CHAPTER I

Overview of Finances of the State

Chapter I: Overview of the Finances of the State

This chapter provides a snapshot of Nagaland's finances for 2024-25, covering demographics, economic indicators, and the State's fiscal structure. It analyses trends in revenue and expenditure, debt levels, and fiscal deficits, highlighting persistent imbalances and reliance on borrowings. The chapter flags issues like high committed expenditure, low returns on investments *etc.*

1.1 Profile of the State

Nagaland, a state in north-east India, covers 16,579 sq. km. and comprises 17 districts and 1,425 villages. As of 2025, its population stood at 0.23 crore (0.16 *per cent* of India's total), with a density of 137 persons per sq. km. This section provides an overview of the State's demography, GSDP, and per capita income of the State.

1.1.1 Demography of the State

The State's demographic details *vis-à-vis* national average are presented in **Table 1.1** below.

Table 1.1: Demographic profile of the State

Demographics terms (Sources of the data)	Nagaland	National average
Rural Population (*per cent*) (As per Report of the Technical Group on Population (Figures for 2025))	51.31	64.30
Urban Population (*per cent*) (As per Report of the Technical Group on Population (Figures for 2025))	48.69	35.70
Population density (in persons per sq. km.) (Census of India, 2011(Population Projection for India and States 2011-2036, MoHFW, GoI))	137	430
Sex Ratio per 1,000 Males (Census of India, 2011(Population Projection for India and States 2011-2036, MoHFW, GoI))	939	947
Infant Mortality Rate per 1,000 Live births (Sample Registration System Bulletin September, 2025 (Ref. Year 2023))- Registrar General of India, GoI	10	25
Maternal Mortality Rate (per lakh women in the age group of 15-49) (SRS Bulletin on Maternal Mortality in India, 2021-23 (September 2025)) - Registrar General of India, GoI	NA	05
Total Fertility Rate (Children per women) (NFHS-5, 2019-21, MoHFW, GoI)	1.72	1.99
Life Expectancy at Birth (in years) (SRS Based Abridged Life Tables 2017-21 & 2019-23) - Registrar General of India, GoI	NA	70.3
Population below Poverty Line (Headcount Ratio) (in *per cent*) (Multidimensional Poverty Index, 2023, NITI Aayog)	15.43	14.96
Literacy Rate (in *per cent*) (Periodic Labour Force Survey (2023-24), Ministry of Statistics and Programme Implementation (MoSPI))	95.7	80.9

1.1.2 Economy of the State

Gross State Domestic Product (GSDP) and per capita income are important indicators of the State's economy as discussed in succeeding paragraphs.

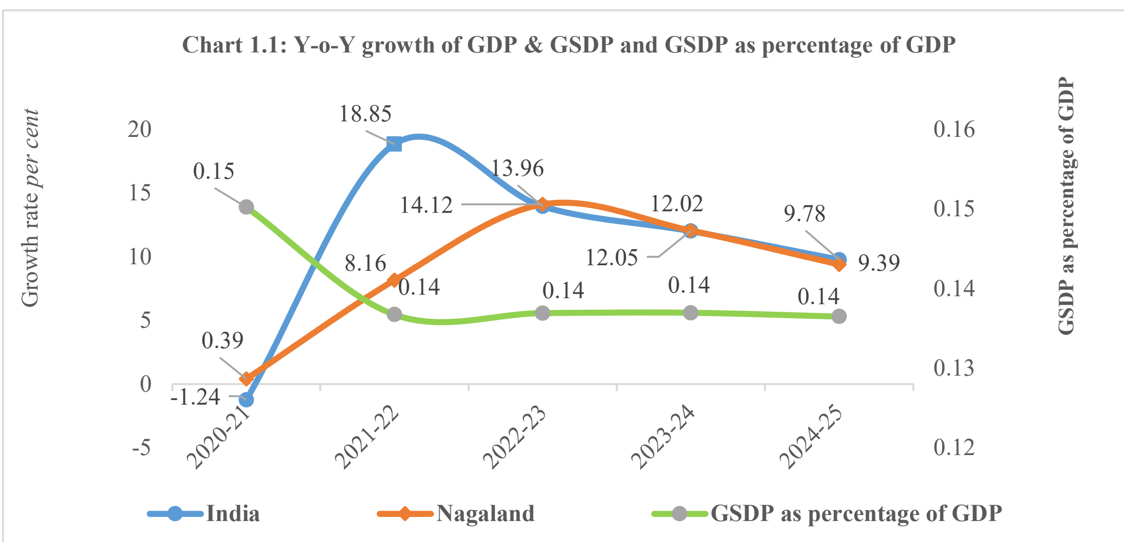
1.1.2.1 Gross State Domestic Product and Per Capita Income

Gross Domestic Product (GDP) refers to the total value of goods and services produced within a country, while GSDP measures the same at the State level, and both reflect economic development and overall progress. Trends of GSDP and GDP are given in **Table 1.2**. Year on year growth of GSDP and GDP and GSDP contribution in GDP is given in **Chart 1.1** and Per capita Income (PCI) of the country and PCI of the State is depicted in **Chart 1.2**.

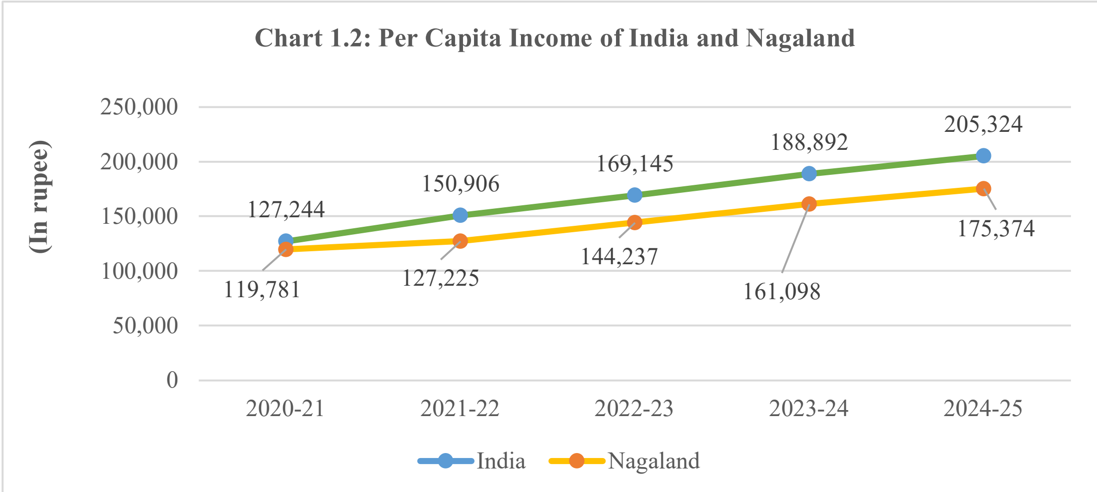
Table 1.2: Trends in GSDP compared to the GDP (at current prices)

Year	2020-21	2021-22	2022-23	2023-24	2024-25
GDP (₹ in crore)	1,98,54,096	2,35,97,399	2,68,90,473 (FE)	3,01,22,956 (FRE)	3,30,68,145 (PE)
GSDP (₹ in crore)	29,832	32,265	36,820	41,258	45,134 (AE)
PCI of India (in ₹)	1,27,244	1,50,906	1,69,145	1,88,892	2,05,324
PCI of Nagaland (in ₹)	1,19,781	1,27,225	1,44,237	1,61,098	1,75,374

Sources: National Statistics Office, MoSPI for GDP and Economics & Statistics Department (E&SD), GoN for GSDP figures
PE: Provisional Estimates; AE: Advance Estimates; FRE: First Revised Estimates, FE: Final Estimates



Sources: National Statistics Office, MoSPI for GDP and E&SD, GoN for GSDP figures

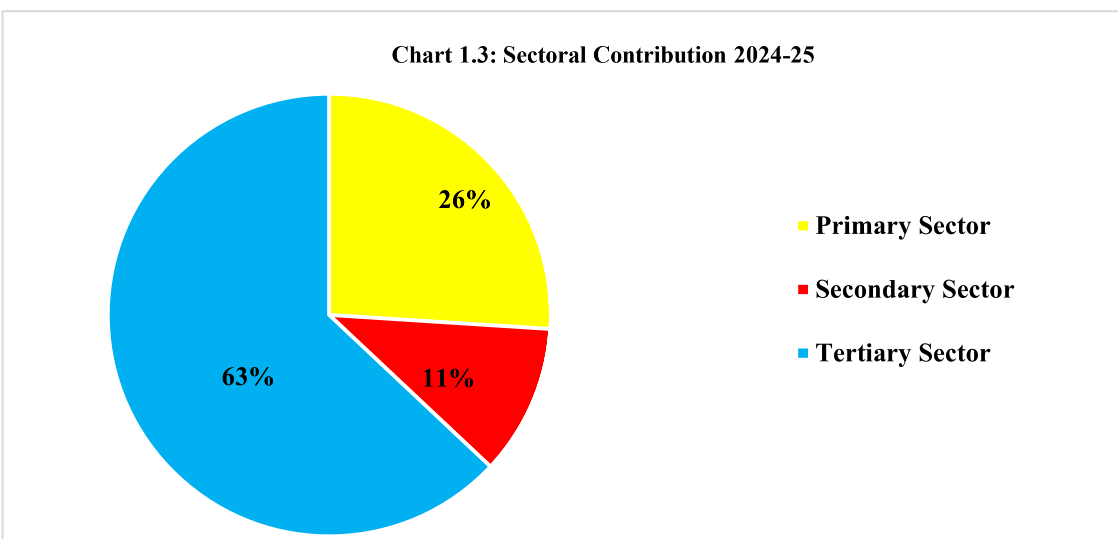


Audit assessed the State's economic performance by analysing trends in GSDP, per capita income, and the State's share in the national economy over the last five years and observed that:

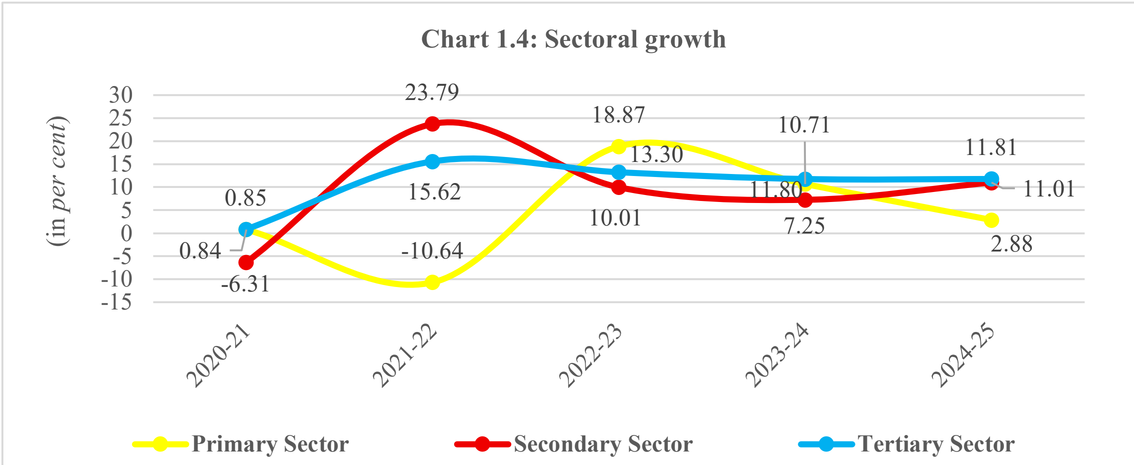
- The State's GSDP growth generally remained close to but slightly below national GDP growth, indicating a steady but not outpacing the national trend. Consequently, the State's share in national GDP appears largely unchanged, with no notable improvement in its relative economic weight.
- Nagaland's PCI has been steadily improving, suggesting that living standards in the State are rising.

1.1.2.2 Sectoral contribution to GSVA

The sectoral contribution by various sectors during 2024-25 and sectoral growth in GSDP during the last five years are depicted in **Chart 1.3** and **Chart 1.4** respectively.



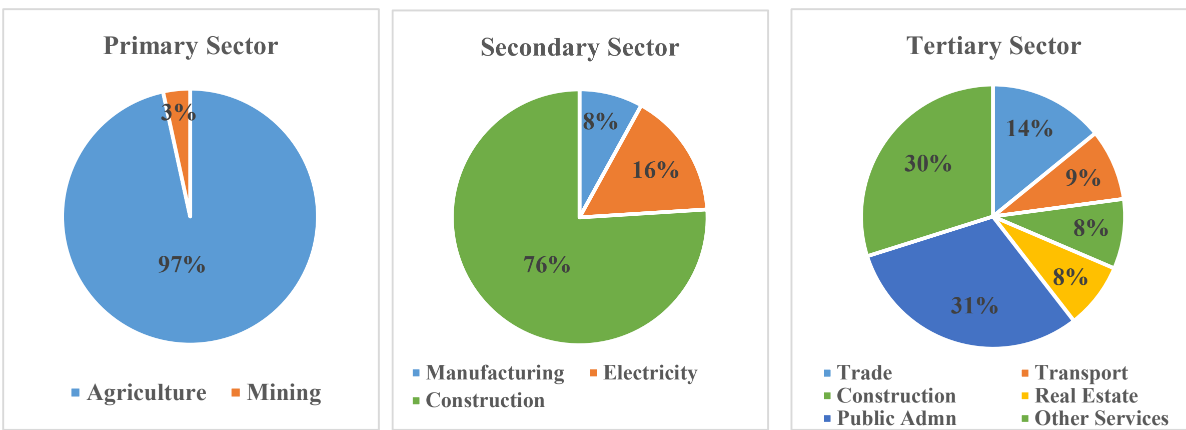
Source: E&SD, GoN



Source: E&SD, GoN

Chart 1.5 shows the composition of each sector during FY 2024-25, in terms of its major contributing segments.

Chart 1.5: Sector-wise distribution, FY 2024-25



Source: E&SD, GoN

The contribution of all three sectors fluctuated between 2020-21 and 2024-25. However, tertiary sector showed greater stability than the primary and secondary sectors.

1.1.3 Snapshot of Finances

Table 1.3 shows the details of actual financial results of the State Government of Nagaland for the years 2023-24 and 2024-25 *vis-à-vis* Budget Estimates (BE), Revised Estimates (RE) and GSDP for the year 2024-25.

Table 1.3: Snapshot of Finances

(₹ in crore)

Sl. No.	Components	2023-24 Actuals	2024-25			Percentage of Actuals to BEs	Percentage of Actuals to GSDP
			BE	RE	Actuals		
1.	Tax Revenue	8,024.91	8,727.09	9,113.27	9,031.92	103.49	20.01
	(i) Own Tax Revenue	1,598.09	1,786.53	1,790.90	1,709.55	95.69	3.79
	(ii) Share of Union taxes/duties	6,426.82	6,940.56	7,322.37	7,322.37	105.50	16.22
2.	Non-Tax Revenue	677.85	463.51	621.22	679.18	146.53	1.50

Sl. No.	Components	2023-24 Actuals	2024-25			Percentage of Actuals to BEs	Percentage of Actuals to GSDP
			BE	RE	Actuals		
3.	Grants-in-Aid and Contributions	7,452.37	88,42.91	7,512.53	6,375.43	72.10	14.13
4.	**Revenue Receipts (1+2+3)**	**16,155.13**	**18,033.51**	**17,247.02**	**16,086.53**	**89.20**	**35.64**
5.	Recovery of Loans and Advances	2.99	1.51	1.53	-0.99	-65.56	0.00
6.	Other Receipts	0.00	0.00	0.00	0.20	**NA**	0.00
7.	Borrowings and other Liabilities (a)	1,784.45	1,449.83	3,282.54	2,772.73	191.25	6.14
8.	**Capital Receipts (5+6+7)**	**1,787.44**	**1,451.34**	**3,284.07**	**2,771.94**	**190.99**	6.14
9.	**Total Receipts (4+8)**	**17,942.57**	**19,484.85**	**20,531.09**	**18,858.47**	**96.79**	41.78
10.	**Revenue Expenditure**	**14,819.70**	**16,892.87**	**16,144.96**	**15,333.81**	**90.77**	33.97
11.	Interest payments	1,068.43	1,367.35	1,193.49	1,167.70	85.40	2.59
12.	**Capital Expenditure**	**3,122.52**	**2,591.42**	**4,385.56**	**3,524.31**	**136.00**	7.81
13.	Loan and advances	0.35	0.57	0.57	0.35	61.40	0.00
14.	**Total Expenditure (10+12+13)**	**17,942.57**	**19,484.86**	**20,531.09**	**18,858.47**	**96.79**	41.78
15.	Revenue Deficit (-)/Surplus (+) (4-10)	1,335.43	1,140.64	1,102.06	752.72	65.99	1.67
16.	Fiscal Deficit (-)/Surplus (+) {(4+5+6) - 14}	(-)1,784.45	(-)1,449.84	(-)3,282.54	(-)2,772.73	191.24	-6.14
17.	Primary Surplus (+)/Deficit (-) (16-11)	(-)716.02	(-)82.49	(-)2,089.05	(-)1,605.03	1,945.67	-3.56

Source: Finance Accounts, 2024-25 and Annual Financial Statement, 2024-25

(a) 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.

(Note: Revenue surplus, Fiscal deficit and Primary deficit worked out to be ₹738.67 crore, ₹2,786.78 crore and ₹1,619.08 crore after Audit.)

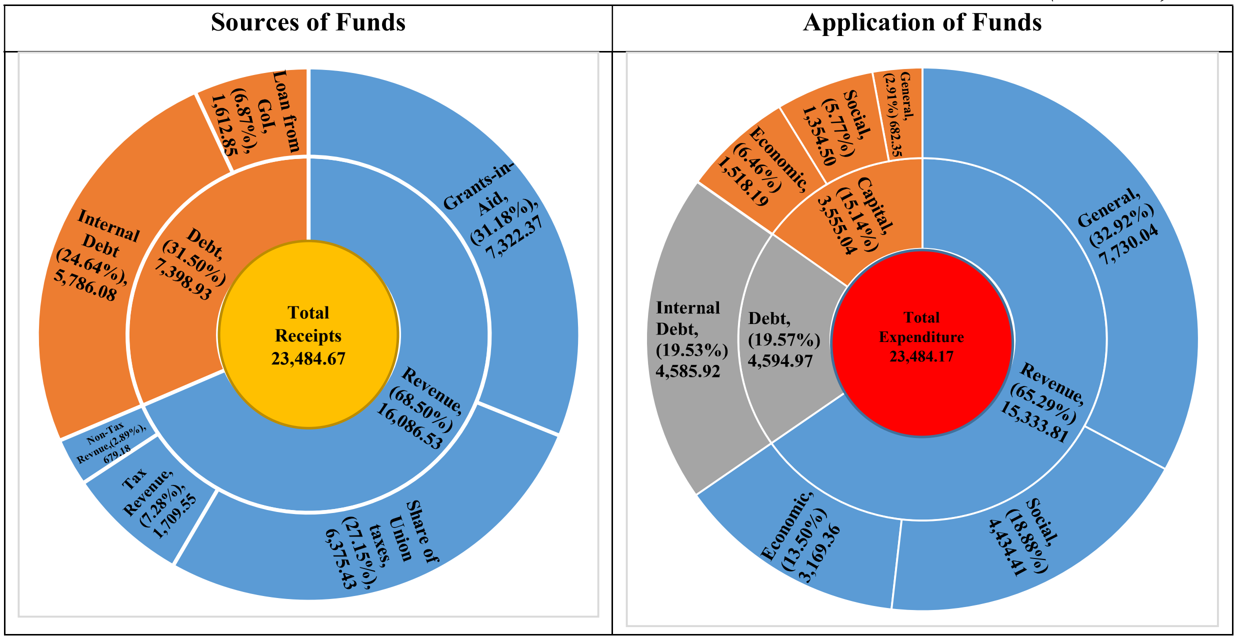
The details of State Government Finances for the FY 2020-21 to 2024-25 are given in ***Appendix 1.1***.

