

CHAPTER – I

FINANCES OF THE STATE GOVERNMENT

Chapter I

Finances of the State Government

Profile of Nagaland

The State located in the North-Eastern region of India, is a Special Category State¹. It is the twenty fifth largest State in terms of geographical area (16,579 sq. km) as well as by population (1978502). As indicated in **Appendix 1.1(D)** the State's population decreased from 19,90,036 in 2001 to 19,78,502 in 2011 recording a decadal decrease of 0.58 *per cent*. The state's literacy rate increased from 66.59 *per cent* (as per 2001 census) to 79.55 *per cent* (as per 2011 census). The per capita income of the State (source: Ministry of Home Affairs) stood at ₹ 56116 against the country's average of ₹ 60,972 in the year 2011-12. The general data relating to the State is given in **Appendix 1.1(D)**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. A trend analysis of the 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 the State GDP for the period 2011-16 compared with India's GDP is presented in the table below:

Table 1.1: Annual growth rate of GDP and GSDP at current prices

Year	2011-12	2012-13	2013-14	2014-15	2015-16
State's GDP (in crore)	11,839	13,619	16,612	18,414	20,524*
Growth in <i>per cent</i>	**	15.03	21.98	10.85	11.46
India's GDP (in crore)	87,36,039	99,51,344	11272,764	124,88,205	135,76,086
Growth in <i>per cent</i>	-	13.91	13.28	10.78	8.71

(Source: Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation except for 2015-16)

* Information furnished by Directorate of Economics and Statistics, Govt. of Nagaland

** Growth of GSDP and GDP for the year 2011-12 has not been indicated as the base year has been revised to 2011-12.

The quantum of GDP (both State and India) is measured in terms of constant and current prices and as per their respective arithmetical calculations; these figures (both for states and India) differ from each other every year. For comparison between State and National GDPs, the GDP figure calculated on the basis of current price at factor cost with base year 2011-12 has been taken.

¹ The Fifth Finance Commission accorded (1969) special status to three states on basis of harsh terrain, backwardness and special problems prevailing in these states viz.-Assam, Jammu & Kashmir and Nagaland. The number of such states has increased over a period of time and now stands at 11.

1.1 Introduction

The annual accounts of the State Government consist of Finance Accounts and Appropriation Accounts. The Finance Accounts 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 Nagaland during 2011-16. 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 layout of the Finance Accounts have been explained in **Appendix 1.1 – Parts A and B**.

1.1.1 Summary of Fiscal Transactions in 2015-16

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2015-16) vis-à-vis the previous year (2014-15) while **Appendix 1.3** provides details of receipts and disbursements as well as overall fiscal position during the same period.

Table 1.2 Summary of Fiscal Operations in 2015-16

(₹ in crore)

Receipts			Disbursements				
Section-A: Revenue			Description	2014-15	2015-16		
Description	2014-15	2015-16			Non Plan	Plan	Total
Revenue Receipts ²	7650.94	8043.57	Revenue Expenditure ³	6762.41	6459.26	1122.66	7581.92
Tax Revenue	388.61	427.10	General Services	3133.24	3598.88	24.37	3623.25
Non-tax Revenue	270.61	256.39	Social Services	1855.17	1526.38	567.23	2093.61
Share of Union Taxes/ Duties	1062.68	2540.72	Economic Services	1774.00	1334.00	531.06	1865.06
Grants from Government of India	5929.04	4819.36	Grants-in-Aid and Contributions	0.00	0.00	0.00	0.00
Section-B: Capital							
Misc. Capital Receipts	0.00	0.00	Capital Outlay	1023.17	0.00	1059.23	1059.23
Recoveries of Loans and Advances	0.71	0.50	Loans and Advances disbursed	0.19	0.19	0.00	0.19
Public Debt receipts	2414.87	3545.94	Repayment of Public Debt	2306.08			2705.35
Contingency Fund	0.00	0.00	Contingency Fund	0.00			0.00
Public Account Receipts*	2661.92	3226.12	Public Account disbursements*	2895.22			3011.82
Opening Cash Balance	694.36**	435.73	Closing Cash Balance	435.73			893.35
Total	13422.80	15251.86	Total	13422.80			15251.86

* Gross figure / ** the closing cash balance has been taken after rounding off.

(Source: Finance Accounts for the respective years)

² Revenue Receipts and Non-Tax Revenue are inclusive of gross receipt (₹ 13.43 crore) from State Lotteries.

³ Revenue Expenditure and General Services (Non-Plan) are inclusive of expenditure (₹ 2.78 crore) on State Lotteries

The following are the significant changes during 2015-16 over the previous year:

- Revenue Receipts increased by ₹ 392.63 crore (5.13 *per cent*) from ₹ 7650.94 crore in 2014-15 to ₹ 8043.57 crore in 2015-16 due to increase in grants from State's share of Union Taxes and Duties (₹ 1478.04 crore) and State's Own Tax Revenue (₹ 38.49 crore) and offset by decrease in grants from Government of India (GoI) (₹ 1109.68 crore) and State's Non-tax Revenue (₹ 14.22 crore).
- Revenue Expenditure of the State, on the other hand increased by ₹ 819.51 crore (12.12 *per cent*) from ₹ 6762.41 crore in 2014-15 to ₹ 7581.92 crore in 2015-16 under General Services (₹ 490.01 crore), Social Services (₹ 238.44 crore) and Economic Services (₹ 91.06 crore).
- Capital Expenditure increased by 3.52 *per cent* from ₹ 1023.17 crore in 2014-15 to ₹ 1059.23 crore in 2015-16.
- Recoveries of Loans and Advances decreased by ₹ 0.21 crore in 2015-16 over the previous year and disbursement of Loans and Advances was the same as compared to the previous year.
- During the year 2015-16, Public Debt Receipts⁴ increased by ₹ 1131.07 crore from ₹ 2414.87 crore in 2014-15 to ₹ 3545.94 crore in 2015-16 and repayment increased by ₹ 399.27 crore from ₹ 2306.08 crore in 2014-15 to ₹ 2705.35 crore in 2015-16.
- Public Account Receipts increased in 2015-16 over the previous year by ₹ 564.20 crore from ₹ 2661.92 crore in 2014-15 to ₹ 3226.12 crore in 2015-16 and disbursement increased by ₹ 116.60 crore from ₹ 2895.22 crore in 2014-15 to ₹ 3011.82 crore in 2015-16.

The total inflow increased by ₹ 2087.69 crore (16.40 *per cent*) from ₹ 12,728.44 crore in 2014-15 to ₹ 14,816.13 crore in 2015-16. The total outflow also increased by ₹ 1371.44 crore (10.56 *per cent*) from ₹ 12,987.07 crore in 2014-15 to ₹ 14,358.51 crore in 2015-16. The cash balance of the State at the end of 2015-16 increased by ₹ 457.62 crore (105.02 *per cent*) from ₹ 435.73 crore in 2014-15 to ₹ 893.35 crore in 2015-16.

1.1.2 Review of the fiscal situation

With the enactment of a Fiscal Responsibility and Budget Management Act (FRBM) Act, 2005 at the centre, the Twelfth Finance Commission (XII FC) recommended that each State enact a fiscal responsibility legislation prescribing specific annual targets with a view to eliminate the Revenue Deficit by 2008-09 and reduce Fiscal Deficit based on a path for reduction of borrowings and guarantees. The State of Nagaland enacted Nagaland Fiscal Responsibility and Budget Management (NFRBM) Act in

⁴ Public Debt Receipts includes market loans, special securities issued by RBI and loans and advances from GOI.

2005. The targets prescribed in NFRBM Act and projections made by State Government in its Medium Term Fiscal Policy Statement (MTFPS), targets proposed in the Budget, Fourteenth Finance Commission (XIV FC) targets for the State vis-a-vis achievements during the year 2014-15 is depicted in **Table 1.3**:

Table: 1.3 Major fiscal variables provided in the budget, recommendations of the XIV FC- targets in the NFRBM Act vis-à-vis actuals for the year 2015-16.

Fiscal variables	Targets/Projections				Actuals
	As per XIV FC	Prescribed in FRBM Act	Proposed in the Budget Estimates	made in Five Year Fiscal Plan/MTFPS	
Revenue Deficit(-)/ Surplus(+) (₹ in crore)	NA	0.00	(+) 230.32	0.00	(+) 461.65
Fiscal Deficit/GSDP (in per cent)	3.25	3.00	4.97	4.91	2.91
Ratio of total outstanding debt of the Government to GSDP (in per cent)	45.77	50.00	35.78	35.07	43.52

During 2015-16, the State Government projected zero Revenue Deficit in NFRBM and MTFPS. The State projected a Revenue Surplus of ₹ 230.32 crore in the BE for 2015-16 and actually achieved a Revenue Surplus of ₹ 461.65 crore.

For the year 2015-16 the ratio of Fiscal Deficit to GSDP was proposed at 3.25 per cent and 3.00 per cent in XIV FC and NFRBM respectively and at 4.97 per cent in MTFPS. Actual ratio of Fiscal Deficit to GSDP was 2.91 per cent which was 0.34 per cent and 0.09 per cent less than XIV FC and NFRBM projections and 2.00 per cent less than MTFPS projection.

During 2015-16, outstanding debt to GSDP ratio of 43.52 per cent was less than the projected figures as per XIV FC and NFRBM Act, however, more than the projected figures as per MTFPS and budget estimates for 2015-16.

1.1.3 Budget estimates and actuals

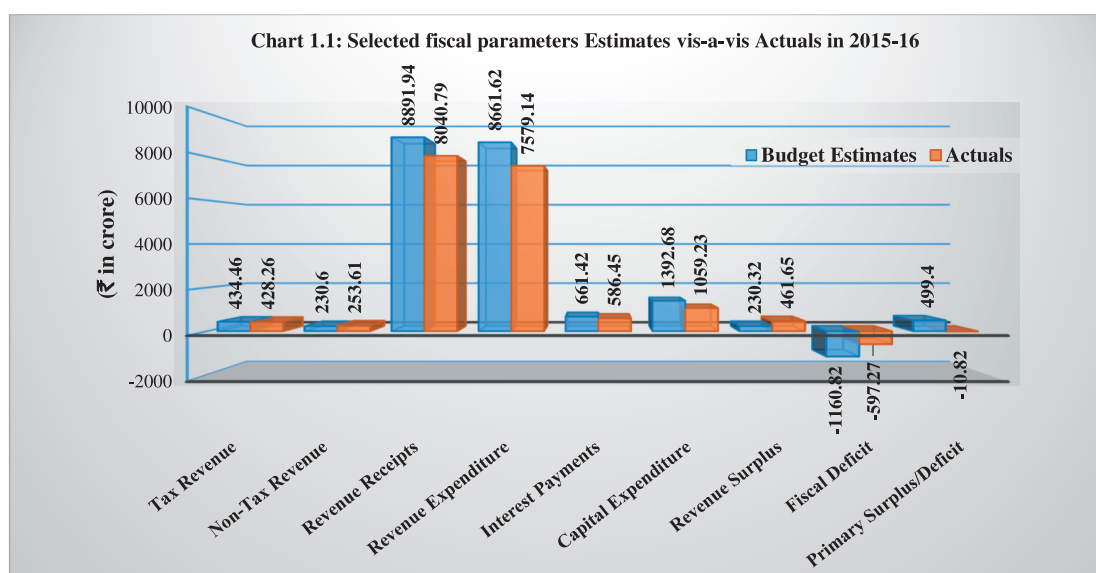
The budget presented by the State Government provide descriptions of estimations of revenue and expenditure for particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the budget estimates are indicative of non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government.

Table 1.4 and Chart 1.1 represent the budget estimates and actuals for some important fiscal parameters during 2015-16.:

Table1.4: Variation in Actual Fiscal parameters over estimates

(₹ in crore)

Parameters	2014-15	2015-16		
	Actuals	Budget Estimates	Revised Estimates	Actuals
Tax Revenue	388.61	434.46	445.21	427.10
Non-tax Revenue	268.34	230.60	237.82	253.61
Revenue Receipts ⁵	7648.67	8891.94	8993.86	8040.79
Non-debt Capital Receipts	0.71	1.94	1.94	0.50
Revenue Expenditure ⁶	6760.14	8661.62	8782.93	7579.14
Interest Payments	555.34	661.42	658.26	586.45
Capital Expenditure	1023.17	1392.68	1371.85	1059.23
Disbursement of Loans & Advances	0.19	0.40	0.40	0.19
Revenue Deficit (-)/Surplus	888.53	230.32	210.93	461.65
Fiscal Deficit (-)/Surplus	(-)134.12	(-)1160.82	(-)1159.38	(-)597.27
Primary Deficit(-)/Surplus	421.22	499.40	501.12	(-)10.82



- During 2015-16, the actual Revenue Receipts was less than the budget estimates by ₹ 851.15 crore (9.57 per cent) and actual Revenue Expenditure was also lesser by ₹ 1082.48 crore (12.50 per cent) than the budget estimates resulting in attaining a Revenue Surplus which was higher by ₹ 231.33 crore as compared to the projections made in the budget estimates.
- The actual collection of Tax Revenue during the year decreased by ₹ 7.36 crore (1.69 per cent) over the budget estimates for the year.

⁵ Revenue Receipts is net of receipts and expenditure under State Lottery from this point onwards in the Report.

⁶ Revenue Expenditure is exclusive of expenditure (₹ 2.78 crore) on State Lotteries from this point onwards in the Report.

- The increase in Non-tax Revenue was ₹ 23.01 crore (9.98 *per cent*) as compared to the budget estimates for 2015-16.
- During the year 2015-16, the actual Capital Expenditure was less than the budget provision by ₹ 333.45 crore (23.94 *per cent*).
- Actual Fiscal Deficit decreased over the assessment made in the budget estimates by ₹ 563.55 crore (48.55 *per cent*) mainly due to non-achievement of Revenue Receipts projected in the budget estimates. Against the Primary Surplus of ₹ 499.40 crore projected in the BE, the State witnessed Primary Deficit of ₹ 10.82 crore in 2015-16.

