

CHAPTER – I

FINANCES OF THE STATE GOVERNMENT

In Summary

Large fiscal deficits year after year indicate continued macro imbalances in the State. In Sikkim, fiscal deficit increased from Rs. 9.86 crore in 2002-03 to Rs. 50.26 crore in 2003-04.

Revenue of the State consisted mainly of its own tax and non-tax revenue, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts decreased from Rs. 1,511.83 crore in 1999-2000 to Rs. 1,341.18 crore in 2003-04 at an average trend rate of 3.90 *per cent*. While 48 *per cent* of the revenue receipts during 2003-04 came from State's own resources comprising taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 52 *per cent* of the total revenue. However, after netting off the impact of gross receipts of Rs. 473.67 crore from state lotteries included under the non-tax revenue of the State against which an expenditure of Rs. 442.25 crore was incurred during 2003-04, the picture of State finances changed drastically. About 77.41 *per cent* of net revenue receipts of the State was constituted by Central tax transfers and grants-in-aid from Government of India.

The total expenditure of the State decreased from Rs. 1,605.45 crore in 1999-2000 to Rs. 1,392.52 crore in 2003-04 at an average trend rate of 2.47 *per cent* per annum. The rate of decrease of total expenditure was lower than the rate of decrease of revenue receipts during this period.

In 2003-04, Plan expenditure, Capital expenditure and Development expenditure (expenditure on Economic and Social Services) increased 100 *per cent*, 122 *per cent* and 47.70 *per cent* respectively as compared to 1999-2000. Interest payments increased steadily by 36.19 *per cent* from Rs. 67.92 crore in 1999-2000 to Rs. 92.50 crore in 2003-04 primarily due to ever increasing borrowings. The fiscal liabilities of the State at the end of 2003-04 was Rs. 966.45 crore, up by 8.82 *per cent* over the previous year.

State Government has not yet passed any Fiscal Responsibility Act although a Memorandum of Understanding with Government of India was entered into in April 1999 for bringing about certain fiscal reforms.

Though it is not uncommon for a State to borrow for widening its infrastructure and for creating income generating assets, an ever increasing ratio of fiscal liabilities to GSDP could lead the State finances into a debt trap.

1.1 Introduction

The Finance Accounts of the Government of Sikkim are laid out in 19 statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in **Box-1.1**.

Box-1.1

Layout of Finance Accounts

Statement No. 1 presents the summary of transactions of the State Government- receipts and expenditure, revenue and capital, public debt receipts and disbursements etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.

Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss etc.

Statement No. 4 indicates the summary of debt position of the State, which includes internal debt, borrowings from Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.

Statement No. 9 shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/expenditure.

Statement No. 10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No. 11 indicates the detailed account of revenue receipts by minor heads.

Statement No. 12 provides accounts of revenue expenditure by minor heads under non-plan, State plan and capital expenditure major head wise.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of the current year.

Statement No. 14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, cooperative banks and societies etc. up to the end of the current year.

Statement No. 15 depicts the capital and other expenditure to the end of the current year and the principal sources from which the funds were provided for that expenditure.

Statement No. 16 gives the detailed account of receipts, disbursements and balance under heads of account relating to debt, Contingency Fund and Public Account.

Statement No. 17 presents the detailed account of debt and other interest bearing obligations of the Government.

Statement No. 18 provides the detailed account of loans and advances given by the Government of Sikkim, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.

Statement No. 19 gives the details of balances of earmarked funds.

1.2 Trend of Finances with reference to previous year

The trend of finances of the State Government during the current year compared with the previous year was as under:

(Rupees in crore)

| 2002-03 | Sl. No | Major Aggregates | 2003-04 |
|-----------|--------|--|-----------|
| 2,080.52 | 1 | Revenue Receipts (2+3+4+5) | 1,341.18 |
| 105.53 | 2 | Tax Revenue | 108.00 |
| 1,315.84 | 3 | Non Tax Revenue | 537.29 |
| 581.95 | 4 | Other Receipts | 583.56 |
| 77.20 | 5 | State share of union taxes and others | 112.33 |
| 1.28 | 6 | Non-Debt Capital Receipts | 1.08 |
| 1.28 | 7 | <i>Of which, Recovery of Loan</i> | 1.08 |
| 2,081.80 | 8 | Receipts (1+5) | 1,342.26 |
| 1,634.59 | 9 | Non-Plan Expenditure (10+12+13) | 934.71 |
| 1,634.59 | 10 | On Revenue Account | 934.61 |
| 89.53 | 11 | Of which, Interest Payment | 92.50 |
| - | 12 | On Capital Account | - |
| 0.06 | 13 | On Loans disbursement | 0.10 |
| 457.01 | 14 | Plan Expenditure (15+16+17) | 457.81 |
| 248.03 | 15 | On Revenue Account | 246.32 |
| 208.98 | 16 | On capital Account | 211.49 |
| - | 17 | On Loans disbursement | - |
| 2,091.66 | 18 | Total Expenditure (9+14) | 1,392.52 |
| 9.86 | 19 | Fiscal Deficit (18-1-6) | 50.26 |
| (-)197.90 | 20 | Revenue Deficit (10+15-1) | (-)160.25 |
| 79.67 | 21 | Primary Deficit (-) / Surplus (+) (19-11) | 42.24 |

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Sikkim for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts receipts and disbursements made during the year as emerging from *Statement-1* and other detailed statements of Finance Accounts.