1.1.4 Sources and Application of Funds

Comparison of components of the sources and application of funds of the State during the current year is given in **Chart 1.6**.

Chart 1.6: Details of sources and application of funds during 2024-25

(₹ in crore)



Source: Finance Accounts

Appendix 1.2 provides details of receipts and disbursements and the overall fiscal position of the State during current year as well as previous year.

1.1.5 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. ***Appendix 1.3*** gives an abstract of such liabilities and assets, as on 31 March 2025, compared with the corresponding position of the previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from the Public Account and Reserve Funds. Assets comprise mainly of the Capital Expenditure, loans and advances given by the State Government and cash balances. A summarised position of assets and liabilities, for the financial years 2023-24 and 2024-25, is given in **Table 1.4**.

Table 1.4: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities					Assets				
		2023-24	**2024-25**	**Increase (in *per cent*)**			**2023-24**	**2024-25**	**Increase (in *per cent*)**
Consolidated Fund									
A	Internal Debt	13,864.31	15,064.47	9	A	Gross Capital Outlay	28,694.60	32,218.91	12
B	Loans and Advances from GoI*	2,079.75	3,683.56	77	B	Loans and Advances	36.84	38.18	4
Contingency Fund		0.35	0.35	0					
Public Account									
A	Small Savings, Provident Funds, *etc.*	1,387.12	1,344.57	-3	A	Advances	1.98	1.98	0
B	Deposits	871.58	873.99	0	B	Remittance			

Liabilities					Assets				
		2023-24	**2024-25**	**Increase (in *per cent*)**			**2023-24**	**2024-25**	**Increase (in *per cent*)**
C	Reserve Fund	1,724.29	1,961.97	14	C	Suspense and Miscellaneous	50.14	58.92	18
D	Remittances	-759.92	-707.59	-7		Cash balance (including investment in Earmarked Fund)	3,746.55	4,018.88	7
E	Cumulative excess of Receipts over Expenditure	13,362.61	14,115.53	6					
	Difference on account of rounding off		0.02						
Total		**32,530.11**	**36,336.87**	**12**			**32,530.11**	**36,336.87**	**12**

Source: Finance Accounts of respective years

**The State has not received any back-to-back loans in lieu of GST Compensation shortfall from GoI, however, the State has availed 50- year interest free Loan under Scheme for Special Assistance to State for Capital Investment, which was ₹3,577.09 crore (as on 31 March 2025).*

1.2 Consolidated Fund of the State

All revenues received by the State Government, all loans raised by the State Government, ways and means advances extended by the Reserve Bank of India and all money received by the State Government in repayment of loans forms part of the Consolidated Fund of the State.

1.2.1 Revenue Receipts

Trends and growth of revenue receipts with respect to Gross State Domestic Product (GSDP) over the five-year period (2020-25) are shown in **Table 1.5**.

Table 1.5: Trends in Revenue Receipts

(₹ in crore)

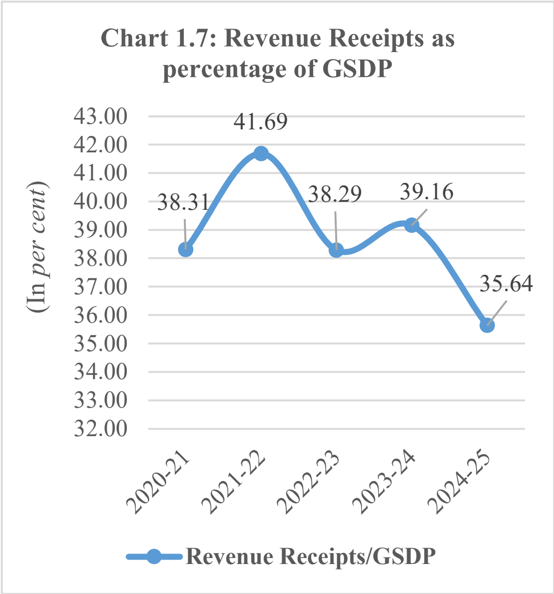
Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Receipts (RR)	**11,427.43**	**13,451.14**	**14,099.26**	**16,155.13**	**16,086.53**
Tax Revenue	**4,431.99**	**6,176.54**	**6,862.07**	**8,024.91**	**9,031.92**
Own Tax Revenue	*1,022.74*	*1,301.08*	*1,461.88*	*1,598.09*	*1,709.55*
State's share in Union taxes and duties	*3,409.25*	*4,875.46*	*5,400.19*	*6,426.82*	*7,322.37*
Non-Tax Revenue	**242.60**	**303.58**	**478.41**	**677.85**	**679.18**
Grants-in-Aid from GoI	**6,752.84**	**6,971.21**	**6,758.78**	**7,452.37**	**6,375.43**
State's Own Resources (Own Tax and Non-tax Revenue)	1,265.34	1,604.66	1,940.29	2,275.94	2,388.73
GSDP (2011-12 series)	29,831.64	32,265.38	36,820.34	41,258.00	45,133.95
Year-on-year growth rates (in *per cent*)					
Revenue Receipts	0.04	17.71	4.82	14.58	-0.42
State's Own Revenue	-2.48	26.82	20.92	17.30	4.96
GSDP	0.39	8.16	14.12	12.05	9.39
Buoyancy Ratios[1]					
State's Own Revenue buoyancy *w.r.t.* GSDP	--*	3.29	1.48	1.44	26.430.53

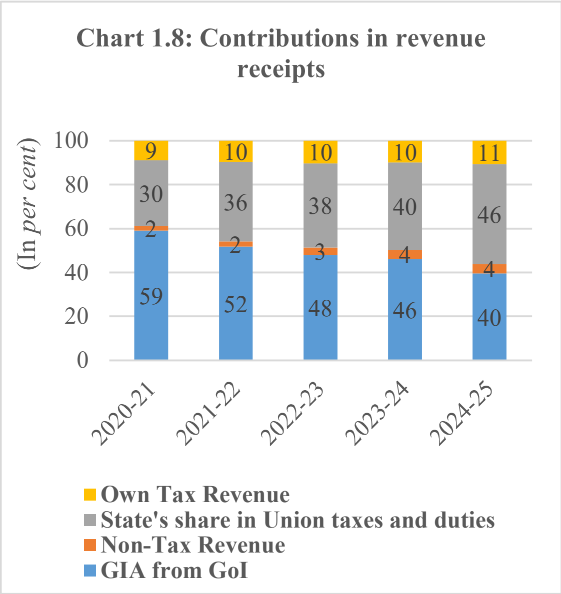
Source: Finance Accounts of respective years and E&SD, GoN for GSDP figures

**Buoyancy ratio was not calculated as Own Resources growth was negative.*

[1] Buoyancy ratio indicates the degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, State's Own Revenue buoyancy with respect to GSDP at 0.53 implies that Own Tax Revenue tend to increase by 0.53 percentage points, if the GSDP increased by one *per cent*.

Revenue Receipts as percentage of GSDP and contribution from various sources in revenue receipts are given in **Chart 1.7** and **Chart 1.8**.





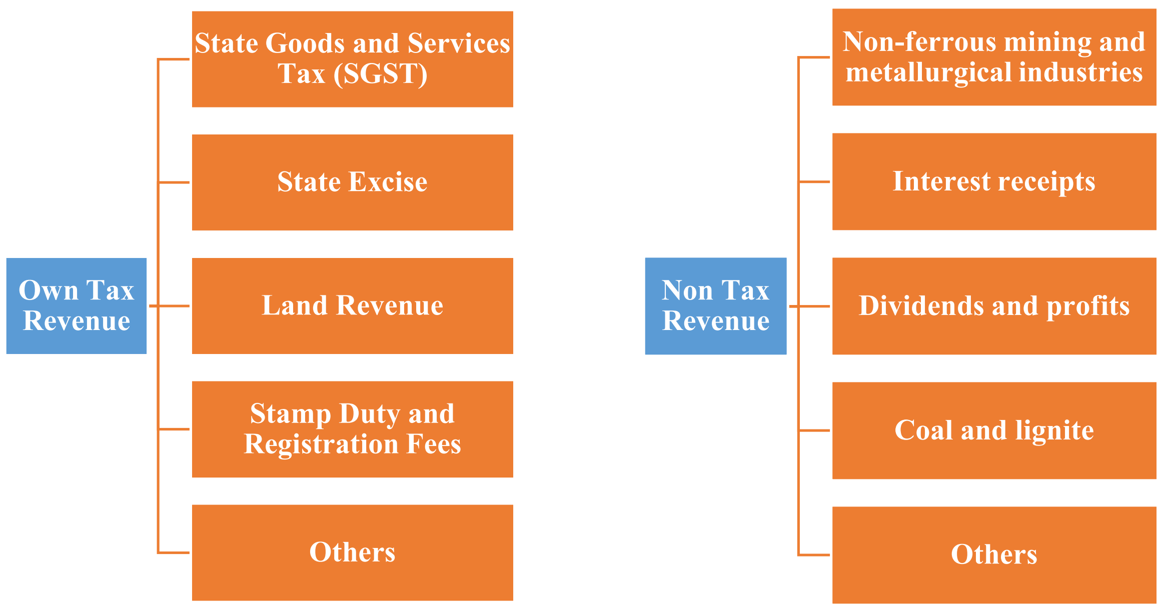
Source: Finance Accounts of respective years and E&SD, GoN for GSDP figures

The ratio of Revenue receipts to GSDP was low, with a contraction in the latest year, indicating fiscal stress. The State continues to rely heavily on Central transfers, particularly Grants-in-Aid, exposing its fiscal position to external policy decisions and reducing autonomy. Though own resources have improved, their share in Revenue receipts remains modest, and declining revenue buoyancy reflects limited responsiveness of the State's tax and non-tax revenue to economic growth.

Strengthening revenue mobilisation through expansion of the tax base, better compliance, improved non-tax revenue collection, and strategic use of Grants-in-Aid is essential to enhance fiscal resilience and reduce dependence on external transfers.

A. State's Own Resources

Chart 1.9: Details of State's Own Revenue



(i) Own Tax Revenue

Own Tax Revenue is the revenue collected by the State Government through taxes it is empowered to levy under the Constitution of India. Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE), and Actuals of Own Tax Revenue for the FY 2024-25 are given in **Table 1.6**.

Table 1.6: Own Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE, and Actuals)

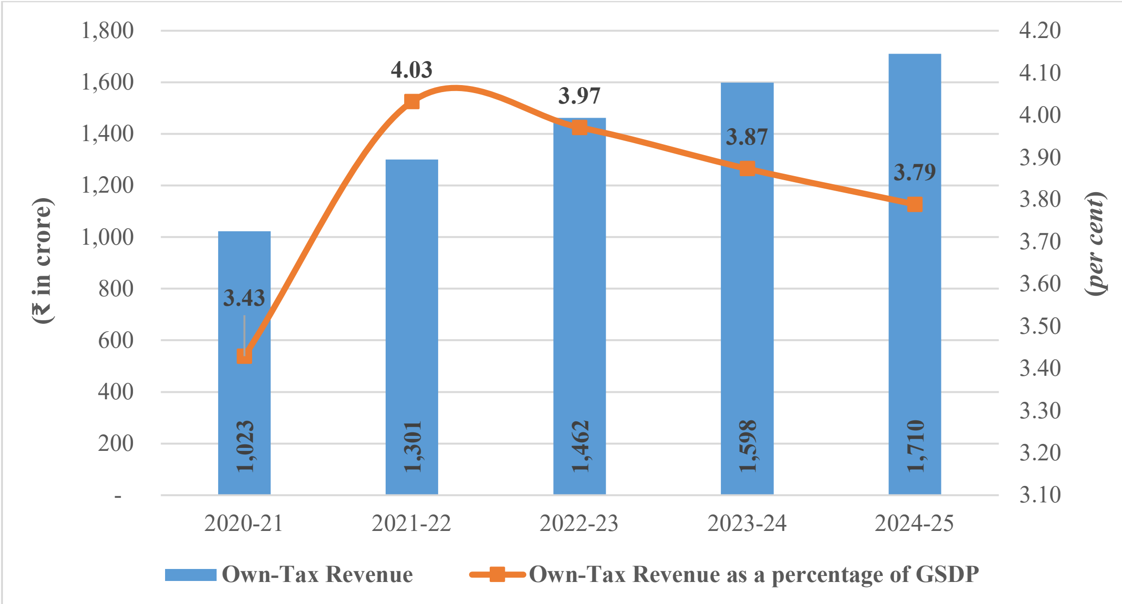
(₹ in crore)

Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
State Goods and Services Tax (SGST)	1,063	1,224	1,210	1,077
State Excise	5	5	5	5
Land Revenue	1	1	1	1
Stamp Duty and Registration Fees	4	4	4	4
Vehicle Tax	198	190	200	224
Others	327	363	371	399
Total	**1,598**	**1,787**	**1,791**	**1,710**

Source: Finance Accounts and Budget documents of the State

Trends of Own Tax Revenue and its components during the period 2020-21 to 2024-25 are shown in **Chart 1.10** and **Chart 1.11** respectively.

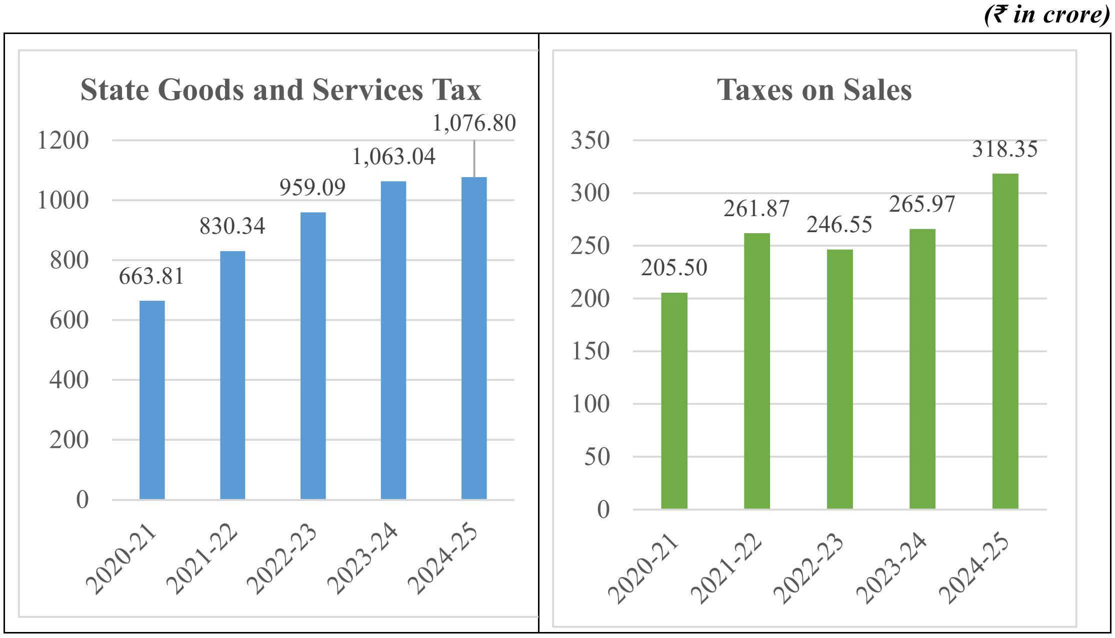
Chart 1.10: Trends of Own Tax Revenue during FY 2020-21 to FY 2024-25

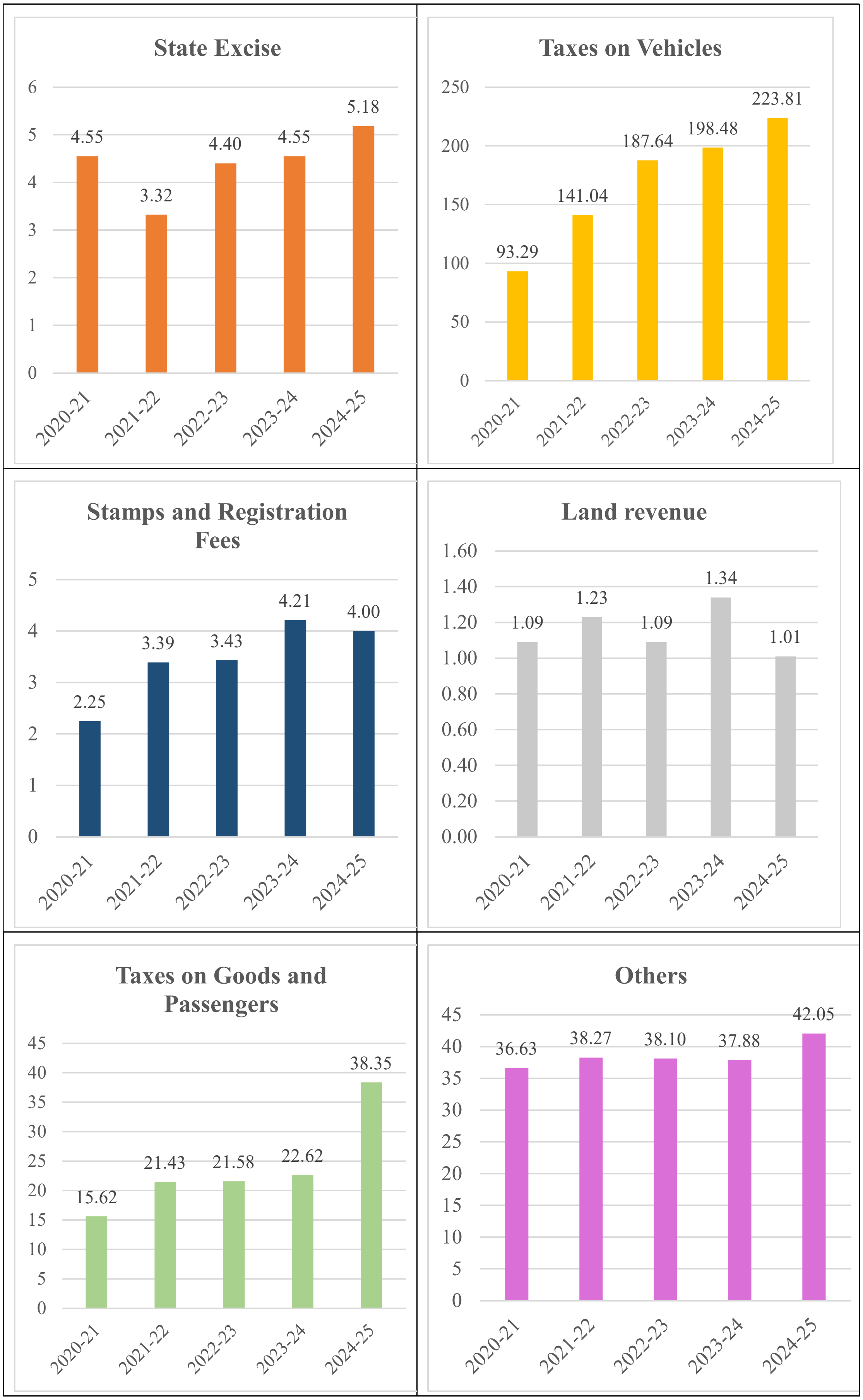


Source: Finance Accounts of respective years

Chart 1.11: Major components of State's Own Tax Revenue

(₹ in crore)





Source: Finance Accounts of respective years

Own Tax Revenue of the State increased from ₹1,598 crore in 2023-24 to ₹1,710 crore in 2024-25 due to increase/expansion in the tax base, and improvement in compliance level by the department under SGST. Further, Taxes on Vehicles also increased due to levy and collection of one-time cess *i.e.,* Nagaland Road Safety Fund on every motor vehicle used or kept for use in the State despite decrease in registration number of vehicles.