1.1.4 Gender Budgeting

The Constitution of India has mandated equality for every citizen of the country as a fundamental right. GoI 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.

Among others, Gender Budgeting serves in (i) Identifying the felt needs of women and reprioritising and/or increasing expenditure to meet these needs; (ii) Supporting gender mainstreaming in macroeconomics; (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 had not been implemented in the State.

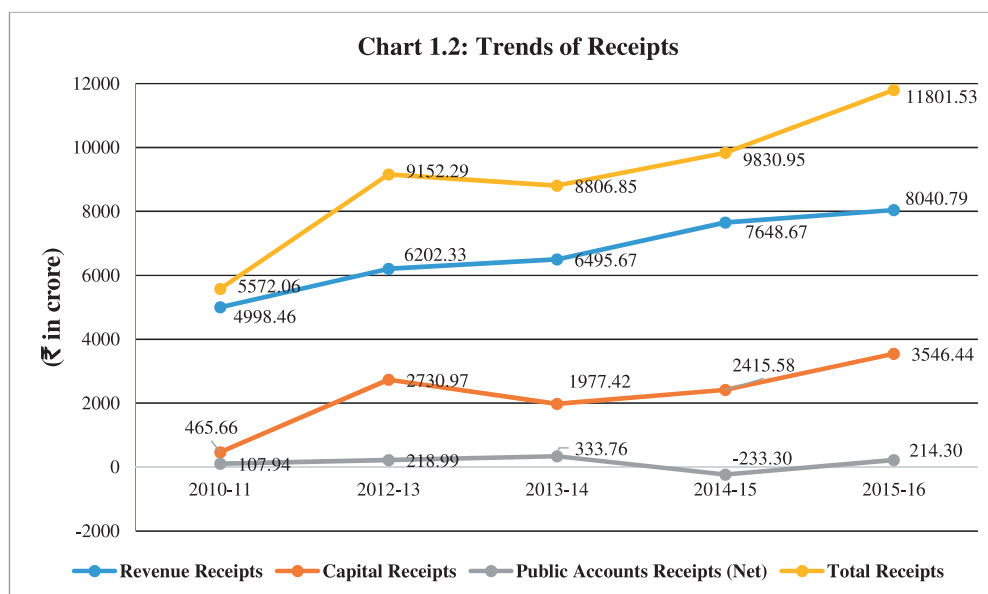
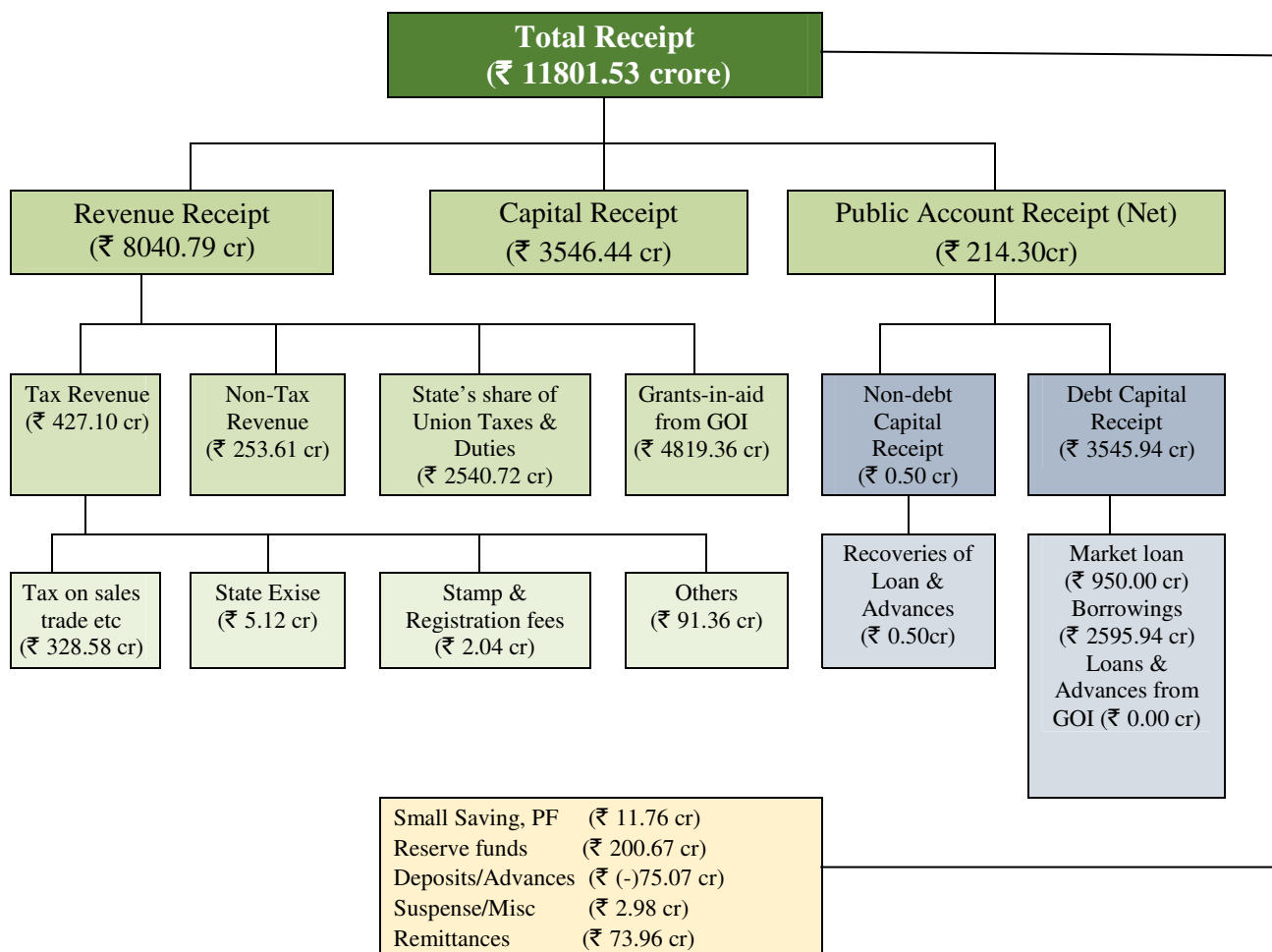
1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenue, Non-tax Revenue, State's share of Union Taxes and Duties and Grants-in-Aid (GIA) from GoI. Capital Receipts comprise miscellaneous Capital Receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and Loans and Advances from GoI. Besides the funds available in the Public Accounts after disbursement is also utilised by the Government to finance its deficit.

Table-1.2 presents the receipts and disbursements of the State during the last two years as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2011-16. **Chart 1.3** depicts the composition of the receipts during 2015-16. **Table 1.4** presents the trends in growth and composition of receipts for the current year 2015-16.

Following flowchart shows the components and sub-components of resources.



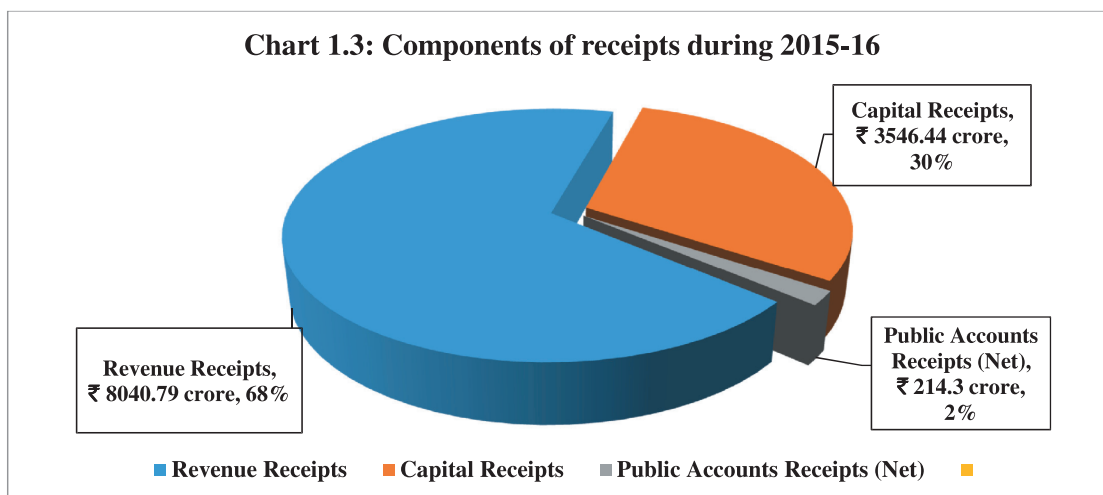


Table 1.5: Composition of receipts

(₹ in crore)

	Sources of State receipts	2011-12	2012-13	2013-14	2014-15	2015-16
I	Revenue Receipts	5584.62	6202.33	6495.67	7648.67	8040.79
II	Capital Receipts	1321.29	2730.97	1977.42	2415.58	3546.44
	Miscellaneous Capital Receipts	-	-	-	-	-
	Recovery of Loans and Advances	2.44	0.85	1.01	0.71	0.50
	Public Debt receipts	1318.85	2730.12	1976.41	2414.87	3545.94
III	Contingency Fund	-	-	-	-	-
IV	Public Account Receipts (Net)	246.81	218.99	333.76	(-)233.30	214.30
	Total Receipts	7152.72	9152.29	8806.85	9830.95	11801.53

(Source: Finance Accounts of respective years)

The total receipts of the State Government for the year 2015-16 was ₹ 11,801.53 crore out of which, the Revenue Receipts was ₹ 8040.79 crore constituting 68.13 *per cent* of the total receipts.

The Revenue Receipts of the State increased from ₹ 7648.67 crore in 2014-15 to ₹ 8040.79 crore in 2015-16 at an annual growth rate of 5.13 *per cent*. The buoyancy of Revenue Receipts w.r.t. GSDP during the year was 0.45 *per cent*.

The Capital Receipts registered an increase of 168.41 *per cent* from ₹ 1321.29 crore in 2011-12 to ₹ 3546.44 crore in 2015-16.

Public Account Receipts (net) increased by ₹ 447.60 crore (191.86 *per cent*) from ₹ (-) 233.30 crore in 2014-15 to ₹ 214.30 crore in 2015-16.

1.2.2 Funds Transferred to State Implementing Agencies

As per GoI decision, transferring of funds to the State Implementing Agencies for implementation of the Centrally Sponsored Schemes shall be through the State Consolidated Fund with effect from 2014-15 (BE). Some fund was directly transferred to the State Implementing Agencies outside the State Budget/State Treasury System. The funds directly transferred to State Implementing Agencies are presented in **Appendix 1.5**.

During the year 2015-16 central funds of ₹ 110.62 crore were directly transferred to the State Implementing Agencies. The amounts released in excess of ₹ one crore for programmes assisted by GoI are presented in **Table 1.6**.

Table-1.6: Funds Transferred Directly to State Implementing Agencies

		(₹ in crore)
Programme/Scheme	Implementing Agency in the State	Funds transferred directly by GOI during 2015-16
Indigenous Breeds	Nagaland Livestock Development Board	3.50
MPLADS	DC, Dimapur	7.50
Swadesh Darshan Integrated Development Theme	Nagaland Tourism Board	19.47
National Handloom Development Programmes	Nagaland Weavers Associations, Kohima	2.00
Nagaland Mission on Food Processing (SAMPDA)	Kohima Municipal Council	1.50
	Mokokchung Municipal Council	3.32
Zonal Culture Centre	North East Zone Cultural Centre	15.30
North Eastern Areas	Nagaland GIS Centre	1.60
	Nagaland Bamboo Development Agency	1.26
	Director of Youth Resources and Sports	2.37
National Child Labour Project including Grants-in-aids to Voluntary Agencies	District Child Labour Project Society	1.31
GRID Interactive Renewal Power MNRE	New and Renewable Energy Development Agency (NREDA)	1.20
OFF GRID DPRS	New and Renewable Energy	5.98
Working Women Hostel (WWH)	Nagaland Handloom and Handicrafts Development Corporation	1.34
NER- Textile Promotion Scheme	Directorate of Sericulture, GON	12.50
Museums	North East Zone Cultural Centre	3.32
National Plan for Dairy Development	Nagaland State Dairy Co-operation Federation Ltd	1.00
	Nagaland Livestock Development Board	1.25
Digital India Programme	Nagaland State E-Governance Society	8.80
Others	68 other schemes/programmes	16.10
Total		110.62

