CHAPTER-I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the chapter also contains a section on the analysis of indicators of financial performance of the Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this chapter are described in the Appendix (Part A&B) to this chapter.

1.2 Financial position of the State Government

1.2.1 In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. An abstract of such liabilities and the assets as on 31 March 2002 compared with the corresponding position on 31 March 2001 is given in the table below:

Table-1.1

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF SIKKIM AS ON 31 MARCH 2002

(Rupees in crore)

As on 31.03.2001		Liabilities	As on 31.03.2002	
278.10		Internal Debt		314.21
	210.81	Market Loans bearing interest	220.81	
	23.44	Loans from LIC	38.96	
	43.85	Loans from other institutions	54.44	
248.65		Loans and Advances from Central Government-		269.72
	7.69	Pre 1984-85 Loans	7.14	
	43.98	Non-Plan Loans	47.86	
	171.19	Loans for State Plan Schemes	194.26	
	7.04	Loans for Central and Centrally Sponsored Plan Schemes	11.09	
	18.75	Ways and Means Advances	9.37	
287.94				345.18
	1.00	Contingency Fund	1.00	
	202.61	Small Savings, Provident Funds, etc.	222.12	
	12.45	Deposits	15.83	
	24.50	Reserve Funds	30.76	
	47.38	Remittance Balances	75.47	
*536.50		Surplus on Government Accounts		679.42
	437.41	Last year balance	536.50	
	(-) 0.20	Less adjustment	--	
	99.29	Add Revenue Surplus	142.92	
1351.19				**1608.53**
As on 31.03.2001		**Assets**	**As on 31.03.2002**	
*1235.01		Gross Capital Outlay on Fixed Assets-		1445.74
	*53.60	Investments in shares of Companies, Corporation, etc.	64.37	
	1181.41	Other Capital Outlay	1381.37	
*8.45		Loans and Advances-		7.50
	4.34	Other Development Loans	4.34	
	4.11	Loans to Government servants and Miscellaneous loans	3.16	
-	-	Reserve Fund Investments	-	-
0.19		Advances		0.25
12.72		Suspense and Miscellaneous Balances		10.86
94.82		Cash		144.18
		Cash in Treasuries and Local Remittances		
	53.25	Deposits with other Bank	90.43	
	0.32	Departmental Cash Balance	(-) 0.68	
	25.00	Cash Balance Investments	29.00	
	16.25	Earmarked Funds Invested	25.43	
1351.19				**1608.53**

**Variation in figures as on 31.03.2001 from previous year's Report is due to proforma correction in Finance Accounts.*

1.2.2 While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances.

1.2.3 It would be seen from Table-1.1 that while liabilities grew by 14 *per cent*, assets grew by 19 *per cent* during 2001-02.

1.3 Sources and application of funds

1.3.1 The table below gives the position of sources and application of funds during the current and the preceding year.

Table-1.2

SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

2000-2001		Sources		2001-2002
862.60	1.	Revenue receipts		1807.18
1.46	2.	Recoveries of Loans and Advances		1.14
36.46	3.	Increase in Public debt other than overdraft		57.17
38.59	4.	Net receipts from Public Account		59.04
		Increase in Small Savings	19.51	
		Increase in Deposits and Advances	3.32	
		Increase in Reserve Funds	6.26	
		Net effect of Suspense and Miscellaneous transactions	1.86	
		Net effect of remittance transactions	28.09	
0.10	5.	Net effect of contingency fund transaction	-	
939.21		**TOTAL**		**1924.53**
2000-2001		**Application**		**2001-2002**
763.31	1.	Revenue expenditure		1664.25
0.33	2.	Lending for development and other purposes		0.19
150.92	3.	Capital expenditure		210.73
-	4.	Net effect of contingency fund transaction		-
24.65	5.	Increase in Cash Balance		49.36
939.21		**TOTAL**		**1924.53**

1.3.2 The main sources of funds include revenue receipts of the Government, public debt and the receipts from Public Account. These are applied mainly on revenue and capital expenditure. It would be seen that revenue receipts constitute the most significant source of fund for the State Government. While the relative share of net receipts from Public Account and receipts from public debts in the total receipts have declined from 4.11 *per cent* and 3.88 *per cent* in 2000-01 to 3.07 *per cent* and 2.97 *per cent* respectively in 2001-02, the share of revenue receipts has gone up from 91.84 *per cent* to 94 *per cent*. The increase in revenue receipts and expenditure as compared with previous year was due to corresponding increase in respect of State Lotteries.

1.3.3 The funds were mainly applied for revenue and capital expenditure. During the year the share of revenue expenditure in the total disbursements increased from 81.27 *per cent* in 2000-01 to 86.48 *per cent* in 2001- 02 while that of capital expenditure decreased from 16.07 *per cent* to 10.95 *per cent*. Revenue receipts were more than the revenue expenditure by Rs.142.93 crore (8.59 *per cent*) resulting in a revenue surplus.

1.4 Financial operation of the State Government

Improved tax revenue and increased grants-in-aid from Government of India resulted in revenue surplus

1.4.1 Table-1.14 at the end of this chapter gives the details of the receipts and disbursements made by the State Government. Revenue receipts (Rs.1807.18 crore) during the year was more than revenue expenditure (Rs.1664.25 crore) resulting in a revenue surplus of Rs.142.93 crore. Revenue receipts comprised tax revenue (Rs.80.39 crore), non-tax revenue (Rs.1128.21 crore), Union taxes and duties assigned to State (Rs.84.83 crore) and grants-in-aid from the Central Government (Rs.513.75 crore). The main sources of tax revenue were taxes on income other than corporation tax (27.40 *per cent*), sales tax (43.50 *per cent*) and state excise duties (21.88 *per cent*). Non-tax revenue came mainly from general services (95.89 *per cent*) followed by economic services (3.41 *per cent*).

