CHAPTER I

Finances of the State Government

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Profile of Sikkim

Sikkim is a sparsely populated State situated in the Eastern Himalayas. It became a part of the Indian Union on 16 May 1975. It has a total area of 7,096 sq.km which constitutes 0.22 *per cent* of the total geographical area of India. Sikkim being landlocked, National Highway (NH-10) is the only lifeline which connects the State with the rest of the country. Sikkim, categorised as a special category State[1], has four districts and nine sub-divisions and has also been included in the North Eastern Council since December 2002.

According to the Census of India 2011, the population of Sikkim stood at 6.11 lakh and the percentage of rural population of the State (75 *per cent*) was more than the All India rural population (69 *per cent*). The literacy rate of Sikkim was 82.20 *per cent* as against the All India Literacy rate of 74.04 *per cent*. Similarly, the infant mortality rate at 22 per 1,000 live births was better than the All India Average of 40 per 1,000 births recorded in 2013 by the Sample Registration System of the Registrar General and Census Commissioner of India (**Appendix 1.1-Part A**).

Gross State Domestic Product (GSDP)

The growth of GSDP of the State is an important indicator of the State's economy. A trend analysis of growth of GDP for a period of five years at current prices indicates the performance of the Government in fiscal management of the State. The growth rate of State GDP for the period 2009-14 compared with the National GDP is presented in the table below:

Annual growth rate of GDP and GSDP at current prices

Year	2009-10	2010-11	2011-12	2012-13	2013-14
State GSDP* (₹ in crore)	6,132.76	7,411.57	8,906.64	10,472.60[2]	12,376.69[3]
Growth in *per cent*	89.92	20.85	20.17	17.58	18.18
National GDP# (₹ in crore)	61,08,903	72,48,860	83,9,1691	93,88,876	104,72,807
Growth in *per cent*	15.18	18.66	15.77	11.88	11.54

Source: * *Department of Economics, Statistics, Monitoring and Evaluation, Government of Sikkim.*
\# *Central Statistical Office, Ministry of Statistics and Programme Implementation, GOI.*

The quantum of GDP (both State and National) is measured in terms of constant and current prices and as per their respective arithmetical calculations; these figures differ from each other every year. For comparison between both State and National GDPs, the GDP figure calculated on the basis of current price at factor cost with base year 2004-05 has been taken.

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1 *Special privileges given to Sikkim includes financial assistance from Government of India in the ratio of 90 per cent grant and 10 per cent loan unlike non-special category States which get Central Assistance in the ratio of 70 per cent grant and 30 per cent loan.*

2 *Provisional Estimate.*

3 *Quick Estimate.*

1.1 Introduction

The annual accounts of the State Government consist of Finance Accounts and Appropriation Accounts. The new format of Finance Accounts introduced from the year 2009-10, has been divided into two Volumes: Volume I and II. Volume I represents the financial statements of the Government in a summarised form while Volume II represents detailed financial statements, the structure and layout of which are depicted in **Appendix 1.1-Part B**.

This chapter provides a broad perspective of the finances of the Government of Sikkim during 2013-14. It analyses important changes in the major fiscal indicators compared to the previous year keeping in view the overall trends during the last five years. The analysis is based on the Finance Accounts and information obtained from the State Government. The structure of the Government Accounts and the layout of the Finance Accounts have been explained in **Appendix 1.1-Parts B and C** and **Appendix 1.2** presents the time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2009-14.

1.2 Summary of fiscal transactions

Table 1.1 and **Appendix 1.3** present the summary of the fiscal transactions of the State Government and provide details of receipts and disbursements as well as the overall fiscal position, respectively during 2013-14 vis-à-vis the previous year.

Table 1.1: Summary of the fiscal transactions

(₹ in crore)

Receipts			Disbursements				
	2012-13	2013-14		2012-13	2013-14		
Section-A: Revenue				**Total**	**Non Plan**	**Plan**	**Total**
Revenue Receipts[4]	**3,793.32**	**4,326.44**	**Revenue Expenditure[5]**	**3,012.35**	**2,404.83**	**1,053.13**	**3,457.96**
Tax revenue	435.48	524.92	General services	1,385.83	1,392.92	75.09	1,468.01
Non-tax revenue	806.96	794.49	Social services	947.47	651.38	624.98	1,276.36
Share of union taxes/ duties	698.48	762.62	Economic services	656.11	325.12	353.06	678.18
Grants from Government of India	1,852.40	2,244.41	Grants-in-aid and contributions	22.94	35.41		35.41
Misc. Capital receipts	**0.00**	**0.00**	**Capital outlay**	**842.35**		**911.94**	**911.94**
Recoveries of loans and advances	**0.90**	**0.92**	**Loans and advances disbursed**	**5.11**			**10.40**
Public debt receipts	**196.81**	**296.32**	**Repayment of public debt**	**71.12**			**88.74**
Contingency Fund	**0.00**	**0.00**	**Contingency Fund**	**0.00**			**1.00**
Public Account receipts[6]	**4,059.44**	**4,683.55**	**Public Account disbursements[7]**	**4,000.92**			**4,602.22**
Opening cash balance	**930.01**	**1,048.63**	**Closing cash balance**	**1,048.63**			**1,283.60**
Total	**8,980.48**	**10,355.86**	**Total**	**8,980.48**			**10,355.86**

Source: Finance Accounts.

The following are the significant changes during 2013-14 over the previous year:

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4 *Revenue receipts and Non-tax revenue are inclusive of gross receipts (₹474.37 crore) from State Lotteries.*

5 *Revenue expenditure and General Services (Non-plan) are inclusive of expenditure (₹432.90 crore) on State Lotteries.*

6 *Gross public Accounts receipts during the year.*

7 *Gross Public Accounts disbursement during the year.*

Revenue receipts increased by ₹ 533.12 crore (14.05 *per cent*) over the previous year mainly due to increase in Grants from Government of India by ₹ 392.01 crore, Tax Revenue by ₹ 89.44 crore and share of Union Taxes/duties by ₹ 64.14 crore. However, there was decrease in Non-tax revenue by ₹ 12.47 crore as compared to previous year mainly due to low realisation under Sikkim State Lotteries by ₹ 72.01 crore.

Revenue expenditure increased by ₹ 445.61 crore (14.79 *per cent*) over the previous year as a result of increase in Social Services (₹ 328.89 crore), General Services (₹ 82.18 crore), Economic Services (₹ 22.07 crore) and in Grants-in-aid (₹ 12.47 crore).

Capital expenditure increased by ₹ 69.59 crore (8.26 *per cent*) over the previous year.

Public debt receipts increased by ₹ 99.51 crore (50.56 *per cent*) and its repayment increased by ₹ 17.62 crore (24.78 *per cent*) over the previous year.

The total outflow and inflow of the Government during the year 2013-14 was ₹ 9,072.26 crore and ₹ 9,307.23 crore respectively leading to increase in cash balance by ₹ 234.97 crore.

1.3 Fiscal reforms path in Sikkim

In Sikkim, fiscal reforms and consolidation were brought to the forefront with the State Government formulating the first Medium Term Fiscal Plan (MTFP) for the period 2011-12 to 2013-14 based on the broad parameters of fiscal management laid down by the Thirteenth Finance Commission (TFC) limiting fiscal deficit at the targeted level to ensure sustainable level of debt and improving transparency in a medium term framework during 2010-15. The fiscal management principles enshrined in the Fiscal Responsibility and Budget Management (FRBM) Act calls upon the State Government to ensure transparency in setting and implementation of fiscal policy, stability and predictability in policy making process, improve the management of public finance and improve efficiency in the design and implementation of fiscal policy related to management of assets and liabilities.

The Government of Sikkim enacted the FRBM Act in September 2010 and the Rules under the Act had been notified in March 2011. The Act aims to ensure fiscal stability and sustainability through maintaining balance in revenue account and planned reduction of fiscal deficit and prudent and sustainable debt management consistent with fiscal stability through limits on State Government borrowings, including off-budget borrowings and achieving greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term fiscal framework. To give effect to the fiscal management principles, the Act prescribed the following fiscal targets for the State Government:

(a) Maintain revenue account balance beginning from the year 2011-12;

(b) Reduce the fiscal deficit to 3.5 *per cent* of the estimated Gross State Domestic Product in each of the financial years starting from 2011-12 and reduce the fiscal deficit to not more than three *per cent* of the estimated Gross State Domestic Product at the end of 31 March 2014 and adhere to it thereafter;

(c) Cap the total outstanding guarantees within the specific limit under the Sikkim Ceiling on Government Guarantees Act 2000 (21 of 2000);

(d) Ensure that the outstanding debt-GSDP ratio follows a sustainable path emanating from the above targets of the deficit as specified by the Government beginning from the fiscal year 2011-12.

Revenue deficit and fiscal deficit may exceed the limits specified under the section on the ground or grounds of unforeseen demands on the finances of the Government due to national security or natural calamity subject to the condition that the excess beyond limits arising due to natural calamities does not exceed the actual fiscal cost that can be attributed to the calamities.

Provided further that the ground or grounds specified in the above proviso shall be placed before the Legislative Assembly as soon as may be, after it becomes likely that such deficit amount may exceed the aforesaid limit, with an accompanying report stating the likely extent of excess.

The outcome indicators reflecting the State's fiscal correction path for the period 2010-16 are given below:

Table1.2: State Fiscal Outcome indicator

(As per cent to GSDP)

Parameters	2010-11		2011-12		2012-13		2013-14	
	Projections	Achievement	Projections	Achievement	Projections	Achievement	Projections	Achievement
Revenue Receipts[8] (a to d)	38.07	29.03	54.90	32.25	58.21	31.40	42.21	31.46
a. Own Tax Revenues	4.95	3.77	4.01	3.30	5.06	4.16	4.32	4.24
b. Own Non-Tax Revenues	4.28	3.27	4.09	2.74	4.22	2.88	3.16	2.92
c. Tax share	9.29	7.08	9.75	6.87	10.36	6.67	8.00	6.16
d. Grants-in-aid	19.55	14.91	37.05	19.34	38.56	17.69	26.73	18.13
Revenue Expenditure[9]	35.60	27.15	41.74	27.28	40.69	23.94	31.70	24.44
Capital Expenditure	8.07	6.09	18.59	6.91	21.02	8.04	13.51	7.37
Revenue Deficit	-2.47	-1.89	-13.16	-4.97	-17.52	-7.46	-10.51	-7.02
Fiscal Deficit	5.60	4.28	4.75	2.50	3.50	0.63	3.00	0.43
Primary Deficit	2.29	1.75	1.89	0.12	0.61	-1.27	1.01	-1.26
Outstanding Debt	42.99	37.75	41.75	35.49	41.03	31.94	29.90	29.36

N.B: Negative sign indicates surplus.

According to the Medium Term Fiscal parameters, Fiscal Deficit and Primary Deficit projected by the State Government during 2010-11 to 2013-14 were achieved. However, Revenue Surplus could not be maintained at the level projected during 2010-11 to 2013-14 due to non-achievement of projected Revenue Receipts.

Major fiscal variables provided in the budget based on recommendations of the 13th Finance Commission and as targeted in the FRBM Act of the State is depicted in **Table 1.3** as given below:

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8 *Revenue Receipts and Own Non Tax Revenue in this column and hence forth in this Report are net of Lottery Expenditure. (including Salaries, Travel Expenses, Office Expenses and Rent, rates & Taxes besides prize payment)*

9 *Revenue Expenditure in this column and henceforth in this Report is excluding Lottery Expenditure.*

Table 1.3: Details of Fiscal variables

Fiscal variables	2013-14				Actuals
	XIII FC targets for the State	Targets as prescribed in FRBM Act	Targets proposed in the Budget	Projections made in Five Year Fiscal plan/MTFP	
Revenue Deficit(-)/Surplus(+) (*₹ in crore*)	0.00	0.00	1012.64	1178.91	868.48
Fiscal Deficit/GSDP (in *per cent*)	3.00	3.00	3.00	3.00	0.43
Ratio of total outstanding debt of the Government to GSDP (in *per cent*)	58.80	29.90	29.90	29.85	29.36

Source: Information furnished by FRED.

1.3.1 Migration to New Pension Scheme (NPS)

The Government of India (GOI) introduced (1 April 2004) a defined, contribution based NPS to cover all new entrants to Government service. The interim Pension Fund Regulatory and Development Authority (PFRDA) was established by the GOI (October 2003) to promote old age income security by establishing, developing and regulating pension funds and to protect the interest of subscribers subscribing to the scheme of pension funds. PFRDA being the regulator for the NPS had been authorised by the GOI to appoint/establish various intermediaries in the system, such as Central Record Keeping Agency (CRA), Pension Funds (PFs) Trust for the NPS, Custodian Banks, etc. PFRDA appointed National Securities Depository Limited (NSDL) as the CRA for a period of 10 years from 1 December 2007 for performing the functions of record keeping, accounting, administration and customer services for subscribers to the schemes of pension funds approved by PFRDA. Further, three pension fund managers, a custodian and a trustee bank had also been appointed.

Under the NPS, the option to join the new system was available to the State Governments. The NPS Architecture, evolved and worked out by the PFRDA was capable of accommodating the various State Governments' request to join the NPS, within the overall framework of the Pension Architecture as devised by the PFRDA.

Although the State Government decided on implementation of the NPS in May 2006, it formally conveyed its decision to participate in the NPS in October 2007 and after a lapse of five year and seven months, the State Government finally drew an agreement with the CRA (NSDL) on 11 November 2011.

State Government employees recruited with effect from 1 April 2006 are eligible for the New Pension Scheme, which is a defined contributory pension scheme. In terms of the Scheme, the employee contributes 10 *per cent* of basic pay and dearness allowance, which is matched by the State Government, and the entire amount, is transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. The actual amount payable by employees and the matching Government contribution had not been estimated. During the year, the Government of Sikkim deposited ₹ 29.47 crore under Major Head 8342-117-Defined Contribution Pension scheme (employees' contribution of ₹ 14.61 crore, matching Government contribution of ₹ 14.61 crore and ₹ 0.25 crore towards interest payment) and transferred an amount of ₹ 36.42 crore part of which pertained to previous year to NSDL/Trustee Bank. ₹ 30.03 crore contributed under the scheme in earlier years remained to be transferred to NSDL/Trustee Bank as on 31 March 2014. Uncollected, unmatched and non-transferred amounts, with accrued interest, represent outstanding liabilities under the scheme.

1.3.2 Power Sector-Financial support by the State Government

No financial support had been extended during the year by Government of Sikkim to the Sikkim Power Development Corporation Limited, being the only PSU under power sector.

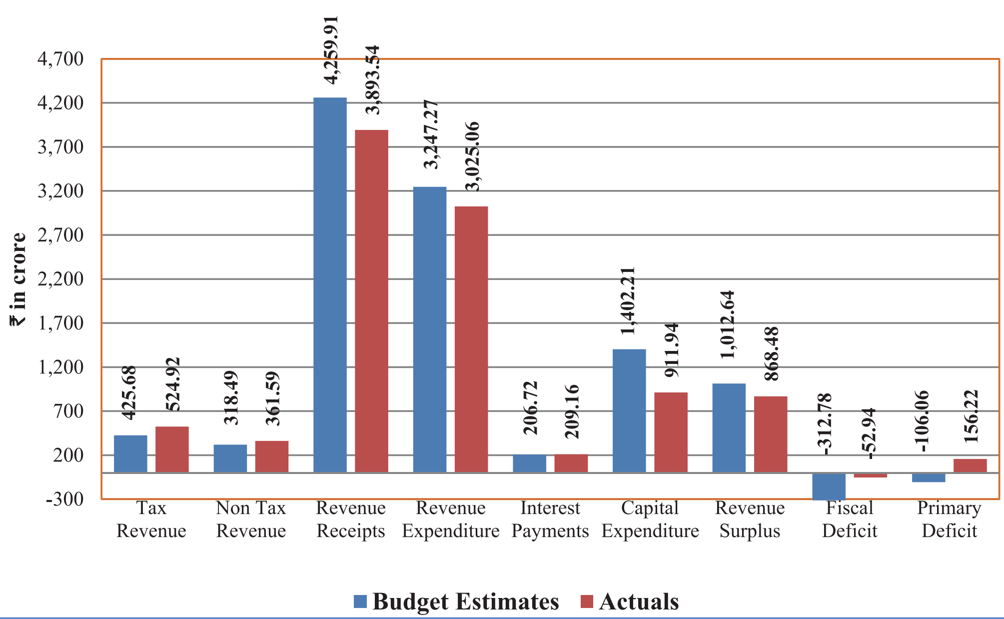
1.4 Budget 2013-14

1.4.1 Actuals vis-à-vis budget estimates

Budget papers presented by the State Government provide estimation of revenue and expenditure for a particular fiscal year. The importance of accuracy in estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from budget estimates are indicative of non-attainment and non-optimisation of desired fiscal objectives.

Chart 1.1 presents the budget estimates and actuals of some important fiscal parameters for the year 2013-14.

Chart 1.1: Selected fiscal parameters: Budget estimates vis-a-vis actuals in 2013-14



Source: Finance Accounts. Estimate of receipts and Demand Book.

The Tax Revenue exceeded the budget provision by 23.31 *per cent* (₹ 99.24 crore). Non-tax revenue exceeded the budget provision by 13.53 *per cent* (₹ 43.10 crore). Revenue receipts was lower than budget provision by 8.60 *per cent* (₹ 366.37 crore) and Revenue expenditure was also lower than budget provision by 6.84 *per cent* (₹ 222.21 crore). Further, the Revenue Surplus was 14.24 *per cent* lower than the projection in the budget estimate. Capital Expenditure was less than the budget estimate by 30.65 *per cent*.

Sikkim's own tax revenue increased by 20.54 *per cent* from ₹ 435.48 crore in 2012-13 to ₹ 524.92 crore in 2013-14. The revenue from sales tax contributed the major share of tax revenue (54.55 *per cent*) which increased by ₹ 59.25 crore. State Excise duty increased by ₹ 9.52 crore. However, there was decrease in Land Revenue by ₹ 2.27 crore.

The Non-tax revenue which constituted 9.29 *per cent* of total revenue receipts, had increased by ₹ 59.59 crore from ₹ 302 crore in 2012-13 to ₹ 361.59 crore in 2013-14 and was higher than the budget projection by ₹ 43.10 crore (13.53 *per cent*). The main components which resulted in noticeable increase were Interest Receipts (₹ 21.02 crore), Power (₹ 16.03 crore), and Road Transport (₹ 5.08 crore). However, there was decrease in some of the components of Non-tax revenue like Miscellaneous General Services (₹ 57.42 crore) and Police (₹ 8.09 crore).