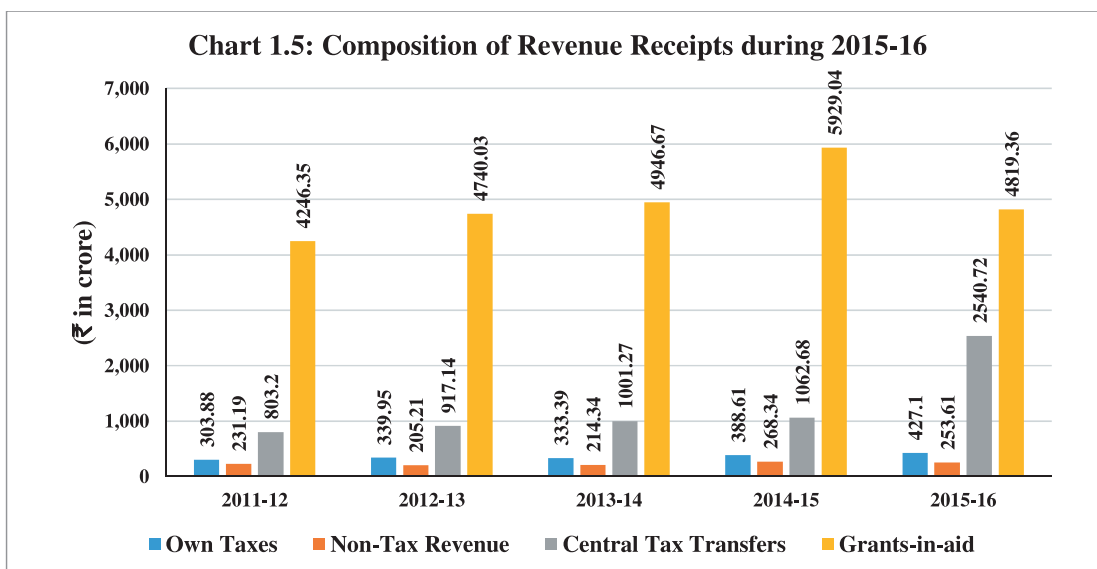
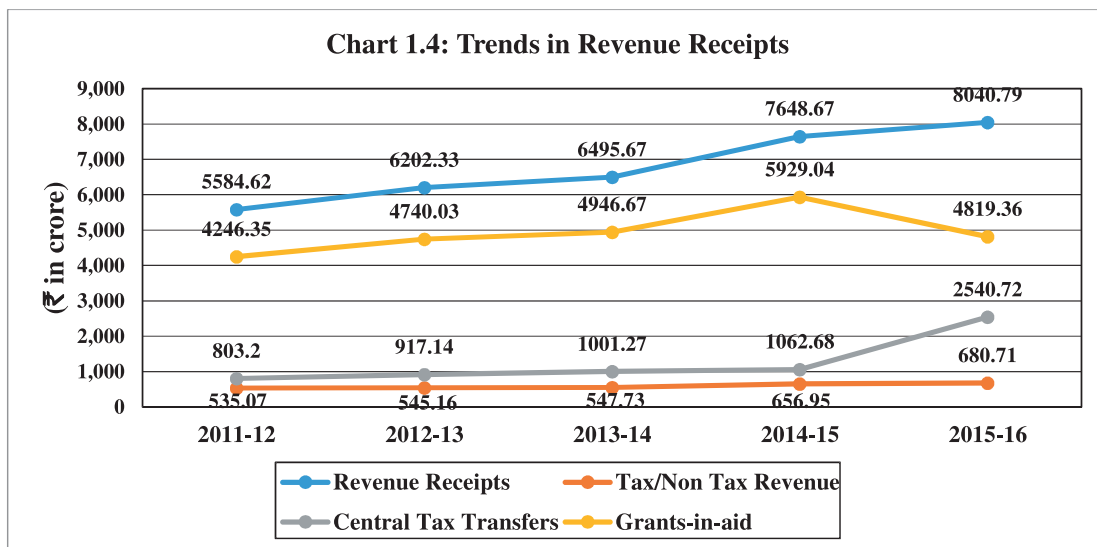
(Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Account's website)

Out of an amount of ₹ 110.62 crore directly transferred to Implementing Agencies during the year, an amount of ₹ 19.47 crore (20 per cent) was given for Swadesh Darshan Integrated Development Theme.

1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the Revenue Receipts of the State Government. The trends and composition of Revenue Receipts over the period

2011-16 are presented in **Appendix 1.2** and depicted in **Charts 1.4** and **1.5** respectively.



The Revenue Receipts have shown a progressive increase with inter-year variations and changes in its composition i.e. the share of own taxes, Non-tax Revenue and Central transfers during the period 2011-16.

Tax and Non-tax Revenue Receipts together (i.e., State's Own Resources) increased by ₹ 145.64 crore (27.22 *per cent*) from ₹ 535.07 crore in 2011-12 to ₹ 680.71 crore in 2015-16 at a compound annual growth rate of 6.21 *per cent*.

The Revenue Receipts of the State increased from ₹ 5584.62 crore in 2011-12 to ₹ 8040.79 crore in 2015-16 at a compound annual growth rate of 9.54 *per cent*. While 8.47 *per cent* of the Revenue Receipts during 2015-16 have come from the State's Own Resources comprising taxes and non-taxes; Central tax transfers and GAI from GoI together contributed 91.53 *per cent*. The percentage share of State's Own

Resources and the Central transfers in Revenue Receipts of the State exhibited relative stability during the last five years (2011-16).

Central tax transfers to the State increased by ₹ 1478.04 crore (139.09 *per cent*) from ₹ 1062.68 crore in 2014-15 to ₹ 2540.72 crore in 2015-16. This quantum jump was due to change in Central tax devolution pattern in line with recommendation of XIV Finance Commission.

The trends in Revenue Receipts as well as buoyancy⁷ ratios relative to GSDP are presented in **Table 1.7**:

Table 1.7: Trends in Revenue Receipts and buoyancy ratios relative to GSDP

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (RR) (₹ in crore)	5584.62	6202.33	6495.67	7648.67	8040.79
Rate of growth of RR (<i>per cent</i>)	11.73	11.06	4.73	17.75	5.13
RR/GSDP (<i>per cent</i>)	47.17	45.54	39.10	41.54	39.18
Buoyancy Ratios					
Revenue Receipts Buoyancy w.r.t GSDP	-	0.74	0.22	1.64	0.45
State's Own Tax Buoyancy w.r.t GSDP	-	0.79	(-) 0.09	1.53	0.86

(Source: Finance Accounts of respective years)

The Revenue Receipts buoyancy with respect to GSDP which was 1.64 in 2014-15 decreased to 0.45 in 2015-16. The State's Own Tax buoyancy with respect to GSDP was 1.53 in 2014-15 which decreased to 0.86 in 2015-16, indicating that Revenue Receipts as well as State's Own Tax grew at a lesser pace than GSDP.

1.3.1 State's Own Resources

As the State's share in Central taxes and GIA are determined on the basis of recommendations of the Finance Commission, the State's performance in mobilisation of resources was assessed in terms of its own resources comprising revenue from its own tax and Non-tax sources.

The States actual Tax and Non-tax Receipts for the year 2015-16 vis-à-vis assessment made by XIV FC and MTFPS are given in **Table 1.8**:

Table 1.8: Tax & Non-tax Receipts vis-à-vis assessment made by XIV FC and MTFPS

	XIV FC projections	Budget estimates	MTFP projection	(₹ in crore) Actuals
Tax Revenue	763.00	435.46	530.54	427.10
Non-tax Revenue	581.00	230.60	NA	253.61

The tax and Non-tax Revenue for the years 2014-15 and 2015-16 are detailed in **Charts 1.6 and 1.7**.

⁷ As explained in Appendix 1.1

1.3.1.1 Tax Revenue

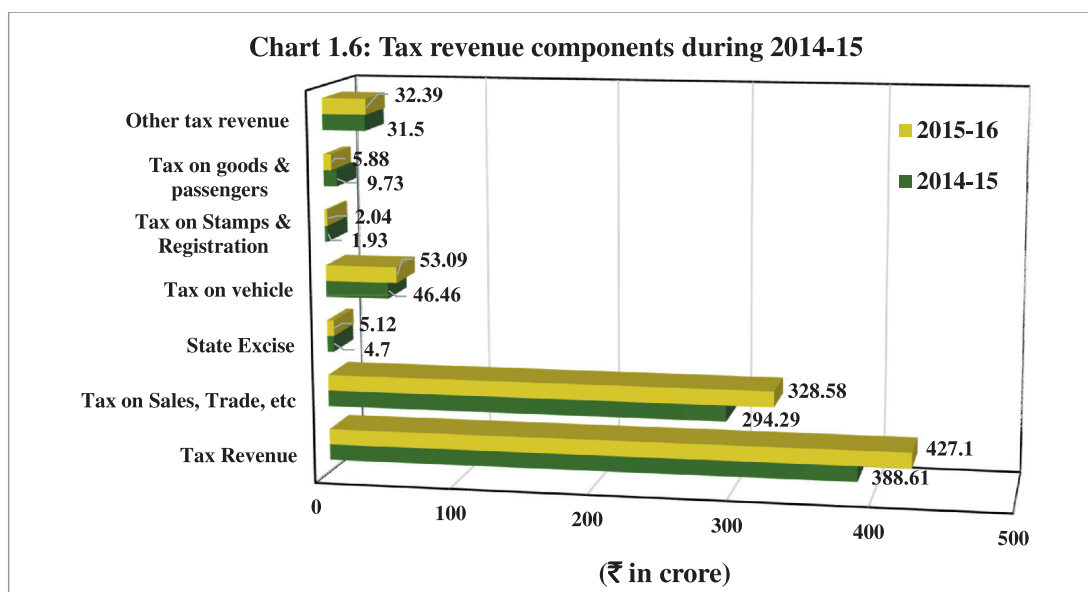
The gross collection in respect of major taxes and duties are given in **Table 1.8**.

Table 1.9: Collection of Tax Revenue 2011-16

(₹ in crore)

Heads	2011-12	2012-13	2013-14	2014-15	2015-16		Percentage of increase(+)/ decrease(-) in 2015-16 over 2014-15
					Budget Estimates	Actual	
Taxes on Sales	231.12	257.21	250.20	294.29	332.78	328.58	11.65
State Excise	3.37	3.73	4.86	4.70	4.90	5.12	8.94
Taxes on Vehicle	34.58	41.59	36.15	46.46	46.00	53.09	14.27
Stamps and Registration Fees	1.85	1.58	1.77	1.93	1.98	2.04	5.70
Land Revenue	0.68	0.72	0.70	0.74	0.89	0.75	1.35
Taxes on goods & Passengers	4.85	6.71	10.79	9.73	12.10	5.88	(-)39.57
Other taxes	27.43	28.41	28.92	30.76	35.81	31.64	2.86
Total	303.88	339.95	333.39	388.61	434.46	427.10	9.90

(Source: Finance Accounts of respective years)



The major contributions to the State's Tax Revenue during the year were Tax on sales, trade, etc. (₹ 328.58 crore), Taxes on vehicles (₹ 53.09 crore) and Tax on goods and passengers (₹ 5.88 crore) and State Excise (₹ 5.12 crore).

The State's Own Tax Revenue increased by ₹ 38.49 crore (9.90 per cent) from ₹ 388.61 crore in 2014-15 to ₹ 427.10 crore in 2015-16 due to increase in Tax on sales, trade, etc. (₹ 34.29 crore), Tax on vehicles (₹ 6.63 crore), Stamp duty & Registration fees (₹ 0.11 crore), State Excise (₹ 0.43 crore) and other taxes (₹ 0.88 crore) offset by decrease in Tax on goods & passengers (₹ 3.85 crore).

1.3.1.2 Non-tax Revenue

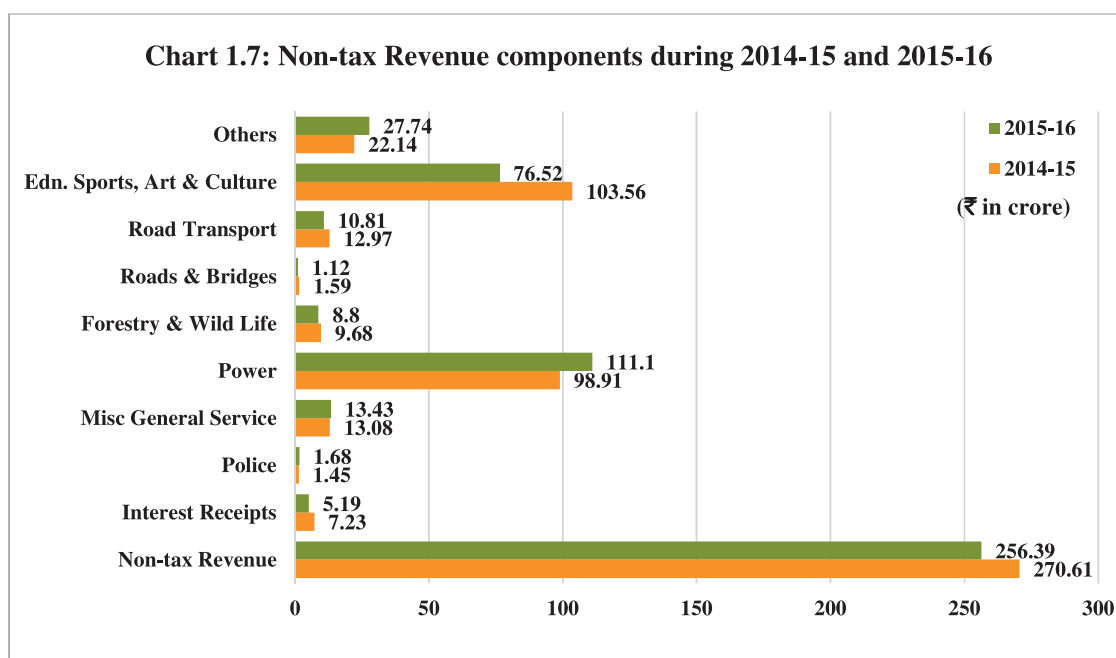
The gross collection of Non-tax Revenue is given in **Table 1.10** and the details of other Non-tax receipts are given in **Chart 1.7**:

Table 1.10: Collection of Non-tax Revenue 2011-16

(₹ in crore)

Revenue Head	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage increase(+)/decrease(-) in 2015-16 over 2014-15
Interest receipts	9.62	5.90	7.62	7.23	5.19	(-) 28.22
Dividends and profits	0.00	0.00	0.00	0.00	4.94	-
Other Non-tax receipts	221.57	199.31	208.95	263.38	246.26	(-) 6.50
Total	231.19	205.21	216.57	270.61	256.39	(-) 5.25

(Source: Finance Accounts of respective years)



Non-tax Revenue decreased by 5.25 *per cent* during 2015-16 over the previous year. Non-tax Revenue at ₹ 256.39 crore constituted 3.19 *per cent* of the Revenue Receipts.