1.4.2 Capital receipts comprised Rs.1.14 crore from recoveries of loans and advances and Rs.91.37 crore from public debt. Against this, the expenditure was Rs.210.73 crore on capital outlay, Rs.0.19 crore on disbursement of loans and advances and Rs.34.20 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.967.41 crore against which disbursements of Rs.908.38 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase in the cash balance from Rs.94.82 crore at the beginning of the year to Rs.144.18 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs with reference to the information contained in the table under paragraph 1.3 and the time series data for five years period from 1997-98 to 2001-02, presented in the table given alongside:

Table-1.3

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

		1997-98	1998-99	1999-2000	2000-2001	2001-2002
Part A. Receipts						
I.	**Revenue Receipts**	**1299.47**	**1440.66**	**1511.83**	**862.60**	**1807.18**
(i)	***Tax Revenue***	***36.50 (2.81)***	***46.76 (3.25)***	***49.07(3.25)***	***65.39 (7.58)***	***80.39 (4.45)***
	Taxes on Income other than Corporation Tax	9.06 (24.82)	18.33 (39.20)	17.84 (36.36)	19.29 (29.50)	22.03 (27.40)
	Sales Tax	12.71 (34.82)	13.06 (27.92)	13.64 (27.80)	24.50 (37.47)	34.97 (43.50)
	State Excise	10.81 (29.62)	11.86 (25.36)	13.39 (27.29)	17.61 (26.93)	17.59 (21.88)
	Tax on Vehicles	1.54 (4.22)	1.51 (3.23)	1.69 (3.44)	1.54 (2.35)	1.97(2.45)
	Stamp and Registration fees	0.37 (1.01)	0.51(1.09)	0.62 (1.26)	0.50 (0.76)	1.30(1.62)
	Land Revenue	0.96 (2.63)	0.12(0.26)	0.54 (1.10)	0.22 (0.34)	0.51(0.63)
	Other Taxes and Duties on Commodities and Services	1.05 (2.88)	1.37 (2.93)	1.35 (2.75)	1.73 (2.65)	2.02(2.51)
(ii)	***Non-Tax Revenue***	***929.83 (71.55)***	***1020.91 (70.86)***	***1042.75 (68.97)***	***289.02 (33.51)***	***1128.21(62.43)***
(iii)	***State's share in Union taxes***	***79.91(6.15)***	***92.21 (6.40)***	***99.54 (6.58)***	***72.20 (8.37)***	***84.83 (4.69)***
(iv)	***Grants-in-aid from Government of India***	***253.24(19.49)***	***280.78 (19.49)***	***320.47 (21.20)***	***435.99 (50.54)***	***513.75(28.43)***
II.	**Capital Receipts**	**104.62**	**206.99**	**229.38**	**148.87**	**183.46**
	Market Borrowing	20.45 (19.56)	42.00 (20.29)	82.76 (36.08)	32.94 (22.13)	39.10(21.31)
	Loans and advances from Government of India	41.29 (39.46)	53.54 (25.86)	63.97 (27.89)	36.18 (24.30)	52.27(28.49)
	Other Receipts (Public Accounts)	42.88 (40.98)	111.45 (53.85)	82.65 (36.03)	79.75 (53.57)	92.09(50.20)
Part B. Expenditure		**1365.42**	**1587.36**	**1604.31**	**914.23**	**1874.98**
I.	**Revenue Expenditure**	**1258.19 (92.15)**	**1495.60 (94.22)**	**1509.97 (94.12)**	**763.31 (83.49)**	**1664.25(88.76)**
	Plan	*116.32 (9.25)*	*159.77 (10.68)*	*134.60 (8.91)*	*155.93 (20.43)*	*192.67(11.58)*
	Non-Plan	*1141.86 (90.75)*	*1335.83 (89.32)*	*1375.37 (91.10)*	*607.38 (79.57)*	*1471.58(88.42)*
	General Services	986.90 (78)	1127.77 (75.41)	1143.87 (75.75)	406.01 (53.19)	1254.02(75.35)
	Economic Services	127.84 (10)	155.63 (10.40)	169.84 (11.25)	164.81 (21.59)	183.56(11.03)
	Social Services	143.45 (11)	212.21 (14.19)	196.26 (13.00)	192.49 (25.22)	226.67(13.62)
	Interest Payment	**40.94**	**52.47**	**67.92**	**78.67**	**84.16**
	Fin. Assistance to Local bodies etc.	**3.08**	**2.17**	**3.49**	**8.39**	**12.07**
	Loans and advances given	**1.80**	**1.08**	**1.14**	**0.33**	**0.19**
II.	**Capital Expenditure**	**107.23 (7.85)**	**91.76 (5.78)**	**94.34 (5.88)**	**150.92 (16.51)**	**210.73(11.24)**
	Plan	*107.23 (100)*	*91.76 (100)*	*94.34 (100)*	*150.92 (100)*	*210.73(100)*
	Non- Plan	-	-	-	-	-
	General Services	6.59 (6.15)	4.60 (5.01)	3.87 (4.10)	4.45 (2.96)	8.14(3.86)
	Economic Services	67.58 (63.02)	57.44 (62.60)	54.29 (57.55)	96.15 (63.71)	129.15(61.29)
	Social Services	33.06 (30.83)	29.72 (32.39)	36.18 (38.35)	50.32 (33.34)	73.44(34.85)
Part C. Deficits						
	Revenue Deficit (-)/Surplus (+)	**(+) 41.28**	**(-) 54.94**	**(+) 1.86**	**(+) 99.29**	**(+) 142.93**
	Fiscal Deficit	**67.02**	**146.86**	**92.55**	**50.51**	**66.85**
	Budgetary Deficit (-)/Surplus (+)	**(-) 65.95**	**(-) 146.70**	**(-) 92.48**	**(-) 51.64**	**(-) 67.80**
Part D. Other data						
	Ways and Means Advances (days)	-	-	-	-	-
	Interest on WMA	-	-	-	-	-
	GSDP	651	755 (P)	817 (Q)	911 (P)	977 (Q)
	Outstanding Debt (year end)	356.69	503.67	676.34	729.37	806.06
	Outstanding guarantees (year end)	21.78	21.07	21.57	104.61	95.70
	Guarantees given during the year	8.05	-	0.50	83.04	-
	Number of incomplete projects	66	69	57	95	37
	Capital blocked in incomplete projects	9.84	96.26	20.71	12.55	24.64
	Arrears of Revenue	NA	NA	0.80	1.07	1.36

Note-I: Figures in brackets represent percentages to total of each sub heading.

Note-II: Non-tax revenue for the year 2001-2002 includes gross receipt of Rs.1074.40 crore from State Lotteries before adjustment of expenditure of Rs.1057.09 crore.

