



सत्यमेव जयते

**State Finances Audit Report  
of the  
Comptroller and Auditor General of India  
for the year ended 31 March 2023**



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

**Government of Mizoram**  
**(Report No. 1 of 2024)**

**Laid before the Legislature on 21 August 2024**

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

**for the year ended 31 March 2023**

**Government of Mizoram  
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# PREFACE

1. This Report on the Finances of the State Government of Mizoram has been prepared for submission to the Governor of Mizoram under Article 151 of the Constitution.
2. Chapter 1 of this Report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/ deficit, *etc.*
3. Chapters 2 & 3 of the Report contain audit findings on matters arising from an examination of the Finance Accounts and Appropriation Accounts respectively, of the State Government for the year ended 31 March 2023. Information has been obtained from Government of Mizoram, wherever necessary.
4. Chapter 4 on ‘Quality of Accounts & Financial Reporting Practices’ provides an overview and status of the State Government’s compliance with various financial rules, procedures and directives during the current year.
5. Chapter 5 on ‘State Public Sector Enterprises’ gives an overall picture of the financial performance of State Public Sector Enterprises (SPSEs), as revealed from their accounts. It also contains the impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the SPSEs conducted by the C&AG.
6. The Reports containing the findings of Performance Audit and Compliance Audit in various Government departments, observations arising out of audit of Statutory Corporations, Boards and Government Companies and observations on Revenue Receipts are presented separately.



# **EXECUTIVE SUMMARY**



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## EXECUTIVE SUMMARY

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### *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.*

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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  $\pm 25$  *per cent* in 38 grants, between  $\pm 25$  *per cent* and  $\pm 50$  *per cent* in four grants and between  $\pm 50$  *per cent* and  $\pm 100$  *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  $\pm 25$  *per cent* in five grants, between  $\pm 25$  *per cent* and  $\pm 50$  *per cent* in two grants, between  $\pm 50$  *per cent* and  $\pm 100$  *per cent* in six grants and equal to or more than  $\pm 100$  *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 reports<sup>1</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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.*

<sup>1</sup> 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.*

# **CHAPTER-1**

## **OVERVIEW**



# Chapter 1: Overview

## 1.1 Profile of the State

Mizoram is situated in the North-Eastern Region (NER) of India bordering three of the eight States in the NER<sup>1</sup> and shares an international border with Myanmar and Bangladesh. It is the fifth smallest State of India in terms of geographical area (21,081 sq.km.) and second least populated State in the country. The population of the State increased from 8,88,573 in 2001 to 10,97,206 in 2011 at a decadal growth rate of 23.48 *per cent* which was higher than the National decadal growth rate of 11.68 *per cent*. The projected population as of March 2023 was 12,33,000. The State has eleven districts and three Autonomous District Councils (ADCs). General and financial data relating to the State are given in **Appendix I**.

### 1.1.1 Gross State Domestic Product of the State

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

**Table 1.1** provides a comparison of GDP and GSDP for the period 2018-19 to 2022-23.

**Table 1.1 : Trends in GSDP compared to GDP**

Year	2018-19	2019-20	2020-21	2021-22 <sup>2</sup>	2022-23 <sup>3</sup>
<i>(₹ in crore)</i>					
<b>INDIA</b>					
<b>GDP at current price</b>	1,88,99,668	2,01,03,593	1,98,29,927	2,34,71,012	2,72,40,712
<b>GVA</b>	1,71,75,128	1,83,81,117	1,81,88,780	2,14,38,883	2,47,42,871
<b>Growth rate of GDP over previous year (in per cent)</b>	10.59	6.37	-1.36	18.36	16.06
<b>Growth rate of GVA over previous year (in per cent)</b>	10.77	7.02	-1.05	17.87	15.41
<b>Per Capita GDP ( in ₹)</b>	1,42,424	149,915	1,46,301	1,71,498	1,96,983
<b>MIZORAM</b>					
<b>GSDP at current prices</b>	21,912	24,990	23,923	27,824	32,829
<b>GSVA</b>	21,060	24,133	23,302	27,034	31,827
<b>Growth rate of GSDP over previous year (in per cent)</b>	13.03	14.04	-4.27	16.30	17.99
<b>Growth rate of GSVA over previous year (in per cent)</b>	11.97	14.59	-3.44	16.02	17.73
<b>Per Capita GSDP ( in ₹)</b>	1,84,756	2,08,594	1,97,710	2,27,875	2,66,257

Source: MOSPI<sup>4</sup> data and Department of Economics and Statistics and State Government.

<sup>1</sup> Assam, Manipur and Tripura

<sup>2</sup> Provisional Estimates as of January 2024

<sup>3</sup> Projected / Advance Estimates as of January 2024

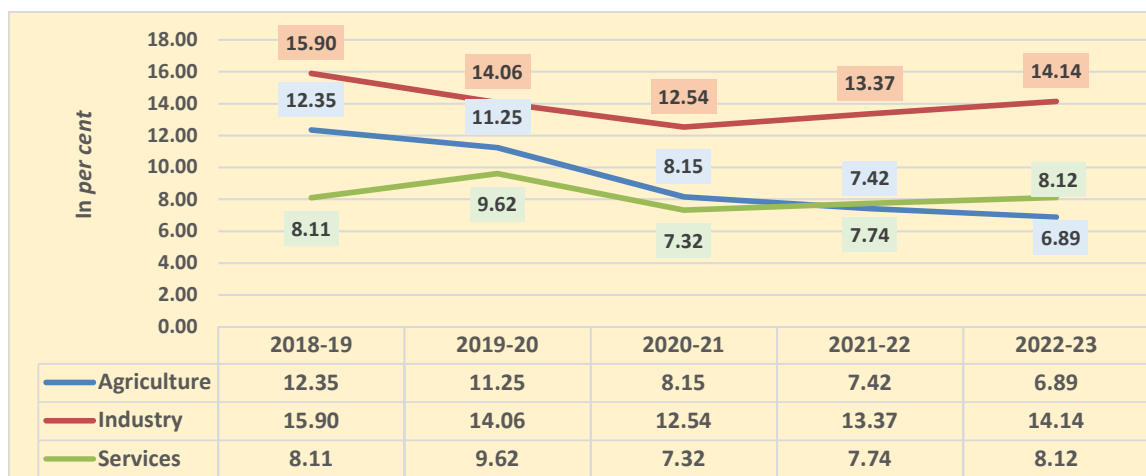
<sup>4</sup> MOSPI – Ministry of Statistics and Programme Implementation, Government of India

The Gross State Domestic Product (GSDP) 2022-23 at current prices was ₹ 32,829 crore and the GDP in 2022-23 at current prices was ₹ 2,72,40,712 crore. Further, the per capita GSDP of the State for the year 2022-23 was ₹ 2,66,257 while that of the country was ₹ 1,96,983. Compared to GDP, GSDP grew at a higher rate during the period from 2018-19 to 2019-20, fell behind in 2020-21 and 2021-22 but surpassed GDP growth rate again in 2022-23. GSDP of Mizoram increased over the previous year by 17.99 per cent during 2022-23. Further, during 2022-23, the per capita GSDP (projected estimates) of Mizoram at current prices was ₹ 2,66,257 which was more than the North-Eastern and Himalayan States' average of ₹ 1,43,331 and all India average of ₹ 1,96,983.

Change in sectoral contribution to the GSDP is also important to understand the changing structure of the economy. The economic activity is generally divided into Primary, Secondary and Tertiary sectors, which correspond to the Agriculture and Allied Activities, Industry and Service sectors.

**Chart 1.1** reveals that during the five-year period from 2018-19 to 2022-23, there has been a significant decrease in the growth rate of the Agriculture sector in GSDP, from 12.35 per cent in 2018-19 to 6.89 per cent in 2022-23. The growth rate of the Industry sector fell from 15.90 per cent in 2018-19 to 14.14 per cent in 2022-23. The growth rate of the Services sector ranged between 9.62 per cent in 2019-20 to 8.12 per cent in 2022-23 during the period. Growth in all sectors has been declining along with the decrease in GSDP.

**Chart 1.1 : Sectoral growth in GSDP**



Source: Department of Economics and Statistics, Government of Mizoram

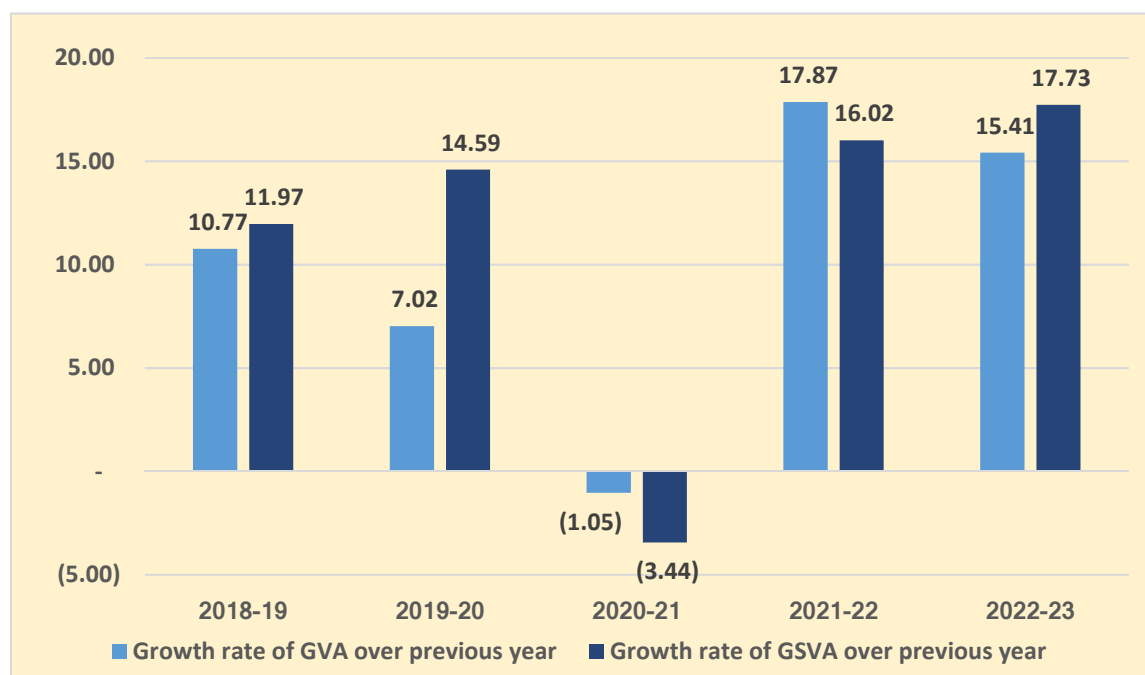
Gross Value Added (GVA)<sup>5</sup> is used for economic analysis by Government of India (GOI) and international organisations like the International Monetary Fund (IMF) and World Bank as GVA is considered a better indicator of economic health than GDP. While GDP is computed as the sum of the various expenditures incurred in the economy, including private consumption spending, government consumption spending and gross fixed capital formation or investment spending reflecting the demand conditions in the economy, both measures have difference in treatment of net taxes as a result of which the inclusion of

<sup>5</sup>  $GVA = GDP - taxes + subsidy$

taxes in GDP may differ from the real output situation. From a policy maker's perspective, it is therefore vital to have a comparison of GVA and Gross State Value Added (GSVA) data for better analysis and making policy intervention.

The trend of growth of GVA vs GSVA for the period 2018-19 to 2022-23 is shown in **Chart 1.2**.

**Chart 1.2 : Growth rate of GVA vs GSVA (2018-19 to 2022-23)**



Source: Department of Economics and Statistics, Government of Mizoram

It can be seen from **Chart 1.2** the growth rate of GVA and GSVA had a fluctuating trend during the last five years (2018-23). During 2018-19 to 2019-20, the growth rate of GVA and GSVA showed an increasing trend while in 2020-21 there was negative growth. During 2021-22 the growth rate of GVA and GSVA again increased and during 2022-23 the rate of growth of GSVA was 17.73 per cent against the growth rate of GVA of 15.41 per cent.

## 1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the State Legislature. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

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

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

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

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

The audit analysis/findings of Chapters I to V of the Report were discussed in the Exit Conference (January 2024) with the Principal Secretary, Department of Finance, Mizoram. Replies furnished in the meeting and those received from the State Government have been suitably incorporated in the Report.

### **1.3 Overview of Government Accounts' Structure and Budgetary Processes**

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

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

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

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

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

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

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the

Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (interest-bearing and non-interest bearing), Advances, Reserve Funds (interest-bearing and non-interest bearing), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

### Budget Document

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

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

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

The **Capital Receipts** consists of:

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

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

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

**Table 1.2 : Classification of Accounts**

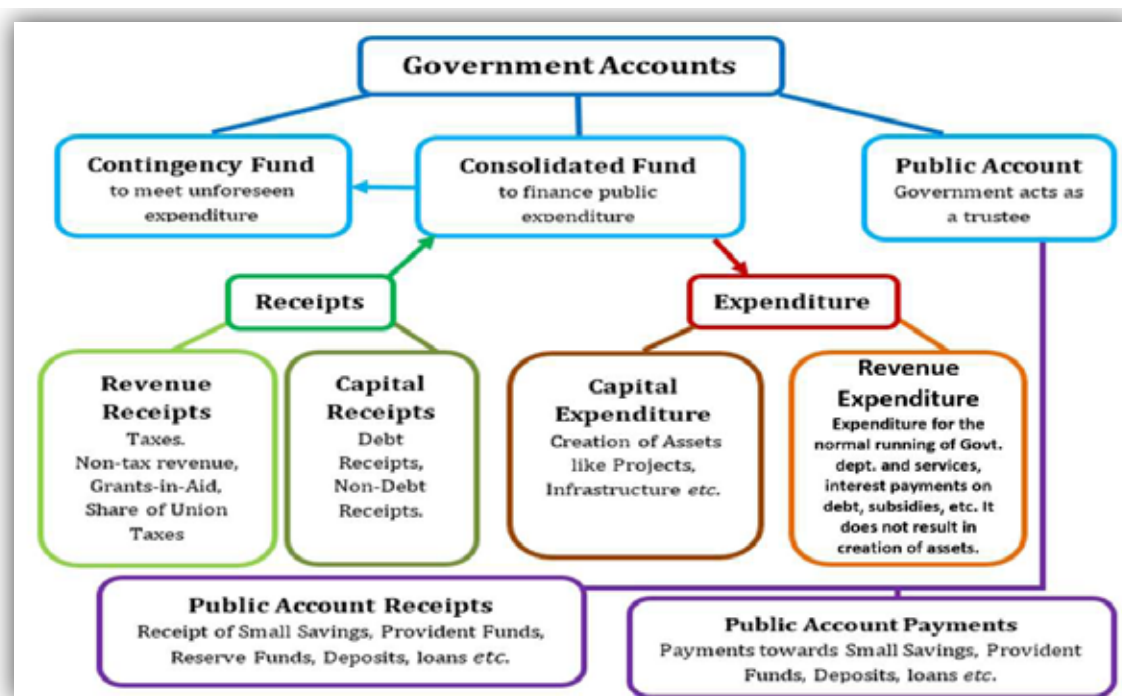
	Attribute of transaction	Classification
<b>Standardised in LMMH<sup>6</sup> by CGA<sup>7</sup></b>	Function- Education, Health, <i>etc.</i> /Department	Major Head under Grants (4 digits)
	Sub-Function	Sub Major head (2 digits)
	Programme	Minor Head (3 digits)
<b>Flexibility left for States</b>	Scheme	Sub-Head (2 digits)
	Sub scheme	Detailed Head (2 digits)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2 digits)

<sup>6</sup> LMMH : List of Major and Minor Heads,

<sup>7</sup> CGA: Controller General of Accounts

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

**Chart 1.3 : Structure of Government Accounts**



**Public Debt and Public Liability :**In this report, ‘Public Debt’ has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loan given by the central government, *etc.* Figures under Major Heads 6003 (Internal Debt) and 6004 (Loans and Advances from GoI) have been taken into consideration for calculation of Public Debt.

Further, the transactions relating to the ‘Small Savings, Provident Fund, *etc.*’, ‘Reserve Funds’ and ‘Deposit’ and ‘Advances’ under Public Accounts are such that the government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to Remittances and Suspense under Public Account includes merely adjusting heads such as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this report, ‘Public Liability’ has been taken to include the transactions under Major Heads 8001 to 8554 relating to ‘Small Savings, Provident Fund, *etc.*’, ‘Reserve Funds’ and ‘Deposits & Advances’ and along with the transactions under Major Heads 6003 and 6004.

## Budgetary Processes

In terms of Article 202 of the Constitution of India the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State, in the form of an Annual Financial Statement. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. The State Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in Chapter- III of this Report.

### 1.3.1 Snapshot of Finances

The following table provides the details of the financial actuals vis-a-vis the Budget Estimates for the year 2022-23 and the actuals of 2021-22.

**Table 1.3: Details of financial results for the year 2022-23**

Sl. No.	Components	2021-22 (Actuals)	2022-23		Percentage of Actuals to B.E.	Percentage of Actuals to GDP
			(Budget Estimate)	(Actuals)		
1	Tax Revenue <sup>(a)</sup>	5,076.80	4,884.54	5,847.07	119.71	17.81
	(i) Own Tax Revenue	853.94	801.30	1,101.82	137.50	3.36
	(ii) Share of Union taxes/duties	4,222.86	4,083.24	4,745.25	116.21	14.45
2	Non-Tax Revenue	622.12	836.43	1,027.77	122.88	3.13
3	Grants-in-aid and Contributions	3,460.82	5,705.24	3,407.22	59.72	10.38
<b>4</b>	<b>Revenue Receipts (1+2+3)</b>	<b>9,159.74</b>	<b>11,426.21</b>	<b>10,282.06</b>	<b>89.99</b>	<b>31.32</b>
5	Recovery of Loans and Advances	32.17	33.60	26.49	78.84	0.08
6	Other Receipts	-	-	-	-	-
7	Borrowings and other Liabilities <sup>(b)</sup>	372.53	2,548.34	1,107.67	43.47	3.37
<b>8</b>	<b>Capital Receipts (5+6+7)</b>	<b>404.70</b>	<b>2,581.94</b>	<b>1,134.16</b>	<b>43.93</b>	<b>3.45</b>
<b>9</b>	<b>Total Receipts (4+8)</b>	<b>9,564.44</b>	<b>14,008.15</b>	<b>11,416.22</b>	<b>81.50</b>	<b>34.77</b>
<b>10</b>	<b>Revenue Expenditure</b>	<b>8,557.49</b>	<b>10,006.51</b>	<b>10,092.17</b>	<b>100.86</b>	<b>30.74</b>
11	Interest payments	450.64	462.14	493.88	106.87	1.50
<b>12</b>	<b>Capital Expenditure <sup>(c)</sup></b>	<b>1,004.38</b>	<b>2,663.14</b>	<b>1,321.86</b>	<b>49.64</b>	<b>4.03</b>
13	Loan and advances	2.58	0.60	2.19	365.00	0.01
<b>14</b>	<b>Total Expenditure (10+12+13)</b>	<b>9,564.45</b>	<b>12,670.25</b>	<b>11,416.22</b>	<b>90.10</b>	<b>34.77</b>
<b>15</b>	<b>Revenue Surplus (4-10)</b>	<b>602.25</b>	<b>1,419.70</b>	<b>189.89</b>	<b>13.38</b>	<b>0.58</b>
<b>16</b>	<b>Fiscal Deficit (-) {(4+5+6)-15}</b>	<b>-372.53</b>	<b>-1,210.44</b>	<b>-1,107.67</b>	<b>91.51</b>	<b>-3.37</b>
<b>17</b>	<b>Primary Deficit(-) /Surplus (+) (16-11)</b>	<b>78.11</b>	<b>-748.30</b>	<b>-613.79</b>	<b>82.02</b>	<b>-1.87</b>

Source: Finance Accounts

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

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

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

During 2022-23, Revenue Receipts (₹ 10,282.06 crore) fell short of the estimates (₹ 11,426.21 crore), which was compensated by Debt-Capital Receipts (₹ 4,045.88 crore) in excess of estimates (₹ 2,581.94 crore). As a result, total receipts for the year exceeded

budget estimates by about 2.28 *per cent*. Revenue Expenditure exceeded estimates by ₹ 85.66 crore and Capital Expenditure fell short of estimates for the year by ₹ 1,341.28 crore. As a result, total expenditure (₹ 11,416.22 crore) was 90.10 *per cent* of budget estimates (₹ 12,670.25 crore) for the year.

An analysis of the Own Tax Revenues (OTR) of Mizoram *vis a vis* those of the North Eastern (NE) and Himalayan States during 2021-22 and 2022-23 revealed the following:

- In terms of the absolute OTR, Mizoram generated the lowest revenue in both years with ₹ 853.94 crore in 2021-22 and ₹ 1,101.82 crore in 2022-23. The average OTR of North Eastern (NE) and Himalayan States during this period was ₹ 4,540.30 crore and ₹ 5,435.87 crore respectively.
- In terms of percentage of OTR to total Tax revenue, Mizoram was the second poorest performing state in the region with 16.82 *per cent* in 2021-22 and 18.84 *per cent* in 2022-23. The average of North Eastern (NE) and Himalayan States was 35.68 *per cent* and 29.06 *per cent* for the two years in the period.

The State had a Revenue Surplus of ₹ 189.89 crore which was less than the estimated ₹ 1,419.70 crore for the year. Additionally, Fiscal Deficit (₹ 1,107.67 crore) and Primary Deficit (₹ 613.79 crore) were both less than estimated at ₹ 1,210.44 crore and ₹ - 748.30 crore respectively.

With respect to GSDP, Revenue and Capital Receipts contributed 31.32 *per cent* and 3.45 *per cent* respectively for the year.

### 1.3.2 Snapshot of Assets and Liabilities of the Government

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

**Table 1.4** shows summarised position of Assets and Liabilities of the Government of Mizoram as on 31 March 2023 *vis-a-vis* the position as on 31 March 2022.

**Table 1.4: Summarised position of Assets and Liabilities**

(₹ in crore)					
As on 31.03.22	Liabilities	As on 31.03.23	As on 31.03.22	Assets	As on 31.03.23
<b>Consolidated Fund of the State</b>					
5,002.62	Internal Debt	6,141.95	17,515.30	Gross Capital Outlay on Fixed Assets	18,837.16
771.16	Loans and Advances from Central Government	1,048.07	243.03	Loans and Advances	218.74
<b>Contingency Fund</b>					
0.10	Contingency Fund	0.10	0.00	Civil Advances	0.00
<b>Public Account</b>					
2,695.72	Small Savings, Provident Funds, etc.	2,443.93	65.69	Remittance Balances	0.00

As on 31.03.22	Liabilities	As on 31.03.23	As on 31.03.22	Assets	As on 31.03.23
1,844.17	Deposits	1,100.97	265.54	Cash Balance (including investment in Earmarked Funds)	327.17
680.96	Reserve Funds	722.53			
909.49	Suspense and Miscellaneous	1,422.64			
0	Remittance Balances	123.64			
6,185.35	Surplus on Government Account	6,375.24			
<b>18,089.57</b>	<b>Total</b>	<b>19,379.07</b>	<b>18,089.57</b>	<b>Total</b>	<b>19,379.07</b>

Source: Statement No. 1 of Finance Accounts

#### 1.4 Fiscal Balance: Achievement of Deficit and total Debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit. Definitions of the three main types of deficit/surplus discussed in this Report are given in **Appendix II**.

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

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

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

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

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

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

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

As per the provisions of the MZFRBM Act, 2006 the State Government is required to prepare every year, a Medium-Term Fiscal Policy Statement<sup>8</sup> (MTFPS) showing the rolling fiscal targets, in addition to the Fiscal Correction Path (FCP). Due to this, the fiscal targets set by XIV FC have been adopted in the MTFPS laid before the Mizoram Legislative Assembly.

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

The status of achievement vis-à-vis projections set during the period 2018-19 to 2022-23 is given in **Table 1.5**.

**Table 1.5 : Compliance with provisions of State FRBM Act**

Fiscal Parameters	Fiscal Targets	Achievement <sup>9</sup>				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus (Generation of Revenue Surplus)	1,533.91	204.31	-774.13	602.25	189.89
		✓	✓	✗	✓	✓
Fiscal Deficit (-) / Surplus (+) (as percentage of GSDP)	Targets (below): 2018-19 - 3 per cent 2019-20 - 8.34 per cent 2020-21 - 6.40 per cent 2021-22 - 5.20 per cent 2022-23 - 4.10 per cent	-352.92	-1,224.29	-1,869.31	-372.54	-1,107.67
		1.61	4.90	7.81	1.34	3.37
		✓	✓	✗	✓	✓
Ratio of total outstanding liability to GSDP (in per cent)	Projections (below): 2018-19 - 34.19 per cent 2019-20 - 32.66 per cent 2020-21 - 27.85 per cent 2021-22 - 27.63 per cent 2022-23 - 31.81 per cent	33.39	34.73	41.30	37.99	33.42
		✓	✗	✗	✗	✗

Source : Finance Accounts and State budget documents of various years

<sup>8</sup> As required under Section 5(1)(a) of MZFRBM Act, 2006.

<sup>9</sup> ✓ denotes targets achieved and ✗ denotes targets not achieved

Though the State achieved the target of achieving Revenue Surplus, the quantum of surplus suffered a drop from the previous year's Revenue Surplus of ₹ 602.25 crore to ₹ 189.89 crore in 2022-23. The Fiscal Deficit-GSDP ratio (3.37 *per cent*) was well within the FRBM target but the Debt-GSDP ratio (33.42 *per cent*) failed to meet the target of 31.81 *per cent* of GSDP<sup>10</sup>.

**Principal Secretary, Finance Department during exit conference stated that non-achievement of targets for these indicators was mainly due to wrongful projected figures of GSDP in the calculation of indicators in preparing the Budget Estimates.**

The targets set by the XV FC and those projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2022-23 are given in **Table 1.6**.

**Table 1.6 : Actuals *vis-à-vis* achievements in respect of major fiscal aggregates for the year 2022-23**

Sl. No.	Fiscal Variables ( <i>per cent</i> )	Targets as prescribed by XV FC	Targets in the Budget	Actuals	Variation of actuals over	
					Targets of XV FC	Targets in Budget
1	Revenue Surplus (+)/Deficit (-) / GSDP	-5.10 <sup>11</sup>	3.60	0.71	5.81	-2.89
2	Fiscal Deficit (-) /GSDP	-3.50 <sup>12</sup>	-3.07	-3.37	0.13	-0.30
3	Total outstanding liability/GSDP	35.60 <sup>13</sup>	31.81	33.42	2.18	-1.61

Source : Finance Accounts, State budget documents and XV FC report

During the year 2022-23, the Government had achieved Revenue Surplus although the XV FC had projected Revenue Deficit. Further, Fiscal Deficit-GSDP and total outstanding liability/GSDP ratios were within the levels projected by the XV FC. However, the State was unable to achieve the targets for Revenue Surplus-GSDP, Fiscal Deficit-GSDP and total outstanding liability/GSDP ratios set in the budget estimates.

Similarly, the Medium-Term Fiscal Plan (MTFP) had set forth a three-year rolling target for the prescribed fiscal indicators. **Table 1.7** indicates the variation between projections made for 2022-23 and actual achievement.

**Table 1.7: Actuals *vis-à-vis* projections in MTFP for 2022-23**

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals	Variation
			(2022-23)	(in <i>per cent</i> )
1	Own Tax Revenue	801.30	1,101.82	37.50
2	Non-Tax Revenue	836.43	1,027.77	22.88
3	Share of Central Taxes	4,083.24	4,745.25	16.21
4	Grants -in-aid from GoI	5,705.24	3,407.22	-40.28
5	Revenue Receipts (1+2+3+4)	11,426.21	10,282.06	-10.01
6	Revenue Expenditure	10,006.51	10,092.17	0.86

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

<sup>11</sup> Source : Table 10.3 of XV FC Report

<sup>12</sup> Source : Table 12.4 of XV FC Report

<sup>13</sup> Source : Annexure 12.1 to Para 12.65 of XV FC Report

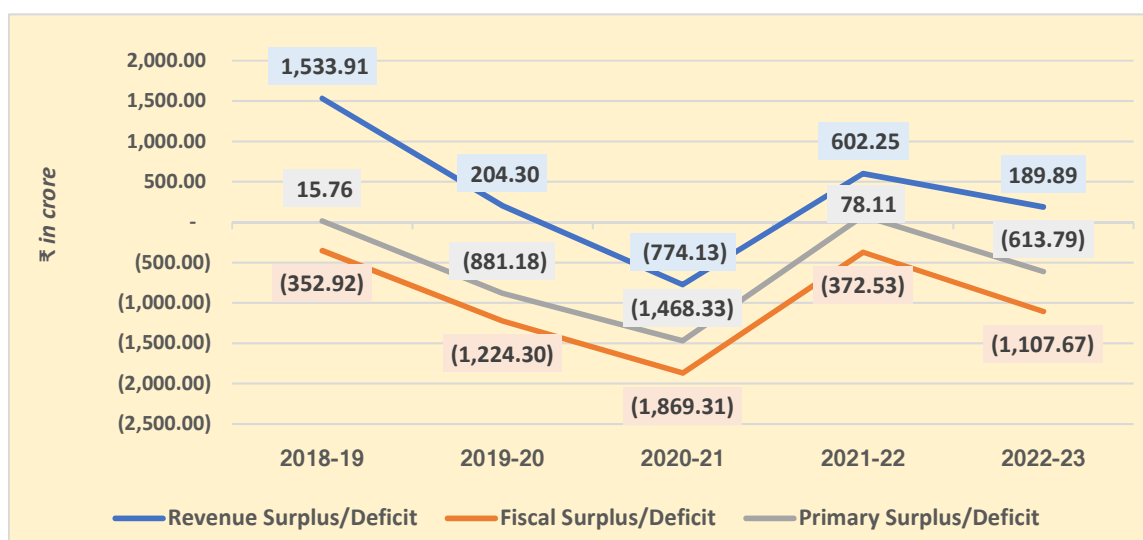
Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals	Variation
			(2022-23)	(in per cent)
7	Capital Expenditure	4,001.64	1,321.86	-33.02
8	Revenue Surplus (5-6)	1,419.70	189.89	-86.63
9	Fiscal Deficit	-1,211.38	-1,107.67	-8.56
10	Debt-GSDP ratio (per cent)	31.81	33.42	5.06
11	GSDP growth rate at current prices (per cent)	3.91	17.99	360.10

Source: Finance Accounts and State budget documents

As can be seen from the table above, the projections made in MTFP relating to key fiscal variables showed significant variation from actuals for 2022-23 indicating lack of budgetary foresight. Accordingly, the State's Revenue Expenditure exceeded projected Revenue Expenditure by 0.86 per cent (₹ 85.65 crore). Additionally, Debt-GSDP ratio exceeded projections by 5.06 per cent indicating that the Government was forced to take on significantly more debt than expected to meet its liabilities.