(ii) Non-Tax Revenue

Non-Tax Revenue of a State refers to the rent, fees, royalties and other receipts of the State Government from sources other than taxes.

Actuals for FY 2023-24, Budget Estimate (BE), Revised Estimate (RE), and Actuals of Non-Tax Revenue for the FY 2024-25 are given in **Table 1.7**.

Table 1.7: Major Non-Tax Revenue: 2023-24 (Actuals) and 2024-25 (BE, RE, and Actuals)

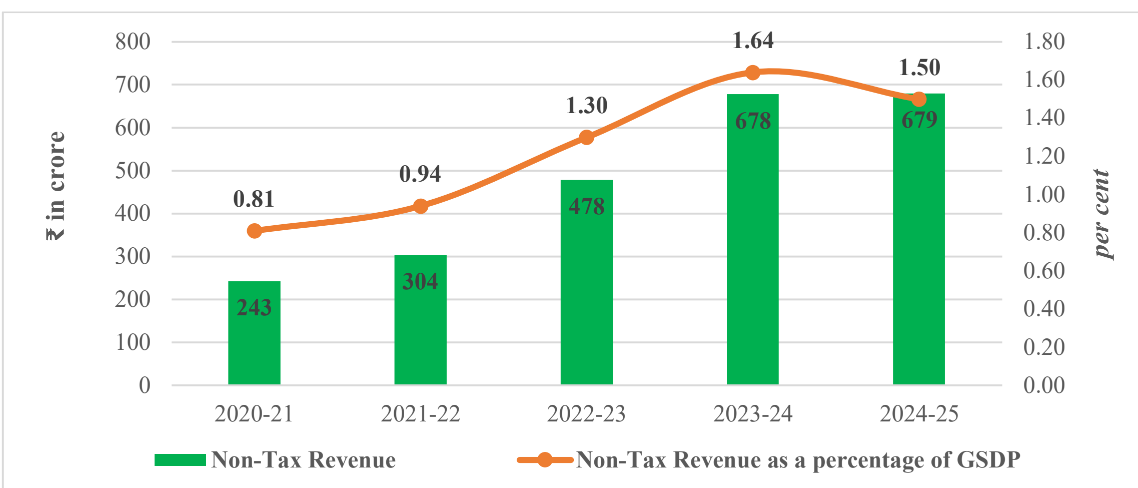
(₹ in crore)

Non-Tax Revenue	2023-24 (Actual)	2024-25 (BE)	2024-25 (RE)	2024-25 (Actuals)
Interest Receipts	15.68	10.00	12.50	11.76
Dividends and Profits	4.94	3.00	3.05	2.62
User Charges	8.58	7.56	24.27	23.88
Power	282.78	350.00	360.00	411.38
Others	365.87	92.95	221.40	229.54
Total	**677.85**	**463.51**	**621.22**	**679.18**

Source: Finance Accounts and Budget documents of the State

Trends of Non-Tax Revenue and its components during the period 2020-21 to 2024-25 are shown in **Chart 1.12** and **Chart 1.13** respectively.

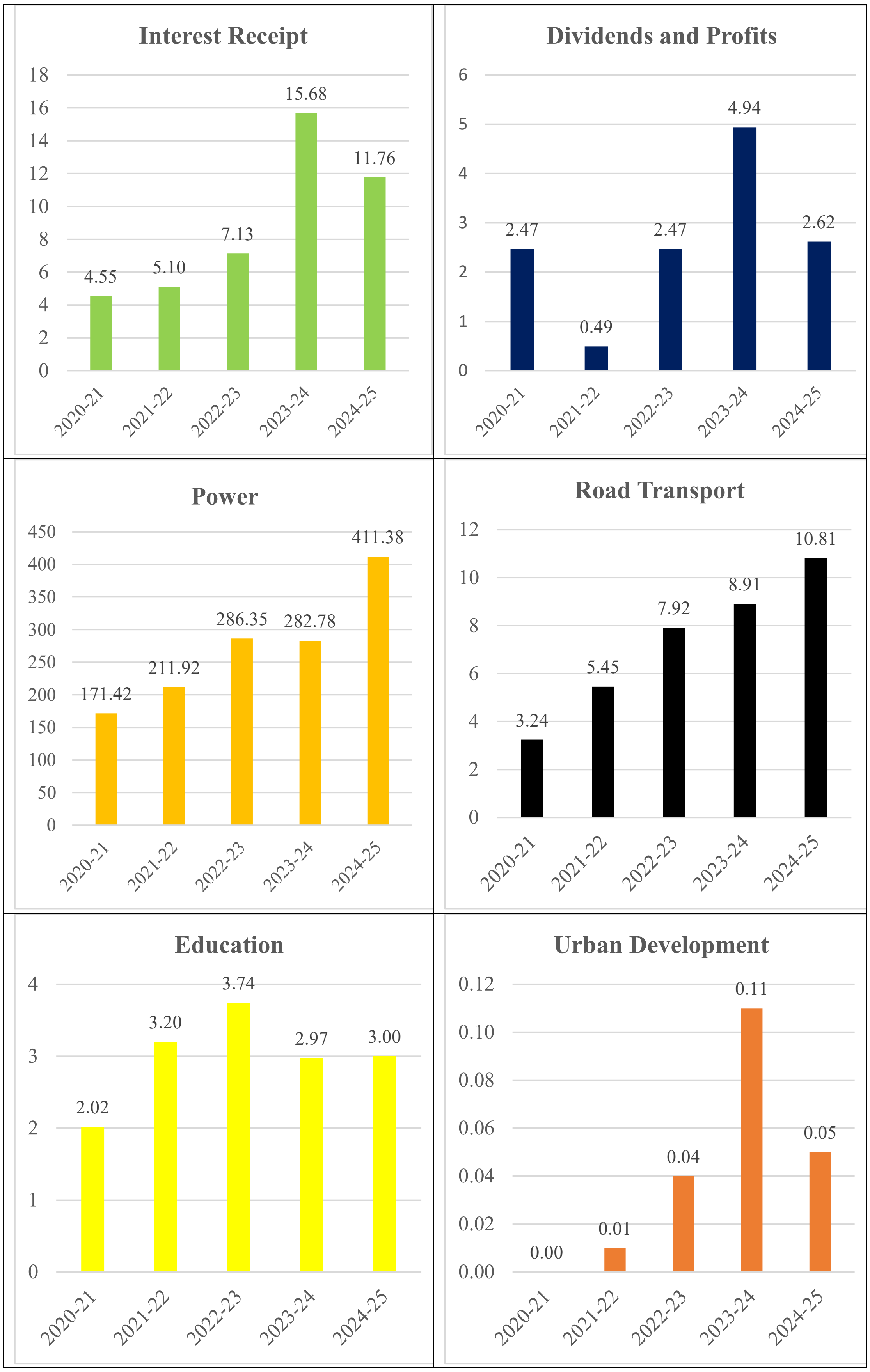
Chart 1.12: Trends in Non-Tax Revenue

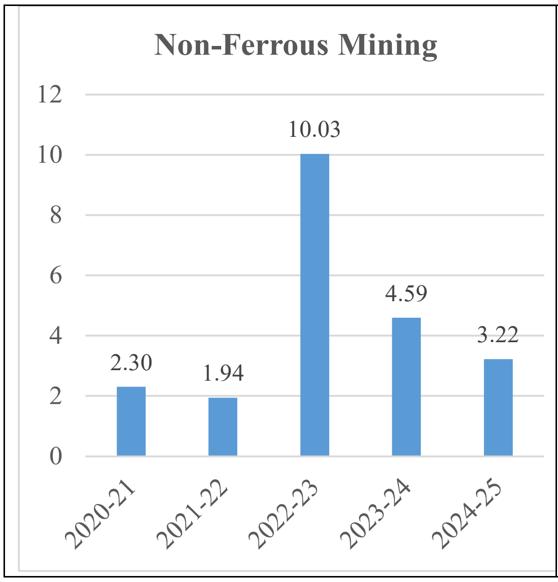


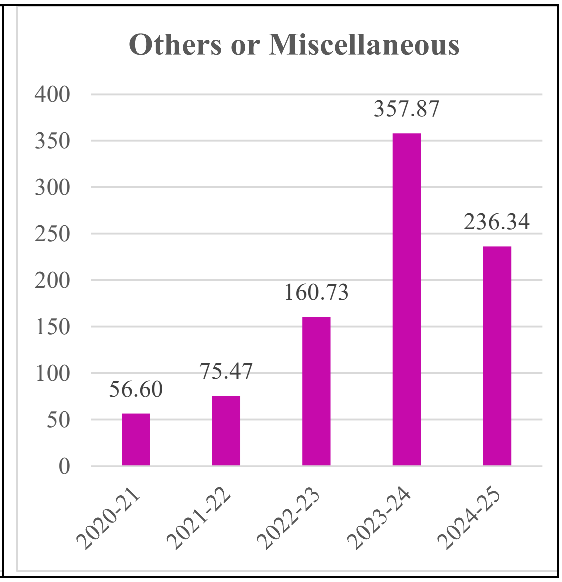
Source: Finance Accounts of respective years

Chart 1.13: Major components of State's Non-Tax Revenue

(₹ in crore)







Source: Finance Accounts of respective years

Non-Tax Revenue in 2024-25 surpassed the Budget Estimates substantially and remained marginally higher than the previous year's actuals. The growth was primarily driven by buoyant receipts under Power and User Charges which offset the decline in dividends and interest and other non-tax receipts. Major increase/decrease in the components of Non-Tax Revenue is discussed below:

- During 2024-25, there was a marginal increase of ₹1.33 crore (0.20 *per cent*) in total Non-Tax Revenue over the previous year which was mainly due to increase of ₹128.60 crore under Power and ₹15.30 crore in User charges offset by decrease of ₹142.57 crore in Interest Receipts, Dividends & Profits and other non-tax receipts. The increase in Non-Tax Revenue under Power was mainly due to implementation of smart prepaid metering system in the State.
- User Charges, a key component of Non-Tax Revenue, showed a significant increase in 2024-25, with actual collection of ₹23.88 crore compared to ₹8.58 crore in the previous year. This rise reflects improved recovery of service costs and better collection efficiency across services such as water supply, transport, public health laboratories, and other State-provided facilities.

B. State's share in Union Taxes and Duties

Trends in the components of State's share in Union taxes and duties are shown in **Table 1.8**.

Table 1.8: State's share in Union taxes and duties

(₹ in crore)

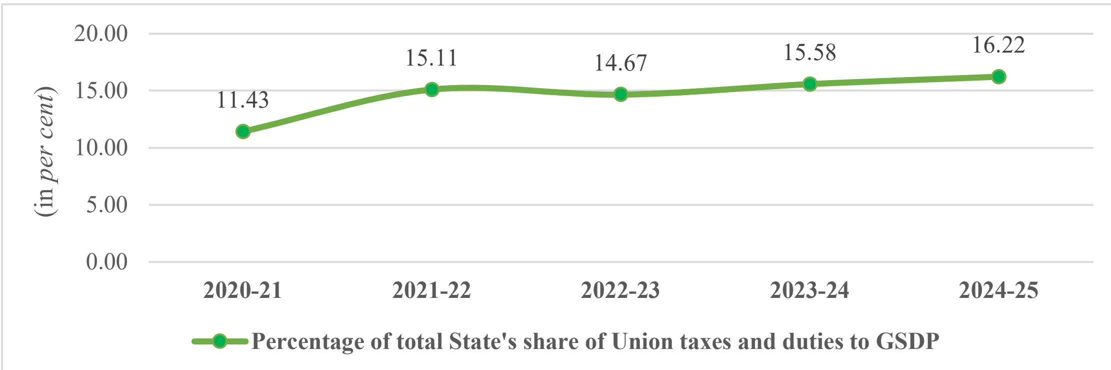
Head	2020-21	2021-22	2022-23	2023-24	2024-25
Central Goods and Services Tax	1,019.70	1,446.30	1,526.79	1,950.45	2,138.61
Corporation Tax	1,023.92	1,460.64	1,808.50	1,929.06	2,077.77
Taxes on Income other than Corporation Tax	1,049.12	1,467.36	1,768.56	2,227.81	2,649.71
Customs	185.46	314.44	212.40	225.21	372.55
Union Excise Duties	115.23	144.33	66.63	85.22	71.72

Head	2020-21	2021-22	2022-23	2023-24	2024-25
Service Tax	13.61	37.29	8.42	1.18	0.26
Other Taxes and Duties on Commodities and Services	2.21	5.10	8.89	7.89	11.75
Total	**3,409.25**	**4,875.46**	**5,400.19**	**6,426.82**	**7,322.37**

Source: Finance Accounts of respective years

Percentage of total State's share in Union taxes and duties to GSDP is given in **Chart 1.14**.

Chart 1.14: Percentage of total State's share in Union taxes and duties to GSDP



Source: Finance Accounts and E&SD, GoN for GSDP figures

During 2020-21 to 2024-25, the composition of central tax transfer in total Revenue receipts constituted between 29.83 to 45.52 *per cent*.

C. Grants-in-Aid from Government of India

Trend of Grants-in-Aid (GIA) from GoI and its components are shown in **Table 1.9.**

Table 1.9: Grants-in-aid from Government of India

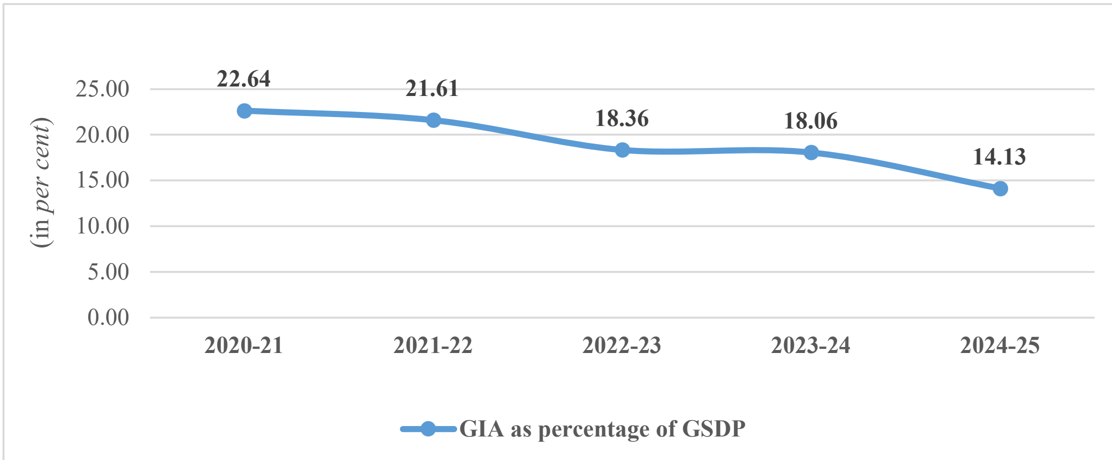
(₹ in crore)

Head	2020-21	2021-22	2022-23	2023-24	2024-25
Finance Commission Grants	4,694.75	4,706.77	4,630.79	4,534.89	4,121.77
Grants for Centrally Sponsored Schemes	2,008.24	2,184.18	1,992.30	2,917.48	2,071.85
Other transfers/Grants to States/Union Territories with legislature	49.85	80.26	135.69	0.00	181.81
Total	**6,752.84**	**6,971.21**	**6,758.78**	**7,452.37**	**6,375.43**

Source: Finance Accounts of respective years

Percentage of Grants-in-Aid from Government of India to GSDP is given in **Chart 1.15**.

Chart 1.15: Percentage of Grants-in-Aid from Government of India to GSDP



Source: Finance Accounts of respective years and E&SD, GoN for GSDP figures

(i) Grants for Centrally Sponsored Schemes

Out of the Grants of ₹2,071.85 crore for Centrally Sponsored Schemes during 2024-25, major allocations were made to the schemes shown in **Table 1.10**.

Table 1.10: Major Schemes receiving grants

Name of the Scheme	2024-25 Amount (₹ in crore)	2023-24 Amount (₹ in crore)	Percentage change over previous year
National Rural Employment Guarantee Scheme (NREGS)	150.13	218.33	-31.24
National Rural Livelihood Mission (NRLM)	124.04	127.33	-2.58
Rashtriya Krishi Vikash Yojana (RKVY)	136.19	188.33	-27.69
Krishonnati Yojana	191.86	114.62	67.39
Flexible Pool for RCH and Health System Strengthening	156.77	118.49	32.31
Saksham Anganwadi Poshan 2.0 (ICDS)	124.14	262.91	-52.78
Samagra Shiksha	234.80	231.25	1.54
Additional Central Assistance for EAP Grants	145.19	0.00	(+)100

Source: Finance Accounts

(ii) Fifteenth Finance Commission Grants

The Fifteenth Finance Commission (15^{th} FC) grants were provided to the States for local bodies and State Disaster Response Fund (SDRF), State Disaster Mitigation Fund (SDMF) and health sector grants. Details of grants provided by GoI are given in **Table 1.11**.

Table 1.11: Recommended amount, actual release and transfers of Grants-in-Aid

(₹ in crore)

Transfers		Recommendation of 15th FC for 2024-25	Actual release by GoI during 2024-25	Release by State Government (Total percentage of the amount released by GoI)
(i) Grants to PRIs		**102.00**	**19.20**	**19.20 (100)**
(a) Performance/Tied Grants #		61.20		
(b) Untied Grants		40.80	19.20	19.20 (100)
(ii) Grants to ULBs		**53.00**	**5.77**	**0.07* (0.00)**
(a) Non-Million Plus Cities (Performance/Tied Grant)		31.80		
(b) Non-Million Plus Cities (General Basic/Untied Grant)		21.20	5.77	0.07*(0.00)
(iii) Grant for Health Sector		**63.00**	**18.50**	**18.50 (100)**
Total for Local Bodies (i+ii+iii)		**218.00**	**43.47**	**37.77 (87)**
State Disaster Response Fund (SDRF)	Central Share	38.40	38.40	38.40 (100)
	State Share	4.00	4.00	4.00 (100)
State Disaster Mitigation Fund (SDMF)	Central Share	9.60	9.60	9.60 (100)
	State Share	1.00	1.50	1.50 (100)
Total for SDRMF		**53.00**	**53.50**	**53.50 (100)**
Post Devolution Deficit Grant		**4,073.77**	**4,073.77**	**4,073.77 (100)**

Source: 15th FC Report and Information furnished by Finance Department, GoN

PRIs - Panchayati Raj Institutions and ULBs - Urban Local Bodies

 # For drinking water, rainwater harvesting, SWS and Sanitation

**Penal interest pertaining to FC grants for 2021-22 due to delayed release of funds to the implementing departments for ULBs*

- An amount of ₹19.20 crore was released by GoI during 2024-25 under Grants to PRIs. However, this amount pertained to 15th FC recommendation for the year 2022-23.

- An amount of ₹5.77 crore was released by GoI during 2024-25 under Grants to ULBs. However, this amount pertained to 15th FC recommendation for the year 2021-22 for 25 ULBs in Nagaland. Against this release, the State did not release ₹5.77 crore to the implementing departments during 2024-25. This non-transfer of 15th FC grants to local bodies led to un-discharged liabilities to the State Government. Further, it also led to an overstatement of the revenue surplus and understatement of the fiscal deficit for the year 2024-25.