Table -1: SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2003-04

(Rupees in crore)

| 2002-03 | Receipts | 2003-04 | 2002-03 | Disbursements | 2003-04 | | |
|-----------------------------|--|-----------------|-----------------|--------------------------------------|---------------|---------------|-----------------|
| Section – A: Revenue | | | | | | | |
| 2,080.52 | I. Revenue receipts | 1,341.18 | 1,882.62 | I. Revenue Expenditure | 934.61 | 246.32 | 1,180.93 |
| 105.53 | Tax revenue | 108.00 | 1,405.75 | General services | 678.20 | 10.86 | 689.06 |
| 1,315.84 | Non-tax revenue | 537.29 | 235.41 | Social Services | 140.71 | 109.32 | 250.03 |
| 77.20 | Share of Union Taxes/ Duties | 112.33 | 233.66 | Economic Services | 108.96 | 95.74 | 204.70 |
| 581.95 | Grants from Government of India | 583.56 | 7.80 | Grants-in-aid contributions | 6.74 | 30.40 | 37.14 |
| Section – B: Capital | | | | | | | |
| - | II. Miscellaneous Capital Receipts | - | 208.98 | II. Capital Outlay | | 211.49 | 211.49 |
| 1.28 | III. Recoveries of Loans and Advances | 1.08 | 0.06 | III. Loans and Advances disbursed | 0.10 | | 0.10 |
| 78.53 | IV. Public debt receipts | 137.02 | 40.35 | IV. Repayment Public Debt | 84.17* | | 84.17 |
| - | V. Contingency Fund | - | 0.03 | V. Contingency Fund | 0.47 | | 0.47 |
| 1,356.15 | VI. Public account receipts | 1,193.34 | 1,311.79 | VI. Public account disbursements | 1,204.82 | | 1,204.82 |
| 144.18 | Opening Balance | 216.83 | 216.83 | Closing Balance | | | 207.47 |
| 3,660.66 | Total | 2,889.45 | 3,660.66 | Total | | | 2,889.45 |

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2003-04 and, wherever necessary, show these in the light of time series data and periodic comparisons. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources (iii) Assets and Liabilities, and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The reporting parameters are depicted in **Box 1.2**

| Box-1.2 |
|---|
| Reporting Parameters |
| <i>Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current prices. GSDP as published by the Bureau of Economics and Statistics Department of the State Government has been used.</i> |
| <i>For most series a trend growth during 1999-2004 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in Appendix-I.</i> |

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account as defined in **Box-1.3**.

* Bifurcation of Plan and non-Plan not available

Box – 1.3- State Government Funds and the Public Account

| Consolidated Fund | Contingency Fund | Public Account |
|---|--|---|
| All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled “Consolidated Fund of State” established under Article 266(1) of the Constitution of India. | Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent and unforeseen expenditure, pending authorization by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund. | Besides the normal receipts and expenditure of Government which related to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it. |

1.5 State finances by key indicators

1.5.1 Resources by volumes and sources: Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State’s share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz., market loans, borrowings from financial institutions/commercial banks etc., and loans and advances from Government of India as well as accruals from Public Account.

As Table 2 shows, the total receipts of the State Government for the year 2003-04 were Rs. 2,672.62 crore. Of these, the revenue receipts of the State Government were Rs. 1,341.18 crore only, constituting 50 *per cent* of the total receipts. The balance of the receipts came from borrowings and the Public Account.

Table - 2 : Resources of Sikkim

| <i>(Rupees in crore)</i> | | | |
|--------------------------|-----|------------------------------------|-----------------|
| I. | | Revenue Receipts | 1,341.18 |
| II. | | Capital Receipts | 138.10 |
| | (a) | Miscellaneous Receipts | - |
| | (b) | Recovery of Loans and Advances | 1.08 |
| | (c) | Public Debt Receipts | 137.02 |
| III. | | Contingency Fund Receipts | - |
| IV. | | Public Account Receipts | 1,193.34 |
| | (a) | Small Savings, Provident Fund etc. | 65.09 |
| | (b) | Reserve Fund | 22.01 |
| | (c) | Deposits and Advances | 24.77 |
| | (d) | Suspense and Miscellaneous | 701.62 |
| | (e) | Remittances | 379.85 |
| Total Receipts | | | 2,672.62 |

1.5.2 Revenue Receipts: Statement – 11 of the Finance Accounts details the revenue receipts of the Government. Revenue receipts of the State comprise mainly its own tax and non-tax revenues, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and buoyancy of the receipts are indicated in **Table-3**.

Table-3: Revenue Receipts- Basic Parameters (Values in Rupees crore and others in per cent)

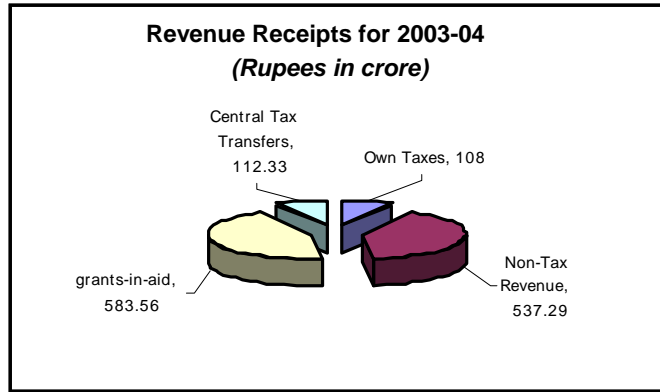
| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|-----------------------|-----------|----------|----------|-------------|-------------|----------|
| Revenue Receipts | 1,511.83 | 862.60 | 1,807.18 | 2,080.52 | 1,341.18 | 1,520.66 |
| Own Taxes | 49.07 | 65.39 | 80.39 | 105.53 | 108.00 | 81.68 |
| Non-tax Revenue | 1,042.75 | 289.02 | 1,128.21 | 1,315.84 | 537.29 | 862.62 |
| Central tax Transfers | 99.54 | 72.20 | 84.83 | 77.20 | 112.33 | 89.22 |
| Grants-in-aid | 320.47 | 435.99 | 513.75 | 581.95 | 583.56 | 487.14 |
| Rate of Growth | 4.94 | (-)42.94 | 109.50 | 15.13 | (-)35.54 | 3.90 |
| GSDP | 840.03 | 976.34 | 1,139.25 | 1,251.35(P) | 1,358.18(Q) | 1,113.03 |
| GSDP Growth | 7.44 | 16.23 | 16.69 | 9.84 | 8.54 | 13.26 |
| Revenue Receipt/GSDP | 179.97 | 88.35 | 158.63 | 166.26 | 98.75 | 25.52 |
| Revenue Buoyancy | 0.66 | * | 6.56 | 1.54 | * | 16.58 |