The major contributors to Non-tax Revenue during the year included Power (₹ 111.10 crore), Miscellaneous General Services (₹ 13.43 crore), Road Transport (₹ 10.81 crore), Education, Sports, Arts & Culture (₹ 76.52 crore), Interest Receipts (₹ 5.19 crore), Dividends and Profit (₹ 4.94 crore), Forestry and Wildlife (₹ 8.80 crore), Petroleum (₹ 4.00 crore), Housing (₹ 5.36 crore), Police (₹ 1.68 crore) and Roads and Bridges (₹ 1.12 crore).

1.3.2 Grants-in- aid from Government of India

The break-up of Grants-in- aid (GIA) received from GoI during 2011-16 is given in the **Table 1.11**:

Table 1.11: Grants-in-aid from Government of India

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Grants for State Plan Schemes	1858.21	2174.93	2283.84	2257.17	193.05
Non-Plan Grants	1831.88	2039.07	2071.26	2068.04	3310.43
Grants for Central Plan Schemes	39.98	7.78	26.66	80.93	18.41
Grants for Centrally Sponsored Plan Schemes	431.73	393.49	445.30	1428.26	1203.85
Grants for Special Plan Schemes	84.55	124.76	119.61	94.64	93.62
Total	4246.35	4740.03	4946.67	5929.04	4819.36
Percentage of increase (+) /decrease (-) over previous year	(+)8.88	(+)11.63	(+)4.36	(+)19.86	(-)18.72

(Source: Finance Accounts of respective years)

GIA from GoI have decreased by ₹ 1109.68 crore (18.72 per cent) from ₹ 5929.04 crore in 2014-15 to ₹ 4819.36 crore in 2015-16 contributing 59.94 per cent of the total Revenue Receipts during 2015-16. This decrease was due to decrease in grants for Centrally Sponsored Plan Schemes (₹ 224.41 crore), grants for State Plan Schemes (₹ 2064.12 crore) and grants for Special Plan Schemes (₹ 1.02 crore) and grants for Central Plan Schemes (₹ 62.52 crore) offset by increase in Non-Plan grants (₹ 1242.39 crore),

There was a substantial change in the pattern devolution of funds under the recommendations of the XIV FC.

The details of the devolution of taxes as well as grants for the last four years of XIII FC (2011-15) and first year of XIV FC (2015-16) are given as follows:

Table 1.12: Devolution of taxes as well as grants

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
1. State share of Union taxes and duties	803.20	917.14	1001.27	1062.69	2540.72
2. Grants-in-Aid from GOI	4246.35	4740.03	4946.67	5929.04	4819.36
2.1 Non-Plan Grants	2841.16	2039.07	2071.25	2068.04	3310.43
2.2 Grants for State Plan Schemes	985.20	2174.93	2283.84	2257.17	193.05
2.3 Grants for Central Plan Schemes	39.98	7.78	26.67	80.93	18.41
2.4 Grants for Centrally Sponsored Schemes	295.46	393.49	445.30	1428.26	1203.85
2.5 Grants for Special Plan Schemes	84.55	124.76	119.61	94.64	93.62
TOTAL: (1+2))	5049.55	5657.17	5947.94	6991.73	7360.08

1.3.3 Central Tax Transfers

The break-up of State's share of Union Taxes and Duties received during 2011-15 is given in the **Table 1.13**:

Table 1.13: Central Tax Transfers

(₹ in crore)

Head	2011-12	2012-13	2013-14	2014-15	2015-16
Corporation Taxes	316.26	329.59	336.90	371.26	804.56
Taxes on income other than corporation tax	160.65	197.31	221.84	265.11	564.00
Tax on wealth	1.22	0.55	0.92	1.00	0.13
Customs	139.31	152.48	163.45	171.94	405.10
Union Excise Duties	90.14	103.63	115.44	97.09	332.50
Service Tax	95.62	133.58	162.72	156.28	433.27
Other Taxes and Duties on Commodities and Services	0.00	0.00	0.00	0.00	1.16
Total	803.20	917.14	1001.27	1062.68	2540.72

(Source: Finance Accounts of respective years)

State's share of Union Taxes and Duties increased by ₹ 1478.04 crore (139.09 per cent) from ₹ 1062.68 crore in 2014-15 to ₹ 2540.72 crore in 2015-16 contributing 31.60 per cent of the total Revenue Receipts during 2015-16. This increase was due to increase in Corporation tax (₹ 433.30 crore), Taxes on income other than corporation tax (₹ 298.89 crore), Customs (₹ 233.16 crore), Union Excise Duties (₹ 235.41 crore), Other Taxes and Duties on commodities and services (₹ 1.16 crore) and Service tax (₹ 276.99 crore) offset by decrease in Tax on wealth (₹ 0.87 crore). Central tax transfers during the year (₹ 2540.72 crore) was more than the assessment made in budget estimate (₹ 2411.16 crore) by ₹ 129.56 crore.

1.4 Capital Receipts

The Capital Receipts for the period from 2011-12 to 2015-16 is given below:

Table No. 1.14: Capital Receipts

	2011-12	2012-13	2013-14	2014-15	2015-16
Capital Receipts (CR)	1321.29	2730.97	1977.42	2415.58	3546.44
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
Recovery of Loans and Advances	2.44	0.85	1.01	0.71	0.50
Public Debt Receipt	1318.85	2730.12	1976.41	2414.87	3545.94
Rate of growth of debt Capital Receipts	184.63	107.01	(-)27.61	22.18	46.84
Rate of growth of non-debt Capital Receipts	5.63	(-)65.16	18.82	(-)29.70	(-)29.58
Rate of growth of CR	183.75	106.69	(-)27.59	22.16	46.82
Debt Capital buoyancy w.r.t GSDP	-	7.09	(-)1.26	2.04	4.09
Non Debt Capital Buoyancy w.r.t GSDP	-	(-)4.33	0.86	(-)2.74	(-)2.58

(Source: Finance Accounts of respective years)

1.4.1 Proceeds from disinvestment

During the financial year 2015-16, the Government of Nagaland did not resort to any disinvestment.

1.4.2 Recoveries of loans and advances

The State Government in its Medium Term Fiscal Policy (MTFP) Statement targeted recovery of Loans and Advances of ₹ 1.94 crore. However, the actual recovery of ₹ 0.50 crore was only 25.77 *per cent* of the target set and decreased by 29.58 *per cent* as compared to 2014-15.

1.4.3 Debt receipts from internal sources (market loans, borrowings from financial institutions, banks)

Debt Receipts from internal sources increased by ₹ 1131.07 crore (46.84 *per cent*) from ₹ 2414.87 crore in 2014-15 to ₹ 3545.94 crore in 2015-16. Debt Receipts from internal sources of ₹ 3545.94 crore comprised mainly of Market loans (₹ 950.00 crore), loans from NABARD (₹ 22.83 crore), loans from other Institutions (₹ 61.26 crore) and Ways and Means Advances from RBI (₹ 2477.54 crore). Debt Receipts constituted 99.97 *per cent* of the total Capital Receipts.

1.5 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 disbursement is the fund available with the Government for use.

Table 1.15: Net transactions under Public Account

(₹ in crore)					
Resources under various heads	2011-12	2012-13	2013-14	2014-15	2015-16
Small Savings, Provident Fund etc	36.43	72.49	112.07	55.35	11.76
Reserve Fund	29.00	24.13	12.15	41.01	200.67
Deposits and Advances	(-)133.80	(-)80.22	240.68	(-)607.76	(-)75.07
Suspense and Miscellaneous	309.64	209.22	(-)0.76	0.56	2.98
Remittances	5.54	(-)6.63	(-)30.38	277.54	73.96
Total	246.81	218.99	333.76	(-)233.30	214.30

(Source: Finance Accounts of respective years)

The net receipts from Public Account increased by ₹ 447.60 crore (191.86 *per cent*) from ₹ (-) 233.30 crore in 2014-15 to ₹ 214.30 crore in 2015-16. The increase was due to increase in Deposit and Advances (₹ 532.69 crore), Reserve Fund (₹ 159.67 crore) and Suspense and Miscellaneous (₹ 2.42 crore) offset by decrease in Small Savings, Provident Funds (₹ 43.60 crore) and Remittances (₹ 203.58 crore). The net availability of funds under Small Savings, Provident Funds etc. Reserve Fund and Remittances had a predominant share in financing the Fiscal Deficit.

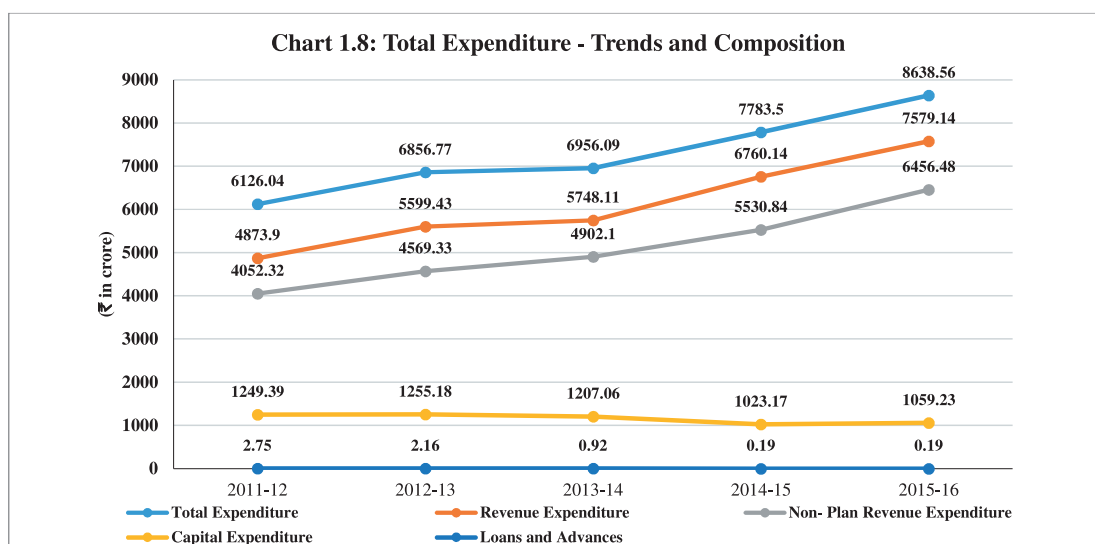
1.6 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since the Government is entrusted with major expenditure responsibilities.

Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is therefore, 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.

1.6.1 Growth and Composition of Expenditure

Chart 1.8 presents the trends in Total Expenditure over a period of five years (2011-16) and its composition both in terms of ‘classification of expenditure’ and ‘expenditure by activities’ is depicted respectively in **Charts 1.9 and 1.10**.



Statements 15 and 16 of the Finance Accounts depict the detailed Revenue Expenditure by minor heads and Capital Expenditure respectively. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of Social and Economic services and extend the network of these services through Capital Expenditure and investments to discharge their debt service obligations.

Total Expenditure during 2015-16 at ₹ 8638.56 crore increased by ₹ 855.06 crore (10.99 *per cent*) over the previous year. Out of the Total Expenditure in 2015-16, Revenue Expenditure was ₹ 7579.14 crore (87.74 *per cent*) while Capital Expenditure was ₹ 1059.23 crore (12.26 *per cent*) and Loans and Advances were ₹ 0.19 crore. The increase in Total Expenditure during 2015-16 over the previous year was due to increase of Revenue Expenditure by ₹ 819.00 crore and Capital Expenditure by ₹ 36.06 crore.

Chart 1.9: Total Expenditure - Trends in share of its component

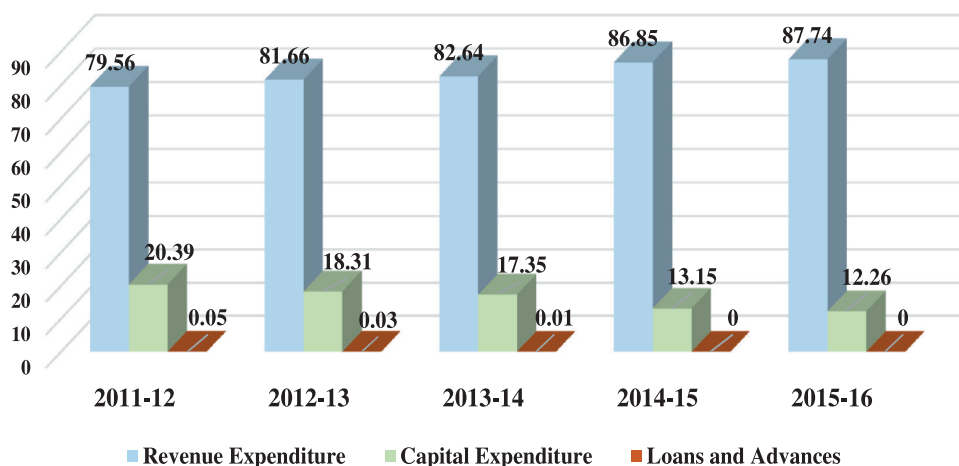
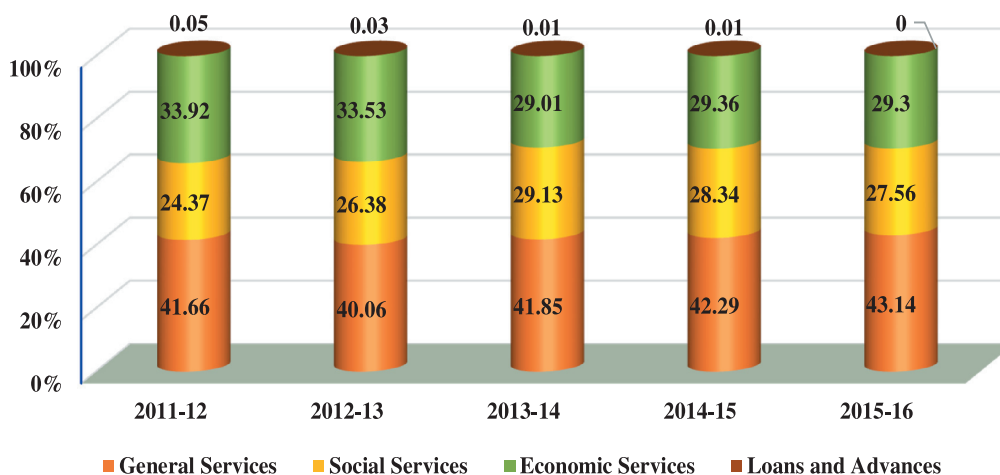


Chart 1.10: Total Expenditure - Trends by Activities



The Total Expenditure, its annual growth rate, the ratio of expenditure to the GSDP and to Revenue Receipts and its buoyancy with respect to GSDP and Revenue Receipts are indicated in **Table 1.16**.