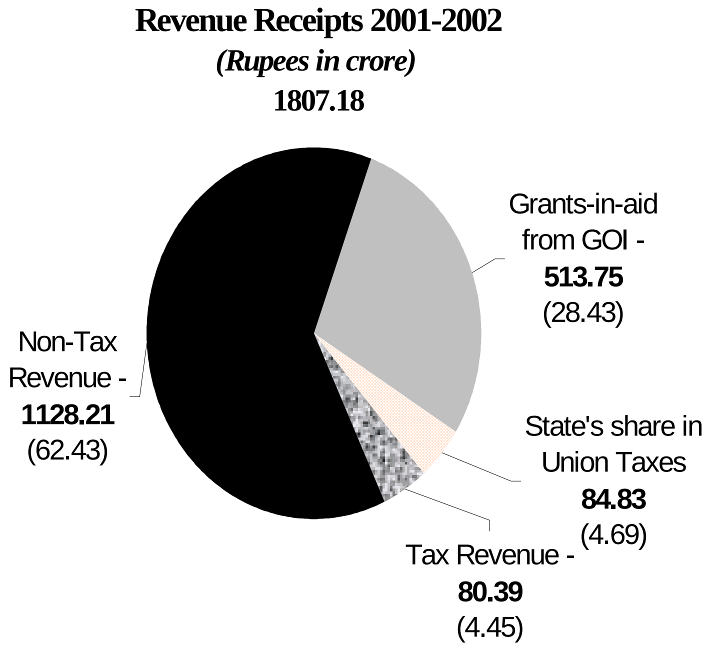
Note-III: GSDP : (P) – Provisional Estimate, (Q) – Quick Estimate.

Note-IV: The arrears of Revenue for 2001-2002 relate to 2 Departments, SPWD (R&B) and SNT only.

1.5 Revenue receipts

1.5.1 Revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India. Their relative shares are shown in the chart below. The increase in revenue receipts during 2001-02 was due to increase in gross receipts from State Lotteries.

Chart-1.1



Note: Figures in bracket indicate percentage.

Tax Revenue

Sales Tax performed better in comparison to Income Tax and State Excise during the year

1.5.2 While in absolute terms, tax revenue increased from Rs.36.50 crore in 1997-98 to Rs.80.39 crore in 2001-02, its relative share in revenue receipts went up from 2.81 *per cent* to 4.45 *per cent*. The receipts from sales tax went up during the year by Rs.10.47 crore (42.73 *per cent* over 2000-01) and this has contributed significantly to the overall increase in tax revenue receipts. Table-1.3 under paragraph 1.4.3 shows that the relative contribution of taxes on income other than corporation tax came down from 29.50 *per cent* in 2000-01 to 27.40 *per cent* in 2001-02 and state excise from 26.93 *per cent* in 2000-01 to 21.88 *per cent* in 2001-02. On the other hand, sales tax increased from 37.47 *per cent* in 2000-01 to 43.40 *per cent* in 2001-02.

Non-tax Revenue

Grants-in-aid from Government of India financed 63 per cent of the total Government expenditure (net of lotteries)

1.5.3 Non-tax revenue constituted 62.43 *per cent* of the total revenue receipts as compared to 33.51 *per cent* in 2000-2001. This was due to increase in gross receipt from State Lotteries. On the other hand, grants-in-aid from Government of India increased to 28.43 *per cent* of the total revenue receipts in 2001-02 from 19.49 *per cent* in 1997-98 and financed 62.82 *per cent* of the total Government expenditure comprising capital outlay and revenue expenditure (net of lotteries).

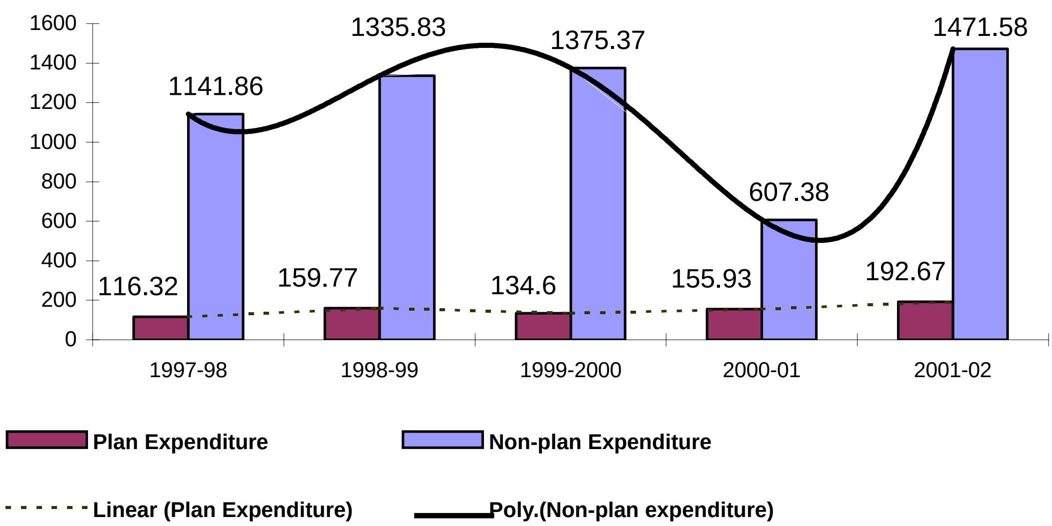
1.6 Revenue expenditure

1.6.1 Revenue expenditure, which accounted for most (88.76 *per cent*) of the expenditure of State Government, increased by Rs.900.94 crore during 2001-02. The increase was mainly due to increase in expenditure on State Lotteries. Non-Plan revenue expenditure constituted a major slice of the total revenue expenditure during the 5 years 1997-2002 and ranged between 79.57 and 91.10 *per cent*. Trend analysis shows that the share of revenue expenditure varied between 83.49 to 94.22 *per cent* of the total expenditure during 1997-2002.

Chart-1.2

Growth of Plan and non-Plan Revenue Expenditure

(Rupees in crore)



1.6.2 Sector-wise analysis shows that the expenditure on General Services increased by 27.07 *per cent* from Rs.986.90 crore in 1997-98 to Rs.1254.02 crore in 2001-02, and the expenditure on Social Services and Economic Services increased by 58.02 and 43.59 *per cent* respectively. As a proportion of total expenditure, the share of General Services increased from 53.19 *per cent* in 2000-01 to 75.35 *per cent* in 2001-02. The share of Social Services, however, declined from 25.22 *per cent* to 13.62 *per cent* and that of Economic Services declined from 21.59 *per cent* to 11.03 *per cent*.

Spiraling interest payments

1.6.3 Interest payments at Rs.84.16 crore during 2001-02 increased steadily by 105.57 *per cent* from Rs.40.94 crore in 1997-98 and by 6.98 *per cent* from Rs.78.67 crore in 2000-01. The interest payments grew at a faster pace (26 *per cent* average annual growth during 1997-2002) compared to the growth of revenue receipts (10 *per cent*) as also the revenue expenditure (8 *per cent*).