- GoI did not release the whole recommended amount of ₹63.00 crore under Grant for Health Sector as the State failed to submit Utilisation Certificate of 50 *per cent* of the fund released to the State as one of the implementing departments could not utilise the grants in time.

The non-release and delayed release of crucial grants highlight gaps in fiscal management, fund utilisation, and compliance. Immediate structural reforms and enhanced fiscal discipline are required to ensure optimal utilisation of Finance Commission Funds for economic development and service delivery in Nagaland.

1.2.2 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.

Trends of capital receipts and their components during 2020-21 to 2024-25 are shown in **Table 1.12**.

Table 1.12: Trends in growth and composition of capital receipts

(₹ in crore)

Sources of State's Receipts	2020-21	2021-22	2022-23	2023-24	2024-25
Capital Receipts	**1,532.17**	**760.26**	**2,287.44**	**2705.24**	**2,803.18**
Miscellaneous Capital Receipts	0.00	0.00	450.00	0.00	0.20
Recovery of Loans and Advances	1.23	1.88	3.04	2.99	-0.99
Public Debt Receipts	**1,530.94**	**758.38**	**1,834.40**	**2702.25**	**2,803.97**
*Internal Debt**	1,344.21	463.73	1,338.59	1,730.85	1,200.17
Loans and advances from GoI#	186.73	294.65	495.81	971.40	1,603.80
Year-on Year growth rates (in percent)					
GSDP	0.39	8.16	14.12	12.05	9.39
Capital Receipts	52.66	-50.38	200.88	18.26	3.62
Debt Capital Receipts	52.70	-50.46	141.88	47.31	3.76
Internal Debt	32.07	-65.50	188.66	29.30	-30.66
Loans and advances from GoI	1,327.68	57.79	68.27	95.92	65.10

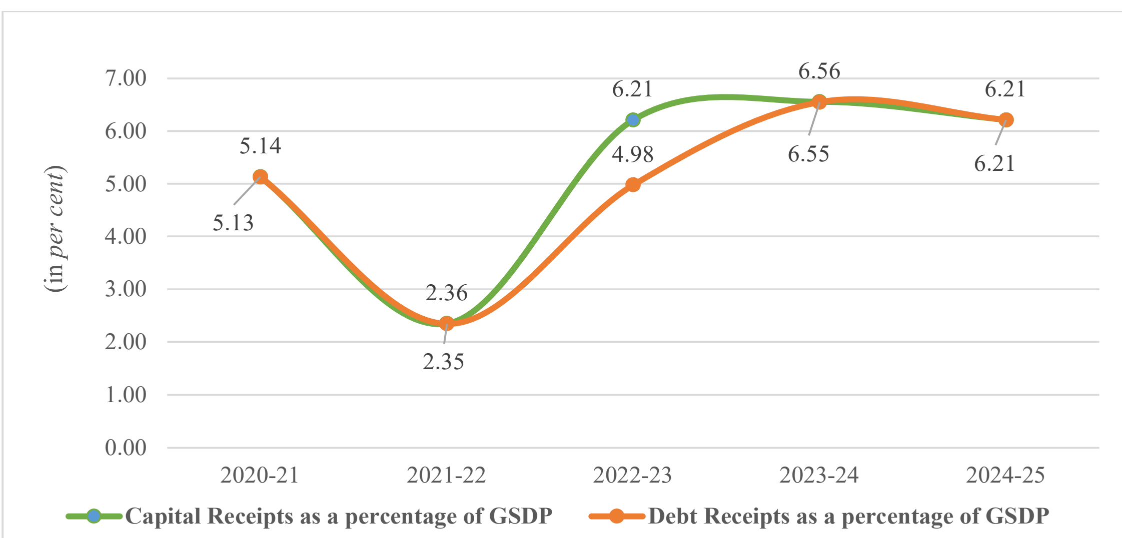
Source: Finance Accounts and E&SD, GoN for GSDP figures

* Including net figure under Ways and Means Advances/Overdraft/Special Drawing Facility

#Including 50-year interest free Loan under Scheme for Special Assistance to State for Capital Investment, received from 2020-21 onwards.

Capital Receipts as percentage of GSDP is depicted in **Chart 1.16**.

Chart: 1.16: Capital Receipts as percentage of GSDP



Source: Finance Accounts and E&SD, GoN for GSDP figures

Capital receipts have increasingly been driven by Public Debt receipts signaling rising fiscal reliance on borrowing. Internal debt has fluctuated, while loans from the Government of India have steadily surged mainly due to 50 years interest-free loan under Scheme for Special Assistance to States for Capital Investment, reflecting growing dependence on external support. However, it will not have implications on forthcoming interest payments, as it is a 50-year interest-free loan. Minimal recovery of past loans and advances adds little relief to the debt burden. Overall, the trends point to heightened interest obligations and potential risks to fiscal sustainability, underscoring the need for stronger resource mobilisation and disciplined debt management.

1.2.3 Finance Commission Projections and Actuals

The projected revenue, deficits and GSDP by the 15th Finance Commission and actuals for the FY 2020-21 to FY 2024-25 are given in **Table 1.13**.

Table 1.13: 15th FC Projection *vis-à-vis* actuals

	2020-21		2021-22		2022-23		2023-24		2024-25	
	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual	Projection	Actual
GSDP (2011-12 Series - Current Prices)	32,892.00	29,831.64	35,366.00	32,265.38	39,433.00	36,820.34	44,165.00	41,258.00	49,664.00	45,133.95
Own Revenue Receipts	1,290.00	1,265.34	1,189.00	1,604.66	1,369.00	1,940.29	1,586.00	2,275.94	1,847.00	2,388.73
State's Own Tax Revenue	954.00	1022.74	1,065.00	1,301.08	1,227.00	1,461.88	1,422.00	1,598.09	1,656.00	1,709.55
State's Own Non-Tax Revenue	336.00	242.60	124.00	303.58	142.00	478.41	164.00	677.85	191.00	679.18
State's share in Union Taxes/Duties	4,900	3,409.25	3,747	4,875.27	4,169	5,400.19	4,691	6,426.82	5,329	7,322.37
Revenue surplus (+) as percentage of GSDP	0.00	0.62	0.00	4.73	0.00	1.61	0.00	3.10	0.00	1.64
Fiscal Deficit (-) as percentage of GSDP	-4.50	-4.87	-4.00	-1.07	-3.50	-4.45	-3.00	-4.43	-3.00	-6.17

Source: 15th FC Report and Finance Accounts of respective years

1.2.4 Expenditure

Government expenditure is classified into revenue expenditure, capital expenditure, and loans and advances. Revenue expenditure includes costs for maintenance, repairs, and day-to-day functioning of departments, including administrative and establishment expenses. Capital expenditure relates to the initial construction of projects and sanctioned improvements or additions to assets. Loans and advances comprise funds provided by the Government to Public Sector Undertakings and other entities, which are recoverable over time. Details of expenditure, total expenditure as percentage of GSDP and share of its components are given in **Table 1.14**, **Chart 1.17** and **Chart 1.18** respectively.

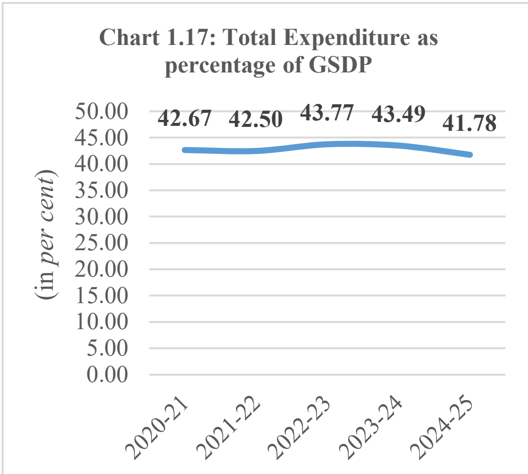
Table 1.14: Total expenditure and its composition

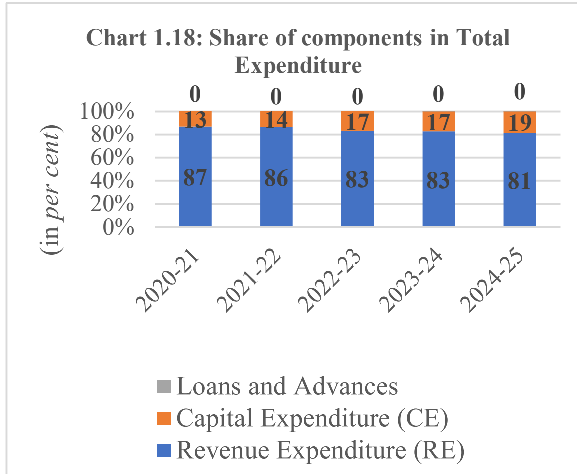
(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	**12,729.60**	**13,713.54**	**16,114.93**	**17,942.57**	**18,858.47**
Revenue Expenditure (RE)	11,052.06	11,817.08	13,410.36	14,819.70	15,333.81
Capital Expenditure (CE)	1,671.93	1,893.85	2,704.22	3,122.52	3,524.31

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Loans and Advances	5.61	2.61	0.35	0.35	0.35
Appropriation to contingency fund	-	-	-	-	-

Source: Finance Accounts of respective years





Source: Finance Accounts and E&SD, GoN for GSDP figures

Out of the total expenditure of ₹18,858.47 crore incurred by the State during the financial year 2024-25, a portion of ₹2,790.41 crore (14.00 *per cent*) pertained to pass-through transactions such as Finance Commission grants (₹90.54 crore), labour cess collected and kept in Government Account and transferred to the Building and Other Construction Workers' Welfare Board (₹12.78 crore), transfer of Central share received by the State on Centrally Sponsored Schemes (₹2,184.47 crore), transfer of NPS contributions from the designated major head in Public Account to designated fund manager (₹502.62 crore), *etc*.

Sector-wise Total Expenditure

Sector-wise composition of expenditure is given in **Table 1.15** and relative share of various sectors in total expenditure is depicted in **Chart 1.19**.

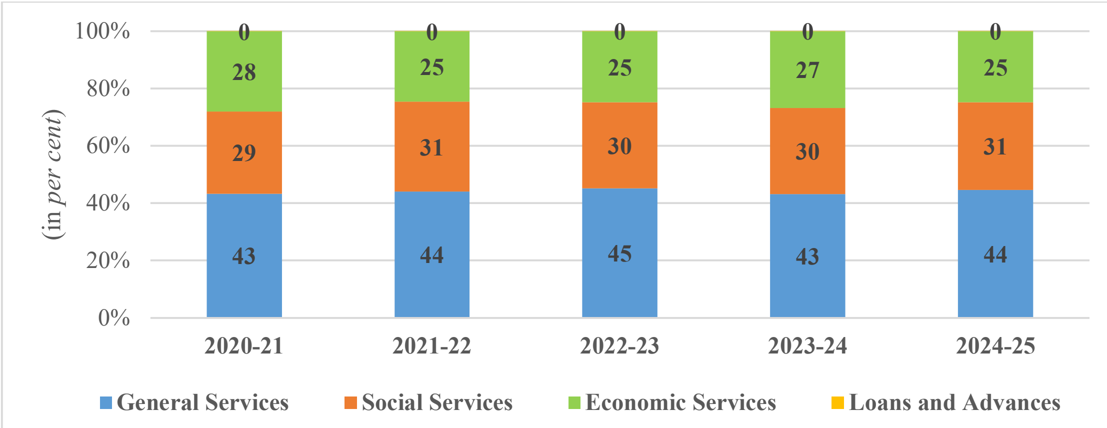
Table 1.15: Sector-wise Total expenditure

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	5,509.64	6,036.99	7,267.61	7,746.38	8,412.39
Social Services	3,646.72	4,294.62	4,840.22	5,372.61	5,788.91
Economic Services	3,567.63	3,379.32	4,006.75	4,823.23	4,656.82
Others* (Grants to Local Bodies and Loans and Advances)	5.61	2.61	0.35	0.35	0.35

Source: Finance Accounts of respective years *bifurcated from Economic Services

Chart 1.19: Relative share of various sectors in Total expenditure



Source: Finance Accounts of respective years

The State's expenditure is predominantly revenue-oriented, reflecting high routine and administrative outlays that constrain fiscal flexibility. Capital expenditure, while essential for infrastructure and long-term growth, remains relatively modest, indicating modest investment in asset formation. The overall pattern suggests a tilt toward consumption rather than productive investment, which could limit the State's capacity to support sustainable economic growth. Strengthening capital spending alongside controlled revenue expenditure would be important for enhancing fiscal sustainability and growth prospects.

The State's expenditure is dominated by general services, reflecting substantial administrative and routine governance costs. Rising allocations to social services indicate a welfare-oriented focus on health, education, and social protection. Expenditure on economic services, however, has been uneven, suggesting inconsistent support for growth-promoting initiatives such as infrastructure and industry.

1.2.4.1 Revenue expenditure

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. Growth in revenue expenditure, its ratio to total expenditure, GSDP and revenue receipts are shown in **Table 1.16**.

Table 1.16: Revenue Expenditure – Basic Parameters

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
Total Expenditure (TE)	12,729.60	13,713.54	16,114.93	17,942.57	18,858.47
Revenue Expenditure (RE)	11,052.06	11,817.08	13,410.36	14,819.70	15,333.81
RE as percentage of Revenue Receipts	96.72	87.85	95.11	91.73	95.32
RE as percentage of TE	86.82	86.17	83.22	82.60	81.31
RE/GSDP (*per cent*)	37.05	36.62	36.42	35.92	33.97
Year-on-year growth (in *per cent*)					
Revenue Expenditure	-5.03	6.92	13.48	10.51	3.47
GSDP growth	0.39	8.16	14.12	12.05	9.39

Source: Finance Accounts of respective years

A. Sector-wise Revenue Expenditure

Sector-wise composition of Revenue expenditure is given in **Table 1.17** and Relative share of various sectors in Revenue expenditure is depicted in **Chart 1.20**. Detailed Sector-wise expenditure is given in ***Appendix 1.2***.

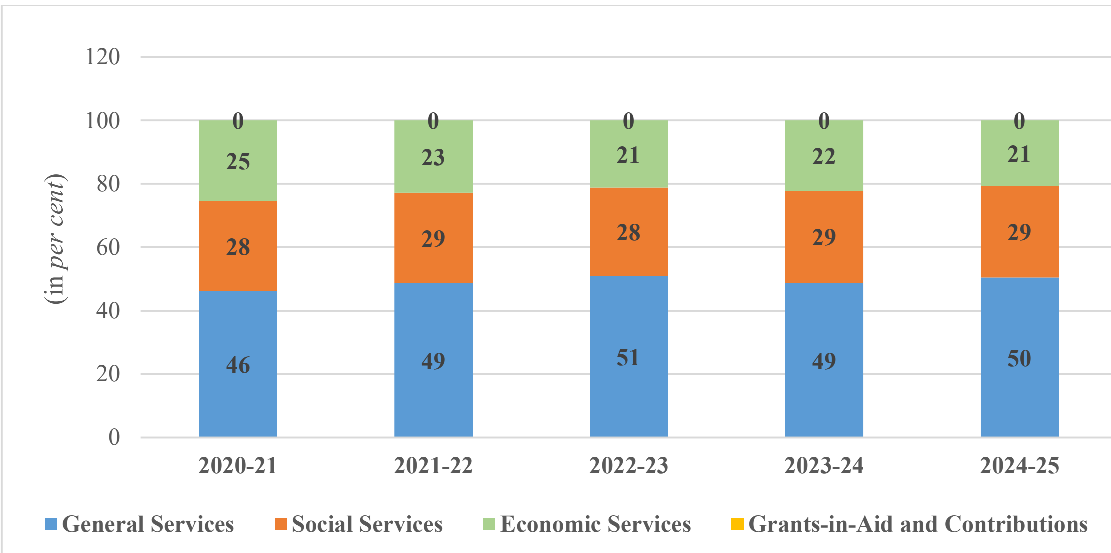
Table 1.17: Sector-wise Revenue expenditure

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	5,100.03	5,743.69	6,820.70	7,218.28	7,730.04
Social Services	3,138.51	3,378.12	3,746.13	4,317.93	4,434.41
Economic Services	2,813.52	2,695.27	2,843.53	3,283.49	3,169.36
Grants-in-Aid And Contributions	0.00	0.00	0.00	0.00	0.00

Source: Finance Accounts of respective years

Chart 1.20: Relative share of various sectors in Revenue expenditure



Source: Finance Accounts

The State's Revenue expenditure remains high relative to Revenue receipts and total expenditure, leaving limited fiscal space for capital investments. Persistent dominance of Revenue expenditure indicates that much of the State's revenue is absorbed by routine and administrative obligations. This pattern reflects fiscal stress, as high revenue commitments constrain investment in infrastructure and long-term development.

Revenue expenditure is dominated by General services, reflecting a heavy administrative burden that limits fiscal flexibility. Allocations for both economic and social services remained fluctuated. However, the fluctuations in allocations for social services have been less pronounced compared to those for economic services. This pattern suggests that a significant share of resources is tied to routine obligations rather than development. Containing administrative costs and prioritising social and economic sectors would strengthen fiscal space and better align expenditure with sustainable growth objectives.

B. Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments, expenditure on salaries and wages, and pensions. It has first charge on Government resources. The components of committed expenditure are given in **Table 1.18** and committed expenditure as a percentage of revenue receipts and remaining fiscal space for other expenditure is given in **Chart 1.21**.

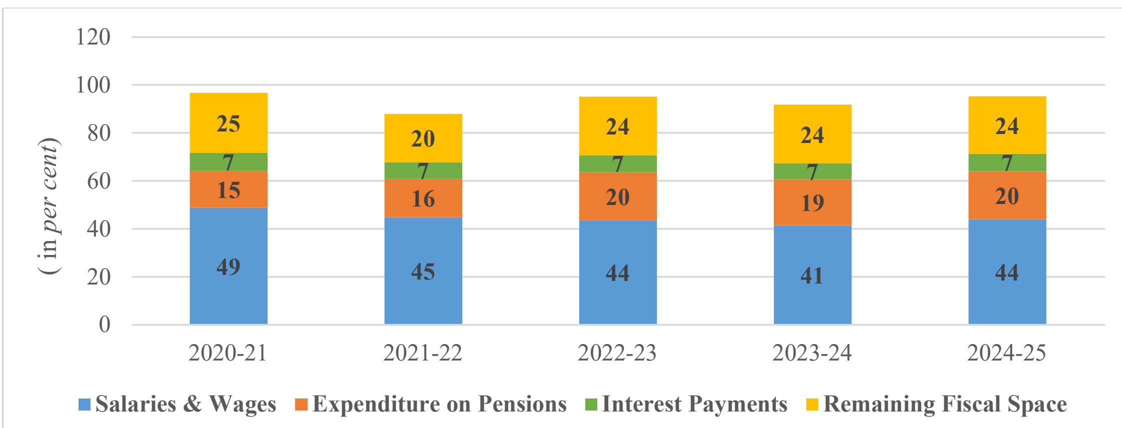
Table 1.18: Components of committed expenditure

(₹ in crore)

Components of committed expenditure	2020-21	2021-22	2022-23	2023-24	2024-25
Salaries and Wages	5,578.10	6,029.85	6,152.31	6,702.79	7,087.51
Expenditure on Pensions	1,752.48	2,158.67	2,819.16	3,101.92	3,199.58
Interest Payments*	854.69	932.09	993.23	1,068.43	1,167.70
Total	**8,185.27**	**9,120.61**	**9,964.70**	**10,873.14**	**11,454.79**
Committed Expenditure as a percentage of Revenue Expenditure	**74.06**	**77.18**	**74.31**	**73.37**	**74.70**

Source: Finance Accounts of respective years *Interest payment made on Overall Debt

Chart 1.21: Committed expenditure and remaining fiscal space as a percentage of revenue receipts



Source: Finance Accounts of respective years

From 2020-21 to 2024-25, committed expenditure consistently absorbed nearly three-fourths of revenue expenditure, leaving limited fiscal flexibility. Expenditure on salaries & wages and pension payments drive this rigidity, while rising interest payments add to debt servicing pressures. Such dominance of fixed liabilities constrains space for welfare and capital spending, often pushing the State toward higher borrowings. Without reforms in employee costs, pension management, and debt control, long-term fiscal sustainability will remain under strain.