* Rate of growth of Revenue Receipt was negative

P=provisional, Q=quick

The revenue receipts of the State decreased from Rs. 1,511.83 crore in 1999-2000 to Rs. 1,341.18 crore in 2003-04 at an average trend rate of 3.90 per cent. There were, however, significant inter-year variations in the growth rates. During the five-year period 1999-2004, the State had a buoyant economy with its GSDP growth averaging 16.58 per cent. There was sharp decline in revenue buoyancy due to a decrease in revenue receipts during 2003-04.

While 48 per cent of the revenue receipts during 2003-04 have come from State's own resources comprising taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 52 per cent of the total revenue. Sales Tax was the major contributor (45 per cent) of State's own tax revenue followed by (State Income Tax) Taxes on Income other than Corporation Tax (25 per cent), State Excise (23 per cent), Stamps and Registration fees (1 per cent) and taxes on vehicles (3 per cent). Of non-tax revenue sources principal contribution was receipts from lotteries (88 per cent) followed by Road Transport and Power (3 per cent each). Central tax transfers as percentage to total revenue of the State witnessed an increase from 6.58 per cent in 1999-2000 to 8.38 per cent in 2003-04. Similarly grants-in-aid from Government of India also rose from 21.20 per cent in 1999-2000 to 43.51 per cent in 2003-04. However, after netting off the impact of gross receipts of Rs. 537.29 crore from State lotteries included under the non-tax revenue of the State against which an expenditure of Rs. 442.25 crore was incurred during 2003-04, the picture of the State finance changed drastically. About 77.41 per cent of net revenue receipts of the State was financed by Central tax transfers and grants-in-aid from Government of India. The contribution of State lotteries was 46.81 per cent of own tax and non-tax revenue indicating vulnerability of the State's finances to the fluctuations in receipts from lotteries.



Besides, the arrears of revenue increased by 700 per cent from Rs. 2.16 crore[†] in 1999-2000 to Rs.15.11 crore at the end of 2003-04.

The current levels of cost recovery (revenue receipts as a percentage of revenue expenditure) in supply of merit goods and services by Government were 1.31 per cent for secondary education, 0.23 per cent for university and higher education, 1.14 per cent for medical and public health and 4.42 per cent for water supply and sanitation.

The source of total receipts under different heads and GSDP during 1999-2004 are indicated in **Table 4**.

Table – 4: Sources of Receipts: Trends

(Rupees in crore)

| Year | Revenue receipts | Capital Receipts | | | Total Receipts | Gross State Domestic product |
|-----------|------------------|-------------------|---------------|----------------------------|----------------|------------------------------|
| | | Non-debt Receipts | Debt Receipts | Accruals in Public Account | | |
| 1999-2000 | 1,511.83 | 1.07 | 146.73 | 788.97 | 2,448.60 | 840.03 |
| 2000-01 | 862.60 | 1.46 | 69.12 | 823.68 | 1,756.86 | 976.34 |
| 2001-02 | 1,807.18 | 1.14 | 91.37 | 967.41 | 2,867.10 | 1139.25 |
| 2002-03 | 2,080.52 | 1.28 | 78.53 | 1,356.15 | 3,516.48 | 1,251.35(P) |
| 2003-04 | 1,341.18 | 1.08 | 137.02 | 1,193.34 | 2,672.62 | 1,358.18(Q) |

P =Provisional, Q=Quick

1.6 Application of resources

1.6.1 Trend of growth: Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State decreased from Rs. 1,605.45 crore in 1999-2000 to Rs. 1,392.52 crore in 2003-04 at an average trend rate of 2.47 per cent per annum. The rate of decrease of total expenditure was lower than the rate of decrease of revenue receipts during this period.

Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in **Table-5** below:

[†] Arrear of revenue furnished by Power, SPWD (Building) and Mines and Geology.

Table-5 : Total Expenditure- Basic Parameters (value in rupees crore and others in per cent)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|---|-----------|----------|----------|----------|----------|----------|
| Total Expenditure | 1,605.45 | 914.56 | 1,875.17 | 2,091.66 | 1,392.52 | 1,575.87 |
| Rate of Growth | 1.07 | (-)43.03 | 105.04 | 11.55 | (-)33.43 | 2.47 |
| TE/GSDP Ratio | 191.12 | 93.67 | 164.60 | 167.15 | 102.53 | 161.87 |
| Revenue Receipts/ TE Ratio | 94.17 | 94.32 | 96.37 | 99.47 | 96.31 | 95.01 |
| Buoyancy of Total Expenditure with | | | | | | |
| GSDP | 0.14 | (-)2.65 | 6.29 | 1.17 | (-)3.92 | 0.19 |
| Revenue Receipts | 0.22 | 1.00 | 0.96 | 0.76 | 0.94 | 0.63 |

* Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans & Advances

Total expenditure in 2003-04 decreased by Rs. 699.14 crore over previous year. The decrease was mainly due to less expenditure on State run lotteries.

