78
Components of Inflexible Expenditure	261.92	626.17	264.09	296.17	298.00
<i>Statutory devolution to Local Bodies</i>	22.24	63.44	52.45	37.46	38.75
<i>Contribution to Reserve Fund</i>	43.00	7.00	44.00	47.15	61.26
<i>Recoupment of Contingency Fund</i>	-	-	-	-	-
<i>Transfer of cess for reserve fund/other body</i>	-	-	-	-	-
<i>Share contribution of CSS against Central Fund received</i>	104.06	249.80	151.13	194.53	179.86
<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>	92.62	305.93	16.51	17.03	18.13
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	39.08	42.89	52.69	44.53	42.79
Expenditure on Pensions	10.73	14.83	19.16	14.54	17.84
Interest Payments	4.08	3.55	5.18	4.92	4.80
Total	53.89	61.27	77.03	63.98	65.43
Inflexible Expenditure	2.90	6.48	3.41	3.23	2.90
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	47.06	43.81	47.90	47.66	43.60
Expenditure on Pensions	12.93	15.15	17.42	15.56	18.17
Interest Payments	4.91	3.63	4.71	5.27	4.89
Total	64.90	62.59	70.03	68.49	66.66
Inflexible Expenditure	3.49	6.62	3.10	3.46	2.95

Source: Finance Accounts

²¹ Figures in the table pertaining to Salaries and Wages as well as Expenditure on Pensions differ from previous years' reports due to adoption of revised methodology for calculation of figures.

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

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



Source: Finance Accounts

Salaries

As can be seen from the **Table 2.21**, Committed Expenditure varied between 53.89 to 77.03 *per cent* of Revenue Receipts and 62.59 to 70.03 *per cent* of Revenue Expenditure. During 2022-23, expenditure on Salaries and Wages accounted for 42.79 *per cent* of Revenue Receipts and 43.60 *per cent* of Revenue Expenditure. It increased from ₹ 3,532.37 crore during 2018-19 to ₹ 4,399.72 crore in 2022-23. The expenditure on Salaries and Wages increased by ₹ 321.03 crore (7.87 *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 2018-23, expenditure on Pension Payments increased by 89.02 *per cent* from ₹ 970.37 crore in 2018-19 to ₹ 1,834.18 crore in 2022-23. During the current year, Pension Payments increased by ₹ 502.73 crore (37.76 *per cent*) over the previous year. Expenditure on Pension Payments accounted for approximately 17.84 *per cent* of Revenue Receipts and 18.17 *per cent* of Revenue Expenditure during 2022-23 mainly due to increase in components of pension like Dearness Relief.

Interest Payments

Interest Payments in 2022-23 increased by ₹ 43.24 crore (9.60 *per cent*) as compared to 2021-22. Expenditure on Interest Payments accounted for approximately 4.80 *per cent* of Revenue Receipts and 4.89 *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 ₹ 261.92 crore in 2018-19 to ₹ 626.17 crore in 2019-20. During 2022-23, Inflexible expenditure (₹ 298.00 crore) accounted for approximately 2.90 *per cent* of Revenue Receipts and 2.95 *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). Bank of India is the Trustee Bank in charge of operation of Pension Funds. Accordingly, the entire amount is transferred to NSDL/Trustee Bank.

During the year 2022-23, total contribution to NPS was ₹ 102.69 crore [(Employees' Contribution ₹ 51.29 crore and Government's Contribution ₹ 51.40 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 2022-23, 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 ₹ 102.69 crore to the designated fund manager through the National Securities Depository Limited (NSDL). The NPS funds are 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 2022-23 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 2022-23 was ₹ 109.28 crore, a rise of ₹ 25.48 crore from ₹ 83.80 crore in 2021-22. 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 2018-22

	2018-19	2019-20	2020-21	2021-22	2022-23
Subsidies (₹ in crore)	12.43	21.76	0.22	83.80	109.28
Subsidies as a percentage of Revenue Receipts	0.14	0.23	0.003	0.91	1.06
Subsidies as a percentage of Revenue Expenditure	0.17	0.23	0.003	0.98	1.08

Source : Finance Accounts

As may be seen from the table, expenditure on subsidies during 2022-23 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 2022-23 subsidy expenditure on Cooperation²² fell from 0.84 crore in 2021-22 to ₹ 0.06 crore only while subsidy expenditure on Power²³ rose to ₹ 109.22 crore from ₹ 82.96 crore in 2022-23.

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 2018-23 is given in **Table-2.23**.

Table 2.23 : Financial Assistance to Local Bodies, etc.

(₹ in crore)

Financial Assistance to Institutions	2018-19	2019-20	2020-21	2021-22	2022-23
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	348.40	404.66	369.12	395.60	467.36
Rural/Urban Local Bodies ²⁴	63.36	63.44	52.45	37.46	38.75
Autonomous District Councils	408.65	463.87	450.45	496.97	550.07
Other Institutions ²⁵	840.20	1,604.74	908.81	973.61	1,174.62
Total	1,660.61	2,536.71	1,780.83	1,903.64	2,230.80
Revenue Expenditure	7,505.59	9,453.96	8,514.80	8,557.49	10,092.17
Assistance as percentage of Revenue Expenditure	22.12	26.83	20.91	22.25	22.10

Source: Finance Accounts

The grants extended to local bodies and other institutions increased by 17.19 *per cent* from ₹ 1,903.64 crore in 2021-22 to ₹ 2,230.80 crore in 2022-23. The increase in financial assistance by ₹ 327.16 crore in 2022-23 over 2021-22 was due to increase in assistance to Educational Institutions (₹ 71.76 crore), Autonomous District Councils (₹ 53.10 crore), Rural/Urban Local Bodies (₹ 1.29 crore) and Other Institutions (₹ 201.01 crore). However, the share of financial assistance to Local Bodies and Other Institutions as percentage of Revenue Expenditure had decreased from 22.12 *per cent* in 2018-19 to 22.10 *per cent* in 2022-23.

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 2022-23 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 Government were not disclosed and details in this regard were not furnished by the State Government.

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 three schemes which had received GIA of at least ₹ 50 crore Elementary Education under Samagra Shiksha Abhiyan (₹ 142.51 crore), Assistance to Govt. High Schools (₹ 93.79 crore) and Grants for Secondary Education under Samagra (₹ 74.92 crore)

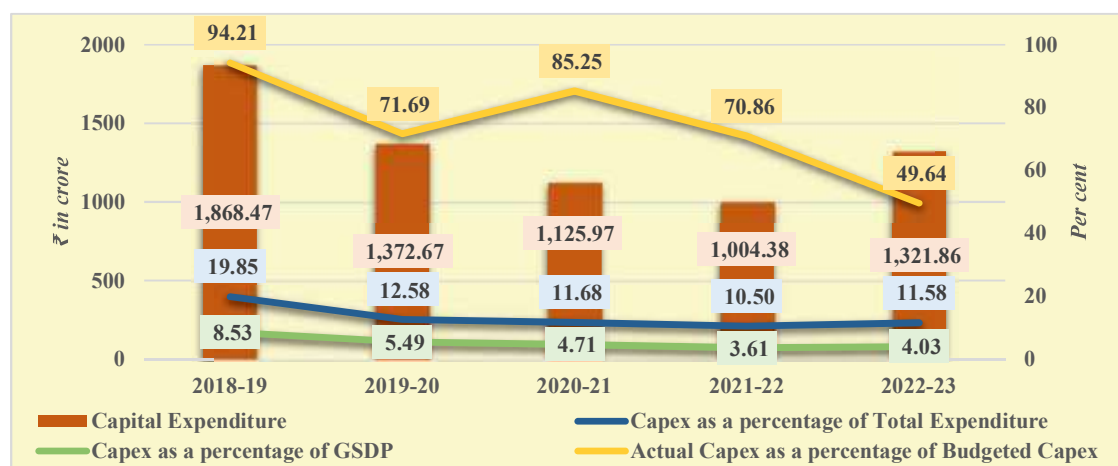
2.6.3 Capital Expenditure

Capital Expenditure (Capex) is incurred to create assets and add to the infrastructure and service network. During 2022-23, Capital Expenditure of the State increased by ₹ 317.48 crore (31.61 *per cent*) from ₹ 1,004.38 crore during 2021-22 to ₹ 1,321.86 crore. Capex as a percentage of GSDP fell from 8.53 *per cent* in 2018-19 to 4.03 *per cent* in 2022-23. Additionally, as a percentage of Total Expenditure, Capex dropped from 19.85 *per cent* during 2018-19 to 11.58 *per cent* in 2022-23.

When compared to the estimates for Capex as per Budget Estimates (BEs), actual Capex ranged from 94.21 *per cent* of BE in 2018-19 to 49.64 *per cent* of BE in 2022-23.