Financial assistance to local bodies and other institutions

1.6.4 The quantum of assistance provided to different local bodies, etc., during the period of five years ending 2001-02 was as follows:

Table-1. 4

(Rupees in crore)

Years	1997-98		1998-99		1999-2000		2000-2001*		2001-2002*	
	Grants	loans	Grants	loans	Grants	loans	Grants	loans	Grants	loans
Universities and Educational Institutions	1.23	-	1.37	-	1.49	-	2.27	-	2.68	-
Municipal Corporations and Municipalities	-	-	-	-	-	-	-	-	-	-
Zilla Parishads and Panchayati Raj Institutions	-	-	-	-	-	-	-	-	1.61	-
Development Agencies	0.44	-	0.44	-	1.44	-	1.87		3.82	-
Hospitals and Other Charitable Institutions	-	-	-	-	-	-			0.22	-
Other Institutions	1.41	0.77	0.36	0.01	0.56	-	4.25	-	3.74	-
TOTAL	**3.08**	**0.77**	**2.17**	**0.01**	**3.49**	**-**	**8.39**	**-**	**12.07**	**-**
Percentage of growth over previous year	24.70	220.83	(-) 29.54	(-) 98.70	(+) 60.83	-	(+) 140.40	-	(+) 43.86	-
Assistance as a percentage of revenue expenditure	0.24	0.06	0.14	-	0.23	-	1.07	-	0.73	-

* *Figures from detailed Appropriation Accounts.*

1.6.5 The quantum of assistance paid to local bodies etc. jumped from Rs.3.08 crore in 1997-98 to Rs.12.07 crore in 2001-02, an increase of 291.88 *per cent*.

Loans and Advances by the State Government

Interest on Government loans not received

1.6.6 The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-government institutions, etc., for developmental and non-developmental activities. The position for the last five years was as under:

Table-1.5

(Rupees in crore)

	1997-98	1998-99	1999-00	2000-01	2001-02
Opening balance	8.64	9.72	9.88	9.95	8.45*
Amount advanced during the year	1.80	1.08	1.14	0.33	0.19
Amount repaid during the year	0.72	0.92	1.07	1.46	1.14
Closing balance	9.72	9.88	9.95	8.82	7.50
Net addition	1.08	0.16	0.07	(-) 1.13	(-) 0.95

***** *The variation of opening balance for 2001-2002 is due to proforma correction in the Finance Accounts.*

1.6.7 The interest was not received in any of the years and credited in Government account.

1.7 Capital Expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e. Public Sector Undertakings (PSUs), corporations, etc. and loans and advances. During 2001-02, the capital expenditure increased by Rs.59.81 crore as compared to 2000-01. Its share in total expenditure has gone up from 7.85 *per cent* in 1997-98 to 11.24 *per cent* in 2001-02. Table-1.3 under paragraph 1.4.3 shows that major portion of the capital expenditure has been on Economic and Social Services and on the Plan side only.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and non-Plan and Revenue and Capital. While Plan and capital expenditure are usually associated with asset creation, non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, Plan and capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds and funds blocked in incomplete projects would also impinge significantly on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also be considered in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year, it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

Table-1.6

Years	1997-98	1998-99	1999-00	2000-01	2001-02
1. Plan expenditure as a percentage of:					
(i) Revenue expenditure	9	11	9	20	12
(ii) Capital expenditure	100	100	100	100	100
2. Capital expenditure as a percentage of total expenditure*	8	6	6	17	11
3. Expenditure on General Services as a percentage of:					
(i) Revenue	78	75	76	53	75
(ii) Capital	6	5	4	3	4
4. Amount of wastages and diversion of funds mentioned in the Audit Report ***(Rs.in crore)***	1.06	3.26	5.94	2.37	4.79
5. Non-remunerative expenditure on incomplete projects. ***(Rs.in crore)***	9.84	96.26	20.71	12.55	24.64
6. Unspent balance under deposit heads, booked as expenditure at the time of their transfer to the deposit head	NA	NA	NA	NA	NA

** Total expenditure = Revenue expenditure + Capital expenditure.*

1.8.4 It would be seen that the share of Plan expenditure on the revenue side has decreased to 12 *per cent* in 2001-02 as compared to 20 *per cent* in 2000-01. Although the share of capital expenditure to total expenditure increased from 7.85 *per cent* from 1997-98 to 11.24 per cent in 2001-02 as mentioned in para 1.7.1, it decreased from17 *per cent* in 2000-01 to 11 *per cent* in 2001-02. The expenditure on General Services increased on both the capital and revenue side in 2001-02 as compared to the previous year. The table also shows that substantial amount remained blocked in incomplete projects and substantial amount of wastage and diversion of fund were brought out in the Audit Report. This, in turn, affected the quality of expenditure incurred by the Government.

1.9 Financial Management

1.9.1 The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues, based on the findings of test audit, especially as they relate to the expenditure management in the Government. Some other parameters which can be segregated from the accounts and other related financial information of the Government are discussed in this section.

Implementation of Fiscal Reform Programme

1.9.2 To improve the financial position of the State Government a Memorandum of Understanding (MOU) was signed (April 1999) between the Government of Sikkim and the Government of India to implement a mutually agreed fiscal reform programme within a fixed time schedule. The programme included measures to raise revenue, reduce expenditure and through structural adjustment and policy reforms, stabilise the State

Government's fiscal position. To follow up on the commitments made in the MOU, the Government of Sikkim also submitted (14.03.2000) an Action Taken Report (ATR) to the Government of India. An analysis of the implementation of the MOU and ATR is summarised below:

a) In compliance with the MOU, the Home Department of the Government of Sikkim issued (28 June 1999) circular banning expenditure on fittings and furnishings by all 40 State Government departments. Test check of 8[♣] major departments revealed that in disregard of the ban order, they incurred an amount of Rs.1.17 crore during the period 1999-02 on fittings and furnishings.

b) ATR of the State Government stated that 25 *per cent* reduction of expenditure under Traveling Allowances (TA) had been notified for compliance by all the departments in pursuance of the MOU. But no such notification/order was made available to audit. Expenditure on TA (excluding Governor Secretariat and Administration of Justice) was up from Rs.3.35 crore in 1998-99 to Rs.3.85 crore in 1999-00, and was Rs.4.04 crore in 2000-01 and Rs.3.59 crore in 2001-02. Over all, as compared to TA expenditure in 1998-99, the year immediately preceding the year of signing of MOU, average annual expenditure on TA in post MOU period of 1999-00 to 2001-02 went up by 74 *per cent*, instead of the committed 25 *per cent* reduction.

c) As per MOU the Government of Sikkim was to rationalise subsidies and to start with, lower them by 10 *per cent* across the board since June 1999. Accordingly a circular from Home Department of the Government of Sikkim was issued (June 1999) directing all concerned departments to reduce subsidies by 10 *per cent*. A test check of payment of subsidies revealed that subsidies in fact increased by 2558 *per cent* from Rs.1.07 crore in 1998-99 to Rs.28.40 crore in 1999-00. While it decreased to Rs.2.02 crore in 2000-01, it went up to Rs.5.76 crore in 2001-02 making for an increase of 185 *per cent* over the previous year. Overall, as compared to expenditure on subsidies in 1998-99, the year immediately preceding the year of signing of MOU, average annual expenditure on subsidies in post MOU period 1999-00 to 2001-02 increased by 1029 *per cent*.

d) Notwithstanding a ban imposed (June 1999) on creation of posts in pursuance of the MOU, 82 new posts in various cadres were created between the period 1999-2002.