The State's share of Union taxes and duties stood at ₹ 762.62 crore, an increase of ₹ 64.14 crore over the previous year due to increase in the State's share in Corporation Tax by ₹ 5.57 crore, ₹ 18.67 crore in Taxes on Income other than Corporation Tax, ₹ 8.36 crore in Customs, ₹ 9.01 crore on Union Excise duties and Service Tax by ₹ 22.26 crore and ₹ 0.27 crore in Share of net proceeds on Wealth Tax.

Grants-in-aid from Centre to the State, a discretionary component of Central transfers, is considered an integral element of the revenue receipts of the State, which has an impact on the consolidated revenue deficit of the State. The grants-in-aid increased by ₹ 392.01 crore (21.16 *per cent*) from ₹ 1,852.40 crore in 2012-13 to ₹ 2,244.41 crore in 2013-14. The increase in components were State Plan Schemes (₹ 458.00 crore), Grants for Centrally Sponsored Plan Schemes (₹ 43.51 crore) and Grants for Special Plan Schemes (₹ 8.45 crore) offset by decrease in the component of Non Plan Grants (₹ 117.11 crore) and Central Plan Schemes (₹ 0.84 crore).

Revenue expenditure increased by ₹ 517.67 crore (20.65 *per cent*) over the previous year due to increase in General Services (₹ 154.22 crore), Economic Services (₹ 22.09 crore), Social Services (₹ 328.89 crore) and Grants-in-aid (₹ 12.47 crore).

Capital expenditure assumes importance as it has a lasting impact on growth as compared to revenue expenditure. If spent efficiently, it also ensures a more productive economy and enhances the Government's net worth arising from augmented revenues. During 2013-14, the Capital expenditure of the State was ₹ 911.94 crore and there was increase of ₹ 69.35 crore in capital outlay in 2013-14 as compared to previous year which was due to increase in General Services (₹ 86.21 crore) and in Economic service (₹ 8.39 crore) which was offset by decrease in Social service (₹ 25.01 crore). Major components of increase in General Service were outlay on Public Works (₹ 78.20 crore) and Police (₹ 8.02 crore). The main components of increase in Economic Services were Power (₹ 22.59 crore) and Agriculture and Allied Activities (₹ 3.04 crore). The major component of decrease under Social Services was Health and Family Welfare (₹ 7.91 crore) and Education, Sports, Art and Culture (₹ 12.39 crore).

1.4.2 Proposals for increasing the State's revenue receipts and reducing the revenue expenditure

The State Government issued an Office Memorandum dated 25 June 2012 containing various austerity measures in order to curtail expenditure and raise revenue in the State and empowered the 'Austerity Committee' to monitor the implementation of the austerity measures and recommend relaxation of the provisions contained in the memorandum as and when necessary. The 'Austerity Committee' met only once in 2013-14 on 29 July 2013 and out of 81 proposals of various departments, approved only 31 proposals during the meeting.

1.4.3 Gender Budgeting

The Constitution of India has mandated equality for every citizen of the country as a fundamental right. The Government of India has made international commitments in (i) The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1980; (ii) World Conference on Human Rights in Vienna in 1993; (iii) International Conference on Population and Development (ICPD) in Cairo in 1994; (iv) Fourth World Conference of Women in Beijing in 1995 and (v) Commonwealth Plan of Action on Gender and Development in 1995 about the action to be taken for improvement in the life of women.

One of the tools that can be used to promote women's equality and empowerment is gender-responsive budgeting, or Gender Budgeting, as it is more commonly known in India.

Among others, Gender Budgeting serves in (i) identifying the felt needs of women and reprioritising and/or increasing expenditure to meet those needs; (ii) Supporting gender mainstreaming in macro-economics; (iii) Strengthening civil society participation in economics; (iv) Enhancing the linkages between economic and social policy outcomes; (v) Tracking public expenditure against gender and development policy commitments; and (vi) Contributing to the attainment of the Millennium Development Goals (MDGs).

Gender budgeting in Sikkim had not been fully evolved.

1.4.4 Policy initiatives of Budget 2013-14

For socio-economic and cultural development of Sikkim some policy initiatives were taken up in the Budget 2013-14. It was noticed that most of the initiatives taken up were not adequately followed up as detailed in **Appendix 1.4.**

1.5 Resources of the State

1.5.1 Resources of the State as per Finance Accounts

The progress of the Government's programmes depends on its resources and the quantum of resources in any particular financial year determines the expenditure threshold of the Government. The components and sub-components of the State's receipts have been categorised in **Chart 1.2.**

Chart 1.2: Components and sub-components of Resources

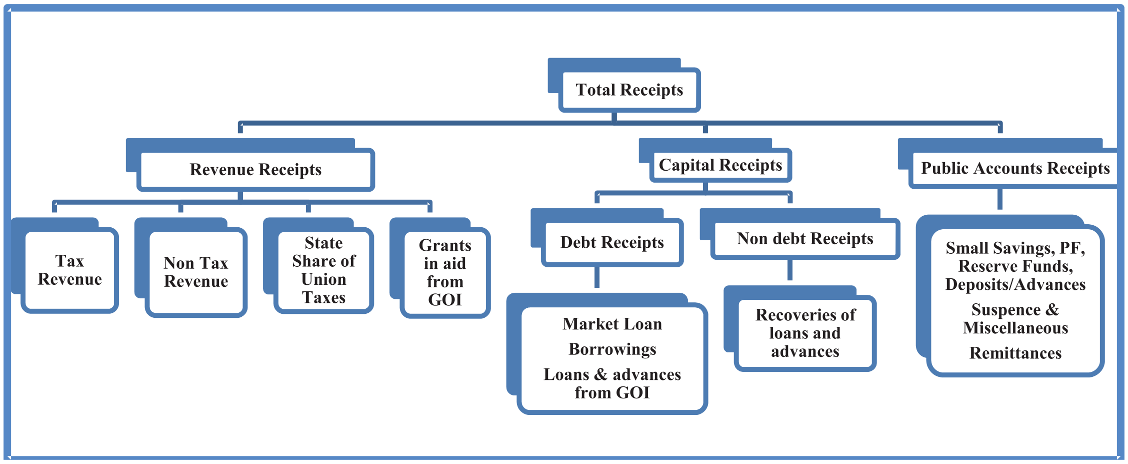
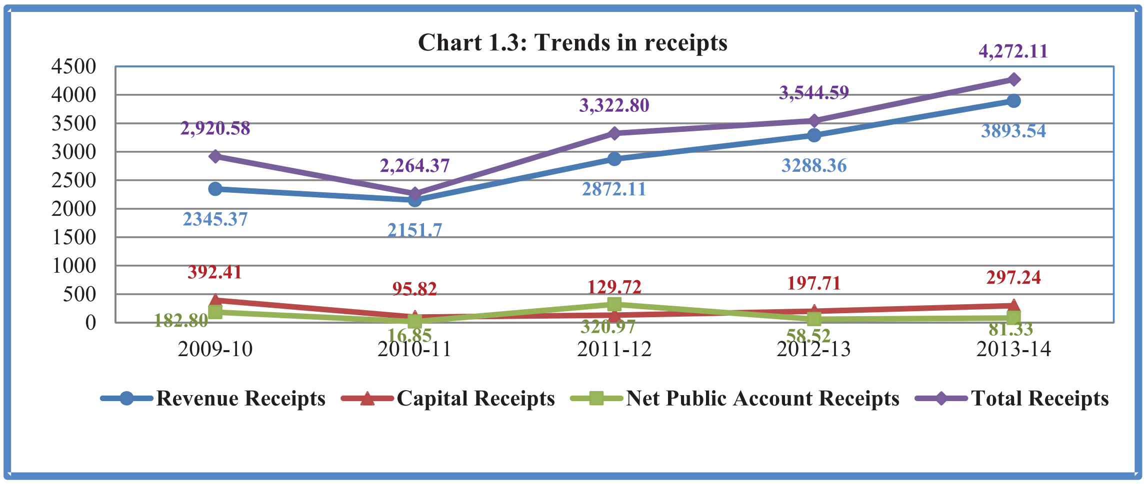
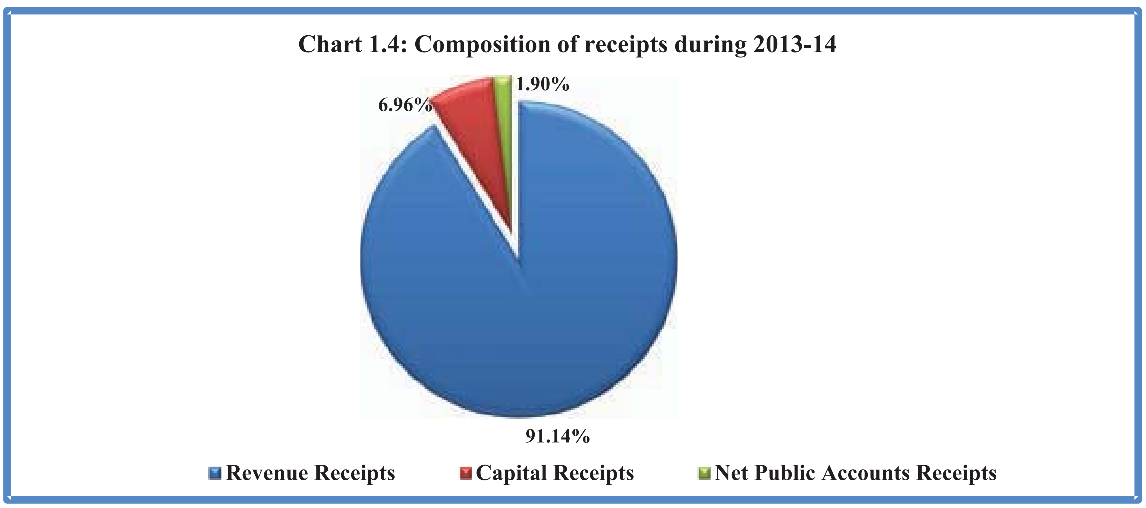


Chart 1.3 depicts the trends in components of receipts during 2009-14, while **Chart 1.4** depicts the composition of resources of the State during the current year.





Source: Finance Accounts.

Total receipts increased by 46.28 *per cent* from ₹ 2,920.58 crore in 2009-10 to ₹ 4,272.11 crore in 2013-14. Further, there was an increase of total receipts over the previous year by ₹ 727.52 crore (20.52 *per cent*).

The share of Revenue Receipts in total receipts, which was 92.77 *per cent* in 2012-13, slightly decreased to 91.14 *per cent* in 2013-14.

Capital receipts increased by 50.34 *per cent* from ₹ 197.71 crore in 2012-13 to ₹ 297.24 crore in 2013-14. Capital Receipts constituted 1.90 *per cent* of the total receipts in 2013-14. The debt receipts which mainly constituted Capital receipts increased by ₹ 99.51 crore from the previous year, its share was 99.69 *per cent* of capital receipts which was marginally higher by 0.15 *per cent* over the previous year (99.54 *per cent).*

Apart from debt receipts, capital receipts include non-debt receipts such as recovery of loans and advances. In the year 2013-14 Recovery of loans and advances increased by 2.22 *per cent* over previous year.

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money. Net Public Account receipts which totalled ₹ 182.80 crore in 2009-10 decreased to ₹ 81.33 crore in 2013-14 with growth of 38.98 *per cent* during the year compared to 2012-13. The details are shown in **Paragraph 1.6.7.**

1.5.2 Funds transferred by Central Government to the State implementing agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies (SIA)[10] for implementation of various schemes/programmes in social and economic sectors, which are recognised as critical. In the present mechanism, these funds are not routed through the State Budget/State Treasury System and hence do not find mention in the Finance Accounts of the State. As such, the Annual Finance Accounts of the State does not provide a complete picture of the total funds received in the State during 2013-14. Government of India transferred an approximate amount of ₹ 331.14 crore during 2013-14 directly to the SIAs for implementation of various schemes/programmes in social and economic sectors, recognised as critical, as against the transfer of ₹ 335.07 crore, ₹ 414.01 crore and ₹ 413.13 crore during 2010-11, 2011-12 and 2012-13 which was an increase of 23.56 *per cent* in 2011-12 and decrease of 0.21 *per cent* in 2012-13 and further decrease by 19.85 *per cent* in 2013-14. Details of funds released in respect of major Central plan schemes are furnished in the table below:

[10] *State Implementing Agencies include Organisations/Institutions including Non-Governmental Organisation which are authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State, for e.g., State Health Society for NRHM, etc.*

Table 1.4: Funds transferred directly to the State implementing agencies for major plan schemes

(₹ in crore)

Sl. No.	Programme/ Scheme	Implementing agency in the State	Funds released by GOI					Funds received by SIAs during 2013-14	Closing balance as on 31 March 2014
			2009-10	2010-11	2011-12	2012-13	2013-14		
1	Sarva Shiksha Abhiyan	Sarva Shiksa State Mission Authority	17.36	44.69	40.23	26.94	41.95	45.95	0.43
2	MG-NREGA	Rural Management & Development Department.	88.57	44.49	100.79	74.11	106.84	106.84	3.56
3	PMGSY	Sikkim Rural Roads Development Agency	21.80	79.38	80.00	193.62	1.97	1.97	1.36
4	National Rural Drinking Water Programme	State Water & Sanitation Mission (Rural Management and Development Department)	10.80	23.20	69.19	32.36	26.56	26.56	0.30
5	NRHM	State Health Society (Health care, Human Services & Family Welfare Department)	25.75	21.27	25.19	8.86	25.53	38.25	12.69
6	MPLAD Scheme	Land Revenue and Disaster Management Department	3.00	4.00	10.00	10.00	10.00	10.00	6.48
7	National River Conservation Plan	Water Security and Public Health Engineering Department	00	31.56	9.30	5.86	15.00	15.00	8.70
8	National Bamboo Mission	Horticulture & Cash Crop Development Department	00	3.33	3.50	1.5	2.80	2.80	0.57
9	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Human Resource Development Department	2.30	4.27	6.92	0.25	8.63	8.63	6.90
		Total	**169.58**	**256.19**	**345.12**	**353.50**	**239.28**	**256.00**	**40.99**

Source: Central Plan Scheme monitoring system portal in 'Controller General of Accounts' website and information from State Government departments.

Above table shows that an amount of ₹ 256.00 crore (77.31 *per cent* of the total funds transferred) was given for (i) Pradhan Mantri Gram Sadak Yojana (0.59 *per cent*), (ii) Mahatma Gandhi National Rural Employment Guarantee programme (32.26 *per cent*), (iii) National Rural Health Mission (11.55 *per cent*), (iv) National Rural Drinking Water Programme (8.02 *per cent*), (v) National River Conservation Plan (4.53 *per cent*) (vi) Member of Parliament Local Area Development Scheme (3.02 *per cent*), (vii) Sarva Shiksha Abhiyan (13.88 *per cent*) (viii) Rashtriya Madhyamik Shiksha Abhiyan (2.61 *per cent*) and (ix) National Bamboo Mission (0.85 *per cent*) during 2013-14. With transfer of an approximate amount of ₹ 331.14 crore directly by GOI to Implementing Agencies, the total availability of State resources during 2013-14 had increased from ₹ 4,272.11 crore[11] to ₹ 4,603.25 crore.

To present a holistic picture on availability of aggregate resources, funds directly transferred to SIAs are presented in **Appendix 1.5.** There was no single agency monitoring the funds

[11] *After taking the net of Public Account Receipts.*

directly transferred by the GOI and there was no readily available data on how much was actually spent in any particular year on major flagship schemes and other important schemes being implemented by the SIAs and funded directly by the GOI.

An analysis of two such schemes i.e., National River Conservation Plan and National Bamboo Mission (NBM) are indicated below:

National River Conservation Plan

The river cleaning programme of the Ministry of Environment and Forests was started with the launching of Ganga Action Plan (GAP). The objective was to improve and conserve the water quality of river Ganga, which is the major fresh water source in the country through the implementation of pollution abatement scheme(s).

The Ganga Action Plan was later expanded to cover other rivers of the country under National River Conservation Plan (NRCP) in the year 1995. The NRCP programme presently covers polluted stretches of 40 rivers in 121 towns spread over 18 States.

The National River Conservation Plan (NCRP), a Centrally Sponsored Scheme on a cost sharing basis between the Centre and State Government (90:10 *per cent*) is being implemented by the Water Security and Public Health Engineering Department.

Gangtok, the Capital town of Sikkim has been considered to be brought under the purview of the river cleaning programme and has been identified as major source of creating pollution to its local stream i.e., river Rani Chu which ultimately discharges in to river Teesta. Zone IV of Gangtok Town (Burtuk, Bhojogari, Sichey, Lower Sichey, Swastik, Helipad area, Baluakhani, Penlong which can be connected to STP at Lower Sichey along River Rani Khola) is selected for implementation of sewerage system and treatment of municipal sewage at a total cost of ₹ 76.92 crore on cost sharing of 90:10 between the Centre and State Government and funds were directly released to implementing agency without routing through the State budget.

As seen from the records as of September 2014, the Central Government released ₹ 61.72 crore which include ₹ 15 crore released during 2013-14 and total expenditure was ₹ 54.92 crore.

Test check of the records for the period 2013-14 revealed the following:

- The State Government managed to release only ₹ 1.40 crore out of the required share of ₹ 6.17 crore.
- Pollution abatement Project for Zone IV at Gangtok, Sikkim under NCRP for conservation of River Rani Chu revealed that the scheme was to be implemented over a period of 36 months from 2010-11. However, till September 2014 as seen from the latest progress report, the scheme was not completed. Thus, the intended objective of the projects for abatement of pollution of local rivers in Sikkim could not be achieved.
- An amount of ₹ 0.59 crore was diverted to some other works/activities defying the objective of the project and depriving beneficiaries of Zone IV of the intended benefits.

- The Department ordered various stock and non-stock materials for use in sewerage works under NRCP. As seen from the supply order, the rate of the materials were 'FOR Destination', but the Department instead made an extra payment of ₹ 6.15 lakh for transportation of these materials which resulted in undue favour to suppliers.
- As per rule, the Department is required to deduct 15 *per cent* void in case of procurement of Stones. Due to non-deduction of void, the Department suffered a loss of ₹ 0.57 lakh.