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 2022-23 compared to 2021-22

(₹ in crore)

Major Heads of Accounts	2021-22	2022-23	Increase (+)/ Decrease (-)
5475 Capital Outlay on other General Economic Services	1.14	305.66	304.52
5275 Capital Outlay on Other Communication Services	0.00	72.50	72.50
4401 Capital Outlay on Crop Husbandry	17.58	89.81	72.23
4210 Capital Outlay on Medical and Public Health	80.67	133.88	53.21
4215 Capital Outlay on Water Supply and Sanitation	173.87	103.98	-69.89
4225 Capital Outlay on Welfare of Scheduled Caste, Scheduled Tribes, Other Backward Classes & Minorities	104.92	3.12	-101.80

Source: Finance Accounts

The preceding table shows only the six largest positive and negative outliers in variation of expenditure over the previous year. It can be seen that variation in Capital Expenditure for the year occurred mainly due to increased expenditure of ₹ 502.46 crore under the head ‘Capital Outlay on Other General Services’, ‘Capital Outlay on Other Communication Services’, ‘Capital Outlay on Crop Husbandry’ and ‘Capital Outlay on Medical and Public Health’ while there was a decrease in expenditure of ₹ 171.69 crore under the heads ‘Capital Outlay on Water Supply and Sanitation’ and ‘Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes & Minorities’.

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 2018-23.

Table 2.25 : Return on Investment

Investment/return/cost of borrowings	2018-19	2019-20	2020-21	2021-22	2022-23
Investment at the end of the year (₹ in crore)	42.77	42.77	42.77	42.77	42.77
Return (₹ in crore)	Nil	Nil	Nil	Nil	Nil
Rate of return (<i>per cent</i>)	Nil	Nil	Nil	Nil	Nil
Average rate of interest on Government Borrowings (<i>per cent</i>)	5.04	4.29	4.32	4.41	4.58
Difference between interest rate and rate of return (<i>per cent</i>)	5.04	4.29	4.32	4.41	4.58
Difference between cost of Government borrowings and return on investment [#] (₹ in crore)	2.16	1.83	1.85	1.89	1.96

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

Source: Finance Accounts

As on 31 March 2023, 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 2022-23 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at average rates of interest ranging from 4.29 to 5.04 *per cent* during 2018-19 to 2022-23.

2.6.3.4 Quantum of loans disbursed and recovered by the State Government

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

Table 2.26: Quantum of loans disbursed and recovered during five years

(₹ in crore)					
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Opening Balance of loans outstanding	229.12	247.48	303.42	272.63	243.03
Amount advanced during the year	40.52	82.64	2.90	2.58	2.19
Amount recovered during the year	22.16	26.70	33.69	32.18	26.49
Closing Balance of the loans outstanding	247.48	303.42	272.63	243.03	218.73
Net addition	18.36	55.94	-30.79	-29.60	-24.30
Interest received	27.85	22.55	17.37	13.45	18.10
Interest rate on Loans and Advances given by the Government.	11.69	8.19	6.03	5.22	7.84
Rate of Interest paid on the outstanding Public Debt of the Government	11.24	9.48	8.88	8.36	7.59
Difference between the rate of interest paid and interest received (<i>per cent</i>)	0.45	1.29	2.85	3.14	-0.25

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

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 by 2023.

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

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

Age profile of incomplete projects as on 31 March 2023 (₹ in crore)				Department-wise profile of incomplete projects as on 31 March 2023 (₹ in crore)			
Year	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2023)	Department	No. of incomplete projects	Estimated cost	Expenditure (as on 31 March 2023)
2018-19	45	535.49	353.20	PWD	145	2,497.56	1,113.47
2019-20	18	389.94	423.63	PHED	7	219.41	214.00
2020-21	9	227.51	239.94	P&E	22	847.17	865.60
2021-22	54	1,101.04	646.03	Others*	117	460.83	359.52
2022-23	165	1,771.00	889.78				
Total	291	4,024.97	2,552.59	Total	291	4,024.97	2,552.59

Source: Finance Accounts (Vol-II)

Thus, the Capital Expenditure of ₹ 2,552.59 crore incurred on these 291 incomplete projects 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 these 291 incomplete projects resulting in cost overrun of ₹ 87.19 crores²⁹ in various projects under PHED, P&E and PWD departments. Further delay in completion of these projects was fraught with the risk of additional cost overrun. Therefore, effective steps need to be taken to complete all these projects without further delay in order to avoid cost overrun and ensure that the intended benefits are received by the public.

Principal Secretary, Finance Department during exit conference stated that since project monitoring functions were performed by the Planning and Programme Implementation Department of the State Government, except for NABARD funded projects, the Finance Department would need to take up the matter with them. It was assured that the latest position of these incomplete projects would be intimated in due course.

2.6.4 Expenditure priorities

Enhancing human development levels require the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better. **Table 2.28** analyses the

²⁷ Oldest incomplete project was 'Setting up of Septage Management Unit including Anaerobic Microbial inoculums (AMI) and Bio-Digester manufacturing facility at Aizawl' which commenced in 2016 and was to be completed in 2023. The project remained incomplete as on 31 March 2023 as per Finance Accounts of that year.

²⁸ As per data taken from Finance Accounts 2022-23, the project with the longest time overrun over the target date of completion was 'Construction of Thuampui – Lungchem Road (14.000 – 23.000 Km)' (PWD) which had overrun its target date of completion (2018) by five years.

²⁹ Cost overrun projects are 'Upgradation of Serkhan road to Bagha road within Mizoram under NEC scheme (SH: Pavement works from 0.00 km to 73.00 km Group No.1)', 'Rehabilitation and Extension of Water Distribution Networks and Feeder Mains (P&SN/WS/AIZ/T2/ICB-2)', 'Construction of sanitary landfill and compost plant (SL&CP/SWM/AIZ/T3/NCB-4)', 'Construction of Approach road and internet roads at Industrial Growth Centre', 'Construction of 4MW Kawlhem SHP', 'Construction and Maintenance of N. Lungpher-Buhban Road (SH-Construction of Road using flexible pavement)', 'Construction and Maintenance of Sialsuk-Sailam Road and Construction of Chamdurtlang to Mualtilang Road (0.00-7.970) Km (SH: FC, Culvert, R.Wall and Constn. of road using Panelled Concrete)'.

expenditure priority of the State Government with regard to Capital Expenditure (CE), Education, Health and Development Expenditure (DE) during 2022-23 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

	<i>(In per cent)</i>				
	TE/GSDP	CE/TE	Education/TE	Health/TE	DE/TE
NE and Himalayan States Average (2018-19)	27.30	16.11	17.70	6.48	64.84
Mizoram (2018-19)	42.97	19.85	15.19	6.18	69.89
NE and Himalayan States Average (2022-23)	27.13	15.52	15.77	6.95	63.57
Mizoram (2022-23)	34.77	11.58	14.78	6.43	65.73

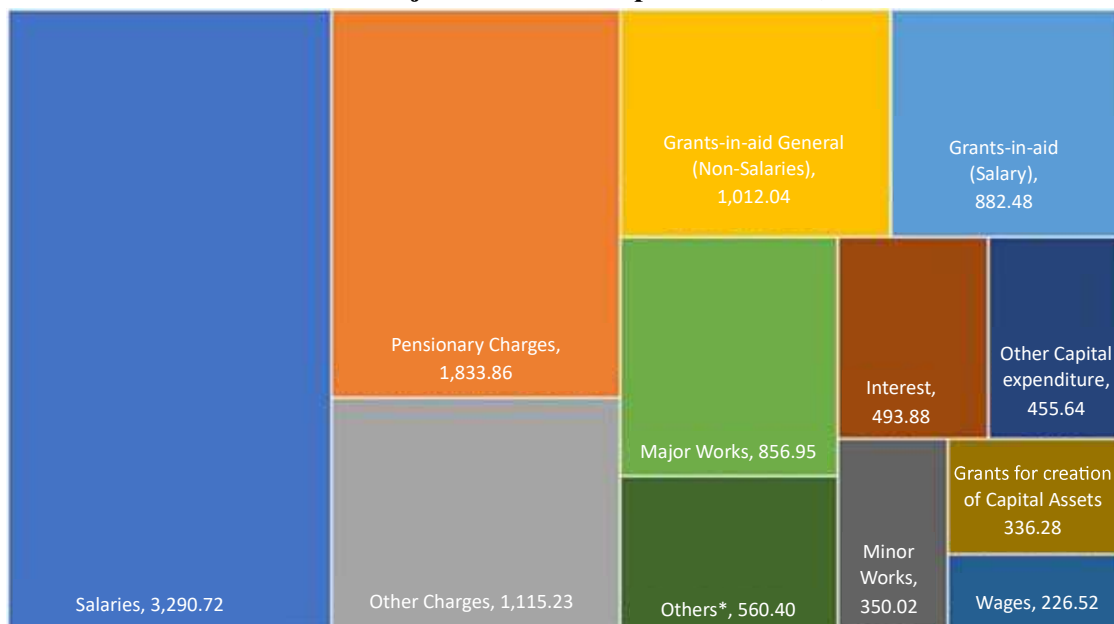
Source: SFAR Compilation of all States 2022-23

The State had a high TE-GSDP ratio as compared to the average for NE and Himalayan States. However, it fell from 42.97 *per cent* in 2018-19 to 34.77 *per cent* in 2022-23. When compared to TE, during the same period Capital expenditure fell by 8.27 *per cent* and expenditure on Education fell by 0.41 *per cent* while expenditure on Health rose by 0.25 *per cent*. DE of the State as a percentage of TE was above the average of NE and Himalayan States in both 2018-19 and 2022-23.