C. Subsidies

The subsidies during the current year increased by ₹6.00 crore (14.59 *per cent*) from the previous year. The increase was mainly due to increase of ₹6.00 crore on account of subsidy under Chief Minister's Micro Financing Initiative.

Department-wise major subsidies for FYs 2020-21 to 2024-25, are shown in **Table 1.19**.

Table 1.19: Department-wise subsidies during FYs 2020-21 to 2024-25

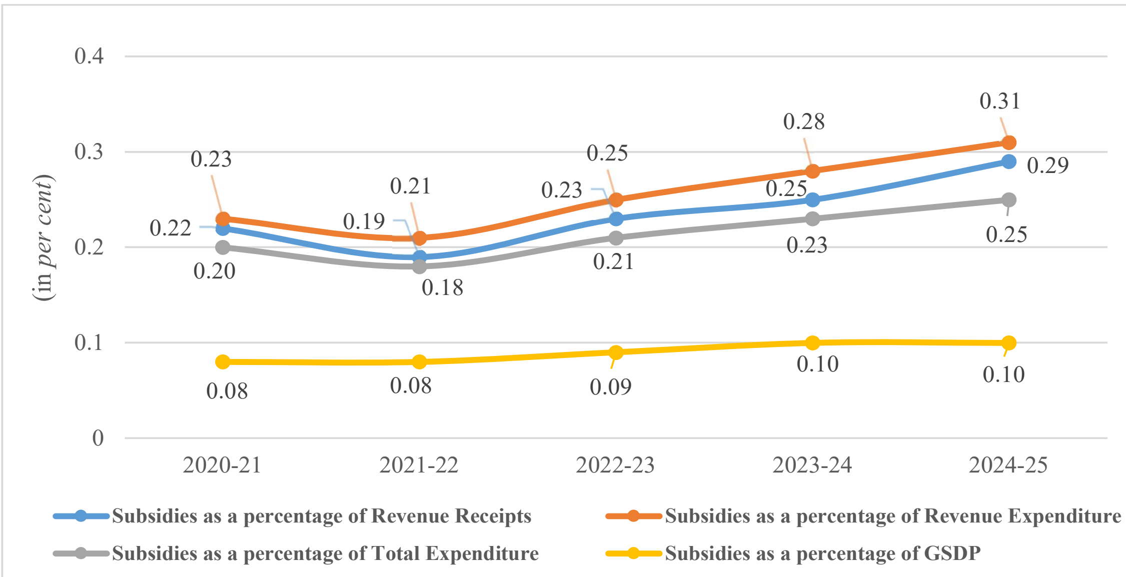
(₹ in crore)

Name of the Department	2020-21	2021-22	2022-23	2023-24	2024-25
Food Supplies & Consumer Welfare	25.12	25.12	25.12	25.12	25.12
Home Department	0.00	0.00	8.00	16.00	22.00
Total Subsidies	**25.12**	**25.12**	**33.12**	**41.12**	**47.12**

Source: Finance Accounts of respective years

Trend analysis of subsidies as percentage of fiscal parameters during 2020-21 to 2024-25 is given in **Chart 1.22.**

Chart 1.22: Trend analysis of subsidies



Source: Finance Accounts and E&SD, GoN for GSDP figures

The rise in subsidies in the recent years was primarily attributable to the annual increase in subsidies booked under the Home Department, particularly towards the Nagaland Civil Secretariat – Chief Minister's Micro Financing Initiative. The increase in subsidies indicates a growing fiscal commitment, which could constrain resources available for development-oriented spending. Rising subsidies highlight the need for targeted delivery mechanisms, periodic reviews to enhance efficiency, and adoption of direct benefit transfers to improve transparency and reduce fiscal pressure.

Subsidy under Chief Minister's Micro Financing Initiative

Audit analysed whether subsidies under Chief Minister's Micro Financing Initiative were adequately budgeted, provisioned, and released to implementing agencies in a timely manner, as detailed in the succeeding paragraph.

Chief Minister's Micro Financing Initiative (launched during August 2022), is a scheme designed to boost farmers' incomes by increasing investments in agriculture and allied sectors, improving agri-marketing networks and infrastructure, promoting credit discipline, and encouraging private enterprise. It aims to make credit more affordable and accessible to hardworking farmers and young entrepreneurs. The initiative provides either a subsidy or an interest subsidy for specified activities in agriculture and associated sectors, such as processing units, handicrafts, and small-scale manufacturing.

During 2024-25, an original budgetary provision of ₹30.00 crore was made for the scheme. However, ₹8.00 crore was re-appropriated out of this head, reducing the available provision. The State Government released an amount of ₹22.00 crore for implementation.

D. Financial assistance by the State Government to Local Bodies and Other Institutions

Assistance provided by way of grants to the local bodies and other institutions during the period 2020-21 to 2024-25 is presented in **Table 1.20**.

Table 1.20: Financial assistance to Local Bodies and other institutions

(₹ in crore)

Financial Assistance to Institutions	2020-21	2021-22	2022-23	2023-24	2024-25
(A) Local Bodies					
Municipal Corporations and Municipalities	1.62	1.62	9.45	15.31	45.58
GIA for creation of Capital assets to Municipal Corporations and Municipalities	-	-	-	-	-
Rural Local Bodies	62.50	109.57	46.00	0.00	19.20
GIA for creation of Capital assets to PRIs	-	-	-	-	-
Total (A)	**64.12**	**111.19**	**55.45**	**15.31**	**64.78**
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, *etc.*)	3.00	3.35	3.65	3.60	3.60
Development Authorities	60.02	56.68	84.88	77.91	84.28
Hospitals and Other Charitable Institutions	26.94	14.04	0.24	0.25	0.00
Other Institutions	40.77	31.20	52.37	532.69	368.34
Total (B)	**130.73**	**105.27**	**141.14**	**614.45**	**456.22**
Out of which, GIA for creation of Capital Assets	***14.32***	***25.59***	***60.58***	***67.31***	***158.74***
Total (A + B)	**194.85**	**216.46**	**196.59**	**629.76**	**521.00**
Total GIA for creation of Capital Assets	14.32	25.59	60.58	67.31	158.74
Revenue Expenditure	11,052.06	11,817.08	13,410.36	14,819.70	15,331.81
Assistance as percentage of Revenue Expenditure	1.76	1.83	1.47	4.25	3.40

Source: Finance Accounts for respective years

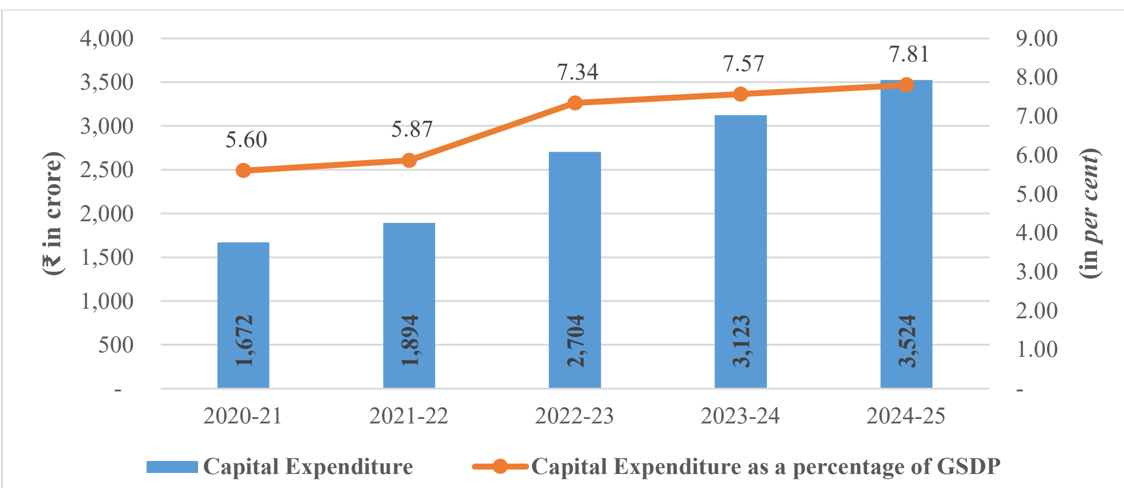
During the current year, financial assistance to the local bodies and other institutions decreased by ₹108.76 crore (17.27 *per cent*) over the previous year. The decrease was mainly due to decrease in assistance to Other Institutions (₹164.35 crore: 30.85 *per cent*). However, during 2024-25, there was increase in assistance to Municipal Corporations and Municipalities and Panchayati Raj Institutions over previous year, mainly on account of payment of grants recommended by the Fifteenth Finance Commission (15th FC). The overall quantum of financial assistance to the local bodies and other institutions as percentage to revenue expenditure decreased to 3.40 *per cent* during the current year from 4.25 *per cent* of the previous year.

The Third State Finance Commission (SFC) was constituted in March 2023, and its report, covering a period of three years from 2023-24 to 2025-26, was approved by the State Government on 27 February 2024. The Commission recommended allocation of one *per cent* of the State's Goods and Services Tax (SGST) for vertical devolution during the period 2023-24 to 2025-26. Against the budgetary provision of ₹11.56 crore during 2024-25; ₹11.00 crore was released to the Municipal Affairs Department, resulting in a shortfall of ₹0.56 crore in the devolution mechanism. This shortfall led to reduced transfers to Urban Local Bodies, thereby affecting the objective of fiscal decentralisation. Further, it resulted in overstatement of Revenue Surplus and corresponding understatement of fiscal deficit.

1.2.4.2 Capital expenditure

Capital expenditure is primarily expenditure on creation of fixed infrastructure assets, such as roads, buildings, *etc*. Capital expenditure, in both the Centre and the State, is being met with budgetary support and extra budgetary resources/off-budget borrowings. It also includes investments made by the State Government in Companies/Corporations. Trend of capital expenditure in the State over the last five years *i.e.*, 2020-25 is given in **Chart 1.23**.

Chart 1.23: Capital expenditure in the State



Source: Finance Accounts and Annual Financial Statements of respective years

Capital expenditure has grown steadily reflecting a focus on long-term asset creation. An increased ratio of CE to GSDP over the years indicated increasing prioritisation of development-oriented spending. Apart from Capital expenditure of ₹3,524 crore, the State Government also transferred Grants-in-Aid of ₹158.74 crore for creation of capital assets to the local bodies and other institutions.

A. Sector-wise Capital Expenditure

Sector-wise composition of Capital expenditure is given in **Table 1.21**. Detailed Sector-wise expenditure is given in ***Appendix 1.2***. Relative share of various sectors in Capital expenditure is given in **Chart 1.24**.

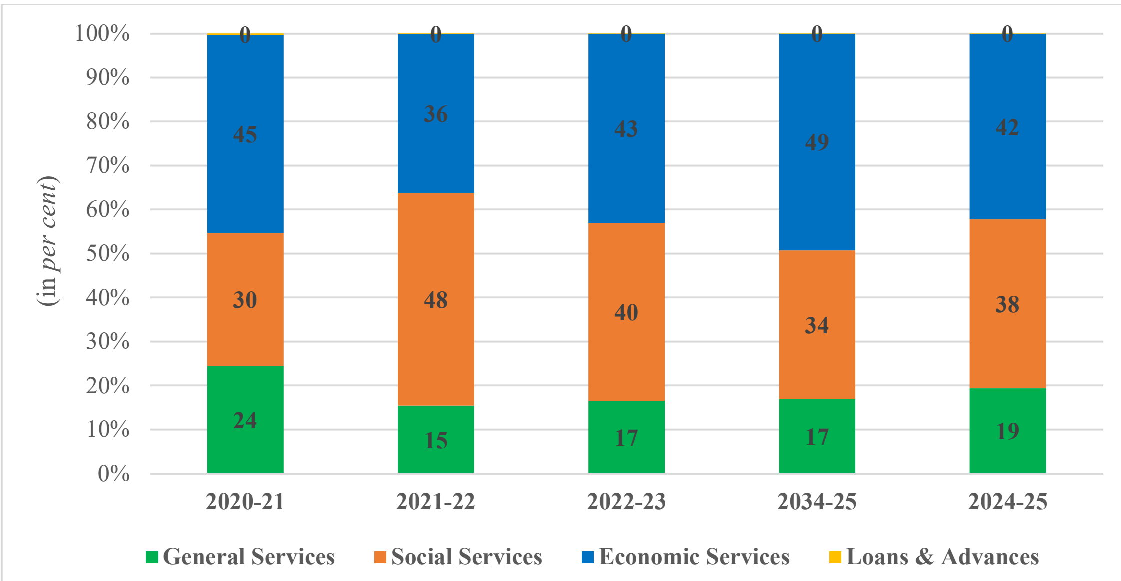
Table 1.21: Sector-wise Capital expenditure

(₹ in crore)

Parameters	2020-21	2021-22	2022-23	2023-24	2024-25
General Services	409.61	293.30	446.91	528.12	682.35
Social Services	508.21	916.50	1,094.09	1,054.68	1,354.50
Economic Services	754.11	684.05	1,163.22	1,539.72	1,487.46
Loans & Advances	5.61	2.61	0.35	0.35	0.35

Source: Finance Accounts of respective years

Chart 1.24: Relative share of various sectors in Capital expenditure

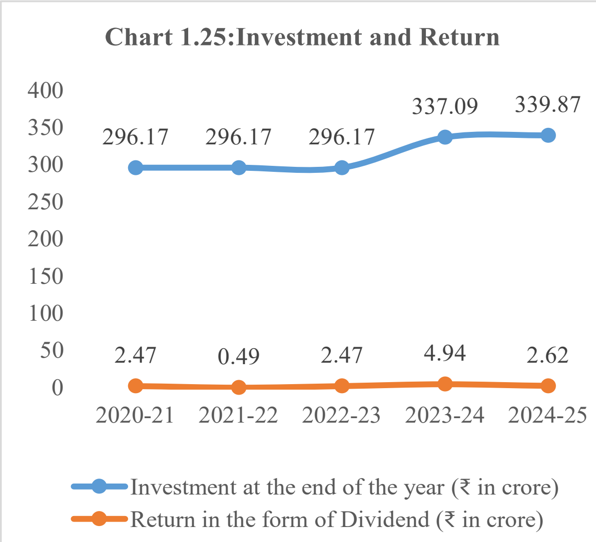


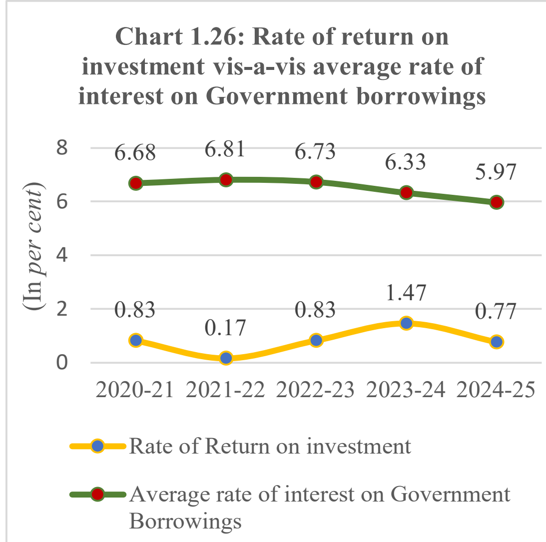
Source: Finance Accounts of respective years

B. Quality of investments in the companies, corporations and other bodies

As of 31 March 2025, the State Government's investment in companies, corporations and other bodies stood at ₹339.87 crore, comprising Government Companies (₹206.69 crore), Co-operative Bank Societies (₹107.45 crore), and Statutory Corporations (₹0.04 crore), Other Joint Stock Companies and Partnerships (₹25.69 crore).

Trends of investment at the end of the year in companies, corporations, and co-operative banks and societies, and return on these investments is depicted in **Chart 1.25**. Rate of return on investment made *vis-à-vis* average rate of interest on government borrowings is depicted in **Chart 1.26**.





Source: Finance Accounts of respective years

During 2024-25, the return on investment was ₹2.62 crore (0.77 *per cent*) (based on historical cost and not on net present value basis). The return was only between 0.17 *per cent* and 1.47 *per cent* during 2020-25 while the average rate of interest paid by the State Government on its borrowings was between 5.97 *per cent* and 6.81 *per cent* during the same period. Over the past five years, the difference in cost of Government borrowings and return on investments in PSUs was to the tune of ₹5,005.23[2] crore.

Lack of Dividend Policy

A well-defined dividend policy mandating a minimum return from profitmaking enterprises, enables the State Government to optimise its returns from investments in SPSEs and enhances monitoring of the SPSEs financial performance. It was observed that the State has not formulated or enforced a dividend policy for its Public Sector Undertakings (PSUs).

Out of seven PSUs, two are defunct/non-working and investment of ₹16.94 crore therein remained un-recouped. Of the remaining active entities, none had paid any dividend during the period.

C. Loans and advances by State Government

In addition to the investments in co-operative societies, corporations and companies, the State Government has also been providing loans and advances to many institutions/organisations. **Table 1.22** presents the position of outstanding loans and advances as on 31 March 2025 and interest receipts *vis-à-vis* interest payments by the State Government on its borrowings during the last five years.

[2] The difference between the total interest paid on Government borrowings and the returns earned on investments during the period 2020–21 to 2024–25.

Table 1.22: Quantum of loans disbursed and recovered during 2020-25

(₹ in crore)

Particulars	2020-21	2021-22	2022-23	2023-24	2024-25
Opening Balance of loans outstanding	37.08	41.46	42.17	39.48	36.84
Amount advanced during the year	5.61	2.61	0.35	0.35	0.35
Amount recovered during the year	1.23	1.88	3.04	2.99	(-)0.99
Closing Balance of the loans outstanding	41.46	42.19	39.48	36.4	38.18
Net addition	4.38	0.73	(-)2.70	(-)2.64	1.34
Interest received	3.16	3.29	4.02	0.00	0.00
Interest rate on Loans and Advances given by the Government#	8.05	7.87	9.85	0.00	0.00
Average rate of interest on Government Borrowings (*per cent*)	6.68	6.81	6.73	6.33	5.97
Difference between the rate of interest paid and interest received (*per cent*)	1.37	1.06	3.12	(-)6.33	(-)5.79

Source: Finance Accounts of respective years

*#Return on Investment = Interest Receipts/Average of Loans and Advances disbursed of previous and current financial year*100*

1.3 Contingency Fund

The Contingency Fund of the Government of Nagaland is intended to provide advances for meeting unforeseen expenditure, pending its authorisation by the State Legislature. The fund is recouped once the Legislature approves the additional expenditure. During 2024-25, no withdrawals were made from the fund. As of 31 March 2025, the corpus of the Fund was ₹0.35 crore.

1.4 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 of India and are not subject to vote by the State Legislature. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

1.4.1 Net Public Account balances

The component-wise net balances in Public Account of the State are given in **Table 1.23**.

