EXECUTIVE SUMMARY

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This Report on the finances of the State of Nagaland provides an independent assessment of the fiscal position of Nagaland for FY 2024-25. It analyses the State's overall financial health and reviews its revenue and expenditure trends, assesses the State's debt position and borrowing patterns, evaluate its compliance with fiscal responsibility laws and compares its performance against fiscal health indicators.

Nagaland's economy showed moderate growth during the FY 2024-25, with GSDP registering growth of 9.39 *per cent* as against the previous financial year. The State contributed (0.14 *per cent*) to GDP of India. We observed that the revenue receipts of the State contracted (0.42 *per cent*), driven by decreased grants from the Centre despite higher tax collections, notably GST, and increased central tax devolution. However, non-tax revenue grew (0.20 *per cent*) over the previous year. The State's own revenue performance improved yet dependence on central Grants-in-Aid remained substantial.

Expenditure of the State was dominated by higher growth of revenue spending (3.47 *per cent*) particularly committed costs and subsidies (75.01 *per cent* of RE, 60.99 *per cent* of TE and 71.50 *per cent* of RR), leaving limited fiscal space for capital investment. Capital expenditure remained volatile and below budgeted levels, reflecting constraints in infrastructure investment. The State was not able to maintain the fiscal deficit within the target levels of the State FRBM Act from 2022-23 onwards, thereby rendering little room for fiscal consolidation. Moreover, the outstanding liabilities remained within the numerical targets only in 2020-21, this needs to be seen in the context of contingent liabilities through guarantees. Besides, the State Government also carried forward significant undischarged liabilities in respect of State Road Safety Fund, interest liabilities, State and Central Finance Commissions grants *etc*., to the tune of ₹26.43 crore (0.14 *per cent* of Total Expenditure) in the FY 2024-25.

Audit through its various reports have already highlighted the increased efforts to be taken by the State in realising the arrears in tax revenue, reducing the compliance risks in the taxations, recycling the capital investments made in the SPSEs and rationalising the expenditure in tune with revenue growth.

The fiscal year also continued to witness large scale savings and excess in revenue/ capital, charged and voted sections of 79 grants (Revenue: 78 grants and Capital: 36 grants). The excess expenditure in FY 2024-25 requires regularisation by the legislature. Concerns also arise from delays in submission of utilisation certificates, some of which are from 2011-12, pending accounts for autonomous bodies, and substantial use of Minor Head 800-Other Receipts/Expenditure affecting transparency in financial reporting. Fund *viz*., Nagaland Electricity Regulatory Commission Fund was kept outside Government Account which violates the provisions of Article 266 of the Constitution of India.

The report notes positive steps like implementation of Single Nodal Agency (SNA) and SNA-SPARSH for better fund tracking in centrally sponsored schemes.

The increasing debt load, high committed expenditure, and limited capital investment raise concerns about fiscal sustainability. There is a need for revenue augmentation, better expenditure control, and structural reforms to ensure long-term fiscal health.