Table 1.16: Total Expenditure -basic parameters

	2011-12	2012-13	2013-14	2014-15	2015-16
Total Expenditure (TE) (₹ in crore)	6126.04	6856.77	6956.09	7783.50	8638.56
Rate of growth of TE (<i>per cent</i>)	15.29	11.93	1.45	11.89	10.99
TE/GSDP ratio (<i>per cent</i>)	51.74	50.35	41.87	42.27	42.09
RR/TE (<i>per cent</i>)	91.16	90.46	93.38	98.27	93.08
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	-	0.79	0.07	1.10	0.96
Revenue Receipt (ratio)	1.30	1.08	0.31	0.67	2.14

(Source: Finance Accounts of respective years)

During the current year, 93.08 *per cent* of the Total Expenditure was met from Revenue Receipts and the remaining from Capital Receipts and borrowed funds.

The General Service expenditure increased by ₹ 434.33 crore (13.19 *per cent*) from ₹ 3291.92 crore in 2014-15 to ₹ 3726.25 crore in 2015-16, Social services expenditure increased by ₹ 174.94 crore (7.35 *per cent*) and Economic services expenditure increased by ₹ 245.79 crore (9.71 *per cent*).

1.6.2 Revenue Expenditure

Revenue Expenditure is incurred to maintain the current level of services and payments for the past obligations and as such does not result in any addition to the State's infrastructure and service network. Revenue Expenditure had predominant share varying from 79.56 *per cent* to 87.74 *per cent* of the Total Expenditure of the State during 2011-16.

The Revenue Expenditure, its rate of growth, the ratio of Revenue Expenditure to GSDP and Revenue Receipts and buoyancy of Revenue Expenditure with reference to GSDP and Revenue Receipts is indicated in **Table 1.17**.

Table 1.17: Revenue Expenditure-basic parameters

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Expenditure (RE), of which (₹ in crore)	4873.90	5599.43	5748.11	6760.14	7579.14
Non-Plan Revenue Expenditure (NPPE) (₹ in crore)	4052.32	4569.33	4902.10	5530.84	6456.48
Plan Revenue Expenditure (PRE) (₹ in crore)	821.58	1030.10	846.01	1229.30	1122.66
Rate of growth of RE (<i>per cent</i>)	16.42	14.89	2.66	17.61	12.12
RE as percentage to TE	79.56	81.66	82.63	86.85	87.74
Buoyancy of RE with GSDP (ratio)	-	0.99	0.12	1.62	1.06
Buoyancy of RE with RR (ratio)	1.40	1.35	0.56	0.99	2.36

(Source: Finance Accounts of respective years)

Revenue Expenditure of the State had increased by ₹ 2705.24 crore (55.50 *per cent*) from ₹ 4873.90 crore in 2011-12 to ₹ 7579.14 crore in 2015-16 at a compound annual growth rate of 11.67 *per cent*.

The actual Revenue Expenditure vis-à-vis assessment made by XIV FC are given below:

Table 1.18: Revenue Expenditure assessment made by XIV FC and actual

	(₹ in crore)	
	Assessment made by XIV FC	Actual
Revenue Expenditure	6856.00	7579.14

The actual Revenue Expenditure exceeded the normative assessment made by XIV FC by ₹ 723.14 crore (10.55 *per cent*).

1.6.3 Committed Expenditure

The Committed Expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Table 1.19** and **Chart 1.11** present the trends in the expenditure on these components during 2011-16.

The Committed Expenditure (i.e., interest payment, pension, salaries and subsidies) of the State Government increased from ₹ 4734.65 crore in 2014-15 to ₹ 5303.75 crore in 2015-16. The overall percentage of Committed Expenditure to Revenue Receipts was 65.96 *per cent* in 2015-16.

Table 1.19: Components of Committed Expenditure

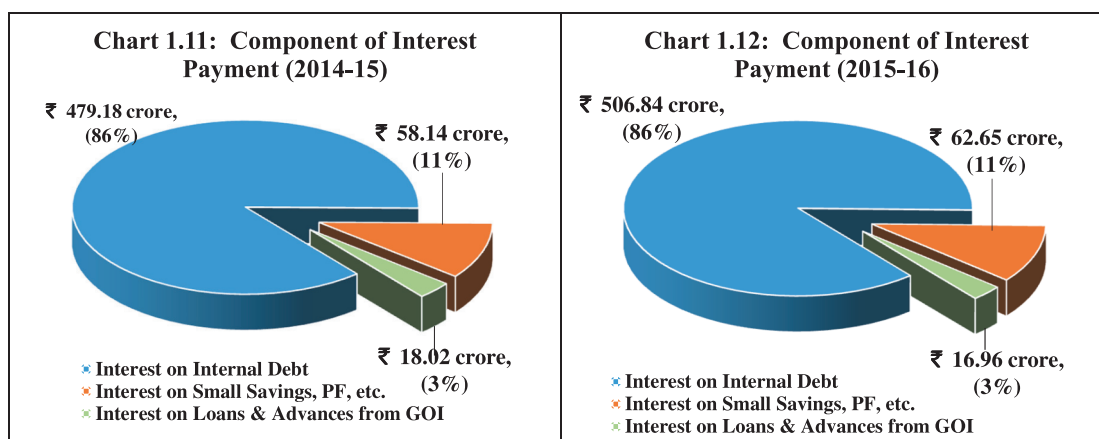
	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Salaries & Wages, of which	2283.75	2603.87	2940.80	3274.16	3688.50
<i>Non-plan</i>	2246.96	2553.51	2873.31	3165.57	3503.94
<i>Plan</i>	36.79	50.36	67.49	108.59	184.56
Interest Payment	417.39	450.64	493.84	555.34	586.45
Expenditure on Pension	586.68	677.03	695.11	905.15	1028.80
Total	3287.82	3731.54	4129.75	4734.65	5303.75
As per cent of Revenue Receipts					
Salaries & Wages	40.89	41.98	45.27	42.81	45.87
Interest Payment	7.47	7.27	7.60	7.26	7.29
Expenditure on pension	10.51	10.92	10.70	11.83	12.79

Salaries & Wages:

Expenditure on salaries increased by ₹ 1404.75 crore (61.51 *per cent*) from ₹ 2283.75 crore in 2011-12 to ₹ 3688.50 crore in 2015-16 at a compound annual growth rate of 12.73 *per cent*. Expenditure on salaries and wages increased by ₹ 414.34 crore (12.65 *per cent*) over the previous year mainly due to release of dearness allowance instalments and incremental benefits. Salary and wages accounted for 45.87 *per cent* of the Revenue Receipts during 2015-16.

Pension payment:

The expenditure on pension had increased by ₹ 123.65 crore (13.66 *per cent*) from ₹ 905.15 crore in 2014-15 to ₹ 1028.80 crore in 2015-16. The pension payment was ₹ 131.80 crore more than the assessment made by XIV FC (₹ 897.00 crore). However, it was ₹ 15.08 crore less than the assessment made by the State Government in its MTFPS (₹ 1043.88 crore) for the year 2015-16.

Interest payments:

Interest payment increased by ₹ 169.06 crore (40.50 *per cent*) from ₹ 417.39 crore in 2011-12 to ₹ 586.45 crore in 2015-16 at a compound annual growth rate of 8.87 *per cent*. The interest payment increased by ₹ 31.11 crore (5.60 *per cent*) during 2015-16 over the previous year due to increase in interest payment on Internal Debt (₹ 27.66 crore) and Small Savings, Provident Fund etc. (₹ 4.51 crore) offset by decrease in interest on Loan and Advances from Central Government (₹ 1.06 crore).

The interest payment for the year 2015-16 was lower than the projection made by the State Government in MTFPS (₹ 661.42 crore) but higher than the projections made in XIV FC (₹ 494.00 crore).

Subsidies:

No subsidies were given by the State Government during the years 2011-16.

1.6.4 Financial Assistance by State Government to local bodies and other Institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 1.20**.

Table 1.20: Financial Assistance to Local Bodies etc.

(₹ in crore)

Financial Assistance to Institutions	2011-12	2012-13	2013-14	2014-15	2015-16
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	6.40	51.17	30.47	10.51	9.47
Co-Operation	6.55	8.40	19.18	1.00	1.50
Municipal councils	2.98	0.00	5.98	6.34	1.62
Development Agencies	28.29	29.04	29.18	103.44	0.00
Hospitals and Other Charitable Institutions	14.70	15.50	14.46	16.42	17.31
Panchayati Raj	0.55	16.62	0.09	6.19	0.00
Special Area Programme	4.75	0.00	0.00	60.87	0.00
Other Institutions	100.51	111.77	193.75	45.83	90.73
Total	164.73	232.50	293.11	250.60	120.63
Assistance as percentage of RE	3.38	4.15	5.10	3.71	1.59

(Source: Finance Accounts of respective years)

The total assistance to local bodies etc. decreased by ₹ 129.97 crore (51.86 *per cent*) from ₹ 250.60 crore in 2014-15 to ₹ 120.63 crore in 2015-16. **Table 1.20** shows that the assistance decreased by ₹ 1.04 crore (9.90 *per cent*) from ₹ 10.51 crore in 2014-15 to ₹ 9.47 crore in 2015-16 in respect of educational institutions. During 2015-16, no financial assistance was extended in respect of Special Area Programme and Development Agencies.

1.7 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 provision for providing public services); efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.7.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like education, health, etc. **Table 1.21** analyses the fiscal priority given by the State Government to various expenditure heads in 2012-13 and the current year viz., 2015-16 with regard to Developmental Expenditure, Social Sector expenditure and Capital Expenditure.

Table-1.21: Fiscal priority of the State in 2012-13 & 2015-16

Fiscal priority by the State	<i>(in per cent)</i>					
	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/AE	Health/AE
*Special Category States Average (Ratio) 2012-13	22.23**	69.92	38.42	15.53	20.86	5.58
Nagaland's Average (Ratio) 2012-13	50.36	59.92	26.37	18.30	13.87	4.26
Special Category States Average (Ratio) 2015-16	21.66**	70.41	39.78	13.95	20.63	6.41
Nagaland's Average (Ratio) 2015-16	42.09	56.87	27.56	12.26	14.79	5.38
* Exclude Jammu & Kashmir ** Exclude Jammu & Kashmir and Manipur AE: Aggregate Expenditure DE: Developmental Expenditure SSE: Social Sector Expenditure CE: Capital Expenditure # Developmental expenditure includes Developmental Revenue Expenditure, Developmental Capital Expenditure and Loans and Advances disbursed. (Source: For GSDP, Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation website as on 29 July 2016)						

A comparison of the data related to Nagaland with that of the Special Category States (SCS) revealed the following:

- Development expenditure as a proportion of aggregate expenditure has been lower in the State compared to the SCS average both during 2012-13 and 2015-16.
- Expenditure on Social Sector as a proportion of aggregate expenditure was lower than the SCS average during 2012-13 and 2015-16. The share of expenditure on

education as a proportion of aggregate expenditure was also lower than the SCS averages in both the years, though it improved in 2015-16. The share of expenditure on health as a proportion of aggregate expenditure was also less than the SCS averages in 2012-13 and 2015-16.

- It was observed that the share of Capital Expenditure of the State was higher than the SCS average in 2012-13 but lower during the year 2015-16.

1.7.2 Efficiency of expenditure use

In view of the importance of public expenditure on developmental heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods⁸. The analysis of expenditure data is disaggregated into developmental and non-developmental expenditure. All expenditure relating to Revenue Account, Capital Account and Loans and Advances are categorised into social services, economic services and general services. Broadly, the social and economic services constitute developmental expenditure, while expenditure on general services is treated as non-developmental expenditure. Apart from improving the allocation towards Developmental Expenditure, 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/or GSDP) and proportion of Revenue Expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to Total Expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.22** presents the trends in developmental expenditure relative to the aggregate expenditure of the State during the current year vis-à-vis budgeted and the previous years, **Table 1.23** provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected Social and Economic Services.