Table 1.23: Component-wise net balances in Public Account

(₹ in crore)

Sector	Sub Sector	2020-21	2021-22	2022-23	2023-24	2024-25
I. Small Savings, Provident Funds, *etc.*	Small Savings, Provident Funds, *etc.*	1,875.68	1,606.82	1,463.08	1,387.12	1,344.57
J. Reserve Funds	(a) Reserve Funds bearing Interest	(-)15.43	(-)15.44	(-)15.44	(-)15.44	(-)15.44
	(b) Reserve Funds not bearing Interest	(-)16.17	0.00	0.00	0.00	0.00
K. Deposits and Advances	(a) Deposits bearing Interest	185.61	204.24	222.07	91.99	72.75

Sector	Sub Sector	2020-21	2021-22	2022-23	2023-24	2024-25
	(b) Deposits not bearing Interest	792.96	719.37	675.92	779.59	801.24
	(c) Advances	(-)0.57	(-)0.57	(-)0.57	(-)1.98	(-)1.98
L. Suspense and Miscellaneous	(b) Suspense	(-)90.10	(-)75.29	(-)80.55	(-)50.14	(-)58.92
	(c) Other Accounts	(-)801.58	(-)1,393.37	(-)816.43	(-)1,599.44	(-)1,445.86
M. Remittances	(a) Money Orders, and other Remittances	(-)660.74	(-)831.29	(-)785.15	(-)760.06	707.89
	(b) Inter-Governmental Adjustment Account	(-)0.28	(-)0.19	0.00	0.14	(-)0.29
Total		**1,269.37**	**214.28**	**662.93**	**(-)168.22**	**1,403.96**

Source: Finance Accounts of respective years
Note: (–) ve denotes credit balances

1.4.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met with contributions or grants from the Consolidated Fund or from outside agencies. It comprises of reserve funds bearing interest and reserve funds not bearing interest.

There were three interest bearing funds and two Reserve Funds not bearing interest bearing as on 31 March 2025. The fund balances lying in these Reserve Funds as on 31 March 2025 are given in **Table 1.24**.

Table 1.24: Detail of Major Reserve Fund

(₹ in crore)

Sl. No.	Name of Reserve Fund	Opening Balance	Receipts during the year	Interest receipts	Repayments during the year	Balance as on 31 March 2025
A	**Reserve funds bearing Interest**	**15.44**	**238.11**	**0.00**	**238.11**	**15.44**
1.	*Natural Calamities Unspent Marginal Money Fund Investment Account*	*15.44*	*0.00*	*0.00*	*0.00*	*15.44*
2.	*State Disaster Response Fund*	*0.00*	*227.01*	*0.00*	*227.01*	*0.00*
3.	*State Disaster Mitigation Fund*	*0.00*	*11.10*	*0.00*	*11.10*	*0.00*
B	**Reserve fund not bearing interest**	**0.00**	**234.37**	**134.37**	**234.37**	**0.00**
1.	*Sinking Funds*	*0.00*	*234.37*	*134.37*	*234.37*	*0.00*
2.	*General and other Reserve Fund*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*

Source: Finance Accounts, 2024-25

1.4.3 Cash Balances

As per the agreement with Reserve Bank of India (RBI), State Governments must maintain a minimum daily cash balance (₹0.25 crore in case of Nagaland) with the Bank. If the balance falls below this minimum, the shortfall is met through instruments like Ways and Means Advances (WMA)/Special Ways and Means

Advances (SWMA)/Special Drawing Facility (SDF)/Overdrafts (OD), with the WMA limit revised periodically by RBI.

The State Government invests surplus cash balances, including those from earmarked reserve funds in GoI securities and Treasury Bills. Earnings from these investments are credited under '0049-Interest Receipts'.

It is undesirable for the State Government to raise market loans while holding large unutilised cash balances, as it leads to idle funds rather than productive use. Cash balance and investment details for 2023-24 and 2024-25 are provided in **Table 1.25**.

Table 1.25: Cash Balances and their investment

(₹ in crore)

	Opening balance on 1 April 2024	Closing balance on 31 March 2025
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	407.42	595.63
Total	**407.42**	**595.63**
Investments held in Cash Balance investment account	534.83	0.00
Total (A)	**942.25**	**595.63**
B. Other Cash Balances and Investments		
Cash with departmental officers *viz*., Public Works, Forest Officers	1,064.58	1,445.84
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	1,739.72	1,977.41
Total (B)	**2,804.30**	**3,423.25**
Total (A + B)	**3,746.55**	**4,018.88**
Interest realised	**3.23**	**3.12**

Source: Finance Accounts

Details of Cash Balance Investment Account during the last five years is given in **Table 1.26.**

Table 1.26: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)

Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
2020-21	0.00	0.00	0.00	0.07
2021-22	0.00	485.37	485.37	0.77
2022-23	485.37	0.00	(-)485.37	2.29
2023-24	0.00	534.83	534.83	3.23
2024-25	534.83	0.00	(-)534.83	3.12

Source: Finance Accounts of respective years

The trend analysis of the cash balance investment of the State Government revealed that during the five year-period of 2020-25, there has been large fluctuation in cash balance at the end of each year of the State.

RBI determines the daily cash balance by considering 14-day Treasury Bill holdings and daily transactions (at RBI counters, Inter-Government transactions and Treasury transactions reported by the agency banks). Surpluses after maintaining the minimum balance are reinvested, while shortfalls are met by rediscounting Treasury Bills. If no such bills are available, the State Government avails WMAs or Overdraft.

During 2024-25, the State Government could maintain the minimum daily cash balance with the RBI for 308 days and as such WMAs/SWMAs/ODs was availed for 57 days during the year, for which an interest of ₹1.91 crore was paid.

1.5 Fiscal Sustainability

Fiscal Sustainability is the ability of a Government to manage its revenue and expenditure in a manner that ensures it can meet its current and future obligations such as public services, infrastructure, and debt repayments without excessive borrowing or accumulating unsustainable debt. It implies maintaining a stable balance between revenue generation and expenditure over the long term. **Chart 1.27** and **Chart 1.28** shows receipts and expenditure of the State as a percentage of GSDP, during FY 2020- 25 respectively.

Chart 1.27: Receipts of the State

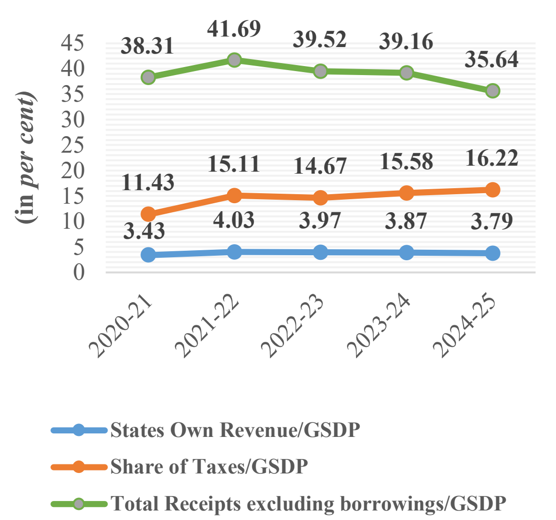
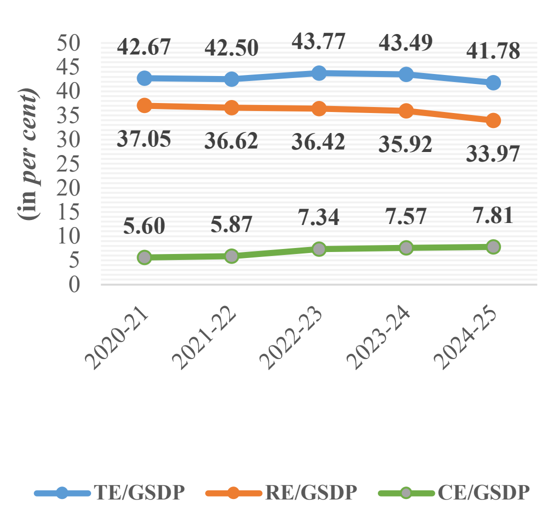


Chart 1.28: Expenditure of the State

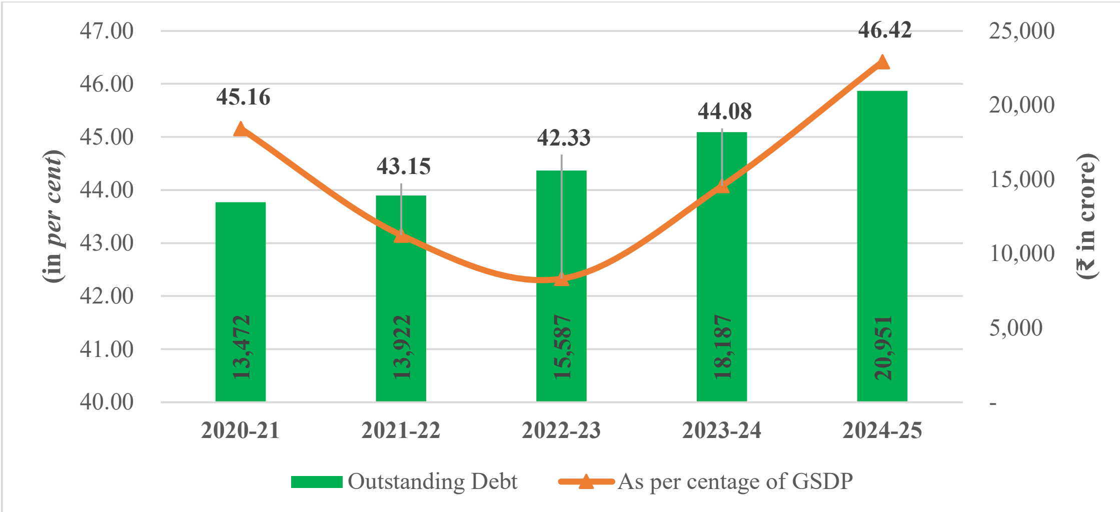


Source: Finance Accounts and E&SD, GoN for GSDP figures

1.5.1 Public Liability Management

Outstanding liability of the State along with its percentage to GSDP for the years 2020-21 to 2024-25 is depicted in **Chart 1.29**.

Chart 1.29: Outstanding Overall Liability and its percentage to GSDP



Source: Finance Accounts and E&SD, GoN for GSPD figures

As can be seen from the chart above, there is a clear V-shaped trend in total liabilities relative to GSDP during 2020–2025. The ratio declined in the initial years, indicating that economic growth outpaced the increase in liabilities despite a steady rise in outstanding debt. However, in the later years, the ratio increased again, suggesting that borrowings grew faster than GSDP. Overall, the pattern reflects an initial improvement in debt sustainability followed by renewed fiscal pressure.

1.5.1.1 Liability profile: Components

Total liabilities of the State Government typically constitute 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 for the period of five years beginning from 2020-21 are presented in **Table 1.27**.

Table 1.27: Component-wise liability trends

(₹ in crore)

	2020-21	2021-22	2022-23	2023-24	2024-25
Outstanding Total Liability	**13,471.67**	**13,922.40**	**15,587.44**	**18,187.32**	**20,951.15**
Public Debt	**10,649.03**	**11,407.41**	**13,241.81**	**15,944.06**	**18,748.03**
Internal Debt	*10,331.14*	*10,794.87*	*12,133.46*	*13,864.31*	*15,064.47*
Loans from GoI	*317.89*	*612.54*	*1,108.35*	*2.079.75*	*3,683.56**
Public Account Liabilities	*2,822.64*	*2,514.99*	*2,345.63*	*2,243.26*	*2,203.12*
Small Savings, Provident Funds, etc.	*1,875.68*	*1,606.82*	*1,463.08*	*1,387.12*	*1,344.57*
Reserve Funds bearing Interest	*-15.44*	*-15.44*	*-15.44*	*-15.44*	*-15.44*
Reserve Funds not bearing Interest	*-16.17*	*0.00*	*0.00*	*0.00*	*0.00*
Deposits bearing Interest	*185.61*	*204.24*	*222.07*	*91.99*	*72.75*
Deposits not bearing Interest	*792.96*	*719.37*	*675.92*	*779.59*	*801.24*

	2020-21	2021-22	2022-23	2023-24	2024-25
Rate of growth of outstanding total liability (*per cent*)	10.61	3.35	11.96	16.68	15.20
Gross State Domestic Product (GSDP)	29,831.64	32,265.38	36,820.34	41,258.00	45,133.95
Outstanding Total Liability/GSDP (*per cent*)	45.16	43.15	42.33	44.08	46.42
Borrowings and Other Liabilities					
Total Receipts	*9,370.26*	*10,031.91*	*9,139.14*	*7,862.50*	*9,605.36*
Total Repayments	*9,462.83*	*10,513.26*	*8,467.34*	*6,331.05*	*8,009.24*
Net funds Available	*(-)92.57*	*(-)481.35*	*671.80*	*1,531.45*	*1,596.12*
Repayments/Receipts (per cent)	*100.99*	*104.80*	*92.65*	*80.52*	*83.38*

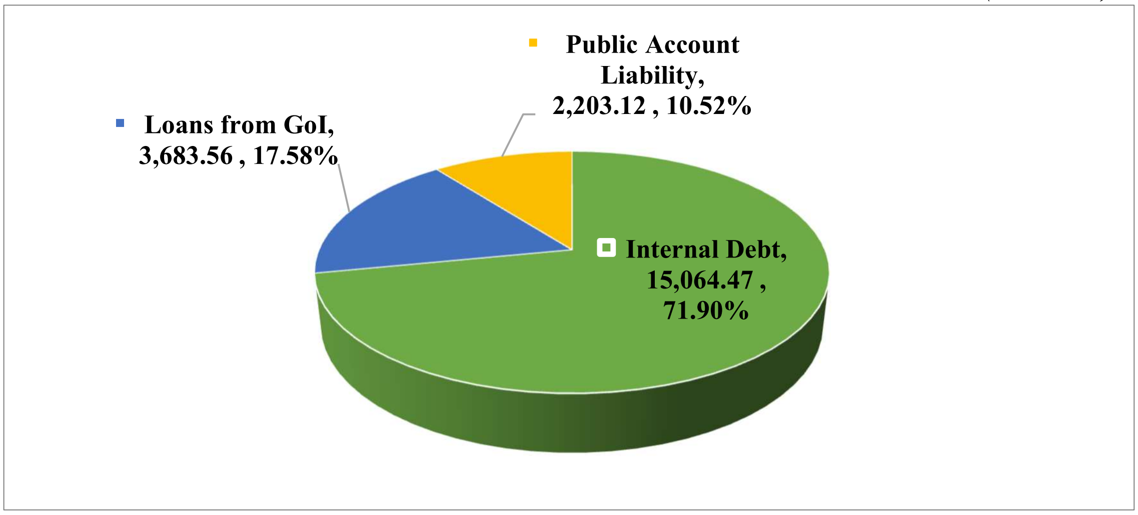
Source: Finance Accounts of respective years and E&SD, GoN for GSDP figures

** Including 50- year interest free loan of ₹3,577.09 crore under Scheme for Special Assistance to State for Capital Investment*

Break-up of outstanding total liabilities at the end of 2024-25 is shown in **Chart 1.30**.

Chart 1.30: Break up of Outstanding total liability at the end of 2024-25

(₹ in crore)

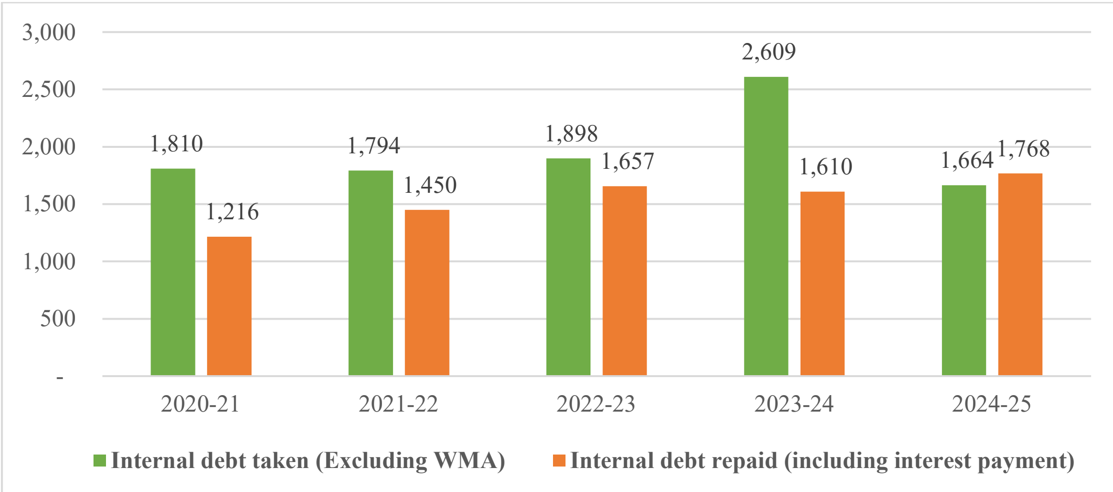


Source: Finance Accounts, 2024-25

Chart 1.31 depicts the quantum of internal debt taken *vis-à-vis* repaid during the period of five years *i.e.*, 2020-25.

Chart 1.31: Internal debt taken *vis-a-vis* repaid

(₹ in crore)



Source: Finance Accounts of respective years

Internal debt of the State Government increased by ₹4,733.33 crore (45.82 *per cent*) from ₹10,331.14 crore in 2020-21 to ₹15,064.47 crore in 2024-25. An amount of ₹1,055.67 crore was paid towards interest on internal debt during 2024-25.

1.5.1.2 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 a healthy trend. **Table 1.28** and **Chart 1.32** depict the utilisation and trends of borrowed funds during 2020-25 respectively.