Return on Government investments far below the cost of its borrowings

1.9.3 Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The

♣ Sikkim Public Works (B&H), Finance, Home, Food and Civil Supplies & Consumers Affairs , Police, Forest, Agriculture and Horticulture Departments.

sector-wise details of investments made and the number of concerns involved were as under:

Table-1.7

(Rupees in crore)

Sector	*Number of concerns	Amount invested	
		as on 31.03.2001*	during 2001-2002
(1) Statutory Corporations	3	5.56	0.50
(2) Government Companies	20	41.30	7.18
(3) Joint Stock Companies	-	-	-
(4) Co-operative Institutions and Bank	8	5.82	4.00
TOTAL	**31**	**52.68**	**11.68**

***** *Variation of figures from previous year's Report is due to proforma correction in Finance Accounts.*

1.9.4 The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

Table-1.8

(Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of Return	Rate of interest on Government borrowing *(%)*
1997-98	37.79	1.59	4	13.05
1998-99	41.76	1.23	3	12.50
1999-2000	44.54	0.72	2	12.25 and 11.85
2000-2001	52.68*	0.0158	0.03	12
2001-2002	64.37	0.011	0.02	10.37 and 9.45

***** *Change in figure from previous year's Report is due to proforma correction in Finance Accounts.*

1.9.5 Thus, while the Government was raising high cost borrowings from the market its investments in Government companies etc., fetched insignificant returns. As on 31 March 2002, 7 of the working Government companies/ corporations were running under loss and the accumulated loss was Rs.27.83 crore upto March 2002.

Incomplete Projects

1.9.6 As of 31 March 2002, there were 37 incomplete projects in which Rs.24.64 crore were blocked. This showed that the Government was spreading its resources thinly, which failed to yield any return.

Arrears of revenue

1.9.7 The arrears of revenue in respect of two departments - Sikkim Public Works Department (Roads and Bridges) and Sikkim Nationalised Transport pending collection, increased by 62.48 *per cent* during the year. Information relating to major revenue earning departments was not furnished. An overall assessment of the arrears in collection was thus not possible. However, comparing the arrears of revenue in respect of the two departments for the years 2000-01 and 2001-02, an increase of 62.48 *per cent* was seen. The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

Ways and means advances and overdraft

1.9.8 The State Government has not entered into any agreement with the Reserve Bank of India (RBI) for carrying out the general banking business of the Government which is carried out by the State Bank of Sikkim. Since the transactions of Sikkim Government are not conducted by the RBI, the State Government has not taken any Ways and Means Advances from the RBI. To avoid delay/non-accountal of Central assistance released by the Government of India, the State Government should reconsider the feasibility of taking up the matter with RBI for entering into an agreement.

Deficit

1.9.9 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit *viz*. revenue deficit, fiscal deficit and primary deficit.

1.9.10 Revenue deficit is the excess of revenue expenditure over revenue receipts. Fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary deficit is fiscal deficit less interest payments.

1.9.11 The following table gives a break-up of the deficit in Government account:

Table-1.9

(a) CONSOLIDATED FUND

(Rupees in crore)

Receipt			**Disbursement**	
Revenue	1807.18	Revenue Surplus : 142.93	Revenue	1664.25
Misc. Capital Receipts			Capital	210.73
Recovery of Loans and advances	1.14		Loans and advances disbursement	0.19
Sub total	1808.32	Gross fiscal deficit: 66.85	Sub total	1875.17
Public debt	91.37		Public debt repayment	34.20
TOTAL	**1899.69**	**A: Deficit CF : 9.68**		**1909.37**

(b) PUBLIC ACCOUNT

(Rupees in crore)

Receipt			Disbursement	
Small savings, PF etc.	58.94		Small saving PF etc.	39.43
Deposits and advances	19.44		Deposits and advances	16.13
Reserve funds	13.71		Reserve funds	7.45
Suspense and Misc.	538.51		Suspense and Misc.	536.65
Remittances	336.81		Remittances	308.72
Total Public Account	**967.41**	B (i) deficit in Consolidated Fund financed out of surplus in Public Account Fund (59.03) (ii) Increase in cash balance (49.35)		**908.38**

1.9.12 Table-1.9 shows that the fiscal deficit of Rs.66.85 crore was financed by the net proceeds of Public Debt (Rs.57.17 crore), and partly by the surplus (Rs.59.03 crore) from Public Account. Table-1.15 shows that fiscal deficit was on an increasing trend during 1997-98 to 1998-99 whereafter it declined from a level of Rs.146.86 crore in 1998-99 to Rs.92.55 crore and Rs.50.51 crore in 1999-2000 and 2000-01 respectively. However, it again witnessed an increase in 2001-02 and stood at Rs.66.85 crore, up by 32 *per cent* over previous year.

Application of the borrowed funds (fiscal deficit)

1.9.13 Fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the revenue deficit (RD), for making capital expenditure (CE) and for giving loans to various bodies for development and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the positions in respect of the Government of Sikkim for the last five years:

Table-1.10

Ratio	1997-98*	1998-99	1999-2000*	2000-2001*	2001-2002*
RD/FD	(-) 0.62	0.37	(-) 0.02	(-) 1.97	(-) 2.14
CE/FD	1.60	0.62	1.02	2.99	3.15
Net loans/ FD	0.02	0.01	-	(-) 0.02	(-) 0.01
TOTAL	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

During these years there was no revenue deficit.

Guarantees given by the State Government

1.9.14 Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and co-operative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which

Government may give guarantees on the security of the Consolidated Fund of the State. The guaranteed sum outstanding at the end of each year during 1997-2002 are indicated in the time series data (Table-1.3).

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. Compared to 1997-98, the total liabilities of the Government had grown by 124.39 *per cent*. This was on account of 135.70 *per cent* growth in internal debt, 65.26 *per cent* growth in loans and advances from Government of India and 237.25 *per cent* growth in other liabilities. During 2001-2002, Government borrowed Rs.39.10 crore from the open market at the interest rate of 10.37 and 9.45 *per cent per annum*.

