
EXECUTIVE SUMMARY

About the Report

This Report of the CAG of India is on the State Finances for the year 2022-23. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and its impact.

Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 11.42 *per cent* from ₹ 21,912 crore in 2018-19 to ₹ 32,829 crore in 2022-23. Budget Outlay of the State grew at an average growth rate of 9.95 *per cent* from ₹ 12,599.30 crore in 2018-19 to ₹ 17,455.84 crore in 2022-23.

There was 17.99 *per cent* growth in GSDP over 2021-22. The revenue receipts grew at 12.25 *per cent* and the percentage of revenue receipts over GSDP decreased from 32.92 *per cent* in 2021-22 to 31.32 *per cent* in 2022-23. The tax revenue increased by 15.17 *per cent* during the period and the State's own tax revenue increased by 29.03 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of the State of Mizoram increased from ₹ 9,564.45 crore in 2021-22 to ₹ 11,416.22 increasing by 19.36 *per cent*. Of this, revenue expenditure showed 17.93 *per cent* increase from 2021-22. Revenue Surplus decreased from ₹ 602.25 crore to ₹ 189.89 crore registering 68.47 *per cent* decrease over 2021-22, while fiscal deficit increased from ₹ 372.53 crore in 2021-22 to ₹ 1,107.67 crore in 2022-23 increasing by 197.34 *per cent*.

Revenue Receipt and Expenditure

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants in aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, *etc*).

From 2018-19 to 2022-23, revenue receipts grew from ₹ 9,039.50 crore to ₹ 10,282.06 crore, with an average annual growth rate of 4.59 *per cent*. Capital receipts also increased from ₹ 156.38 crore to ₹ 4,045.88 crore during this period. The share of Grants-in-aid in revenue receipts fell from 48.23 *per cent* in 2018-19 to 33.14 *per cent* in 2022-23, indicating decreased reliance on support from the Government of India. In 2022-23, the buoyancy of Revenue Receipts and Own Revenue Receipts with respect to GSDP and was 0.68 and 2.46 respectively. The State Government received ₹ 1,599.98 crore as Central share for the Centrally Sponsored Schemes (CSSs) in the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure

and service network. Between 2018-19 and 2022-23, revenue expenditure increased from ₹ 7,505.59 crore (34.25 *per cent* of GSDP) to ₹ 10,092.17 crore (30.74 *per cent* of GSDP). It consistently made up a significant portion (80 to 89 *per cent*) of the total expenditure during this period, growing at an average annual rate of 8.71 *per cent*.

Result of expenditure beyond means

The gap between the revenue receipt and revenue expenditure results in revenue deficit/surplus. The revenue surplus of the State decreased to ₹ 189.89 crore (0.58 *per cent* of GSDP) in the current year from ₹ 1,533.91 crore (7.00 *per cent* of GSDP) in the year 2018-19.

The State Government spent ₹ 1,321.86 crore only on capital account. This was 11.58 *per cent* of the total expenditure in the year 2022-23. Capital expenditure was just 32.89 *per cent* of the total borrowings. Thus, the borrowed funds were being used mainly for meeting current consumption and repayment of borrowings instead of capital creation/development activities.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹ 1,107.67 crore (3.37 *per cent* of GSDP) in 2022-23 from ₹ 352.92 crore (1.61 *per cent* of GSDP) in 2018-19.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries & wages and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted 63-70 *per cent* of revenue expenditure during 2018-19 (64.90 *per cent*) and 2022- 2023 (66.66 *per cent*). The Committed expenditure increased at an average rate of 14.27 *per cent* i.e. from ₹ 4,871.42 crore in 2018-19 to ₹ 6,727.78 crore in 2022-23 {an increase of 14.79 *per cent* over 2021-22 (₹ 5,860.78 crore)}.

In addition to the committed expenditure, inflexible expenditure decreased from 3.49 *per cent* to 2.95 *per cent* of revenue expenditure during 2018-19 to 2022-23, indicating a declining trend. However, in absolute terms, inflexible expenditure increased marginally from ₹ 296.17 crore in 2021-22 to ₹ 298.00 crore in 2022-23 registering an increase of 0.62 *per cent*. The average growth of inflexible expenditure during the period from 2018-19 (₹ 261.92 crore) to 2022-23 (₹ 298.00 crore) was 13.78 *per cent*.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹ 7,025.78 crore, 69.61 *per cent* of the revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Status of Subsidies given by the Government

Within the non-committed expenditure, there is an increasing trend of subsidies, which increased from ₹ 12.43 crore in 2018 -2019 to ₹ 109.28 crore in 2022-23 i.e., from 0.17 *per cent* of the total revenue expenditure in 2018-19 to 1.08 *per cent* in 2022-23.

Contingent Liabilities on account of Guarantees

At the beginning of the year, the outstanding amount of guarantees given by the Government stood at ₹ 125.15 crore. The outstanding guarantees worked out to 0.38

per cent of the GSDP of the year 2022-23 (₹ 32,829.46 crore) and was well within the prescribed ceiling 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.

Fiscal sustainability

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, etc. So far as revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, etc. and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds, transfer to local bodies, etc.

FRBM requirements and compliance with fiscal parameters

The FRBM Act / Rules prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the Gross State Domestic Product (GSDP) should be, and similarly for guarantees as a percentage of revenue receipts of the previous year. In 2022-23, revenue surplus was 0.58 per cent of GSDP; fiscal deficit was 3.37 per cent of GSDP as against the limit of 4.10 per cent; total outstanding liability was 33.42 per cent of GSDP as against the limit of 31.81 per cent.

As per the debt stabilisation analysis, Public Debt of the Government of Mizoram has grown at an average rate of 17.16 per cent annually between 2018-19 to 2022-23. Public debt-GSDP ratio of Mizoram has increased from 14.71 per cent in 2018-19 to 21.90 per cent in 2022-23, which indicates that debt stabilisation may not be possible in near future.