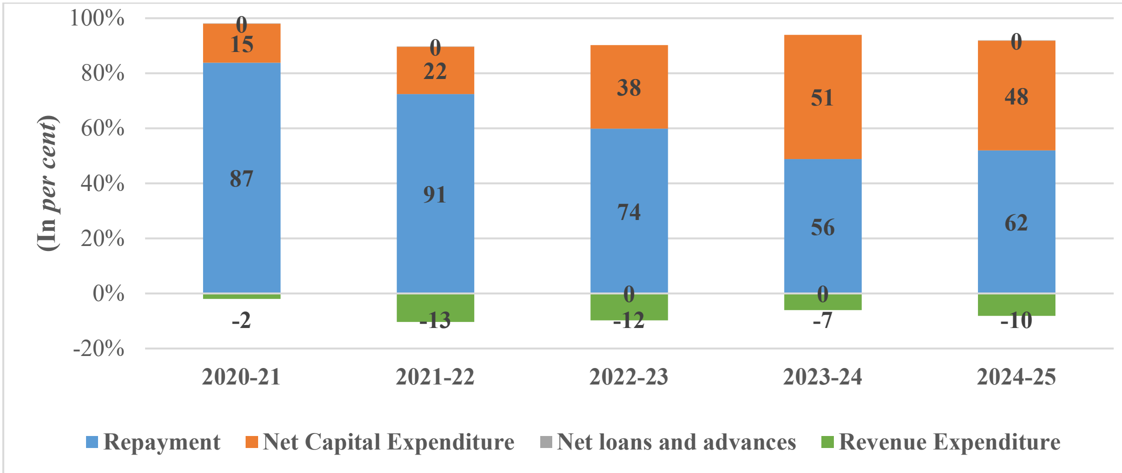
Table 1.28: Utilisation of borrowed funds

(₹ in crore)

1.	Year	2020-21	2021-22	2022-23	2023-24	2024-25
2.	**Total Borrowings**	11,434.86	8,708.55	7,158.69	6,078.79	7,398.93
3.	**Repayment of earlier borrowings (Principal) (In *per cent*)**	9,903.92 (86.61)	7,950.16 (91.29)	5,324.29 (74.38)	3,376.54 (55.55)	4,594.96 (62.10)
4.	**Net Capital Expenditure (In *per cent*)**	1,671.93 (14.62)	1,893.85 (21.74)	2,704.22 (37.78)	3,122.52 (51.37)	3,524.31 (47.63)
5.	**Net loans and advances**	4.38	0.73	-2.69	-2.64	1.34
6.	**Portion of Revenue Expenditure met out of net available borrowings (2–3–4-5)**	-145.37	-1,136.19	-867.13	-417.63	-721.68

Source: Finance Accounts of respective years

Chart 1.32: Trends of utilisation of borrowed funds



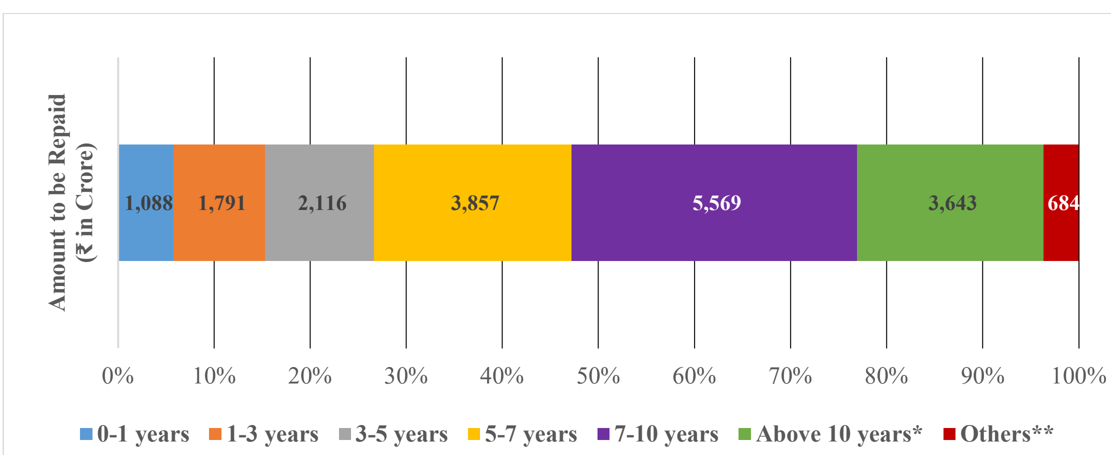
Source: Finance Accounts of respective years

During 2020-21 to 2024-25, a large share of the State's borrowings continues to be absorbed by debt repayment, especially in earlier years when over 85 to 90 *per cent* went toward servicing past liabilities, leaving little room for development. While the share of capital expenditure from borrowings has improved to nearly half in recent years, the continued diversion of funds to routine needs highlights fiscal stress. This reliance on debt for non-asset-creating purposes undermines long-term sustainability and constrains infrastructure investment. The State must adopt a disciplined borrowing strategy focused on asset creation, strengthen revenue mobilisation and contain committed expenditure.

1.5.1.3 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing. Debt maturity profile of the State is depicted in **Chart 1.33**.

Chart 1.33: Maturity Profile of Public Debt



Source: Finance Accounts

** Including 50- year interest free loan of ₹3,577.09 crore under Scheme for Special Assistance to State for Capital Investment.*

***Including Misc. and those loans whose details of maturity year not available*

The State's debt shows a high concentration of liabilities in the medium-term (5-10 years), creating potential rollover risks and liquidity pressure. Repayments in this period account for a significant share (₹9,426.54 crore) of total debt, indicating front-loaded debt obligations and debt bunching. While longer-term maturities provide some relief, the current debt profile limits fiscal flexibility and could strain cash flows.

1.5.1.4 Financing pattern of fiscal deficit

Table 1.29 depicts financing pattern of the fiscal deficit during 2020-25.

Table 1.29: Components of fiscal deficit and its financing pattern

(₹ in crore)

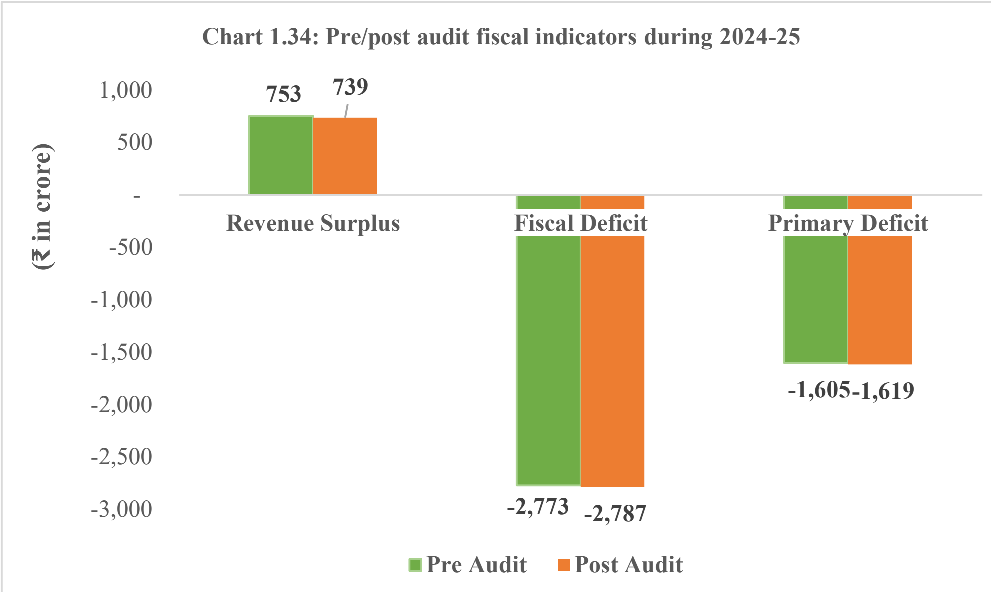
Particulars		2020-21	2021-22	2022-23	2023-24	2024-25
Composition of Fiscal Deficit (-)		**(-)1,300.94**	**(-)260.52**	**(-)1,562.63**	**(-)1,784.45**	**(-)2,772.73**
1.	Revenue Deficit (-)/Surplus (+)	375.37	1,634.06	688.90	1,335.43	752.72
2.	Net Capital Expenditure	(-)1,671.93	(-)1,893.85	(-)2,254.22	(-)3,122.52	(-)3,524.11
3.	Net Loans and Advances	(-)4.38	(-) 0.73	2.69	2.64	(-)1.34
Financing Pattern of Fiscal Deficit:						
1.	Market Borrowings	1,365.64	1,222.00	1,199	2,016.29	950.00
2.	Loans from GoI	186.72	294.65	495.81	971.40	1,603.80
3.	Special Securities issued to NSSF	(-)13.13	(-)13.13	(-)13.13	(-)13.13	(-)13.13
4.	Loans from Financial Institutions	(-)8.30	(-)745.15	152.72	(-)272.31	263.29
5.	Small Savings, PF, *etc.*	(-)255.70	(-)268.86	(-)143.74	(-)75.97	(-)42.55
6.	Deposits	17.99	(-)54.96	(-)25.63	(-)27.83	2.41
7.	Suspense and Miscellaneous	(-)57.89	(-)576.98	571.69	(-)752.60	144.78
8.	Remittances	0.16	(-)170.46	46.33	25.22	52.33
9.	Reserve Fund	(-)0.86	16.17	0.00	0.00	0.00
10.	**Overall Deficit**	**1,234.63**	**-296.72**	**2,283.05**	**1,871.07**	**2,960.93**
11.	Increase/Decrease in cash balance	66.31	557.23	(-)720.42	(-)86.62	(-)188.20
12.	**Gross Fiscal Deficit**	**1,300.94**	**260.51**	**1,562.63**	**1,784.45**	**2,772.73**

Source: Finance Accounts of respective years

1.5.2 Post Audit Deficit Indicators

As per Finance Accounts of the State for the FY 2024-25, the Revenue surplus of the State was ₹752.72 crore (1.67 *per cent* of GSDP), Fiscal deficit was ₹2,772.73 crore (6.14 *per cent* of GSDP) whereas Primary deficit was ₹1,605.03 crore (3.56 *per cent* of GSDP). However, Audit found that, during 2024-25, the State Government misclassified ₹14.05 crore of Revenue nature as capital expenditure (Details discussed in **Paragraph 2.5.6** of Chapter II). This resulted in understatement of Revenue surplus and overstatement of fiscal deficit and Primary deficit to that extent. Thus, the Revenue surplus, Fiscal deficit and Primary deficit worked out to be ₹738.67 crore (1.64 *per cent* of the GSDP), ₹2,786.78 crore (6.17 *per cent* of the GSDP) and ₹1,619.08 crore (3.59 *per cent* of the GSDP) after Audit.

A pre/post audit comparison of fiscal indicators during 2024-25 is depicted in **Chart 1.34**.



Source: Finance Accounts

1.5.3 Fiscal Balance: Achievement of deficit and total debt targets

As per the Nagaland FRBM Act of 2005 and its amendments aligned with the 15th Finance Commission, the State aims to:

- eliminate revenue deficit and maintain the fiscal deficit within the ceiling of 3.00 *per cent* of GSDP from 2023-24 onwards.
- contain the outstanding debt-to-GSDP ratio between 39.10 *per cent* for 2024-25.
- follow a Medium-Term Fiscal Plan (MTFP) and disclose contingent liabilities and off-budget borrowings.

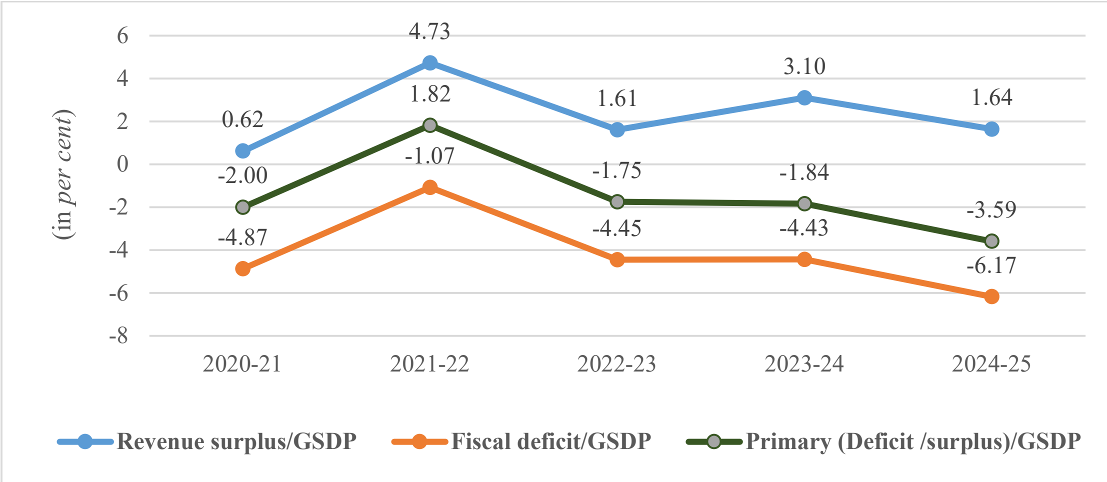
Achievements, *vis-à-vis* the fiscal targets, prescribed in the State FRBM Act for the FYs 2020-21 to 2024-25, post Audit and trend analysis of deficits post Audit are detailed in **Table 1.30 and Chart 1.35**.

Table 1.30: Compliance with provisions of State FRBM Act post Audit

Fiscal Parameters		Achievement *vis-à-vis* targets set in the FRBM Act				
		2020-21	2021-22	2022-23	2023-24	2024-25
Revenue Deficit (-) /Surplus (+) (₹ in crore)	T	0.00	0.00	0.00	0.00	0.00
	A	186.19	1,524.82	593.04	1,279.80	738.67
Fiscal Deficit (-)/ Surplus (+) (as percentage of GSDP)	T	(-)5.0	(-)4.0	(-)3.5	(-)3.0	(-)3.0
	A	(-)4.87	(-)1.07	(-)4.45	(-)4.43	(-)6.17
Ratio of total outstanding liability to GSDP (in *per cent*)	T	45.2	43.0	42.1	40.6	39.1
	A	45.16	43.15	42.33	44.08	46.42

Source: Finance Accounts, FRBM Act (Amendments) and E&SD, GoN for GSDP figures
T-Target, A-Achievement

Chart 1.35: Trend analysis of deficits post audit

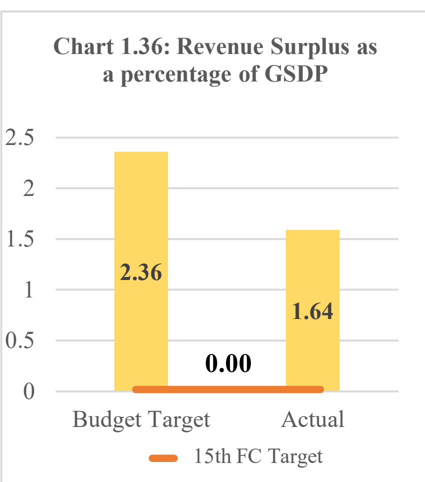


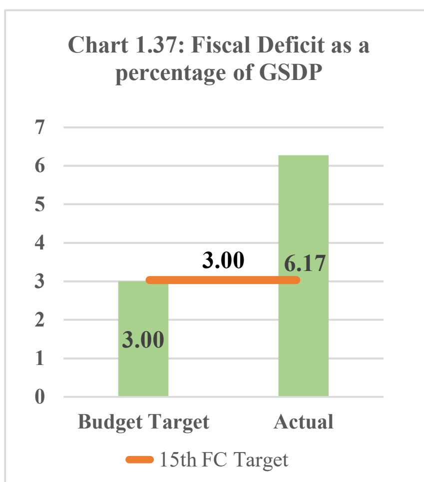
Source: Finance Accounts of respective years and E&SD, GoN for GSDP figures

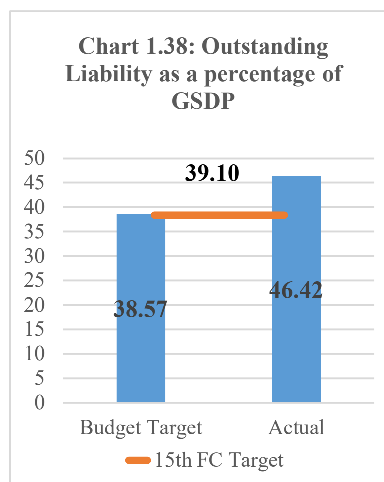
Audit analysis for consistent deficits/surplus revealed that:

- Fiscal deficit increased significantly during 2024-25 as compared with 2023- 24, mainly due to increase in committed expenditure.
- Continued increase in Debt as percentage of GSDP over two years *i.e.*, in 2023-24 and 2024-25 was due to continued availing of 50 years interest-free loan under the Scheme for Special Assistance to States for Capital Investment.

The targets set by the 15th FC and those projected in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2024-25 are given in **Chart 1.36, Chart 1.37** and **Chart 1.38**.







Source: Finance Accounts, budget documents and E&SD, GoN for GSDP figures

During the year 2024-25, the Government was unable to contain fiscal deficit-GSDP and debt-GSDP ratios within the levels fixed by the 15th FC and those projected in the budget estimates, however, the revenue surplus-GSDP ratio was higher than the level fixed by the 15th FC.

During Exit Conference (17 February 2026), it was stated by the Finance Department, Government of Nagaland that the non-achievement of Debt/GSDP and Fiscal Deficit/GSDP projections were due to inclusion of 50 years interest free loan for Special Assistance to State for Capital Investment (SASCI) as the loan under SASCI was over and above the normal borrowing ceiling allowed to the States.

1.5.4 Debt Sustainability Analysis

Debt sustainability refers to the ability of the State to service its debt obligation now and in future. Analysis of variations in debt sustainability indicators is given in **Table 1.31**.

Table 1.31: Trends in Debt Sustainability Indicators

(₹ in crore)

Sl. No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
1	Overall Liabilities or Overall Debt*	13,471.67	13,922.40	15,587.44	18,187.32	20,951.14
2	Rate of Growth of Overall Debt (*per cent*)	10.61	3.35	11.96	16.68	15.20
3	GSDP (in nominal terms)	29,831.64	32,265.38	36,820.34	41,258.00	45,133.95
4	Nominal GSDP growth (*per cent*)	0.39	8.16	14.12	12.05	9.39
5	Overall Debt/GSDP (*per cent*)	45.16	43.15	42.33	44.08	46.42
6	Repayment to Gross Borrowings (*per cent*)	90.01	95.51	81.78	66.93	71.23
7	Maturity profile of all kinds of borrowings (in *per cent*)					
7a	0-2 years	12.00	11.99	8.48	9.76	10.01
7b	2-5 years	16.83	18.27	19.86	19.05	16.63
7c	5-10 years	56.38	59.86	58.24	55.64	50.28
7d	Over 10 years*	14.79	9.88	13.42	15.55	23.08
8	Net borrowings available as a percentage of Gross Borrowings	9.99	4.49	18.22	33.07	28.77
9	Interest payments on Overall Debt	854.69	932.09	993.23	1,068.43	1,167.70
10	Effective rate of interest on Overall Debt (*per cent*)	7.15	7.34	7.27	6.93	6.68
11	Interest payment to Revenue Receipts (*per cent*)	7.48	6.93	7.04	6.61	7.26
12	Revenue Deficit/Surplus	375.37	1,634.06	688.90	1,335.43	752.72
13	Primary Revenue Balance (PRB)	1,230.06	2,566.15	1,682.13	2,403.86	1,920.42
14	Primary Balance (PB)	-446.26	671.57	-569.40	-716.02	-1,605.03
15	PB/GSDP (*per cent*)	-1.50	2.08	-1.55	-1.74	-3.56
16	Difference between RoI and effective rate of interest on Overall Debt	0.90	0.53	2.57	-6.93	-6.68
17	Liquidity Management (use of financial accommodation instruments available with RBI) (in number of occasions)	9,417.75 (211)	6,599.67 (164)	4,742.83 (93)	2,478.99 (70)	4,121.88 (57)
18	Debt Stabilisation (Quantum spread + Primary balance)	-1,291.23	777.16	416.57	126.05	-1,100.66
19	**Domar Criteria**					
a	GSDP (in constant terms)	17,673.09	18,292.15	19,543.20	21,623.60	23,262.33
b	Real Growth (in constant terms)	-4.35	3.50	6.84	10.65	7.58
c	Inflation based on CPI (*per cent*)	4.45	5.60	6.05	3.36	3.99
d	Effective Rate of interest	7.15	7.34	7.27	6.93	6.68
e	Real effective rate of interest (Effective rate of interest-Inflation)	2.70	1.74	1.22	3.57	2.69

Sl. No.	Debt Sustainability Indicators	2020-21	2021-22	2022-23	2023-24	2024-25
f	Growth Interest Differential (Real growth - Real effective rate of interest)	-7.05	1.76	5.62	7.08	4.89
g	Primary Balance (PB)	-446.26	671.57	-569.40	-716.02	-1,605.03

Source: Finance Accounts for respective years and E&SD, GoN for GSDP figures

**including miscellaneous borrowings whose maturity year not available and 50 years interest free loans for Special Assistance to States for Capital Investment*

PRB: Revenue Receipts - Revenue Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa

PB: Total Receipts (net of borrowings) -Total Expenditure (net of interest payments), where (-) PB implies Primary Deficit and vice-versa.