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 2022-23

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

As depicted in the chart, expenditure related to 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 2023.

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**.

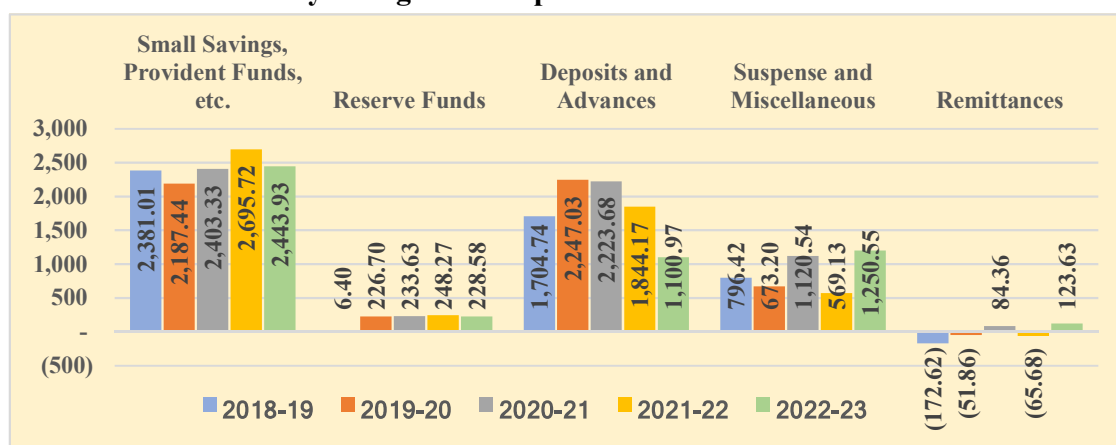
Table 2.29: Component-wise net balances in Public Account as of 31 March 2023

(₹ in crore)

Sector	Sub Sector	2018-19	2019-20	2020-21	2021-22	2022-23
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	2,381.01	2,187.44	2,403.33	2,695.72	2,443.93
J. Reserve Funds	(a) Reserve Funds bearing Interest	-0.12	220.18	227.11	241.75	222.06
	(b) Reserve Funds not bearing Interest	6.52	6.52	6.52	6.52	6.52
K. Deposits and Advances	(a) Deposits bearing Interest	2.55	2.55	2.55	2.55	2.55
	(b) Deposits not bearing Interest	1,701.31	2,243.54	2,230.12	1,850.61	1,107.41
	(c) Advances	0.88	0.94	-8.99	-8.99	-8.99
L. Suspense and Miscellaneous	(b) Suspense	863.11	871.97	1,253.35	909.86	1,423.02
	(c) Other Accounts	-66.33	-198.39	-132.43	-340.35	-172.09
	(d) Accounts with Governments of Foreign Countries	-0.36	-0.38	-0.38	-0.38	-0.38
	(e) Miscellaneous	Nil	Nil	Nil	Nil	Nil
M. Remittances	(a) Money Orders, and other Remittances	-159.49	-42.62	91.89	-58.52	131.82
	(b) Inter-Governmental Adjustment Account	-13.13	-9.24	-7.53	-7.16	-8.19
Total		4,715.95	5,282.51	6,065.54	5,291.61	5,147.66

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

The yearly changes in composition of balances in Public Account over the five-year period 2018-23 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 2023, the total accumulated balance of Reserve Funds maintained by Government of Mizoram was ₹ 722.53 crore. Out of this, ₹ 222.06 crore was under interest bearing Reserve Fund and ₹ 500.47 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 the year 2022-23, the State Government received ₹ 39.20 crore as Central Government's share under SDRF. While the State Government's share during the year was ₹ 4.36 crore it did not transfer ₹ 43.56 crore (Central share ₹ 39.20 crore, State share ₹ 4.36 crore) to the Fund under Major Head 8121-122 SDRF.

However, although the State Government, in compliance to the guidelines mentioned *ibid*, showed an amount of ₹ 51.80 crore as transferred from MH 2245-05-101 Transfer to Reserve Funds and Deposit Accounts –SDRF, no amount was actually transferred to the fund under MH 8121 ‘General and Other Reserve Funds’ 122 ‘State Disaster Response Fund’ (SDRF). Instead, against the Fund balance of ₹ 41.57 crore an expenditure of ₹ 31.65 crore was incurred on handling natural calamities during the year and set off in MH 2245-05-901- ‘Deduct – Amount met from SDRF’. At the end of 31 March 2023, there was a balance of ₹ 9.92 crore under the Fund, however no amount was invested out of this fund.

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 2022)	Details of contribution received during 2022-23						Amount set off (MH 2245-05)	Balance in the fund	Invested by RBI/State Government during the year
	Centre	State Share	Interest due	NDRF	Others	Total			
41.57	Nil	Nil	Nil	Nil	Nil	41.57	31.65	9.92	Nil

Source: Finance Accounts

Principal Secretary, Finance Department during exit conference accepted the observation and assured that corrective action would be taken during financial year 2024-25.

(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 the year 2022-23, the State Government received ₹ 14.30 crore from the Central Government. The State Government did not contribute its share of ₹ 1.59 crore to the fund during the year. Further, the State Government did not transfer ₹ 15.89 crore (Central share *plus* State share) to the Fund, which resulted in understatement of Revenue Expenditure to that extent. The balance under the fund was NIL at the end of the year.

Principal Secretary, Finance Department during exit conference accepted the observation and assured that corrective action would be taken during financial year 2024-25.

(C) State Compensatory Afforestation Fund:

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

During the year 2022-23, the State Government received ₹ 2.50 crore from user agencies and directly deposited into the State CAMPA Bank Account without routing it through Government Accounts. The Government did not receive any amount from the National Compensatory Afforestation Deposit. The total balance in the State Compensatory Afforestation Fund as on 31 March 2023 was ₹ 212.14 crore.

Principal Secretary, Finance Department during exit conference stated that the accounting procedure was now being complied with and, as such, would reflect in the accounts of 2023-24.

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. In the year 2022-23, Government contributed ₹ 52.26 crore to the fund as against ₹ 49.00 crore it was required to contribute. The total accumulation of the Fund was ₹ 443.45 crore as on 31 March 2023 (₹ 391.19 crore as on 31 March 2022). The position of contribution to CSF against the actual requirement during 2018-23 is shown below.

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

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding fiscal liability of the previous year	7,023.26	7,049.37	8,419.16	9,396.71	9,799.77
Requirement (minimum 0.50 per cent of previous year's liabilities)	35.12	35.25	42.10	46.98	49.00
Actual Contribution	36.00	-	37.00	45.15	52.26
Shortfall	Nil	36.58	5.10	1.83	Nil

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 interval 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 2022-23, the State Government contributed ₹ 9.00 crore to the fund. The total accumulation of the Fund was ₹ 50.50 crore as on 31 March 2023. The entire amount of ₹ 50.50 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 2022-23, the State Government received grants of ₹ 10.96 crore towards CRIF. The State Government did not transfer any amount to the Fund in the Public Account as this Fund has not been created as on 31 March 2023.

Further, as per the Finance Accounts, during 2022-23 the Government of Mizoram has incurred expenditure of ₹ 10.00 crore 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) out of this grant.

Principal Secretary, Finance Department during exit conference stated that the Fund would be created and proper accounting ensured in the ensuing financial year 2024-25.

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 2023, the membership enrolment of the Building and Other Construction Workers' Welfare Board stood at 68,245 members, growing by 45,573 members from an enrolment of 22,672 members as on 1 April 2018. Details of enrolment for the past five years is shown in **Table 2.32**.

Table 2.32: Details of membership enrolment in the Welfare Board

Year	Number of members		Number of fresh registrations during the year
	As on 1 st April	As on 31 st March	
2018-2019	22,672	39,545	16,873
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

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, by notification in the Official Gazette, from time to time, specify. As per rule 5(3) of the Building and Other Construction Workers' Welfare Cess Rules, 1998, the amount collected is to be transferred to the account of the Building and Other Construction Workers' Welfare Board (MBOCWWB) within thirty days of its collection.