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services, Interest payments, Social and Economic Services, grants-in-aid and other contributions to institutions and loans and advances. Relative share of these components in total expenditure is indicated in **Table-6**.

Table-6: Components of Expenditure- Relative Share (in per cent)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|--------------------|-----------|---------|---------|---------|---------|---------|
| General Services | 67.04 | 35.36 | 62.13 | 63.05 | 43.76 | 54.27 |
| Interest Payments | 4.23 | 8.60 | 4.49 | 4.28 | 6.64 | 5.65 |
| Social Services | 14.48 | 26.55 | 16.00 | 15.41 | 24.95 | 19.48 |
| Economic Services | 13.96 | 28.53 | 16.68 | 16.83 | 21.97 | 19.59 |
| Loans and Advances | 0.07 | 0.04 | 0.01 | 0.01 | 0.01 | 0.03 |
| Grants in aid | 0.22 | 0.92 | 0.64 | 0.37 | 2.67 | 0.96 |

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. The share of General Services excluding interest payments in total expenditure declined from 67.04 per cent in 1999-2000 to 43.76 per cent in 2003-04, the relative share of interest payments, Social Services and Economic Services increased. However, interest payment and expenditure on General Services considered as non-developmental, together accounted for as much as 50.4 per cent of total expenditure in 2003-04 and 46.92 per cent of expenditure on Social and Economic Services.

Incidence of Revenue expenditure: In the total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in **Table-7**.

Table-7: Revenue Expenditure- Basic Parameters

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|--|-----------|----------|----------|----------|----------|----------|
| Revenue Expenditure (Rupees in crore) | 1,509.97 | 763.31 | 1,664.25 | 1,882.62 | 1,180.93 | 1,400.22 |
| Rate of Growth (per cent) | 0.96 | (-)49.45 | 118.03 | 13.12 | (-)37.27 | 0.75 |
| RE/GSDP | 171.75 | 78.98 | 146.08 | 150.45 | 86.95 | 1.59 |
| RE as percentage of TE | 94.05 | 83.46 | 88.75 | 90.01 | 84.81 | 90.54 |
| RE as percentage of RR | 99.88 | 88.49 | 92.09 | 90.49 | 88.05 | 94.19 |
| Buoyancy of Revenue Expenditure with (per cent) | | | | | | |
| GSDP | 0.13 | * | 7.07 | 1.33 | * | 0.03 |
| Revenue Receipts | 0.19 | * | 1.08 | 0.87 | 1.05 | 0.07 |

Overall revenue expenditure of the State increased at an average trend rate of 0.75 per cent. On an average, 90.54 per cent of the total expenditure was on current consumption.

i) **High salary expenditure:** Salaries accounted for 26.54 per cent of the revenue receipts and 30.14 per cent of the revenue expenditure of the State during 2003-04. The expenditure on salaries increased from Rs. 309.83 crore in 2001-02 to Rs. 355.97 crore in 2003-04 registering an increase of 15 per cent. The details are indicated in **Table 8**.

Table - 8

| Heads | 2001-02 | 2002-03 | 2003-04 |
|--|---------|---------|---------|
| Salary expenditure (Rupees in crore) | 309.83 | 329.17 | 355.97 |
| As a percentage of GSDP | 27.20 | 26.31 | 26.21 |
| As a percentage of Revenue Receipts | 17.14 | 15.82 | 26.54 |
| As a percentage of Revenue Expenditure | 18.62 | 17.48 | 30.14 |

ii) **Huge expenditure on pension payments:** Payment of pension and other retirement benefits increased by 144.89 per cent from Rs. 16.26 crore in 1999-2000 to Rs. 39.82 crore in 2003-04 (average annual rate of 22.61 per cent). Year-wise break-up of expenditure on pension payments during the years 1999-2000 to 2003-04 was as under:

Table - 9

| Year | Expenditure | (Rupees in crore) |
|-----------|-------------|---|
| | | Percentage to total revenue expenditure |
| 1999-2000 | 16.26 | 1.08 |
| 2000-01 | 18.26 | 2.39 |
| 2001-02 | 21.29 | 1.28 |
| 2002-03 | 29.18 | 1.55 |
| 2003-04 | 39.82 | 3.37 |

Expenditure on pension in last two years has grown at an unusually high 37 per cent per annum mainly due to increased number of retirees both on superannuation and voluntary retirement scheme which is likely to increase further in future. The State Government has not constituted any fund to meet the fast rising pension liabilities of the retired State Government employees.

iii) **Interest payment:** The interest payments and percentage of interest payment with reference to revenue receipts and revenue expenditure were as shown below:

Table-10*(Rupees in crore)*

| Year | Interest payments | Percentage of interest payment with reference to | |
|-----------|-------------------|--|---------------------|
| | | Revenue Receipts | Revenue Expenditure |
| 1999-2000 | 67.92 | 4.49 | 4.50 |
| 2000-01 | 78.67 | 9.12 | 10.31 |
| 2001-02 | 84.16 | 4.66 | 5.06 |
| 2002-03 | 89.53 | 4.30 | 4.76 |
| 2003-04 | 92.50 | 6.90 | 7.83 |

Interest payments increased steadily by 36.19 *per cent* from Rs. 67.92 crore in 1999-2000 to Rs. 92.50 crore in 2003-04 primarily due to ever increasing borrowings. The interest payment was on Internal Debt (Rs. 43.49 crore), loans received from Central Government (Rs. 30.12 crore) and Small Savings, Provident Fund, etc. (Rs. 18.89 crore).