Table-1.22: Developmental Expenditure

Components of Developmental Expenditure	2011-12	2012-13	2013-14	2014-15	(₹ in crore)	
					2015-16	
					BE	Actual
Developmental Expenditure (a to c)	3573.79 (58.34)	4109.92 (59.94)	4044.65 (58.15)	4491.58 (57.71)	5981.37	4912.31 (56.86)
a. Developmental Revenue Expenditure	2557.39 (41.74)	3063.59 (44.68)	3017.86 (43.38)	3629.17 (46.63)	5042.22	3958.67 (45.83)
b. Developmental Capital Expenditure	1013.64 (16.55)	1044.17 (15.23)	1025.87 (14.75)	862.22 (11.08)	938.75	953.45 (11.04)
c. Developmental Loans and Advances	2.76 (0.04)	2.16 (0.03)	0.92 (0.01)	0.19 (0.00)	0.40	0.19 (0.00)
<i>Figures in parentheses indicate percentage to Total Expenditure</i>						

⁸ As detailed in Appendix 1.1 C

The Developmental expenditure (₹ 4912.31 crore) was lesser than the assessment made by the State Government in the budget by ₹ 1069.06 crore. The developmental revenue increased by ₹ 329.50 crore (9.08 *per cent*) and Capital Expenditure also increased by ₹ 91.23 crore (10.58 *per cent*) respectively over the previous year.

Table 1.23 –Efficiency of Expenditure in Selected Social and Economic Services

(₹ in crore)

Sector	2014-15			2015-16		
	Ratio of CE to TE	Revenue Expenditure		Ratio of CE to TE	Revenue Expenditure	
		Salaries & Wages	Operation & Maintenance		Salaries & Wages	Operation & Maintenance
Social Services (SS)						
Education, Sports, Art & Culture	4.29	871.65	192.32	3.82	1070.47	158.70
Health and Family Welfare	5.11	276.68	117.79	1.70	338.10	118.94
WS, Sanitation, & HUD	67.08	70.72	57.23	64.82	76.11	40.33
Others	9.59	86.12	182.66	5.30	96.57	194.39
Total (SS)	15.91	1305.17	550.00	12.07	1581.25	512.36
Economic Services (ES)						
Agriculture & Allied Activities	4.03	246.30	230.77	4.05	257.16	173.82
Irrigation and Flood Control	19.25	22.37	39.59	77.99	26.57	1.14
Power & Energy	12.94	95.03	249.03	14.50	93.19	279.34
Transport	51.50	202.04	59.59	38.22	221.16	189.96
Others	18.99	166.38	462.90	27.15	549.87	72.85
Total (ES)	22.37	732.12	1041.88	26.31	1147.95	717.11
Total (SS+ES)	19.20	1797.44	1831.73	19.41	2729.20	1229.47

* CE – Capital Expenditure, TE – Total Expenditure

Table 1.23 shows that the ratios of Capital Expenditure to Total Expenditure under Education, Sports, Art & Culture and Water Supply, Sanitation, Housing & Urban Development decreased by 0.47 *per cent* and 2.26 *per cent* respectively over the previous year. Moreover, it decreased under Health & Family Welfare by 3.41 *per cent* over the previous year. The ratio of Capital Expenditure to Total Expenditure under Social Services decreased from 15.91 *per cent* in 2014-15 to 12.07 *per cent* in 2015-16. However, that in respect of Economic Services increased from 22.37 *per cent* in 2014-15 to 26.31 *per cent* in 2015-16.

1.8 Financial Analysis of Government Expenditure and Investments

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

1.8.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2016 is given in **Table 1.24**.

Table 1.24: Department-wise Profile of Incomplete Projects*(₹ in crore)*

Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Cost	Cumulative expenditure as on 31-03-2016
Public Health Engineering Department	13	246.77	246.77	110.37
Public Works Department (Road & Bridges)	34	642.85	675.43	502.77
Technical Education	4	3.00	3.00	37.95
Geology and Mining	3	52.08	79.48	48.73
Department of Under Developed Area	75	83.69	83.69	23.82
State Council of Educational Research and Training	2	8.75	9.45	5.62
Transport Commissioner	10	83.37	83.71	52.74
Public Works Department (Housing)	19	346.71	346.71	203.64
Medical Engineering Division	2	26.82	26.82	2.20
Veterinary and Animal Husbandry	60	48.71	48.85	20.60
Urban Development	14	378.75	378.75	149.08
Civil Administrative Works Division	2	3.90	3.90	1.22
Power	1	19.67	19.67	13.42
Police Engineering Project	53	701.71	701.71	181.35
Directorate of Evaluation	2	1.39	1.39	1.39
Youth Resource and Sports	4	174.59	176.09	79.78
Directorate of School Education	1	2.51	2.51	0.85
Economics and Statistic	2	3.72	3.72	3.72
Social Welfare	2	47.70	47.70	30.42
Addl. Principal Chief Conservator of Forest (Development and Planning)	1	18.56	18.56	29.56
Irrigation and Flood Control	2	3.39	3.39	1.69
Employment and Craftsmen Training	2	2.63	2.63	0.00
Commissioner of Excise	2	7.74	7.74	2.42
Land Record and Survey	3	2.02	2.07	2.40
Border Affairs	1	6.30	6.30	1.32
Department of Prison	1	7.20	7.20	5.30
Director of Agriculture	1	0.17	0.17	0.16
Public Works Department (National Highways)	4	0.01	0.01	556.43
Home Guard Department	4	6.82	6.82	2.49
Women Resource Development	4	17.25	17.25	8.79
Printing and Stationery Department	1	1.50	1.50	1.32
Sericulture Department	1	4.24	4.24	3.40
Deputy Commissioner (HQ)	26	9.00	9.00	0.00
Department of Higher Education	10	24.22	24.22	8.85
Treasury and Accounts Department	4	11.32	11.32	4.96
Legal Metrology & Consumer Protection	3	5.70	5.70	1.85
Total	373	3004.76	3067.47	2100.61

(Source: Finance Accounts and Departmental records)

(Note: Information on initial cost in respect of one project each in Technical Education and PWD(NH) departments awaited from State Government(August 2016))

Out of the 373 incomplete projects as of March 2016 (estimated cost: ₹ 3004.76 crore), 211 projects (estimated cost ₹ 2110.90 crore and actual expenditure ₹ 1091.36 crore) were due to be completed by March 2016 but remained incomplete as of

October 2016 and 2 projects (estimated cost ₹ 10.93 crore and actual expenditure ₹ 10.47 crore) taken up under PWD (Road & Bridges) had been suspended without completion.

The cumulative expenditure (as of 31 March 2016) has exceeded initial Budget cost/Revised cost in respect of projects undertaken by Technical Education Department, Land Record and Survey Department and PWD (National Highways).

The cost of six incomplete projects pertaining to PWD (Roads & Bridges) (₹ 38.56 crore), Geology and Mining (₹ 26.54 crore), State Council of Educational Research and Training (₹ 4.28 crore), Veterinary and Animal Husbandry (₹ 0.30 crore) and Youth Resources and Sports (₹ 3.50 crore) had been revised and increased by ₹ 62.30 crore (85.13 *per cent*). The estimated cost of the 6 projects was ₹ 73.18 crore which was revised to ₹ 135.48 crore.

The date of completion in respect of 57 projects could not be furnished by the departments. Hence, it could not be ascertained in audit as to whether the 57 projects were incomplete or were in progress.

Delay in completion of works invites the risk of escalation in the cost of the works. The actual cost overrun would be available on closure of the claims of the construction agencies after completion. Besides, due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State.

1.8.2 Investment and returns

As on 31 March 2016, Government had invested ₹ 290.60 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.25**). The average return on this investment was 'Nil' during the last four years while there was a return of ₹ 4.94 crore during the year 2015-16. The Government paid an average interest rate of 6.95 *per cent* on its borrowings during 2015-16.

Table 1.25: Return on Investment

(₹ in crore)

Investment/Return/Cost of Borrowings	2011-12	2012-13	2013-14	2014-15	2015-16
Investment at the end of the year (a-e) (₹ in crore)	228.01	242.65	270.01	278.44	290.60
(a) Joint Stock Companies	32.11	32.10	32.10	32.10	43.10
(b) Government Companies	160.19	168.69	182.05	190.48	191.60
(c) Statutory Corporations	0.04	0.04	0.04	0.04	0.04
(d) Rural Banks	0.00	0.00	0.00	0.00	0.00
(e) Co-operatives	35.67	41.82	55.82	55.82	55.86
Return (₹ in crore)	0.00	0.00	0.00	0.00	4.94
Return (<i>per cent</i>)	0.00	0.00	0.00	0.00	1.70
Average rate of interest on Govt. borrowing (<i>per cent</i>)	6.61	6.34	6.25	6.81	6.95
Difference between interest rate and return (<i>per cent</i>)	6.61	6.34	6.25	6.81	5.25

(Source: Finance Accounts of respective years)

Out of the total Government investment of ₹ 290.60 crore at the close of the current year, ₹ 191.60 crore was invested in five Government companies (₹ 105.19 crore), Distillery Project (₹ 0.30 crore) and Public Sector & other Undertakings (₹ 86.11 crore). The remaining amount of ₹ 99.00 crore was invested in two Joint Stock Companies (₹ 43.10 crore) and Statutory Corporations, Co-operative Bank and Co-operative Societies etc. (₹ 55.90 crore). During the current year, the Government made additional investment of ₹ 12.16 crore in Nagaland Pulp and Paper Company Ltd. (₹ 11.00 crore), State Mineral Development Corporations (₹ 1.12 crore) and Co-operatives (₹ 0.04 crore).

Out of five Government companies in the State, one company viz., Nagaland Sugar Mills Ltd. (₹ 7.29 crore-investment up to 2001-02) was non-working whose accounts were in arrears for 38 years. The four working companies - Nagaland Industrial Development Corporation Ltd. (₹ 8.39 crore), Nagaland Industrial Raw Materials & Supply Corporation Ltd., (₹ 4.05 crore), State Mineral Development Corporations (₹ 82.64 crore) and Nagaland Handloom & Handicrafts Development Corporation Ltd., (₹ 2.82 crore) were incurring losses. The accounts of the four working Government Companies were in arrears for periods ranging between two and six years. Hence, the actual financial status of the companies as of March 2016 could not be assessed.

1.8.3 Loans and Advances by State Government

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and Advances to many institutions/ organisations. **Table 1.26** presents the outstanding Loans and Advances as on 31 March 2016 and interest receipts vis-à-vis interest payments during the last three years.

Table-1.26: Average Interest Received on Loans Advanced by the State

Quantum of loans/interest receipts/ cost of borrowings	2011-12	2012-13	2013-14	2014-15	2015-16 (₹ in crore)	
					BE	Actual
Opening Balance	25.80	26.11	27.42	27.33	27.78	26.81
Amount advanced during the year	2.75	2.16	0.92	0.19	0.40	0.19
Amount repaid during the year	2.44	0.85	1.01	0.71	1.94	0.50
Closing Balance	26.11	27.42	27.33	26.81	26.24	26.50
Net addition	0.31	1.31	(-)0.09	(-)0.52	-	(-)0.31
Interest Receipts	1.10	0.00	3.49	3.29	-	1.81
Interest receipts as <i>per cent</i> to outstanding loans and advances	4.24	0.00	12.75	12.15	-	6.79
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	6.61	6.34	6.25	6.81	-	6.95
Difference between interest payments and interest receipts (<i>per cent</i>)	2.37	6.34	(-)6.50	(-)5.34	-	0.16

(Source: Finance Accounts of respective years)

At the end of March 2016, the Government had outstanding Loans and Advances of ₹ 26.50 crore. The amount of loans disbursed during the year remained the same as

compared with the previous year. Out of the total amount of ₹ 26.50 crore as on 31 March 2016, the main shares of Loans and Advances were ₹ 23.21 crore (87.58 *per cent*) for Agriculture and Allied Activities, ₹ 1.13 crore (4.26 *per cent*) to government servants and ₹ 2.16 crore (8.15 *per cent*) for Industry & Minerals.

The recovery of Loans and Advances decreased by ₹ 0.21 crore (29.58 *per cent*) from ₹ 0.71 crore in 2014-15 to ₹ 0.50 crore in 2015-16. During 2015-16, 92.00 *per cent* (₹ 0.46 crore) loans were repaid by government servants and 6.00 *per cent* (₹ 0.03 crore) by Co-operatives. The interest receipts as a percentage of outstanding loans decreased from 12.15 *per cent* in 2014-15 to 6.79 *per cent* in 2015-16.

1.8.4 Cash Balances and Investment of Cash balances

A summary of the contents of Appendix A of Finance Account are given in **Table 1.27:**

Table 1.27: Summary of contents of Appendix I of Finance Accounts

	(₹ in crore)	
	Opening balance on 01.04.2015	Closing balance on 31.03.2016
(a) General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	(-)250.36	156.34
Deposits with other Banks	0.00	0.00
Remittances in transit- Local	0.00	0.00
Total	(-)250.36	156.34
Investments held in Cash Balance investment account	141.48	0.00
Total (a)	(-)108.88	156.34
(b) Other Cash Balances and Investments		
Cash with departmental officers viz. Public Works Department/ Officers, Forest department Officers, District Collectors	316.08	307.81
Permanent advances for contingent expenditure with departmental officers	0.00	0.00
Investment of earmarked funds	228.53	429.20
Total (b)	544.61	737.01
Total (a) + (b)	435.73	893.35

(Source: Finance Accounts)

Perusal of the table above indicates that the cash with the departmental officers viz., Public Works Departmental officers, Forest Department officers and District Collectors had decreased by ₹ 8.27 crore (2.62 *per cent*) from ₹ 316.08 crore in 2014-15 to ₹ 307.81 crore in 2015-16.

Outstanding balances under the head 'Cheques and Bills'

Major Head 8670 Cheques and Bills is an intermediary accounting head for initial record of transactions which are eventually to be cleared. There would normally be a credit balance outstanding under this head, representing not encashed cheques. The accounts of the State Government however, show an outstanding debit balance of ₹ two lakh as on 31 March 2016, which is yet to be reconciled by the State Government.

1.9 Assets and Liabilities

1.9.1 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 1.4** gives an abstract of such liabilities and the assets as on 31 March 2016, compared with the corresponding position on 31 March 2015. While the liabilities in the Appendix consist mainly of internal borrowings, Loans and Advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the Capital Expenditure, Loans and Advances given by the State Government and Cash Balances.