National Bamboo Mission (NBM)

The National Bamboo Mission (NBM) was launched by the Department of Agriculture and Co-operation, Ministry of Agriculture, GOI in the year 2006-07 with the objective of progressively increasing yield of bamboo by enhancing coverage of area under bamboo cultivation. The ultimate objective of the NBM was to improve the economic condition of the rural people and also provide job security to those involved in bamboo based industries like furniture, handicrafts, household items, mates, boards, corrugated roofs, construction substitute for wood and metal etc. Bamboo is a very fast growing plant which starts to yield usable raw material within four to five years of planting. Thus, after maximum five years of planting, raw bamboo becomes available for all types of commercial use.

For implementation of the programme in Sikkim, a Mission Director was appointed under the Horticulture & Cash Crop Development Department (HCCDD) which functioned as the Nodal Department for NBM. The NBM programme in Non-forest areas was implemented by the HCCDD. In Forest areas, the Scheme was implemented under the aegis of the Forest, Environment and Wildlife Management Department by a Conservator of Forests, who acted as a Project Director for overseeing implementation of the NBM in the State's Forests. In the forest area of every district, the Forest Development Agencies (FDAs) were to take lead in carrying out activities of the National Bamboo Mission. During 2009-2014 the Department received ₹ 11.13 crore and incurred an expenditure of ₹ 10.56 crore leaving a balance of ₹ 0.57 crore as of March 2014.

- An amount of ₹ 22.50 lakh was paid as advances for training of farmers, TA etc. However, the advance was shown as final expenditure.
- The NBM guidelines envisaged construction of suitable warehouses near the forest areas for storage of bamboo crop after it is harvested. The harvested crop was also to be treated appropriately to enhance durability. Introduction of new designs and mechanisation of bamboo based crafts, introduction of grading systems of round and primary processed bamboo, introduction of preservative methods, conversion of niche bamboo handicraft products into mass products, introduction of utility handicrafts through industrialised means, setting up of bamboo wholesale and retail markets near villages, marketing through bamboo festivals, melas, expos, craft bazaars, bamboo markets and introduction of effective electronic information flow system were other essential activities required to be carried out for promotion, popularisation and sale of bamboo and bamboo based products to benefit all stake holders involved in the bamboo sector. However, records provided to audit did not show any plan and action

undertaken towards post-harvest collection, preservation-cum-storage, processing and marketing of bamboo crop and bamboo based products. Records also did not indicate any assessment and evaluation done to ascertain the fate of raw bamboo crop planted during 2006-07 to 2010-11. This defeated the primary objective of the NBM targeted to provide stable and regular farm income to the inhabitants residing near forest fringe areas besides failing to provide employment and livelihood security to artisans, skilled labourers and others associated with the bamboo sector as envisaged in the objectives of the NBM scheme.

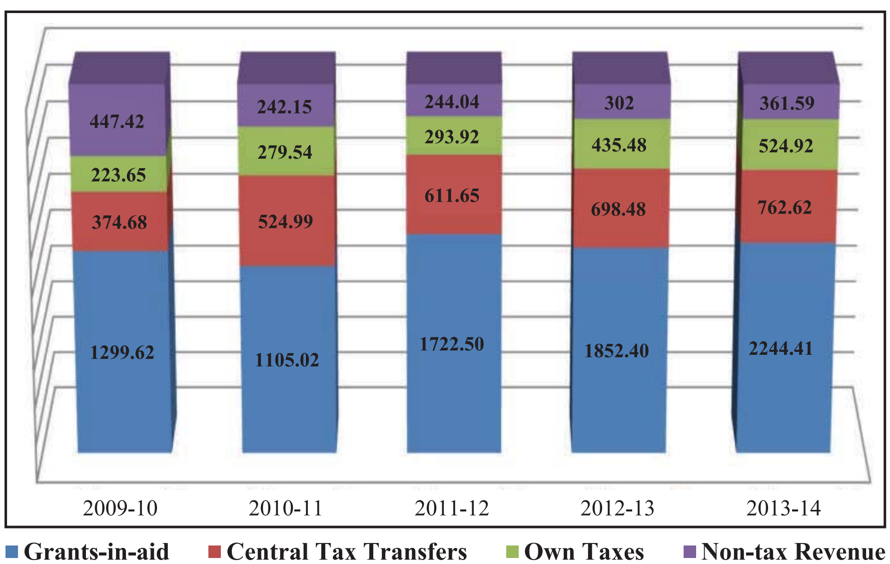
1.6 Revenue Receipts

The trends and composition of revenue receipts over the period 2009-14 are presented in **Appendix 1.6** and are also depicted in **Charts 1.5** and **1.6** respectively.

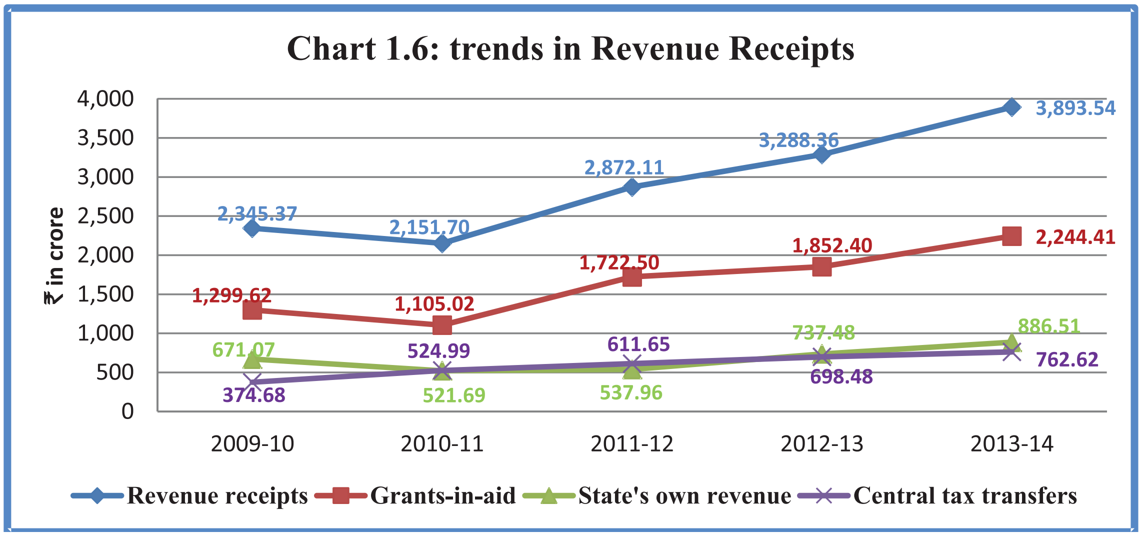
Revenue receipts showed progressive increase from ₹ 2,345.37 crore in 2009-10 to ₹ 3,893.54 crore in 2013-14.The revenue receipts increased by ₹ 605.18 crore (18.40 *per cent*) over the previous year. The State’s own resources, both tax and non-tax revenue contributed 22.77 *per cent* (₹ 886.51 crore) in the revenue receipts of the State during 2013-14. The balance was transferred from Government of India in the form of State’s share of taxes and grants-in-aid contributions.

State’s own resources consist of tax revenue and non-tax revenue. The share of tax revenue in revenue receipts was 13.48 *per cent* (₹ 524.92 crore) and non-tax revenue was 9.29 *per cent* (₹ 361.59 crore) during the year. Both tax revenue and non-tax revenue showed increase in 2013-14 compared to previous year.

Chart 1.5: The Composition of Revenue Receipts during 2009-14 (₹ in crore)



Source: Finance Accounts.



Source: Finance Accounts

The trends in revenue receipts relative to GSDP are presented in **Table 1.5.**

Table 1.5: Trends in revenue receipts relative to GSDP

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue receipts (RR) (₹ in crore)	2,345.37	2,151.70	2,872.11	3,288.36	3,893.54
GSDP (₹ in crore)	6,132.76	7,411.57	8,906.23	10,472.60	12,376.69
Rate of growth of GSDP (*per cent*)	89.92	20.85	20.17	17.58	18.18
Rate of Growth of RR (*per cent*)	33.40	(-) 8.26	33.48	14.49	18.40
Rate of Growth of State's own tax (*per cent*)	12.28	24.99	5.14	48.16	20.54
RR/GSDP (*per cent*)	38.24	29.03	32.25	31.40	31.46
Buoyancy ratios[12]					
Revenue buoyancy wrt GSDP	0.37	(-) 0.40	1.66	0.82	1.01
State's own tax buoyancy wrt GSDP	0.14	1.20	0.25	2.74	1.13
Revenue buoyancy wrt State's own taxes	2.72	(-) 0.33	6.51	0.30	0.90

Source: Finance Accounts.

The rate of growth of revenue receipts during 2013-14 over the previous year was 18.40 *per cent*. Revenue buoyancy, which was lowest during 2010-11, increased to 1.66 *per cent* in 2011-12 but decreased to 1.01 *per cent* in 2013-14.

1.6.1. State's own resources

As the State's share in Central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of Central tax receipts and Central assistance for plan schemes, etc., the State's performance in mobilisation of additional resources should be assessed in terms of revenue from its own tax and non-tax sources.

The State's actual tax and non-tax receipts for the year 2013-14 vis-à-vis assessment made by XIII FC (2011-14) are given in **Table 1.6.**

[12] *Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.7 implies that revenue receipts tend to increase by 0.7 percentage points, if the GSDP increases by one per cent.*

Table 1.6: XIII FC recommendations vis-à-vis the actuals

(₹ in crore)

	XIII FC projection	Budget estimates	Actuals
Tax Revenue	284.40	425.68	524.92
Non-Tax Revenue	503.48	318.48	361.59

The State exceeded the target set by XIII FC in respect of Tax Revenue by ₹ 240.52 crore but fell short of target in respect of Non-Tax Revenue by ₹ 141.89 crore in the current year. Further, the State succeeded in achieving the target set as per budget estimates in respect of both tax revenue and non-tax revenue which was higher by ₹ 99.24 crore and ₹ 43.11 crore respectively than the budget estimate during the year.

Tax Revenue

The main sources of State's tax revenue was Taxes on sales, trade, etc. with a contribution of 7.35 *per cent* in Revenue Receipts of the State followed by State excise (3.10 *per cent*), Taxes on vehicles (0.48 *per cent)*, Stamps and Registration Fees (0.17 *per cent*), Land Revenue (0.09 *per cent*) and Taxes on Income other than corporation Tax (0.36 *per cent*). The trends in the major constituents of tax revenue during the period 2009-14 are shown in **Table 1.7**.

Table 1.7: Tax Revenue

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Taxes on sales, trade, etc.	121.07 (19.71)	142.74 (17.90)	124.19 (-13.00)	227.08 (82.85)	286.33 (26.09)
State Excise	57.27 (23.24)	70.64 (23.35)	96.26 (36.27)	111.12 (15.44)	120.64 (8.57)
Stamps and registration fees	4.48 (2.99)	5.70 (27.23)	8.27 (45.09)	5.35 (-35.31)	6.46 (20.75)
Taxes on vehicles	7.88 (13.54)	10.66 (35.28)	16.56 (55.35)	16.38 (-1.09)	18.52 (13.06)
Land Revenue	2.71 (38.97)	7.33 (170.48)	4.61 (-37.11)	5.66 (22.78)	3.39 (-40.11)
Taxes on goods and passengers	0.00	0.00	0.00	0.00	0.00
Other taxes	30.24 (-21.13)	42.47 (40.44)	44.03 (3.67)	69.89 (58.73)	89.58 (28.17)

Source: Finance Accounts. Figures in brackets indicate rate of growth in per cent.

The rate of growth of taxes on sales, trade, etc., during 2013-14 was 26.09 *per cent* (₹ 59.25 crore) due to increase in receipts under State Sales Tax and Trade Tax (SVAT) as compared to previous year. The growth rate of State Excise was 8.57 *per cent* (₹ 9.52 crore) due to increase in collection pertaining to foreign liquors & spirits and medicinal & toilet preparations containing alcohol, opium, etc.

Land Revenue had decreased by 40.11 *per cent* due to decrease in collection of other receipts of Land Revenue.

Non-tax revenue

During 2009-14, on an average, interest receipts contributed 1.30 *per cent* in the total receipts of the State. Similarly, dividends and profits contributed 0.03 *per cent* and the rest (8.73 *per cent*) came from other non-tax receipts.

Table 1.8: Composition of non-tax revenue

(₹ in crore)

Revenue Head	2009-10	2010-11	2011-12	2012-13	2013-14
Interest Receipts	44.18 (1.51)	28.14 (1.24)	29.39 (0.88)	46.00 (1.30)	67.02 (1.57)
Dividends and Profits	0.46 (0.02)	2.37 (0.10)	0.00 (0.00)	1.53 (0.04)	0.55 (0.01)
Other non-tax receipts	402.78 (13.79)	211.64 (9.35)	214.65 (6.46)	254.47 (7.18)	294.02 (6.88)
Total	**447.42**	**242.15**	**244.04**	**302.00**	**361.59**

Source: Finance Accounts. Figures in brackets indicate percentage to total receipts.

During 2010-11, the non-tax revenue decreased by ₹ 205.27 crore (45.88 *per cent*). However, during 2011-12 it increased by ₹ 1.89 crore (0.78 *per cent*) and further increased by ₹ 57.96 crore (23.75 *per cent*) and ₹ 59.59 crore (19.73 *per cent*) during 2012-13 and 2013-14 respectively.

Out of total non-tax revenue of ₹ 361.59 crore ₹ 14.61 crore represent write off of Central Loans under Central Plan Schemes and Centrally Sponsored Schemes advanced as per the recommendations of XIII FC.

The ratio of non-tax revenue to non-plan revenue expenditure is considered as an indicator of cost recovery from socio-economic services. The details of recovery of current cost as ratio of non-tax revenue receipts to non-plan revenue expenditure in respect of Education, Health & Family Welfare, Water Supply & Sanitation and Irrigation during 2013-14 are given in **Table 1.9.**

Table 1.9: Cost recovery from socio-economic services

(₹ in crore)

Service	Non-tax revenue receipts (NTR)	Non-plan revenue expenditure (NPRE)	Cost recovery (ratio of NTR/NPRE in *per cent*)
Education, Sports, Art and Culture	1.38	399.59	0.35
Health and Family Welfare	2.19	87.20	2.51
Water supply and sanitation	3.17	12.54	25.28
Irrigation	0.22	2.29	9.61

Source: Finance Accounts.

Cost recovery in respect of Education, Sports, Art and Culture during the year was 0.35 *per cent* being the lowest and the highest was 25.28 *per cent* pertaining to Water Supply and Sanitation. In respect of Health and Family Welfare and Irrigation the cost recovery remained at 2.51 and 9.61 *per cent* respectively.

1.6.2 Grants-in-aid from GOI

Grants-in-aid from GOI increased from ₹ 1,852.40 crore in 2012-13 to ₹ 2,244.41 crore in 2013-14 as shown in **Table 1.10.**

Table 1.10: Grants in aid from GOI

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	28.79	121.32	345.74	265.37	148.26
Grants for State Plan Schemes	1,026.19	799.88	1,145.02	1,345.21	1803.20
Grants for Central Plan Schemes	4.63	5.30	3.56	1.03	0.20
Grants for Centrally Sponsored Plan Schemes	187.14	146.08	168.53	189.66	233.17
Grants for Special Plan Schemes (NEC)	52.87	32.44	59.65	51.13	59.58
Total	**1,299.62**	**1,105.02**	**1,722.50**	**1,852.40**	**2,244.41**

Source: Finance Accounts.

The GOI Grants increased by ₹ 392.01 crore during 2013-14 over the previous year due to increase in State Plan Schemes (₹ 457.99 crore), Grants for Centrally Sponsored Plan Schemes (CSS) (₹ 43.51 crore) and Grants for Special Plan Schemes (₹ 8.45 crore). However, there was decline of ₹ 117.11 crore in Non-Plan Grants and ₹ 0.83 crore in Grants for Central Plan Schemes.

During 2013-14, Grants-in-aid included Plan Grants amounting to ₹ 30.69 crore under XIII Finance Commission (XIII FC) out of which ₹ 7.60 crore was towards Environment related Grant (Forest), ₹ 0.55 crore for incentives for issuing Unique Identifications (UIDS) and ₹ 22.54 crore as State's Specific Grants.

1.6.3 Central tax transfers

There was an increase in the State's Share of Union taxes and duties in all components as compared to the previous year, viz., Corporation Tax of ₹ 5.57 crore (2.22 *per cent*), Taxes on Income other than Corporation Tax of ₹ 18.67 crore(12.43 *per cent*), Customs of ₹ 8.36 crore (7.20 *per cent*), Union Excise duties of ₹ 9.01 crore (11.43 *per cent*), Service Tax of ₹ 22.26 crore (21.80 *per cent*) and ₹ 0.27 crore (62.79 *per cent*) in Taxes on wealth.

Table 1.11: Central Tax transfers

(₹ in crore)

Share of net proceeds of Taxes	2012-13	2013-14
Share of net proceeds on Corporation Tax	250.87	256.44
Share of net proceeds on Taxes on Income other than Corporation Tax	150.19	168.86
Share of net proceeds on Wealth Tax	0.43	0.70
Share of net proceeds on Customs	116.05	124.41
Share of net proceeds on Union Excise Duties	78.86	87.87
Share of net proceeds on Service Tax	102.08	124.34
Total	**698.48**	**762.62**

1.6.4 Debt waiver under the debt consolidation and relief facilities

The 12th Finance Commission, on the condition of enactment of the FRBM Act in the State, recommended benefits of interest relief on National Small Savings Fund and Central loans not consolidated during 2005-10. The loans availed of under the Centrally Sponsored

Schemes/Central Plan Schemes through the Ministries, other than the Ministry of Finance, which remained outstanding at the end of 2009-10 to the tune of ₹ 44.65 crore (₹ 33.96 crore as interest repayment and ₹ 10.69 crore as principal repayment) were to be written off.

Since Sikkim did not enact the FRBM Act, it could not get the benefit of consolidation of loans during the award period of 12th Finance Commission. However, the 13th Finance Commission recommended that this facility be extended during 13th Finance Commission award period (2010-11 to 2014-15) on the condition that the State put in place the FRBM Act. On meeting this condition, the loans contracted by Sikkim till 31 March 2004 and outstanding at the end of the year preceding the year of legislation of such Act, shall be consolidated as per the same terms and conditions as recommended by the 12th Finance Commission. The State enacted the FRBM Act in September 2010 and could get the total benefit of ₹ 15.23 crore. Further central loans of ₹ 14.61 crore had been written off during 2013-14 under Central Plan Schemes and Centrally Sponsored Schemes advanced to the State Government other than Ministry of Finance, Government of India as per the recommendation of XIIIFC.