1.7 Expenditure by Allocative priorities

The expenditure of the State in the nature of Plan expenditure, Capital expenditure and Development expenditure reflects its quality. The higher the ratio of these components to total expenditure the better is the quality of expenditure. **Table-11** below gives these ratios during 1999-2004.

Table-11: Quality of Expenditure (*per cent* to total expenditure)

| Heads | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|-------------------------|-----------|---------|---------|---------|---------|---------|
| Plan Expenditure | 14.27 | 33.56 | 21.51 | 21.85 | 32.88 | 23.54 |
| Capital Expenditure | 5.88 | 16.51 | 11.24 | 9.99 | 15.19 | 29.52 |
| Development Expenditure | 28.46 | 55.10 | 32.71 | 32.24 | 49.60 | 37.30 |

(Total expenditure does not include Loans and Advances)

All the three components of quality of expenditure indicated inter-year variations. In the year 2003-04, Plan expenditure, Capital expenditure and Development expenditure (expenditure on Economic and Social Services) increased by 100 *per cent*, 122 *per cent* and 47.70 *per cent* respectively compared to 1999-2000. Out of developmental expenditure of Rs. 690.59 crore during the year, Social Services accounted for 52.17 *per cent* (Rs. 360.28 crore). Expenditure on General Education, Health, Medical and Family Welfare, Water Supply and Sanitation constituted 73.43 *per cent* of the expenditure on Social sector.

Table-12: Social Sector Expenditure*(Rupees in crore)*

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---|---------------|---------------|---------------|---------------|---------------|
| General Education | 113.81 | 134.09 | 152.44 | 161.19 | 174.15 |
| Health, Medical and Family Welfare | 35.34 | 34.72 | 41.38 | 43.01 | 42.81 |
| Water Supply and Sanitation | 36.55 | 27.92 | 36.42 | 40.47 | 47.58 |
| Total | 185.70 | 196.73 | 230.24 | 244.67 | 264.54 |
| Expenditure on Social Sector | 232.44 | 242.81 | 300.11 | 322.40 | 360.28 |
| As a percentage of expenditure on Social sector | 79.89 | 81.02 | 76.72 | 76.00 | 73.43 |

Similarly, the expenditure on Economic Services (Rs. 330.31 crore) accounted for 47.83 per cent of the development expenditure, of which, Irrigation and Flood Control, Energy and Transport accounted for 53.85 per cent.

Table-13: Economic Sector Expenditure

(Rupees in crore)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---|-----------|---------|---------|---------|---------|
| Irrigation and Flood Control | 6.23 | 19.55 | 21.07 | 21.91 | 15.20 |
| Energy | 54.29 | 58.22 | 76.44 | 104.50 | 80.63 |
| Transport | 51.07 | 73.16 | 93.40 | 84.33 | 82.04 |
| Total | 111.59 | 150.93 | 190.91 | 210.74 | 177.87 |
| Expenditure on Economic Sector | 224.13 | 260.96 | 312.71 | 351.96 | 330.31 |
| As a percentage of expenditure on Economic sector | 50.00 | 57.83 | 61.05 | 60.00 | 53.85 |

1.7.1 Financial Assistance to Local Bodies and other Institutions

i) Extent of assistance: The quantum of assistance provided by way of grants (Rs. 37.14 crore) to different local bodies etc., during the period of 5 years ending 2003-04 was as follows:

Table-14

(Rupees in crore)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|-----------|---------|---------|----------|---------|
| Zilla Parishads and other Panchayati Raj Institutions | - | - | 2.42 | 4.47 | 24.05 |
| Cooperative Societies | 0.28 | 0.72 | 0.45 | 0.89 | 0.34 |
| Universities and Educational Institutions | 1.49 | 2.27 | 2.68 | 1.82 | 0.97 |
| Others | 1.72 | 5.40 | 6.52 | 0.62 | 11.78 |
| Total | 3.49 | 8.39 | 12.07 | 7.80 | 37.14 |
| Percentage of increase (+)/decrease (-) over previous year | 60.83 | 140.40 | 43.86 | (-35.38) | 376.15 |
| Assistance as a percentage of revenue expenditure | 0.22 | 1.00 | 0.04 | - | 3.14 |

The total assistance at the end of 2003-04 had grown by 964.18 per cent over the level of 1999-2000. The assistance to local bodies as a percentage of total revenue expenditure increased from 0.23 per cent in 1999-2000 to 3.14 per cent in 2003-04.

ii) Delay in furnishing utilisation certificates: At the end of September 2004, 83 utilisation certificates (UCs) for grants amounting to Rs. 8.61 crore released up to March 2004 were outstanding from 20 departments as detailed below:

Table -15

| Sl. No | Department | Number of UCs outstanding | Amount (Rupees in crore) |
|--------|--|---------------------------|--------------------------|
| 1 | Revenue (Relief on account of natural calamities) | - | - |
| 2 | Panchayati Raj and Rural Development | 17 | 1.21 |
| 3 | Social Welfare (including Tribal Welfare) | 5 | 0.08 |
| 4 | Panchayati Raj and Rural Development, and Municipal Administration and Urban Development (Water Supply and Sanitation) | 4 | 6.51 |
| 5 | Education (School Education) | - | - |
| 6 | Municipal Administration and Urban Development | - | - |
| 7 | Others | 57 | 0.81 |
| | Total | 83 | 8.61 |