The trend of deficit parameters over the five-year period from 2018-19 to 2022-23 is depicted in **Chart 1.4**.

**Chart 1.4 : Trends in deficit parameters**

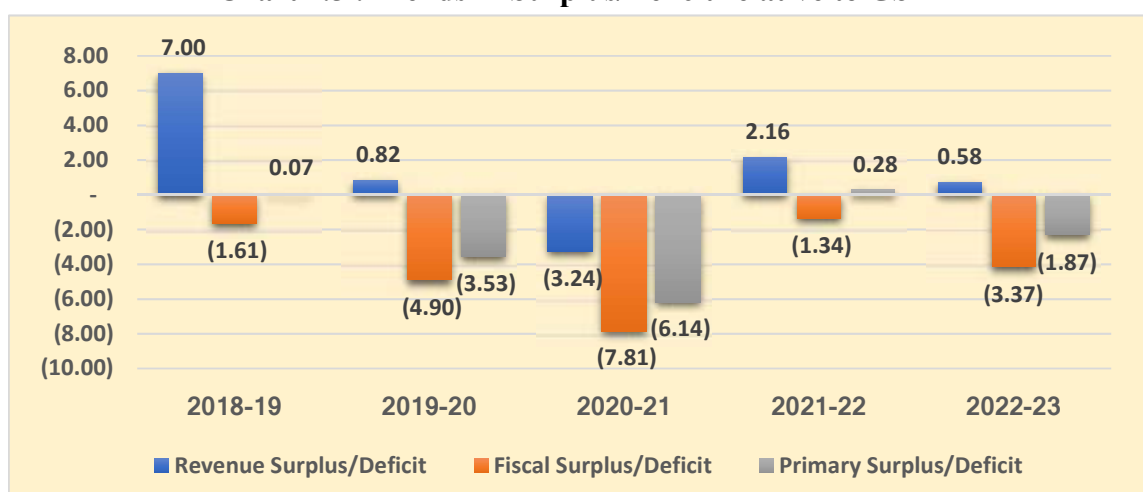


Source: Finance Accounts

The MTFP projected a Revenue Surplus of ₹ 1,419.70 crore for the State of Mizoram during 2022-23, however, Mizoram had a Revenue Surplus of ₹ 189.89 crore. Fiscal Deficit (FD) stood at ₹ 1,107.67 crore during 2022-23 against the projection in the MTFP of ₹ 1,211.38.

**Chart 1.5** depicts the trends in surplus/deficit relative to GSDP over the five-year period 2018-19 to 2022-23.

Chart 1.5 : Trends in Surplus/Deficit relative to GSDP



Source: Finance Accounts

**Revenue Surplus**, which indicates excess of Revenue Receipts over Revenue Expenditure, decreased by ₹ 1,344.02 crores to ₹ 189.89 crores in 2022-23 (0.58 per cent of GSDP) from ₹ 1,533.91 crores in 2018-19 (7.00 per cent of GSDP). The revenue surplus as percentage of GSDP decreased in 2022-23 to 0.58 per cent from 2.16 per cent of GSDP as compared to previous year.

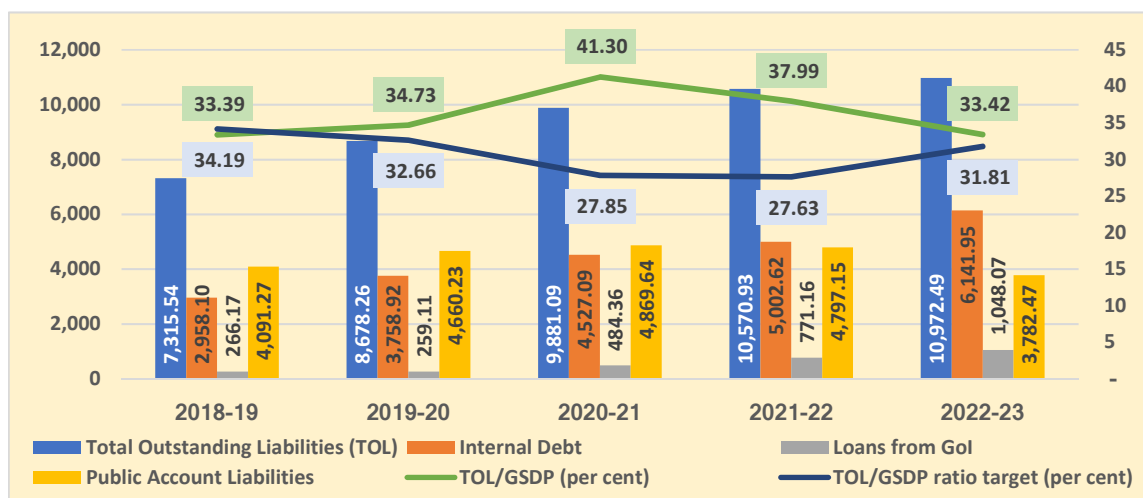
**Fiscal deficit** indicates total borrowings of the State, *i.e.* its total resource gap. It increased substantially to ₹ 1,107.67 crores (3.37 per cent of GSDP) in 2022-23 from ₹ 352.92 crores (1.61 per cent of GSDP) in 2018-19.

**Primary deficit**, the excess of primary expenditure (Total expenditure net of interest payments) over non debt receipts, was ₹ 613.79 crores (1.87 per cent of GSDP) in 2022-23.

As can be seen from the trends shown in the charts above, improvement in the status of deficits/surpluses in the previous year was lost indicating there was decreased economic prosperity of the State despite the resumption of normal economic activity after the COVID-19 pandemic.

Total outstanding liabilities (TOL) for the year was ₹ 10,972.49 crore which as a percentage of GSDP at 33.42 per cent failed to meet the target of 31.81 per cent set under the MTFP. **Chart 1.6** depicts the trends in fiscal liabilities relative to GSDP.

**Chart 1.6 : Trends in Fiscal Liabilities and GSDP**



Source: Finance Accounts

Internal Debt and Loans from GoI increased by ₹ 1,139.33 crore and ₹ 276.91 crore respectively while Public Account Liabilities decreased by ₹ 1,014.68 crore for the current year.

*Principal Secretary, Finance Department during exit conference stated that non achievement of Revenue Surplus against the projection was mainly because of non-receipt of projected revenue receipts, especially under Prime Minister’s Development Initiative for North Eastern Region (PM-DevINE) Scheme, Special Assistance to States for Capital Investment (SASCI) and also due to unforeseen increase in revenue expenditure as per the decision of the Government.*

## 1.5 Deficits and Total Debt after examination in Audit

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

### 1.5.1 Post audit - Revenue Surplus and Fiscal Deficit

As per the FRBM Act, 2003, the State government must ensure compliance to the targets fixed for the fiscal indicators such as Deficits, ceiling on debt and on guarantees, etc. The revenue deficit and the fiscal deficit as worked out for the State gets impacted due to various circumstances such as misclassification of revenue expenditure as capital expenditure and off budget fiscal operations. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to New Pension Scheme, sinking and redemption funds, etc. also impacts the revenue and fiscal deficit figures. In order to arrive at actual deficit figures, the impact of such irregularities needs to be reversed.

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

**Table 1.8: Impact of Misclassification and impact on Revenue Surplus and Fiscal Deficit**  
(₹ in crore)

Item (Illustrative)	Understatement of revenue expenditure	Impact on Revenue Surplus	Impact on Fiscal Deficit
Short Interest Payment	7.07	7.07	7.07
Short contribution to State Disaster Response Fund (SDRF)	43.56	43.56	43.56
Short contribution to State Disaster Mitigation Fund	15.89	15.89	15.89
<b>Total Impact</b>	<b>66.52</b>	<b>66.52</b>	<b>66.52</b>

Source: Finance Accounts

It may be seen from the preceding table that the State Government understated Revenue Expenditure by ₹ 66.52 crore through short payments of interest adjustment (₹ 7.07 crore), non-transfer of funds to State Disaster Response Fund (₹ 43.56 crore) and non-transfer of funds to State Disaster Mitigation Fund (₹ 15.89 crore). This had effected the Revenue Surplus and Fiscal Deficit. If the figures are adopted, the Revenue Surplus would be ₹ 123.37 crore and Fiscal Deficit of ₹ 1,174.19 crore (Reference Table no 1.3).

## 1.6 Implementation of State Finance Commission recommendations

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

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

The Second Finance Commission (II MFC) had been constituted in the State in April 2021. The Commission submitted its report to the Governor on 20 July 2023 and the report was laid before the State Legislature on 23 August 2023 covering the five years period from 2021-22 to 2025-26.

### 1.6.1 State Government's compliance to I MFC Report

The I MFC made 94 recommendations as per the Terms of Reference (ToR). The recommendations included functioning and finances of local bodies and Autonomous District Councils, State Finances, devolution and deficit financing etc. At the time of preparation of this Report (October 2023) the State Government had accepted the report of the Commission but had only implemented the recommendations regarding fiscal devolution to local bodies and ADCs. As per the recommendations, 15 *per cent* of the

State's Own Tax revenue to be devolved to local bodies during the period up to 2019-20 with I MFC.

The State Government may take necessary action to fully implement the recommendations of the I MFC to enable the realisation of the benefits envisaged under the Constitution.

### **1.6.2 State Government's compliance to II MFC Report**

In pursuance of the decision of the Council of Ministers and as per the Explanatory Memorandum as to the action taken on the recommendation made by the Second Mizoram Finance Commission the Governor of Mizoram issued a notification on the implementation of accepted recommendations of the II MFC on 9 October 2023.

The recommendations will be implemented and are to be effective from the next financial year *i.e.* 2023-24, the impact of their implementation could not be gauged at the time of finalization of SFAR for the year ended March 2023 (October 2023).

### **1.7 Conclusion**

The growth rate of GSDP at current prices, during 2018-23 ranged between -4.27 *per cent* (2020-21) to 17.99 *per cent* (2022-23). During 2022-23, the GSDP (Projected Estimates) at current price increased to ₹ 32,829 crore, from ₹ 27,824 crore in 2021-22, an increase of 17.99 *per cent*. During the last five-year period from 2018-19 to 2022-23, there was a significant decrease in the growth rate of the Agriculture sector in GSDP, from 12.35 *per cent* in 2018-19 to 6.89 *per cent* in 2022-23. During the same period the growth in the Industry sector also declined from 15.90 *per cent* in 2018-19 to 14.14 *per cent* in 2022-23. The growth rate of GSVa during last five years showed a fluctuating trend. There was a positive growth of GSVa in 2022-23 and 2021-22.

The State Government achieved Revenue Surplus of ₹ 189.89 crore. Moreover, the Fiscal Deficit-GSDP ratio at 3.37 *per cent* of GSDP achieved the target during 2022-23 while the Debt-GSDP ratio at 33.42 *per cent* did not meet the target set under Mizoram Fiscal Responsibility and Budget Management (MZFRBM) Act as amended in October 2020.

The XV Finance Commission had projected a Revenue Deficit (RD) of 5.10 *per cent* of GSDP for the State of Mizoram, however, Mizoram had a Revenue Surplus of ₹ 189.89 crore. Fiscal Deficit (FD) stood at ₹ 1,107.67 crore during 2022-23.

During the year 2022-23, the Government had achieved Revenue Surplus, despite the deficit target set by the XV FC. The target of Fiscal Deficit-GSDP and total outstanding liability/GSDP set by XV FC were also achieved. However, Revenue Surplus-GSDP, Fiscal Deficit-GSDP and total outstanding liability/GSDP ratios were not within the targets set in the budget estimates.

The Second Mizoram Finance Commission (II MFC) submitted its report to the Governor on 20 July 2023 and the Report was laid before the State Legislature on 23 August 2023. The State Government accepted the recommendations of II MFC on 9 October 2023 which will be implemented from the financial year 2023-24.

As per the findings of audit, the State Government overstated Revenue Surplus and understated Fiscal Deficit by ₹ 66.52 crore due to non-provision of interests and non-contribution to designated Funds.

### **1.8 Recommendations**

- *The State Government may take measures to ensure compliance to the Fiscal Consolidation Roadmap as envisaged by the Mizoram Fiscal Responsibility and Budget Management (MZFRBM) Act, 2006 through prudent financial management.*
- *The Government may implement the recommendations of the Second State Finance Commission.*



**CHAPTER-2**  
**FINANCES OF THE STATE**



## Chapter 2: Finances of the State

### 2.1 Introduction

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 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"> <li>✓ Revenue receipts of the State increased by 12.25 <i>per cent</i></li> <li>✓ Own Tax receipts of the State increased by 29.03 <i>per cent</i></li> <li>✓ Non-tax receipts increased by 65.20 <i>per cent</i></li> <li>✓ State's Share of Union Taxes and Duties increased by 12.37 <i>per cent</i></li> <li>✓ Grants-in-Aid from Government of India decreased by 1.55 <i>per cent</i></li> </ul>
Revenue Expenditure	<ul style="list-style-type: none"> <li>✓ Revenue expenditure increased by 17.93 <i>per cent</i></li> <li>✓ Revenue expenditure on General Services increased by 21.95 <i>per cent</i></li> <li>✓ Revenue expenditure on Social Services increased by 10.07 <i>per cent</i></li> <li>✓ Revenue expenditure on Economic Services decreased by 24.48 <i>per cent</i></li> </ul>
Capital Receipts	<ul style="list-style-type: none"> <li>✓ Debt capital receipts decreased by 11.86 <i>per cent</i></li> <li>✓ Non-Debt Capital receipts decreased by 17.68 <i>per cent</i></li> </ul>
Capital Expenditure	<ul style="list-style-type: none"> <li>✓ Capital expenditure increased by 31.61 <i>per cent</i></li> <li>✓ Capital expenditure on General Services increased by 110.14 <i>per cent</i></li> <li>✓ Capital expenditure on Social Services decreased by 33.24 <i>per cent</i></li> <li>✓ Capital expenditure on Economic Services increased by 84.00 <i>per cent</i></li> </ul>
Loans and Advances	<ul style="list-style-type: none"> <li>✓ Disbursement of Loans and Advances decreased by 15.12 <i>per cent</i></li> <li>✓ Recoveries of Loans and Advances decreased by 17.68 <i>per cent</i></li> </ul>
Public Debt	<ul style="list-style-type: none"> <li>✓ Public Debt Receipts decreased by 11.86 <i>per cent</i></li> <li>✓ Repayment of Public Debt decreased by 31.46 <i>per cent</i></li> </ul>
Public Account	<ul style="list-style-type: none"> <li>✓ Public Account Receipts increased by 15.25 <i>per cent</i></li> <li>✓ Disbursement of Public Account increased by 9.57 <i>per cent</i></li> </ul>
Cash Balance	<ul style="list-style-type: none"> <li>✓ Cash balance increased by 32.44 <i>per cent</i></li> </ul>

*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**

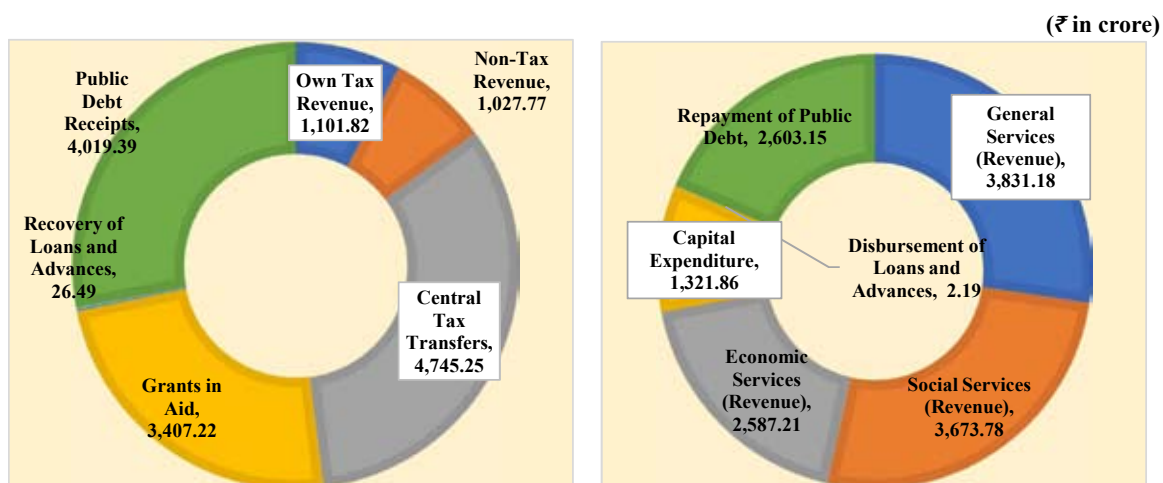
		(₹ in crore)		
	Particulars	2021-22	2022-23	Increase/Decrease
<b>Sources</b>	Opening Cash Balance with RBI	394.62	265.54	-129.08
	Revenue Receipts	9,159.74	10,282.06	1,122.32
	Recoveries of Loans and Advances	32.18	26.49	-5.69
	Public Debt Receipts (Net)	762.33	1,416.24	653.91
	Public Account Receipts (Net)	-518.88	-250.94	267.94
	<b>Total</b>	<b>9,829.99</b>	<b>11,739.39</b>	<b>1,909.40</b>
<b>Application</b>	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
	<b>Total</b>	<b>9,829.99</b>	<b>11,739.39</b>	<b>1,909.40</b>

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**



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.

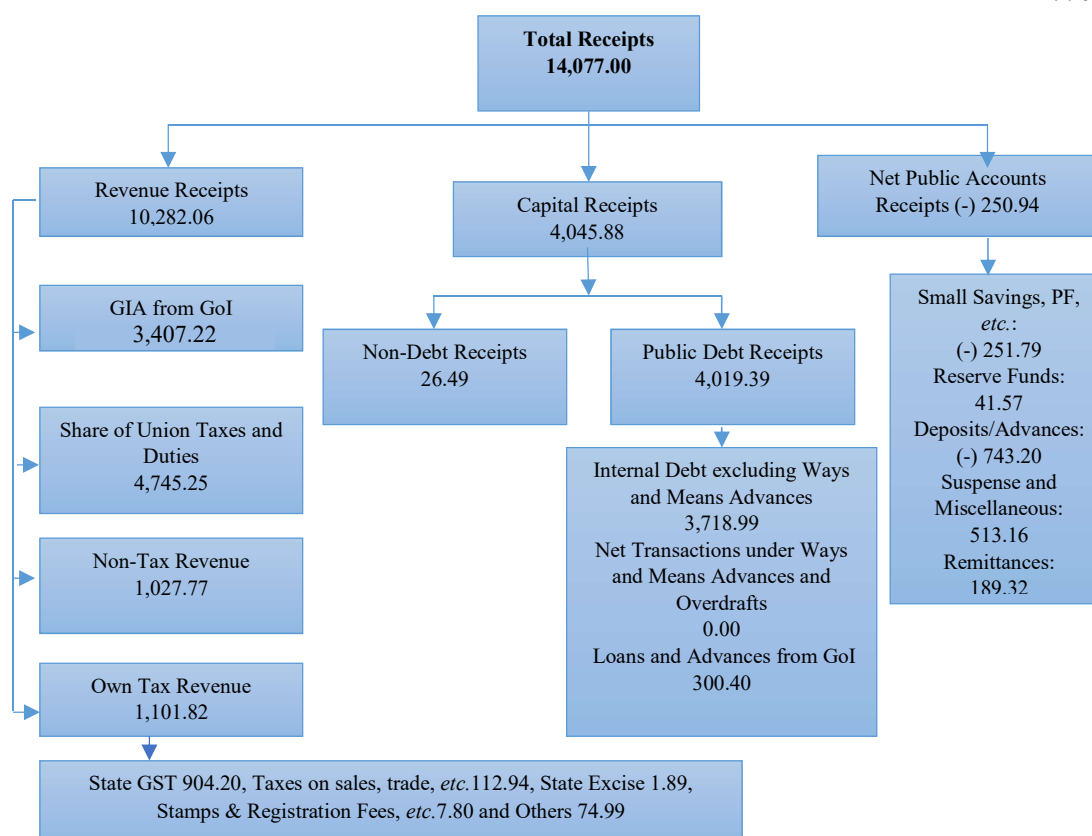
These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for its use.

## 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
<b>Revenue Receipts (RR)</b> (₹ in crore)	<b>9,039.50</b>	<b>9,658.26</b>	<b>7,740.67</b>	<b>9,159.74</b>	<b>10,282.06</b>
Rate of growth of RR (per cent)	5.35	6.85	-19.85	18.33	12.25
<b>Tax Revenue</b>	<b>4,229.66</b>	<b>3,748.78</b>	<b>3,658.11</b>	<b>5,076.80</b>	<b>5,847.07</b>
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
<b>Non-Tax Revenue</b>	<b>449.96</b>	<b>522.35</b>	<b>561.76</b>	<b>622.12</b>	<b>1,027.77</b>
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	25.64	6.52	-3.51	22.06	44.28
<b>Grants-in-aid from GoI</b>	<b>4,359.88</b>	<b>5,387.13</b>	<b>3,520.80</b>	<b>3,460.82</b>	<b>3,407.22</b>
Rate of growth of Grants in aid	-4.11	23.56	-34.64	-1.70	-1.55
<b>GSDP (₹ in crore)</b> <b>(2011-12 Series)</b>	<b>21,912.08</b>	<b>24,989.60</b>	<b>23,922.94</b>	<b>27,823.50</b>	<b>32,829.46</b>
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
<b>Buoyancy Ratios<sup>14</sup></b>					
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).

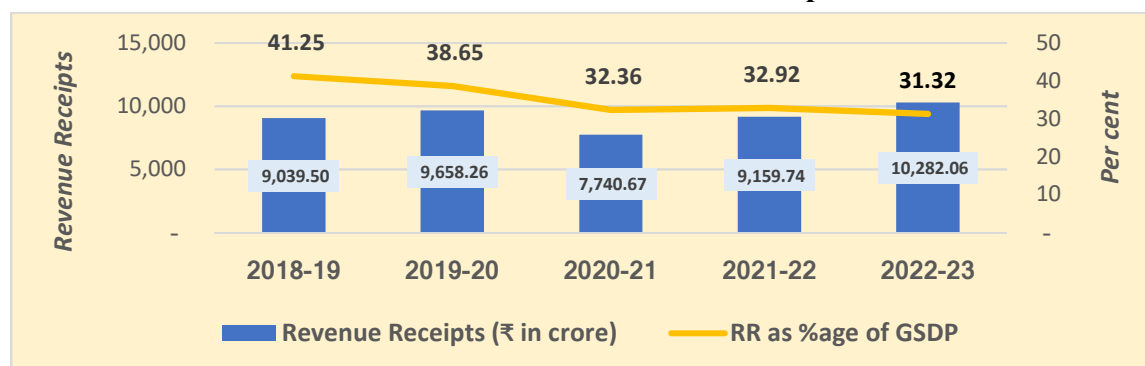
<sup>14</sup> Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at one implies that Revenue Receipts tend to change by one percentage points, if the GSDP changes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

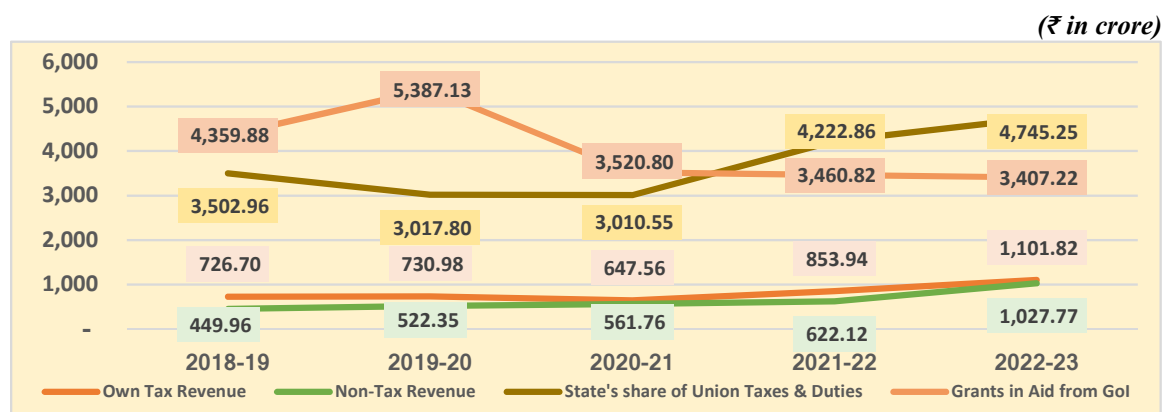


Source: Finance Accounts

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).

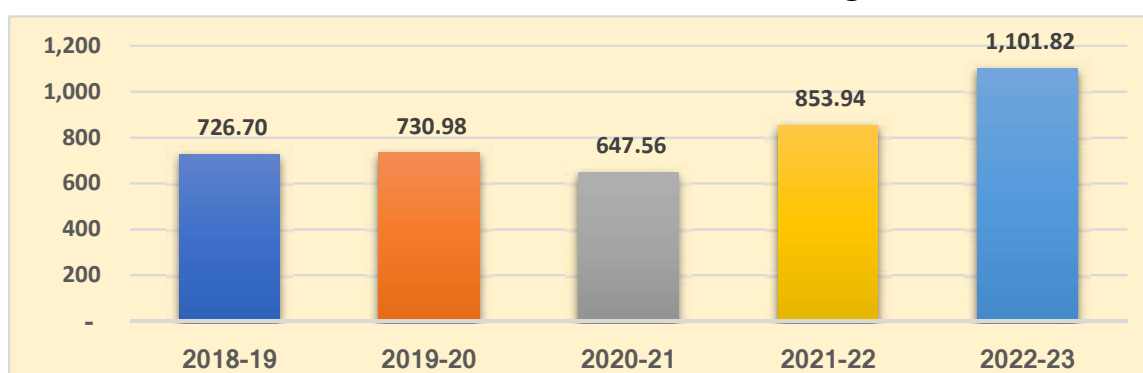
### 2.5.1.2 State's Own Resources

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	₹ in crore)					
	2018-19	2019-20	2020-21	2021-22	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
<b>Total</b>	<b>726.70</b>	<b>730.98</b>	<b>647.56</b>	<b>853.94</b>	<b>801.30</b>	<b>1,101.82</b>

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
<b>Total</b>		<b>24.38</b>	<b>9.44</b>

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	-
<b>Total</b>		<b>7</b>	<b>25,668</b>	<b>25,675</b>	<b>25,670</b>	<b>5</b>	<b>99.98</b>

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 etc. 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, etc.	0	0	0	0	0	0
4	Taxes on Entertainment	0	0	0	0	0	0
<b>Total</b>		<b>3</b>	<b>257</b>	<b>260</b>	<b>220</b>	<b>1.18</b>	<b>40</b>

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)
<b>Other Fiscal Services<sup>15</sup></b>	Nil	2.05	12.05	18.86	0.22	5.01
<b>Interest Receipts, Dividends and Profits</b>	57.68	32.84	19.12	41.83	58.38	50.19
<b>Other Non-Tax Revenues</b>						
<b>i. General Services</b>	19.27	27.61	34.55	47.93	57.30	94.43
<b>ii. Social Services</b>	50.75	54.91	65.16	64.46	80.17	74.42
<b>iii. Economic Services</b>	322.26	404.94	430.88	449.04	640.36	803.72
<b>Total</b>	<b>449.96</b>	<b>522.35</b>	<b>561.76</b>	<b>622.12</b>	<b>836.43</b>	<b>1,027.77</b>

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.

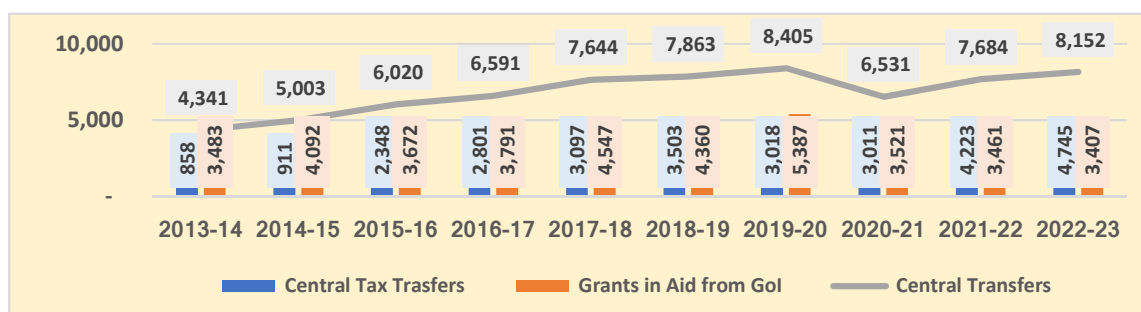
**Table 2.10 : Central Transfers during 2018-19 to 2022-23**

(₹ in crore)

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

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

<sup>15</sup> 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 projections<sup>16</sup>**

(₹ in crore)

Year	Finance Commission projections	Projections in FC Report	Actual tax devolution	Difference
2018-19	0.460 per cent of net proceeds of all shareable taxes excluding service tax and 0.464 per cent of net proceeds of sharable service tax (As per recommendations of XIVFC)	4,118	3,503	-615
2019-20	0.460 per cent of net proceeds of all shareable taxes excluding service tax and 0.464 per cent of net proceeds of sharable service tax (As per recommendations of XIVFC)	4,769	3,018	-1,751
2020-21	0.506 per cent of net proceeds of all shareable taxes (As per recommendations of XVFC)	4,327	3,011	-1,317
2021-22	0.500 per cent of net proceeds of all shareable taxes (As per recommendations of XVFC)	3,293	4,223	930
2022-23	0.500 per cent 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
<b>Central Tax transfers</b>	<b>3,502.96</b>	<b>3,017.80</b>	<b>3,010.55</b>	<b>4,222.86</b>	<b>4,083.24</b>	<b>4,745.25</b>
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

<sup>16</sup> 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 <sup>17</sup>
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
<b>Total</b>	<b>4,359.88</b>	<b>5,387.13</b>	<b>3,520.80</b>	<b>3,460.82</b>	<b>4,896.16</b>	<b>3,407.22</b>
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.