1.6.5 Optimisation of XIIIFC grants

The Commission had recommended ₹ 293.28 crore as transfer to the State in the areas indicated in the **Table-1.12** below during the period 2011-12 to 2013-14:

Table 1.12: Funds received from GOI

(₹ in crore)

Sl. No.	Transfer	Total Grant recommended by XIII FC for 5 years (2010-11 to 2014-15)	Recommendation of FC for three years 2011-12 to 2013-14(3years)	Actual release by FC during 2011-12 to 2013-14 (3 years)	Expenditure under relevant revenue heads of account till 2013-14 (3 years)	Unutilised amount as of 31st March 2014
1	Local Bodies					
	(i) General Basic Grant					
	(a) PRI	120.71	70.80	68.95	68.95	0.00
	(b) ULB	1.69	1.00	0.27	0.27	0.00
	(ii) General Performance Grant					
	(a) PRI	63.90	41.61	4.50	4.50	0.00
	(b) ULB	0.90	0.59	0.05	0.05	0.00
2	Disaster Relief					
	(i) Central Share (90%)	113.14	67.77	78.01	74.39	3.62
	(ii) State Share	12.56	7.53	7.53	7.17	0.36
	(iii) Capacity Building for disaster response	5.00	3.00	3.00	2.28	0.72
3	Elementary Education	5.00	3.00	1.00	1.00	0.00
4	Improving Outcome grants					
	(i) Improvement in Justice Delivery	21.80	13.07	0.56	4.27	0.00
	(ii) Incentives for issuing UIDS	1.10	0.66	0.55	0.44	0.11
	(iii)District Innovation Fund	4.00	4.00	2.00	1.84	0.16
	(iv) Statistical system Improvement	4.00	2.40	1.60	1.60	0.00
	(v)Employee and Pension data base	5.00	2.50	2.50	2.50	0.00
5	Environment related Grant					
	(i) Forest	40.56	25.35	22.82	22.79	0.03
	(ii) Water Sector Management Irrigation)	4.00	3.00	0.00	0.23	0.00
6	Maintenance of Roads & Bridges	68.00	47.00	47.00	46.90	0.10
	Total	**471.36**	**293.28**	**240.34**	**239.18**	**5.10**

**** Expenditure under Sl.No 4 (i) incurred during the year 2013-14 out of the saving available during 2010-11.***

Source: Departmental figures.

Similarly, Commission had recommended ₹ 300 crore of State Specific Grant as transfer to the State in the areas indicated in **Table 1.13** during the period 2011-12 to 2013-14.

Table 1.13: Grants received from GOI for the Specific areas (State Specific Grant)

(₹ in crore)

Sl. No.	Transfer	Recommendation of FC for the years 2011-12 to 2013-14	Recommendation of FC for 2013-14	Actual release by FC during 2011-12 to 2013-14	Expenditure under relevant revenue heads of account during 2011-12 to 2013-14	Expenditure under relevant revenue heads of account 2013-14	Unutilised amount as on 31st March 2014
1	2	3	4	5	6	7	8
1	Sky Walk at Bhaley Dhunga	150.00	50.00	50.00	0.29	0.64	49.71
2	Development of Village Tourism	60.00	20.00	20.00	1.97	17.97	18.03
3	Repair and Renovation						
	(i). Suspension Bridges (North Sikkim)	26.25	8.75	17.50	16.57	8.65	0.93
	(ii). Upgradation of Namchi water Supply and overhauling of Changay source for Gyalshing and Rapdentse Water Supply	15.00	5.00	19.99	17.99	3.33	2.00
4	Police Training and Infrastructure						
	(i). Police Training Centre at Yangyang	7.50	2.50	7.40	4.95	2.46	2.45
	(ii). Residential & Non - residential building for Police Force	11.25	3.75	11.00	6.15	1.58	4.85
5	Border Area Development						
	(i). Additional storage facilities for essential commodities	4.50	1.50	1.58	0.43	0.47	1.15
	(ii). Reinforcement of existing security infrastructure new checkpost, improving road, security equipments etc.	11.25	3.75	7.95	6.15	3.28	1.80
6	Establishment of State Capacity Building Institute at Burtuk	7.50	2.50	2.00	1.65	1.95	0.35
7	Conservation of Heritage and Culture	6.75	2.25	5.84	1.50	2.31	4.34
	Total	**300.00**	**100.00**	**143.26**	**57.65**	**42.64**	**85.61**

As shown in the above two tables, the State Government as of March 2014 had received grants aggregating ₹ 383.60 crore (State Specific Grant of ₹ 143.26 crore and normal grants ₹ 240.34 crore) as against recommendation of ₹ 436.54 crore (State Specific Grant of ₹ 143.26 crore and normal grants ₹ 293.28 crore) leaving a balance of ₹ 52.94 crore. The balance of ₹ 52.94 crore pertaining to General Basic Grant (PRI - ₹ 1.85 crore and ULB - ₹ 0.73 crore), General Performance Grant (PRI - ₹ 37.11 crore and ULB - ₹ 0.54 crore), Elementary Education - ₹ 2 crore, Improvement Outcome Grant (Improvement in Justice Delivery ₹ 12.51 crore, Incentives for issuing UIDS - ₹ 0.11 crore, District innovation fund - ₹ 2 crore and Statistical System Improvement - ₹ 0.80 crore), Water Sector Management under Environment Related Grant - ₹ 5.53 crore were not received. However, there was excess release of ₹ 10.24 lakh under Disaster Relief. An amount of ₹ 90.71 crore remained unutilised out of the FC releases upto the end of 2013-14.

1.6.6 Capital Receipts

Table 1.14: Trends in growth and composition of Capital Receipts

Sources of State's Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR) *(₹ in crore)*	392.41	95.82	129.72	197.71	297.24
Miscellaneous Capital Receipts *(₹ in crore)*	-	-	42.25	-	-
Recovery of Loans and Advances *(₹ in crore)*	0.30	0.79	0.03	0.90	0.92
Public Debt Receipts *(₹ in crore)*	392.11	95.03	87.44	196.81	296.32
Rate of Growth of non-debt capital receipts (*per cent*)	(-) 21.05	163.33	(-) 96.20	2900	2.22
Rate of Growth of CR (*per cent*)	16.15	(-) 75.58	35.38	52.41	50.34

The Capital Receipts showed fluctuating trends over the period recording lowest rate of growth in 2010-11 and highest during 2012-13. It increased by ₹ 99.53 crore in 2013-14 over the previous year. Public debt receipts recorded significant increase during current year. There was no Miscellaneous Capital Receipts over the period except in 2011-12 which was the result of disinvestment made by the Government.

1.6.7 Public Accounts Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc. which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

Table 1.15: Details of balances in Public Accounts

(₹ in crore)

Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
Public Account balances					
a. Small Savings, Provident Fund, etc.	411.76	510.25	578.80	624.15	685.64
b. Reserve Fund	151.37	172.15	254.22	246.00	313.15
c. Deposits and Advances	64.36	84.37	102.29	141.75	145.18
d. Suspense and Miscellaneous	175.22	77.51	115.31	157.34	99.03
e. Remittances	166.93	138.68	256.84	196.73	204.31
TOTAL	**969.64**	**982.96**	**1,307.46**	**1,365.97**	**1,447.31**

Source: Finance Accounts.

Public Account balances steadily increased from ₹ 969.64 crore in 2009-10 to ₹ 1,447.31 crore in 2013-14.

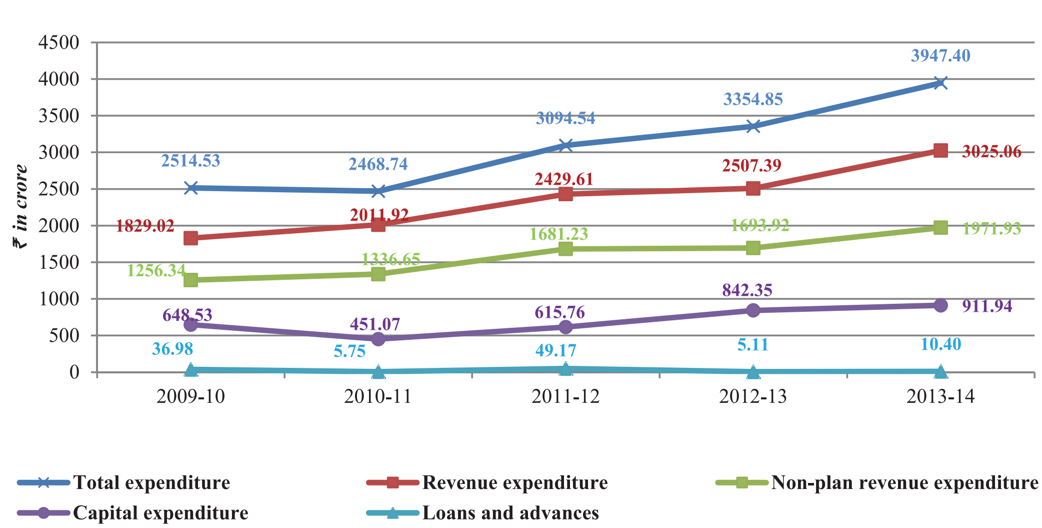
1.7 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance as it is an important aspect of fiscal policy to achieve developmental goals. Within the framework of fiscal responsibility legislation, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. At the same time, it is important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors**.**

1.7.1 Growth and composition of expenditure

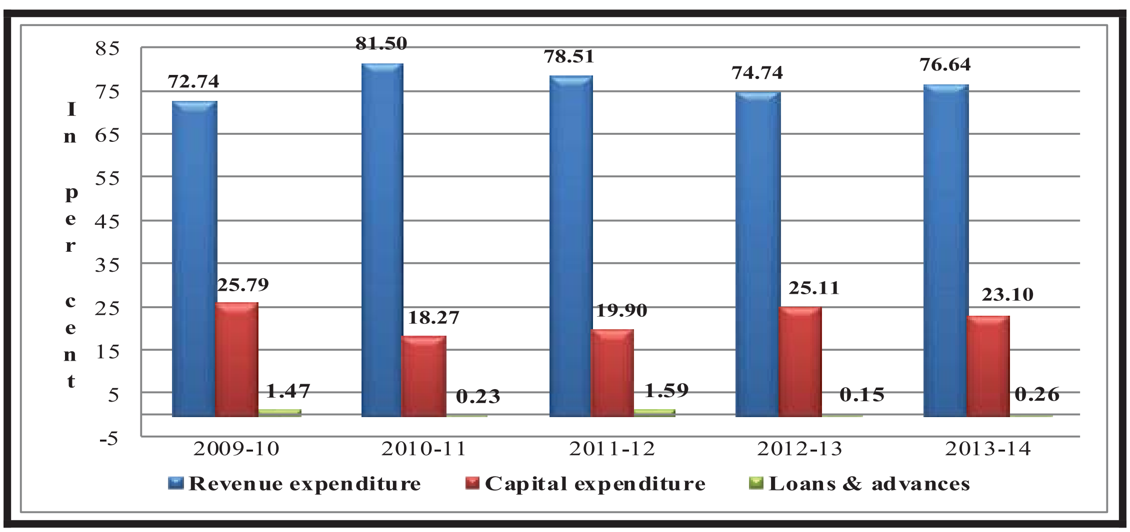
Chart 1.7 presents the trends in total expenditure under revenue, capital and loans and advances, while **Chart 1.8** exhibits the share of these components in total expenditure.

Chart 1.7: Total expenditure trends and compositions



Source: Finance Accounts.

Chart 1.8: Total expenditure: Trends in share of its components



Total expenditure increased by 59.98 *per cent* (₹ 1,432.87 crore) from ₹ 2,514.53 crore in 2009-10 to ₹ 3,947.40 crore in 2013-14 due to increase in revenue expenditure (₹ 1,196.04 crore) and Capital outlay (₹ 263.41 crore), partly offset by decrease in disbursement of loans and advances (₹ 26.58 crore).

During the period 2009-14, on an average, 77 *per cent* of the total expenditure was revenue expenditure. The share of revenue expenditure in the total expenditure increased from 73 *per cent* during 2009-10 to 81.50 *per cent* during 2010-11 and slightly declined to 78.51 *per cent* during 2011-12 and further showed downward trend in 2012-13 at 74.74 *per cent* and then increased to 76.64 *per cent* in 2013-14.

The share of capital expenditure in the total expenditure decreased from 25.79 *per cent* in 2009-10 to 18.27 *per cent* in 2010-11 and slightly increased to 19.90 *per cent* in 2011-12 and further increased to 25.11 *per cent* in 2012-13 but decreased to 23.10 *per cent* in 2013-14. However, the expenditure on capital sector had been on an increasing trend from 2011-12.

1.7.2 Buoyancy of expenditure

Buoyancy of total expenditure

Growth rates of total expenditure during 2009-14, its ratio and buoyancy with reference to GSDP and revenue receipts are presented in **Table 1.16.**

Table 1.16: Total expenditure - Basic parameters

(₹ in crore, ratio in per cent)

	2009-10	2010-11	2011-12	2012-13	2013-14
Total Expenditure (TE)	2,514.53	2,468.74	3,094.54	3,354.85	3,947.40
Rate of Growth (in *per cent*)	26.19	(-)1.82	25.34	8.41	17.66
GSDP	6,132.76	7,411.57	8,906.64	10,472.60	12,376.69
Rate of growth of GSDP (*per cent*)	89.92	20.85	30.17	17.58	18.18
TE/GSDP (ratio)	41.00	33.31	34.74	32.03	31.89
Revenue receipts/TE (ratio)	93.27	87.16	92.81	98.02	98.64
Revenue expenditure	1,829.02	2,011.92	2,429.61	2,507.39	3,025.06
Rate of Growth (in *per cent*)	32.48	9.99	20.76	3.20	20.65
Revenue Receipts	2,345.37	2,151.70	2,872.11	3,288.36	3,893.54
Rate of Growth (in *per cent*)	33.40	(-) 8.26	33.48	14.49	18.40
Capital expenditure	648.53	451.07	615.76	842.35	911.94
Rate of Growth (in *per cent*)	6.01	(-)30.45	36.51	36.80	8.26
Buoyancy of TE with					
GSDP (ratio)	0.29	(-) 0.09	1.26	0.48	0.97
Revenue Receipts (ratio)	0.78	0.22	0.76	0.58	0.96
Buoyancy of revenue expenditure with					
GSDP	0.36	0.48	1.03	0.18	1.14
Revenue Receipts	0.97	(-)1.21	0.62	0.22	1.12
Buoyancy of Capital expenditure with					
GSDP	0.07	(-)1.46	1.81	2.09	0.45
Revenue receipts	0.18	3.69	1.09	2.54	0.45

Source: Finance Accounts.

During the period 2009-14, the growth rate of total expenditure was highest (26.19 *per cent)* in 2009-10 and lowest (-1.82 *per cent)* in 2010-11. The growth rate of total expenditure which was at 8.41 *per cent* in 2012-13 increased to 17.66 *per cent* in 2013-14.

In 2013-14, total expenditure was 1.01 times the revenue receipts. The buoyancy ratio of total expenditure to revenue receipts was 0.96 *per cent.*

The growth rate of total expenditure (17.66 *per cent*) in 2013-14 was higher than the growth rate of GSDP (18.18 *per cent*) and the buoyancy of total expenditure to GSDP was 0.97 *per cent* in 2013-14, which was 0.48 *per cent* in 2012-13. Revenue receipts as a percentage of total expenditure stood at 98.64 *per cent,* which meant that 98.64 *per cent* of the total expenditure could be met out of revenue receipts.

Some of the significant increase and decrease in expenditure during the current year have been highlighted below:

- General Services: Increase in General Services was mainly due to increase in expenditure under Public works (₹ 78.20 crore) and expenditure under State Police and Police housing (₹ 8.01 crore)
- Social Services: Increase was mainly on grants released to the Religious institution, inevitable payment of work charged salaries and wages under housing (₹ 63.69 crore), Forest and Wild life (₹ 35.23 crore) and expenditure on Natural Calamities (₹ 77.02 crore).
- Economic Services: The increase was mainly on implementation of two power projects (₹ 22.59 crore) and Urban Development (₹ 19.86 crore) offset by decrease mainly on other Agriculture Programme (₹ 24.50 crore).

Buoyancy of revenue expenditure

The growth in revenue expenditure was higher than the growth of revenue receipts in 2013-14 and the growth of revenue expenditure was also higher than the growth of GSDP. For every one *per cent* growth in GSDP revenue expenditure grew by 1.14 *per cent*.

Buoyancy of capital expenditure

During 2013-14, the growth in capital expenditure was lower than the growth of GSDP as well as lower than the revenue receipts.

1.7.3 Plan and non-plan expenditure

Finance Accounts provide a further classification of expenditure into plan and non-plan. Plan expenditure normally relates to incremental developmental expenditure on new projects or schemes and involves both revenue and capital expenditure. In order to maintain the level of services already achieved, non-plan expenditure is normally utilised. **Table 1.17** presents the growth and composition of plan and non-plan expenditure over the last five years.

Table 1.17: Growth in plan and non-plan expenditure

(₹ in crore)

Particulars		2009-10	2010-11	2011-12	2012-13	2013-14
Plan	**Revenue**	572.68	675.27	748.38	813.47	1,053.13
	Capital	648.53	451.07	615.76	842.35	911.94
	Loan	36.98	5.75	49.17	5.11	10.40
	Total	**1,258.19**	**1,132.09**	**1,413.31**	**1,660.93**	**1,975.47**
	Percentage of plan to total expenditure	50.04	45.86	45.67	49.51	51.04
Non-plan	Revenue	1,256.34	1,336.65	1,681.23	1,693.92	1,971.93
	Capital		-	-	-	-
	Loan	-	-	-	-	-
	Total	**1,256.34**	**1,336.65**	**1,681.23**	**1,693.92**	**1,971.93**
	Percentage of non-plan to total expenditure	**49.96**	**54.14**	**54.33**	**50.49**	**49.96**
Total Expenditure		**2,514.53**	**2,468.74**	**3,094.53**	**3,354.85**	**3,947.40**

Source: Finance Accounts

The share of plan expenditure in the total expenditure, exhibiting increasing trend during last three years indicates productive quality of expenditure.