Details of cess and other receipts collected and actual expenditure incurred during the period 2018-19 to 2022-23 are given in **Table 2.33**.

Table-2.33: Position of MBOCWW Fund for the period 2018-23*(₹ in crore)*

Year	Opening Balance	Cess Receipts	Others/ Misc. Receipts*	Available Fund	Total Expenditure	Closing Balance
2018-19	24.59	20.55	19.43	64.57	13.56	51.01
2019-20	51.01	19.95	3.24	74.20	30.36	43.84
2020-21	43.84	14.06	2.30	60.20	37.02	23.18
2021-22	23.18	22.88	5.80	51.86	29.30	22.57
2022-23	22.57	42.30	5.36	70.23	25.51	44.72

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 ₹ 47.66 crore during 2022-23, out of which ₹ 42.30 crore was Cess received for the year. During the year, the Board spent an amount of ₹ 25.51 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 2023 was ₹ 70.23 crore.

2.8.4.3 Preparation of Annual Accounts and audit thereof

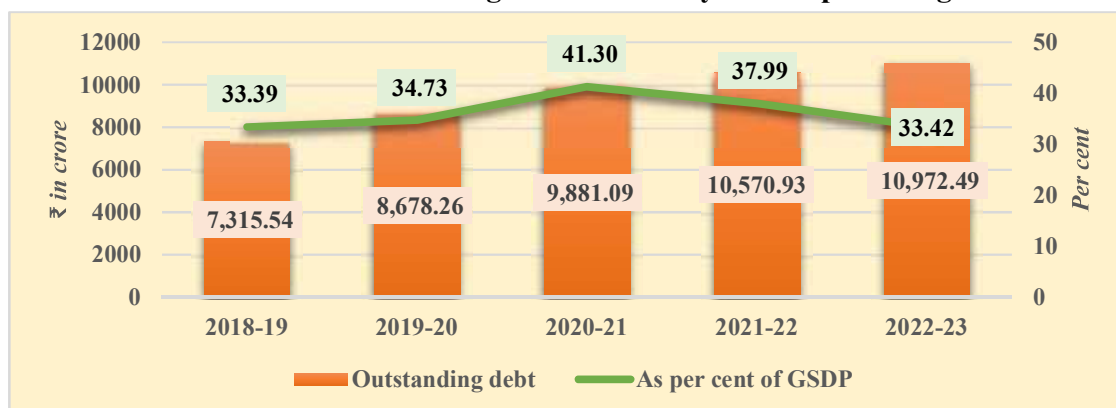
Section 27 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 specifies that the Mizoram Building and Other Construction Welfare Board (Board) shall maintain proper accounts and other relevant records and prepare an annual statement of accounts 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.

However, the Board had neither consulted the C&AG for preparation of Annual Accounts nor caused them to be audited as envisaged by the Act as of November 2023.

Principal Secretary, Finance Department during exit conference informed that the State Government has already issued instructions to the Board for preparation of Annual Accounts as per the Building and Other Construction Workers' Welfare Cess Act.

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 2018-23 as well as the percentage of liability to GSDP.

Chart 2.13 : Trend of Outstanding Public Liability 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 2018-23 are given in **Table-2.34**.

Table 2.34: Component wise Liability trends

	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Total Liability	7,315.54	8,678.26	9,881.09	10,570.93	10,972.49
Public Debt	3,224.27	4,018.03	5,011.45	5,773.78	7,190.02
<i>Internal Debt</i>	2,958.10	3,758.92	4,527.09	5,002.62	6,141.95
<i>Loans from GoI</i>	266.17	259.11	484.36	771.16	1,048.07
Public Account Liabilities	4,091.27	4,660.23	4,869.64	4,797.15	3,782.47
<i>Small Savings, Provident Funds, etc.</i>	2,381.01	2,187.44	2,403.33	2,695.72	2,443.93
<i>Reserve Funds bearing Interest</i>	-0.12	220.18	227.11	241.75	222.06
<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>	1,701.31	2,243.54	2,230.12	1,850.61	1,107.41
Rate of growth of outstanding total liability (<i>per cent</i>)	0.21	18.63	13.86	6.98	3.80
Gross State Domestic Product (GSDP)	21,912.08	24,989.60	23,922.94	27,823.50	32,829.46
Outstanding-Liability/GSDP (<i>per cent</i>)	33.39	34.73	41.30	37.99	33.42
Total Liability Receipts	2,517.05	4,277.17	4,963.79	6,679.68	5,857.39
Total Liability Repayments	2,501.81	2,914.45	3,760.96	5,989.84	5,455.83
Net Funds Available	15.24	1,362.72	1,202.83	689.84	401.56
Liability Repayments/Liability Receipts (<i>per cent</i>)	99.39	68.14	75.77	89.67	93.14

Source: Finance Accounts

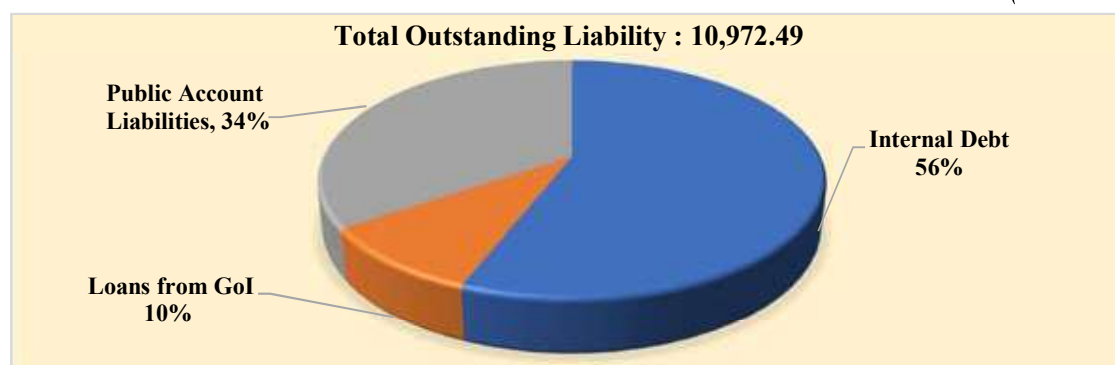
As shown in the table above, overall liabilities have been increasing steadily during the period 2018-19 to 2022-23 from ₹ 7,315.54 crore in 2018-19 to ₹ 10,972.49 crore in 2022-23, an increase of ₹ 3,656.95 crore (50 *per cent*) while it grew by ₹ 401.56 crore (3.80 *per cent*) compared to the previous year. During the same period, Public Debt

increased by ₹ 3,965.75 crore (123 *per cent*) wherein internal debt had increased by ₹ 3,183.85 crore (107.63 *per cent*) and Loans from GoI increased by ₹ 781.90 crore (293.76 *per cent*).

Chart 2.14 shows the break-up of outstanding overall liabilities as on 31 March 2023. As shown in the chart, 90.45 *per cent* of outstanding debt was made up of internal debt (₹ 6,141.95 crore) and Public Account Liabilities (₹ 3,782.47 crore) while only 9.55 *per cent* consisted of Loans from GoI (₹ 1,048.07).

Chart 2.14: Break Up of Outstanding Overall Liabilities as of 31 March 2022

(₹ in crore)



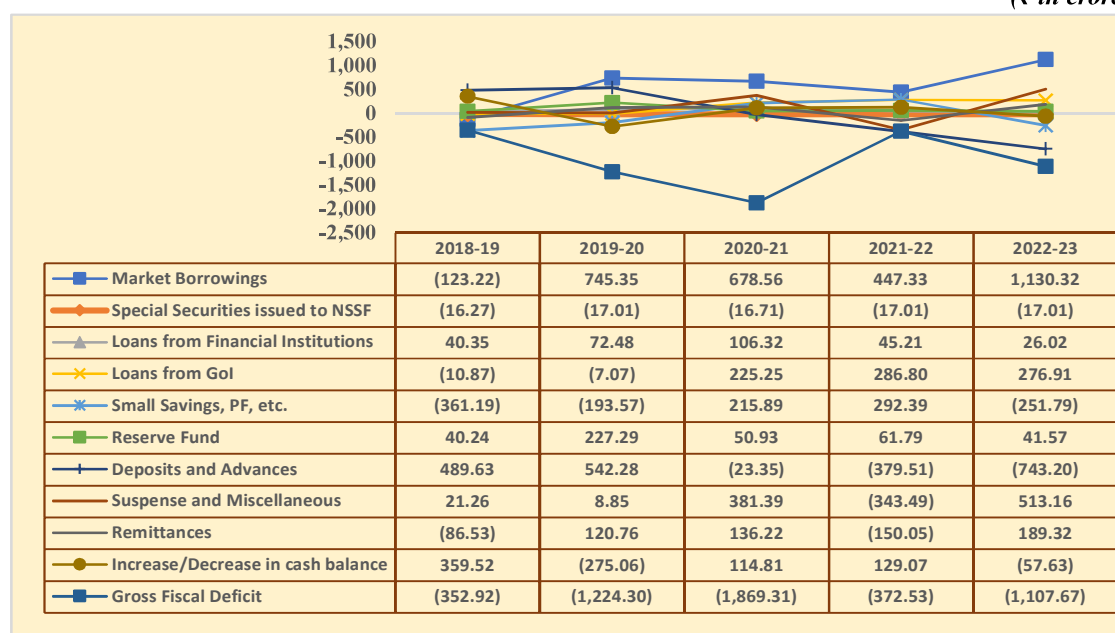
Source: Finance Accounts

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

Chart 2.15: Component wise debt trends

(₹ in crore)