<sup>17</sup> 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
<b>Local Bodies</b>									
<b>(i) Grants to RLBs</b>									
<b>(a) General Basic Grant</b>									
<b>(b) General Performance Grants</b>	162.00	71.00	<b>233.00</b>	34.50	0.00	<b>34.50</b>	57.75	0.00	57.75
<b>(ii) Grants to ULBs</b>									
<b>(a) General Basic Grant</b>									
<b>(b) General Performance Grants</b>	143.19	35.00	<b>178.19</b>	117.55	53.60	<b>171.15</b>	95.04	17.50	<b>112.54</b>
<b>(iii) Grant for Health</b>	31.00	31.00	<b>62.00</b>	31.19	0.00	<b>0.00</b>	31.19	0.00	<b>31.19</b>
<b>Total for Local Bodies(i+ii+iii)</b>	<b>336.19</b>	<b>137.00</b>	<b>473.19</b>	<b>152.05</b>	<b>53.60</b>	<b>205.65</b>	<b>152.79</b>	<b>17.50</b>	<b>170.29</b>
<b>SDRF<sup>18</sup></b>	144.00	54.00	<b>198.00</b>	120.60	39.20	<b>159.80</b>	113.41	54.00	<b>167.41</b>
<b>SDMF<sup>19</sup></b>	47.00	49.00	<b>96.00</b>	0.00	14.30	<b>14.30</b>	0.00	0.00	<b>0.00</b>
<b>Grand Total</b>	<b>527.19</b>	<b>240.00</b>	<b>767.19</b>	<b>272.65</b>	<b>107.10</b>	<b>379.75</b>	<b>266.20</b>	<b>71.50</b>	<b>337.70</b>
<b>Post devolution Deficit Grant</b>	8,516.00	1,615.00	<b>10,131.00</b>	8,516.00	1,615.00	<b>10,131.00</b>	8,516.00	1,615.00	<b>10,131.00</b>

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.

<sup>18</sup> SDRF = State Disaster Response Fund

<sup>19</sup> 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**

Sources of State's Receipts	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Capital Receipts</b>	<b>156.38</b>	<b>1,174.38</b>	<b>2,645.01</b>	<b>4,592.45</b>	<b>4,045.88</b>
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 (per cent)	2.40	20.49	26.18	-4.48	-17.68
Rate of growth of GSDP (per cent)	13.03	14.04	-4.27	16.30	17.99
Rate of growth of Capital Receipts (per cent)	-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
<b>Total</b>	<b>1,312.00</b>	<b>1,637.73</b>	<b>2,129.59</b>	<b>62.32</b>	<b>30.03</b>

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
<b>Total Expenditure (TE)</b>	<b>9,414.58</b>	<b>10,909.26</b>	<b>9,643.67</b>	<b>9,564.45</b>	<b>11,416.22</b>
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
<b>As a percentage of GSDP</b>					
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**.

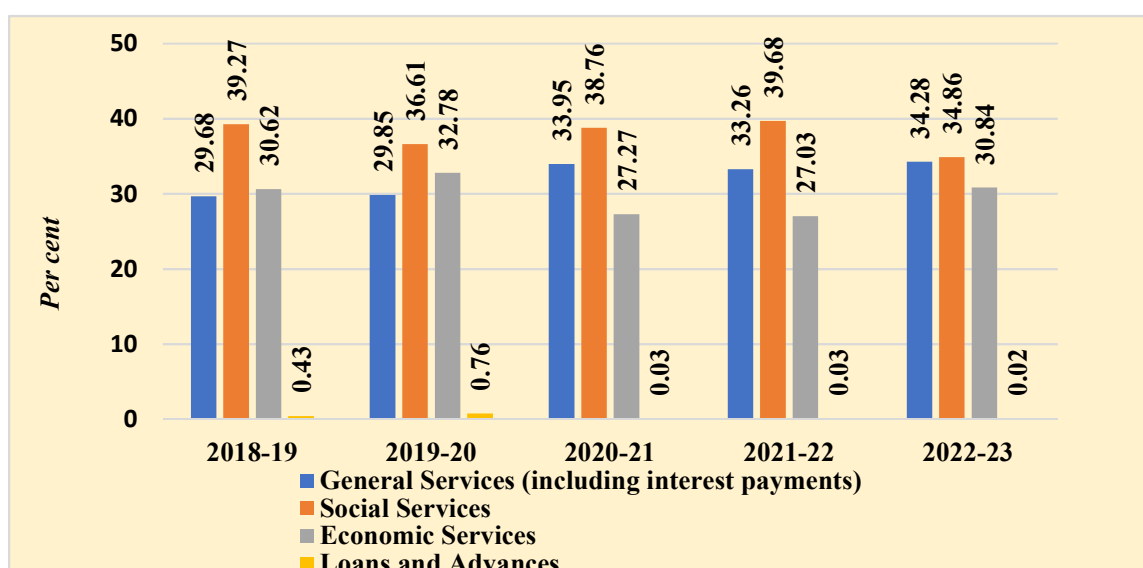
**Table 2.18: Relative share of various sectors of expenditure**

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
<b>Total Expenditure (TE)</b>	<b>9,414.58</b>	<b>10,909.26</b>	<b>9,643.67</b>	<b>9,564.45</b>	<b>11,416.22</b>
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
<b>Buoyancy<sup>20</sup> of Revenue Expenditure with</b>					
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.

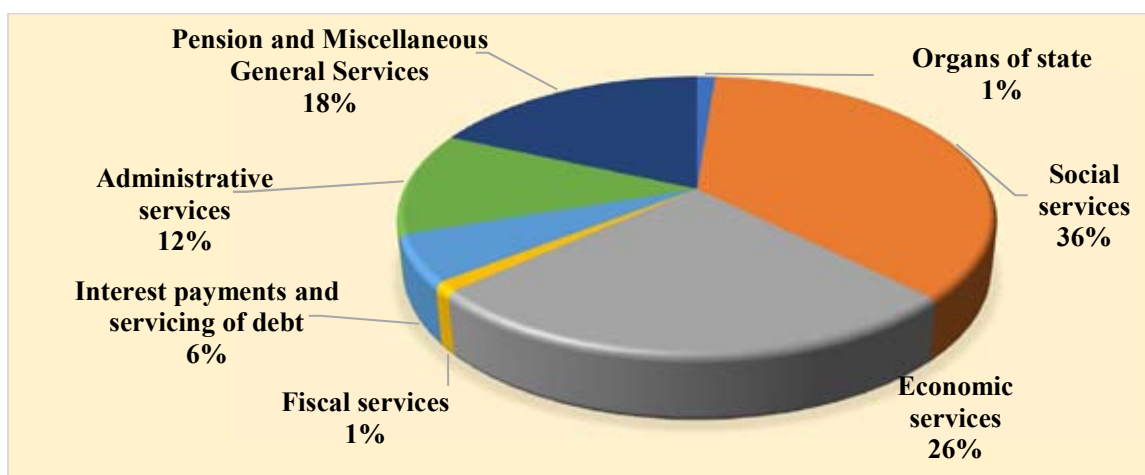
Source: Finance Accounts of respective years

<sup>20</sup> 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)

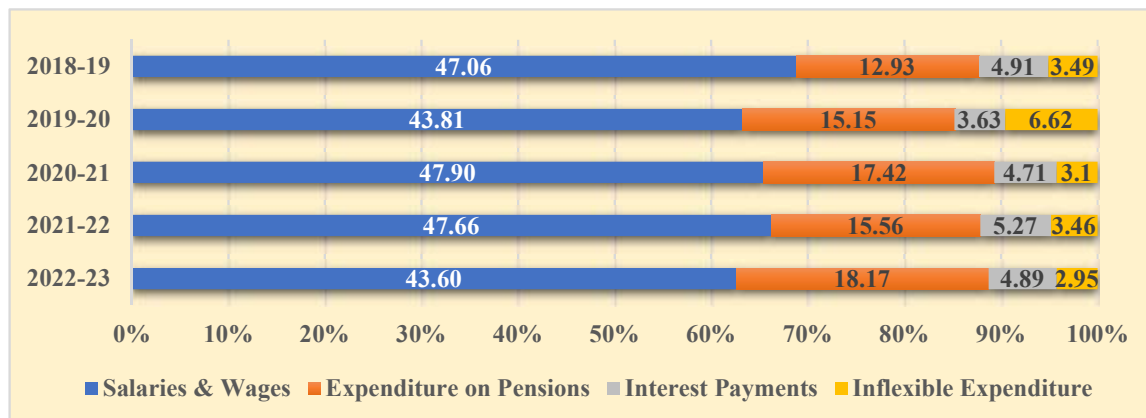
Components of Committed Expenditure <sup>21</sup>	2018-19	2019-20	2020-21	2021-22	2022-23
Salaries & Wages	3,532.37	4,142.04	4,078.94	4,078.69	4,399.72
Expenditure on Pensions	970.37	1,432.50	1,482.90	1,331.45	1,834.18
Interest Payments	368.68	343.12	400.99	450.64	493.88
<b>Total</b>	<b>4,871.42</b>	<b>5,917.66</b>	<b>5,962.83</b>	<b>5,860.78</b>	<b>6,727.78</b>
<b>Components of Inflexible Expenditure</b>	<b>261.92</b>	<b>626.17</b>	<b>264.09</b>	<b>296.17</b>	<b>298.00</b>
Statutory devolution to Local Bodies	22.24	63.44	52.45	37.46	38.75
Contribution to Reserve Fund	43.00	7.00	44.00	47.15	61.26
Recoupment of Contingency Fund	-	-	-	-	-
Transfer of cess for reserve fund/other body	-	-	-	-	-
Share contribution of CSS against Central Fund received	104.06	249.80	151.13	194.53	179.86
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.	92.62	305.93	16.51	17.03	18.13
<b>As a percentage of Revenue Receipts (RR)</b>					
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
<b>Total</b>	<b>53.89</b>	<b>61.27</b>	<b>77.03</b>	<b>63.98</b>	<b>65.43</b>
<b>Inflexible Expenditure</b>	<b>2.90</b>	<b>6.48</b>	<b>3.41</b>	<b>3.23</b>	<b>2.90</b>
<b>As a percentage of Revenue Expenditure (RE)</b>					
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
<b>Total</b>	<b>64.90</b>	<b>62.59</b>	<b>70.03</b>	<b>68.49</b>	<b>66.66</b>
<b>Inflexible Expenditure</b>	<b>3.49</b>	<b>6.62</b>	<b>3.10</b>	<b>3.46</b>	<b>2.95</b>

Source: Finance Accounts

<sup>21</sup> 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 1<sup>st</sup> 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 Cooperation<sup>22</sup> fell from 0.84 crore in 2021-22 to ₹ 0.06 crore only while subsidy expenditure on Power<sup>23</sup> 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 <sup>24</sup>	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 <sup>25</sup>	840.20	1,604.74	908.81	973.61	1,174.62
<b>Total</b>	<b>1,660.61</b>	<b>2,536.71</b>	<b>1,780.83</b>	<b>1,903.64</b>	<b>2,230.80</b>
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.

<sup>22</sup> Assistance to Cooperatives

<sup>23</sup> Expenditure on Direction

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

<sup>25</sup> 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)

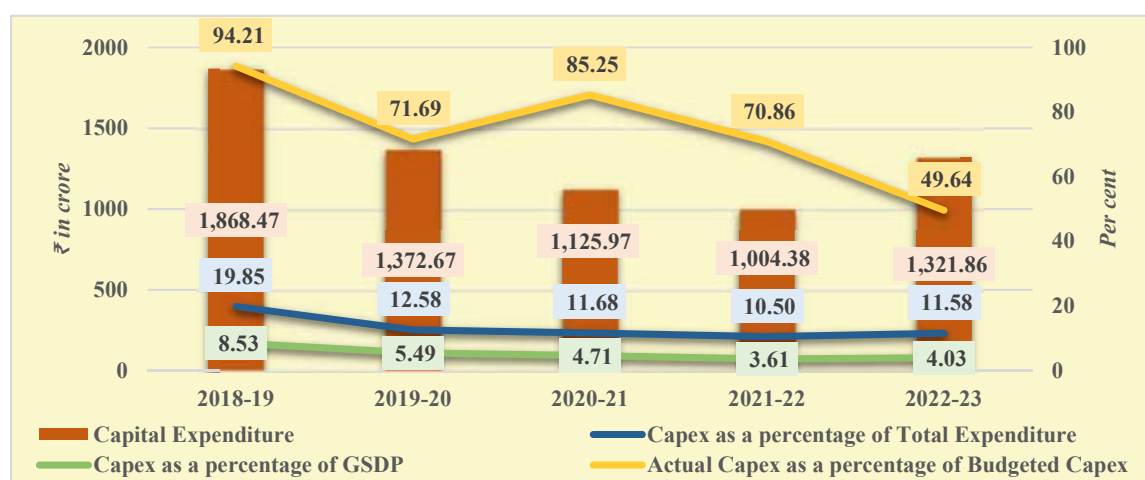
### 2.6.3 Capital Expenditure

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 <sup>#</sup> (₹ in crore)	2.16	1.83	1.85	1.89	1.96

<sup>#</sup> 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 invested<sup>26</sup> ₹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**

Particulars	₹ in crore)				
	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.

<sup>26</sup> 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				Department-wise profile of incomplete projects as on 31 March 2023			
(₹ in crore)				(₹ 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				
<b>Total</b>	<b>291</b>	<b>4,024.97</b>	<b>2,552.59</b>	<b>Total</b>	<b>291</b>	<b>4,024.97</b>	<b>2,552.59</b>

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 overrun<sup>27</sup> ranging from one to five years<sup>28</sup> on these 291 incomplete projects resulting in cost overrun of ₹ 87.19 crores<sup>29</sup> 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

<sup>27</sup> 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.

<sup>28</sup> 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.

<sup>29</sup> 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 Kawlbem 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 Mualltlang 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**

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

(In per cent)

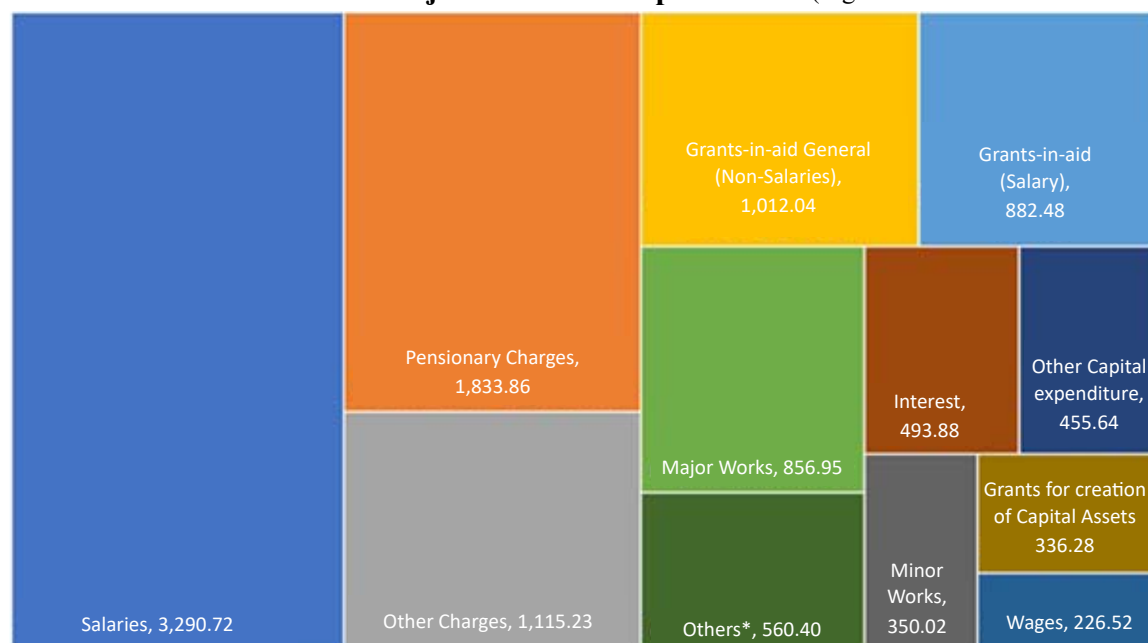
Source: SFAR Compilation of all States 2022-23

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

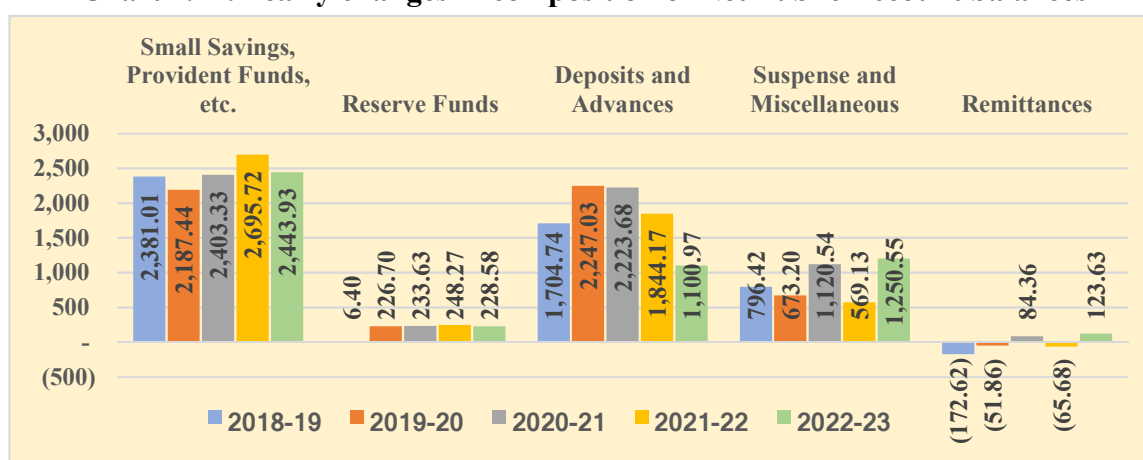
The component-wise net balances in Public Account of the State are shown in **Table 2.29**.

**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
<b>I. Small Savings, Provident Funds, etc.</b>	Small Savings, Provident Funds, <i>etc.</i>	2,381.01	2,187.44	2,403.33	2,695.72	2,443.93
<b>J. Reserve Funds</b>	(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
<b>K. Deposits and Advances</b>	(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
<b>L. Suspense and Miscellaneous</b>	(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
<b>M. Remittances</b>	(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
<b>Total</b>		<b>4,715.95</b>	<b>5,282.51</b>	<b>6,065.54</b>	<b>5,291.61</b>	<b>5,147.66</b>

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**

Particulars	(₹ in crore)				
	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 <sup>st</sup> April	As on 31 <sup>st</sup> 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 (MBOCWFB) 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 MBOCWFB 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 MBOCWFB. 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.

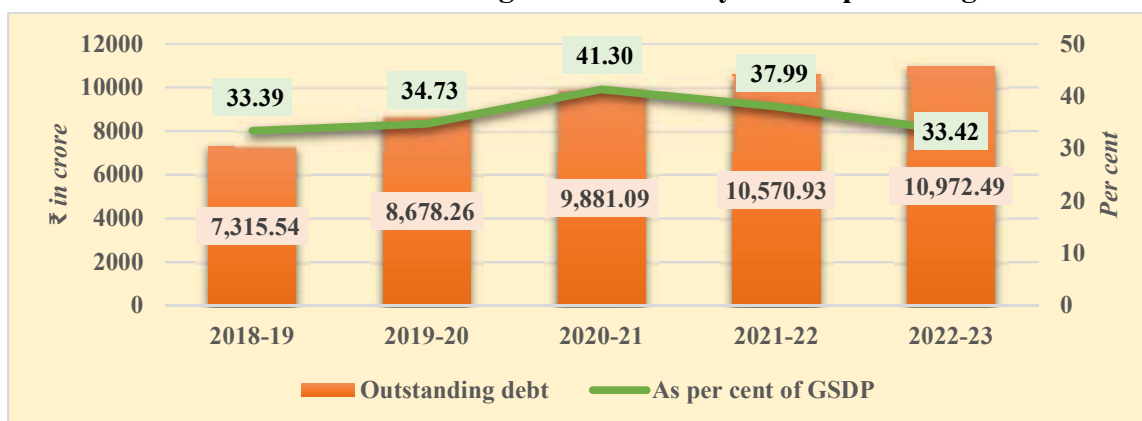
However, the Board had neither consulted the C&AG for preparation of Annual Accounts nor caused them to be audited as envisaged by the Act as of November 2023.

***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**

	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Outstanding Total Liability</b>	<b>7,315.54</b>	<b>8,678.26</b>	<b>9,881.09</b>	<b>10,570.93</b>	<b>10,972.49</b>
<b>Public Debt</b>	<b>3,224.27</b>	<b>4,018.03</b>	<b>5,011.45</b>	<b>5,773.78</b>	<b>7,190.02</b>
<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
<b>Public Account Liabilities</b>	<b>4,091.27</b>	<b>4,660.23</b>	<b>4,869.64</b>	<b>4,797.15</b>	<b>3,782.47</b>
<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

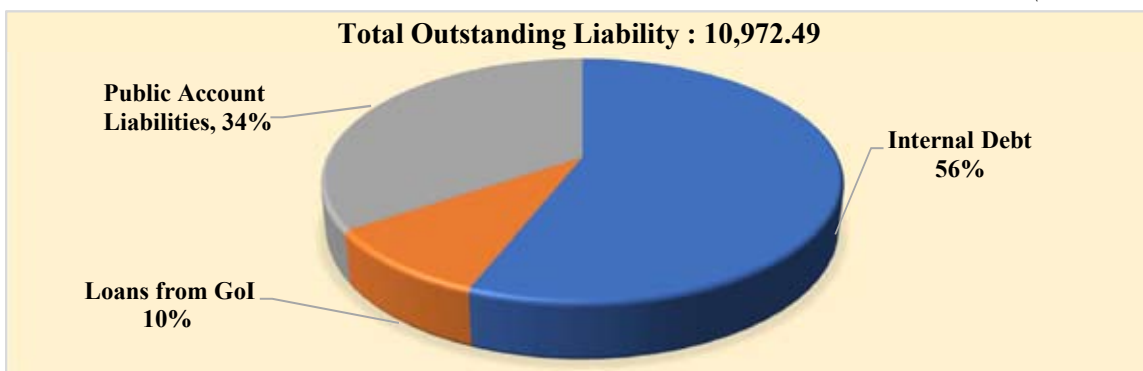
As shown in the table above, overall liabilities have been increasing steadily during the period 2018-19 to 2022-23 from ₹ 7,315.54 crore in 2018-19 to ₹ 10,972.49 crore in 2022-23, an increase of ₹ 3,656.95 crore (50 *per cent*) while it grew by ₹ 401.56 crore (3.80 *per cent*) compared to the previous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



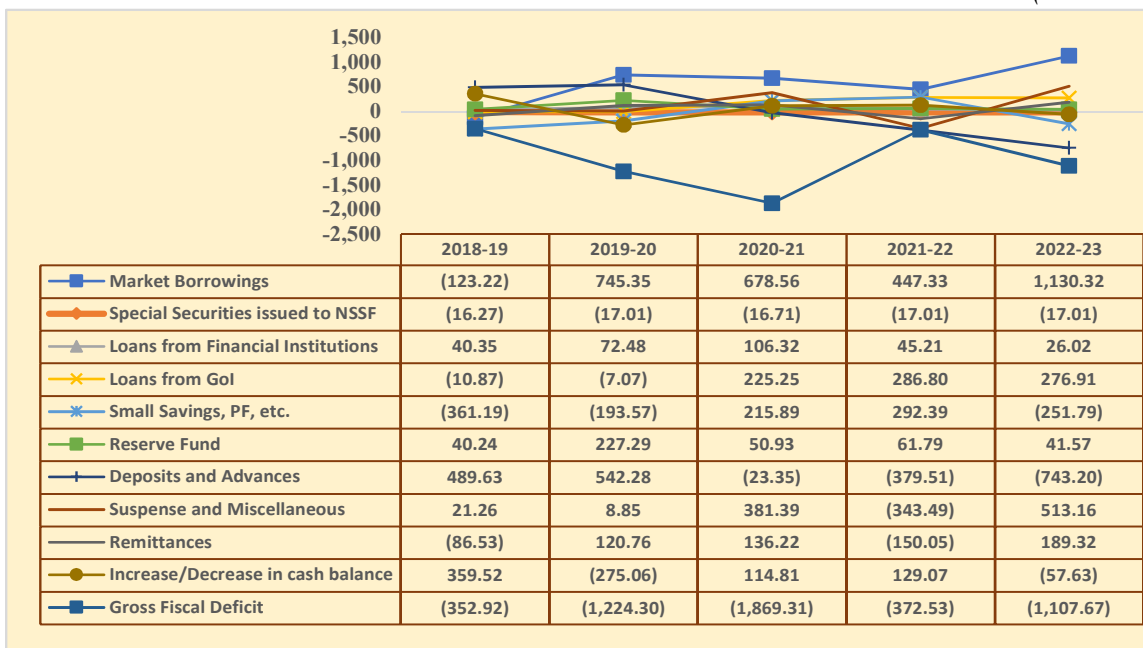
Source: Finance Accounts

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)



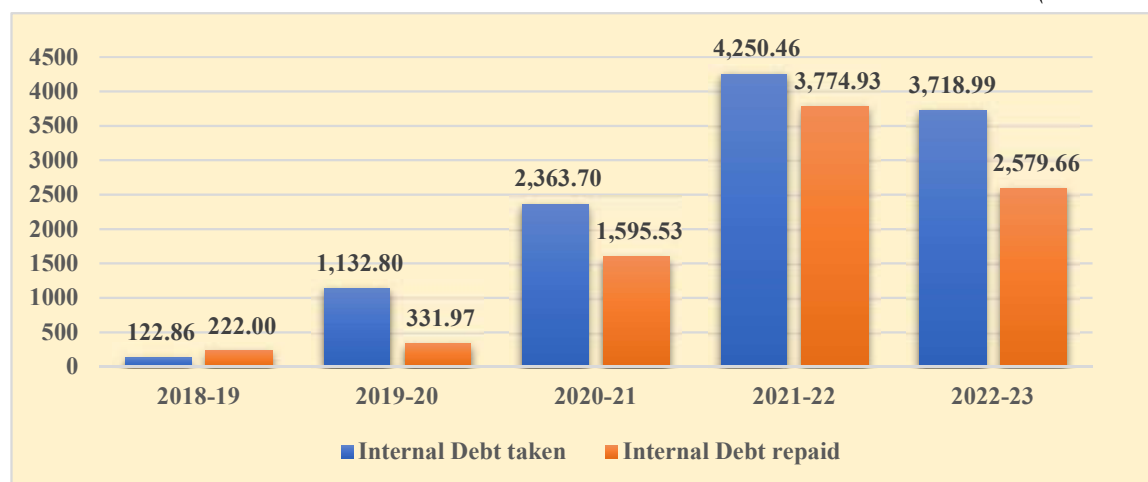
Note: Figures in brackets indicate minus figures

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
<b>Composition of Fiscal Deficit (-)/ Fiscal Surplus (+)</b>	<b>-352.92</b>	<b>-1,224.30</b>	<b>-1,869.31</b>	<b>-372.54</b>	<b>-1,107.67</b>
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
<b>Financing Pattern of Fiscal Deficit</b>					
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 <b>Overall Deficit</b>	<b>-6.60</b>	<b>1,499.36</b>	<b>1,754.50</b>	<b>243.46</b>	<b>1,165.30</b>
11 Increase/Decrease in cash balance	359.52	-275.06	114.81	129.07	-57.63
12 <b>Gross Fiscal Deficit (-)/Fiscal Surplus (+)</b>	<b>-352.92</b>	<b>-1,224.30</b>	<b>-1,869.31</b>	<b>-372.53</b>	<b>-1,107.67</b>

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**.

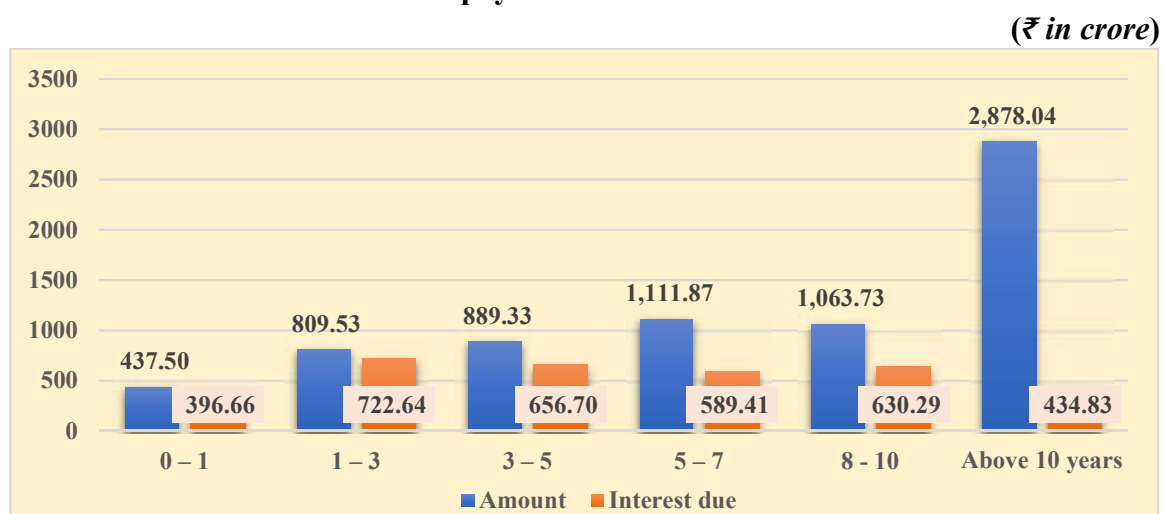
**Table 2.36: Debt Maturity Profile of Public Debt**

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
<b>Total</b>		<b>6,141.97</b>	<b>1,048.05</b>	<b>7,190.02</b>	<b>100.00</b>	<b>3,430.53</b>

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**



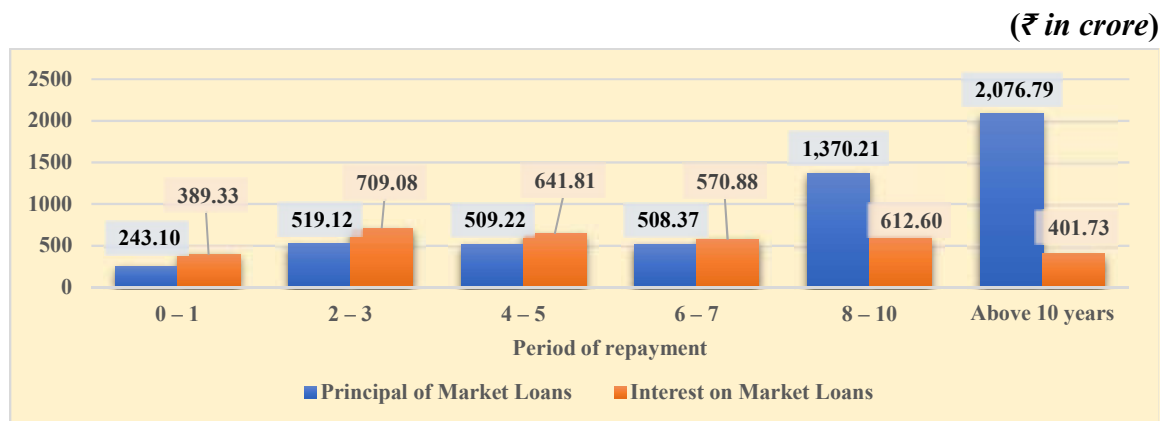
Source: Finance Accounts

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**



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
<b>Total</b>	<b>6,141.96</b>	<b>1,048.06</b>	<b>3,427.35</b>	<b>3.18</b>	<b>10,620.53</b>

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**.