‘Total liabilities’ as defined in NFRBM Act, 2005 means the liabilities under the Consolidated Fund of the State and the Public Accounts of the State. Other liabilities, which are a part of the Public Accounts, include deposits under Small Savings scheme, Provident Fund and Other deposits.

1.9.2 Fiscal liabilities

The composition of fiscal liabilities during the current year vis-à-vis the previous year is presented in **Charts 1.13** and **1.14**. **Chart 1.15** gives the composition of the last five years. Moreover, **Table 1.28** represents the trend of Fiscal liabilities during

Chart 1.13: Composition of outstanding Fiscal liabilities
(as on 31 March 2016)

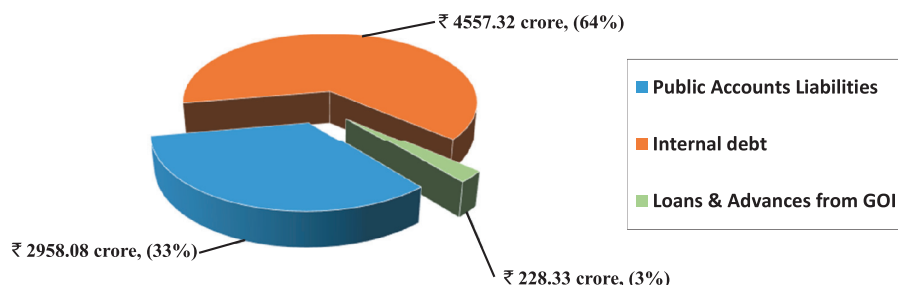
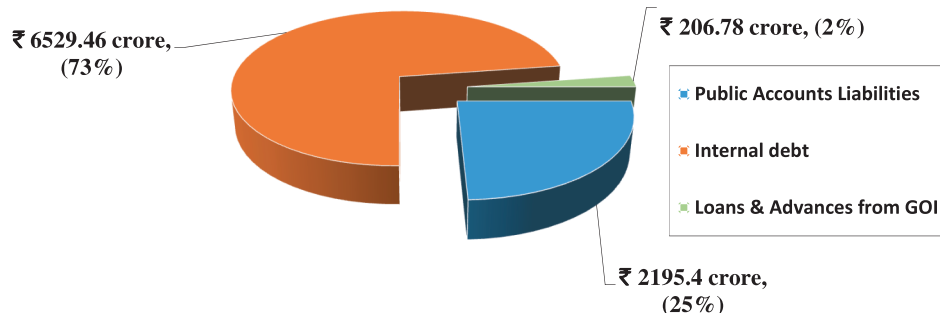


Chart 1.14: Composition of outstanding Fiscal liabilities
(as on 31 March 2016)



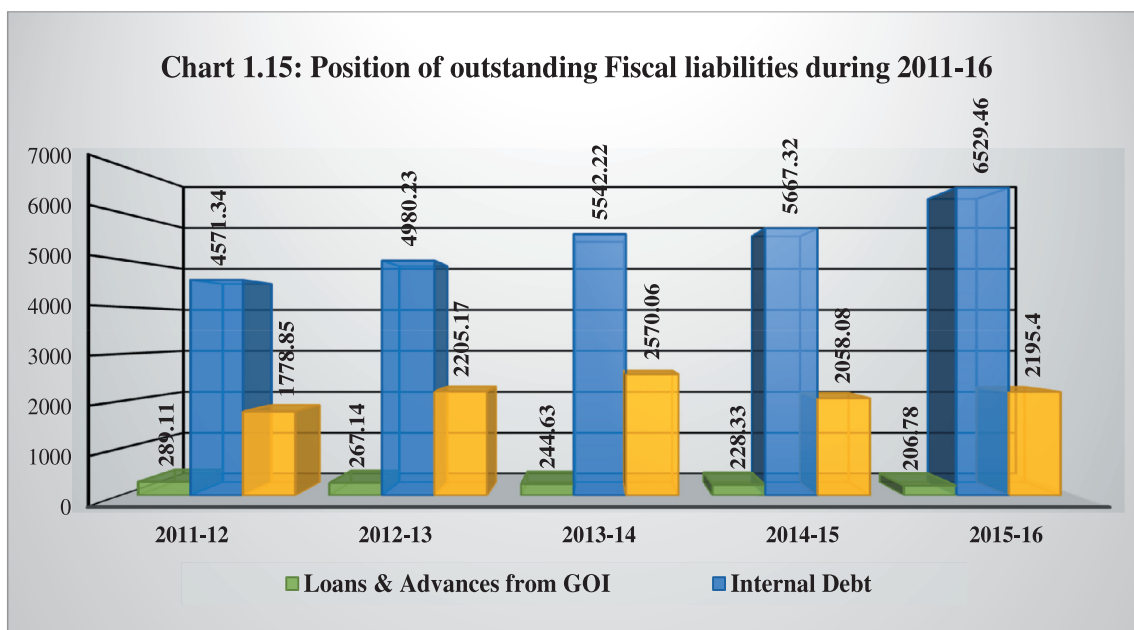


Table 1.28 Trend of Fiscal liabilities during 2011-12 to 2015-16

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Fiscal liabilities	6759.87	7452.54	8356.91	7953.73	8931.64
Revenue Receipts	5584.62	6202.33	6495.67	7648.67	8040.79
Rate of growth of Fiscal liabilities (per cent)	15.27	10.25	12.14	(-)4.82	12.29
Rate of growth of Revenue Receipts (per cent)	11.73	11.06	4.73	17.75	5.13
Fiscal liabilities / Revenue Receipts (per cent)	121.04	120.16	128.65	103.99	111.08
Buoyancy of Fiscal liabilities with Revenue Receipt (ratio)	1.30	0.93	2.57	(-)0.27	2.40

(Source: Finance Accounts of respective years)

Fiscal Liability

Fiscal liabilities of the State comprise Consolidated Fund liabilities and Public Account liabilities. The growth rate of Fiscal liability was 12.29 *per cent* during 2015-16 over the previous year. The buoyancy of Fiscal liabilities with reference to Revenue Receipt during the year was 2.40. The Consolidated Fund liability (₹ 6736.24 crore) comprised market loan (₹ 5362.38 crore), loans from GoI (₹ 206.78 crore) and other loans (₹ 1167.08 crore). The Public Account liabilities (₹ 2195.41 crore) comprise Small Savings, Provident Funds (₹ 862.08 crore), interest bearing obligations (₹ 79.66 crore) and non-interest bearing obligations like deposits and other earmarked funds (₹ 1253.67 crore).

The ratio of Fiscal liabilities to GSDP had increased from 43.19 *per cent* in 2014-15 to 43.52 *per cent* in 2015-16. These Fiscal liabilities stood at nearly 1.11 times the

Revenue Receipts and 20.86 times of the State's Own Tax Revenue at the end of 2015-16. The Fiscal liabilities to GSDP (43.52 *per cent*) was 8.45 *per cent* more than the assessment made by the State Government in its MTFPS.

1.9.3 Transactions under Reserve fund

The TFC had recommended that States should set up (i) Sinking Funds for amortisation of all loans including loans from banks, liabilities on account of National Small Savings Funds etc., which should not be used for any other purpose, except for redemption of loans and (ii) Guarantee Redemption Funds for discharge of the States' obligations on guarantees. Out of the four funds operated by the State Government, Depreciation/Renewal Reserve Fund (₹ 0.07 crore) was dormant. The total accumulated balance at the end of 31 March 2016 in those funds was ₹ 827.72 crore, of which ₹ 429.20 crore (52 *per cent*) had been invested. The remaining amount lying in the Fund has, however, not been invested as required under the guidelines of the fund. Loss of interest due to such non-investment has not been estimated. Details of significant Reserve Funds of the Government of Nagaland are given below:

(a) Consolidated Sinking Fund (CSF)

The State Government created a consolidated Sinking Fund in 2006-07, for amortisation of liabilities, with an initial corpus of ₹ 12.17 crore. As per the constitution of Consolidated Sinking Fund of Nagaland, the State Government has to contribute 1 to 3 *per cent* of the outstanding open market loans at the end of the previous years to the Fund. In terms of the revised guidelines of the Reserve Bank of India which is responsible for management of the Fund, the State Government was required to contribute a minimum of 0.5 *per cent* of its outstanding liabilities (Internal Debt + Public Account) as at the end of the previous year. During the year the State Government transferred ₹ 199.67 crore to the Fund from Revenue Account which works out to 4.19 *per cent* of total outstanding (Open Market Loans) of ₹ 4764.66 crore as on 31 March 2015 and to 2.51 *per cent* of total outstanding liability of ₹ 7953.73 crore (Internal Debt + Public Account) as on 31 March 2015. The balance in the Consolidated Sinking Fund as on 31 March 2016 was ₹ 16.17 crore.

(b) Guarantee Redemption Fund (GRF)

The State Government constituted a Guarantee Redemption Fund in 2006-07 with an initial corpus of ₹ 4.00 crore determined on the basis of guarantees invoked during the preceding five years. In terms of the Guarantee Redemption Fund Scheme of the Government of Nagaland, contributions shall be made to the Fund annually or at lesser intervals so as to reach the levels deemed sufficient to meet the amount of anticipated guarantees devolving on the Government as a result of the likely invocation of outstanding guarantees in the succeeding five years. No guarantees of the State Government were invoked from inception of the Scheme. During 2015-16, ₹ 1.00 crore was transferred by the State Government and the entire corpus of ₹ 8.34 crore as on 31 March 2016 was invested by the Reserve Bank of India in Government of India Securities.

(c) State Disaster Response Fund (SDRF)

The State Government commenced operation of the State Disaster Response Fund (SDRF) in 2010-11 as recommended by the XIII FC. In terms of the guidelines applicable to Special Category States like Nagaland, the Central and State Governments are required to contribute to the fund in the proportion of 90:10. Further, Central Government may provide funds from the National Disaster Response Fund (NDRF) to meet the shortfall in the SDRF to meet expenditure on natural calamities in the State during the year.

Following Central Government release of ₹ 9.00 crore in 2015-16, the State Government transferred ₹ 10.00 crore to SDRF (including State's share of ₹ 1.00 crore and Central's Share of ₹ 9.00 crore of 2015-16). During the year, the State Government incurred an expenditure of ₹ 10.00 crore on natural calamities leaving a balance of ₹ 0.86 crore in the Fund as on 31 March 2016.

1.9.4 Contingent liabilities

Status of Guarantees

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees had been extended. As per NFRBM Act 2005, the State Government set up a Guarantee Redemption Fund in 2006-07 and decided to charge guarantee fee at the rate of one *per cent* to cover the risk in the guarantees. During the year 2015-16, the State had not extended any guarantee.

As per **Statement 20** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last five years is given in **Table 1.29**.

Table-1.29: Guarantees given by the Government of Nagaland

	(₹ in crore)				
Guarantees	2011-12	2012-13	2013-14	2014-15	2015-16
Total amount of guarantees given up to	65.22	70.22	70.22	70.22	70.22
Outstanding amount of guarantees at the end of the year	65.22	70.22	70.22	70.22	70.22
Percentage of maximum amount guaranteed to total revenue receipts	1.17	1.13	1.08	0.92	0.87
Outstanding amount of guarantee as percentage of GSDP	0.55	0.52	0.42	0.38	0.34

(Source: Finance Accounts of respective years)

The outstanding guarantees remained the same over the previous year. The outstanding guarantees of ₹ 70.22 crore mainly pertained to Nagaland Industrial Development Corporation 48.29 *per cent* (₹ 33.91 crore) for repayment of principal and payment of interest on loan obtained. The outstanding guarantees were 0.87 *per cent* of the Revenue Receipts of the Government.

1.10 Debt Management

Table 1.30 analyses the debt sustainability of the State according to the indicators like rate of growth of GSDP, rate of interest on Public Debt, ratio of interest and Revenue Receipts, ratio of debt repayment and Debt Receipts and net debt available to the State and maturity profile of the State for a period of five years beginning from 2011-12.

During 2015-16, Government raised Internal Debt of ₹ 3545.94 crore and repaid Internal Debt of ₹ 2683.80 crore and GoI loans of ₹ 21.54 crore. An amount of ₹ 586.45 crore was also paid as interest during the year. During the year 2015-16, the ratio of interest payment and Revenue Receipts was only 0.09 which was lower by 6.63 as compared to the projection of 6.72 in XIV FC recommendations.