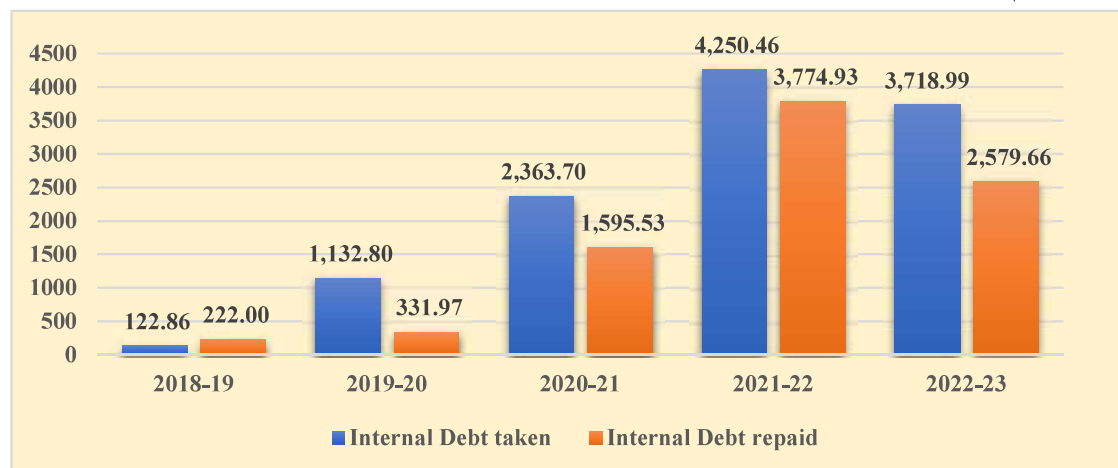
Note: Figures in brackets indicate minus figures

Source: Finance Accounts

Chart 2.16 shows the State Government's repayment of Internal Debt during the period 2018-23.

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

(₹ in crore)



Source: Finance Accounts

It can be seen from the chart, the amount of internal debt taken by the State has increased from ₹ 122.86 crore in 2018-19 to ₹ 3,718.99 crore in 2022-23, an increase of ₹ 3,596.13 crore (2,927 *per cent*). Internal debt taken during the year decreased by ₹ 531.47 crore (12.50 *per cent*) and debt repaid also fell by ₹ 1,195.27 crore (31.66 *per cent*) from 2021-22.

Table 2.35: Components of Fiscal Deficit and its financing pattern

(₹ in crore)

Particulars		2018-19	2019-20	2020-21	2021-22	2022-23
Composition of Fiscal Deficit (-)/ Fiscal Surplus (+)		-352.92	-1,224.30	-1,869.31	-372.54	-1,107.67
1	Revenue Surplus	1,533.91	204.30	-774.13	602.25	189.89
2	Net Capital Expenditure	-1,868.47	-1,372.67	-1,125.97	-1,004.38	-1,321.86
3	Net Loans and Advances	-18.36	-55.93	30.79	29.59	24.30
Financing Pattern of Fiscal Deficit						
1	Market Borrowings	-123.22	745.35	678.56	447.33	1,130.32
2	Special Securities issued to NSSF	-16.27	-17.01	-16.71	-17.01	-17.01
3	Loans from Financial Institutions	40.35	72.48	106.32	45.21	26.02
4	Loans and Advances from GoI	-10.87	-7.07	225.25	286.80	276.91
5	Small Savings, PF, etc.	-361.19	-193.57	215.89	292.39	-251.79
6	Reserve Fund	40.24	227.29	50.93	61.79	41.57
7	Deposits and Advances	489.63	542.28	-23.35	-379.51	-743.20
8	Suspense and Miscellaneous	21.26	8.85	381.39	-343.49	513.16
9	Remittances	-86.53	120.76	136.22	-150.05	189.32
10	Overall Deficit	-6.60	1,499.36	1,754.50	243.46	1,165.30
11	Increase/Decrease in cash balance	359.52	-275.06	114.81	129.07	-57.63
12	Gross Fiscal Deficit (-)/Fiscal Surplus (+)	-352.92	-1,224.30	-1,869.31	-372.53	-1,107.67

Source: Finance Accounts

2.9.2 Debt Profile : Maturity and Repayment

Public Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2022-23, the maturity profile of public debt is shown in **Table 2.36**.

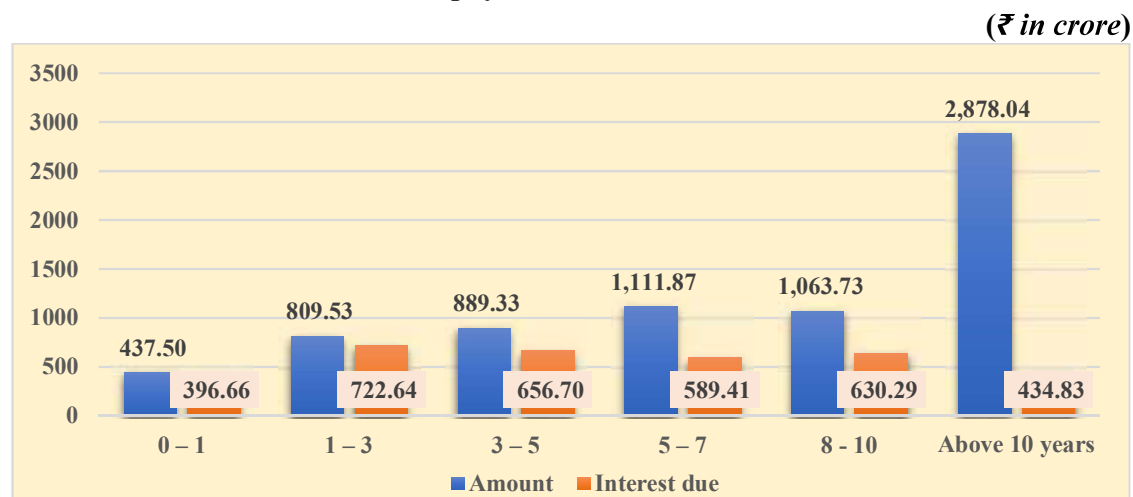
Table 2.36: Debt Maturity Profile of Public Debt

Year of Maturity	Period of repayment (Years)	Amount (₹ in crore)			Percentage (w.r.t. Public Debt)	Projected Interest due
		Internal Debt	Loans and advances from GoI	Total		
By 2023-24	0 to 1	412.12	25.38	437.50	6.08	396.66
Between 2024-25 & 2025-26	2 to 3	758.77	50.76	809.53	11.26	722.64
Between 2026-27 & 2027-28	4 to 5	838.57	50.76	889.33	12.37	656.70
Between 2028-29 & 2029-30	6 to 7	1,086.44	25.43	1,111.87	15.46	589.41
Between 2030-31 & 2032-33	8 to 10	1,054.69	9.03	1,063.72	14.79	630.29
2033-34 onwards	Above 10 years	1,991.38	886.69	2,878.07	40.03	434.83
Total		6,141.97	1,048.05	7,190.02	100.00	3,430.53

Source: Finance Accounts

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

Chart 2.17: Repayment schedule of Public Debt



Source: Finance Accounts

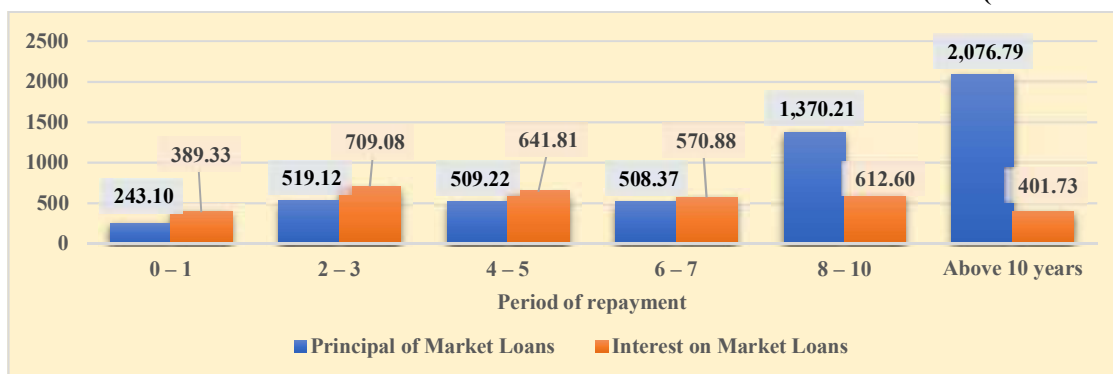
As on 31 March 2023, the maturity profile of outstanding stock of Public Debt was ₹ 7,190.02 crore out of which ₹ 4,311.95 crore (59.97 per cent) was to attain maturity in the coming 10 years. The balance amount of ₹ 2,878.07 crore (40.03 per cent) was in maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 3,430.53 crore. Out of this, interest of ₹ 2,995.70 crore was payable during the next 10 years.