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.

Budget performance

Aggregate expenditure outturn

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, deviation in outturn compared with Budget Estimates (BE) was + 0.21 per cent. This was due to deviation up to ±25 per cent in 18 grants, between ±25 per cent and ±50 per cent in three grants; and between ±50 per cent and ±100 per cent in six grants. In the Capital section, deviation in outturn compared with BE was - 1.86 per cent. This was due to deviation between ±25 per cent and ±50 per cent in one grant; and between ±50 per cent and ±100 per cent in five grants and more than ±100 per cent in two grants. No provision was made in respect of 37 grants of the Capital section.

Expenditure composition outturn

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the final budget and the actual expenditure. In the Revenue section, deviation in outturn compared with Revised Estimates (RE) was -15.31 *per cent*. This was due to deviation up to ± 25 *per cent* in 38 grants, between ± 25 *per cent* and ± 50 *per cent* in four grants and between ± 50 *per cent* and ± 100 *per cent* in three grants. In the Capital section, deviation in outturn compared with RE was -27.26 *per cent*. This was due to deviation up to ± 25 *per cent* in five grants, between ± 25 *per cent* and ± 50 *per cent* in two grants, between ± 50 *per cent* and ± 100 *per cent* in six grants and equal to or more than ± 100 *per cent* in four grants.

It was noticed that supplementary provisions of ₹ 665.37 crore during the year 2022-23 in 15 cases (more than ₹ 50 lakh in each case) proved unnecessary, as the expenditure did not come up even to the level of original provisions.

Regularization of Excess over Grants/Appropriations

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per article 204 and 205 (1) (b) of the Constitution. It was observed that in 2022-23 there was excess expenditure of ₹ 1,332.30 crore under one grant and one Appropriation which required regularization. Further, excess disbursements of ₹ 834.86 crore pertaining to 2019-20 to 2021-22 were yet to be regularized.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget was less than 5 percent, there were deviations up to 25% and even above in different grants. Moreover, it was also noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice should need to deal with such deviations.

Quality of Accounts and Financial Reporting

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds outside the Government accounts, non- or short – discharging of liabilities and misclassification of transactions and data gaps.

Reconciliation

All Departments are required to reconcile their expenditure and receipts with the figures booked in the accounts in the Accountant General Office. The State Government reconciled 99.24 *per cent* of the total expenditure and 75.60 *per cent* of the receipts during the year.

Compliance with IGAS

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government partially complied with IGAS.

Funds to Single Nodal Agency

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA lying outside the Government Account. As per information available on the PFMS portal, ₹ 1,741.49 crore (₹ 1,538.65 crore share of the Government of India and ₹ 202.84 crore share of the State Government) was transferred to the SNAs during 2022-23. However, the State Government transferred ₹ 950.92 (Central share) crore and ₹ 202.84 (State share) to the SNAs during 2022-23, leading to short transfer of ₹ 587.73 crore of Central share. As per data available on PFMS Portal, ₹ 344.23 crore was lying unspent in the bank accounts of SNAs as on 31 March 2023.

Scrutiny of PFMS reports¹ revealed that the SNAs' accounts were credited a total amount of ₹ 16.00 crore (Central share ₹ 14.51 crore and State share ₹ 1.49 crore) as interest earned during the year as on 31 March 2023. Additionally, Central share of interest amounting ₹ 1.63 crore was yet to be deposited from previous years. The entire amount of Central share of interest of ₹ 16.14 crore was yet to be credited to the Consolidated Fund of India as on 31 March 2023.

Utilisation Certificates against conditional grants

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, nine outstanding UCs of ₹ 16.06 crore were pending as on 31st March 2023.

DCC bills against AC bills

Similarly, despite the requirement of submitting Detailed Countersigned Contingency (DCC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 51 AC bills of ₹ 247.88 crore were pending for submission of DC bills as on 31st March 2023, out of which 7 AC Bills amounting to ₹ 3.86 crore pertained to the period upto 2021-22.

Funds outside Government Account

It has been observed that most of the Drawing and Disbursing Officer (DDOs) have opened Current/Savings Accounts in Commercial Banks. As per information provided by 273 DDOs (out of 1170) in the State, there was an amount of ₹ 262.56 crore lying in Savings/Current Bank Account as on 31 March 2023. Further analysis of these 273 DDOs revealed that an amount of ₹ 213.54 crore was being kept in 452 Savings bank accounts and ₹ 49.02 crore in 159 Current bank accounts.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants, non-submission of DC bills against AC bills, non-compliance with IGAS and funds remaining outside Government accounts have impacted the quality of accounts adversely.

¹ SNA 04 – Interest Income Report and SNA 04A – Interest Deposited Report

Working of State Public Sector Undertakings

As on 31 March 2023, there were six State Public Sector Enterprises (SPSEs) (all working Government Companies) in Mizoram, all under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Audit noticed that the prescribed timelines regarding submission of Financial Statements were not adhered to by the six SPSEs whose 37 accounts were in arrears.

Out of the total six working SPSEs, only one SPSE earned profit (₹ 0.98 crore) as per its latest finalised accounts (as on 30 September 2023) while four SPSEs incurred losses (₹ 3.61 crore) while losses of one SPSE are recouped from Government grants. More than 85 per cent (₹ 3.08 crore) of SPSEs' losses was contributed by two Agriculture & Allied Sector SPSEs. Further, the profit earning SPSE had not declared any dividend during 2022-23.

The State Government may impress upon the managements of SPSEs to ensure timely submission of their financial statements. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature. The State Government may also analyse the reasons of losses in loss making SPSEs and initiate steps to make their operations efficient and profitable.