Table-1.11

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities	Total liabilities	Ratio of debt to GSDP
1997-1998	133.31	163.21	296.52	72.14	368.66	0.57
1998-1999	170.67	187.25	357.92	161.10	519.02	0.69
1999-2000	250.74	239.88	490.62	211.75	702.37	0.86
2000-2001	278.10	248.65	526.75	223.32	750.08	0.82
2001-2002	314.21	269.72	583.93	243.29	827.22	0.85

Very high outstanding debt as a percentage of GSDP

1.10.2 The State's outstanding debt as a percentage of GSDP has been rising. It was as high as 85 *per cent* in 2001-02 the latest year for which GSDP figures were available, having risen from 57 *per cent* in 1997-98.

Debt service touching almost 100 per cent of gross borrowing

1.10.3 The amount of funds raised through public debt, the amount of repayment and net funds available are given in the following table:

Table-1.12

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Internal Debt Receipt	20.45	42.00	82.76	32.94	39.10
Repayment (Principal+Interest)	21.44	24.47	26.70	35.41	37.83
Net funds available (*Per cent*)	(-) 0.99	17.53 (42)	56.06 (68)	(-)2.47	1.27 (3)
Loans and Advances from Government of India Receipt during the year	41.29	53.53	63.97	36.18	52.27
Repayment (Principal+Interest)	40.32	48.60	34.68	55.97	60.49
Net fund available (*Per cent*)	0.97 (2)	4.93 (9)	29.29 (46)	(-) 19.79	(-) 8.22
Other liabilities Receipt during the year	42.88	111.45	83.10	79.75	92.09
Repayment	37.48	34.88	32.01	51.95	62.94
Net fund available (*Per cent*)	5.40 (13)	76.57 (69)	51.09 (61)	27.80 (35)	29.08 (32)

1.10.4 Considering that the outstanding debt had been increasing year after year, the net availability of funds through public borrowings was not increasing proportionately. The total borrowings of Rs.183.46 crore were almost exclusively used for debt servicing which amounted to Rs.161.26 crore. In fact, in respect of internal debt and loans and advances from Government of India, the debt service exceeded 100 *per cent* of gross borrowings as shown in the table, implying a net outflow of resources. This was a serious cause for concern, as debt service in such a situation begins to displace other productive expenditure.

1.11 Indicators of the financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing and Government's increased vulnerability in the process. All the State Governments continued to increase the level of their activity principally through FiveYear Plans which translate to annual development plans and are provided for in the State budget. Broadly, it can be stated that non-Plan expenditure represents Government maintaining the existing level of activity, while Plan expenditure entails expansion of activity. Both these activities require resource mobilisation increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of Annual Financial Statement (budget) and the Accounts. As regards the budget, the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix (Part B). Table-1.15 indicates the behaviour of these indices/ratios over the period from 1997-98 to 2001-02. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below:

(i) Balance from Current Revenues (BCR)

BCR is defined as revenue receipts minus Plan assistance grants minus non-Plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan expenditure. The Table-1.15 shows that the State Government had negative BCR in all the preceding five years which signifies that the State was not able to generate surplus from current revenues and was dependent on borrowings for meeting the Plan expenditure to that extent.

(ii) Interest ratio

The higher the ratio, the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In Sikkim, the ratio increased by 1 basic point from 0.03 to 0.04 during 1997-98 to 1999-2000, jumped steeply by 6 basic points to 0.09 points during 2000-01 and thereafter decreased to 0.04 points during 2001-02. Due to high interest ratio, availability of funds for programme spending decreased indicating a strain on the sustainability.

(iii) Capital outlay/Capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In Sikkim, the ratio was more than one during 1997-98. However, it declined sharply from 1.96 in 1997-98 to 0.58 in 1998-2000 and thereafter increased to 1.73 in 2000-01 and 1.88 in 2001-02. This positive trend, however, should be seen in the context of negligible rate of return on investments and large number of incomplete works (as discussed in respective paras) showing that the capital was not effectively deployed to generate increased revenue.

(iv) Return on Investment (ROI)

The ROI is the ratio of the earning to the capital employed. A high ROI suggests sustainability. The table under paragraph 1.9.3 presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in Sikkim has been negligible and has decreased from 4 *per cent* in 1997-98 to 0.02 *per cent* in 2001-02. The low ROI suggests that the investments in the Public Sector Undertakings (PSUs) were used to finance their loss, rather than generate surplus.

(v) Capital repayments Vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital borrowing. The lower the ratio, the higher would be the availability of capital for investment. In Sikkim this ratio has decreased from 0.47 in 2000-01 to 0.37 in 2001-02. This indicated higher amount of funds were available for investment during 2001-02.

(vi) Revenue deficit/Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, higher the revenue deficit, more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, higher the ratio, worse off is the State because it would indicate that the debt burden is increasing without improving the repayment capacity of the State. During 1997-98 and 1999-2000 to 2001-02 there was no revenue deficit. During 2001-02 the ratio has been (-)2.14.

(vii) Primary deficit Vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that less the value of the ratio, less is the availability of funds for capital investment. During 2001-02 the ratio became (-)0.26. The interest payment accounted for 69.87 *per cent* of the net borrowings, which was therefore not available for capital investment.

(viii) Guarantees Vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay *viz.*, its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In Sikkim, this ratio increased from 0.02 in 1997-98 to 0.05 in 2001-02 indicating a huge increase in the risk exposure of the State Government revenue to outstanding guarantee and indicated the vulnerability of the revenue of the State to such liabilities.

(ix) Assets Vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. This ratio in 2001-02 came down to 1.73 compared to 2.23 in 1997-98 indicating a negative trend.

(x) Budget

There was no delay in submission of the budget and their approval. The details are given in the following table:

Table-1.13

Preparation	Month of submission	Month of approval
Vote on accounts	--	--
Budget	March 2001	March 2001
Supplementary-I	November 2001	November 2001
Supplementary-II	March 2002	March 2002

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year vis-à-vis the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

(xi) Accounts

During 2001-02, delay in submission of monthly compiled accounts by Public Works Division ranged from 1 day to 69 days. The delay in submission of monthly accounts by the Chief Pay and Accounts Office ranged from 2 days to 63 days.

1.12 Conclusion

1.12.1 The State was not able to generate surplus from current revenue as evident from the steep increase in negative BCR, which resulted in increased dependence on borrowing and Central Plan assistance for meeting the Plan expenditure. Even the borrowed funds were inefficiently employed as seen from insignificant return on investment. Increase in interest ratio indicates constraint on the development expenditure of the Government due to increase in the expenditure on account of interest payment.