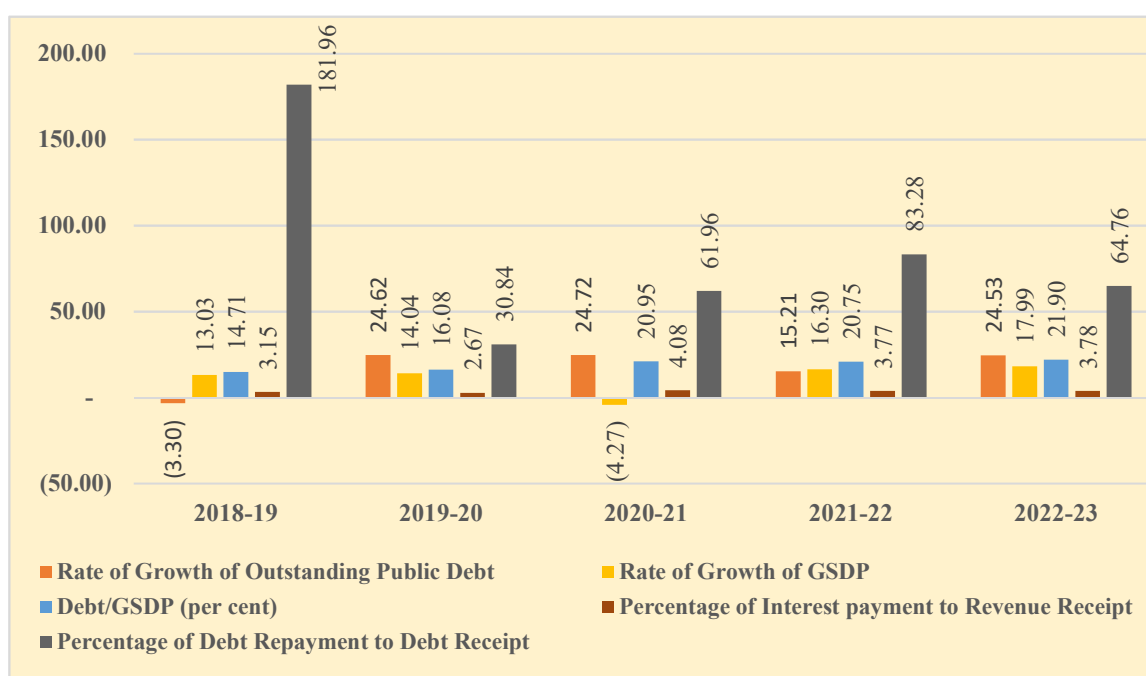
**Table 2.38: Trends in Debt Sustainability Indicators***(₹ in crore)*

Debt Sustainability Indicators	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Outstanding Public Debt*</b>	<b>3,224.27</b>	<b>4,018.03</b>	<b>5,011.45</b>	<b>5,773.78</b>	<b>7,190.02</b>
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 <sup>#</sup>	-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 <sup>30</sup> + 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. <sup>#</sup>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.

<sup>30</sup> 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 <sup>31</sup> (g)	Real interest rate <sup>32</sup> (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 <sup>33</sup>	-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.

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

<sup>32</sup> 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.

<sup>33</sup> 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 <sup>#</sup>	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 Funds<sup>34</sup>**

		(₹ 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 <sup>35</sup>	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**.

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

<sup>35</sup> 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 <sup>36</sup>	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

<sup>36</sup> 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
<b>A. General Cash Balance</b>		
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
<b>Total</b>	<b>-507.49</b>	<b>-342.87</b>
Investments held in Cash Balance investment account	338.11	169.86
<b>Total (A)</b>	<b>-169.38</b>	<b>-173.01</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	2.23	2.23
Permanent advances for contingent expenditure with department officers	NIL	NIL
<b>Investment in earmarked funds</b>	432.69	493.95
<b>Total (B)</b>	<b>434.92</b>	<b>496.18</b>
<b>Total (A + B)</b>	<b>265.54</b>	<b>323.17</b>
<b>Interest realised</b>	<b>28.38</b>	<b>32.09</b>

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**.

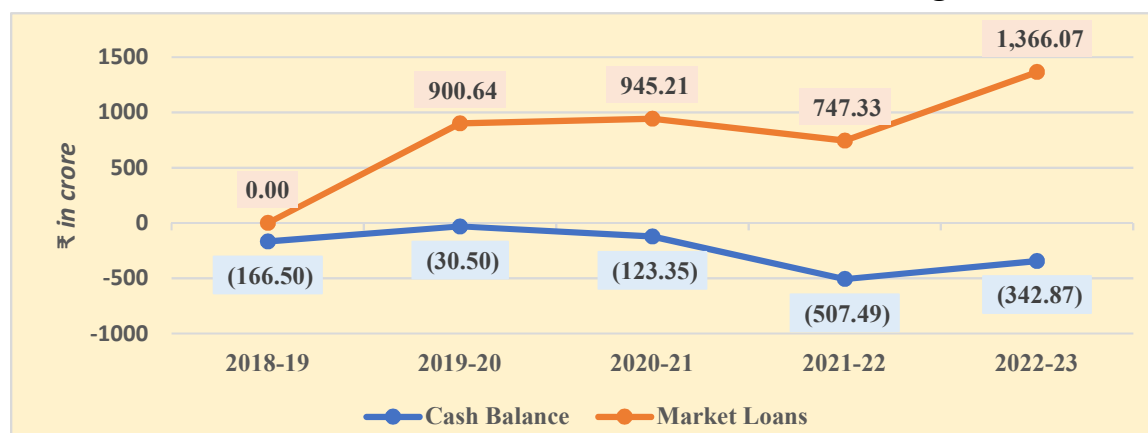
**Table 2.44: Trend of Cash Balance Investment from 2018-19 to 2022-23**

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**<sup>37</sup>.

**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.

<sup>37</sup> 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 (MBOCWVB) 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 MBOCWVB were not prepared as envisaged in the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996.

During the year 2022-23 the State's outstanding liabilities increased from ₹ 10,570.93 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.*



**CHAPTER-3**  
**BUDGETARY MANAGEMENT**

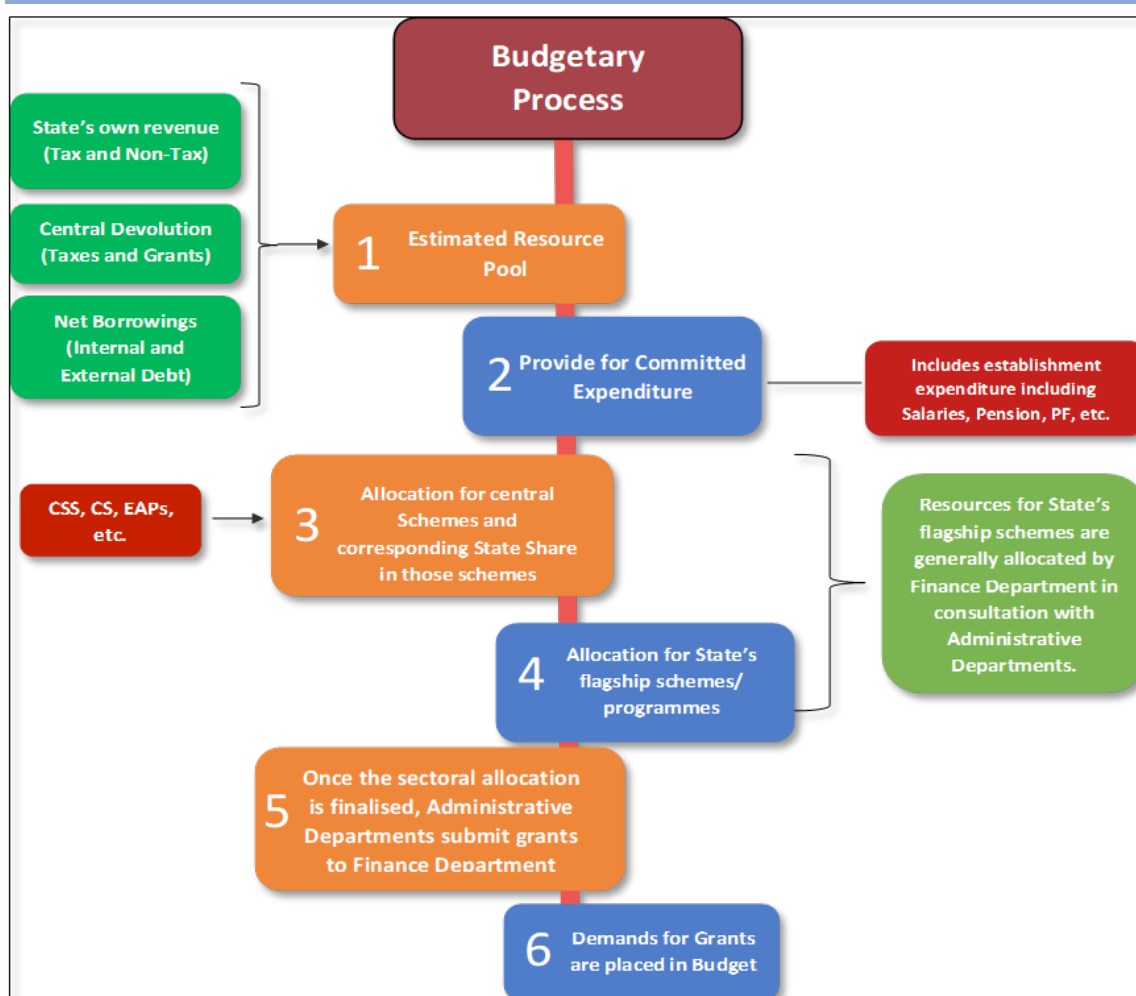


# Chapter 3: Budgetary Management

## 3.1 Introduction

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

## 3.2 Budget Process



CSS: Centrally Sponsored Schemes; CS: Central Schemes.

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

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

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

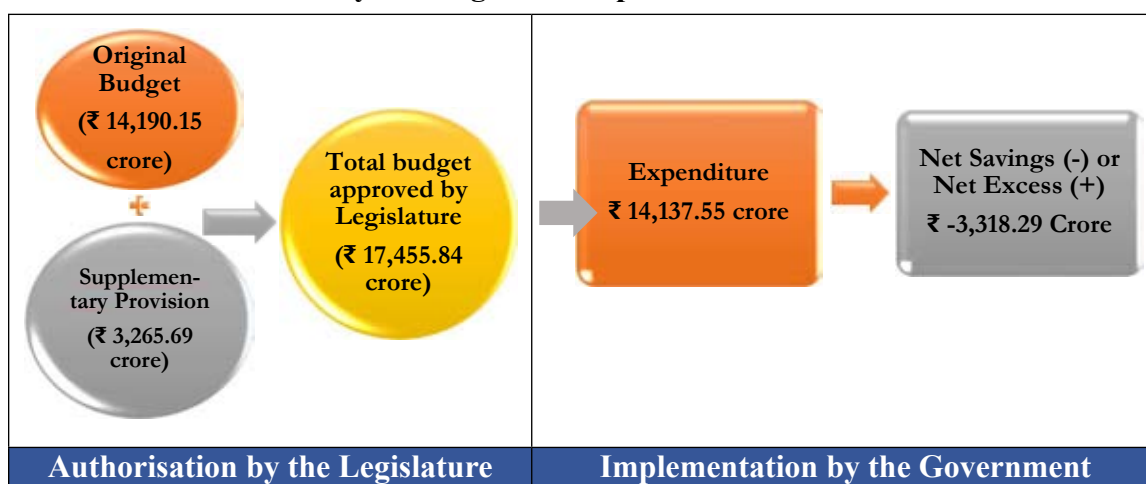
The annual financial statement, also called general budget, is placed prior to the commencement of the financial year in the State Legislature, in accordance with Article 202 of the Constitution. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands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

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

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

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

Various components of budget of Government of Mizoram for the Year 2022-23 are depicted in **Chart 3.1**.

**Chart 3.1: Summary of Budget and Expenditure of Mizoram for 2022-23**

Source: Appropriation Accounts

Before obtaining Supplementary grants of ₹ 3,265.69 crore in February 2023, the actual expenditure up to the month of January 2023 was ₹ 8,820.96 crore against the original budget provision of ₹ 14,190.15 crore which was 62 per cent of the original provision.

### 3.2.1 Alternative Budgeting approaches

Following the lead of the Union Government, many States and Union Territories of India have taken up alternative budgeting approaches like Gender Budgeting, Social Budgeting, Performance Based Budgeting or Innovation Budgeting. These approaches focus on addressing specific issues, achieving specific goals, and promoting research and development.

During 2022-23, it was found that the State had not yet taken any measures to take up any alternative budgeting approach.

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

The summarised position of budget including supplementary budget, actual expenditure, and excess/savings during Financial Year 2022-23 against 48 Grants/Appropriation (47 Grants and one Appropriation) is given in **Table 3.1**:

**Table 3.1: Budget provision, disbursement and savings/excess during 2022-23.**

(₹ in crore)

Total Budget provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
15,431.99	2,023.85	10,945.84	3,191.71	4,563.33	87.26	77.18	1,255.12

Source: Appropriation Accounts

There was an overall saving of ₹ 4,650.59 crore offset by excess of ₹ 1,332.30 crore during the year 2022-23 resulting in net savings of ₹ 3,318.29 crore which was 19.01 per cent of total Grants/Appropriations and 23.47 per cent of the expenditure.

These savings may be seen in context of over estimation on the expenditure side being ₹ 17,455.84 crore during the year 2022-23. Even though actual Receipts<sup>38</sup> (₹ 14,327.94 crore) exceeded estimated Receipts (₹ 14,008.15 crore), total expenditure was restricted to ₹ 14,137.55 crore. This implied that substantial portion of the savings were notional as the funds were not actually available for expenditure.

### 3.2.3 Charged and voted disbursements

Table 3.2 shows the break-up of charged and voted disbursements for the State during the five-year period from 2018-19 to 2022-23.

**Table 3.2: Details of Charged and Voted Disbursements**

(₹ in crore)

Year	Budget Estimates		Disbursement		Savings		Excess	
	Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
2018-19	11,890.16	754.14	9,103.48	686.93	2,741.68	67.22	0.00	0.00
2019-20	13,566.80	779.93	10,633.37	734.00	2,943.32	55.36	9.91	9.43
2020-21	12,380.36	1,551.53	9,284.23	2,090.87	3,371.88	4.65	275.76	543.98
2021-22	12,527.79	4,828.54	9,150.83	4,325.36	3,377.10	508.74	0.14	5.55
2022-23	15,431.99	2,023.85	10,945.84	3,191.71	4,563.33	87.26	77.18	1,255.12

Source: Appropriation Accounts

From the table it may be seen that Voted disbursements increased by ₹ 1,842.36 crore from ₹ 9,103.48 crore in 2018-19 to ₹ 10,945.84 in 2022-23. Charged disbursements also showed an increase of ₹ 2,504.78 crore over the same period from ₹ 686.93 crore in 2018-19 to ₹ 3,191.71 crore in 2022-23. Savings in Voted increased from ₹ 2,741.68 crore in 2018-19 to ₹ 4,563.33 crore in 2022-23 whereas in Charged sections it fluctuated from year to year and stood at ₹ 87.26 crore. Excess expenditure in some grants was seen in four out of five years and in 2022-23 excess Voted expenditure stood at ₹ 77.18 crore (0.71 per cent of Voted expenditure) and excess Charged expenditure stood at ₹ 1,255.12 crore (39.32 per cent of Charged expenditure). All these parameters are discussed in greater detail in the following paragraphs.

### 3.2.4 Budget marksmanship

#### Aggregate Budget Outturn

Aggregate Budget Outturn measures the extent to which the actual expenditure reflects the amount originally approved both in terms of less than approved and in excess of approved.

**Table 3.3 : Original allocations and Actual expenditure**

(₹ in crore)

Description	Original Approved budget (BE)	Actual outturn/ expenditure	Difference between actual outturn and BE
Revenue	10,188.51	10,210.35	21.84
Capital	4,001.64	3,927.20	-74.44
<b>Total</b>	<b>14,190.15</b>	<b>14,137.55</b>	<b>-52.60</b>

Source: Appropriation Accounts

<sup>38</sup> Revenue Receipts (₹ 10,282.06 crore) plus Capital Receipts (₹ 4,045.88 crore)

In Revenue section, expenditure outturn was 0.21 *per cent* more than Budget Estimates. This was due to deviation between 0 and 25 *per cent* in 18 grants, between 25 to 50 *per cent* in three grants, between 50 to 100 *per cent* in six grants and equal to or more than 100 *per cent* in one grant.

In Capital section, expenditure outturn was 1.86 *per cent* less than Budget Estimates. This was due to deviation between 25 to 50 *per cent* in one grant, between 50 to 100 *per cent* in five grants and equal to or more than 100 *per cent* in two grants. However, no provision was made in respect of 37 grants in Capital section.

### ***Expenditure Composition Outturn***

Expenditure Composition Outturn measures the extent to which re-allocations between the main budget categories during execution have contributed to variance in expenditure composition.

**Table 3.4: Revised allocations and Actual expenditure**

(₹ in crore)

Description	Original Approved Budget	Revised (RE)	Actual outturn/ expenditure	Difference between BE & RE	Difference between Actual and RE
<b>Revenue</b>	10,188.51	12,056.81	10,210.35	1,868.30	-1,846.46
<b>Capital</b>	4,001.64	5,399.03	3,927.20	1,397.39	-1,471.83
<b>Total</b>	<b>14,190.15</b>	<b>17,455.84</b>	<b>14,137.55</b>	<b>3,265.69</b>	<b>-3,318.29</b>

Source: Appropriation Accounts

In Revenue section, expenditure outturn was 15.31 *per cent* less than revised estimates. This was due to deviation between 0 and 25 *per cent* in 38 grants, between 25 to 50 *per cent* in four grants and between 50 to 100 *per cent* in three grants.

In Capital section, expenditure outturn was 27.26 *per cent* less than revised estimates. This was due to deviation between 0 to 25 *per cent* in five grants, between 25 to 50 *per cent* in two grants, between 50 to 100 *per cent* in six grants and equal to or more than 100 *per cent* in four grants. However, no provision was made in respect of 18 grants in Capital section.

### **3.3 Appropriation Accounts**

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

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants was in accordance with the authorisation given under the

Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

### **3.4 Comments on Integrity of Budgetary and Accounting Process**

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

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

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

There was an accumulated balance of ₹ 108.88 crore lying under Major Head-8443 Civil Deposits-800 Other Deposits as on 31 March 2023. This amount was transferred to this head of account by booking them as expenditure under the functional Major Head in respective years. However, the amount is yet to be adjusted back into the relevant functional Major Heads from which transfers were originally made as on 31 March 2023 and remain reflected as expenditure in the accounts even though they are lying unspent.

#### **3.4.2 Unnecessary or excessive supplementary grants**

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

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

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

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

**Table 3.5** shows details of cases where supplementary provision of ₹ 50 lakh or more in each case proved unnecessary at the end of the year and consequently resulted in surrender of funds which could have been re-appropriated at an earlier point of time.

**Table 3.5: Details of cases where supplementary provision proved unnecessary<sup>39</sup>**

(₹ in crore)

Sl. No.	Name of Grant	Original	Supplementary	Actual Expenditure	Saving out of original Provisions
<b>A) Revenue (Voted)</b>					
1	6-Land Revenue & Settlement	31.96	1.99	30.01	1.95
2	17-Food, Civil Supplies and Consumer Affairs	260.44	4.42	228.62	31.82
3	19- Local Administration	120.64	138.51	64.09	56.55
4	20-School Education	1,493.94	118.51	1,392.67	101.27
5	24-Health and Family Welfare	605.50	122.40	600.36	5.14
6	28-Labour, Employment, Skill Development and Entrepreneurship	33.33	2.67	20.35	12.98
7	31-Agriculture	111.84	26.44	68.55	43.29
8	36-Environment, Forests and Climate Change	213.02	52.67	136.20	76.82
9	37-Co-operation	15.82	0.91	14.58	1.24
10	41-Sericulture	17.40	0.61	16.89	0.51
11	42-Transport	45.69	1.24	42.79	2.90
12	45-Public Works	534.30	53.77	533.71	0.59
13	46- Urban Development & Poverty Alleviation	595.33	14.88	83.57	511.76
	<b>TOTAL (A)</b>	<b>4,079.21</b>	<b>539.02</b>	<b>3,232.39</b>	<b>846.82</b>
<b>B) Capital (Voted)</b>					
1	25-Public Health Engineering	260.49	109.37	108.37	152.12
2	47- Irrigation & Water Resources	78.33	16.98	23.02	55.31
	<b>TOTAL (B)</b>	<b>338.82</b>	<b>126.35</b>	<b>131.39</b>	<b>207.43</b>
	<b>GRAND TOTAL (A+B)</b>	<b>4,418.03</b>	<b>665.37</b>	<b>3,363.78</b>	<b>1,054.25</b>

Source : Appropriation Accounts

As may be seen from the table, during 2022-23, ₹ 5,083.40 crore (Original and Supplementary) was allocated for 15 Grants under Revenue (Voted) and Capital (Voted) section which subsequently closed with savings ranging between ₹ 0.51 crore to ₹ 511.76 crore against original provision. Further, it was found that total expenditure of ₹ 3,363.78 crore (66.17 per cent) was incurred out of total allocation (Original plus Supplementary) which meant that 33.83 per cent of the funds allocated to 15 out of the 48 Grants and appropriation where supplementary provision of ₹ 50 lakh or more made were not utilised. This was mainly due to (i) non-receipt of expenditure sanction from Government, (ii) non-release of funds by GoI and (iii) non-approval of expenditure by Finance Department, etc. It was also found in audit that the supplementary demand for grants was laid before the Legislature on 13<sup>th</sup> February 2023 and this contributed to late release/non-release of fund.

<sup>39</sup> Threshold for determination of excess provision has been taken at ₹ 50 lakh or more.

### 3.4.3 Unnecessary or excessive re-appropriation

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

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

Further scrutiny revealed that re-appropriation orders for all three cases were issued on 31 March 2023. Reasons for excess were not furnished (July 2023) in two out of three cases and the cumulative amount of these excesses worked out to be ₹ 11.30 crores. The remaining one case of excess was due to non-reporting of the expenditure by the concerned division of PWD. This clearly shows the inadequacy of the expenditure control mechanism of the Government.

In two cases, although it was found that the total expenditure did not exceed original budget provisions, revision of provision through re-appropriation orders proved injudicious since it led to the excessive withdrawal of funds through re-appropriations, resulting in excess expenditure.

***Principal Secretary, Finance Department during exit conference stated that measures would be taken to curb unnecessary/ excessive re-appropriations in future.***

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

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

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

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

Principal Accountant General (Accounts), Mizoram provides the draft Appropriation Accounts to the Controlling Officers of the Departments (July/August 2023) and seeks the

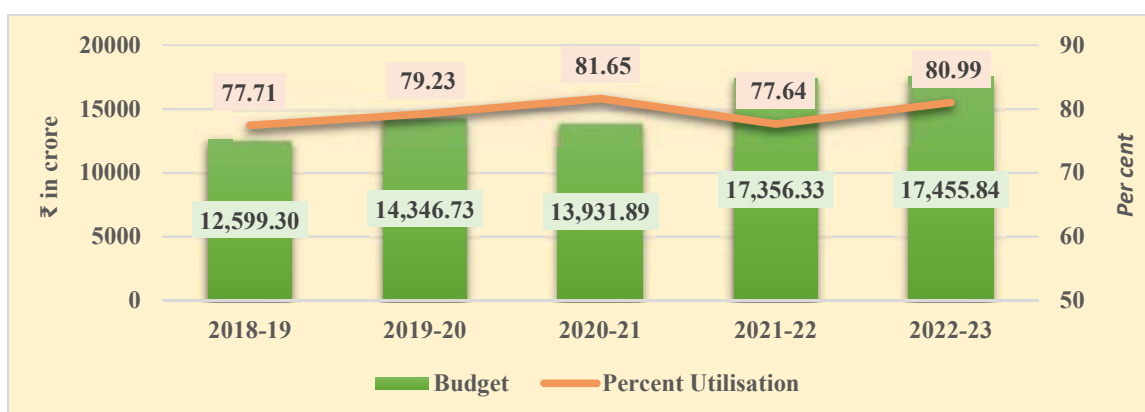
reasons/explanation for the variations in expenditure with reference to approved budgetary allocation in keeping with the limits set by the Public Accounts Committee (PAC). The current limits, set by the State PAC in October 2011 are as follows:

<b>Savings</b>	<ul style="list-style-type: none"> <li>Comments are to be made for overall savings exceeding 5 per cent of the total provision; if individual sub-heads, where savings exceed ₹ 5 lakh and the Grant is less than ₹ 20 crore; if savings exceed ₹ 10 lakh and the Grant is over ₹ 20 crore</li> <li>Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹ 5 lakh</li> </ul>
<b>Excess</b>	<ul style="list-style-type: none"> <li>General comments are to be made for regularisation of excess over the provision in all cases where there is an overall excess (irrespective of the amount)</li> <li>Comments are to be made if variations (excesses) under sub-heads of Grants/Appropriation are ₹ 5 lakh and the Grant is less than ₹ 20 crore; if excess exceeds ₹ 10 lakh and the Grant is over ₹ 20 crore</li> <li>Comments are to be made in all sub-heads under Charged Appropriations where the variation is more than ₹ 5 lakh</li> </ul>

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

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

**Chart 3.2: Budget Utilisation during 2018-19 to 2022-23**



Source: Appropriation Accounts of the respective years

As can be seen from the chart, utilisation of budget fluctuated and ranged between 77.71 per cent (2018-19) and 81.65 per cent (2020-21) during the last five years. Budget utilisation for 2022-23 was 80.99 per cent. Large amount of savings in allocated funds indicate inaccurate assessment of receipts and expenditure.

During 2022-23, nine Grants/Appropriations had savings of ₹ 100 crore or more, the details of which are shown in **Table 3.6**. Reasons for these large savings were stated to be due

to non-receipt of sanction from Government of India, non-accord of expenditure sanction by the State Government, due to non-filling up of vacant posts and re-provision of fund to other departments from Finance department, etc.

**Table 3.6: Grants having large savings<sup>40</sup> during the year 2022-23**

(₹ in crore)

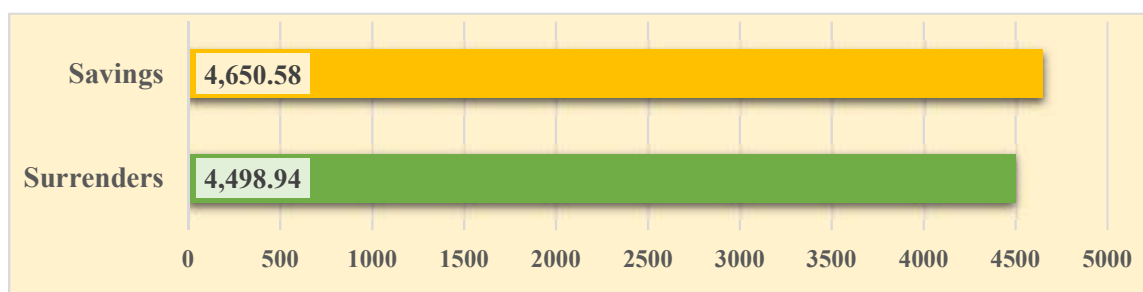
Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual	Saving(-)/ Excess(+)	Surrender
<b>Revenue (Voted)</b>							
1	19-Local Administration	120.64	138.51	259.15	64.09	- 195.07	195.07
2	20-School Education	1,493.94	118.51	1,612.45	1,392.67	- 219.77	212.82
3	24- Health and Family Welfare	605.50	122.40	727.90	600.63	- 127.54	127.54
4	36-Environment, Forests and Climate change	213.02	52.67	265.69	136.20	- 129.49	104.90
5	38-Rural Development	436.17	105.35	541.52	357.35	- 184.17	183.54
6	46-Urban Development and Poverty Alleviation	595.33	14.88	610.21	83.57	- 526.64	526.52
<b>Total</b>		<b>3,464.60</b>	<b>552.32</b>	<b>4,016.92</b>	<b>2,634.51</b>	<b>-1,382.68</b>	<b>1,350.39</b>
<b>Capital (Voted)</b>							
1	9-Finance	1,312.50	5.07	1,317.57	5.07	- 1,312.50	1,312.50
2	25-Public Health Engineering	260.49	109.37	369.86	108.37	- 261.49	261.49
3	45-Public Works	640.00	554.69	1,194.69	394.66	- 800.03	810.52
4	46-Urban Development and Poverty Alleviation	109.34	17.27	126.61	25.53	- 101.08	101.08
<b>Total</b>		<b>2,322.33</b>	<b>686.40</b>	<b>3,008.73</b>	<b>533.63</b>	<b>- 2,475.10</b>	<b>2,485.59</b>
<b>Grand Total</b>		<b>5,786.93</b>	<b>1,238.72</b>	<b>7,025.65</b>	<b>3,168.14</b>	<b>-3,857.51</b>	<b>3,835.98</b>

Source: Appropriation Accounts

**Appendix V** further lists the details of 25 Grants which reflected surrendered funds in excess of ₹ 10 crore by 31 March 2023. Audit scrutiny of the Appropriation Accounts revealed that the main reasons for surrender of the grants were the non-filling up of vacant posts, wrong calculation of budget estimates, non-release/short release of funds by GoI, non-receipt of expenditure sanction from the State Government, etc. This has been a common occurrence through the previous years and points to weak budgetary control by the State Government.