Market Loans

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

Chart 2.18: Repayment schedule of market loans

(₹ in crore)



Source: Finance Accounts

As on 31 March 2023, outstanding Market Loans of ₹ 5,226.81 crore had interest liability of ₹ 3,427.35 crore. Out of this amount ₹ 3,150.02 crore (60.27 per cent) was to attain maturity in the coming 10 years. The balance amount of ₹ 2,076.79 crore (39.73 per cent) was in maturity bracket of more than 10 years. Interest payable on outstanding market loans during the next 10 years will be ₹ 2,923.70 crore.

The details of repayment of Public Debt for the next ten years (2023-24 to 2032-33) may be seen in **Table 2.37**.

Table 2.37: Repayment of Public debt from 2023-24 to 2033-34 onwards

(₹ in crore)

Year	Public Debt		Interest		Total
	Internal debt	Loans from GoI	Internal debt	Loans from GoI	
2023-24	412.12	25.38	396.17	0.49	834.16
2024-25	392.89	25.38	377.86	0.49	796.62
2025-26	365.88	25.38	343.80	0.49	735.55
2026-27	306.70	25.38	334.99	0.49	667.56
2027-28	531.87	25.38	320.73	0.49	878.47
2028-29	145.51	22.42	293.97	0.44	462.34
2029-30	940.93	3.01	294.94	0.06	1,238.94
2030-31	270.08	3.01	256.42	0.06	529.57
2031-32	348.28	3.01	199.07	0.06	550.42
2032-33	436.33	3.01	174.62	0.06	614.02
2033-34 onwards	1,991.38	886.69	434.78	0.05	3312.89
Total	6,141.96	1,048.06	3,427.35	3.18	10,620.53

Source : Finance Accounts

2.10 Debt Sustainability Analysis

Debt sustainability analysis has been carried out on the basis of fiscal and debt parameters, Domar approach and compliance of macro-fiscal parameters to the respective FRBM targets. The results of the analyses are given in the following paragraphs:

A. Analysis of debt based on Fiscal and Debt parameters

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 trends in debt sustainability indicators for the State is shown in **Table 2.38** and **Chart 2.19**.

Table 2.38: Trends in Debt Sustainability Indicators*(₹ in crore)*

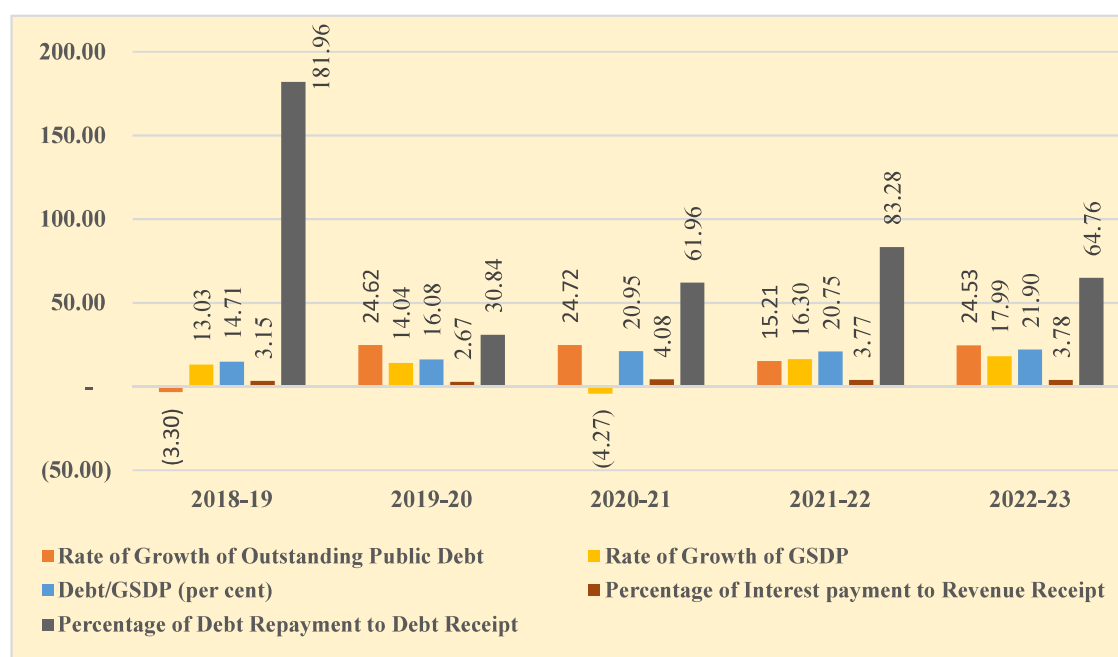
Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
Outstanding Public Debt*	3,224.27	4,018.03	5,011.45	5,773.78	7,190.02
Rate of Growth of Outstanding Public Debt	-3.30	24.62	24.72	15.21	24.53
GSDP	21,912.08	24,989.60	23,922.94	27,823.50	32,829.46
Rate of Growth of GSDP	13.03	14.04	-4.27	16.30	17.99
Public Debt/GSDP (<i>per cent</i>)	14.71	16.08	20.95	20.75	21.90
Debt Maturity profile of repayment of State debt – including default history, if any	66.71	56.97	53.72	67.37	59.97
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.68	7.13	7.00	6.41	6.00
GSDP growth rate- Average Interest	4.35	6.92	-11.27	9.90	11.99
Interest payments on Public Debt	284.68	258.12	315.99	345.64	388.79
Revenue Deficit (-)/Surplus (+) without interest payment on Public Debt	1,818.59	462.42	-458.14	947.89	578.68
Interest payments on Public Debt as a percentage of Revenue Deficit (-)/Surplus (+)	18.56	126.34	-40.82	57.39	204.73
Percentage of Interest payment to Revenue Receipt	3.15	2.67	4.08	3.77	3.78
Percentage of Debt Repayment to Debt Receipt	181.96	30.84	61.96	83.28	64.76
Net Debt available to the State [#]	-394.69	535.64	677.44	416.69	1,027.44
Net Debt available as <i>per cent</i> to Debt Receipts Primary Deficit/surplus	-294.06	46.67	25.94	9.14	25.56
Primary Surplus (+)/Deficit (-)	15.76	-881.18	-1,468.32	78.11	-613.79
Debt Stabilisation (Quantum spread ³⁰ + Primary Deficit)	156.02	(-) 603.53	(-) 2,033.11	649.14	248.29

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.

³⁰ Quantum Spread = Debt* (GSDP growth rate - Interest rate)

Chart 2.19: Trends of Debt Sustainability indicators



Source: Finance Accounts

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

- Debt/GSDP (*per cent*) has fluctuated over the five-year period and is currently on the rise from 20.75 *per cent* in 2021-22 to 21.90 *per cent* in 2022-23 indicating that debt sustainability is less stable compared to the previous year.
- Net Debt available is higher than the previous year's by ₹ 610.75 crore and stood at 25.56 *per cent* of Debt Receipts of the State Government for the year.
- The percentage of debt repaid to the debt received was 64.76 *per cent* and fluctuated between 30.84 (2019-20) to 181.96 (2018-19) *per cent* during the five-year period indicating that a large percentage of debt taken on was utilised for the repayment of earlier debt.
- Rate of growth of outstanding debt had increased from 15.21 *per cent* in the previous year to 24.53 *per cent* for the current year.
- Average Interest Rate of Outstanding Public Debt during the last five years was highest during 2018-19 at 8.68 *per cent*. It decreased by 0.43 *per cent* over the previous year and stood at 6.00 *per cent* for the current year.
- Interest payments made up 3.78 *per cent* of Revenue Receipts for the current year rising from 3.77 *per cent* in the previous year.