During the period 2009-14, while the plan revenue expenditure increased by 83.89 *per cent* from ₹ 572.68 crore in 2009-10 to ₹ 1,053.12 crore in 2013-14, non-plan revenue expenditure (NPRE) increased by 56.96 *per cent* from ₹ 1,256.34 crore to ₹ 1,971.93 crore.

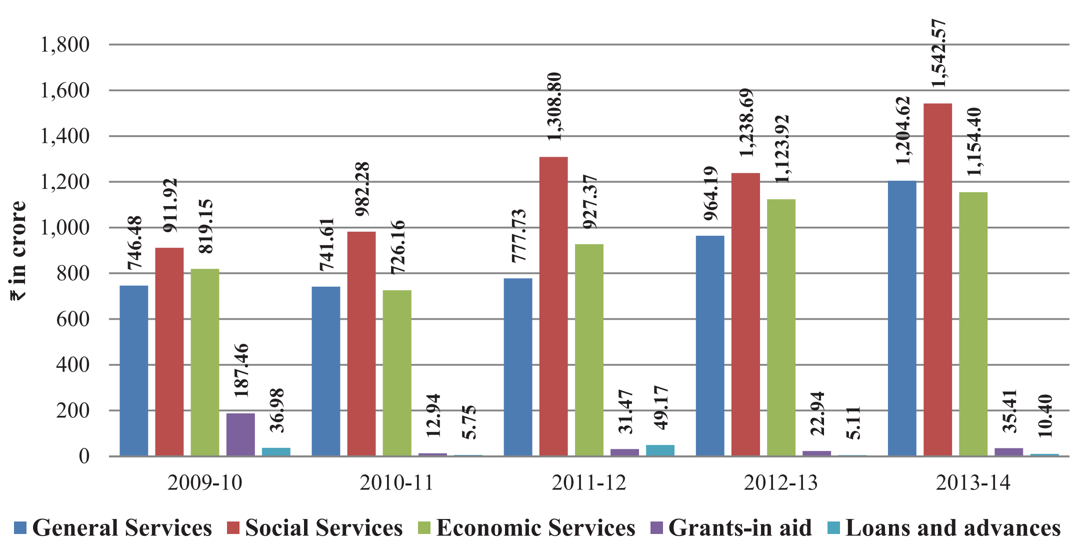
The NPRE increased by ₹ 278.01 crore (16.41 *per cent*) compared to previous year. The increase was mainly on General Services by ₹ 123.18 crore, Economic Services by ₹ 34.95 crore Social Services by ₹ 107.41 crore and Grants-in-aid by ₹ 12.47 crore.

The salary expenditure during 2013-14 under Social Services was ₹ 473.25 crore, Economic Services was ₹ 283.13 crore and General Services was ₹ 337.50 crore which contributed 37.08 *per cent*, 41.75 *per cent* and 32.61 *per cent* of revenue expenditure under each services respectively.

1.7.4 Trends in expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on general services (including interest payments), social services and economic services, grants-in-aid and loans and advances. Relative shares of these components in total expenditure (including loans and advances) are indicated in **Chart 1.9.**

Chart 1.9: Total expenditure: Trends in activities



Source: Finance Accounts.

The expenditure on general services and interest together contributed 30.52 *per cent* in 2013-14 as against 28.74 *per cent* in 2012-13 and 27.63 *per cent* in 2009-10. On the other hand, expenditure on social and economic services together accounted for 68.32 *per cent* in 2013-14 as against 70.42 *per cent* in 2012-13 and 64.07 *per cent* in 2009-10. The grants-in-aid and loans and advances contributed 1.16 *per cent* during 2013-14 as against 8.30 *per cent* during 2009-10.

1.7.5 Incidence of revenue expenditure

The bulk of total expenditure goes towards revenue expenditure. Revenue expenditure is incurred to maintain the current level of services and make payment for past obligations and as such does not result in any addition to the State's infrastructure and services network.

Revenue expenditure increased by 65.39 *per cent* from ₹ 1,829.02 crore in 2009-10 to ₹ 3,025.06 crore in 2013-14 and it increased by 20.65 *per cent* from ₹ 2,507.39 crore in 2012-13 to ₹ 3,025.06 crore in 2013-14. The Non-Plan Revenue Expenditure (NPRE) constituted 65.19 *per cent* of the revenue expenditure and increased by ₹ 278.01 crore over the previous year. The Plan Revenue Expenditure (PRE) increased by ₹ 239.66 crore from ₹ 813.47 crore in 2012-13 to ₹ 1,053.13 crore in 2013-14.

The buoyancy of revenue expenditure with reference to GSDP was 1.14, whereas the buoyancy of revenue expenditure with reference to revenue receipts was 1.12 during 2013-14.

NPRE was a major component (65.19 *per cent*) during 2013-14. Only 34.81 *per cent* of revenue expenditure was PRE.

1.7.6 Committed expenditure

Committed expenditure of the State Government on revenue account mainly consisted of interest payments, expenditure on salaries, pension and subsidies. **Table 1.18** and **Chart 1.10** present the trends in the expenditure on these components during 2009-14.

Table 1.18: Committed expenditure

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Salaries, of which	830.05 (66.07)	882.31 (66.01)	874.83 (52.04)	971.01 (54.13)	1093.88 (55.47)
Non-plan head	646.68	629.64	642.14	773.95	822.10
Plan head*	183.37	252.68	232.69	197.06	271.78
Interest payments	154.43 (12.29)	186.77 (13.97)	190.83 (6.64)	198.92 (11.09)	209.16 (10.61)
Expenditure on pension	125.75 (10.01)	160.14 (11.98)	173.76 (6.04)	225.17 (12.55)	260.63 (13.20)
Subsidies	7.22 (0.57)	8.05 (0.60)	7.10 (0.24)	8.41 (0.47)	15.60 (0.79)
Total	**1,117.45**	**1,237.27**	**1,246.52**	**1,403.51**	**1,578.86**
As *per cent* of Revenue Receipts					
Salaries	35.39	41.01	30.45	29.53	28.09
Interest Payments	6.58	8.68	6.64	6.05	5.37
Pension	5.36	7.44	6.04	6.85	6.69
Subsidies	0.003	0.37	0.24	0.26	0.40

Figures in the brackets indicate percentage to non-plan revenue expenditure.
** Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.*

Expenditure on salaries

Salaries alone accounted for 28.09 *per cent* of revenue receipts of the State during the year. Salaries increased by 12.65 *per cent* from ₹ 971.01 crore in 2012-13to ₹ 1093.88 crore in 2013-14. The expenditure on salaries was 36.16 *per cent* of the revenue expenditure.

Pension payments

Pension payments increased by ₹ 34.99 crore from ₹ 225.17 crore in 2012-13to ₹ 260.63crore in 2013-14. Pension payment accounted for 6.69 *per cent* of the revenue receipts.

Interest payments

Interest payments increased by 5.15 *per cent* from ₹ 198.92 crore in 2012-13 to ₹ 209.16 crore in 2013-14. Interest payments of ₹ 209.16 crore in 2013-14 consisted of Internal Debt & Market Loans (₹ 147.47 crore), Small Savings, Provident Fund, etc. (₹ 49.93 crore) and loans received from Central Government (₹ 11.76 crore). The interest payments during 2013-14 exceeded the normative projections of XIII FC (₹ 170.21 crore) by ₹ 38.95 crore.

Subsidies

In any welfare State, it is not uncommon to provide subsidies/subventions to the disadvantaged sections of the society. Subsidies are dispensed not only explicitly but also implicitly by providing subsidised public service to the people. Budgetary support to financial institutions, inadequate returns on investments and poor recovery of user charges from social and economic services provided by the Government fall in the category of implicit subsidies.

Finance Accounts (**Appendix III**) showed an explicit subsidy of ₹ 7.22 crore (2009-10), ₹ 8.05 crore (2010-11), ₹ 7.10 crore (2011-12), ₹ 8.41crore (2012-13) and ₹ 15.60 crore (2013-14) during the last five years. Subsidy payments during the year were for Food, Storage and Warehousing (₹ 15.52 crore) and Co-operation (₹ 0.08 crore). Subsidy in the co-operative sector predominantly represented transport and marketing subsidy given to Multi-Purpose Co-operative Societies (MPCS) and Sikkim State Co-operative Supply and Marketing Federation (SIMFED). Subsidies of ₹ 44.99 lakh were given during 2012-13 which decreased to ₹ 8.00 lakh during 2013-14 due to non-providing of market subsidy. Food subsidy is given to meet the differential cost of food grains under Public Distribution System (PDS).

1.7.7 Financial assistance to local bodies and others

The quantum of assistance provided by way of grants to local bodies and others during the current year, relative to the previous years, is presented in **Table 1.19.**

Table 1.19: Financial assistance to local bodies and other institutions

(₹ in crore)

Financial Assistance to Institutions	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Educational Institutions (Non-Government Aided School, etc.)	0.76	0.67	1.31	0.00	0.60	0.05
Zilla Parishads and Other Panchayat Raj Institutions	110.85	182.05	242.94	248.22	220.66	260.51
Cooperative societies	0.53	3.72	1.25	1.19	2.33	1.17
Other Institutions and bodies (including statutory bodies)	0.87	1.02	0.30	0.33	2.07	0.63
Assistance to Municipalities / Municipal Councils	-	-	0.70	0.25	0.00	0.00
Assistance to Local Bodies Corporations, Urban Development	-	-	1.36	1.18	0.00	0.00
Farmers				1.22	2.23	0.00
Total	**113.01**	**187.46**	**247.86**	**252.39**	**227.89**	**262.36**
Assistance as percentage of Revenue Expenditure	8.19	10.25	12.32	10.39	9.09	8.67

Source: Finance Accounts.

The total assistance during 2013-14 had increased by 15.04 *per cent* over the previous year mainly due to increase in assistance to Zilla Parishads and Other Panchayat Raj Institutions. The assistance to other institutions like Zilla Parishads and Panchayati Raj Institutions were for developmental works.

1.7.8 Local Bodies

The position regarding major issues relating to Local Bodies, i.e., Panchayati Raj Institutions(s) are summarised in the following paragraph.

1.7.8.1 An overview of Local Bodies (Panchayati Raj Institutions)

The position regarding major issues relating to Local Bodies, i.e. Panchayati Raj Institutions (PRIs) are summarised in the following paragraph.

The Sikkim Panchayat Act 1993 was enacted to establish a two tier PRI system at village and district levels in the State following the 73rd Constitutional Amendment. The system envisaged elected bodies at village (Gram Panchayats (GPs)) and district level (Zilla Panchayat (ZPs)). As of March 2014, there were 4 ZPs (North, East, South and West) and 176 GPs in the State.

The PRIs are solely funded by the Government through grants-in-aid from Central and State Governments for general administration as well as development activities. Funds are initially reflected in the State budget against the outlay of various administrative departments under grants in aid. Individual departments thereafter transfer the funds to Sachiva, Zilla Panchayats for Zilla Panchayat and Additional District Collector (Development) for GPs as grants-in-aid. The ZPs and GPs, in turn, deposit their funds in the savings account maintained with the nationalised banks.

Audit of PRIs during 2013-14 revealed the following:

- Absence of sound basis for transfer of funds to the PRIs by the departments constrained the PRIs to formulate their plan with certainty. Thus, the planning at the PRI level was on ad-hoc basis.
- Although the State Government delineated the role and responsibilities of each tier of PRIs by transferring 29 subjects for devolution of all the functions listed in the 11th schedule of the Constitution to the PRIs, only 15 subjects were actually transferred to PRIs.
- Scrutiny of records in 84 GPs revealed that basic records and registers were not maintained properly as required under Sikkim Panchayat Rules 2004.
- Despite provision under Sikkim Panchayat Act 1993, none of the PRIs had maintained asset registers to indicate the assets possessed by the GPs/ZPs, cost of assets, maintenance cost, etc. Requirement of Annual Physical Verification of assets as required under the Sikkim Financial Rules were also not carried out in any of the GPs/ZPs.

- The GPs had not initiated adequate steps to augment their revenue base despite having enabling provision in the Sikkim Panchayat Act 1993 and recommendation of succeeding State Finance Commissions, accepted by the State Government.

1.8 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e., adequate provisions for providing public services); efficiency of expenditure use and the effectiveness of expenditure.

1.8.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure assigned to the State Governments are largely State subjects. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. Low fiscal priority (ratio of expenditure category to aggregate expenditure) can be stated to have been attached to a particular sector if the priority given to that particular head of expenditure is decreasing over the years.

Table 1.20 analyses the fiscal priority of the State Government with regard to development expenditure, social expenditure and capital expenditure in 2010-11 and the current year 2013-14.

Table 1.20: Fiscal priority of the State in 2010-11 and 2013-14

(In per cent)

Fiscal priority of the State	AE/GSDP	DE*/AE	SSE/AE	CE/AE	Education/AE	Health/AE
Sikkim's Average (Ratio) 2010-11	33.31	69.44	40.02	18.27	24.27	6.32
Sikkim's Average (Ratio) 2013-14	31.89	68.59	39.34	23.10	17.49	6.46

AE: Aggregate Expenditure, DE: Development Expenditure, SSE: Social Sector Expenditure, CE: Capital Expenditure*

* *Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Loans and Advances disbursed.*

Table 1.20 shows the fiscal priority given by the Sikkim Government to various expenditure heads during 2010-11and 2013-14. The AE/GSDP ratio of the Government of Sikkim in 2013-14 had decreased by 1.42 *per cent* as compared to 2010-11.

The ratio of development expenditure as a proportion to aggregate expenditure decreased marginally by 0.85 *per cent* in 2013-14 as compared to 2010-11 which indicates that the State had given less priority to this category of expenditure during the current year.

In Social Sector, Sikkim Government's expenditure as a percentage of AE had also decreased by 0.68 *per cent* in the year 2013-14 as compared to 2010-11. The expenditure on Capital Sector had increased by 4.83 *per cent* in 2013-14 indicating that the State Government had given more emphasis to capital expenditure during the year. Further, expenditure on Education as a percentage of AE had decreased from 24.27 *per cent* in the year 2010-11 to

17.49 *per cent* in the year 2013-14. However, the percentage of expenditure on health had marginally increased from 6.32 *per cent* in 2010-11 to 6.46 *per cent* in 2013-14.

1.8.2 Efficiency of expenditure use

In view of the importance of public expenditure on development heads for social and economic development, it is imperative for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods[13]. Apart from improving the allocation towards development expenditure[14], particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of social and economic services to total expenditure, the better would be the quality of expenditure. **Table 1.21** presents the trends in development expenditure relative to the aggregate of the State during the current year vis-à-vis the previous years. **Table 1.22** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of selected social and economic services.

Table 1.21: Development expenditure

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Development expenditure (DE)	1,768.05	1,714.19	2,285.35	2,367.72	2,707.37
Percentage of DE to total expenditure	70.31	69.20	73.85	70.58	68.59
Composition of DE					
Revenue	1171.41 (66.25)	1314.04 (76.66)	1645.71 (72.01)	1603.57 (67.72)	1954.55 (72.19)
Capital	559.66 (31.65)	394.40 (23.00)	590.47 (25.84)	759.04 (32.06)	742.42 (27.42)
Loans and advances	36.98 (2.10)	5.75 (0.34)	49.17 (2.15)	5.11 (0.22)	10.40 (0.39)

Source: Finance Accounts. Figures in brackets indicate percentage to aggregate expenditure

Development expenditure comprising revenue expenditure, capital outlay and loans and advances on socio-economic services increased from ₹ 1,768.05 crore in 2009-10 to ₹ 2,707.37 crore in 2013-14. As a percentage of total expenditure, it decreased from 70.31 *per cent* in 2009-10 to 68.59 *per cent* in 2013-14. In the current year, development expenditure decreased to 68.59 *per cent* as compared to 70.58 *per cent* in the previous year.

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13 *Core public goods are those which all citizens enjoy in common in the sense that each individual's consumption of such goods leads to no subtractions from any other individual's consumption of those goods, e.g., enforcement of law and order, security and protection of citizen's rights, pollution free air and other environmental goods and road infrastructure, etc.*

Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life and reduce mortality, providing basic education to all, drinking water and sanitation, etc.

14 *The analysis of expenditure is segregated into development and non-development expenditure. All expenditure relating to revenue account, capital outlay and loans and advances is categorised into social, economic and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.*

On an average, 72 *per cent* of the development expenditure was on revenue account while capital expenditure including loans and advances accounted for the balance during the years.

In 2013-14, development revenue expenditure included, *inter alia* expenditure on salary (₹ 756.38 crore), subsidy (₹ 15.60 crore) and financial assistance to local bodies and other institutions (₹ 227.89 crore).

Table 1.22: Efficiency of expenditure use

(Ratio in per cent)

Particulars	2012-13		2013-14	
	Ratio of CE to TE	Share of salaries (excluding wages and O&M) in RE	Ratio of CE to TE	Share of Salaries (excluding wages and O&M) in RE
Social Services (SS)				
Education, sports, art and culture	1.85	10.65	1.26	10.02
Health and family welfare	3.02	3.95	2.37	3.76
Water supply, sanitation, housing and urban development	3.76	0.51	2.82	0.66
Others	0.04	0.04	0.30	1.21
Total (SS)	**6.67**	**15.15**	6.74	15.64
Economic Services (ES)				
Agriculture & allied activities	0.28	4.24	0.31	3.93
Irrigation & flood control	0.21	0.24	0.10	0.21
Power & Energy	1.30	1.70	1.68	1.57
Transport	9.42	1.89	7.48	1.70
Others	2.74	0.14	2.49	1.95
Total (ES)	**13.95**	**8.21**	12.06	9.36
Total (SS+ES)	**20.62**	**23.36**	18.81	25.00

Source: Finance Accounts. TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure

Expenditure on social services

Capital expenditure on social services decreased from ₹ 291.22 crore in 2012-13 to ₹ 266.22 crore in 2013-14. There was increase in ratio of capital to total expenditure by 2.28 *per cent* as compared to the previous year.

The share of salary expenditure under social services in Revenue Expenditure was 15.15 *per cent* in 2012-13, which slightly increased to 15.64 *per cent* in 2012-13.

Expenditure on economic services

Capital expenditure on economic services increased from ₹ 467.82 crore in 2012-13 crore to ₹ 476.21 crore in 2013-14. The increase in Capital outlay was for Flood Control Programme, Village and Small Industries, Consumer Industries and Roads and Bridges schemes.