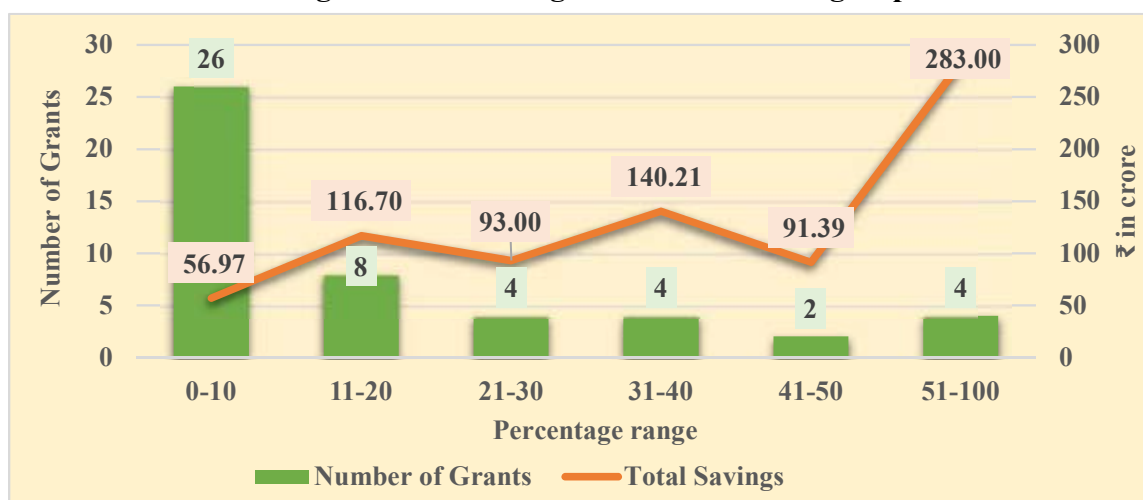
**Chart 3.3** shows the status of savings and surrenders occurring from these savings before the close of the year. As may be seen from the chart, an amount of ₹ 4,498.94 crore was surrendered from the total gross savings of ₹ 4,650.58 crore leaving a balance of ₹ 151.64 crore which was not surrendered. As per records available, all surrenders occurred on 31 March 2023.

<sup>40</sup> Savings above ₹ 100 crore

**Chart 3.3: Savings and surrenders before close of financial year 2022-23**

Source: Appropriation Accounts

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

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

Source: Appropriation Accounts

Out of total provisions made for each Grant during the year, 26 out of 47 grants had savings of 0-10 per cent, 8 grants had savings between 11 - 20 per cent, 4 grants had savings between 21 - 30 per cent, 4 grants had savings between 31 - 40 per cent, 2 grants had savings between 41 - 50 per cent and 4 grants had savings above 50 per cent. The largest savings from an individual grant occurred in Grant No.9 – Finance which had net savings of ₹ 1,235.32 crore which was 39.58 per cent of total allocation. Occurrence of such huge savings indicates poor budgetary management.

### 3.4.5 Excess expenditure and its regularisation

Article 204 of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this article. Further as per Article 205 of the Constitution of India, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature. Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC).

**3.4.5.1 Excess expenditure during 2022-23**

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but is also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose. Cases of excess expenditure over the provisions for the financial year are carefully examined to ascertain whether sufficient reasons were available to disregard prevalent rules and also to determine if these reasons, if available, were justifiable.

A summary of excess expenditure requiring regularisation during 2022-23 is given in **Table 3.7**.

**Table 3.7: Excess expenditure during 2022-23 requiring regularisation***(₹ in crore)*

Type of Expenditure		Name of Department/Grant			
		Finance		Public Debt	
		Total Grant	Actual Expenditure	Total Grant	Actual Expenditure
Voted	Revenue	1,803.12	1,880.30	0.00	0.00
	Capital	0.00	0.00	0.00	0.00
Charged	Revenue	0.00	0.00	0.00	0.00
	Capital	0.00	0.00	1,348.03	2,603.15
<b>Total Excess</b>		<b>77.18</b>		<b>1,255.12</b>	
<b>Grand Total</b>		<b>1,332.30</b>			

Source: Appropriation Accounts

During 2022-23, there was a total excess disbursement of ₹ 1,332.30 crore under one Grant (9 – Finance) and one Appropriation (49-Public Debt) as shown above. Reasons for excess disbursement had not been intimated by the Government (July 2023). In light of the above, it is clear that the Government and Department concerned did not exercise adequate control over expenditure.

***Principal Secretary, Finance during Exit Conference stated that budgetary provision for Appropriation 49 Public Debt was not compulsory and, as such, since the transactions in the appropriation were mainly with respect to avilment of Ways and Means Advances (WMA) and immediate adjustments throughout the year depending on the Cash position and operated by RBI, they should not be reflected as expenditure.***

The reply is not tenable as Article 204 of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed. Further, as per the Article 205 of the Constitution, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature.

**3.4.5.2 Regularisation of excess expenditure of previous years**

Excess expenditure remaining unregularised for extended periods dilutes legislative control over the executive and is in violation of Article 204 (3) of the Constitution. This vitiates the system of budgetary and financial control and encourages financial

indiscipline in management of public resources. The excess expenditure occurred during the period 2019-20 to 2021-22 that has not been regularised is shown in **Table 3.8**.

**Table 3.8: Excess expenditure during 2019-20 to 2021-22 requiring regularisation**

(₹ in crore)

Year	Grant No./ Appropriation	Grant/Appropriation details	Amount of excess required to be regularised as commented in the Appropriation Accounts
<b>Revenue Portion (Voted)</b>			
2020-2021	9	Finance	275.76
2021-2022	27	District Councils and Minority Affairs	0.14
<b>Revenue Portion (Charged)</b>			
2020-2021	49	Public Debt	30.46
2021-2022	49	Public Debt	5.55
<b>Capital Portion (Charged)</b>			
2019-2020	49	Public Debt	9.43
2020-2021	49	Public Debt	513.52
<b>Total</b>			<b>834.86</b>

Source: Appropriation Accounts

During the period, there was an excess expenditure of ₹ 834.86 crore under two Grants and one Appropriation, covering two departments which was yet to be regularised in accordance with Article 205 of the Constitution.

### 3.5 Comments on Transparency of Budgetary and Accounting process

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

#### 3.5.1 Lump Sum budgetary provisions

Lump sum provision in estimates are generally discouraged except in cases where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/scheme which has been accepted in principle for being taken up in the financial year. Detailed explanations justifying provision proposed are required to be given in the budget note accompanying the lump sum estimates. Lump sum provisions without identifying the exact object of expenditure is against transparency. In the case of Union Government, for example, Rule 8 of DFPRs stipulates that object head '42-Lump sum provision' should be used to record expenditure in respect of schemes whose provision does not exceed ₹ 10 lakhs. No cases of lump sum provision by Government of Mizoram were found during 2022-23 indicating that the budgetary and accounting process was transparent in this respect.

### 3.6 Comments on Effectiveness of Budgetary and Accounting process

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

### 3.6.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities and weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised. **Table 3.9** gives the summarised position of actual expenditure as compared to the original and supplementary budget provisions during 2022-23.

**Table 3.9 : Summarised position of Actual Expenditure vis-à-vis Budget provisions**

(₹ in crore)

	Nature of expenditure	Original grant	Supplementary grant	Total	Expenditure	Savings (-)/ Excess (+)	Details of Surrender	
							Amount	Per cent
Voted	I Revenue	9,626.89	1,754.10	11,380.99	9,621.79	-1,759.20	1,814.96	-103.17
	II Capital	2,663.74	1,387.26	4,051.00	1,324.05	-2,726.95	2,682.53	-98.37
	III Loans and Advances	0.00	0.00	0.00	0.00	0.00	0.00	-
	<b>Total Voted</b>	<b>12,290.63</b>	<b>3,141.36</b>	<b>15,431.99</b>	<b>10,945.84</b>	<b>-4,486.15</b>	<b>4,497.50</b>	<b>-100.25</b>
Charged	IV Revenue	561.62	114.20	675.82	588.56	-87.26	1.44	-1.65
	V Capital	0.00	0.00	0.00	0.00	0.00	0.00	-
	VI Public Debt Repayment	1,337.90	10.13	1,348.03	2,603.15	1,255.12	0.00	-
	<b>Total Charged</b>	<b>1,899.52</b>	<b>124.34</b>	<b>2,023.85</b>	<b>3,191.71</b>	<b>1,167.86</b>	<b>1.44</b>	<b>0.12</b>
<b>Appropriation to Contingency Fund</b>		0.00	0.00	0.00	0.00	0.00	0.00	-
<b>Grand Total</b>		<b>14,190.15</b>	<b>3,265.69</b>	<b>17,455.84</b>	<b>14,137.55</b>	<b>-3,318.29</b>	<b>4,498.93</b>	<b>-135.58</b>

Source: Appropriation Accounts.

As against the total budget provision of ₹ 17,455.84 crore, the Government could spend ₹ 14,137.55 crore. The net savings of ₹ 3,318.29 crore was the result of overall savings of ₹ 4,650.59 crore in 45 Grants under Revenue Section and 18 Grants/Appropriation under Capital Section offset by excess of ₹ 1,332.30 crore in one Grant and one Appropriation under Revenue Section.

Out of overall gross savings of ₹ 4,650.59 crore, savings of ₹ 4,498.93 crore (96.74 per cent) was surrendered on the last day of Financial Year 2022-23 i.e. on 31 March 2023 leaving the balance of ₹ 151.64 crore unsurrendered. The Finance Department needs to take stringent measures to curb this violation of Budgetary Rules.

**Table 3.10** shows the details of budget and actual expenditure over the five-year period from 2018-19 to 2022-23.

**Table 3.10 : Original Budget, Revised Estimate and Actual Expenditure during 2018-23**

(₹ in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
Original Budget	9,672.64	10,872.58	10,895.26	11,330.89	14,190.15
Supplementary	2,926.66	3,474.15	3,036.63	6,025.44	3,265.69
<b>Total Budget (TB)</b>	<b>12,599.30</b>	<b>14,346.73</b>	<b>13,931.89</b>	<b>17,356.33</b>	<b>17,455.84</b>
Revised Estimate (RE) <sup>41</sup>	10,869.47	12,589.53	12,956.89	16,573.56	16,109.28

<sup>41</sup> In Table 3.10 RE is the Revised Estimate of Gross Disbursement from Consolidated Fund as stated in the Annual Financial Statement of GoM of the respective years.

	2018-19	2019-20	2020-21	2021-22	2022-23
Actual Expenditure (AE)	9,790.41	11,367.37	11,375.10	13,476.19	14,137.55
Net Savings (-)/Excess (+)	-2,808.89	-2,979.36	-2,556.79	-3,880.14	-3,318.29
Percentage of supplementary to original	30.26	31.95	27.87	53.18	23.01
Percentage of savings/excess to overall position	22.29	20.77	18.35	22.36	19.01
TB-RE	1,729.83	1,757.20	975.00	782.77	1,346.56
RE-AE	1,079.06	1,222.16	1,581.79	3,097.37	1,971.73
(TB-RE) as % of TB	13.73	12.25	7.00	4.51	7.71
(RE-AE) as % of TB	8.56	8.52	11.35	17.85	11.30

Source: Appropriation Accounts

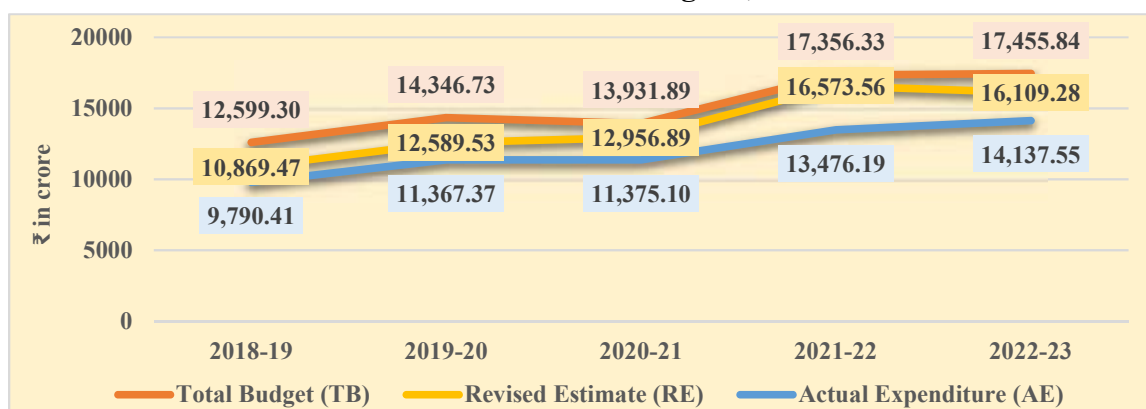
Supplementary provisions exhibited an upward trend over the five-year period, growing from 30.26 per cent of original allocations in 2018-19 to 53.18 per cent in 2021-22. During the year supplementary provision of ₹ 3,265.69 crore was the lowest during the entire period from 2018-19 to 2022-23 and constituted 23.01 per cent of the original provision as against 53.18 per cent in the previous year.

Further, on comparing the Total Budget (TB), Revised Estimate of Gross Disbursement from Consolidated Fund as stated in the Annual Financial Statement of GoM of the respective years (RE) and Actual Expenditure (AE) over the same period, the following conclusions may be drawn-

- i. AE surpassed the Original Budget allocation in each year by an amount ranging between ₹ 117.77 crore in 2018-19 and ₹ 2,145.30 crore in 2021-22. However, AE fell short of Original Budget allocation by ₹ 52.60 crore for the current year.
- ii. AE consistently fell below TB, the shortfall ranged between ₹ 2,808.89 crore in 2018-19 and ₹ 3,880.14 crore in 2021-22. During the current year, AE was ₹ 3,318.29 crore less than TB. The shortfall expressed as a percentage of TB ranged between 18.35 per cent in 2020-21 to 22.36 per cent in 2021-22 and stood at 19.01 per cent in 2022-23, indicating that the total budgetary allocation for the year was inaccurate to that extent.
- iii. Similarly, AE constantly drew short of RE. The shortfall of AE to RE ranged between ₹ 1,079.06 crore in 2018-19 to ₹ 3,097.36 crore in 2021-22. During the year AE once again fell short of RE by ₹ 1,971.73 crore. The shortfall expressed as a percentage of TB ranged between 8.52 per cent in 2019-20 to 17.85 per cent in 2021-22 and stood at 11.30 per cent for the current year.

This reflects that budgetary allocations were based on unrealistic proposals as Budget Estimates (TB and RE) of the State were always inflated and the actual disbursement (AE) was less than budgetary provisions. **Chart 3.5** depicts the trend of TB, RE and AE over the period.

**Chart 3.5: Trend showing TB, RE and AE**

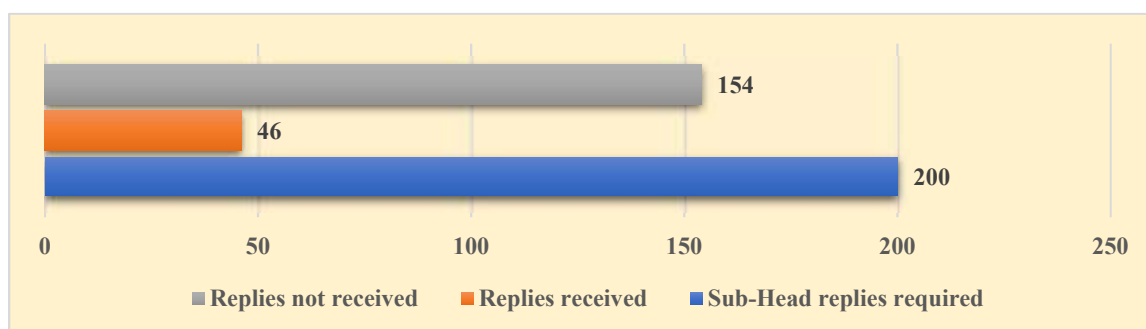


Source: Appropriation Accounts

From the above chart it may be seen that the Revised Estimate (RE) was always lower than the Total Budget (TB) of the State. While the gap between the RE and the TB stayed below 13.73 per cent of TB for the last five years, for the current year RE was lower than TB by 7.71 per cent.

**Chart 3.6** shows the summary of explanations received for variations in appropriations as depicted in the accounts for the year. As may be seen from the chart, out of 200 explanations due to be received from the Government for excess and/or savings in expenditure, 46 replies had been received (July 2023) leaving 154 explanations not received.

**Chart 3.6: Summary of Explanations for Variation in Appropriations**



Source: Appropriation Accounts

**3.6.2 Supplementary budget and opportunity cost**

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

The Government also announces several new policies/schemes for implementation through the Finance Minister’s (FM) Budget Speech and other budget documents which are either for that Financial Year *i.e.* one-time activity or are of recurring nature. Actual figures

related to expenditure with funding pattern *i.e.* from the State's own resources or from Central Government assistance or through debt are gathered from the Finance Accounts of the State. Of these, several schemes/programmes declared by the Government do not typically get operationalised due to lack of preparatory work and/or lack of adequate allocation of budget.

During 2022-23, there were seven Sub-heads under two Grants which had no expenditure at all although supplementary budgetary allocation had been made by the Government under the grant. The total savings in these sub-heads (four under Revenue Voted and three under Capital Voted) amounted to ₹ 626.00 crore. Details are in **Appendix VI**.

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

Several policy initiatives taken up by the Government are executed partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, *etc.* This deprives the beneficiaries of intended benefits. Savings in such schemes deprive other Departments of the funds which they could have utilised. **Table 3.11** gives details of schemes/ projects for which budget provision of ₹ one crore and above was made but no expenditure was incurred.

**Table 3.11 : Details of the schemes/projects for which provision of ₹ 1 crore and above was made but no expenditure was incurred during Financial Year 2022-23**

(₹ in crore)

Sl. No	Department Name	Scheme Name	Budgetary provision	Actual expenditure	Reasons
1	Finance (9-Finance 4047-800-90)	Capital Outlay on other Fiscal Services Socio- Economic Development Policy (SEDP)	700.00	0.00	Withdrawal of entire original provision of ₹ 700.00 crore by way of surrender, stated due to re-provision of fund to other Department.
2	Planning & Prog. Implementation (14-Planning & Prog. Implementation 5475-800-90)	Secretariat- Economics Services Socio- Economic Development Policy (SEDP)	2.39	0.00	Reason for surrender not stated.
<b>Total</b>			<b>702.39</b>	<b>0.00</b>	

Source: Appropriation Accounts

As may be seen from the table above, the State Government had approved outlay of ₹ 702.39 crore which was fully withdrawn through surrender. This reflects that budgetary allocations were based on unrealistic proposals.

### 3.6.4 Rush of Expenditure

Government funds should be evenly spent throughout the year and the rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue

expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month. **Table 3.12** provides the details of grants with expenditure more than 50 *per cent* of total allocation in March alone. Details of quarterly expenditure of all Grants may be found in **Appendix VII**. The grants have been listed in decreasing order of expenditure during the month of March 2023.

**Table 3.12 : Grants with more than 50 *per cent* of expenditure in March alone**

(₹ in crore)

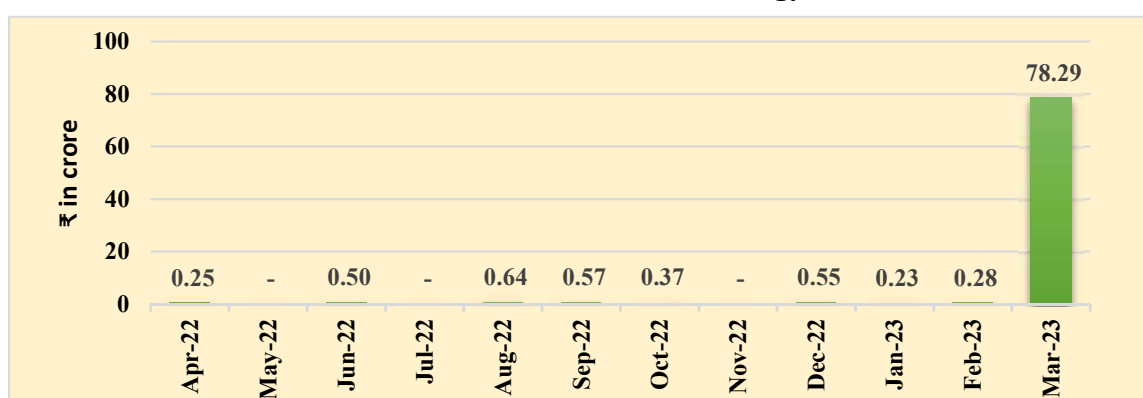
Sl. No	Grant No. & Description	Q1	Q2	Q3	Q4	Total	Expenditure in March	
							Amount	As percent of Total
1	31- Agriculture	10.08	11.28	16.28	116.52	154.16	99.54	64.57
2	48- Information and Communication Technology	0.75	1.21	0.92	78.80	81.68	78.29	95.85
3	47- Irrigation and Water Resources	3.28	4.70	3.81	25.68	37.47	19.68	52.52

Source: Monthly Appropriation Accounts

From the table it may be seen that in three out of 48 Grants/Appropriations, more than 50 *per cent* of expenditure of total allocation for the year was booked during the month of March. The magnitude of expenditure during month of March ranged between 95.85 *per cent* in Grant 48 – Information and Communication Technology and 52.52 *per cent* in Grant 47 – Irrigation and Water Resources.

**Chart 3.7** depicts the monthly trend of expenditure in Grant 48 – Information and Communication Technology. As may be seen from the chart, expenditure during March 2023 was very high when compared to the other 11 months of the financial year. The department incurred 95.85 *per cent* of the total expenditure during the month of March 2023. The trend of month wise expenditure is shown in the following chart.

**Chart 3.7: Month wise expenditure of Grant 48 -Information and Communication Technology**



Source: VLC Data

During March 2023, ₹ 72.50 crore, *i.e.* 92.60 *per cent* of expenditure in March, was booked under ‘5275 Capital Outlay on Other Communication Services 101 Other Communication Facilities’.

*Principal Secretary, Finance Department during exit conference stated the high percentage of expenditure in Grant No. 48 – Information and Communication Technology during March 2023 had taken place due to late receipt of funds under Special Assistance to States for Capital Investment (SASCI) which led to subsequent delay in release of fund to the department and consequently, delay in spending the fund. This would not indicate a true picture of March rush of expenditure as huge CSS funds were released in other months also within the prescribed/stipulated time limit.*

### 3.6.5 Review of selected grants

During the year 2022-23, two grants, namely, **Grant No. 28–Labour, Employment, Skill Development and Entrepreneurship** and **Grant No. 29 – Social Welfare** were randomly selected for detailed scrutiny to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within these grants. Outcome of the review is discussed in the succeeding paragraphs.

#### 3.6.5.1 Budget and Expenditure (Grant No. 28–Labour, Employment, Skill Development and Entrepreneurship)

The summarised position of budgetary allocation and actual expenditure there-against during the year 2022-23 in respect of the Grant is given below:

**Table 3.13: Budget and expenditure under Grant No. 28 during 2022-23**

(₹ in crore)

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	33.33	2.67	36.00	20.35	-15.65
Capital	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>33.33</b>	<b>2.67</b>	<b>36.00</b>	<b>20.35</b>	<b>-15.65</b>

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 15.65 crore under Revenue section. No reasons for the savings were given by the Chief Controlling Officer (CCO) of the Department.

In view of the final expenditure of ₹ 20.35 crore being less than the original budget provision of ₹ 33.33 crore under Revenue section by ₹ 12.98 crore, the supplementary provision of ₹ 2.67 crore was unnecessary. This indicated a lack of budgetary foresight and planning.

#### 3.6.5.2 Persistent Savings (Grant No. 28–Labour, Employment, Skill Development and Entrepreneurship)

During the period 2018-19 to 2022-23, there were persistent savings within the grant as shown in **Table- 3.14** below. The percentage of savings to total grant ranged between 13.24 and 52.12 *per cent*.

**Table 3.14: Persistent Savings***(₹ in crore)*

Grant No. 28-LESDE	Amount of Savings				
	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Revenue</b>	3.80	7.08	9.84	18.69	15.65
<b>Capital</b>	0.00	0.00	0.00	0.00	0.00
<b>Total Savings</b>	3.80	7.08	9.84	18.69	15.65
<b>Total provision</b>	<b>25.91</b>	<b>53.46</b>	<b>34.44</b>	<b>35.86</b>	<b>36.00</b>
<b>Percentage of savings to total Provision</b>	14.67	13.24	28.57	52.12	43.47

Source: Appropriation Accounts of respective years

Persistent savings in the last five years, with substantial savings of almost half the original allocation during 2022-23, as shown in the table indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic manner to ensure prudent financial management and utilisation of funds for envisaged developmental programmes. The performance of the Department in this avenue indicates that there is room for improvement.

### 3.6.5.3 Substantial Surrenders (Grant No. 28–Labour, Employment, Skill Development and Entrepreneurship)

There was one case of substantial surrender which was more than 50 per cent of total provision within this grant in respect of one sub-head as shown in **Table 3.15**.

**Table 3.15 : Surrenders more than 50 per cent of total provision***(₹ in crore)*

Head and details of scheme	Total Provision	Details of surrender		Reasons
		Amount	Per cent	
CA -2230-03-003-04 Skill Development Programme/(CSS)	17.65	15.48	87.71	Not stated
<b>Total</b>	<b>17.65</b>	<b>15.48</b>	<b>87.71</b>	

Source: Appropriation Accounts, 2022-23

### 3.6.5.4 Implementation of Single Nodal Agency accounts for CSS(Grant No. 28–Labour, Employment, Skill Development and Entrepreneurship)

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

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

It was observed that SNA details such as Agency name, Bank account details, etc. of Centrally Sponsored Schemes which were implemented by the Department during the year had been mapped into PFMS Portal as required. During 2022-23, an amount of ₹ 2.57 crore had been transferred into the SNA accounts of various CSS schemes implemented by the Department.

### 3.6.5.5 Budget and Expenditure (Grant No. 29 – Social Welfare)

The summarised position of budgetary allocation and actual expenditure there-against during the year 2022-23 in respect of the Grant is given below:

**Table 3.16 : Budget and expenditure under Grant No. 29 during 2022-23**

(₹ in crore)

Nature of Expenditure	Budget Provision			Actual Expenditure	Savings (-)/ Excess (+)
	Original	Supplementary	Total		
Revenue	119.53	133.84	253.37	198.77	-54.60
Capital	29.00	12.58	41.58	11.45	-30.13
<b>Total</b>	<b>148.53</b>	<b>146.42</b>	<b>294.95</b>	<b>210.22</b>	<b>-84.73</b>

Source: Appropriation Accounts

It can be seen from the above table that the Grant had savings of ₹ 54.60 crore and ₹ 30.13 crore under Revenue and Capital sections respectively. The Chief Controlling Officer (CCO) of the Department stated that savings had occurred mainly due to short release of fund from the Government of India (under Central Assistance), non-filling up of vacant posts (under Salary), receiving of fund directly from PFMS portal as Eklavya Model Residential School had become Central Sector Scheme since 2020-21 (under Central Assistance), finalization of recruitment of staff during August 2022, non-functioning of Rehabilitation Home for Person with Mental Illness during 2022-23 and due to non-finalisation of location for establishment of Centre of Excellence (under Central Assistance).

### 3.6.5.6 Persistent Savings (Grant No. 29 – Social Welfare)

During the period from 2018-19 to 2022-23, there were persistent savings within the grant as shown in **Table- 3.17** below. The percentage of savings to total grant ranged between 19.68 and 31.63 per cent.

**Table 3.17: Persistent Savings**

(₹ in crore)

29-Social Welfare	Amount of Savings				
	2018-19	2019-20	2020-21	2021-22	2022-23
Revenue	38.28	44.70	66.46	44.93	54.60
Capital	5.01	20.18	11.58	29.00	30.13
<b>Total Savings</b>	<b>43.29</b>	<b>64.88</b>	<b>78.04</b>	<b>73.93</b>	<b>84.73</b>
<b>Total Grant</b>	<b>219.97</b>	<b>298.05</b>	<b>286.66</b>	<b>233.72</b>	<b>294.95</b>
<b>Percentage of savings to total Grant</b>	<b>19.68</b>	<b>21.77</b>	<b>27.22</b>	<b>31.63</b>	<b>28.73</b>

Source: Appropriation Accounts of respective years

Persistent savings in the last five years as shown in the table indicated that the budgeting process in the Department was unrealistic and did not reflect the actual requirements of the Department. Thus, it is imperative that budgeting is done in a planned and realistic

manner to ensure prudent financial management and utilisation of funds for envisaged developmental programmes. The performance of the Department in this avenue indicates that there is room for improvement.

### 3.6.5.7 Substantial Surrenders (Grant No. 29 – Social Welfare)

There were eight cases of substantial surrenders (more than 50 per cent of total provision) within this grant as shown in **Table 3.18**.

**Table 3.18: Surrenders more than 50 per cent of total provision**

(₹ in crore)

Sl. No.	Head and details of scheme	Total Provision	Details of surrender		Reasons
			Amount	Per cent	
1	CA -2236-02-101-02 (RSEAG)-'SABLA'/(CSS)	2.34	2.34	100	Due to non-receipt of fund from the Government of India
2	CA -2235-02-200-04 Establishment of Eklavya Model Residential School at Lunglei under Article 275 (1) of the Constitution/(CSS)	2.18	2.18	100	Stated due to receipt of fund directly from PFMS portal as Eklavya Model Residential School had become Central Sector Scheme since 2020-21
3	CA -2235-02-200-05 Establishment of Eklavya Model Residential School at Serchhip/(CSS)	2.18	2.18	100	Stated due to receipt of fund directly from PFMS portal as Eklavya Model Residential School had become Central Sector Scheme since 2020-21
4	CA -2235-02-109-01 Vocational Training Centre/(CSS)	1.50	1.50	100	Stated due to non-release of fund during 2022-23 by the Government of India
5	2235-02-101-04 Establishment of Rehabilitation Home	0.61	0.39	63.93	Due to finalization of recruitment of staff during August 2022 and due to non-functioning of Rehabilitation Home for Person with Mental Illness during 2022-23
6	2235-02-106-04 Special Services in Jails	0.18	0.18	100	Due to non-filling up of vacant post
7	CA -4235-02-102-06 Setting up of EMRS/(CSS)	29.00	29.00	100	Stated due to receipt of fund directly from PFMS portal as Eklavya Model Residential Schools (EMRS) included in Central Sector Scheme since 2020-21
8	CA -4235-02-106-02 Setting up of Centre of Excellence/(CSS)	1.13	1.13	100	Due to non-finalisation of location for establishment of Centre of Excellence
	<b>Total</b>	<b>39.12</b>	<b>38.90</b>	<b>99.44</b>	

Source: Appropriation Accounts

### 3.6.5.8 Implementation of Single Nodal Agency accounts for CSS (Grant No. 29– Social Welfare)

Department of Expenditure, GoI issued instructions (March 2021) for a revised procedure for release of funds to States for implementation of CSS and monitoring utilisation of

the funds released. The aim of the revised procedure, which came into effect from 01 July 2021, was to ensure effective cash management and improve transparency in public expenditure management.

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

It was observed that SNA details such as Agency name, Bank account details, *etc.* of Centrally Sponsored Schemes which were implemented by the Department during the year had been mapped onto PFMS Portal as required. During 2022-23, an amount of ₹ 92.25 crore had been transferred into the SNA accounts of various CSS schemes implemented by the Department.

### 3.7 Conclusion

Budgetary assumptions of the State Government were not realistic during 2022-23 and despite carrying out an elaborate pre-budget exercise to bring about efficiency and transparency in budget formulation and execution, budgetary estimates were off the mark to a considerable extent. Control over the execution and monitoring of budget by Departments was inadequate.