B. Analysis of debt based on Domar Model

An analysis on debt sustainability was carried out based on a study by E.D Domar [Domar, 1944]. The Domar model States that the necessary premise for ensuring stability of public indebtedness is that the interest rates for government loans should not exceed the growth rate of GDP.

The dynamics of public debt depending on the interest rate, growth rate of GSDP and the primary budget balances are as shown below.

$g - r$ (g – rate of growth of GSDP; r – average interest rate)	$s < 0$ (Primary Deficit)	$s > 0$ (Primary Surplus)
$g - r > 0$ (strong economic growth)	Public debt as percentage of GSDP should converge to a stable level greater than zero.	Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
$g - r < 0$ (slow economic growth)	Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.	Undefined situation.

The results of applying the above parameters in the case of Mizoram, are shown in the following table.

Table 2.39: Debt sustainability as per Domar Model

Year	Real Growth ³¹ (g)	Real interest rate ³² (r)	Domar gap (g-r)	Primary Deficit (-) / Surplus (+) (s)	Remarks
2018-19	9.10	6.19	2.91	15.76	$g-r>0$ and $s>0$; Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
2019-20	11.08	2.05	9.03	-881.18	$g-r>0$ and $s<0$; Public debt as percentage of GSDP should converge to a stable level greater than zero.
2020-21 ³³	-8.15	-2.52	-5.63	-1,468.32	$g-r<0$ and $s<0$; Public debt as percentage of GSDP should increase indefinitely, without converging to a stable level.
2021-22	12.58	0.19	12.39	78.11	$g-r>0$ and $s>0$; Public debt as percentage of GSDP should converge to a stable level less than zero leading to public savings.
2022-23	13.56	-1.88	15.44	-613.79	$g-r>0$ and $s<0$; Public debt as percentage of GSDP should converge to a stable level greater than zero.

Source: Ministry of Statistics and Programme Implementation and Department of Economics and Statistics, Govt of Mizoram

During the five-year period from 2018-19 to 2022-23, the State had primary deficit in 2019-20, 2020-21 and 2022-23. In the pre Covid period of 2018-19 and 2019-20, the real growth rate of the GSDP was an average of 10.09 *per cent* while Domar gap improved in 2019-20 due to falling interest rate. In the post Covid period, the Domar gap has remained positive during 2021-22 and 2022-23 indicating that real interest rates have remained below the GSDP growth rates. However, the sustainability of public debt depends on whether the state economy maintains the real growth rate in the long run.

³¹ Real growth is taken as year on year growth of GSDP at constant price expressed as percentage.

³² For calculation of real interest rate, the average interest rate on outstanding debt, featured in the SFARs of the respective years minus the average interest of CPI inflation based on CPI Index (General) released by MoSPI has been taken.

³³ Low base due to post Covid year.

C. Analysis of debt based on FRBM targets

Details of the achievements *vis-à-vis* targets set in the FRBM Act are shown in **Table 2.40**.

Table 2.40: Performance in FRBM Targets

Fiscal Parameters [#]		Achievements <i>vis-à-vis</i> targets set in the FCR				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (₹ in crore)	T	Revenue surplus.				
	A	1,533.91	204.31	-774.13	602.25	189.89
Fiscal Deficit (-) / Surplus (+) (₹ in crore)	T	-657.36	-2,084.13	-1,531.07	-1,446.82	-1,095.27
	A	-352.92	-1,224.29	-1,869.31	-372.53	-1,107.67
Ratio of total outstanding liability to GSDP (in per cent)	T	34.19	32.66	27.85	27.63	31.81
	A	33.39	34.73	41.30	37.99	33.42

Source: Finance Department and Finance Accounts

'T' and 'A' stand for 'Targets' and 'Achievements' respectively

The State was unable to meet the target of Revenue Surplus in 2020-21. Similarly, the targets pertaining to Fiscal Deficit in 2020-21 and 2022-23 and targets for Outstanding Liabilities from 2019-20 to 2022-23 were not achieved.

Breaching the levels of the fiscal indicators continuously exposes the State to the risk of the fiscal situation becoming unmanageable. The Government needs to take immediate action to correct the situation.

Fiscal sustainability risk:

1. As per various fiscal and debt parameters depicted above, debt stabilization is deteriorating.
2. As per the Domar model analysis, the growth rate of interest is generally higher/lower than the rate of growth of the GSDP. This indicates that the GSDP rate and the interest rate would converge in the medium term/ would not converge in the short to medium term.
3. As per the macro fiscal parameters, such as ceiling on Public Debt, Revenue and Fiscal Deficit and ceiling on Guarantees given by the State Government in a particular year and as on 31 March of that year, the Government's fiscal sustainability is a concern as indicated by the falling of Revenue Surplus figures, increasing Fiscal Deficit and ratio of Outstanding Liability to GSDP, though on declining trend from 2020-21, still higher than the Target. Although the Guarantees provided by the Government were within prescribed limits, the overall path of the above trends highlight the need for the Government to address fiscal imbalances and work towards sustainable financial management.

On the basis of the above, it is inferred that the State's fiscal sustainability has risk in the short to medium term unless remedial measures are taken to rationalize expenditure, explore further sources, expand revenue base and invest in revenue generating assets.

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 2.41** shows the trend of utilisation of borrowed funds during the period 2018-23 for the State Government.

Table 2.41: Utilisation of borrowed Funds³⁴

(₹ in crore)

Year		2018-19	2019-20	2020-21	2021-22	2022-23
Total Borrowings	1	134.22	1,147.68	2,611.32	4,560.28	4,019.39
Repayment of earlier borrowings (Principal)	2	134.22 ³⁵	353.92	1,617.89	3,797.95	2,603.15
(percentage)		100.00	30.84	61.96	83.28	64.76
Borrowing available for capital expenditure etc.	3	0.00	793.84	993.43	762.33	1416.24
Net capital expenditure	4	1,868.47	1,372.67	1,125.97	1,004.38	1,321.86
Net loans and advances	5	18.36	55.94	-30.79	-29.59	24.30
Borrowings available for Revenue Expenditure	1- (2+4+5)	0.00	0.00	0.00	0.00	70.08

Source: Finance Accounts

From **Table 2.41** it can be seen that during the period 2018-23 the State Government utilised 100 *per cent* (2018-19) to 30.84 *per cent* (2019-20) of its current borrowings for repayment of earlier borrowings. Further, except 2022-23 borrowed funds were not sufficient for meeting Capital expenditure. Thus, borrowed funds were being used mostly for meeting repayment of earlier borrowings instead of capital creation/development activities. The State Government spent ₹ 1,321.86 crore (32.89 *per cent*) of the borrowed funds on Capital expenditure in 2022-23 which showed notable improvement over previous two years in utilisation of borrowed funds towards creation of concrete assets.

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 2022-23, which is the third 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-2.42**.

³⁴ Values in Table 2.38 differ from SFAR 2019-20 due to change in methodology of calculation.

³⁵ Out of the total repayment of borrowing of ₹ 244.23 crore during the year 2018-19, ₹ 134.22 crore was made from borrowed funds and the balance amount of ₹ 110.01 crore was made from other sources.

Table 2.42: Guarantees given by the State Government*(₹ in crore)*

Guarantees	2018-19	2019-20	2020-21	2021-22	2022-23
Ceiling applicable to the outstanding amount of guarantees including interest (Criteria)	5,478.02	6,247.40	5,980.74 ³⁶	6,955.88	8,207.25
Outstanding amount of guarantees including interest as on 1 April of the year	133.92	97.99	140.66	138.63	125.13

Source: Finance Accounts

The outstanding guarantees of ₹ 125.13 crore as on 1 April 2022 worked out to 0.38 *per cent* of the GSDP of the year 2022-23 (₹ 32,829.46 crore) and was within the prescribed limit of ₹ 8,207.25 crore.

During 2022-23, Government of Mizoram had issued fresh guarantee of ₹ 2.90 crore to Mizoram Co-operative Apex Bank Ltd. and guarantee to the extent of ₹ 7.96 crore was deleted.

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 loan as a guarantee commission which shall not be waived under any circumstances and which works out to ₹ 0.55 crore. During the year, no amount was received by the State Government towards guarantee commission.

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 ₹ 2,254.42 crore from the RBI during 2022-23 and was able to repay the entire amount including the interest of ₹ 1.94 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

³⁶ Ceiling limit on Guarantees differs from previous year due to revision of GSDP figures for 2020-21 and 2021-22

productive use. Details of cash balances and their investment for 2022-23 are given in **Table-2.43**.