Liquidity Management: Amount availed against SDF, WMA & OD

Ro : Return on Investment as measured by effective rate of interest receipts

*RoI = Interest Receipts/Average of Opening and Closing Stock of Loans and Advances Disbursed * 100*

*Effective Rate of Interest = Interest Payment/Average Outstanding Debt of Previous and Current Financial Year (Excluding Non-Interest Bearing Liabilities)*100 and has been calculated adjusting the Reserve Funds, Deposits not bearing interest and 50 years' interest free Central assistance to State for Capital Expenditure*

Quantum Spread: Interest Spread x Debt (Excluding non-interest bearing liabilities)

Non-Interest Bearing Liabilities include non-interest bearing Reserve funds and deposits and 50 years interest free loan for Special Assistance to State for Capital Investment.

Based on the data against each debt sustainability indicators given in **Table 1.31** above, the debt sustainability of the State can be analysed over the fiscal year 2020-21 to 2024-25 as follows:

(i) Debt Growth Relative to GSDP

The State's overall debt has risen sharply over the period, with growth rates exceeding nominal GSDP growth in three years (2020-21, 2023-24 and 2024-25). This excess indicates rising debt stress, highlighting that debt accumulation is outpacing economic expansion, which can constrain fiscal flexibility in the medium term.

(ii) Debt-to-GSDP Ratio

The debt-to-GSDP ratio has steadily increased from 43.15 *per cent* in 2021-22 to 46.42 *per cent* in 2024-25, surpassing the indicative FRBM Act threshold (39.10 to 43.00 *per cent*) for the State during 2021-22 to 2024-25. This high ratio reflects a significant debt burden relative to the State's economic size and signals elevated repayment obligations, which could crowd out development expenditure if unaddressed.

(iii) Maturity Profile

The residual maturity profile shows that a substantial portion of the debt portfolio is concentrated in the medium to long-term maturity buckets (5 years and above), indicating an elongated maturity structure. Although debt maturing within 0–5 years continues to require periodic refinancing, the relatively higher share of longer tenure borrowings moderates immediate rollover pressures. Overall, rollover risk appears manageable, but sustained monitoring is necessary to avoid refinancing stress arising from repayment bunching.

(iv) Borrowing Utilisation and Net Borrowing Space

A major share of gross borrowings continues to be devoted to debt repayments (ranging from 66.93 to 95.51 *per cent*), leaving limited net borrowings available for fresh investment or development purposes. The constrained net borrowing availability (as low as 4.49 *per cent* in 2021-22) indicates that most new borrowings are servicing past debt rather than supporting growth-oriented expenditure.

(v) Interest Burden and Revenue Capacity

While interest payments have risen in absolute terms, the ratio of interest payments to revenue receipts has remained below eight *per cent* during 2020-21 to 2024-25. However, interest payments as a proportion of revenue receipt increased during the current year. Further, the effective rate of interest is declining, implying marginal relief on borrowing costs, though rising debt stock could amplify the total interest burden in the future.

(vi) Primary Balances and Debt-Stabilisation

Primary balances have been negative in most years, except 2021-22, and the debt-stabilisation metric (quantum spread plus primary balance) shows fluctuation between positive and negative values. The substantial primary deficit in 2024-25 indicates that the State continues to rely on borrowing even for meeting interest obligations, undermining long-term debt sustainability.

(vii) Growth–Interest Differential (Domar Criteria)

The growth–interest differential, which was negative in 2020-21, turned positive from 2021-22 onwards, suggesting that real economic growth is beginning to exceed the real effective rate of interest on debt. While this provides a favourable signal for debt sustainability, its positive effect is dampened by persistent primary deficits.

(viii) Liquidity Management

Frequent recourse to RBI liquidity facilities, though declining from 211 occasions in 2020-21 to 57 in 2024-25, indicates ongoing short-term cash management challenges. This suggests a structural mismatch between revenue inflows and expenditure commitments, necessitating better cash planning and monitoring.

Thus, it could be concluded from the above analysis that the State's fiscal health reflects structural pressures arising from high debt servicing obligations, limited net borrowing space, and weak liquidity management. While favourable growth–interest differentials provide some relief, sustained improvement in revenue mobilisation, and disciplined borrowing are essential to ensure long-term fiscal sustainability.

1.5.5 Status of Guarantees – Contingent Liabilities

Guarantees are contingent liabilities on the Consolidated Fund in case of borrower defaults. The State extends guarantees for loans raised by entities like statutory corporations, boards, local bodies, and co-operative institutions. As per the Nagaland FRBM Act, 2005, the State Government can issue new guarantees only up to a limit — whichever is lower between (i) one *per cent* of last year's revenue receipts or

(ii) one *per cent* of last year's GSDP. Further, as per FRBM (4th Amendment) Bill, 2021, a maximum ceiling limit on total guarantees at any point of time was fixed at five *per cent* of the GSDP. Details of the guarantees and status of outstanding guarantees to total receipts for the last five years are given in **Table 1.32**.

Table 1.32: Guarantees given by the State Government

(₹ in crore)

<table>
<tr><th colspan="2">Guarantees</th><th>2020-21</th><th>2021-22</th><th>2022-23</th><th>2023-24</th><th>2024-25</th></tr>
<tr><td rowspan="3">Ceiling applicable to the outstanding amount of guarantees</td><td>One per cent of last year's revenue receipts</td><td>114.23</td><td>114.27</td><td>134.51</td><td>140.99</td><td>161.55</td></tr>
<tr><td>One per cent of last year's GSDP</td><td>297.16</td><td>298.32</td><td>322.65</td><td>368.20</td><td>412.58</td></tr>
<tr><td>Lower value</td><td>114.23</td><td>114.27</td><td>134.51</td><td>140.99</td><td>161.55</td></tr>
<tr><td colspan="2">Five per cent of the GSDP</td><td>1,491.58</td><td>1,613.27</td><td>1,841.02</td><td>2,062.90</td><td>2,256.70</td></tr>
<tr><td colspan="2">Outstanding amount of guarantees at the beginning of the year</td><td>174.96</td><td>174.96</td><td>189.96</td><td>189.96</td><td>228.57</td></tr>
<tr><td colspan="2">Addition during the year</td><td>0.00</td><td>15.00</td><td>0.00</td><td>38.61</td><td>0.00</td></tr>
<tr><td colspan="2">Outstanding guarantees at the end of the year</td><td>174.96</td><td>189.96</td><td>189.96</td><td>228.57</td><td>228.57</td></tr>
</table>

Source: Finance Accounts and E&SD, GoN for GSDP figures

The outstanding guarantees for ₹228.57 crore as on 31 March 2025 was in respect of Co-operatives (₹45.24 crore); Food and Civil Supplies (₹8.78 crore); and Others (₹174.55 crore). The Government gave guarantees within the limits prescribed in the FRBM Act during 2020-25.

Out of the outstanding guarantees for ₹228.57 crore during the current year, the State Government had given guarantees amounting to ₹44.24 crore to a PSU[3] whose net worth had become negative (-₹41.91 crore). This means that the actual liability lies with the State Government to repay their loans. However, as on 31 March 2025, the total accumulation of Guarantee Redemption Fund of the State Government was ₹46.90 crore (20.52 *per cent* of the outstanding Guarantees). Thus, the State has established a provision to absorb a part of the contingent liabilities through the Guarantee Redemption Fund. While the fund does not cover the full amount of outstanding guarantees, it represents a significant buffer, reflecting a prudent approach to managing potential risks associated with guarantees.

1.5.6 Pathways to Fiscal Stability

Deficits can be improved by enhancing revenues and rationalising expenditure. This includes strengthening tax compliance, widening the tax base, revising user charges, and monetising idle Government assets. On the spending side, better targeting of subsidies, controlling salary and pension growth, and ensuring proper classification of expenditure are key factors. Prioritising productive capital investment and improving debt management through transparent and efficient borrowing can further ease fiscal pressure. These measures collectively create fiscal space and help reduce revenue, fiscal, and primary deficits in a sustainable manner. These have been discussed in succeeding paragraphs.

[3] Nagaland Industrial Development Corporation (₹44.24 crore)

1.5.6.1 Improving revenues of the State

Untapped revenue potential, if harnessed effectively, could significantly enhance fiscal space and reduce dependence on debt. Inefficiencies in assessment, undervaluation, and limited enforcement mechanisms of key tax streams such as State GST, Stamp Duty, and Excise will lead to subdued revenue growth. Under-realised non-tax revenues, with low user charges, poor cost recovery, and suboptimal returns on public assets and investments also impede the fiscal space. Timely realisation of pending arrears (tax and non-tax) is another step towards enhancing the fiscal space.

A. Arrears of revenue

As on 31 March 2025, the arrears of revenue in respect of principal heads of revenue were ₹4.99 crore, which was outstanding for more than five years, as depicted in **Table 1.33.**

Table 1.33: Arrears of revenue

(₹ in lakh)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2025	Amount outstanding for more than five years as on 31 March 2025
1	Nagaland VAT	65.55	65.55
2	Petroleum Tax	366.01	366.01
3	Central Sales Tax	40.93	40.93
4	Purchase Tax	0.46	0.46
5	Professional Tax	3.18	3.18
6	Nagaland Sales Tax	22.51	22.51
Total		**498.64**	**498.64**

Source: Departmental information

B. Arrears in assessment

The information on number of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed-off during the year and number of cases pending for finalisation at the end of the year, as furnished by the Commissionerate of Taxes, Department of Finance, Government of Nagaland in respect of Sales Tax/VAT is depicted in **Table 1.34.**

Table 1.34: Arrears in assessments

Head of Revenue	Cases pending at the beginning of 2024-25	New cases due for assessment during 2024-25	Total cases due for assessment	Cases disposed -off during 2024-25	Balance at on the year	Percentage of cases disposed
1	*2*	*3*	*4*	*5*	*6*	*7 (5 to 4)*
Nagaland VAT	32	3	35	32	3	91.43
Petroleum Tax	16	50	66	55	11	83.33
Central Sales Tax	20	37	57	52	5	91.23
Professional Tax	35	39	74	64	10	86.48
Total	**103**	**129**	**232**	**203**	**29**	**87.50**

Source: Departmental information

During the period 2020-25, the number of pending cases at the end of the respective years were 90 (2020-21); 783 (2021-22); 548 (2022-23); 103 (2022-24) as against 29 cases at the end of 2024-25. Disposal of cases during this period ranged between 32 *per cent* and 87.50 *per cent*.

C. Details of evasion of tax detected by the Department, refund cases, *etc.*

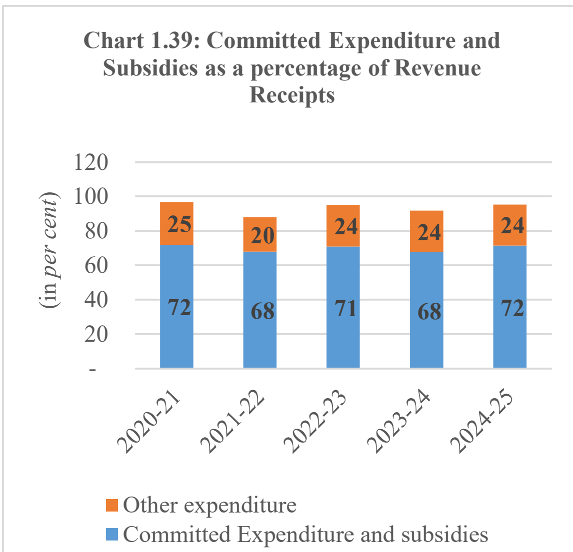
The cases of evasion of tax detected, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government.

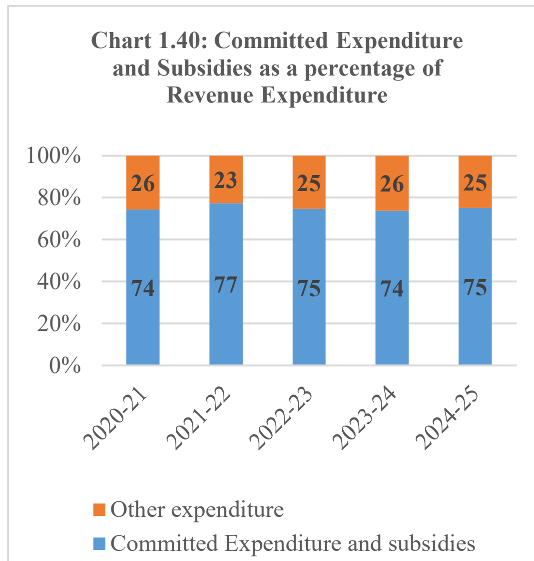
As reported by the Commissionerate of Taxes, Department of Finance, Government of Nagaland on cases of evasion of tax detected, cases finalised and the demand for additional tax raised during 2024- 25, there were no cases of evasion of tax detected during the current year.

1.5.6.2 Issues on expenditure side

A. Fiscal stress from committed expenditure and subsidies

Chart 1.39 and **Chart 1.40** depict committed expenditure and subsidies together as a percentage of Revenue Receipts and Revenue Expenditure during the FYs 2020-25 respectively.





Source: Finance Accounts of respective years and E&SD, GoN for GSDP figures

In 2024-25, the State's committed expenditure of ₹11,454.79 crore comprising salaries & wages (₹7,087.51 crore), pensions (₹3,199.58 crore), and interest payments (₹1,167.70 crore), accounted for approximately 71.21 *per cent* of the Revenue Receipts. In addition, subsidies amounted to ₹47.12 crore, bringing the total rigid expenditure to ₹11,501.91 crore, which was nearly 71.50 *per cent* of the State's Revenue Receipts. The high and inflexible nature of such expenditure significantly compresses fiscal space, limiting the State's ability to allocate resources towards capital investment and developmental priorities. This structural imbalance increases the risk of persistent primary deficits, constrains long-term fiscal sustainability, and reduces the Government's capacity to respond to emergent socio-economic challenges.

B. Capital blocked in incomplete projects

An assessment of capital blocked in incomplete capital projects would also indicate the quality of Capital Expenditure. Blocking funds in incomplete projects/works impinges negatively on the quality of expenditure and deprives the State of the intended benefits of the projects for prolonged periods. Further, funds borrowed for implementation of these projects during the respective years would lead to an extra burden, in terms of servicing of debt and interest liabilities. Details of the incomplete projects are shown in **Table 1.35** (based on information provided by the State Government for ***Appendix-IX*** of the Finance Accounts for the year 2024-25).

Table 1.35: Capital blocked in incomplete projects

Age profile of incomplete projects as on 31 March 2025				Department-wise profile of incomplete projects till 31 March 2025		
Year	**No. of incomplete projects**	**Estimated Cost**	**Expenditure Incurred**	**Department**	**No. of incomplete projects**	**Estimated Cost (Expenditure Incurred)**
Up to 2013-14	102	169.76	142.88	PWD (R&B)	46	1,173.46
2014-15	10	17.27	8.61	SCERT	7	40.09
2015-16	8	10.94	8.77	PWD (Housing)	10	30.40
2016-17	3	109.98	88.10	Power Department	2	122.03
2017-18	5	9.54	2.70	Police Engineering Project	16	36.01
2018-19	5	215.82	5.30	Youth Resources and Sports	32	314.88
2019-20	3	77.79	3.17	Social Welfare	2	37.92
2020-21	9	203.90	12.29	Water Resources	1	206.85
2021-22	5	168.56	16.12	Higher Education	16	105.80
2022-23	7	20.46	0.55	Minority Affairs	10	311.38
2023-24	36	301.02	9.16	Geology & Mining	1	26.54
2024-25	91	1,291.36	7.53	PHED	2	22.22
above 2024-25	1	0.50	0.00	Industries & Commerce	4	20.70
Others*	24	13.01	0.00	Other 19 Departments	160	161.63
Total	**309**	**2,609.91**	**305.18**	**Total**	**309**	**2,609.91 (305.18)**

Source: Finance Accounts, 2024-25 (Appendix IX) *Projects without year of commencement

Out of the estimated cost of ₹2,609.91 crore on these 309 ongoing projects, ₹305.18 crore was spent till 2024-25. Therefore, due to non-completion of these 309 projects, Capital Expenditure of ₹305.18 crore remained blocked. Due to incomplete information in ***Appendix-IX*** of the Finance Accounts for the year 2024-25, Audit could not ascertain the actual progressive expenditure, physical progress of work position of pending payment (future liability) and revised cost, if any, as on 31 March 2025.

C. Un-discharged liabilities on Fiscal Space

Un-discharged/deferred liabilities, if not addressed timely, will reduce the available fiscal space for future developmental and infrastructure spending. Besides creating lack of transparency and credibility, this impairs the State's ability to raise resources in a sustainable manner, thereby impacting overall fiscal health and long-term sustainability.

Audit observed that the State Government had accumulated several un-discharged liabilities over the years, which have significant implications for fiscal sustainability. These include:

- Non-transfer of State Road Safety Fund amounting to ₹16.64 crore.
- Un-discharged interest liabilities on Defined Contribution Pension Scheme for Government liabilities totaling ₹2.76 crore.
- Non-transfer of State and Central Finance Commission (SFC/CFC) grants to local bodies, aggregating ₹6.33 crore.
- Pending refund cases (GST) amounting to ₹0.70 crore.

The cumulative value of these un-discharged liabilities amounted to ₹26.43 crore, which is equivalent to 0.06 *per cent* of the GSDP and 0.95 *per cent* of the fiscal deficit for the year 2024-25.

Audit recommends that the State Government disclose and address all un-discharged liabilities transparently and make provisions for timely discharge of these obligations to avoid future fiscal stress.

1.6 Conclusion

The State's own resources showed subdued buoyancy, as arrears, limited tax base, *etc*., constrained revenue growth. The low revenue mobilisation increased dependence on debt and Central transfers, limiting fiscal autonomy.

Decline in Revenue surplus was driven by a moderate growth in State's Own Tax Revenue and a high committed expenditure, with subsidies adding further rigidity. The rising expenditure burden severely compressed fiscal space and heightened the risk of continued fiscal and primary deficits. A significant portion of fiscal deficit was absorbed by revenue expenditure while ₹305.18 crore of capital remained blocked in incomplete projects, weakening the quality of capital spending. This indicates limited ability of the fiscal deficit to effectively finance productive capital formation. Outstanding liabilities stayed high in relation to GSDP, putting pressure on FRBM limits and indicating growing debt risk. This weakens long-term fiscal stability and reduces the State's future borrowing capacity.

Interest receipts formed a negligible component of revenue receipts, reflecting low returns on loans and advances. Un-discharged liabilities of ₹26.43 crore, constituting 0.95 *per cent* of the fiscal deficit, highlight persistent deferral of mandatory transfers and dues. Such carry-forward liabilities distort the true fiscal position and constrain future fiscal space.

Outstanding guarantees stood at ₹228.57 crore and remained within the statutory limits, however, the issuance of guarantees to a PSU with negative net worth heightened fiscal risk. While the Guarantee Redemption Fund covered only 20.52 *per cent* of outstanding guarantees, it provided a partial buffer against potential invocation.

1.7 Good practices

- Revenue surplus was achieved against FRBM Act targets, in all the last five years.

1.8 Recommendations

i. Efforts may be made to strengthen its own-resource mobilisation by broadening the tax base.

ii. A robust and mandatory dividend policy needs to be formulated.

iii. Priority should be accorded to the recovery of long pending revenue arrears, with focussed attention on arrears outstanding for extended periods.

iv. Prioritise completion of ongoing projects.

v. Minimise misclassification between revenue and capital expenditure.

vi. The State may ensure continued adherence to FRBM requirements that would further support long-term fiscal sustainability and credibility.