1.8 Assets and liabilities

In the Government accounting system, comprehensive accounting of the fixed assets like land, buildings etc, owned by Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. *Appendix-II* gives an abstract of such liabilities and the assets as on 31 March 2004, compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India and receipts from the Public Account and Reserve Funds, the assets comprise mainly capital outlay, loans and advances given by the State Government and cash balances. *Appendix-II* shows that while the liabilities grew by 12.24 per cent, assets increased only by 6.96 per cent widening the gap between assets and liabilities and increasing the proportion of liabilities which did not have an asset back up. This shows a continuous deterioration of the financial condition of the State. The liabilities of Government of Sikkim depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to retired State employees. Abstract of receipts and disbursements for the year 2003-04, Sources and Applications of Funds and the Time Series Data on State Government Finances for the period 1999-2004 are given in *Appendices III, IV and V* respectively.

1.8.1 Incomplete projects: As of March 2004, there were 76 incomplete projects in which Rs. 185.32 crore were blocked. This showed that Government was spreading its resources thinly. Details are given in *Appendix-VI*.

1.8.2 Investments and returns: As on 31 March 2004, Government had invested Rs. 75.63 crore in its statutory corporations, Government companies, joint stock companies and co-operative societies. Government's return on this investment was less than 2.53 per cent in the last three years. With an average interest rate of 11.31 per cent being paid by Government on its borrowings, the average annual subsidy amounted to 10.13 per cent and the implicit subsidy during the period 2001-2004 was Rs. 21.08 crore.

Table -16: Return on Investment

| | 2001-02 | 2002-03 | 2003-04 | Average |
|--|---------|---------|---------|---------|
| Investment (Rupees in crore) | 64.37 | 69.56 | 75.63 | 69.85 |
| Returns (Rupees in crore) | 0.011 | 1.76 | 0.74 | 0.84 |
| Percentage of returns | 0.02 | 2.53 | 0.98 | 1.18 |
| Average interest rate paid by Government | 12.14 | 11.47 | 10.32 | 11.31 |
| Difference between interest rates and return | 12.12 | 8.94 | 9.34 | 10.13 |
| Implicit subsidy (Rupees in crore) | 7.80 | 6.22 | 7.06 | 7.03 |

1.8.3 Loans and advances by State Government: In addition to investments in co-operatives, corporations and companies Government has also been providing support in terms of loans and advances to many of these bodies. Total outstanding balance as on 31 March 2004 was Rs. 5.30 crore. Interest on these was not received in any of the years 1999-2004 (Table-17). Total implicit subsidy during 2001-2004, on such loans was Rs. 2.60 crore.

Table-17: Average interest received on loans advanced by the State Government

| | (Rupees in crore) | | | | |
|---|-------------------|---------|---------|---------|---------|
| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Opening Balance | 9.88 | 9.95 | 8.45* | 7.50 | 6.28 |
| Amount advanced during the year | 1.14 | 0.33 | 0.19 | 0.06 | 0.10 |
| Amount repaid during the year | 1.07 | 1.46 | 1.14 | 1.28 | 1.08 |
| Closing Balance | 9.95 | 8.82 | 7.50 | 6.28 | 5.30 |
| Net Addition | 0.07 | (-)1.13 | (-)0.95 | (-)1.22 | (-)0.98 |
| Interest Received | nil | nil | nil | nil | nil |
| Interest Received as <i>per cent</i> to Loans advanced | nil | nil | nil | nil | nil |
| Average interest paid by the State (<i>per cent</i>) | NA | NA | 12.14 | 11.47 | 10.32 |
| Difference between interest paid and received (<i>per cent</i>) | | | 12.14 | 11.47 | 10.32 |
| Implicit subsidy | | | 1.09 | 0.86 | 0.65 |

* The variation of opening balance for 2001-02 is due to proforma correction in the Finance Accounts

1.8.4 Commercial activities- Lack of accountability in the use of public funds in departmental commercial undertakings: Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government Departments. These undertakings are required to prepare annually proforma accounts in prescribed formats showing the results of financial operations so that Government can assess their functioning. The Heads of departments in Government are to ensure that undertakings funded by budgetary releases prepare the accounts in time and submit them to Accountant General for Audit.

As of 31 March 2004, there were two departmentally managed commercial and quasi-commercial undertakings under the control of Government of Sikkim. However, the preparation of proforma accounts for these units was in arrears for one year as follows:-

Table -18

| Sl. No. | Name of departmentally managed commercial and quasi-commercial undertakings | Proforma Accounts received upto | Proforma Accounts due |
|---------|---|---------------------------------|-----------------------|
| 1 | Temi Tea | 2002-03 | 2003-04 |
| 2 | Government Fruit Preservation Factory | 2002-03 | 2003-04 |

1.8.5 Undercharged liabilities

i) **Fiscal liabilities- public debt and guarantees:** The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature. However, no such law has been passed by the State to lay down any such limit. **Table-19** below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

Table-19: Fiscal Liabilities-Basic Parameters

(Value in rupees crore and ratios in per cent)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|--|-----------|---------|---------|---------|---------|---------|
| Fiscal Liabilities* | 702.37 | 744.12 | 827.22 | 888.14 | 966.45 | 825.66 |
| Rate of Growth | 35.15 | 5.94 | 11.17 | 7.36 | 8.82 | 8.49 |
| Ratio of Fiscal Liabilities to | | | | | | |
| GSDP | 83.61 | 76.22 | 72.61 | 70.97 | 71.16 | 74.18 |
| Revenue Receipt | 46.46 | 86.26 | 45.77 | 42.69 | 72.06 | 54.19 |
| Own Resources | 64.33 | 209.96 | 68.44 | 62.48 | 149.77 | 86.81 |
| Buoyancy of Fiscal Liabilities to | | | | | | |
| GSDP | 4.72 | 0.37 | 0.67 | 0.75 | 1.03 | 0.66 |
| Revenue Receipt | 5.91 | 1.20 | -0.26 | 0.07 | 0.58 | 2.18 |
| Own resources | 15.54 | -0.09 | 0.05 | 0.42 | -0.16 | 0.83 |