Table 2.43: Cash Balances and their investment

(₹ in crore)

	Opening balance on 01 April 2022	Closing balance on 31 March 2023
A. General Cash Balance		
Cash in treasuries	NIL	NIL
Deposits with Reserve Bank of India	-507.49	-342.87
Deposits with other Banks	NIL	NIL
Remittances in transit – Local	NIL	NIL
Total	-507.49	-342.87
Investments held in Cash Balance investment account	338.11	169.86
Total (A)	-169.38	-173.01
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	2.23	2.23
Permanent advances for contingent expenditure with department officers	NIL	NIL
Investment in earmarked funds	432.69	493.95
Total (B)	434.92	496.18
Total (A + B)	265.54	323.17
Interest realised	28.38	32.09

Source: Finance Accounts

Cash Balance of the State Government at the end of the current year increased by ₹ 57.63 crore from ₹ 265.55 crore in 2021-22 to ₹ 323.17 crore in 2022-23. 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 ₹ 32.09 crore during 2022-23 from the investments made in GoI Securities and Treasury Bills. Investment held in Cash Balance Investment Account stood at ₹ 173.01 crore as on 31 March 2023.

Out of the investment of ₹ 493.95 crore of earmarked funds, ₹ 443.45 crore was invested out of Consolidated Sinking Fund and ₹ 50.50 crore out of Guarantee Redemption Fund at the end of the year.

Details of Cash Balance Investment Account during the last five years from 2018-19 to 2022-23 are shown in **Table 2.44**.

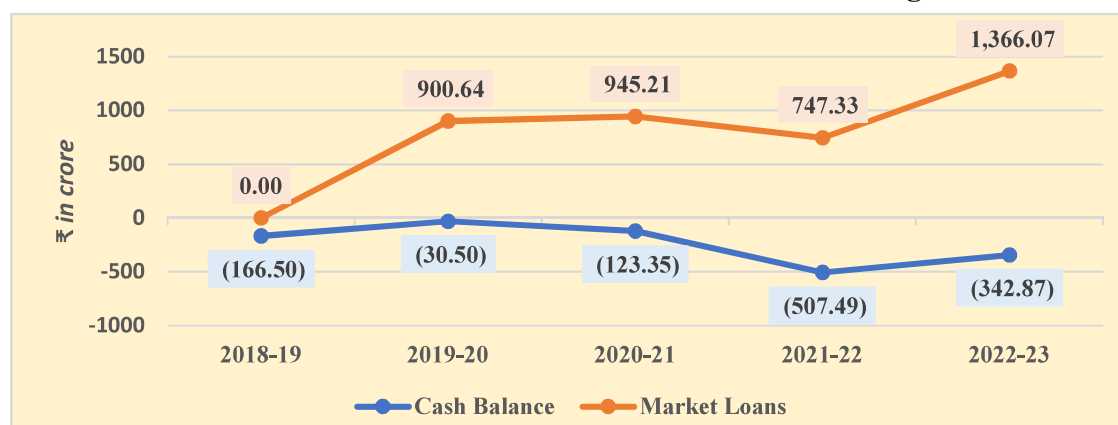
Table 2.44: Trend of Cash Balance Investment from 2018-19 to 2022-23

Year	Opening Balance	Closing Balance	Investment as on 31 March	Interest
2018-19	307.26	-95.49	71.01	29.83
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

Source : Finance Accounts

The details and trend of market loans taken by the State Government during the period 2018-23 is shown in **Chart 2.20**³⁷.

Chart 2.20: Trend of Cash Balance and Market Loans during 2018-23



Source: Finance Accounts

@ Figures within brackets are minus figures.

During the year 2022-23, the State could have avoided market borrowings to the extent of the General Cash Balance of ₹ 173.01 crore which included Cash Balance Investment of ₹ 169.86 crore. An interest of ₹ 32.09 crore (18.89 *per cent*) was earned on these investments whereas the State Government paid ₹ 358.07 crore as interest on market borrowings (at 7.68 *per cent* average interest) during 2022-23.

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 2022-23 was ₹ 10,282.06 crore which had increased by ₹ 1,122.32 crore (12.25 *per cent*) from the previous year. State's Own Tax Revenue increased by ₹ 247.88 crore (29.02 *per cent*) from the previous year while Non-Tax revenue increased by ₹ 405.65 crore (65.20 *per cent*). Compared to the previous year, State's Share of Union taxes and Duties increased by ₹ 522.39 crore (12.37 *per cent*) while Grants-in-Aid from GoI decreased by ₹ 53.60 crore (1.55 *per cent*).

The State Government received ₹ 1,538.65 crore being Central share of Centrally Sponsored Scheme during the year 2022-23 in its Treasury Accounts. As on 31 March 2023, the Government transferred Central share of ₹ 950.92 crore received in Treasury Accounts and State share of ₹ 202.84 crore to the Single Nodal Agencies leading to short transfer of ₹ 587.73 crore of Central Share. As per SNA report of Public Financial Management System portal, ₹ 344.23 crore are lying unspent in the bank accounts of SNAs as on 31 March 2023.

³⁷ No Market Loans were raised by the State in 2018-19.

Revenue Expenditure during the year 2022-23 was ₹ 10,092.17 crore (88.40 *per cent*) against the total expenditure of ₹ 11,416.22 crore. Committed expenditure like salary & wages, pension, interest payments which had been rising steadily during consecutive years. Committed expenditure during 2022-23 was ₹ 6,727.78 crore (65.43 *per cent* of the Revenue Receipts and 66.66 *per cent* of the Revenue Expenditure).

Capital Expenditure increased by ₹ 317.48 crore (31.61 *per cent*) from ₹ 1,004.38 crore during 2021-22 to ₹ 1,321.86 crore in 2022-23.

As on 31 March 2023, 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 2022-23 nor in the preceding four financial years. On the other hand, the Government's future liability on market borrowings bore an interest liability at average rates of interest ranging between 4.29 and 5.04 *per cent* during 2018-19 to 2022-23.

Capital Expenditure of ₹ 2,552.59 crore incurred on 291 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 291 incomplete projects resulting in cost overrun of ₹ 87.19 crores in various projects under Public Health Engineering Department, Power & Electricity and Public Works Department departments.

The State Government received ₹ 39.20 crore as Central Government's share of SDRF. While the State Government's share during the year was ₹ 4.36 crore. However, the State Government did not transfer ₹43.56 crore (Central share ₹39.20 crore, State share ₹4.36 crore) to the Fund under Major Head 8121-122 SDRF.

The State Government received ₹14.30 crore as Central Government's share of SDMF. However, the State Government neither contributed its share of ₹ 1.59 crore to the fund nor did it transfer ₹ 15.89 crore (Central share *plus* State share) to the Fund. This resulted in understatement of Revenue Expenditure to that extent. The balance under the fund at the end of the year was NIL.

During the year 2022-23, Government contributed ₹ 52.26 crore to the Consolidated Sinking Fund as against ₹ 49.00 crore it was required to contribute to the fund. The total accumulation of the Fund was ₹ 443.45 crore as on 31 March 2023.

The funds available with the Mizoram Building and Other Construction Workers' Welfare Board (MBOCWWB) during the year was ₹ 70.23 crore. During the year, the Board spent an amount of ₹ 25.51 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 ₹ 44.72 crore at the end of the year. The annual accounts of MBOCWWB 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 ₹ 10,570.93 crore in 2021-22 to ₹ 10,972.49 crore in 2022-23, whereas Outstanding

Liabilities/GSDP ratio decreased from 37.99 *per cent* to 33.42 *per cent* during the same period.

As on 31 March 2023, the maturity profile of outstanding stock of Public Debt was ₹ 7,190.02 crore out of which ₹ 4,311.95 crore (59.97 *per cent*) was to attain maturity in the coming 10 years. The balance amount of ₹ 2,878.07 crore (40.03 *per cent*) was in maturity bracket of more than 10 years. Interest payable on outstanding public debt will be approximately ₹ 3,430.53 crore. Out of this, interest of ₹ 2,995.70 crore was payable during the next 10 years.

During the year 2022-23, the State Government utilised 64.76 *per cent* (₹ 2,603.15 crore) of its borrowed funds (₹ 4,019.39 crore) for re-payment of earlier borrowings and the balance amount of borrowed funds of ₹ 1,416.24 crore (35.24 *per cent*) was utilised for other expenditure.

The outstanding guarantees of ₹ 125.13 crore as on 1 April 2022 worked out to 0.38 *per cent* of Gross State Domestic Product (GSDP) and were within the limit prescribed in Mizoram Ceiling on Government Guarantees Rules.

2.11.2 Recommendation

- *The State Government should transfer Central and State Share of State Disaster Response Fund and State Share of State Disaster Mitigation Fund to Public Account under Major Head 8121.*
- *The Government should ensure that the Mizoram Building and Other Construction Workers' Welfare Board strictly adheres to the provisions of the Building and Other Construction Workers' Welfare Act and rules, specifically regarding the preparation of annual accounts by the Board.*
- *State Government may take necessary measures to rationalise spending of the Government to reduce the burden of its total outstanding public liabilities.*