Table – 1.14

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-2002

(Rupees in crore)

Receipts				Disbursement					
Section-A : Revenue									
2000-01			**2001-02**	**2000-01**		**Non-Plan**	**Plan**	**Total**	**2001-02**
862.60	**I. Revenue Receipts**		**1807.18**	**763.31**	**I. Revenue Expenditure**				**1664.25**
65.39	-Tax revenue	80.39		406.01	**General Services**	1251.85	2.16	1254.01	
289.02	-Non-tax revenue	1128.21			**Social Services**				
72.20	-State's share of Union Taxes	84.83		113.78	-Education, Sports, Art and Culture	80.41	41.06	121.47	
148.40	-Non-Plan grants	139.32		31.73	-Health and Family Welfare	21.62	15.36	36.98	
				25.47	-Water Supply, Sanitation, Housing and Urban Development	9.61	27.33	36.94	
				1.86	-Information and Broadcasting	0.95	2.33	3.28	
238.66	-Grants for State Plan Scheme	310.49		3.49	-Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes.	0.48	6.71	7.19	
48.93	-Grants for Central and Centrally sponsored Plan Schemes	63.94		0.81	-Labour and Labour Welfare	0.57	0.23	0.80	
				13.90	-Social Welfare and Nutrition	8.18	10.04	18.22	
				1.45	-Others	1.80		1.80	
					Economic Services				
				59.81	-Agriculture and Allied Activities	29.46	39.94	69.40	
				11.21	-Rural Development	0.62	10.54	10.54	
				-	-Special Areas Programmes		0.62	0.62	
				16.48	-Irrigation and Flood Control	1.02	14.89	15.91	
				25.87	-Energy	21.08	5.67	26.75	
				8.33	-Industry and Minerals	3.35	4.24	7.59	
				32.91	-Transport	34.47	3.37	37.84	
				1.04	-Science, Technology and Environment		0.90	0.90	
				9.16	-General Economic Services	6.76	7.25	14.01	
-	**II. Revenue Deficit carried over to Section B**		**-**	**99.29**	**II. Revenue Surplus carried over to Section B**				**142.93**
862.60	**Total**		**1807.18**	**862.60**					**1807.18**
	Section B								
70.17	**III. Opening Cash balance including Permanent Advances and Cash Balance Investment**		**94.82**	**150.92**	**III. Capital Outlay**				**210.73**
				4.46	**General Services**		8.13		
					Social Services				
				20.31	-Education, Sports, Art and Culture		30.97		
				2.99	-Health and Family Welfare		4.40		
				17.72	-Water Supply, Sanitation		25.96		
				8.02	-Housing and Urban Development		9.84		
				1.29	-Welfare of SC,ST and OBC		2.28		

Receipts				Disbursement					
2000-01	**Section-B**		**2001-02**	**2000-01**		**Non-Plan**	**Plan**	**Total**	**2001-02**
	IV Miscellaneous Capital receipts	-			**Economic Services**				
				5.33	-Agriculture and Allied Activities		5.70	5.70	
				1.08	-Rural Development		1.00	1.00	
				6.62	-Special Areas Programmes		4.64	4.64	
				3.07	-Irrigation and Flood Control		5.16	5.16	
				32.35	-Energy		49.69	49.69	
				3.77	-Industry and Minerals		5.10	5.10	
				40.25	-Transport		55.65	55.65	
				3.66	-General Economic Services		2.21	2.21	
1.46	**V. Recoveries of loans and Advances**		**1.14**	**0.33**	**IV Loans and Advances disbursed**				**0.19**
1.03	From Government Servants			0.33	-To Government Servants		0.19	0.19	
0.43	From others			-	-To Others		-		
99.29	**VI. Revenue surplus brought down**		**142.93**		**V. Revenue deficit brought down**		-		
69.12	**VII. Public debt receipts**		**91.37**	**32.66**	**VI. Repayment of Public Debt**		-		**34.19**
--	-External debt			-	-External debt	-	-		
32.94	-Internal debt other than Ways and Means Advances and Overdraft			5.58	-Internal debt other than Ways and Means Advances and Overdraft		-	2.99	
--	-Ways and Means Advances			-	-Ways and Means Advances		-		
36.18	-Loans and Advances from Central Government			27.08	-Repayment of Loans and advances to Central Government		-	31.20	
0.10	**VIII. Amount transferred to Contingency Fund**				**VII Expenditure from Contingency Fund**		-		-
823.68	**IX. Public Account Receipts**		**967.41**	**785.09**	**VIII. Public Account Disbursements**		-		**908.38**
52.61	-Small Savings and Provident funds	58.94		35.73	-Small savings and Provident Funds			39.43	
11.53	-Reserve funds	13.71		6.76	-Reserve Funds			7.45	
485.68	-Suspense and Miscellaneous	538.51		491.31	-Suspense and Miscellaneous			536.65	
258.26	-Remittance	336.81		241.86	-Remittance			308.72	
15.60	-Deposits and Advances	19.44		9.44	-Deposits and advances			16.13	
				94.82	**IX. Cash Balance at end of the year**				**144.18**
				52.69	-Cash in Treasuries and Local Remittances			88.06	
				0.56	-Deposits with other Bank			2.37	
				16.57	-Departmental Cash Balance including permanent advances			24.75	
				25.00	-Cash Balance Investment			29.00	
1063.82	**TOTAL**		**1297.67**	**1063.82**	**TOTAL**				**1297.67**

Table – 1.15
Financial indicators for Government of Sikkim

	1997-98	1998-99	1999-00	2000-01	2001-02
Sustainability BCR ***(Rupees in crore)***	(-) 58.80	(-) 153.64	(-) 167.87	(-) 32.37	(-)38.83
Primary Deficit (PD)	26.08	95.31	24.63	(-) 28.16	(-) 17.31
Interest Ratio	0.03	0.04	0.04	0.09	0.04
Capital outlay/Capital receipt	1.96	0.58	0.58	1.73	1.88
Total Tax receipt/GSDP	NA	0.18	0.18	0.15	0.17
State Tax receipts/GSDP	NA	0.06	0.06	0.07	0.08
Return on Investment ratio	0.04	0.03	0.02	0.0003	0.0002
Flexibility BCR ***(Rupees in crore)***	(-) 58.80	(-) 153.64	(-) 167.87	(-) 32.37	(-) 38.83
Capital repayment/Capital borrowings	0.43	0.34	0.095	0.47	0.27
State tax receipt/GSDP	0.06	0.06	0.06	0.07	0.08
Debt/GSDP	0.57	0.68	0.86	0.82	0.85
Vulnerability Revenue Deficit (RD) ***(Rupees in crore)***	* 41.28	54.94	*1.86	*99.29	*142.93
Fiscal Deficit (FD) ***(Rupees in crore)***	67.02	146.86	92.55	50.51	66.85
Primary Deficit (PD) ***(Rupees in crore)***	26.08	95.31	24.63	(-) 28.16	(-) 23.63
PD/FD	0.39	0.64	0.27	(-) 0.56	(-) 0.26
RD/FD	(-) 0.62	0.37	(-) 0.02	(-) 1.97	(-) 2.14
Outstanding Guarantees/Revenue receipt	0.02	0.01	0.01	0.12	0.05
Assets/Liabilities	2.23	1.79	1.59	1.66	1.73

* *During these years, there was Revenue Surplus.*

Note: 1. Fiscal deficit has been calculated as: Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Non-loan Capital receipts.