The share of salary expenditure under economic services which was 8.21 *per cent* during 2012-13 had increased to 9.36 *per cent* of revenue expenditure in 2013-14.

1.9 Financial Analysis of Government expenditure and investments

In the post-MTFP framework, the Government is expected to keep its fiscal deficit (borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, the State Government needs to initiate measures to earn adequate return on its investments and recover cost of borrowed funds rather than bearing the same in its budget in the form of implicit subsidy and also needs to take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-à-vis previous years.

1.9.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2014 is given in **Table 1.23.**

Table 1.23: Department wise profile of incomplete projects

(₹ in crore)

Department	No. of incomplete projects as on 31 March 2014	Initial budgeted cost	Revised total Cost	Cost overrun	Actual expenditure as on 31 March 2014
Building and Housing	11	101.36	126.09	24.73	45.37
Health Care, Human Service & Family Welfare	34	513.19	513.19	0	323.63
Human Resource Development	115	234.38	234.38	0	92.51
Urban Development and Housing	33	324.18	324.18	0	132.74
Tourism and Civil Aviation Department	70	332.76	332.76	0	110.30
Food, Civil Supplies and Consumer Affairs Department	03	2.42	2.42	0	1.21
Total	**266**	**1,508.29**	**1,533.02**	**24.73**	**705.76**

Source: Finance Accounts.

As per information received from the State Government, there were 266 incomplete projects (estimated cost ₹ 1,508.29 crore) as on 31 March 2014 in which an expenditure amounting to ₹ 705.76 crore had been incurred, out of which 200 works (estimated cost: ₹ 628.07 crore and actual expenditure incurred as on 31 March 2014: ₹ 323.23 crore) were due to be completed by 31 March 2014 and in case of 16 works, years of commencement and target date of completion were not furnished by the Tourism and Civil Aviation Department. Out of 200 works due to be completed by 31 March 2014, the cost of four incomplete projects was revised and increased by 45.55 *per cent* i.e., ₹ 24.73 crore (Building and Housing Department). Due to the non-completion of works in scheduled time, benefits of the projects did not reach the intended beneficiaries in time.

Information regarding the incomplete works was not furnished by the Water Security and Public Health Engineering Department, Sikkim Public Works department (Roads and Bridges), Rural Management and Development Department, Energy and Power Department and Irrigation and Flood Control Department, Government of Sikkim.

1.9.2 Investment and returns

As of March 2014, Government had invested ₹ 97.42 crore in Statutory Corporations, Banks, Joint Stock Companies and Co-operatives as detailed in succeeding paragraphs. The return during the current year was 0.56 *per cent* as detailed in **Table 1.24** below:

1.24: Return on investment

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Investment at the end of the year (₹ in crore)	89.31	90.31	97.42	97.42	97.42
Return (₹ in crore)	0.46	2.37	Nil	1.53	0.55
Return (*per cent*)	0.52	2.62	Nil	1.57	0.56
Average rate of interest on Government borrowings (*per cent)*	8.35	9.00	9.00	9.50	8.33
Difference between interest rate and return (*per cent*)	7.83	6.38	9.00	7.93	7.77

Source: Finance Accounts.

The details of investment of ₹ 97.42 crore up to the end of 2013-14 by the State Government in Statutory Corporations (3), Joint Stock Companies (21) and Banks and Co-operative Societies (8) are detailed in **Appendix 1.7**.

It was noticed that the Government had invested ₹ 63.70 crore in the following Companies incurring perennial loss[15] **(Table 1.25).**

Table 1.25: Investment in Government Companies under perennial loss

(₹ in crore)

Sl. No	Name of the Government Company	Investment upto 2013-14 in Equity & Loans	Subsidy/ Grants	Cumulative loss(**)	Year of accounts approved by Board
1.	Sikkim Poultry Development Corporation Ltd.(SPDCL)	0.89	0.18	0.73	2008-09
2.	Sikkim Hatcheries Limited (SHL)	0.46	Nil	1.67	2008-09
3.	Sikkim Livestock Processing and Development Corporation (SLPDC)	0.35	Nil	1.02	2012.13
4.	Sikkim Power Development Corporation	10.35	Nil	28.86	2012-13
5.	Sikkim SC, ST & OBC Development Corporation (SABCCO)	9.30	Nil	11.34	2011-12
6.	Sikkim Time Corporation	23.49	Nil	15.89	2012
7.	Sikkim Jewels company	14.47	Nil	21.42	2012
8.	Sikkim Precision Industries	4.39	Nil	3.53	2012
	TOTAL	63.70	0.18	84.46	

Source: Information furnished by the departments.
(**) Accumulated loss upto the latest annual accounts approved by Board.

Against eight working companies/Corporations wherein State Government had invested ₹ 42.45 crore (₹ 40.42 crore as equity and ₹ 2.03 crore as loan), three[16] were earning profits, as per their latest finalised annual account as on 30 September 2014, while remaining had incurred losses. Of the three profit earning Companies/Corporations, Sikkim Industrial Development and Investment Corporation Limited declared a dividend of ₹ 0.51 crore for the year 2012-13.

The return from investment was meagre and some of the Companies/Corporations were under perennial loss. Effective steps may be taken by the State Government either to revive the units or close down the units incurring losses to avoid further financial burden on the Government.

[15] *Loss made during last five approved accounts.*
[16] *Sikkim Industrial Development & Investment Corporation: ₹ 2.80 crore (2012-13), Sikkim Tourism Development Corporation: ₹0.04 crore (2012-13) and State Trading Corporation of Sikkim: ₹0.85 crore (2010-11).*

1.9.3 State PSUs-finalisation of accounts and enhancing financial viability

The XIII Finance Commission recommended that all States should endeavour to ensure clearance of the accounts of all PSUs. All disinvestment receipts should be maintained in the Consolidated Fund and transfer of such receipts to the Public Account should be discouraged.

The finalisation of 66 Annual Accounts in respect of 15 State PSUs pertaining to the year 1995-96 to 2013-14 were in arrears as of September 2014 due to delay in completion/ adoption of accounts by the Board of Directors of the respective SPSUs as detailed below:

Table 1.26: Delay in completion/adoption of accounts by the Board of Directors

Sl. No.	Name of PSUs	Years for which Annual Accounts to be finalised	Number of Accounts
	Working		
1.	Sikkim Industrial Development and Investment Corporation Ltd.(SIDICO)	2013-14	1
2.	Scheduled Caste, Scheduled Tribe & Other Backward Class Development Corporation Ltd. (SABCCO)	2012-13, 2013-14	2
3.	Sikkim Tourism Development Corporation Ltd. (STDC)	2013-14	1
4.	Sikkim Power Development Corporation Ltd. (SPDC)	2013-14	1
5.	Sikkim Poultry Development Corporation Ltd. (SPDCL)	2009-10, 2010-11, 2011-12, 2012-13, 2013-14	5
6.	Sikkim Hatcheries Ltd.(SHL)	2009-10, 2010-11, 2011-12, 2012-13, 2013-14	5
7	State Bank of Sikkim (SBS)	2011-12, 2012-13, 2013-14	3
8.	State Trading Corporation of Sikkim (STCS)	2011-12, 2012-13, 2013-14	3
	Non-working		
9.	Chandmari Workshop and Automobiles Limited (CWAL)	1995-96 to 2013-14	19
10.	Sikkim Flour mills Limited (SFML)	1995-96 to 2013-14	19
11.	Sikkim Time Corporation	2013-14	1
12.	Sikkim Jewels company	2013-14	1
13.	Sikkim Precision Industries	2013-14	1
14.	Sikkim Mining Corporation (SMC)	2011-12, 2012-13, 2013-14	3
15.	Sikkim Livestock Processing and Development Corporation Ltd.	2013-14	1
	TOTAL		**66**

Source: Information furnished by the departments.

1.9.4 Loans and advances by the State Government

In addition to investments in Companies, Corporations and Co-operative Institutions, Government also provided loans and advances to many Institutions/Organisations. **Table 1.27** presents the position of outstanding loans and advances as of March 2014 and interest receipts vis-à-vis interest payments during the last five years.

Table 1.27: Average interest received on loans advanced by the State Government

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Opening balance	**4.99**	**41.67**	**46.63**	**95.78**	**99.99**
Amount advanced during the year	36.98	5.75	49.18	5.11	10.40
Amount repaid during the year	0.30	0.79	0.03	0.89	0.91
Closing balance	**41.67**	**46.63**	**95.78**	**99.99**	**109.48**
Net addition	(+) 36.68	(+) 4.96	(+) 49.15	(+) 4.21	(+)9.49
Interest receipts	7.82	3.36	1.84	2.61	4.18
Interest receipts as *per cent* to outstanding loans and advances	18.77	7.21	1.92	2.61	3.82
Interest payments as *per cent* to outstanding fiscal liabilities of the State Government	5.59	6.68	6.04	5.95	5.76
Difference between interest payments and interest receipts (in *per cent*)	(-) 13.18	(-) 0.53	4.12	3.34	1.94

Source: Finance Accounts.

Out of amount of ₹ 10.40 crore advanced during the year 2013-14, ₹ 10 crore was against the educational loans for higher studies in colleges and universities. Further, ₹ 0.40 crore was against loans and advances paid to various Government servants which were governed under the provisions of Sikkim Financial Rules.

Loans outstanding as of March 2014 aggregated to ₹ 109.48 crore. The interest received during the financial years 2009-14 was more than the interest payments. During 2013-14, Interest receipts as percentage to outstanding loans and advances was 3.82 *per cent* against Interest paid as percentage to outstanding fiscal liabilities being 5.76 *per cent*.

1.9.5 Cash balances and investment of cash balances

Table 1.28 depicts the cash balances and investments made there from by the State Government during the year.

Table 1.28: Investment of cash balances

(₹ in crore)

	As of 31 March 2013	As of 31 March 2014
(a) General Cash Balance -	65.36	270.60
• Cash in Treasuries	-	-
• Deposits with Reserve Bank	-	-
• Deposits with other Banks	-	-
• Remittances in transit - Local	-	-
Total	65.36	270.60
Investments held in Cash Balance investment account	750.00	750.00
Total (a)	**815.36**	**1,020.60**
(b) Other Cash Balances and Investments		
Cash with departmental officers viz, Public Works Department Officers, Forest Department Officers, District Collectors	0.05	0.55
Permanent advances for contingent expenditure with departmental officers	0.41	0.42
Investment of earmarked funds	232.80	262.03
Total (b)	**233.26**	**263.00**
Grand total (a)+ (b)	**1,048.62**	**1,283.60**

Source: Finance Accounts.

Under a resolution passed in the year 1968-69, the State Bank of Sikkim was vested with the responsibility by the Government of Sikkim for receiving money on behalf of Government and making all Government payments and keeping custody of the balances of Government in current account as well as fixed deposits which could be made through the branches of the Bank. The cash balances as on 31 March 2014 was ₹ 270.60 crore which was more than the balance as compared to previous year.

As per the Finance Accounts 2013-14, there was a balance of ₹ 259.51 crore with the State Bank of Sikkim as on 31 March 2014. But as per the records of the State Bank of Sikkim, the cash balance of the State Government stood at ₹ 207.07 crore leaving an un-reconciled balance of ₹ 52.44 crore.

Outstanding balances under the head 'Cheques and Bills'

The head is an intermediate account for initial record of transactions which are to be cleared eventually. Outstanding balance under the Major Head 8670-Cheques and Bills represents the amount of un-encashed cheques. Under this head as on 1 April 2013, there was an opening balance of ₹ 153.34 crore. Further, during the year, cheques worth ₹ 2,614.83 crore were issued and cheques worth ₹ 2,673.47 crore were encashed leaving a closing balance of ₹ 94.70 crore as on 31 March 2014 with a net decrease of ₹ 58.64 crore during the year.

Unspent balances in the accounts of the implementing agencies

The State Government provides funds to State/District level Autonomous Bodies and Authorities, Societies, Non-Governmental Organisations, etc., for implementation of centrally sponsored schemes (State Share) and State schemes. Since the funds were not spent fully by the implementing agencies, ₹ 165.28 crore were lying as unspent balances in the bank accounts of the implementing agencies at the end of March 2014.

1.10 Assets and liabilities

1.10.1 Growth and composition of assets and liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings 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. **Appendix 1.3** gives an abstract of such assets and liabilities as on 31 March 2014compared with the corresponding position as on 31 March 2013.

Total liabilities, as defined are the liabilities under the Consolidated Fund and the Public Account of the State. Consolidated Fund liabilities consist of Internal Debt and Loans and Advances from GOI.

The growth rate of components of assets and liabilities are summarised in the **Table 1.29.**

Table 1.29: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities	2011-12	2012-13	2013-14	Assets	2011-12	2012-13	2013-14
Consolidated Fund				***Consolidated Fund***			
a. Internal Debt	1,695.27	1,828.92	2,058.47	i) Gross Capital outlay	5,592.25	6,434.60	7,346.54
b. Loans and advances from GOI	156.99	149.04	127.07	ii) Loans and advances	95.78	100.00	109.48
Public Account				*Advances*	1.03	1.03	1.03
a. Small savings, Provident funds, etc.	578.80	624.15	685.64	Cash	930.01	1,048.63	1,283.60
b. Reserve Funds	254.22	246.00	313.15				
c. Deposits	103.32	142.79	146.21				
d. Remittance Balance	256.84	196.73	204.31				
e. Suspense & Miscellaneous Balances	115.31	157.34	99.03				
	1,308.49	**1,367.01**	**1,448.34**				
Surplus on Government Accounts	3,014.82	3,457.32	4,238.29				
Revenue Surplus	442.50	780.97	868.48				
Contingency Fund	1.00	1.00	1.00	Contingency Fund			1.00
Total	**6,619.07**	**7,584.26**	**8,741.65**		**6,619.07**	**7,584.26**	**8,741.65**

Source: Finance Accounts.

The growth rate of assets was 16.37 *per cent* whereas the growth rate of liabilities was 10.89 *per cent* in 2013-14 as compared to the previous year.

1.10.2 Fiscal liabilities

The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.2**. The composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Charts 1.10 and 1.11.**

Chart 1.10: Composition of outstanding liabilities as on 31.03.2013
(₹ in crore)

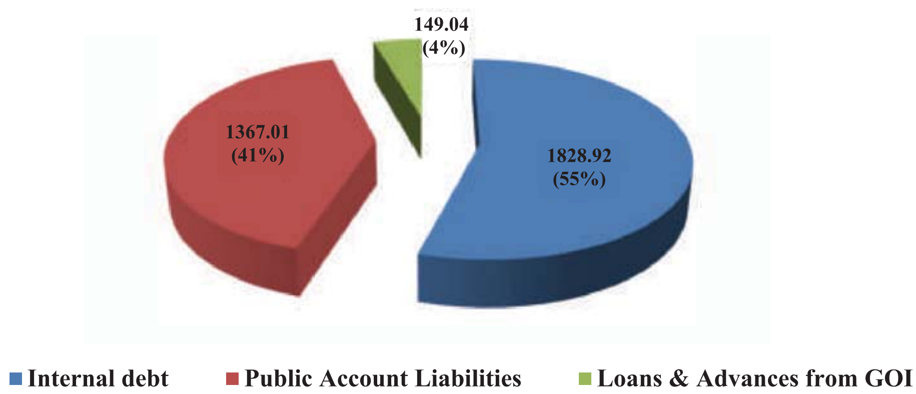
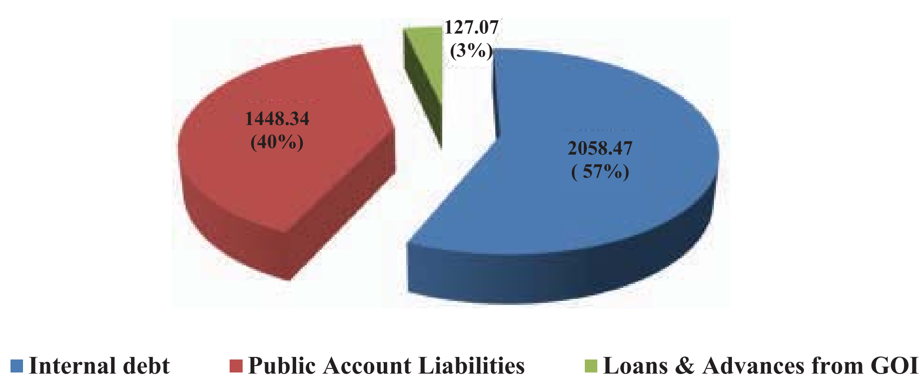


Chart 1.11: Composition of outstanding liabilities as on 31.03-2014
(₹ in crore)



Source: Finance Accounts.

Fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources as well as buoyancy of fiscal liabilities with respect to these parameters are brought out in **Table 1.30.**

Table 1.30: Fiscal liabilities-basic parameters

	2009-10	2010-11	2011-12	2012-13	2013-14
Fiscal liabilities(₹ *in crore*)	2,762.35	2,797.50	3,160.76	3,344.97	3,633.88
Rate of growth (*per cent*)	8.14	1.27	12.99	5.83	8.64
Ratio of fiscal liabilities to					
GSDP	0.45	0.38	0.35	0.32	0.29
Revenue receipts	1.18	1.30	1.10	1.02	0.93
Own resources	0.04	0.05	0.06	0.05	0.04
Buoyancy ratio of fiscal liabilities to					
GSDP	0.09	0.06	0.64	0.33	0.48
Revenue receipts	0.24	0.15	0.39	0.40	0.47
Own resources	0.77	-0.06	4.16	0.16	0.43

Source: Finance Accounts

Fiscal liabilities of the State increased by ₹ 288.91 crore (8.64 *per cent*) from ₹ 3,344.97 crore in 2012-13 to ₹ 3,633.88 crore in 2013-14 comprising Public Account Liabilities of ₹ 1,448.34 crore (39.90 *per cent*), Internal Debt of ₹ 2,058.47 crore (56.60 *per cent*) and Loans and Advances of ₹ 127.07 crore (3.50 *per cent*).