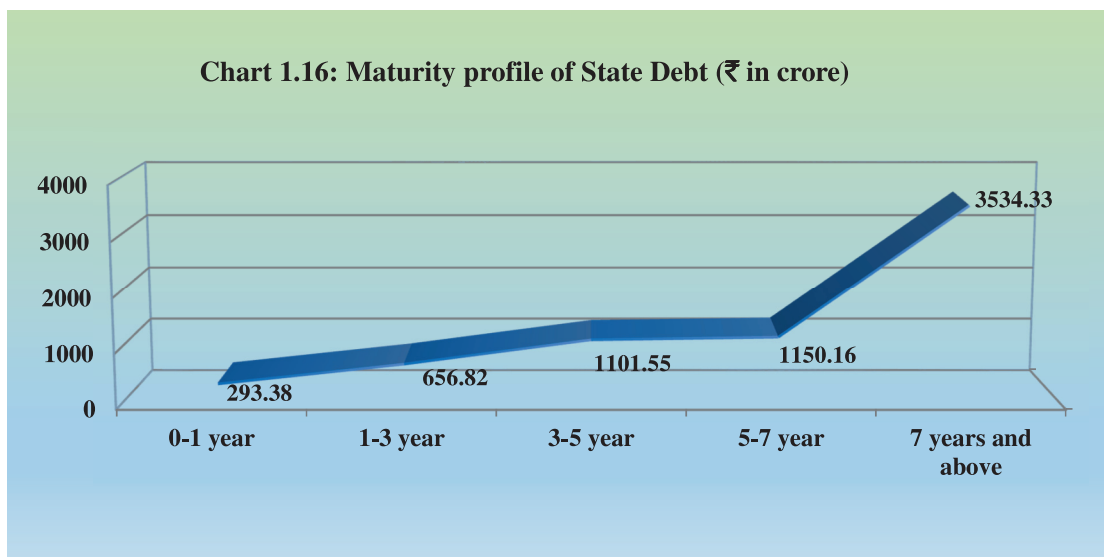
Table 1.30: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2011-12	2012-13	2013-14	2014-15	2015-16
Outstanding Public Debt	4860.44	5247.37	5786.85	5895.65	6736.24
Internal Debt	4571.33	4980.23	5542.21	5667.32	6529.46
Loans & Advances from GoI	289.11	267.14	244.64	228.33	206.78
Rate of growth of outstanding Debt	11.99	7.96	10.28	1.88	14.26
Outstanding Debt/ GSDP (<i>per cent</i>)	41.05	38.53	34.84	32.02	32.82
Interest payment	417.39	450.64	493.84	555.34	586.45
Average interest rate of outstanding Debt	8.59	8.59	8.53	9.42	8.91
Interest/Revenue Receipt	7.47	7.27	7.60	7.26	7.29
Rate of growth of GSDP	-	15.03	21.98	10.85	11.46
Debt Repayment/Debt Receipt	0.48	0.44	0.43	0.95	0.76
Net Debt available in the State	351.57	429.30	350.33	108.80	840.60
Maturity Profile of State Debt (In Years)					
0 – 1	193.31(4)	144.56(3)	269.59(5)	326.67(5)	293.38(4)
1 – 3	303.93(6)	471.06(9)	618.61(11)	739.12(11)	656.82(10)
3 – 5	617.90(13)	738.14(14)	702.51(12)	1010.39(12)	1101.55(16)
5 – 7	702.57(14)	1032.56(20)	1123.63(19)	773.56(19)	1150.16(13)
7 and above	3042.73(63)	2861.05(54)	3072.51(53)	3045.92(53)	3534.33(53)
Total	4860.44	5247.37	5789.85	5895.66	6736.24

Figures in the parenthesis indicate percentage to total debt.

Maturity profile of State Debt indicates that 47.53 *per cent* of debt needs to be repaid within seven years (**Chart 1.16**).

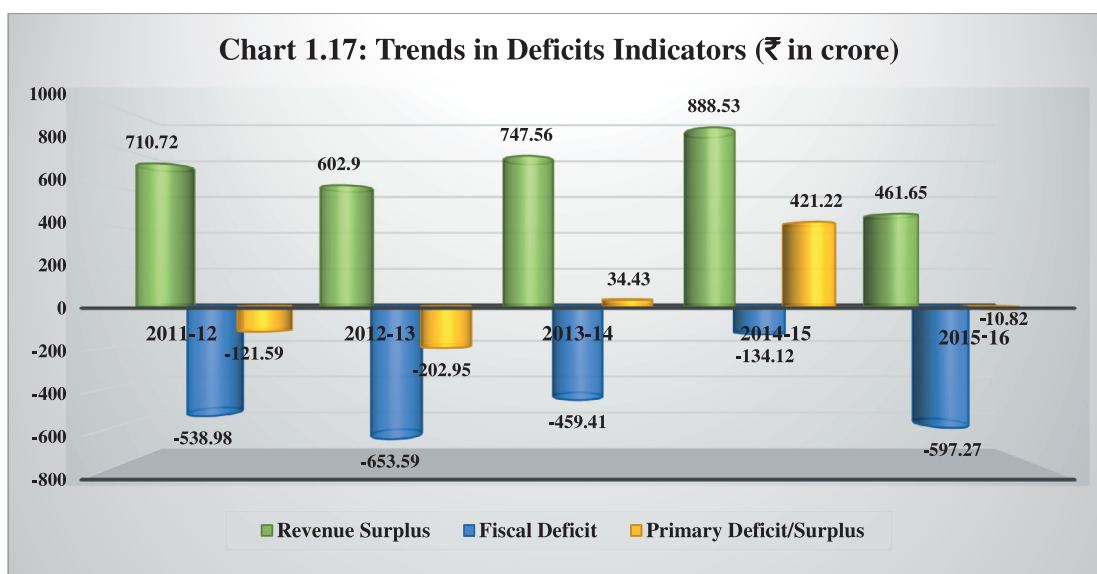


1.11 Fiscal Imbalances

Three key fiscal parameters - Revenue, Fiscal and Primary Deficits/Surplus - indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. The deficit/surplus in the Government accounts represents the gap between its receipts and expenditure. 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 applied are important pointers to its fiscal health. This section presents 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 under FRBM Act/Rules for the financial year 2015-16.

1.11.1 Trends in Deficits

Charts 1.17 and 1.18 present the trends in deficit indicators over the period 2011-16.



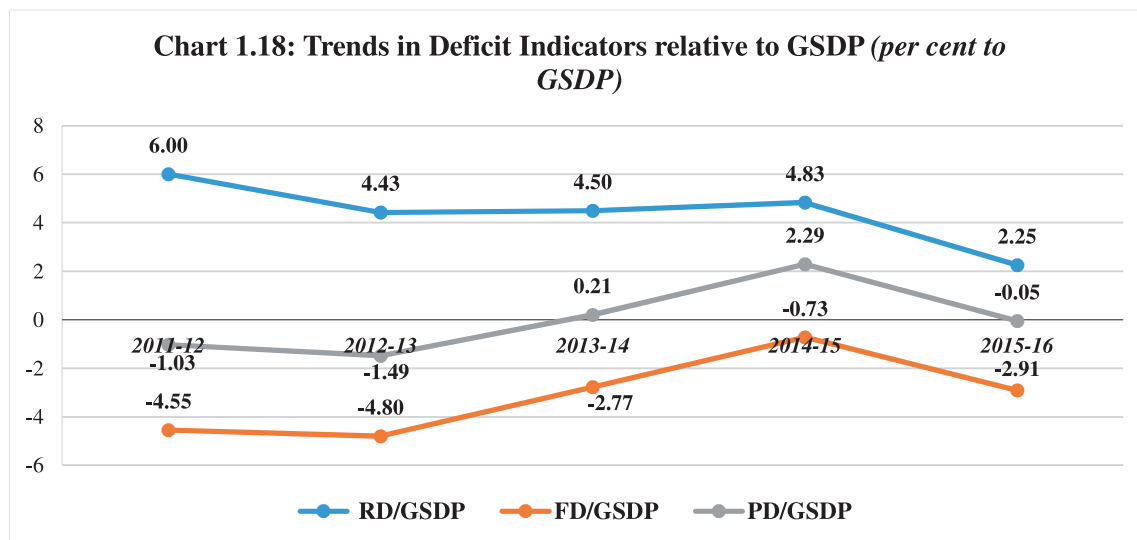


Chart 1.17 reveals that the revenue account experienced a surplus of ₹ 461.65 crore during 2015-16. Revenue Surplus decreased during the current year by ₹ 426.88 crore as compared to the previous year mainly on account of increase in Revenue Expenditure by ₹ 819.00 crore (12.12 *per cent*) partially off-set by increase in Revenue Receipts by ₹ 392.12 crore (5.13 *per cent*) over the previous year and

Fiscal Deficit increased by ₹ 463.15 crore during the current year from the level of ₹ 134.12 crore in 2014-15. This was due to combination of following factors (i) decrease in Revenue Surplus (₹ 426.88 crore) (ii) marginal decrease in non-debt Capital Receipts of (₹ 0.21 crore) and (iii) increase of ₹ 36.06 crore in Capital Expenditure during 2015-16 over the previous year.

The Primary Surplus of ₹ 421.22 crore in 2014-15 changed to Primary Deficit of ₹ 10.82 crore in 2015-16. The change of Primary Surplus to Primary Deficit year was due to increase of Fiscal Deficit (₹ 463.15 crore) with increase in interest payment (₹ 31.11 crore) during the current year.

1.11.2 Composition of Fiscal Deficit and its financing Patterns

The financing pattern of the Fiscal Deficit has undergone a compositional shift as reflected in **Table 1.31**.

Table1.31: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Components of Fiscal Deficit		539 (4.55)	654 (4.80)	459 (2.77)	134 (0.73)	597 (2.91)
1	Revenue Deficit(+)/Surplus(-)	(-)711	(-)603	(-)748	(-)889	(-)462
2	Net Capital Expenditure	1249	1255	1207	1023	1059
3	Net Loans and Advances	1	2	0	0	0
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	325	469	411	452	598
2	Loans from GoI	-18	(-)22	(-)23	(-)16	(-)22
3	Special Securities Issued to National Small Savings Fund	3	(-)2	(-)3	11	26
4	Loans from Financial Institutions	210	(-)58	153	(-)338	238
5	Small Savings, PF, etc.	36	72	112	55	12
6	Deposits and Advances	310	209	241	(-)608	(-)75
7	Suspense and Miscellaneous	35	18	12	41	204
8	Remittances	(-)134	(-)80	(-)30	278	74
9	Increase (-) Decrease (+) in Cash Balances	-228	48	(-)414	259	(-)458
<i>Figures in brackets indicate the per cent to GSDP.</i>						
<i>*All these figures are net of disbursements/outflows during the year.</i>						

(Source: Finance Accounts of respective years)

Fiscal Deficit is the total borrowing of the State and is the excess of Revenue Expenditure and Capital Expenditure including Loans and Advances over revenue and non-Debt Receipts. 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.

It can be seen from **Table 1.31** that the Revenue Surplus decreased by ₹ 427 crore from ₹ 889 crore in 2014-15 to ₹ 462 crore in 2015-16. The decrease in Fiscal Deficit was the combined effect of decrease in Revenue Surplus and marginal increase of net Capital Expenditure.

1.11.3 Quality of Deficit/Surplus

The ratio of Revenue Deficit to Fiscal Deficit and the decomposition of Primary Deficit into primary Revenue Deficit and Capital Expenditure (including Loans and Advances) would 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 borrowings (Fiscal liabilities) were not having any asset backup. The bifurcation of the Primary Deficit (**Table 1.32**) would indicate the extent to which the deficit/surplus had been on account of enhancement in Capital Expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.32: Primary Deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-Debt Receipts	Primary Revenue ⁹ Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure ¹⁰	Primary Revenue Surplus	Primary Deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2011-12	5587.06	4456.51	1249.39	2.75	5708.65	1130.55	(-)121.59
2012-13	6203.18	5148.79	1255.18	2.16	6406.13	1054.39	(-)202.95
2013-14	6496.68	5254.27	1207.06	0.92	6462.25	1242.41	34.43
2014-15	7649.38	6204.80	1023.17	0.19	7228.16	1444.58	421.22
2015-16	8041.29	6992.69	1059.23	0.19	8052.11	1048.60	(-)10.82

(Source: Finance Accounts of respective years)

The Non-Debt Receipts of the State during 2011-16 were sufficient to meet the Primary Revenue Expenditure. The Non-Debt Receipts increased by 43.93 *per cent* from ₹ 5587.06 crore in 2011-12 to ₹ 8041.29 crore in 2015-16 while the Primary Revenue Expenditure increased by 56.91 *per cent* from ₹ 4456.51 crore in 2011-12 to ₹ 6992.69 crore in 2015-16. During this period (2011-16) Capital Expenditure decreased by 15.22 *per cent*. The State had a Primary Deficit during 2011-12, 2012-13 and 2015-16 but maintained a Primary Surplus during 2013-14 and 2014-15.

1.12 Follow up

The preparation of standalone report of the State Finances had been started since 2008-09 onwards. Report of the State Finances of any year had not been discussed by the Public Accounts Committee (PAC) and hence, no recommendation by the PAC/Finance Commission had been made on the Reports of the State Finances.

1.13 Conclusion

The fiscal position of the State viewed in terms of the key fiscal parameters during 2015-16 revealed that the State's Revenue Surplus had decreased by ₹ 426.88 crore while the Fiscal Deficit had increased by ₹ 463.15 crore in 2015-16 relative to the previous year and the Primary Surplus had changed to Primary Deficit in 2015-16.

During 2015-16, 92 *per cent* of the total revenue came from the GoI as Central transfers (32 *per cent*) and GAI from GoI (60 *per cent*). The State did not achieve the total revenue collection targets fixed by the XIV FC during 2015-16.

During 2015-16, Revenue Expenditure was ₹ 723.14 crore (10.55 *per cent*) more than the XIV FC normative assessment. The salary expenditure of ₹ 3688.50 crore during the current year was 45.87 *per cent* of Revenue Receipts during the year.

⁹ Primary Revenue Expenditure is Revenue Expenditure net of the interest payments.

¹⁰ Primary expenditure of the State, defined as the Total Expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

The overall Fiscal liabilities of the State increased at a compound annual growth rate of 5.73 *per cent* during 2011-16. The Fiscal liabilities increased by ₹ 978 crore (12.30 *per cent*) from ₹ 7954 crore in 2014-15 to ₹ 8932 crore in 2015-16.

The Government had invested ₹ 290.60 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives at the end of March 2016.

As on 31 March 2016, there were 373 incomplete projects, out of which 211 projects (estimated cost ₹ 2110.90 crore and actual expenditure ₹ 1091.36 crore) were to be completed by March 2016 and 2 projects (estimated cost ₹ 10.93 crore and actual expenditure ₹ 10.47 crore) had been suspended/abandoned. Delay in completion of works invites the risk of escalation in the cost of the works. Besides, due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State. The State needs to ensure timely and effective implementation of incomplete projects.