Against the total budget provision of ₹ 17,455.84 crore, State Government Departments incurred an expenditure of ₹ 14,137.55 crore.

Supplementary Grants/Appropriations were obtained without adequate justification, there were instances of insufficient re-appropriation in various sub-heads which resulted in excess expenditure.

Utilisation of budget for 2022-23 was 80.99 *per cent* and ranged between 77.71 *per cent* (2018-19) and 81.65 *per cent* (2020-21) during the last five years.

During the year 2022-23, there was a total excess expenditure of ₹ 1,332.30 crore under one Grant and one Appropriation.

The State Government had incurred excess expenditure of ₹ 834.86 crore over budget provision under two Grants and one Appropriation during 2018-19 to 2022-23 which is required to be regularised by the State Legislature as per Article 205 of the Constitution.

### 3.8 Recommendations

- *State Government needs to ensure that the departments submit accurate budget proposals which reflect their actual financial requirements.*
- *State Government may take immediate action to regularize excess expenditure by the Legislature.*



**CHAPTER-4**  
**QUALITY OF ACCOUNTS**  
**AND FINANCIAL REPORTING**  
**PRACTICES**



# Chapter 4: Quality of Accounts and Financial Reporting Practices

## 4.1 Introduction

Sound internal financial reporting system and compliance with rules and procedures contribute significantly to good governance. These also ensure relevant, reliable and timely financial reporting and thereby assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and appropriate decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the year. During preparation of this Report, the State Government was furnished a copy for comment on observations made therein. As of October 2023, the Principal Accountant General, Mizoram had not received any comments from the State Government.

### Completeness of Accounts

## 4.2 Funds Transferred Directly to State Implementing Agencies (SIAs)

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

During the year 2022-23, GoI released ₹ 434.60 crore directly into the bank accounts of Single Nodal Agencies (SNA) designated for each CSS.

### 4.2.1 Funds Transferred Directly to State Implementing Agencies (SIAs) outside the Budget of the State

As per Public Financial Management System (PFMS) portal of CGA, central funds amounting to ₹ 1,084.29 crore were directly transferred to the SIAs without routing the funds through the accounts of the State Government during the year 2022-23. **Table 4.1** gives the details of the funds transferred directly to the SIAs mentioned above during 2018-19 to 2022-23.

**Table 4.1: Funds Transferred Directly to SIAs outside the Budget of the State**

(₹ in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
Funds transferred directly to SIAs	474.65	690.35	836.40	1,048.26	1,084.29

Source : Finance Accounts of respective years

There is no single agency in the State to monitor the funds directly transferred by the GoI to the implementing agencies and no data readily available as to how much money was actually spent in a particular year in these initiatives directly funded by the GoI

### 4.3 Single Nodal Agency accounts for CSS

As per the revised procedure for transfer of funds for CSS mentioned above, the State Government was to designate a SNA for each CSS which would be registered in the PFMS. Each SNA would open a bank account and map it into PFMS for the receipt of funds. This would restrict use of the funds by the State Government as they were required to transfer funds received to the concerned SNA's account within a period of 21 days of its receipt. As per PFMS data, bank accounts of 22 SNAs had been linked as on 31 March 2023.

#### 4.3.1 Interest on Savings bank accounts of SNAs

As per the guidelines for remitting the interest earned from the funds released in the single nodal account of Single Nodal Agencies (SNAs) in terms of the Gol O.M F. No.(13)/PFMS /FCD/2021 dated 30.6.2021, SNAs are to ensure that the interest earned from the funds released for CSS should be mandatorily remitted to the respective Consolidated Fund on *pro rata* basis. The interest earned is to be clearly and separately depicted in PFMS, scheme specific portals integrated with PFMS and in MIS provided by banks. Further, each SNA in the State is to compute the total interest earned out of the funds received in SNA account in the preceding financial year in the first week of April every year. The interest earned is apportioned by the SNA between the Central Government and the State Government as per the approved funding pattern of the CSS.

Scrutiny of PFMS reports<sup>42</sup> 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.

### Issues related to transparency

#### 4.4 Delay in Submission of Utilisation Certificates

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

During 2022-23, ₹ 114.06 crore pertaining to 100 outstanding UCs for the period upto 2022-23 was cleared. Out of this amount, 91 UCs were due by 2021-22 and 9 UCs were due by 2022-23. In 2022-23, ₹ 35.59 crore grants were made, the UCs against which shall be due in 2023-24. As on 31 March 2023 there were nine UCs amounting to ₹ 16.06 crore were outstanding. **Table 4.2** shows the age-wise arrears in submission of outstanding UCs with the amount.:

<sup>42</sup> SNA 04 – Interest Income Report and SNA 04A – Interest Deposited Report

**Table 4.2: Unadjusted UCs***(₹ in crore)*

Year	Opening Balance		Additions during the respective years		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2019-20	111	140.79	43	32.40	3	1.02	151	172.17
2020-21	151	172.17	27	32.90	84	95.57	94	109.50
2021-22	94	109.50	15	20.62	100	114.06	09	16.06

Source : Information obtained from Accounts wing

Out of the nine UCs due for submission the oldest one is related to Grants-in-aid of ₹ 4.00 crore given to Chakma Autonomous District Council in March 2018. During 2022-23, Grants-in-aid for funds worth ₹ 20.62 crore were given to grantees in 15 cases, out of which, nine UCs relating to an amount of ₹10.54 crore were cleared/submitted.

**Table 4.3** shows the number of UCs due from various departments/bodies for the grants paid up to 2021-22. All the UCs pending for submission are due from the three Autonomous District Councils (ADCs) of the State.

**Table 4.3: Outstanding Utilisation Certificates for grants paid up to 2021-22***(₹ in crore)*

Sl. No.	Name of the department	Year	Amount of Outstanding UCs	No. of pending UCs
1	Chakma Autonomous District Council	2017-18	4.00	1
		2021-22	0.20	1
2	Lai Autonomous District Council	2019-20	1.98	2
		2021-22	6.80	3
3	Mara Autonomous District Council	2020-21	3.08	2
<b>Total</b>			<b>16.06</b>	<b>9</b>

Source: Information obtained from Accounts Wing.

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

**Principal Secretary, Finance Department during exit conference stated that instructions would be issued to all concerned departments to ensure submission of UCs without delay.**

#### 4.5 Abstract Contingent Bills

Financial rules (Rule 290 of Central Treasury Rules) envisage that no moneys should be drawn from Government treasury unless it is required for immediate disbursement. In emergent circumstances, Drawing and Disbursing Officers (DDOs) are authorized to draw sums of money through Abstract Contingent (AC) bills. In terms of the Mizoram Treasury Rules, 2011 (Para 3.13.2), while checking abstract contingent bills *ibid* cases

in which detailed bills are not furnished within the normal period prescribed in Rule 118 of Central Government Account (Receipt and Payments) Rules, 1983 should be reported to the Controlling Officer by name. Further, Rule 118 of Central Government Account (Receipt and Payments) Rules, 1983 specify that ‘A certificate shall be attached to every abstract contingent bill to the effect that the detailed contingent bills have been submitted to the Controlling Officer in respect of abstract contingent bill drawn during the month previous to that in which the bill in question is presented for payment. On no account may an abstract contingent bill be cashed without this certificate’. Also, as per Rule 309 of the Central Treasury Rules, a certificate shall be attached to every abstract contingent bill to the effect that the detailed contingent bills have been submitted to the controlling officer in respect of abstract contingent bills drawn more than a month before the date of that bill. On no account may an abstract contingent bill be cashed without this certificate.

During the year 2022-23, 60 AC bills amounting to ₹ 253.44 crore were drawn. Out of this, 43 AC bills amounting to ₹ 93.74 crore (36.99 per cent) were drawn in March 2023. The balance 17 AC bills amounting to ₹ 159.70 crore were drawn during April 2022 to February 2023. Out of 17 AC bills, DCC bills of 11 AC bills amounting to ₹ 7.89 crore were received as on 31 March 2023. DCC Bills in respect of 51 AC bills amounting to ₹ 247.88 crore were not received as on 31 March 2023. Out of this, the oldest one is DCC bills in respect of two AC bills amounting to ₹ 2.33 crore drawn in March 2019. Details of unadjusted AC bills pending submission of the DCC bills as on 31 March 2023 are given in **Table 4.4**.

**Table 4.4: Year wise progress in submission of DCC bills**

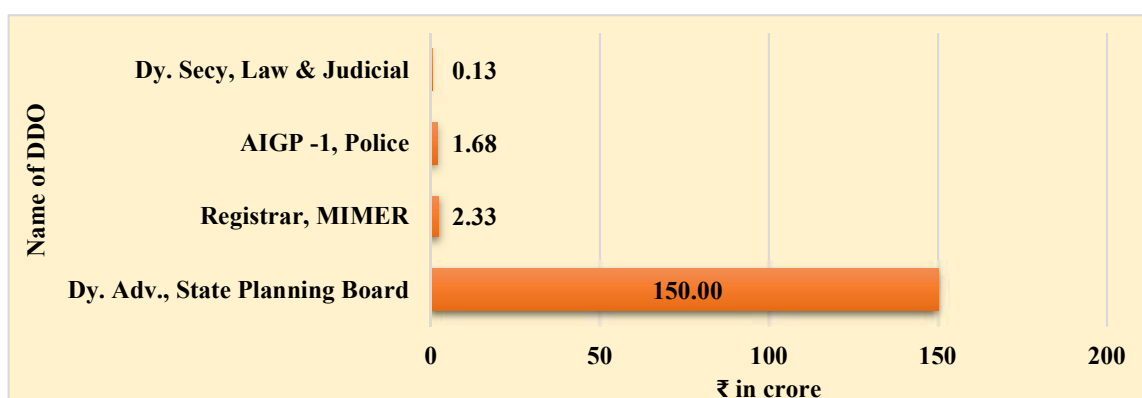
(₹ in crore)

Year	Opening Balance		Additions during the respective years		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto2020-21	28	85.49	12	17.46	12	17.46	28	85.49
2021-22	28	85.49	6	8.48	27	90.11	7	3.86
2022-23	07	3.86	60	253.44	16	9.42	51	247.88

Source: Information obtained from Accounts Wing

At the end of 31 March 2022 (previous year), DCC Bills in respect of a total of seven AC bills amounting to ₹ 3.86 crore were not received. Out of this, five AC Bills amounting to ₹ 1.54 crore [(₹ 1.09 crore for the year 2018-19 for one case),(₹ 0.01 crore for the year 2020-21 for two cases) and (₹ 0.44 crore for the year 2021-22 for two cases)] were adjusted in 2022- 2023.

The details of the major defaulting DDOs which had outstanding AC bills are shown in **Chart 4.1**.

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

Source: Information obtained from Accounts Wing.

**Principal Secretary, Finance Department during exit conference stated that instructions would be issued to all concerned departments to ensure settlement of outstanding DCC bills without delay**

#### 4.6 Indiscriminate use of Minor Head 800

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

During the year 2022-23, ₹ 1,277.34 crore under 47 Major Heads of accounts, constituting 11.19 per cent of the total Revenue and Capital expenditure (₹ 11,414.03 crore) was classified under the Minor Head 800 Other Expenditure in the accounts. During the previous year, ₹ 1,106.49 crore under 45 Major Heads of accounts, constituting 11.57 per cent of the total Revenue and Capital expenditure (₹ 9,561.87 crore) was classified under the Minor Head 800 - Other Expenditure.

Instances of substantial proportion (50 per cent or more) of the expenditure under nine Major Head, classified under the Minor Head 800 – ‘Other Expenditure’ during the financial year 2022-23, are given in **Table 4.5**.

**Table 4.5 Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year 2022-23**

Major Head	Expenditure		Percentage
	Total	Minor Head 800	
2225- Welfare of SCs, STs, OBCs and Minorities	550.07	550.07	100.00
4801- Capital Outlay on Power Projects	45.73	45.73	100.00
4070- Capital Outlay on Other Administrative Services	24.48	24.48	100.00
3275- Other Communication Services	9.31	9.31	100.00

Major Head	Expenditure		Percentage
	Total	Minor Head 800	
4408- Capital Outlay on Food Storage and Warehousing	7.00	7.00	100.00
4225- Capital Outlay on Welfare of SCs, STs, OBCs and Minorities	3.12	3.12	100.00
5475- Capital Outlay on other General Economic Services	305.66	304.05	99.47
4515- Capital Outlay on other Rural Development Programmes	2.51	2.21	88.05
2415- Agriculture Research and Education	4.04	2.23	55.20

Source: Finance Accounts

Similarly, during 2022-23 ₹ 859.30 crore under 41 Major Heads of Account, constituting 8.36 per cent of the total Revenue Receipts (₹ 10,282.06 crore) was classified under Minor Head 800 Other Receipts. During the previous year, ₹ 486.86 crore under 44 Major Heads of Account, constituting 5.32 per cent of the total Revenue Receipts (₹ 9,159.74 crore) was classified under the Minor Head 800 - Other Receipts.

Instances of substantial proportion (50 per cent or more) of the receipts under 13 Major Head, classified under the Minor Head 800 – ‘Other Receipts’ during the financial year 2022-23, are given in Table 4.6.

**Table 4.6: Significant receipts booked under Minor Head 800 – Other Expenditure during financial year 2022-23**

Major Head	Description	Details of Receipts		Percentage
		Total Receipts	Minor Head 800	
0404	Dairy Development	0.19	0.19	100.00
0801	Power	741.34	741.34	100.00
0047	Other Fiscal Services	5.01	5.01	100.00
0235	Social Security and Welfare	1.59	1.59	100.00
1055	Road Transport	1.34	1.34	100.00
0515	Other Rural Development Programmes	0.26	0.26	100.00
0217	Urban Development	0.24	0.24	100.00
0702	Minor Irrigation	0.01	0.01	100.00
1425	Other Scientific Research	0.00	0.00	100.00
0408	Food Storage and Warehousing	19.29	19.29	100.00
0435	Other Agricultural Programmes	1.20	1.20	100.00
0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	56.09	55.18	98.38
0851	Village and Small Industries	0.14	0.13	92.86
0401	Crop Husbandry	0.65	0.44	67.69
	<b>TOTAL</b>	<b>827.34</b>	<b>826.21</b>	

Source: Finance Accounts

As can be seen from the table, booking of receipts under Major head-0801- ‘Power’ constituted the majority of bookings in the minor head. The State Government may take necessary steps to curtail upward movement in coming years by ensuring appropriate booking of all receipts under their appropriate accounting classification.

During detailed analysis of booking of expenditure under Minor Head-800, Audit observed that in respect of the above Major Heads where use of Minor Head-800 for booking of expenditure exceeded 50 per cent, the State Government made budget provision for Minor Head-800 as well as approved Supplementary Grants and Re-appropriations as detailed in Table 4.7.

**Table 4.7: Provision of Minor Head 800 in BE and RE**

(₹ in crore)

Major Head	Description	Minor Head 800					
		Original	Supp. Grant	Re-appropriation/ Surrender	Final Provision	Actual Expenditure	% of Actual Expenditure against Budget Provision
2225	Welfare of SCs, STs, OBCs and Minorities	550.07	3.05	0.00	553.12	550.07	100.00
2415	Agriculture Research and Education	4.04	0.42	0.00	4.46	2.23	55.20
4070	Capital Outlay on Other Administrative Services	24.48	0.24	0.00	24.72	24.48	100.00
4225	Capital Outlay on Welfare of SCs, STs, OBCs and Minorities	3.12	3.47	0.00	6.59	3.12	100.00
4408	Capital Outlay on Food Storage and Warehousing	7.00	7.00	0.00	14.00	7.00	100.00
4515	Capital Outlay on other Rural Development Programmes	2.51	2.21	0.00	4.72	2.21	88.05
4801	Capital Outlay on Power Projects	45.73	2.96	0.00	48.69	45.73	100.00
5475	Capital Outlay on other General Economic Services	305.66	1.16	0.00	306.82	304.05	99.47
3275	Other Communication Services	9.31	0.20	0.00	9.51	9.31	100.00
<b>TOTAL</b>		<b>951.92</b>	<b>20.71</b>	<b>0.00</b>	<b>972.63</b>	<b>948.20</b>	<b>99.61</b>

Source: Finance Accounts

As is evident from the table above, the State Government made provisions under Minor Head-800 to the tune of ₹ 951.92 crore in the State Budget as well as approved Supplementary Grants of ₹ 20.71 crore. Against the final budget provision of ₹ 972.63 crore, the State Government incurred an expenditure of ₹ 948.20 crore (97.49 per cent) under 9 Major Heads which clearly indicates indiscriminate use of Minor Head-800 in a routine manner.

**Principal Secretary, Finance Department during exit conference mentioned that although the use of Minor Head 800 had decreased, it was necessary, on occasion, to operate it in some flagship schemes/ programmes of the Government. It was suggested that the State Government may write to the CGA for creation of new Minor Heads, wherever required.**

## Issues related to measurement

### 4.7 Outstanding Balances under Major Suspense and DDR heads

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

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

Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads. Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/Works and Forest Divisions, *etc.* The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.8**.

**Table 4.8: Balances under Suspense and Remittance Heads**

(₹ in crore)

Minor Head	2020-21		2021-22		2022-23	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8658 - Suspense</b>						
101 - PAO suspense	93.01	80.70	90.79	113.54	101.59	135.38
<b>Net</b>	<b>Dr. 12.31</b>		<b>Cr. 22.75</b>		<b>Cr. 33.79</b>	
102 - Suspense Account-Civil	72.89	72.40	78.78	72.64	78.80	73.87
<b>Net</b>	<b>Dr.0.49</b>		<b>Dr. 6.14</b>		<b>Dr. 4.93</b>	
107 - Cash Settlement Suspense Account	7.32	1.99	7.32	1.99	7.32	1.99
<b>Net</b>	<b>Dr.5.33</b>		<b>Dr. 5.33</b>		<b>Dr. 5.33</b>	
109 - Reserve Bank Suspense -Headquarters	17.55	(-)55.13	15.88	(-)48.77	81.51	4.86
<b>Net</b>	<b>Dr.72.68</b>		<b>Dr. 64.65</b>		<b>Dr. 76.65</b>	
110 - Reserve Bank Suspense - CAO	3371.85	4712.39	3,342.42	4,303.50	3,000.83	4,475.16
<b>Net</b>	<b>Cr. 1,340.54</b>		<b>Cr. 961.08</b>		<b>Cr. 1,474.33</b>	
112 - Tax Deducted at Source (TDS) Suspense	0.40	3.29	0.40	1.92	0.40	2.19
<b>Net</b>	<b>Cr.2.89</b>		<b>Cr. 1.52</b>		<b>Cr. 1.79</b>	
113 - Provident Fund Suspense			0.10	-	0.69	-
<b>Net</b>			<b>Dr. .10</b>		<b>Dr. .069</b>	
123 - A.I.S Officers’ Group Insurance Scheme	(-)0.73	0.00	(-)0.73	-	(-)0.73	-
<b>Net</b>	<b>Cr.0.73</b>		<b>Cr. 0.73</b>		<b>Cr. 0.73</b>	

Minor Head	2020-21		2021-22		2022-23	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
<b>Major Head 8782-Cash Remittances</b>						
<b>102 - P.W. Remittances</b>	27,494.68	27,259.29	30,200.19	29,780.31	33,000.33	32,754.68
<b>Net</b>	<b>Dr.235.39</b>		<b>Dr. 419.88</b>		<b>Dr. 245.65</b>	
<b>103 - Forest Remittances</b>	3,025.44	3,352.38	3,247.39	3,608.38	3,489.41	3,866.52
<b>Net</b>	<b>Cr.326.94</b>		<b>Cr. 360.99</b>		<b>Cr. 377.11</b>	

Source: Finance Accounts

The outstanding net debit and credit balances under Suspense Accounts (MH 8658) was ₹ 3,270.41 crore and ₹ 4,693.45 crore respectively as on 31 March 2023. This was mainly due to (i) non-reimbursement of claim expenditure incurred, (ii) non-receipt of scrolls from treasury, (iii) non-receipt of accounts as per clearance memo. Similarly, net debit balance of ₹ 36,489.74 crore and net credit balance of ₹ 36,621.20 crore were outstanding under Cash Remittances (MH 8782).

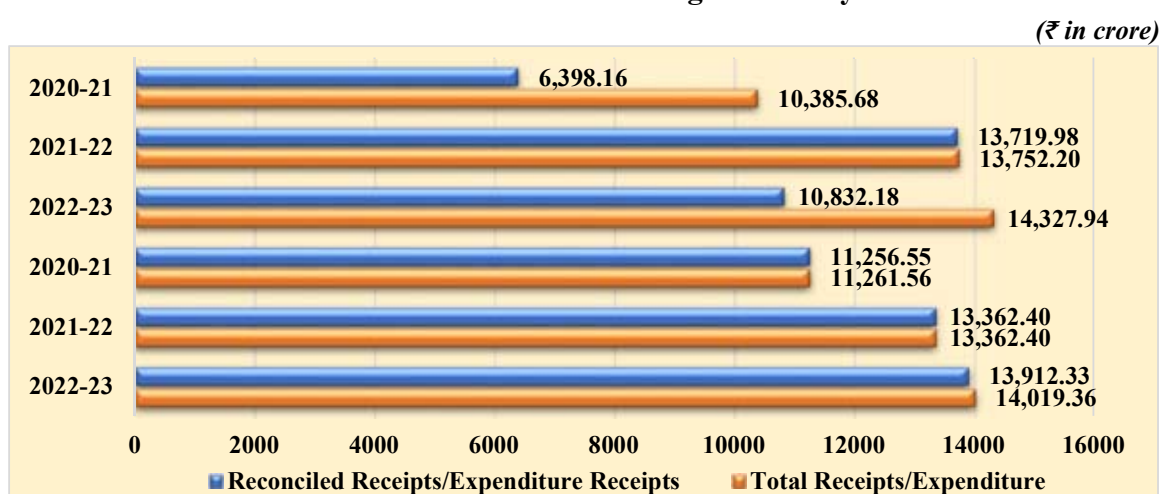
The Government needs to review and analyse all the unadjusted/outstanding transactions mentioned above and take appropriate corrective measures expeditiously.

#### 4.8 Non-reconciliation of Departmental figures

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

The status of reconciliation of receipts and expenditure figures by the COs during the three year period 2020-21 to 2022-23 is shown in **Chart 4.2**.

**Chart 4.2: Status of reconciliation during the three years 2020-23**



Source: Finance Accounts

While 99.77 per cent of the receipts and 100 per cent of the disbursements were reconciled during 2021-22, these figures were 75.60 per cent for receipts and 99.24 per cent in respect of disbursements for the year 2022-23.

The details relating to the number of Controlling Officers and the extent of reconciliation during the last three years are given in **Table 4.9**.

**Table 4.9: Status of Reconciliation of Receipts and Expenditure figures**

Year	Total no. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all
<b>Receipts</b>				
2020-21	44	29	0	15
2021-22	61	61	0	0
2022-23	67	57	1	9
<b>Expenditure</b>				
2020-21	87	83	0	4
2021-22	88	88	0	0
2022-23	85	83	0	2

Source: Accounts Wing

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

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

***Principal Secretary, Finance Department during exit conference stated that instructions would be issued to all concerned departments to ensure 100 per cent reconciliation of receipts and expenditure in future.***

#### **4.9 Reconciliation of Cash Balances**

The Cash Balance as on 31 March 2023 as per record of the Principal Accountant General was ₹ 342.87 crore (Credit) and that reported by the RBI was ₹ 4.11 crore (Debit). There was a net difference of ₹ 338.76 crore (Credit), mainly due to non-reconciliation of figures between Treasuries and Agency Banks. The difference remained as on 30 June 2023 and is under Reconciliation.

#### **4.10 Opening of Bank Accounts by the DDOs**

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

It has been observed that most of the Drawing and Disbursing Officer (DDOs) have opened Current/Savings Accounts in Commercial Banks. As per information provided by 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. This has had the impact of overstating the actual expenditure of the Government and overstating the deficit indicators by the same amount.

## Issues related to disclosure

### 4.11 Compliance with Accounting Standards

Government Accounting Standards Advisory Board (GASAB), set up by the Comptroller and Auditor General of India in 2002, has been formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. Three Indian Government Accounting Standards (IGAS) have been notified. The details of these standards and the extent of compliance with these by the GoM in its financial statements for the year 2022-23 are given in **Table 4.10**.

**Table 4.10: Compliance with IGAS**

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

### 4.12 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

As per Section 19 (3) of the CAG's DPC Act, the Governor/ Administrator may, in the public interest, request the CAG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the CAG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such corporation.

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

Audit certificate is issued to the autonomous bodies and authorities provided CAG is the sole auditor. Thus, these bodies and authorities are required to prepare annual accounts and submit them to Principal Accountant General (Audit), Mizoram for audit. Apart from Audit certificate, on the completion of financial audit, the audit office issues separate audit report (SAR) that is part of the audit certificate on the accounts. In Mizoram, three Autonomous District Councils viz., Mara Autonomous District Council (MADC), Lai Autonomous District Council (LADC) and Chakma Autonomous District Council (CADC) as well as two Government Bodies viz., the Joint Electricity Regulatory Commission for Manipur and Mizoram (JERC) and Khadi and Village Industries Board, Mizoram (KVIB) are currently under the audit purview of the CAG.

The Principal Accountant General (Audit), Mizoram has not received five annual accounts of three Autonomous District Councils (ADCs) and one Government Body due up to 2022-23 for audit as of 30 September 2023. The details of accounts due from Autonomous District Councils and Government Bodies are as given in **Table 4.11**.

**Table 4.11: Arrears of accounts of bodies or authorities as of 30 September 2023**

Sl. No.	Name of Body or Authority	Accounts pending since	No. of Accounts pending up to F.Y 2022-23
1	Chakma Autonomous District Council	2022-23	1
2	Mara Autonomous District Council	2022-23	1
3	Lai Autonomous District Council	2022-23	1
4	Joint Electricity Regulatory Commission	2021-22	2

Timely submission of annual accounts promotes effective audit of utilisation of the grants and loans disbursed to ADCs/Government Bodies.

*Principal Secretary, Finance Department during exit conference stated that steps would be taken, as feasible, to ensure clearance of arrears in submission of accounts by these entities.*

#### 4.13 Departmental Commercial Undertakings

The Principal Accountant General (Audit), Mizoram has not received seven annual accounts of two Departmental Commercial Undertakings due for audit up to September 2023. The details of accounts due from these bodies are in **Table 4.12**.

**Table 4.12: Arrears of accounts of Commercial Undertakings**

Sl. No.	Name of Departmental Commercial Undertaking	Accounts arrears since	No. of Accounts pending up to F.Y 2022-23
<b>Departmental Undertakings</b>			
1	Food, Civil Supplies & Consumer Affairs Department <sup>43</sup>	2022-23 <sup>44</sup>	1
2	Mizoram State Transport Department	2016-17 <sup>45</sup>	6

<sup>43</sup> Accounts are audited as required under Supply Manual of the Department.

<sup>44</sup> Accounts for 2018-19 to 2021-22 had been submitted but were pending audit as of December 2023.

<sup>45</sup> Differs from SFAR 2021-22 due to rectification of printing mistake.

As can be seen from the above, the accounts of Mizoram State Transport Department were in arrears since 2016-17 and Food, Civil Supplies & Consumer Affairs Department were in arrears since 2022-23. Thus, in the absence of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

*Principal Secretary, Finance Department during exit conference stated that steps would be taken, as feasible, to ensure clearance of arrears in submission of accounts by these entities.*

#### **4.14 Non-submission of details of Grants / Loans given to bodies and authorities**

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

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

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

No information regarding the details of grants/loans given by the Government to bodies and authorities was received by this office during 2022-23. In the absence of timely submission of these details, results of the grants/investment of the Government escaped scrutiny of audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency in the functioning of the grantees could not be suggested.

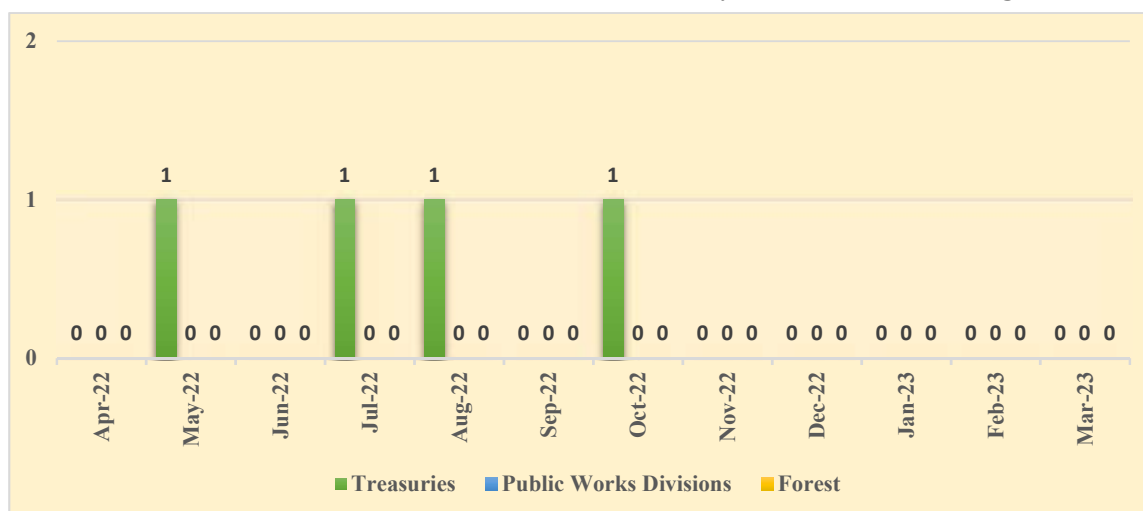
#### **4.15 Timeliness and Quality of Accounts**

The accounts of receipts and expenditure of Government of Mizoram are compiled from the initial accounts rendered by 13 Treasuries, six Joint Resident Commissioners, 75 Public Works<sup>46</sup> and 34 Forest Divisions<sup>47</sup> and Advice of the Reserve Bank of India. Delay in submission of the monthly accounts led to exclusion of some accounts in those months during the year but no accounts were excluded at the end of the year. Details of accounts excluded from the Monthly Civil Accounts are given in **Chart 4.3**.

<sup>46</sup> PWD – 31, P&E – 22, PHE – 18 and I&WR - 4.

<sup>47</sup> Environment, Forests & Climate Change – 25 & Land Resources, Soil & Water Conservation - 9.