The ratio of fiscal liabilities to GSDP stood at 0.29 *per cent* at the end of 2013-14.The growth rate of outstanding fiscal liabilities which was 5.83 *per cent* in 2012-13 increased to 8.64 *per cent* in 2013-14. The buoyancy of the liabilities with respect to GSDP and Revenue receipts during the year were 0.48 and 0.47 *per cent* respectively indicating that for each one per cent increase in GSDP, fiscal liabilities grew by 0.48 and Revenue receipt grew by 0.47 *per cent.*

1.10.3 Transactions under Reserve Funds

Reserve and Reserve Funds are created for specific and well defined purposes in the accounts of the State Government. These funds are fed by contributions or grants from the Consolidated Fund of India or State or from outside agencies. The contributions are treated as expenditure under the Consolidated Fund. The expenditure relating to the funds are initially accounted under the Consolidated Fund itself for which the vote of the Legislature is obtained. At the end of the year, at the time of closure of accounts, the expenditure relating to the funds are transferred to the Public Account Fund through an operation of deduct entry in accounts. The Funds may be further classified as 'Funds carrying interest' and 'Funds not carrying interest'. Generally, the Reserve Funds are classified under the following three categories based on the sources from which they are fed:

- Funds accumulated from grants made by another Government and at times aided by public subscriptions.
- Funds accumulated from sums set aside by the Union/State from the Consolidated Fund of India or Consolidated Fund of State, as the case may be, to provide reserves for expenditure to be incurred by them for particular purposes.
- Funds accumulated from contributions made by outside agencies to the State Government.

A total of five Reserve Funds had been created and maintained in the accounts of the State Government. Analysis of transaction of those funds are enumerated in the subsequent paragraphs:

Sikkim Transport Infrastructure Development Fund (STIDF)

The Government of Sikkim enacted STIDF Act in 2004 and the Rules under the Act was also notified in 2004 and further amended in June 2009. The STIDF was constituted in the Public Account and classified under the head "8235-General and Other Reserve Fund, 200-Other Funds" in the accounts of the Government. The receipt to the fund shall initially be credited to the receipt head "0045-Other Taxes and Duties on Commodities and Services 112-Receipts from Cesses under Other Acts, Receipt under STIDF Act". In order to transfer the amount to the Fund, the State Government shall make suitable budget provision on the expenditure side of the budget under the Head "2045-Other Taxes and Duties on Commodities and Services, 797-Transfer to Reserve Fund/Deposit Account, Transfer to the STIDF". The Fund shall be operated by the Finance, Revenue and Expenditure Department (FRED). Income Tax and Commercial Tax Division (ITCT) of the FRED shall collect the receipts and maintain the books of accounts. A Committee consisting of the Financial Commissioner/Principal Secretary, FRED as Chairman and the Secretary, Roads and Bridges, Secretary, Transport Department and the Controller of Accounts as members shall administer the Fund. The Additional Commissioner, ITCT Division of the FRED shall be the Member Secretary of the Committee. On receipt of the deposits, ITCT Division shall take action for investment of the receipts. The Fund shall be utilised for (a) the creation, development, maintenance or improvement of transport infrastructure, including roads, bridges and flyovers, (b) the improvement of traffic operations and road safety and (c) the purposes of such other projects as may be prescribed relating to transport infrastructure development with the approval of the Government. During 2013-14, total STIDF collection was ₹ 27.20 crore, out of which ₹ 5.14 crore was transferred to RBD for construction and maintenance of roads.

Sikkim Ecology Fund (SEF)

The Sikkim Ecology Fund and Environmental Cess Act was notified in 2005 and the Rules there under were framed in 2007.As per the Act, whoever brings non-biodegradable materials to the State of Sikkim with whatsoever purpose, would be levied environmental cess at the rate of one *per cent* of total turnover on sale price and in respect of hotels, resorts and lodges, it would be levied at the rate of five *per cent*.

The broad objective of this fund was to protect and improve the quality of environment, control and abate environment pollution and to take measures for restoration of ecological balance of the State. During 2013-14, State Government collected Ecology Fund of ₹ 30 crore and incurred expenditure of ₹ 11.54 crore.

Sinking Fund

The State Government created (1999-2000) a fund called 'Government of Sikkim Consolidated Sinking Fund Scheme 1999' with the objective to utilise accrued interest as an amortisation fund for redemption of the open market loans of the Government commencing from the year 2004-05. The said scheme was revised during 2007-08 and renamed as 'Consolidated Sinking Fund Scheme' with the objective to utilise accrued interest as an amortisation fund for redemption of the outstanding liabilities of the Government commencing from the financial year 2011-12. The State Government had not adopted the recommendations of Reserve Bank of India for minimum annual contribution of 0.5 *per cent* of outstanding liabilities. For the year 2013-14, the requirement for annual contribution was ₹ 13.79 crore (0.5 *per cent* of outstanding liabilities of ₹ 2,758.09 crore) in terms of the guidelines of the RBI and ₹ 13.32 crore (at 1 to 3 *per cent* of outstanding open market loans of ₹ 1,331.71 crore) in terms of the guidelines of the State Government. During the year, Government transferred ₹ 12.00 crore to the fund against the minimum requirement of ₹ 13.32 crore, as per its own guidelines. As on 31 March 2014, the Fund had a balance of ₹ 230.35 crore (inclusive of ₹ 15.23 crore accrued interest) which had been invested in fixed deposits in nationalised banks.

State Disaster Response Fund

As per recommendations of the Thirteenth Finance Commission, the State Government was to constitute State Disaster Response Fund (SDRF) from 1 April 2010. As per guidelines from the Government of India (GOI), State Government was required to issue appropriate notification(s) establishing SDRF as per Section 48(1)(a) of the Disaster Management Act 2005 and all balances under the Calamity Relief Fund (CRF) as on 31 March 2010 was to be transferred under SDRF. Further, as per guidelines, the accretions to the SDRF together with the income earned on the investment of the SDRF were to be invested in one or more of instruments viz., Central Government dated securities, auctioned treasury bills and interest earning deposits and certificates of deposits with Scheduled Commercial Banks. While 75 *per cent* of the contribution was to be from GOI, balance 25 *per cent* was to be contributed by the State Governments under general category States, whereas 90 *per cent* of the contribution was to be from GOI and balance 10 *per cent* was to be contributed by the State Governments under special category States like Sikkim.

The State Government replaced the Calamity Relief Fund with the State Disaster Response Fund in 2010-11 as per the recommendations of the Thirteenth Finance Commission. In terms of the guidelines of the Fund, the Centre, and Special Category States like Sikkim, are required to contribute to the Fund in the proportion of 90:10. Further, if the State does not have adequate balance under SDRF, the Government of India provides additional assistance from the National Disaster Response Fund (NDRF). As at the beginning of 2013-14, the Fund had a corpus of ₹ 18.14 crore, out of which ₹ 13.96 crore was invested. During the year 2013-14, the State Government transferred ₹ 102.73 crore to the SDRF (Central share: ₹ 23.70 crore and State share of ₹ 2.63 crore together with ₹ 73.06 crore received as NDRF contribution and accrued interest of ₹ 1.34 crore). After meeting the expenditure of ₹ 105.33 crore during the year, the fund had a closing balance (including investment) of ₹ 15.54 crore as on 31 March 2014.

Guarantee Redemption Fund

The State Government set up Guarantee Redemption Fund in the year 2000. The detailed account of the Fund as on 31 March 2014 is given below:

Table 1.31: Guarantee Redemption Fund

(₹ in crore)

Sl. No.	Particulars	Amount
1	Opening Balance	15.72
2	Addition	2.00
3	Total	17.72
4	Amount met from the Fund for discharge of invoked guarantees (-)	Nil
5	Closing Balance	17.72
6	Amount of investment made out of the Guarantee Redemption Fund	17.72

Source: Finance Accounts.

As per the Sikkim Government Guarantee Act 2000 (Act No. 21 of 2000), the ceiling on the total outstanding Government Guarantees as on the 1st day of April shall not exceed thrice the State's Tax Receipt of the second preceding year which was within the limit in the State. No Guarantee was invoked during the year.

1.10.4 Contingent liabilities

Status of guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee was extended. The details for last five years are given in **Table 1.32.**

Table 1.32: Guarantees given by the State Government

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Maximum amount guaranteed	75.00	246.69	163.72	186.42	156.70
Outstanding amount of guarantees (including interest)	77.58	276.42	164.21	187.72	122.09
Percentage of outstanding amount guaranteed to total State's Tax Receipt of the second preceding year	39.21	138.77	73.42	67.15	41.54

Source: Finance Accounts.

Government had not guaranteed any loans during the year 2013-14. As such, no guarantee commission was received by the Government during the year.

Off-budget borrowings

The borrowings of the State Government are governed by Article 293(1) of the Constitution of India. In addition to the contingent liabilities, the State Government also extended guarantees against loans availed of by Government Companies/Corporations. These Companies/Corporations borrowed funds from the market/financial institutions for implementation of various State plan programmes envisaged from outside the State budget. Funds for those programmes were to be met out of resources mobilised by those Companies/Corporations outside the State budget but in reality the borrowings of those concerns ultimately turn out to be the liabilities of the State Government termed 'off-budget borrowings' and the Government had to repay the loans availed of by those Companies/Corporations including interest through regular budget provision under capital account.

State Government had not resorted to any off-budget borrowings during 2013-14.

1.10.5 Analysis of Borrowings of Government

Analysis of borrowings of the Government revealed that as on 1 April 2013, an amount of ₹ 2,602.11 crore was outstanding towards various loans and advances. Further, during the year 2013-14, there was an addition of ₹ 538.87 crore and payment/discharge of ₹ 269.79 crore with closing balance of ₹ 2,871.19 crore as on 31 March 2014. The increase in total outstanding loans and advance at the end of the year was 10.34 *per cent*. An interest of ₹ 208.89 crore was also paid by the Government on various loans and advances. Details are given below:

Table 1.33: Detailed Statement on Borrowings and Other Liabilities

(₹ in crore)

Description of Debt	Balance as on 1st April 2013	Additions during the year	Discharges during the year	Balance as on 31st March 2014	Net Increase(+)/ Decrease(-) (in percentage)	Interest Paid during the year
Market Loans	1,332.71	215.00	16.57	1,531.14	15	105.32
Loans from Life Insurance Corporation of India	97.88	10.00	7.62	100.26	2	8.15
Loans from General Insurance Corporation of India	0.10	00	0.02	0.08	(-)21	0.01
Loans from NABARD	207.35	47.00	28.17	226.18	9	15.36
Compensation and other Bonds	14.34	00	4.78	9.56	(-)33	1.12
Loans from National Co-operative Development Corporation	1.50	00	0.75	0.75	(-)50	0.15
Loans from other Institutions	21.64	0.80	0.66	21.78	1	2.40
Special Securities issued to National Small Savings Fund of the Central Government	153.39	21.21	5.89	168.71	10	14.95
Non-plan loans from GOI	0.38	0.28	0.12	0.55	43	0.05
Block Loans	33.52	2.02	3.52	32.02	(-)4	3.99
State Plan Loans consolidated in terms of recommendation of the 12th Finance Commission	96.43	00	5.67	90.76	(-)6	7.23
Loans for Centrally Sponsored Plan Schemes (Other loans)	16.15	00	14.74	1.41	(-)91	0.19
Loans for Special Schemes of North Eastern Council	2.56	00	0.22	2.34	(-)9	0.29
General Provident Funds	594.55	238.79	179.45	653.89	10	46.92
State Government Insurance Fund	0.03	00	00	0.03	00	00
State Government Employees' Group Insurance Scheme	29.58	3.76	1.60	31.73	7	2.76
Total	**2,602.10**	**538.86**	**269.78**	**2,871.19**		**208.89**

Source: Finance Accounts.

1.10.6 Inoperative Reserve Funds

As mentioned under **Paragraph 1.10.3**, the Government was maintaining five reserve funds. However, no reserve fund was found inoperative.

1.11 Debt Management

Efficient debt management is an essential part of cash management. Inefficiencies either way can lead to higher interest costs, whether it is accumulation of cash due to unnecessary borrowings or availing of ways and means advances. With reduced fiscal deficits, it is essential that State follows the practice of borrowing on requirement rather than on availability.

Apart from the magnitude of the debt of the State Government, it is important to analyse various indicators that determine the debt sustainability of the State. The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep a balance between costs of additional borrowings and returns from such borrowings. It means that rise in fiscal deficit should match the increase in capacity to service the debt. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation, sufficiency of non-debt receipts, net availability of borrowed funds, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of the State Government securities. **Table 1.34** analyses the debt sustainability of the State according to these indicators for the period 2009-14.

Table 1.34: Debt sustainability: Indicators and trends

Debt sustainability indicators	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Debt stabilisation *(₹ in crore)* (Quantum spread-/+ Primary deficit/surplus)	374.91	2296.07	265.91	445.81	516.89	599.12
Sufficiency of incremental non-debt receipts(resource gap) (₹ in crore)	(-) 169.76	65.14	147.39	136.10	114.56	87.53
Net availability of borrowed Funds *(₹ in crore)*	160.73	196.97	106.64	359.75	193.66	59.91
Burden of interest payments (IP/RR Ratio)	8.11	6.58	8.68	6.64	6.12	5.37
Maturity profile of State debt (in years)						
0-1	76.28 (4.88)	158.80 (8.46)	141.34 (7.49)	120.88 (6.31)	163.17 (8.40)	87.01 (3.96)
1-3	157.37 (10.07)	141.72 (7.55)	156.62 (8.30)	162.15 (8.48)	411.13 (21.15)	420.97 (19.15)
3-5	127.55 (8.17)	142.47 (7.59)	239.05 (12.67)	380.28 (19.88)	669.56 (34.45	688.90 (31.35)
5-7	120.29 (7.70)	346.82 (18.47)	515.44 (27.32)	637.92 (33.35)	402.07 (20.69)	423.29 (19.26)
7 and above	1080.64 (69.18)	1088.16 (57.94)	834.29 (44.22)	611.84 (31.98)	297.67 (15.32)	577.68 (26.28)

Source: Finance Accounts. Figures in brackets indicate percentage of total State debt.

1.11.1 Debt stability

Fiscal liabilities are considered sustainable if the Government is able to service these liabilities over the foreseeable future and the debt-GSDP ratio does not grow to unmanageable proportions. A necessary condition for stability is the Domar's Debt Stability Equation. It states that if the rate of growth of economy exceeds the cost of borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are positive/zero/moderately negative. Primary revenue balance is the difference between revenue receipts and primary revenue expenditure and indicates whether the balance of revenue receipts left out after meeting current revenue expenditure is sufficient for meeting the interest expenditure. During the current year, the primary revenue balance, although positive, was not sufficient to meet the expenditure on interest.

Interest spread is the difference between average lending rate and average borrowing rate. Quantum spread is a product of debt stock and interest spread. The interest spread and quantum spread will be positive/negative depending on whether the GSDP growth rate is more or less than the growth rate of interest payments. When the quantum spread and primary deficit are negative, debt-GSDP ratio will be high indicating unsustainable levels of public debt and when the quantum spread and primary deficit are positive, debt-GSDP ratio will be low indicating sustainable levels of public debt. During the current year, both interest and quantum spread were positive.

Stabilisation of debt is understood to mean debt as a constant *per cent* of GSDP which is a measure of the debt carrying capacity of the State. Even though the interest paid in 2013-14 was more than the previous year, the sum of the quantum spread and primary deficit was positive during the year resulting in a declining trend of debt-GSDP ratio thereby indicating a tendency towards debt stabilisation, which would eventually improve the debt stability of the State.

1.11.2 Sufficiency of incremental non-debt receipts

Another indicator of debt sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Negative resource gap indicates non-sustainability of debt while positive resource gap indicates sustainability of debt. The details for the last five years have been indicated in **Table 1.35.**

Table 1.35: Indicator of incremental non-debt receipts

(₹ in crore)

Sl. No.		2009-10	2010-11	2011-12	2012-13	2013-14
1	Incremental Non-debt Receipts	587.09	(-) 193.18	761.89	374.87	605.20
2	Incremental Interest Payments	11.79	32.34	4.06	8.09	10.24
3	Incremental Primary expenditure	436.68	150.55	621.73	252.22	582.31
	Resource Gap	138.62	10.29	136.10	114.56	12.65

Source: Finance Accounts.

The resource gap had remained positive during 2009-14. However, during the current year though the resource gap declined as compared to the previous year, it remained positive thereby indicating less dependency on borrowed funds.

1.11.3 Net availability of borrowed funds

Debt sustainability also depends on the ratio of debt redemption (principal plus interest payments) to total debt receipts and application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The net availability of borrowed funds during the current year was positive and funds were available for meeting productive expenditure.

1.11.4 Maturity profile

To discharge its expenditure obligations, the Government had to borrow further, since fiscal surplus was not available in any of the last five years. The maturity profile of outstanding stock as on 31 March 2014 shows that 26 *per cent* of the loans are in the maturity bucket of seven years and above.

The Public Debt of the State Government as on 1 April 2013 was ₹ 1,977.96 crore with addition during the year 2013-14 of ₹ 296.32 crore. After discharging/re-payment of loan amount of ₹ 88.74 crore during the year (excluding an interest payment of ₹ 159.23 crore), there was a closing balance of ₹ 2,185.54 crore as on 31 March 2014. Details of the same are available in Statement-15 of Finance Accounts 2013-14 and can be seen in the table below:

Table 1.36: Maturity profile: Indicators and trends

(₹ in crore)

Sl. No.	Description of the Debt	Balance as on 1 April 2013	Additions during the year	Discharged/ repaid during the year	Balance as on 31 March 2014	Interest paid during the year
1	Internal Debt of the State Government	1,828.92	294.01	64.47	2,058.46	147.47
2	Loans and Advances from the Central Government					
	i. Non-Plan Loans	0.38	0.29	0.12	0.55	0.05
	ii. Loans for State Plan Schemes	129.95	2.02	9.19	122.78	11.22
	iii.Loans for Centrally Sponsored Plan Schemes	16.15	00	14.74	1.41	0.19
	iv. Loans for Special Schemes	2.56	00	0.22	2.34	0.30
	Total 2 (i to iv)	**149.04**	**2.31**	**24.27**	**127.08**	**11.76**
	Total (1+2)	**1,977.96**	**296.32**	**88.74**	**2,185.54**	**159.23**

Source: Finance Accounts.

The State Government had been contributing ₹ 12 crore per annum to the Sinking Fund (**Paragraph 1.10.3**) as detailed in Statement-15 of the Finance Accounts 2013-14 which already had a balance of ₹ 230.35 crore at the end of March 2014. It is therefore, evident that the funds shall be insufficient to clear the future liabilities as detailed in **Table 1.34**. State Government may consider enhancing its contribution to the fund to enable them to clear future liabilities.

1.11.5 Cost of Borrowings

Cost of borrowings means interest and other costs incurred by an enterprise in connection with the borrowing of funds which *prima-facie* also includes cost of establishment which is deployed exclusively for borrowing of funds and their repayments.