*Includes internal debt, loans and advances from GOI and other obligations

Overall fiscal liabilities of the State increased from Rs. 702.37 crore in 1999-2000 to Rs. 966.45 crore in 2003-04 with an average growth rate of 8.49 per cent during 1999-04. The ratio of these liabilities to GSDP decreased from 83.61 per cent in 1999-2000 to 71.16 per cent in 2003-04.

In addition to these liabilities, Government have guaranteed loans raised by various corporations and others which at the end of 2003-04 stood at Rs. 86.10 crore. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which Government may give guarantees on the security of the Consolidated Fund of the State.

Fiscal liabilities had grown faster than the revenue receipts. Average buoyancy of the liabilities with respect to revenue receipts was 2.18 indicating that for each one per cent increase revenue receipts fiscal liabilities were growing at the rate of 2.18 per cent.

Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. However, in the case of Sikkim, increasing interest rates and declining trend of GSDP growth resulted in negative interest spread in four out of five years (**Table-20**). This negative spread of interest may endanger debt sustainability.

Table-20: Debt Sustainability- interest Rate and GSDP Growth (in per cent)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|------------------------|-----------|---------|---------|---------|---------|---------|
| Weighted Interest Rate | 11.12 | 10.88 | 10.71 | 10.44 | 9.98 | 10.62 |
| GSDP Growth | 7.44 | 16.23 | 9.84 | 7.49 | 8.54 | 12.85 |
| Interest spread | (-)3.67 | 5.35 | (-)0.88 | (-)2.94 | (-)1.44 | 2.23 |

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. **Table 21** below gives the position of receipt and re-payment of internal debt and other fiscal liabilities of the State over the last five years. The net funds available from the total receipts on account of public debt, loans and advances from Government of India and other debt receipts (including Public Account) became negative in 2003-04 from 59.37 per cent during 1999-2000, as depicted in the following table.

Table -21: Net Availability of Borrowed Funds*(Rupees in crore)*

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|------------------------------------|-----------|----------|---------|----------|----------|---------|
| Internal debt | | | | | | |
| Receipt | 82.76 | 32.94 | 39.10 | 34.81 | 75.96 | 53.11 |
| Repayment (Principal + Interest) | 26.70 | 35.41 | 37.83 | 45.33 | 59.96 | 41.05 |
| Net Fund Available | 56.06 | (-)2.47 | 1.27 | (-)10.52 | 16.00 | 3.2 |
| Net Fund Available (per cent) | 67.74 | - | 3.25 | - | 21.07 | 4.21 |
| Loans and advances from GOI | | | | | | |
| Receipt | 63.97 | 36.18 | 52.27 | 43.73 | 61.06 | 51.44 |
| Repayment (Principal + Interest) | 34.68 | 55.97 | 60.49 | 64.71 | 97.83 | 62.74 |
| Net Fund Available | 29.29 | (-)19.79 | (-)8.22 | (-)20.98 | (-)36.77 | 5.86 |
| Net Fund Available (per cent) | 45.79 | - | - | - | - | - |
| Other obligations | | | | | | |
| Receipt | 83.10 | 79.75 | 92.09 | 114.85 | 65.09 | 86.98 |
| Repayment (Principal + Interest) | 32.01 | 51.95 | 62.94 | 81.12 | 86.12 | 62.83 |
| Net Fund Available | 51.09 | 27.8 | 29.15 | 33.73 | (-)21.03 | 41.16 |
| Net Fund Available (per cent) | 61.48 | 34.86 | 31.65 | 29.37 | - | - |
| Total liabilities | | | | | | |
| Receipt | 229.83 | 148.87 | 183.46 | 193.39 | 202.11 | 191.53 |
| Repayment (Principal + Interest) | 93.39 | 143.33 | 161.26 | 191.16 | 243.91 | 166.61 |
| Net Fund Available | 136.44 | 5.54 | 22.2 | 2.23 | (-)41.80 | 33.28 |
| Net Fund Available (per cent) | 59.37 | 3.72 | 12.10 | 1.15 | - | - |

1.9 Management of deficits

1.9.1 Fiscal imbalances: The deficit in Government accounts represents the gap between its receipts and expenditure. The extent of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the manner in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. The fiscal deficit representing the total borrowings of

the Government and the total resource gap decreased from Rs. 92.55 crore in 1999-2000 to Rs. 50.26 crore in 2003-04 (Table-22).

Table-22: Fiscal Imbalances- Basic Parameters (Values in rupees crore and ratios in per cent)

| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|-------------------------|-----------|----------|----------|---------|----------|----------|
| Revenue Surplus | 1.86 | 99.29 | 142.93 | 197.90 | 160.25 | 120.45 |
| Fiscal Deficit | (-)92.55 | (-)50.50 | (-)66.85 | (-)9.86 | (-)50.26 | (-)54.00 |
| Primary Deficit/Surplus | (-)24.63 | 28.17 | 17.31 | 79.67 | 42.24 | 33.48 |
| RD/GSDP | 0.22 | 10.17 | 13.33 | 17.17 | 11.80 | 10.54 |
| FD/GSDP | (-)11.02 | (-)5.17 | (-)6.23 | (-)0.86 | (-)3.70 | (-)5.40 |
| PD/GSDP | (-)2.93 | 2.89 | 1.61 | 6.92 | 3.11 | 2.91 |
| RD/FD | * | * | * | * | * | |

(Negative figure indicates deficit)

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 23 below presents a summarised position of Government finances over 1999-2004, with reference to certain key indicators that help assessing the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important features.