**Chart 4.3: Number of accounts excluded from monthly Civil Accounts during 2022-23**



Source: Information obtained from Accounts Wing

As can be seen from the chart, Treasuries were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/units could not be incorporated in the Civil Accounts in the month of occurrence of the transaction. Due to the failure of the account rendering units to furnish accounts on time, some accounts were excluded from the Monthly Civil Accounts by the Principal Accountant General in four months during the year (May 2022, July 2022, August 2022 and October 2022). Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the Accounts Wing of the office of the Principal Accountant General, Mizoram to the State Government were incomplete in respect of the above mentioned four months.

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

## Other Issues

### 4.16 Misappropriations, losses, thefts, *etc.*

During 2022-23 there were a number of cases of misappropriation, losses, theft, *etc.* that were reported to this office (September 2023). The total amount of public money affected by these reported cases was ₹ 8.52 lakh : Department of Food, Civil Supplies and Consumer Affairs (₹ 8.47 crore) and Police Headquarters (₹ 0.05 crore). Details of these cases are shown in **Table 4.13**.

**Table 4.13: Pending cases of misappropriation, losses, theft, etc.**

Name of Department	Cases of misappropriation/ losses /theft of Government material		Reasons for the delay in final disposal of pending cases of misappropriation, losses, theft, etc.					
			Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
Food, Civil Supplies and Consumer Affairs Department	10	8.47	NIL	NIL	10	8.47	NIL	NIL
Police Headquarters <sup>48</sup>	1	0.05	NIL	NIL	NIL	NIL	NIL	NIL

Source: Information received from Government of Mizoram.

The State Government should make all efforts to bring the defaulters to book and strengthen the internal control mechanism to ensure that such cases do not go undetected.

#### 4.17 Follow-up action on State Finances Audit Report

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

The Audit Reports on State Finances have been placed before the State Legislature every year since 2010. While the audit observations featured in the State Finances Audit Reports up to 2019-20 have all been settled, there are 115 paragraphs remaining unsettled in the Reports for the years 2020-21 and 2021-22.

#### 4.18 Conclusion

As per Public Financial Management System (PFMS) data, bank accounts of 22 Single Nodal Agency's had been linked as on 31 March 2023. Central Share of interest of ₹ 16.14 crore was yet to be credited to the Consolidated Fund of India as on 31 March 2023.

Nine Utilisation Certificates (UCs) in respect of grants aggregating ₹ 16.06 crore given to the three Autonomous District Councils had not been submitted to the sanctioning authority.

Detailed Countersigned Contingent Bills in respect of 51 Abstract Contingent bills amounting to ₹ 247.88 crore were not received as on 31 March 2023.

<sup>48</sup> Departmental proceedings concluded and amount recovered.

During 2022-23, Revenue Receipt ₹ 859.30 crore under 41 Major Heads, constituting 8.36 per cent of the total Revenue Receipts (₹10,282.06 crore) was classified under Minor Head 800-Other Receipt. Similarly, ₹ 1,277.34 crore under 47 Major Heads of accounts, constituting 11.19 per cent of the total Revenue and Capital expenditure (₹ 11,414.03 crore) was classified under this Minor Head. Substantial portion of Receipts and Expenditure 50 per cent or more have been notified on 13 and nine Major Heads respectively.

As per information provided by the State Government, 273 DDOs (out of 1170) had an amount of ₹ 262.56 crore lying in Savings/Current Bank Account as on 31 March 2023.

The Principal Accountant General, Mizoram has not received five Annual Accounts of Autonomous District Councils/Government Bodies which were due up to 2022-23 for audit as of 30 September 2023.

The Annual Accounts were pending in respect of one Departmental Commercial Undertaking since 2016-17 and one Departmental Commercial Undertaking since inception.

#### 4.19 Recommendations

- *The State Government may ensure submission of Utilisation Certificates (UCs) by the grantees within the time frame and institute a mechanism whereby subsequent release of funds is made only on furnishing UCs of earlier releases.*
- *Finance Department should review all Savings /Current Bank Accounts in the name Drawing and Disbursing Officers (DDOs). Further, the Finance Department should reiterate the instructions contained in the Central Treasury Rules (CTR) that no money should be drawn in anticipation of demand or to prevent the lapse of budgetary grants.*

**CHAPTER-5**  
**STATE PUBLIC SECTOR**  
**ENTERPRISES**



## Chapter 5: State Public Sector Enterprises

This Chapter discusses the financial performance of State Public Sector Enterprises, impact of significant comments issued as a result of supplementary audit of the Financial Statements of these SPSEs conducted by the Comptroller and Auditor General (CAG) of India for the year 2022-23 (or of earlier years which were finalised during the current year) have also been discussed. The term State Public Sector Enterprises (SPSEs) represents ‘Government Companies’, ‘Statutory Corporations’ and ‘Government Controlled Other Companies’ (GCOCs).

### 5.1 Definition of Government Companies

A *Government Company* is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government Company.

Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as *Government Controlled Other Companies*.

### 5.2 Mandate of Audit

Audit of ‘Government Companies’ and ‘Government Controlled Other Companies’ is conducted by the CAG of India under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG’s (Duties, Powers, and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit of the company’s financial statements. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

### 5.3 SPSEs and their contribution to the GSDP of the State

SPSEs consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2023, there were six SPSEs (all working Government Companies) in Mizoram, all under the audit jurisdiction of the CAG as detailed in the following table.

**Table 5.1: Details of SPSEs in Mizoram**

Type of SPSEs	Working SPSEs	Non-working SPSEs	Total
<b>Government Companies</b>	6	0	6
<b>Total</b>	<b>6</b>	<b>0</b>	<b>6</b>

Source: As per latest finalised accounts of SPSEs

**Table 5.2** below provides the comparative details of working SPSEs and GSDP for a period of three years ending 31 March 2023.

**Table 5.2 Contribution of SPSEs-turnover to GSDP**

Particulars	(₹ in crore)		
	2020-21	2021-22	2022-23
<b>SPSEs' Turnover</b>			
<b>Agriculture and Allied Sector SPSEs<sup>49</sup></b>	0.78	0.78	5.00
<b>Other SPSEs<sup>50</sup></b>	9.72	81.41	81.41
<b>Total</b>	<b>10.50</b>	<b>82.19</b>	<b>86.41</b>
GSDP	23,922.94	27,823.50	32,829.46
Percentage of Turnover to GSDP	0.04	0.30	0.26

Source: As per latest finalised accounts of SPSEs

As can be noticed from **Table 5.2** above, the contribution of SPSEs-turnover to GSDP of Mizoram during the last three years was negligible ranging between 0.04 *per cent* (2020-21) and 0.30 *per cent* (2021-22). However, overall contribution of SPSEs-turnover to the GDSP during three years (2020-23) has increased by more than six-fold from 0.04 *per cent* (2020-21) to 0.26 *per cent* (2022-23) mainly due to growth of more than 700 *per cent* (₹ 75.91 crore) in SPSE-turnover during this period. Further, the contribution of Agriculture and Allied sector SPSEs to the total SPSE-turnover during 2022-23 was 5.79 *per cent* (₹ 5.00 crore) as compared to 7.43 *per cent* (₹ 0.78 crore) during 2020-21. As on 31 March 2023, the State Government had investment of ₹ 53.57 crore (Equity ₹ 53.47 crore and long-term loans ₹ 0.10 crore) in the six SPSEs.

## 5.4 Investment in SPSEs and Budgetary Support

### 5.4.1 Equity holding and Loans in SPSEs

The sector wise Total Equity, Equity Contribution by State Government and Long-Term Loans including the loans provided by State Government in six working SPSEs as on 31 March 2023 is given in the following table.

<sup>49</sup> Mizoram Agricultural Marketing Corporation Limited & Mizoram Food and Allied Industries Corporation Limited.

<sup>50</sup> Zoram Industrial and Infrastructure Development Corporation Limited, Zoram Electronics Development Corporation Limited, Mizoram Handloom & Handicrafts Development Corporation Limited and Aizawl Smart City Limited.

**Table-5.3: Sector-wise investment<sup>51</sup> in SPSEs****(₹ in crore)**

Particulars	Investment					
	Total Equity	State Govt. Equity	Total Long-term loans	State Govt. Loans	Total Equity and Long-term Loans	Sector wise Investment to total Investment (per cent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Agriculture and Allied Sector SPSEs</b>	26.05	24.69	Nil	Nil	26.05	44.00
<b>Other SPSEs</b>	33.06	28.78	<b>0.10</b>	0.10	<b>33.16</b>	<b>56.00</b>
<b>Total</b>	<b>59.11</b>	<b>53.47</b>	<b>0.10</b>	<b>0.10</b>	<b>59.21</b>	<b>100</b>

Source: Latest finalised accounts of SPSEs

The thrust of investment in SPSEs was mainly in Agriculture and Allied Sector SPSEs, which received as much as 44.00 per cent (₹ 26.05 crore) of total investment of (₹ 59.21 crore). On the other hand, the ‘SPSEs (Other Sectors)’ which consisted of Financing, Manufacturing and Miscellaneous Sector SPSEs, received balance 56 per cent (₹ 33.16 crore) of total SPSE investment as on 31 March 2023. The State of Mizoram had no Power Sector SPSE as on 31 March 2023. Further, the State Government had contributed 90.47 per cent (₹ 53.57 crore) of the total investment (₹ 59.21 crore) in the SPSEs as on 31 March 2023.

#### 5.4.2 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by the State Government as per records of SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of difference in the figures, the PSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2023 is given in Table 5.4.

**Table-5.4: Equity and loans as per the Finance Accounts vis-à-vis records of SPSEs****(₹ in crore)**

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSEs <sup>52</sup>	Difference
Equity	6.99	53.47	46.48
Loans	30.03 <sup>53</sup>	0.10	29.93

Source: Finance Accounts 2022-23 and SPSEs’ records

As on 31 March 2023, there were unreconciled differences in the figures of equity (₹ 46.48 crore) and loans (₹ 29.93 crore) as per two sets of records. The differences in equity

<sup>51</sup> Investment figures (equity and loans) are provisional and as provided by the SPSEs, since none of the SPSEs had finalised their Annual Accounts for 2022-23.

<sup>52</sup> Figures of investment (equity and loans) as per SPSEs records are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their up-to-date accounts during any of the last three years.

<sup>53</sup> Loans as per Finance Accounts represent the aggregate of ‘Detailed Statement of Loans and Advances given by the Government’ as depicted under Statement 18 to the State Finance Accounts for the respective year.

occurred in respect of all six SPSEs where State Government had made direct investment and reconciliation of these differences had been pending for more than ten years.

As regards of Loan figures, the Finance Department disburses the loans to various Departments of the State Government for different sectoral activities and books the amount sector-wise in the Finance Accounts. In turn, the Department disburses these loans to respective SPSEs functioning under their administrative control. Hence, SPSE-wise figures of State Government loans provided to various SPSEs were not available in the State Finance Accounts.

***The State Government and the SPSEs concerned may take concrete steps to reconcile the difference in a time-bound manner. The Government should correct the system of recording the funding provided to SPSEs in the State Finance Accounts and the Finance Accounts be updated.***

#### 5.4.3 Market Capitalisation of equity investment in SPSEs

Market Capitalisation represents market value of shares of companies which are listed. As on 31 March 2023, no SPSE in Mizoram had been listed on the stock exchange.

#### 5.4.4 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of disinvestment, restructuring and privatisation of SPSEs.

### 5.5 Returns from SPSEs

#### 5.5.1 Profit earned by SPSEs

Only one SPSEs earned profit during the last three years 2020-23. The profit earned by this SPSE (*Zoram Infrastructure and Development Corporation Limited*), however, increased to ₹ 0.98 crore in 2022-23 from ₹ 0.82 crore earned during 2020-21 as per its latest finalized accounts.

The detailed of profit earned by the only one profit earning SPSE during 2022-23 have been given in **Table 5.5**.

**Table 5.5: SPSE which contributed profit during 2022-23**

Name of SPSE	Year of Account	Net profit (₹ in crore)	Contribution to total SPSE-profits (per cent)
Zoram Infrastructure and Industrial Development Corporation Limited	2020-21	0.98	100
<b>Total</b>		<b>0.98</b>	<b>100</b>

Net Profit Ratio<sup>54</sup> assesses a company's ability to earn profits from its sales (turnover). A higher net profit ratio indicates that a company is more efficient at converting sales into

<sup>54</sup>  $Net\ Profit + Turnover \times 100$

actual profit. As a thumb rule, Net Profit Ratio at 5 per cent is considered to be low margin, 10 per cent a healthy margin, while 20 per cent or more is a high margin.

Sector-wise Net Profit Ratio of working SPSEs during the year 2022-23 is depicted in **Table 5.6**

**Table 5.6: Net Profit Ratio of working SPSEs**

Sector	No. of SPSEs	Net Profit (₹ in crore)	Turnover	Net Profit Ratio (Per cent)
Agricultural & Allied	02	(3.08)	5.00	Negative
Others	04	0.45	81.41	0.55
<b>Total</b>	<b>06</b>	<b>(2.63)</b>	<b>86.71</b>	<b>Negative</b>

Source: Latest finalized accounts of SPSEs

It could be noticed from **Table 5.6** above that, the overall Net Profit Ratio of four SPSEs falling under ‘Other Sector’ was positive while that for Agriculture and Allied Sector SPSEs (two SPSEs) was negative. The positive Net Profit Ratio of Other Sector SPSEs was attributable to the only profit earning SPSE (*Zoram Infrastructure and Industrial Development Corporation Limited*) which earned profit of ₹ 0.98 crore during 2022-23 as per its latest finalized accounts.

### 5.5.2 Dividend paid by SPSEs

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of *five per cent* on Government equity should be paid by all enterprises. However, since the State Government had not established a policy mandating a minimum dividend payout by the SPSEs, none of the SPSEs had declared any dividend during 2022-23.

## 5.6 Debt Servicing

### 5.6.1 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding long term debt and is calculated by dividing a company’s earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debts. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest.

In the State of Mizoram, however, only one SPSE (Mizoram Handloom and Handicrafts Development Corporation Limited) had outstanding Long Term Borrowings of ₹ 0.10 crore during all the three years (2020-21 to 2022-23), which was a ‘interest free’ loan provided by the State Government. Since the State had no SPSE having interest burden during any of the three years (2020-21 to 2022-23) under reference, the analysis of Interest Coverage Ratio of Mizoram SPSEs was not relevant.

## 5.7 Financial performance of SPSEs

### 5.7.1 Return on Capital Employed

*Return on Capital Employed* (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the *Capital Employed*. The details of RoCE in respect of six working SPSEs during the period from 2020-21 to 2022-23 are given below in **Table 5.7**.

**Table 5.7: Return on Capital Employed**

Year	Particulars	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	Agriculture and Allied Sector SPSEs	(-) 2.61	(-) 2.82	Could not be worked out
	Other SPSEs	0.29	5.27	(+) 5.50
	<b>Total</b>	<b>(-) 2.32</b>	<b>2.45</b>	<b>(-) 94.69</b>
2021-22	Agriculture and Allied Sector SPSEs	(-) 3.32	(-) 3.48	Could not be worked out
	Other SPSEs	0.45	6.33	(+) 7.11
	<b>Total</b>	<b>(-) 2.77</b>	<b>2.85</b>	<b>(-) 97.19</b>
2022-23	Agriculture and Allied Sector SPSEs	(-) 3.08	(-) 4.84	Could not be worked out
	Other SPSEs	0.45	6.33	(+) 7.11
	<b>Total</b>	<b>(-) 2.63</b>	<b>1.49</b>	<b>(-) 176.51</b>

Source: Latest finalised accounts of SPSEs

It was observed from **Table 5.7** above that RoCE of Agriculture and Allied Sector SPSEs could not be worked out during any of the three years under reference (2020-21 to 2022-23) due to complete erosion of their Capital Employed by the accumulated losses. The RoCE of Other Sector SPSE was, however, positive during all the three years and had also improved from 5.50 per cent (2020-21) to 7.11 per cent (2022-23). This improvement was attributable to increase in the EBIT of the only profit earning SPSE (*Zoram Infrastructure and Industrial Development Corporation Limited*) from ₹ 0.82 crore (2020-21) to ₹ 0.98 crore (2022-23).

### 5.7.2 Return on Equity by SPSEs

Return on Equity<sup>55</sup> (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e. net profit after taxes*) by *Shareholders' Fund*. It is expressed as a percentage and can be calculated for any company if Net income and Shareholders' Funds are both

<sup>55</sup> *Return on Equity = (Net Profit after Tax divided by Shareholders' Fund) X 100, where Shareholders' Fund represents paid up capital plus free reserves & surplus/accumulated profits minus accumulated losses and deferred revenue expenditure*

positive numbers. Shareholders' Funds is calculated by adding 'paid up capital' and 'free reserves and surplus/accumulated profits' *minus* 'accumulated losses' and 'deferred revenue expenditure'.

The Shareholders' Fund reveals how much would be left for a company's shareholders if all assets were sold and all debts paid. A positive Shareholders' Fund reveals that the company has enough assets to cover its liabilities while negative Shareholders' Fund/Equity means liabilities exceed assets.

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table 5.8**.

**Table-5.8: Return On Equity relating to SPSEs**

Year	Particulars	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	RoE (in per cent)
2020-21	Agriculture and Allied Sector SPSEs	(-) 2.61	(-) 2.82	Could not be worked out
	Other SPSEs	0.29	5.17	5.61
	<b>Total</b>	<b>(-) 2.32</b>	<b>2.35</b>	<b>Negative</b>
2021-22	Agriculture and Allied Sector SPSEs	(-) 3.22	(-) 3.48	Could not be worked out
	Other SPSEs	0.45	6.23	7.22
	<b>Total</b>	<b>(-) 2.77</b>	<b>2.75</b>	<b>Negative</b>
2022-23	Agriculture and Allied Sector SPSEs	(-) 3.08	(-) 4.84	Could not be worked out
	Other SPSEs	0.45	6.23	7.22
	<b>Total</b>	<b>(-) 2.63</b>	<b>1.39</b>	<b>Negative</b>

Source: As per latest finalised accounts of SPSEs

As can be noticed from **Table 5.8** above, the RoE of working SPSEs was positive during all the three years under reference only in 'Other Sector of SPSEs' while the RoE of SPSEs in 'Agriculture and Allied Sector' could not be worked out due to complete erosion of the 'Shareholders' Fund' of these SPSEs. The positive RoE in 'Other Sector' was mainly because of the positive RoE of one SPSE (*Zoram Infrastructure and Industrial Development Corporation Limited*) during all three years, which ranged between 52.13 per cent (2022-23) and 94.25 per cent (2020-21).

### 5.7.3 Rate of Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its Present Value (PV) at the end of each year up to 31 March 2023, the past investments/ year-wise funds infused by the State Government in the SPSEs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government

in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any, *less* disinvestments since inception of these SPSEs till 31 March 2023.

The PV of the State Government investment in SPSEs was computed on the basis of following assumptions:

The average rate of interest on Government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

In 2022-23, out of the five<sup>56</sup> SPSEs where State Government had made direct investment, four SPSEs incurred loss and only one SPSE<sup>57</sup> earned profit (**Appendix-VIII**). On the basis of return on historical value, the State Government's investment eroded by 1.37 *per cent* during 2022-23. On the other hand, as per the RORR where the PV of investment is considered, the State Government's investment eroded by 1.04 *per cent* as shown in **Appendix-IX**. This difference in the percentage of investment erosion was on account of the adjustment made in the investment amount for time value of money.

## 5.8 SPSEs incurring losses

### 5.8.1 Losses incurred

During the year 2022-23, four<sup>58</sup> out of six working SPSEs losses of ₹ 3.61 crore as compared to the losses of ₹ 3.14 crore incurred during 2020-21. The losses of working SPSEs was mainly driven by the losses incurred by the Agriculture and Allied Sector SPSEs. A sector-wise comparative position of the loss incurring SPSEs during the last three years from 2020-21 to 2022-23 has been given in **Table 5.9**.

**Table 5.9: Number of SPSEs that incurred losses during 2020-21 to 2022-23**

(₹ in crore)

Year	Particulars	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net worth
2020-21	Agriculture and Allied SPSEs	2	(-) 2.61	27.82	(-) 2.82
	Other SPSEs	2	(-) 0.53	12.93	4.30
	<b>Total</b>	<b>4</b>	<b>(-) 3.14</b>	<b>40.75</b>	<b>1.48</b>
2021-22	Agriculture and Allied SPSEs	2	(-) 3.32	29.45	(-) 3.48
	Other SPSEs	2	(-) 0.53	12.93	4.30
	<b>Total</b>	<b>4</b>	<b>(-) 3.75</b>	<b>42.38</b>	<b>0.82</b>
2022-23	Agriculture and Allied SPSEs	2	(-) 3.08	30.81	(-) 4.84
	Other SPSEs	2	(-) 0.53	12.93	4.30
	<b>Total</b>	<b>4</b>	<b>(-) 3.61</b>	<b>43.74</b>	<b>(-) 0.54</b>

Source: As per latest finalised accounts of SPSEs.

<sup>56</sup> Excluding Aizawl Smart City Limited, losses of which are recouped from Government Grants.

<sup>57</sup> Zoram Infrastructure and Industrial Development Corporation Limited.

<sup>58</sup> Excluding one SPSE (Aizawl Smart City Limited), losses of which are recouped from Government Grants.

### 5.8.2 Erosion of Net Worth in SPSEs

As on 31 March 2023, there were five SPSEs with accumulated losses of ₹ 57.64 crore, the details of profit gained or loss incurred by all six SPSEs in the State including five SPSEs incurring losses has been shown in **Appendix VIII**.

The net worth of two<sup>59</sup> out of five working SPSEs had been completely eroded by accumulated losses and their net worth was 'negative'. The net worth of these two SPSEs was ₹ 4.84 crore against equity investment of ₹ 25.97 crore as per their latest finalised accounts as detailed in **Table 5.10**.

**Table 5.10: Details of SPSEs whose net worth was eroded as per their latest finalised accounts**

(₹ in crore)

Sl. No	Name of SPSE	Latest Year of Accounts	Total Paid up Capital	Net Profit (+)/(-) after Interest and Tax	Accumulated Losses	Net Worth	State Government's investment as on 31 March 2023 <sup>60</sup>	
							Equity	Loans
1	Mizoram Agricultural Marketing Corporation Limited	2011-12	5.97	(-) 1.63	(-) 8.54	(-) 2.57	6.05	Nil
2	Mizoram Food and Allied Industries Corporation Limited	2018-19	20.00	(-) 1.45	(-) 22.27	(-) 2.27	18.64	Nil
<b>Total</b>			<b>25.97</b>	<b>(-) 3.08</b>	<b>(-) 30.81</b>	<b>(-) 4.84</b>	<b>24.69</b>	<b>Nil</b>

Source: As per latest finalised accounts of SPSEs.

### 5.9 Audit of State Public Sector Enterprises

CAG appoints the statutory auditors of a *Government company* and *Government Controlled Other Company* under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Similarly, the statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the Legislature. In the State of Mizoram, however, there was no Statutory Corporation under the audit purview of CAG as on 31 March 2023.

<sup>59</sup> SPSEs at serial no. 1 and 2 of **Appendix VIII**.

<sup>60</sup> Investment figures (Equity and Loans) as on 31 March 2023 are provisional and as provided by the respective SPSEs.

## **5.10 Appointment of statutory auditors of State Public Sector Enterprises by the CAG**

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

## **5.11 Submission of accounts by State Public Sector Enterprises**

### **5.11.1 Need for timely submission**

According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report must be laid before Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

The annual accounts of various SPSEs were pending as on 30 September 2023, as detailed in the following paragraph.

### **5.11.2 Timeliness in preparation of accounts by SPSEs**

As of 31 March 2023, there were six SPSEs (all working Government Companies) under the purview of CAG's audit. However, none of all these SPSEs had submitted their accounts for the year 2022-23 for audit by CAG as on 30 September 2023. In total, 37 Accounts of 6 SPSEs were in arrears (**Appendix VIII**). Details of arrears in submission of accounts of SPSEs are given in **Table 5.11**.

**Table 5.11 Details of arrears in submission of accounts**

Particulars		SPSEs	Number of Accounts
Total Number of Companies under the purview of CAG's Audit as on 31.03.2023		6	-
Less: New Companies from which accounts for 2022-23 were not due		0	0
Number of companies from which accounts for 2022-23 were due		6	6
Number of companies which presented the accounts for the year 2022-23 for CAG's audit by 30 September 2023		0	0
Number of Accounts in arrears		<b>6</b>	<b>37</b>
Break- Up of Arrears	(i) Under Liquidation	0	0
	(ii) Defunct	0	0
	(iii) Others	6	37
Age wise analysis of arrears against "Others" category	One Year (2022-23)	0	0
	Two Years (2021-22 and 2022-23)	1	2
	Three Years and more	5	35

Source: As per latest finalised accounts of SPSEs.

## 5.12 CAG's oversight- Audit of accounts and supplementary audit

### 5.12.1 Financial reporting framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards renamed as national Financial Reporting Authority. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

### 5.12.2 Audit of accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and supplement or comment upon the statutory auditors' report under Section 143 (6) of the Companies Act, 2013.

### **5.12.3 Supplementary Audit of Accounts of Government Companies**

The primary responsibility for preparation of Financial Statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the Financial Statements under Section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM.

## **5.13 Result of CAG's oversight role**

### **5.13.1 Audit of accounts of SPSEs**

During 1 October 2022 to 30 September 2023, one SPSE (Mizoram Food and Allied Industries Corporation Limited) submitted its four Financial Statements (Accounts) for previous years (2015-16 to 2018-19). Four Financial Statements of this SPSE were reviewed by the CAG. The results of the review are detailed as follows:

### **5.13.2 Amendment of Financial Statements**

During 2022-23 there is no case of SPSEs amending their Financial Statements before laying the same in the AGM.

### **5.13.3 Revision of Auditors Report**

During 2022-23, there is no case of revision of statutory auditors' report as a result of supplementary audit of the Financial Statements conducted by the CAG.

## **5.14 Conclusion**

As on 31 March 2023, there were six SPSEs (all working Government companies) in the State of Mizoram under the audit purview of CAG. SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 37 Accounts of 6 SPSEs in arrears as on 30 September 2023.

Out of the total five working SPSEs (excluding one SPSE losses of which are recouped from Government Grants), only one SPSE earned profit (₹ 0.98 crore) as per its latest finalised accounts as on 30 September 2023 while remaining four SPSEs incurred losses

(₹ 3.61 crore). More than 85 per cent (₹ 3.08 crore) of SPSE losses was contributed by two Agriculture & Allied Sector SPSEs during 2022-23. Further, the profit earning SPSE had not declared any dividend during 2022-23.