The Finance, Revenue and Expenditure Department (FRED) was responsible for obtaining borrowings for Government of Sikkim and their repayments. Though the FRED was having a separate Loans Wing which had been dealing with all loans and advances taken by the Government as well as by the employees of the State Government, the FRED was not maintaining any record for the cost of establishment of borrowings taken for the Government. However, interest paid on various Public Debt of the State Government during the period 2011-12 to 2013-14 was as under:

Table 1.37: Trends of Public Debt of the State Government

(₹ in crore)

Sl. No.	Description of the Debt	2011-12		2012-13		2013-14	
		Balance as on 31 March 2012	Interest paid during the year	Balance as on 31 March 2013	Interest paid during the year	Balance as on 31 March 2014	Interest paid during the year
1	Internal Debt of the State Government	1,695.27	1,35.25	1,828.92	138.06	2058.46	147.47
2	Loans and advances from the Central Government						
	i. Non-Plan Loans	0.47	0.05	0.38	0.00	0.55	0.05
	ii. Loans for State Plan Schemes	137.47	8.29	129.95	4.57	122.78	11.22
	iii. Loans for Centrally Sponsored Plan Schemes	16.28	1.80	16.15	0.25	1.41	0.19
	iv. Loans for Special Schemes	2.77	0.34	2.56	7.66	2.34	0.30
	Total 2 (i to v)	**156.99**	**10.48**	**149.04**	**12.48**	**127.08**	**11.76**
	Total (1+2)	**1,852.26**	**145.73**	**1,977.96**	**150.54**	**2,185.54**	**159.23**

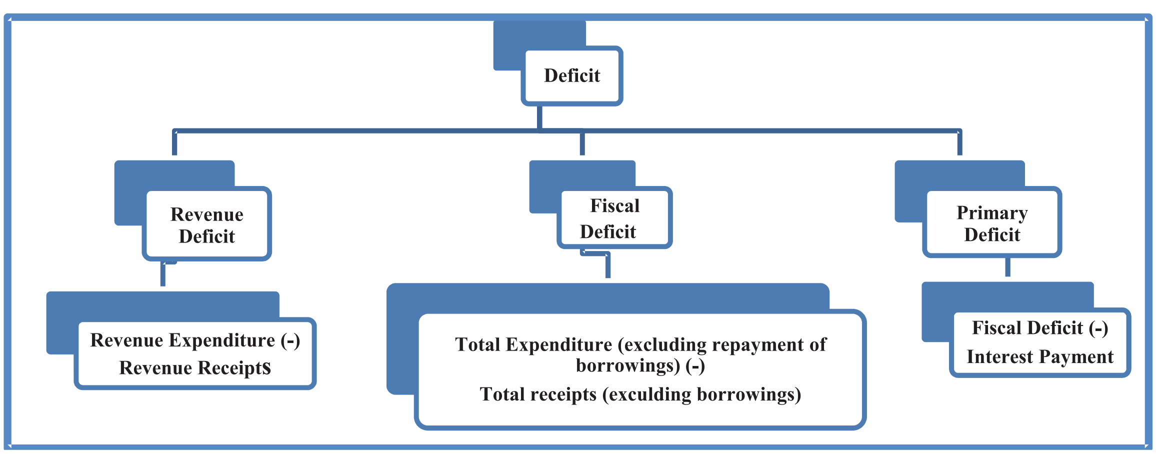
Source: Finance Accounts.

From the above table it is seen that at the end of the year 2011-12, Public Debt of the State Government was ₹ 1,852.26 crore which increased to ₹ 2,185.54 crore at the end of the year 2013-14 with an average borrowing of ₹ 2,005.25 crore during the period 2011-14. The cost of borrowings in terms of interest payment for the year 2011-12 was ₹ 145.73 crore which increased to ₹ 159.23 crore during the year 2013-14 with average cost of borrowings of ₹ 151.83 crore during the period 2011-14.

1.12 Fiscal imbalances

In an emerging economy, balanced budget are rare and the Government resorts to borrowings to bridge the gap between expenditure requirements and inadequate non-debt receipts. The gap between receipts and expenditure represents deficit. **Chart 1.12** gives an indication of the various kinds of deficits that occur if the Government borrows excessively to balance the budget.

Chart 1.12: Type of deficits



The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised and applied are important pointers to fiscal health. This section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set for the financial year 2013-14.

1.12.1 Trends in deficits

Charts 1.13 and **1.14** present the trends in deficit indicators over the period 2009-14.

Chart 1.13: Fiscal Imbalances

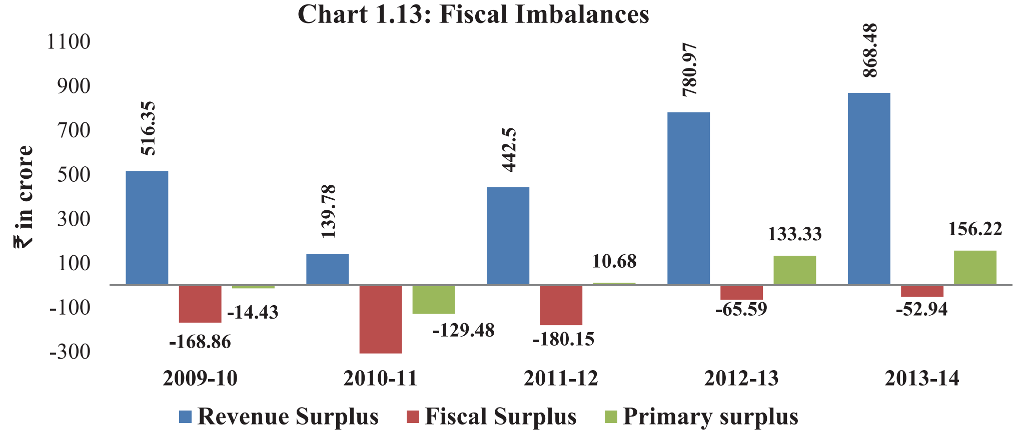
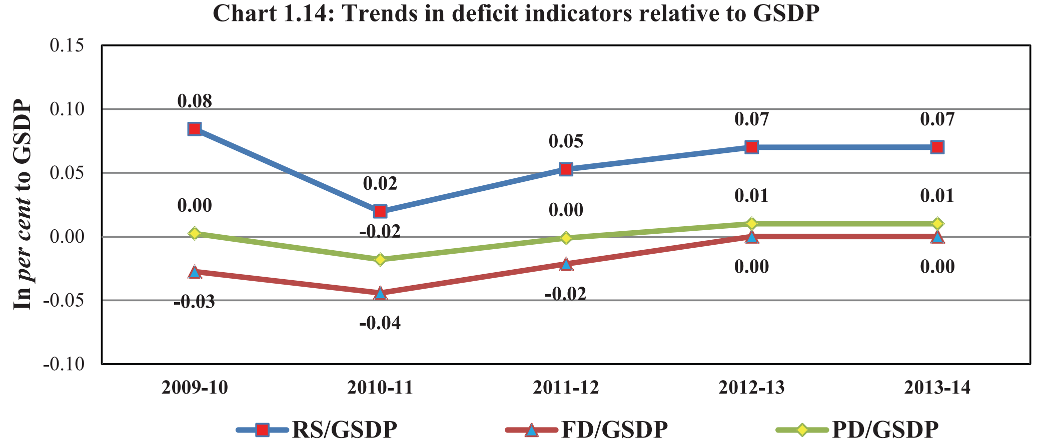


Chart 1.14: Trends in deficit indicators relative to GSDP



Revenue surplus

Revenue surplus represents the difference between revenue receipts and revenue expenditure. Revenue surplus helps to decrease borrowings.

The State continued to attain revenue surplus during all the years, i.e., from 2009-10 to 2013-14 with fluctuating trends. The revenue surplus had remained highest during the current year at ₹ 868.48 crore and lowest in 2010-11 at ₹ 139.78 crore. It increased by ₹ 87.51 crore (11.21 *per cent*) during 2013-14 as compared to the previous year due to increase in revenue receipts, grants from Government of India and share of Union Taxes & duties.

Fiscal Deficit

Fiscal deficit normally represents the net incremental liabilities of the Government or its additional borrowings. The shortfall could be met either by additional public debt (internal or external) or by the use of surplus funds from Public Account. Fiscal deficit trends along with the trends of the deficit relative to key components are indicated in **Table 1.38.**

Table 1.38: Fiscal deficit and its parameters

Period	Non-debt receipts	Total expenditure	Fiscal Surplus(+)/ deficit(-)	Fiscal deficit as *per cent* to		
	₹ *in crore*			GSDP	Non-debt receipt	Total expenditure
2009-10	2,345.67	2,514.53	(-)168.86	2.75	7.20	6.72
2010-11	2,152.49	2,468.74	(-)316.25	4.27	14.69	12.81
2011-12	2,914.38	3,094.54	(-)180.15	2.02	6.18	5.82
2012-13	3,289.26	3,354.85	(-) 65.59	0.63	1.99	1.96
2013-14	3,894.46	3,947.40	(-)52.94	0.43	1.36	1.34

Source: Finance Accounts.

Fiscal deficit as a percentage of GSDP had remained lowest during the current year. Similarly, Non-debt receipts and total expenditure as a percentage to fiscal deficit, was also lowest during the current year.

Primary Deficit

While fiscal deficit represents the need for additional resources in general, a part of such resources may be needed to finance interest payments. Interest payments represent the expenditure of past obligations and are independent of current allocative priorities. To look at the imbalances of the current nature, these payments need to be separated and deducted from the total imbalances. The primary deficit and its parameters for the last five years is indicated in **Table 1.39.**

Table 1.39: Primary deficit and its parameters

(₹ in crore)

Period	Fiscal Deficit	Interest Payments	Primary Deficit (-)/ Surplus (+)
2009-10	168.86	154.43	(-)14.43
2010-11	316.25	186.77	(-)129.48
2011-12	180.15	190.83	(+)10.68
2012-13	65.59	198.92	(+)133.33
2013-14	52.94	209.16	(+)156.22

Source: Finance Accounts.

The deficit recorded was lowest during 2010-11. However, there were surplus during the last three years and the highest was recorded in the current year.

1.12.2 Components of fiscal deficit and its financing pattern

The financing pattern of fiscal deficit has undergone a compositional shift as reflected in the **Table 1.40**. Decomposition of fiscal deficit reveals the extent of various borrowings resorted to by the State to meet its requirement of funds over and above revenue and non-debt receipts.

Table 1.40: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2009-10		2010-11		2011-12		2012-13		2013-14	
		Amount	% of GSDP	Amount	% of GSDP	Amount	%of GSDP	Amount	%of GSDP	Amount	%of GSDP
Decomposition of fiscal deficit		168.86	2.75	316.25	3.55	180.15	2.14	65.59	0.63	52.94	0.43
1	Revenue Surplus	516.35		139.78		442.5		780.97		868.48	
2	Misc. Capital Receipts	-	-	-	-	42.25	0.5	0	0.00	0	0.00
3	Net capital expenditure	648.53	10.57	451.07	5.06	615.76	7.33	842.35	8.04	911.94	7.37
4	Net loans and advances	36.68	0.6	4.96	0.06	49.14	0.59	4.21	0.04	9.48	0.08
Financing pattern of fiscal deficit*											
1	Market borrowings	324.31	5.29	43.65	0.49	41.59	0.5	133.64	1.28	229.54	1.85
2	Loans from GOI	(-)18.49	(-) 0.30	-21.86	-0.25	(-)2.81	0.03	-7.95	-0.08	-21.96	-0.18
3	Special securities issued to NSSF**	0	0	0	0.00	0	0	-	-	-	0.00
4	Loans from financial institutions	0	0	0	0.00	0	0	0	0.00	-	0.00
5	Small savings, PF, etc.	45.58	0.74	98.51	1.11	68.52	0.82	-45.35	-0.43	61.49	0.50
6	Deposits and advances	9.9	0.16		-	17.92	0.21	0	0.00	3.43	0.03
7	Suspense and misc.	103.65	1.69	-97.71	-1.10	37.8	0.45	41.02	0.39	(-)58.31	(-)0.47
8	Remittances	14.81	0.24	-28.26	-0.32	118.16	1.41	(-)60.11	(-)0.57	7.58	0.06
9	Reserve funds	8.87	0.14	20.78	0.23	78.57	0.94	-8.22	-0.08	67.14	0.54
10	Increase (-) /decrease (+) in cash balance	319.77	5.21	281.2	3.16	(-)179.60	2.14	(-)118.62	(-)1.13	(-)234.97	(-)1.90
11	Net of Contingency Fund transactions	0	0	0.1	0.00	0	0	0	0.00	(-)1	(-)0.01
Total		**168.9**		**316.3**		**180.15**		**65.59**	**0.63**	**52.94**	**0.43**

* *All these figures are net of disbursements/outflows during the year.* ** *Included in Market borrowings*

The components of fiscal deficit are Revenue Surplus, Net Capital Expenditure and Net Loans and Advances. The State had been attaining revenue surplus, which financed the fiscal deficit along with market borrowings, loans from GOI, etc. The revenue surplus increased by ₹ 87.51 crore during the current year. The capital expenditure and the net loans and advances increased during the current year.

Even though, there was a revenue surplus of ₹ 868.48 crore during 2013-14, there was fiscal deficit of ₹ 52.94 crore due to increase in capital expenditure. The Capital Expenditure could be financed by revenue surplus to the extent of 95.23 *per cent* during the current year.

1.12.3 Quality of deficit/surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue and capital expenditure (including loans and advances) indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit **(Table 1.41)** indicates the extent to which the deficit was on account of enhancement in capital expenditure which might be desirable to improve the productive capacity of the State's economy.

Table 1.41: Primary deficit/surplus-Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and advances	Primary expenditure (3+4+5)	Primary revenue deficit (-)/surplus (+)(2-3)	Primary deficit (-)/surplus (+)(2-6)
1	2	3	4	5	6	7	8
2009-10	2,345.67	1,674.60	648.53	36.98	2,360.11	(+) 671.07	(-) 14.43
2010-11	2,152.49	1,825.15	451.07	5.75	2,281.97	(+) 327.34	(-) 129.48
2011-12	2,914.38	2,238.77	615.76	49.17	2,903.70	(+) 675.61	(+)10.68
2012-13	3,289.26	2, 308.47	842.35	5.11	3,155.93	(+) 980.79	(+) 133.33
2013-14	3,894.46	2,815.90	911.94	10.40	3,738.24	(+)1,078.56	(+)156.22

Source: Finance Accounts.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2009-14 reveals that the non-debt receipts were enough to meet the requirements of primary revenue expenditure and some receipts were left to meet capital expenditure.

1.13 Follow up

The preparation of standalone Report of the State Finances was started since 2008-09 onwards and no Report of the State Finances had been discussed by the Public Accounts Committee (PAC) so far and hence, no recommendation by the PAC/Finance Commission had been made on the Reports of the State Finances and therefore, no assurances had been given by executive departments on those Reports.

1.14 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters-revenue surplus, fiscal deficit, primary deficit, etc., indicated that the State had been able to maintain revenue surplus during the last five years. The revenue surplus recorded increase (₹ 87.51 crore) for the third year in a row. This was due to increase in revenue receipts by 18.40 *per cent* (₹ 605.18 crore) and similarly, the revenue expenditure also increased by 20.65 *per cent* (₹ 517.67 crore) during 2013-14 as compared to 2012-13.

The increase in Revenue receipts was contributed by tax revenue ₹ 89.44 crore (20.54 *per cent*), non-tax revenue by ₹ 59.59 crore (19.73 *per cent*) States share of Union Taxes and Duties ₹ 64.14 crore (9.18 *per cent*) and Grants-in-aid from Government of India (GOI) ₹ 392.01 crore (21.16 *per cent*). The tax revenue receipts at ₹ 524.92 crore was higher by ₹ 240.52 crore than the projection made by XIII Finance Commission. However, there was shortfall of ₹ 141.89 crore in non-tax revenue.

Revenue expenditure constituted 76.64 *per cent*, capital expenditure constituted 23.10 *per cent* and Loans & Advances constitute 0.26 *per cent* of total expenditure during 2013-14. The Expenditure on Social and Economic sectors, which are considered as development expenditure accounted for 68.32 *per cent* in 2013-14 as against 70.42 *per cent* in 2012-13.

The overall revenue expenditure of the State increased by 20.65 *per cent* (₹ 517.67 crore) and Capital expenditure increased by 8.26 *per cent* (₹ 69.59 crore) over the previous year. The fiscal deficit recorded a downward trend for the third year in a row.

The Grants-in-aid component constituting 57.64 *per cent* of the State's revenue receipts during the year increased by ₹ 392.01 crore. The State continued to be dependent upon central transfers and Grants-in-aid, which is evident from the fact that 77.23 *per cent* of the revenue receipts during the year came from the Government of India.

The growth of revenue expenditure (20.65 *per cent*) was higher than the growth in revenue receipts (18.40 *per cent*) in 2013-14. The growth of revenue expenditure was also higher than the growth of GSDP. For every one *per cent* growth in GSDP (18.18 *per cent*), revenue expenditure grew by 1.14 *per cent*.

52.19 *per cent* of revenue expenditure constituted committed expenditure on salaries, pension, interest payments and subsidies.

Funds aggregating ₹ 323.23 crore was incurred on 200 incomplete projects which were scheduled to be completed by 31 March 2014. Therefore, the benefits of the projects did not reach the intended beneficiaries in time. The State Government should formulate guidelines for timely completion of the projects and strictly monitor reasons for the time and cost overrun with a view to take corrective action.

During 2013-14, fiscal deficit-GSDP ratio improved marginally compared to previous year indicating decrease in debt-GSDP ratio. The sum of quantum spread and primary deficit also improved significantly and stood at ₹ 599.12 crore during 2013-14 against ₹ (-) 102.56 crore in 2012-13 which was a positive sign towards fiscal balances for improving the debt sustainability position of the State. The fiscal liabilities stood at nearly 0.93 times of the revenue receipts and 4.10 times of the State's own resources at the end of 2013-14. The buoyancy of these liabilities with respect to GSDP during the year was 0.48 indicating that for each one *per cent* increase in GSDP; fiscal liabilities grew by 0.48 *per cent*.

The return from investment was 0.56 *per cent* and some of the Companies/Corporations were under perennial loss. Effective steps need to be taken by the State Government either to revive the units or close down the units incurring losses to avoid further financial burden on the Government.