Table -23: Indicators of Fiscal Health (in per cent)

| Fiscal Indicators | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|---|-----------|----------|----------|---------|----------|----------|
| I. Resource Mobilisation | | | | | | |
| Revenue Receipt/ GSDP | 179.97 | 88.35 | 158.63 | 166.26 | 98.75 | 25.52 |
| Revenue Buoyancy | 0.66 | * | 6.56 | 1.54 | * | 16.58 |
| Own tax/ GSDP | 5.84 | 6.70 | 7.06 | 8.43 | 7.95 | 7.34 |
| II Expenditure Management | | | | | | |
| Total Expenditure/GSDP | 191.12 | 93.67 | 164.60 | 167.15 | 102.53 | 161.87 |
| Revenue Receipt/ Total Expenditure | 94.17 | 94.32 | 96.37 | 99.47 | 96.31 | 95.01 |
| Revenue Expenditure/ Total Expenditure | 94.05 | 83.46 | 88.75 | 90.01 | 84.81 | 90.54 |
| Plan Expenditure/ Total Expenditure | 14.27 | 33.56 | 21.51 | 21.85 | 32.88 | 24.81 |
| Capital Expenditure/ Total Expenditure | 5.88 | 16.51 | 11.24 | 9.99 | 15.19 | 11.76 |
| Development Expenditure/ Total Expenditure | 28.46 | 55.10 | 32.71 | 32.24 | 49.60 | 39.62 |
| Buoyancy of TE with RR | 0.22 | 1.00 | 0.96 | 0.76 | 0.94 | 0.63 |
| Buoyancy of RE with RR | 0.19 | 1.15 | 1.08 | 0.87 | 1.05 | 0.19 |
| III. Management of Fiscal Imbalances | | | | | | |
| Revenue Surplus (Rupees in crore) | 1.86 | 99.29 | 142.93 | 197.90 | 160.25 | 120.45 |
| Fiscal Deficit (Rupees in crore) | (-)92.55 | (-)50.50 | (-)66.85 | (-)9.86 | (-)50.26 | (-)54.00 |
| Primary Deficit/Surplus (Rupees in crore) | (-)24.63 | 28.17 | 17.31 | 79.67 | 42.24 | 33.48 |
| Revenue Deficit/ Fiscal Deficit | \$ | \$ | \$ | \$ | \$ | |

| Fiscal Indicators | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | Average |
|--|-----------|----------|----------|---------|-----------|-----------|
| IV. Management of Fiscal Liabilities (FL) | | | | | | |
| Fiscal Liabilities/ GSDP | 83.61 | 76.22 | 72.61 | 70.97 | 71.16 | 74.18 |
| Fiscal Liabilities/ RR | 46.46 | 86.26 | 45.77 | 42.69 | 72.06 | 54.19 |
| Buoyancy of FL with RR | 46.46 | 86.26 | 45.77 | 42.69 | 72.06 | 54.19 |
| Buoyancy of FL with OR | 64.33 | 209.96 | 68.44 | 62.48 | 149.77 | 86.81 |
| Interest spread | (-)3.67 | 5.35 | 5.97 | (-)0.60 | (-)1.44 | 2.23 |
| Net Funds Available | 59.37 | 3.72 | 12.10 | 1.15 | - | |
| V. Other Fiscal Health Indicators | | | | | | |
| Return on Investment | 2 | 0.03 | 0.02 | 2.53 | 0.98 | 1.11 |
| BCR (<i>Rupees in crore</i>) | (-)167.87 | (-)22.33 | (-)38.83 | 77.84 | (-) 15.64 | (-) 33.37 |
| Financial Assets/ Liabilities | 1.59 | 1.66 | 1.73 | 1.88 | 1.97 | 1.77 |

* *Rate of growth of Revenue Receipt was negative.*

\$ *State had a revenue surplus in all these years*

The ratio of own taxes to GSDP had shown continuous improvement in the five-year period. The ratio of revenue receipts to GSDP and its buoyancy also were on a rising trend from 1999-2000 to 2002-03, but the revenue buoyancy steeply declined in 2003-04. Various ratios concerning expenditure indicated quality of expenditure and sustainability in relation to resources. The total expenditure to GSDP was not buoyant. Revenue expenditure was on the increasing trend over the four-years period 1999-2003 but slightly decreased in 2003-04 and comprised 84.81 *per cent* of total expenditure in 2003-04 leaving very little for capital formation or asset creation. Increasing fiscal deficit over the last five years indicated growing fiscal imbalances of the State.

The average interest paid by the State on its borrowings during 1999-2004 also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. There was a sharp decline (negative) in net availability of funds from its borrowings due to a larger portion of these funds being used for debt servicing. The State's insignificant return on investment indicated huge implicit subsidy and utilisation of high cost borrowing for investments that yielded little. The balance from current revenue of the State also continued to be negative indicating continued dependence on borrowings for plan or developmental expenditure.

1.11 Impact of Government Policies

Appendix-VII depicts the progress achieved during 2003-04 as compared to 2002-03 in various sectors according to information furnished by Secretaries, Chief Engineers, etc. of various departments of the State Government.