### 5.15 Recommendations


- *State Government may impress upon the managements of SPSEs to ensure timely finalisation and submission of their Financial Statements. As many as 37 accounts of 6 SPSEs were in arrears and in the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature.*
- *State Government may analyse the reasons of losses in those SPSEs whose net worth has been eroded and initiate steps to make their operations efficient and profitable.*

Aizawl  
The 16 April 2024

  
(LHUNKHOTHANG HANGSING)  
Principal Accountant General (Audit), Mizoram

Countersigned

New Delhi  
The 26 April 2024

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India



# APPENDICES



# Appendices

## APPENDIX I

### State Profile

(Reference: Paragraph 1.1)

Sl. No.	Particulars	Unit	India	Mizoram
1	Area	Sq Km	3287469	21,081
2	Population as per Census, 2011	in lakh	12,583.09	10.97
3	Density of Population (2021-22)	per Sq Km	422.26	52.08
4	Population below poverty line (2016-17 based)	No. of Households/in per cent	21.92	19.63
5	Literacy (2011)	Per cent	73.00	91.58
6	Infant Mortality Rate (2019)	Per 1000 live births	28	22
7	Life expectancy at Birth (in years:2015-19)	Year	70.42	69.70
8	Decadal Population Growth (2013-2023) (Projected)	Per cent	11.68	23.48
9	GDP/GSDP at Current Prices (2011-12 Series)	(₹ in crore)	2,72,40,712.00	32,829.46

Source: State Economic & Statistics Department

**APPENDIX II**  
**Meaning of Deficits/Surplus discussed in the Report**

*(Reference: Paragraph 1.4)*

<p><b>Revenue Deficit/ Surplus</b> (Revenue Expenditure – Revenue Receipts)</p>	<p><i>It refers to the difference between revenue expenditure and revenue receipts.</i></p> <ul style="list-style-type: none"> <li>• When the government incurs a revenue deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure.</li> <li>• Existence of revenue deficit is a cause of concern as it indicates that revenue receipts were not able to meet even the revenue expenditure. Moreover, part of capital receipts was utilised to meet revenue expenditure, reducing availability of capital resources to that extent for creation of capital assets.</li> <li>• This situation means that the government have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure.</li> <li>• If major part of revenue expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.</li> </ul>
<p><b>Fiscal Deficit/ Surplus</b> {Total expenditure – (Revenue receipts + Non-debt creating capital receipts)}</p>	<p><i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit is reflective of the total borrowing requirements of Government.</i></p> <ul style="list-style-type: none"> <li>• Fiscal deficit is the difference between the government’s total expenditure and its total receipts excluding borrowing.</li> <li>• Non-debt creating capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of shares of PSUs.</li> <li>• The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources.</li> </ul> <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus, it is desirable to fully utilise borrowed funds for the creation of capital assets and to use revenue receipts for the repayment of principal and interest.</p>
<p><b>Primary Deficit/</b> (Gross fiscal deficit – Net Interest liabilities)</p>	<p><i>It refers to the fiscal deficit minus the interest payments.</i></p> <ul style="list-style-type: none"> <li>• Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending.</li> <li>• The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the primary deficit.</li> </ul>

**APPENDIX III**  
**Time Series data on State Government Finances**

(Reference: Paragraph 2.5.1.2)

(₹in crore)

	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Part A: Receipts</b>					
<b>1. Revenue Receipts</b>	<b>9,039.50</b>	<b>9,658.26</b>	<b>7,740.67</b>	<b>9,159.74</b>	<b>10,282.06</b>
<i>(i) Tax Revenue</i>	726.70	730.98	647.56	853.94	1,101.83
Taxes on Agricultural Income	0.00	0.00	0.00	0.00	0.00
State Goods and Services Tax	454.73	532.22	457.91	632.34	904.20
Taxes on Sales, Trade, etc.	135.93	117.61	113.66	150.75	112.94
State Excise	65.34	2.72	0.96	1.79	1.89
Taxes on Vehicles	38.36	40.66	29.01	27.90	41.32
Stamps and Registration fees	4.43	5.85	4.73	7.48	7.80
Land Revenue	8.64	9.05	20.74	13.04	9.56
Taxes on Goods and Passengers	4.71	7.44	4.85	5.39	7.99
Other Taxes	14.56	15.43	15.70	15.25	16.13
<i>(ii) Non-Tax Revenue</i>	449.96	522.35	561.76	622.12	1,027.77
<i>(iii) State's share of Union taxes and duties</i>	3,502.96	3,017.80	3,010.55	4,222.86	4,745.25
<i>(iv) Grants-in-Aid from GoI</i>	4,359.88	5,387.13	3,520.80	3,460.82	3,407.21
<b>2. Miscellaneous Capital Receipts</b>	0.00	0.00	0.00	0.00	0.00
<b>3. Recoveries of Loans and Advances</b>	22.16	26.70	33.69	32.18	26.49
<b>4. Total Revenue and Non-Debt Capital Receipts (1+2+3)</b>	<b>9,061.66</b>	<b>9,684.96</b>	<b>7,774.36</b>	<b>9,191.92</b>	<b>10,308.55</b>
<b>5. Public Debt Receipts</b>	<b>134.22</b>	<b>1,147.68</b>	<b>2,611.32</b>	<b>4,560.28</b>	<b>4,019.39</b>
<b>Internal Debt (excluding WMAs and Overdraft)</b>	122.86	1,132.80	2,363.70	4,250.46	3,718.99
<b>Net transaction under WMAs and Overdraft</b>	0.00	0.00	0.00	0.00	0.00
<b>Loans and Advances from GoI</b>	11.36	14.88	247.62	309.82	300.40
<b>6. Total Receipts in the Consolidated Fund</b>	<b>9,195.88</b>	<b>10,832.64</b>	<b>10,385.68</b>	<b>13,752.20</b>	<b>14,327.94</b>
<b>7. Contingency Fund Receipts</b>	0.00	0.00	0.00	0.00	0.00
<b>8. Public Account Receipts</b>	5,313.51	6,263.35	8,254.17	4,545.74	5,238.92
<b>9. Total Receipts of the State (6+7+8)</b>	<b>14,509.39</b>	<b>17,095.99</b>	<b>18,639.85</b>	<b>18,297.94</b>	<b>19,566.85</b>
<b>Part B: Expenditure/Disbursement</b>					
<b>10. Revenue Expenditure</b>	<b>7,505.59</b>	<b>9,453.96</b>	<b>8,514.80</b>	<b>8,557.49</b>	<b>10,092.17</b>
<i>General Services (including Interest Payments)</i>	2,695.22	3,161.42	3,230.94	3,141.53	3,831.18
<i>Social Services</i>	2,934.45	3,392.73	3,177.84	3,337.57	3,673.78
<i>Economic Services</i>	1,875.92	2,899.81	2,106.02	2,078.39	2,587.21
<i>Grants-in-Aid and Contributions</i>	0.00	0.00	0.00	0.00	0.00
<b>11. Capital Outlay</b>	<b>1,868.47</b>	<b>1,372.67</b>	<b>1,125.97</b>	<b>1,004.38</b>	<b>1,321.86</b>
<b>Plan</b>	1,868.47	1,372.67	1,125.97	1,004.38	1,321.86
<b>Non Plan</b>	---	---	---	---	---
<i>General Services</i>	99.31	95.22	42.64	39.43	82.86
<i>Social Services</i>	762.20	601.37	559.92	457.62	305.51
<i>Economic Services</i>	1,006.96	676.08	523.41	507.33	933.49

	2018-19	2019-20	2020-21	2021-22	2022-23
<b>12. Disbursement of Loans and Advances</b>	<b>40.52</b>	<b>82.63</b>	<b>2.90</b>	<b>2.58</b>	<b>2.19</b>
<b>13. Total Expenditure (10+11+12)</b>	<b>9,414.58</b>	<b>10,909.26</b>	<b>9,643.67</b>	<b>9,564.45</b>	<b>11,416.22</b>
<b>14. Repayments of Public Debt</b>	<b>244.23</b>	<b>353.92</b>	<b>1,617.89</b>	<b>3,797.95</b>	<b>2,603.15</b>
<b>Internal Debt (excluding WMAs and Overdraft)</b>	222.00	331.97	1,595.53	3,774.93	2,579.66
<b>Net transactions under WMAs and     overdraft</b>	0.00	0.00	0.00	0.00	0.00
<b>Loans and Advances from GoI</b>	22.23	21.95	22.36	23.02	23.49
<b>15. Appropriation to Contingency Fund</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	<b>9,658.81</b>	<b>11,263.18</b>	<b>11,261.56</b>	<b>13,362.40</b>	<b>14,019.36</b>
<b>17. Contingency Fund disbursements</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>18. Public Account disbursements</b>	<b>5,210.10</b>	<b>5,557.73</b>	<b>7,537.09</b>	<b>5,111.76</b>	<b>5,601.12</b>
<b>19. Total disbursement by the State (16+17+18)</b>	<b>14,868.91</b>	<b>16,820.91</b>	<b>18,798.65</b>	<b>18,474.16</b>	<b>19,620.49</b>
<b>Part C: Deficits</b>					
<b>20. Revenue Deficit (-)/Surplus (+) (1-10)</b>	<b>1,533.91</b>	<b>204.30</b>	<b>-774.13</b>	<b>602.25</b>	<b>189.89</b>
<b>21. Fiscal Deficit (-)/Surplus (+) (4-13)</b>	<b>-352.92</b>	<b>-1,224.30</b>	<b>-1,869.31</b>	<b>-372.53</b>	<b>-1,107.67</b>
<b>22. Primary Deficit (-)/Surplus (+) (21-23)</b>	<b>15.76</b>	<b>-881.18</b>	<b>-1,468.32</b>	<b>78.11</b>	<b>-613.79</b>
<b>Part D: Other data</b>					
<b>23. Interest Payments (included in Revenue Expenditure)</b>	<b>368.68</b>	<b>343.12</b>	<b>400.99</b>	<b>450.64</b>	<b>493.88</b>
<b>24. Financial Assistance to LBs, etc.</b>	1,660.61	2,536.71	1,780.83	1,903.64	2,230.08
<b>25. WMAs/Overdraft availed (days)</b>	0	2	82	105	93
<b>Ordinary WMAs availed (days)</b>	0	0	59	101	66
<b>Special WMAs availed (days)</b>	0	2	23	0	19
<b>Overdraft availed (days)</b>	0	0	0	4	8
<b>26. Interest on WMAs/Overdraft</b>	0.00	0.00	0.42	2.32	1.94
<b>27. Gross State Domestic Product</b>	<b>21,912.08</b>	<b>24,989.60</b>	<b>23,922.94</b>	<b>27,823.50</b>	<b>32,829.46</b>
<b>28. Outstanding Fiscal Liabilities (year-end)</b>	<b>7,315.54</b>	<b>8,678.26</b>	<b>9,881.09</b>	<b>10,570.93</b>	<b>10,972.49</b>
<b>29. Outstanding Guarantees (year-end) (including interest)</b>	97.99	140.66	138.63	125.13	119.90
<b>30. Maximum Amount Guaranteed (year-end)</b>	277.58	200.58	167.72	178.87	183.01
<b>31. Number of Incomplete Projects</b>	45	18	9	54	165
<b>32. Capital blocked in incomplete projects</b>	353.20	423.62	239.94	646.03	889.78
<b>Part E: Fiscal Health Indicators</b>					
<b>I - Resource Mobilisation</b>					
<b>Own Tax Revenue/GSDP</b>	3.32	2.93	2.71	3.07	3.36
<b>Own Non-Tax Revenue/GSDP</b>	2.05	2.09	2.35	2.24	3.13
<b>Central Transfers/GSDP</b>	15.99	12.08	12.58	15.18	14.45
<b>II - Expenditure Management</b>					
<b>Total Expenditure/GSDP</b>	42.97	43.66	40.31	34.38	34.77
<b>Total Expenditure/Revenue Receipts</b>	104.15	112.95	124.58	104.42	111.03
<b>Revenue Expenditure/Total Expenditure</b>	79.72	86.66	88.29	89.47	88.40
<b>Expenditure on Social Services/Total     Expenditure</b>	39.27	36.61	38.76	39.68	34.86

	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Expenditure on Economic Services/ Total Expenditure</b>	30.62	32.78	27.27	27.03	30.84
<b>Capital Expenditure/ Total Expenditure</b>	19.85	12.58	11.68	10.50	11.58
<b>Capital Expenditure on Social and Economic Services/ Total Expenditure.</b>	18.79	11.71	11.23	10.09	10.85
<b>III - Management of Fiscal Imbalances</b>					
<b>Revenue Deficit (Surplus)/GSDP</b>	7.00	0.82	-3.24	2.16	0.58
<b>Fiscal Deficit (Surplus)/GSDP</b>	-1.61	-4.90	-7.81	-1.34	-3.37
<b>Primary Deficit (Surplus)/GSDP</b>	0.07	-3.53	-6.14	0.28	-1.87
<b>Revenue Deficit (Surplus)/Fiscal Deficit (Surplus)</b>	-434.63	-16.69	41.41	-161.66	-17.14
<b>Primary Revenue Balance/GSDP</b>	8.78	2.30	-1.42	3.90	2.16
<b>IV - Management of Fiscal Liabilities</b>					
<b>Fiscal Liabilities/GSDP</b>	33.39	34.73	41.30	37.99	33.42
<b>Fiscal Liabilities/Revenue Receipts</b>	80.93	89.85	127.65	115.41	106.71
<b>Primary deficit <i>vis-à-vis</i> quantum spread</b>	2.70	-123.54	196.97	6.65	67.75
<b>V - Other Fiscal Health Indicators</b>					
<b>Return on Investment</b>	0.00	0.00	0.00	0.00	0.00
<b>Financial Assets/Liabilities</b>	1.72	1.64	1.48	1.52	1.49

Source: Finance Accounts of respective year

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

(Reference: Paragraph 3.4.3)

(₹ in crore)

Sl. No.	Grant No. and Head of accounts	Provisions				Actual expenditure	Excess (+) Saving(-)
		O	S	R	Total		
1	<b>20-School Education</b> <i>2202-General Education</i> <i>Central Assistance (CA)</i> 02-Secondary Education 113 Samagra Shiksha 02-Grants for Teacher's Education under Samagra/CSS	29.44	15.34	-16.16	28.61	29.70	1.09
2	<b>34-Animal Husbandry and Veterinary</b> <i>2403-Animal Husbandry</i> 101-Veterinary Services and Animal Health 01-Hospital and Dispensaries	26.11	0.06	-2.19	23.98	24.19	0.21
3	<b>45-Public Works</b> <i>5054-Capital Outlay on Roads and Bridges (CA)</i> 04-District and Other Roads 337-Roads Works 01-Construction of Roads (CRF)/CSS	20.00	-	-20.00	-	10.00	10.00
<b>TOTAL</b>		<b>75.55</b>	<b>15.40</b>	<b>-38.35</b>	<b>52.59</b>	<b>63.89</b>	<b>11.30</b>

Source: Appropriation Accounts

**APPENDIX V**  
**Details of surrender of funds in excess of ₹ 10 crore at the end of March, 2023**

(Reference : Paragraph 3.4.4)

(₹ in crore)

Sl. No.	Grant Number	Original	Suppl.	Total provisions	Actual	Saving (-) Excess (+)	Amount Surrendered
<b>Revenue (Voted)</b>							
1	9-Finance	1,799.67	3.44	1,803.11	1,880.30	-77.19	30.25
2	16-Home	721.25	81.37	802.62	789.78	12.84	12.97
3	17-Food, Civil Supplies and Consumer Affairs	260.99	4.42	265.41	228.62	36.79	35.06
4	19-Local Administration	120.64	138.51	259.15	64.09	195.06	195.06
5	20-School education	1,493.94	118.51	1,612.45	1,392.67	219.78	212.82
6	21-Higher and Technical Education	264.81	68.10	332.91	269.83	63.08	63.02
7	24-Health and Family Welfare	605.50	122.40	727.90	600.36	127.54	127.54
8	25-Public Health Engineering	210.65	210.53	421.18	400.12	21.06	21.06
9	28-Labour, Employment, Skill Development and Entrepreneurship	33.33	2.67	36.00	20.35	15.65	15.64
10	29-Social Welfare	119.53	133.84	253.37	198.77	54.60	54.32
11	30-Disaster Management & Rehabilitation	63.85	20.70	84.55	65.58	18.97	18.96
12	31-Agriculture	111.84	26.44	138.28	68.54	69.74	69.72
13	32-Horticulture	88.10	23.06	111.16	91.04	20.12	20.09
14	36-Environment, Forests and Climate Change	213.02	52.67	265.69	136.20	129.49	104.90
15	38-Rural Development	436.17	105.35	541.52	357.35	184.17	183.54
16	45-Public Works	534.30	53.77	588.07	533.71	54.36	53.15
17	46-Urban Development and Poverty Alleviation	595.33	14.88	610.21	83.57	526.64	526.52
<b>Sub-total (A)</b>		<b>7,672.92</b>	<b>1,180.66</b>	<b>8,853.58</b>	<b>7,180.88</b>	<b>1,672.70</b>	<b>1,744.62</b>

Sl. No.	Grant Number	Original	Suppl.	Total provisions	Actual	Saving (-) Excess (+)	Amount Surrendered
<b>Capital (Voted)</b>							
1	9-Finance	1,312.50	5.07	1,317.57	5.07	1,312.50	1,312.50
2	24-Health and Family Welfare	115.14	71.98	187.12	124.60	62.52	64.50
3	25-Public Health Engineering	260.49	109.37	369.86	108.37	261.49	261.49
4	29-Social Welfare	29.00	12.58	41.58	11.45	30.13	30.13
5	45-Public Works Department	640.00	554.69	1,194.69	394.66	800.03	810.52
6	46-Urban Development and Poverty Alleviation	109.34	17.27	126.61	25.53	101.08	101.08
7	47-Irrigation and Water Resources	78.33	16.98	95.31	23.02	72.29	72.29
<b>Sub-total (B)</b>		<b>2,544.80</b>	<b>787.94</b>	<b>3,332.74</b>	<b>692.70</b>	<b>2,640.04</b>	<b>2,652.51</b>
<b>Grand Total (A+B)</b>		<b>10,217.72</b>	<b>1,968.60</b>	<b>12,186.32</b>	<b>7,873.58</b>	<b>4,312.74</b>	<b>4,397.13</b>

Source: Appropriation Accounts

**APPENDIX VI**  
**Grant-wise unutilised funds during 2022-23**

(Reference Paragraph: 3.6.2)

(₹ in crore)

Sl. No.	Grant No.	Name	Original grant	Supplementary grant	Total	Expenditure	Savings	Details of Surrender	Percentage
<b>Revenue (Voted)</b>									
1	38	<b>Rural Development Central Assistance (CA) 2505 Rural Employment</b> 02Rural Employment Guarantee Schemes 101National Rural Employment Programme 03MG-NREGS (Admin)/CSS	0.00	8.41	8.41	0.00	8.41	8.41	100
2	38	<b>Rural Development 2501 Special Programmes for Rural Development</b> 06Self Employment Programmes 102National Rural Livelihood Mission 04Deen Dayal Upadhyaya GramJyoti Yojana (DDUGJY)/SMS	0.00	0.61	0.61	0.00	0.61	0.61	100
3	38	<b>Rural Development Central Assistance (CA) 2505 Rural Employment</b> 02Rural Employment Guarantee Schemes 101National Rural Employment Programme 04MG-NREGS (CFP)/CSS	0.00	0.24	0.24	0.00	0.24	0.24	100
4	38	<b>Rural Development 2501 Special Programmes for Rural Development</b> 06Self Employment Programmes 102National Rural Livelihood Mission 05SMS for SVEP under NRLM	0.00	0.22	0.22	0.00	0.22	0.22	100
<b>Total</b>			<b>0.00</b>	<b>9.48</b>	<b>9.48</b>	<b>0.00</b>	<b>9.48</b>	<b>9.48</b>	<b>100</b>

Sl. No.	Grant No.	Name	Original grant	Supplementary grant	Total	Expenditure	Savings	Details of Surrender	Percentage
<b>Capital (Voted)</b>									
1	45	<b>Public Works</b> <b>Central Assistance (CA)</b> <b>3054 Roads and Bridges</b> 01National Highways 799Suspense 01Adjustment Head Maintenance of National Highways/CSS	0.00	16.00	16.00	0.00	16.00	16.00	100
2	45	<b>Public Works</b> <b>Central Assistance (CA)</b> 5054 Capital Outlay on Roads and Bridges 04 District and Other Roads 337 Roads Works 17 Prime Minister's Development Initiative for Northeastern (PM-DevINE)	0.00	600.00	600.00	0.00	600.00	600.00	100
3	45	<b>Public Works</b> <b>4059 Capital Outlay on Public Works</b> 60Other Buildings 800Other Expenditure 90Socio-Economic Development Policy (SEDP)	0.00	0.52	0.52	0.00	0.52	0.52	100
<b>Total</b>			<b>0.00</b>	<b>616.52</b>	<b>616.52</b>	<b>0.00</b>	<b>616.52</b>	<b>616.52</b>	<b>100</b>
<b>Grand Total</b>			<b>0.00</b>	<b>626.00</b>	<b>626.00</b>	<b>0.00</b>	<b>626.00</b>	<b>626.00</b>	<b>100</b>

Source : Appropriation Accounts

**APPENDIX VII**  
**Grant-wise details of quarterly expenditure**

(Reference Paragraph:3.6.4)

(₹ in crore)

Sl. No.	Grant No	Description	Allocation during 2022-23	Expenditure					Total Expenditure during 2022-23 (TE)	Expenditure in Q4 as a percentage of TE	Expenditure in March 2023 as percentage of TE
				Q1	Q2	Q3	Q4	In March			
1	48	Information & Communication Technology	81.81	0.75	1.21	0.92	78.80	78.29	81.68	96.47	95.85
2	31	Agriculture	154.95	10.08	11.28	16.28	116.52	99.54	154.16	75.58	64.57
3	47	Irrigation & Water Resources	37.25	3.28	4.70	3.81	25.68	19.68	37.47	68.53	52.52
4	22	Sports & Youth Services	52.26	3.09	5.30	6.07	38.40	25.96	52.86	72.64	49.11
5	45	Public Works	919.10	51.84	149.15	238.38	488.55	436.28	927.92	52.65	47.02
6	46	Urban Development & Poverty Alleviation	109.22	5.52	20.08	26.56	56.94	48.10	109.10	52.19	44.09
7	40	Commerce & Industries	98.79	11.42	13.27	18.36	53.30	38.39	96.35	55.32	39.84
8	17	Food, Civil Supplies & Consumer Affairs	237.36	30.34	33.28	32.48	55.11	57.43	151.21	36.45	37.98
9	36	Environment,Forests & Climate Change	160.79	16.07	18.93	13.12	88.10	50.81	136.22	64.67	37.30
10	43	Tourism	26.36	2.64	6.31	5.22	12.17	9.78	26.34	46.20	37.13
11	19	Local Administration	64.39	3.16	3.68	28.32	29.25	22.60	64.41	45.41	35.09
12	38	Rural Development	360.20	10.91	87.15	105.53	162.09	126.30	365.68	44.33	34.54
13	29	Social Welfare	210.49	19.21	45.30	52.55	97.91	65.59	214.97	45.55	30.51
14	34	Animal Husbandry & Veterinary	95.58	14.84	26.23	14.68	39.16	26.26	94.91	41.26	27.67
15	26	Information & Public Relations	15.01	2.37	2.40	3.81	6.50	3.79	15.08	43.10	25.13
16	41	Sericulture	18.89	4.06	4.10	3.94	6.78	4.10	18.88	35.91	21.72

Sl. No.	Grant No	Description	Allocation during 2022-23	Expenditure					Total Expenditure during 2022-23 (TE)	Expenditure in Q4 as a percentage of TE	Expenditure in March 2023 as percentage of TE
				Q1	Q2	Q3	Q4	In March			
17	24	Medical & Public Health Services	722.98	104.65	171.39	149.00	299.90	157.17	724.94	41.37	21.68
18	15	General Administration	159.09	24.45	44.66	37.41	52.99	31.10	159.51	33.22	19.50
19	49	Public Debt	1,988.94	2,151.86	3,576.84	3,092.26	4,816.35	2,529.72	13,637.31	35.32	18.55
20	8	Taxation	23.64	4.97	5.11	5.32	7.78	4.00	23.18	33.56	17.26
21	23	Art & Culture	13.15	2.42	2.35	4.36	3.93	2.08	13.06	30.09	15.93
22	6	Land Revenue & Settlement	29.96	6.90	6.76	6.88	9.15	4.59	29.69	30.82	15.46
23	3	Council Ministers	7.10	1.24	1.54	1.77	2.54	1.05	7.09	35.83	14.81
24	2	Governor	9.70	1.83	1.95	2.86	3.07	1.43	9.71	31.62	14.73
25	13	Personnel & Administrative Reforms	6.10	1.09	1.46	1.77	1.77	0.82	6.09	29.06	13.46
26	1	Legislative Assembly	34.20	7.35	6.89	11.16	8.97	4.30	34.37	26.10	12.51
27	32	Horticulture	91.07	8.30	41.36	21.02	20.53	11.33	91.21	22.51	12.42
28	42	Transport	43.30	9.73	10.27	10.20	11.10	5.04	41.30	26.88	12.20
29	9	Finance	1,777.93	481.22	389.23	420.40	642.43	230.28	1,933.28	33.23	11.91
30	4	Law & Judicial	71.04	9.54	16.86	12.29	18.07	6.63	56.76	31.84	11.68
31	18	Printing & Stationery	12.56	2.71	2.79	2.87	2.75	1.23	11.12	24.73	11.06
32	20	School Education	1,399.63	323.71	293.92	389.69	386.30	151.50	1,393.62	27.72	10.87
33	16	Home	792.54	170.91	204.69	214.25	202.18	80.66	792.03	25.53	10.18
34	37	Co-operation	16.78	3.50	3.62	3.90	4.50	1.55	15.52	28.99	9.99
35	5	Vigilance	9.35	2.16	2.04	2.69	2.41	0.89	9.30	25.91	9.57
36	28	Labour, Employment, Skill Development & Entrepreneurship	20.36	3.17	8.45	3.74	4.60	1.88	19.96	23.05	9.42
37	10	Mizoram Public Service Commission	9.11	2.14	2.20	2.30	2.29	0.84	8.93	25.64	9.41
38	14	Planning and Programme Implementation	403.45	5.58	161.79	11.92	223.37	35.78	402.66	55.47	8.89

Sl. No.	Grant No	Description	Allocation during 2022-23	Expenditure					Total Expenditure during 2022-23 (TE)	Expenditure in Q4 as a percentage of TE	Expenditure in March 2023 as percentage of TE
				Q1	Q2	Q3	Q4	In March			
39	39	Power	997.61	166.92	316.77	248.05	259.14	87.51	990.88	26.15	8.83
40	7	Excise & Narcotics	39.59	9.04	9.17	11.59	9.84	3.49	39.64	24.82	8.80
41	11	Secretariat Administration	125.75	29.97	31.31	32.35	32.08	10.72	125.71	25.52	8.53
42	12	Parliamentary Affairs	0.95	0.22	0.25	0.23	0.24	0.08	0.94	25.53	8.51
43	21	Higher & Technical Education	269.88	69.85	54.21	67.30	78.31	21.30	269.67	29.04	7.90
45	25	Water Supply & Sanitation	508.49	67.93	113.31	76.32	250.51	39.54	508.07	49.31	7.78
46	35	Fisheries	26.40	2.29	15.80	3.70	4.61	1.04	26.40	17.46	3.94
47	27	District Councils & Minority Affairs	553.53	145.27	142.60	137.77	127.49	19.07	553.13	23.05	3.45
48	33	Land Resources, Soil & Water Conservation	36.88	11.78	16.42	5.04	3.82	0.70	37.06	10.31	1.89
49	30	Disaster Management & Rehabilitation	65.58	2.54	3.67	55.69	3.66	0.86	65.56	5.58	1.31
		<b>Total</b>	<b>12,909.09</b>	<b>4,024.82</b>	<b>6,092.05</b>	<b>5,616.13</b>	<b>8,851.94</b>	<b>4,561.08</b>	<b>24,584.94</b>	--	--

Source: Finance Accounts

**APPENDIX VIII**  
**Summarised financial position and working results of Government Companies**  
**as per their latest finalised accounts as on 30 September 2023**

(Reference: Paragraph-5.7.3, 5.8.2 and 5.11.2)

(Figures in columns (5) to (12) are ₹ in crore)

Sl. No.	Sector/ name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	EBIT	Net profit (+)/ loss (-)	Turnover	Free Reserves	Capital Employed	ROCE (Per cent)	Net Worth
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
<b>Working Government Companies</b>													
<b>SECTOR: AGRICULTURAL MARKETING</b>													
1.	Mizoram Agricultural Marketing Corporation Limited	2011-12	2021-22	5.97	-	(-) 8.54	(-) 1.63	(-) 1.63	-	-	(-) 2.57	Could not be worked out	(-) 2.57
2.	Mizoram Food and Allied Industries Corporation Limited	2018-19	2022-23	20.00	-	(-) 22.27	(-) 1.45	(-) 1.45	5.00	-	(-) 2.27	Could not be worked out	(-) 2.27
<b>Sector Wise Total</b>				<b>25.97</b>	<b>-</b>	<b>(-) 30.81</b>	<b>(-) 3.08</b>	<b>(-) 3.08</b>	<b>5.00</b>	<b>-</b>	<b>(-) 4.84</b>	<b>Could not be worked out</b>	<b>(-) 4.84</b>
<b>SECTOR: FINANCING</b>													
3.	Zoram Infrastructure and Industrial Development Corporation Limited	2020-21	2021-22	15.78	-	(-) 13.90	(+) 0.98	(+) 0.98	81.41	-	(+) 1.88	(+) 52.13	(+) 1.88
<b>Sector Wise Total</b>				<b>15.78</b>	<b>-</b>	<b>(-) 13.90</b>	<b>(+) 0.98</b>	<b>(+) 0.98</b>	<b>81.41</b>	<b>-</b>	<b>(+) 1.88</b>	<b>(+) 52.13</b>	<b>(+) 1.88</b>
<b>SECTOR: MANUFACTURING</b>													
4.	Zoram Electronics Development Corporation Limited	2009-10	2016-17	7.23	-	(-) 6.59	(-) 0.24	(-) 0.24	-	-	(+) 0.64	(-) 37.50	(+) 0.64
<b>Sector Wise Total</b>				<b>7.23</b>	<b>-</b>	<b>(-) 6.59</b>	<b>(-) 0.24</b>	<b>(-) 0.24</b>	<b>-</b>	<b>-</b>	<b>(+) 0.64</b>	<b>(-) 37.50</b>	<b>(+) 0.64</b>
<b>SECTOR: MISCELLANEOUS</b>													
5.	Mizoram Handloom and Handicrafts Development Corporation Limited	2018-19	2020-21	10.00	0.10	(-) 6.34	(-) 0.29	(-) 0.29	-	-	(+) 3.76	(-) 7.71	(+) 3.66
6.	Aizawl Smart City Limited	2019-20	2021-22	0.05	-	-	-	-	-	-	(+) 0.05	-	(+) 0.05
<b>Sector Wise Total</b>				<b>10.05</b>	<b>0.10</b>	<b>(-) 6.34</b>	<b>(-) 0.29</b>	<b>(-) 0.29</b>	<b>-</b>	<b>-</b>	<b>(+) 3.81</b>	<b>(-) 7.71</b>	<b>(+) 3.71</b>
<b>Grand Total</b>				<b>59.03</b>	<b>0.10</b>	<b>(-) 57.64</b>	<b>(-) 2.63</b>	<b>(-) 2.63</b>	<b>86.41</b>	<b>75.68</b>	<b>(+) 1.49</b>	<b>(-) 176.51</b>	<b>(+) 1.39</b>

**NB:**

- Earnings before Interest and Tax (EBIT)** has been derived by adding back the Interest and Tax Expenses to the 'Net Profit/Loss for the year' as reported in the Profit and Loss Account.
- Net worth** means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits but do not include committed reserves, reserves created out of revaluation of assets and writeback of depreciation provision.
- Capital Employed** represents Shareholders' Fund *plus* Long Term Borrowings where, Shareholders Fund represents 'Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure.
- Return on Capital Employed** depicts the EBIT as a percentage of the Capital Employed.
- The paid up capital** of SPSEs at serial no. 1 and 6 included 'share application money pending allotment' of ₹ 0.52 crore and ₹ 0.04 crore respectively.
- Losses of the SPSE at Serial No. 6 (Aizawl Smart City Limited) are recouped through Government Grants.

## Appendix-IX Statement showing Rate of Real Return on Government Investment

(Reference: Paragraph-5.7.3)

(₹ in crore)

Financial Year	Present value of total investment at the beginning of the year	Equity infused by the State government during the year	Net interest free loan given by the State Government during the year	Interest free loan converted into equity during the year	Grants/subsidies given by the State government for operational and administrative expenditure	Disinvestment by the State Government during the year at face value	Total investment during the year	Total investment at the end of the year	Average rate of interest	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings/profit after tax (PAT) for the year*
A	B	C	D	E	F	G	H = C+D+E+F+G	I = B+H	J	K = I x (1+J/100)	L = I x J/100	M
Upto 2016-17**	142.03	NA	NA	NA	NA	0.00	142.03	142.03	5.20	149.42	7.39	-5.45
2017-18	149.42	0.00	0.00	0.00	5.17	0.00	5.17	154.59	4.84	162.07	7.48	0.08
2018-19	162.07	0.00	0.00	0.00	4.54	0.00	4.54	166.61	5.04	175.01	8.40	-0.33
2019-20	175.01	0.00	0.00	0.00	5.53	0.00	5.53	180.54	4.29	188.29	7.75	-2.05
2020-21	188.29	0.05	0.00	0.00	13.49	0.00	13.54	201.83	4.32	210.55	8.72	-2.32
2021-22	210.55	0.00	0.00	0.00	6.22	0.00	6.22	216.77	4.41	226.33	9.56	-2.77
2022-23	226.33	0.00	0.00	0.00	14.74	0.00	14.74	241.07	4.58	<b>252.11</b>	11.04	-2.63
		<b>0.05</b>					<b>191.77***</b>					

\* Worked out in respect of five SPSEs where State Government made direct investment on the basis of profit/ loss as per their latest finalised accounts.

\*\* These are cumulative figures upto 2016-17 for Columns B, C, D, E, F, G and H.

\*\*\* This figure includes ₹ 142.03 crore being the cumulative investment of the Government in SPSEs upto 2016-17

(₹ in crore)

Year	Total earnings/ loss in 2022-23	Investment by the State Government as per total of the column H above	Return on State Government investment on the basis of historical value	Present value of State Government investment at the end of 2022-23	Real return on State Government investment considering the present value of investments
	A	B	C	D	E
	Value of column M of above table	Total of the column H of above table	A*100/B	Value of column K of above table	A*100/D
2022-23	-2.63	191.77	-1.37	252.11	-1.04

Source: Records furnished by SPSEs



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