2. In the ratio Capital outlay Vs Capital receipts, the denominator has been taken as Internal loans- Loans and Advances from Government of India + Net Receipts from Small Savings, PF etc., + Repayments received from loans advanced by the State Government-Loans advanced by State Government.

Table – 1.16
Working sheet for indicators of financial performance of the Government of Sikkim

(Rupees in Crore)

Sl. No.	Particulars	2001-02
1(a)	Revenue receipts	1807.18
(b)	*Less* all plan grants under MH 1601 (02+03+04+05)	374.43
(c)	*Less* non-plan revenue expenditure	1471.58
(d)	**Balance from Current Revenues (BCR)**	**(-) 38.83**
2(a)	Interest Receipts (0049)	6.02
(b)	Interest payments (2049)	84.16
(c)	Net interest payments (b-a)	78.14
(d)	Revenue receipts – Interest Receipts (1(a)-2(a))	1801.16
(e)	**Interest Ratio** (2c/2d)	**0.04**
3.	Capital Outlay (Capital Expenditure)	210.73
4.	Capital Receipts:	
(a)	Addition under 6003-internal Debt(-) Ways and Means Advances	39.10
(b)	Addition under 6004 Loans from Central Government (-) W & M Advances	52.27
(c)	Net receipts under small savings PF etc	19.51
(d)	Miscellaneous Capital Receipts (4000)	--
(e)	Net loans and advances (Receipts-repayments)	0.95
(f)	Total (4a+b+c+d+e)	111.83
5.	**Capital outlay/Capital Receipts** (3/4f)	**1.88**
6.	Gross State Domestic Product (GSDP)	977
7.	Total Tax Receipts (State Tax +State's Share of Union Taxes)	165.22
8.	**Total Tax receipts/GSDP**(7/6)	**0.17**
9.	State Tax Receipts (Tax Revenue – Income Tax)[*]	80.39
10.	**State Tax Receipts/GSDP**(9/6)	**0.08**
11.	Total Investments (at the year end)	64.37
12.	Return on investments	0.01
13.	**Ratio of return on investment**	**0.0002**
14.	Capital repayment :	
(a)	Disbursements under 6003 Internal Debt (-) Ways and Means Advances	3.00
(b)	6004 Loans and advances from Central Government (minus) W & M advances	21.82
(c)	Total (14a+b)	24.82
15.	Capital borrowings (4a+4b)	91.37
16.	**Capital repayment/Capital borrowings** (14c/15)	**0.27**
17.	Debt :	
(a)	Borrowings (Closing balance of the year)	583.93
(b)	Other obligations (Closing balance of the year)	243.29
(c)	Total (17a+b)	827.22
18.	Debt/GSDP (17c/6)	0.85
19.	**Revenue Deficit (-)/Surplus(+)** [#]	**142.93**
20.	**Fiscal Deficit** (Revenue Expenditure + Capital Expenditure + Net Loans and Advances) minus (Revenue Receipts + Miscellaneous Capital Receipts)	66.85
21.	**Primary Deficit** (Fiscal Deficit minus Interest payments)=(20-2(b))	**(-)17.31**
22.	**PD/FD** (21/20)	**(-) 0.26**
23.	**RD/FD** (19/20)	**(-) 2.14**
24.	Outstanding guarantees + Interest	95.76
25.	**Outstanding guarantees/Revenue receipts** (24/1(a))	**0.05**
26.	Assets	1608.53
27.	Liabilities	929.11
28.	**Assets/Liabilities** (26/27)	**1.73**

 # There was Revenue Surplus during the year

[*] *Central Income tax have not been implemented in Sikkim hence deduction in this respect not made*

Explanatory Notes

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance accounts.

2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in Exhibit I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.

3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement etc.

APPENDIX

(Ref: Paragraph No.1.1)

Part A. Government Accounts

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.)

Part II: Contingency Fund

The Contingency Fund created under Article 267 (2) of the Constitution of India in the nature of an imprest is placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature during the year was Rs.1.00 crore.

Part III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes *viz*., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure with appropriate classification in the Government accounts. The Appropriation Accounts present the details of expenditure by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B. List of Indices/ratios and basis for their calculation

(Ref: Paragraph No. 1.11.2)

Indices/ratios		Basis for calculation
Sustainability		
Balance from the Current Revenue	BCR	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04 and 05) and Non-Plan revenue expenditure.
Primary Deficit		Fiscal Deficit minus interest payments.
Interest Ratio		Interest payment - Interest receipt / Total Revenue receipt - Interest receipt
Capital Outlay Vs Capital Receipts	Capital Outlay Capital Receipts	Capital expenditure as per Statement No.2 of the Finance Accounts. Internal Loans (excluding ways and means advances) + Loans and advances from Government of India + Net receipts from small savings, PF etc. + Repayments received on loans advanced by the State Government – Loans advanced by the State Government.
Total Tax Receipts Vs GSDP	Total Tax Receipts GSDP	State Tax receipts plus State's share of Union Taxes.
State Tax Receipts Vs GSDP	State Tax Receipts	Statement No.1 of Finance Accounts.
Flexibility		
Balance from Current Revenue	BCR	As above.
Capital repayments Vs Capital borrowings	Capital Repayments	Disbursements under Major heads 6003 and 6004 minus repayments on account of ways and means advances/overdraft under both the major heads.
	Capital Borrowings	Addition under Major Heads 6003 and 6004 minus addition on accounts of ways and means advances/overdraft under both the major heads.
State Tax Receipts Vs GSDP		As above.
Debt Vs GSDP	Debt	Borrowings and other obligations at the end of the year (Statement No.3 of Finance Accounts).
Vulnerability		
Revenue Deficit		Paragraph No.1.9.10 of the Audit Report.
Fiscal Deficit		-do-
Primary Deficit Vs Fiscal Deficit	Primary Deficit	As above.
Outstanding guarantees including letters of comfort Vs Revenue receipts of the Government	Outstanding guarantees Revenue Receipts	Paragraph No. 1.4.3 of the Audit Report. Table-1.14.
Assets Vs Liabilities	Assets and Liabilities Debt	Paragraph No. 1.2 of the Audit Report. Borrowings and other obligations at the end of the year (Statement No. 3 of the Finance Accounts).