

**State Finances Audit Report of the  
Comptroller and Auditor General of India  
for the year ended 31 March 2021**



लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest



**GOVERNMENT OF NAGALAND**  
*Report No. 1 of the year 2022*



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## *PREFACE*

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## PREFACE

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1. The State Finances Audit Report has been prepared for submission to the Governor of Nagaland under Article 151(2) of the Constitution of India for being laid before the Legislative Assembly of the State of Nagaland.
2. Chapter I of this Report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, snapshot of finances, assets and liabilities, and trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/deficit, *etc.*
3. Chapter II of this Report deals with the State's Budget and Expenditure as per accounts of the State Government for the year ended 31 March 2021. Some information has also been obtained from Government of Nagaland for inclusion in this Report.
4. Chapter III of this Report contains audit observations on matters arising from the examination of Appropriation Accounts of the State Government for the year ended 31 March 2021.
5. Chapter IV on 'Quality of Accounts & Financial Reporting Practices' provides an overview and status of the State Government's compliance during the year 2020-21 with financial rules, procedures and directives.
6. Chapter V on 'Functioning of State Public Sector Enterprises' provides an overview and status of the working of State Public Sector Enterprises.
7. The Report containing audit findings of performance audit; compliance audit of transactions in various departments and audit findings arising out of the audit of Statutory Corporations, Boards and Government Companies and Revenue Sector are presented separately for 2020-21.



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## *EXECUTIVE SUMMARY*

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## EXECUTIVE SUMMARY

### The Report

This Report provides an analytical review of the finances of the State Government based on the audited accounts of the Government of Nagaland for the year ending 31 March 2021. The Report is structured in five Chapters.

### Chapter I- Overview of the State Finances

This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

### Chapter II- Finances of the State Government

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt management of the State and key Public Account transactions, based on the Finance Accounts of the State.

### Chapter III- Budgetary Management

This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

### Chapter IV- Quality of Accounts and Financial Reporting Practices

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

### Chapter V- Functioning of State Public Sector Enterprises

This Chapter provides a 'bird's-eye view' on the functioning of the State Public Sector Enterprises (SPSEs). The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned/ controlled Government Companies set up under the Companies Act, 2013 and Statutory Corporations set up under the statutes enacted by the Parliament and State Legislature.

The Report has 11 appendices containing additional data collated from several sources in support of the audit observations.

### Audit Findings:

#### Overview of the State Finances

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and primary deficit/ surplus.

The State's GSDP decreased by ₹223.10 crore (0.76 per cent) from ₹29,535.93 crore in 2019-20 to ₹29,312.83 crore in 2020-21. During the last five years, there was a

steady increase in GSDP from ₹21,722.45 crore in 2016-17 to ₹29,535.93 crore in 2019-20. The GSDP negative growth rate for Nagaland (-0.76 per cent) was higher than the all India GDP growth rate (-2.97 per cent) in 2020-21. Service Sector was the major contributor of GSDP during the year with 55.57 per cent. Agriculture Sector was the second largest contributor with 30.70 per cent while Industry Sector (10.97 per cent) and Taxes on products – Subsidies on products (three per cent) were third and fourth respectively.

During 2020-21, the State had a Revenue surplus of ₹375.37 crore which was 1.28 per cent of GSDP. Fiscal deficit was ₹1,300.94 crore during 2020-21 which was 4.44 per cent of GSDP and primary deficit was ₹444.17 crore, 1.52 per cent of GSDP.

The State's Revenue Receipts (₹11,427.43 crore) increased by 0.04 per cent (₹4.14 crore) over the previous year (₹11,423.29 crore), mainly due to increase in Own Tax Revenue (6.73 per cent) and State's share in Union Taxes and Duties (4.35 per cent).

The State's Own Tax Revenue (₹1,022.74 crore) increased by 6.73 per cent over the previous year (₹958.23 crore). State's share of Union Taxes and Duties (₹3,409.25 crore) in comparison to the previous year (₹3,267.08 crore) increased by ₹142.17 crore (4.35 per cent).

Revenue Expenditure was ₹11,052.06 crore and it decreased by 5.03 per cent (₹584.96 crore) over the previous year (₹11,637.02 crore).

The State's Revenue Deficit in previous year turned into Revenue Surplus, which was ₹375.37 crore for the year, mainly due to decrease in Revenue Expenditure (5.03 per cent) and marginal increase in Revenue Receipt (0.04 per cent).

Capital Expenditure which was ₹1,671.93 crore for the year, increased by 38.60 per cent (₹465.61 crore) over the previous year's expenditure of ₹1,206.32 crore. It was mainly due to increase in capital outlay under General Services (147.16 per cent) and Economic Services (29.22 per cent).

The State's Total Expenditure for the year, which was ₹12,729.60 crore, decreased by 0.96 per cent (₹123.00 crore) over the previous year (₹12,852.60 crore). It was mainly due to decrease in Revenue Expenditure (₹584.96 crore) offset by increase in Capital Expenditure (₹465.61 crore).

The State's Fiscal Deficit (₹1,300.94 crore) decreased by 8.91 per cent (₹127.28 crore) as compared to previous year (₹1,428.22 crore). The Government was successful in maintaining Revenue Surplus as projected in FRBM Act during the year but the Fiscal Deficit-GSDP ratio and Outstanding Debt-GSDP ratio were above the ceilings prescribed under the Act.

Based on the result of examination of misclassification during post audit, the Revenue Surplus would reduce from ₹375.37 crore to ₹186.19 crore and Fiscal Deficit would increase from ₹1,300.94 crore to ₹1,451.96 crore.

**(Chapter I)**



## Recommendations

The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2020-21 by focusing on other potential areas, apart from State Goods and Services Tax to have a sustained increase in Own Tax Revenues.

The State Government needs to make efforts to achieve the projections on deficit and debt parameters, made in the Nagaland FRBM Act.

## Finances of the State Government

Revenue Receipts were ₹11,427.43 crore during 2020-21, which increased by ₹4.14 crore (0.04 *per cent*) compared to the previous year. During the current year, State's Own Tax Revenue increased by ₹64.51 crore (6.73 *per cent*) and Non-Tax Revenue decreased ₹96.69 crore (28.50 *per cent*) respectively over the previous year. Grants-in-Aid from GoI decreased by ₹105.85 crore (1.54 *per cent*) while State's Share of Union Taxes and Duties increased by ₹142.17 crore (4.35 *per cent*) as compared to the previous year.

Revenue Expenditure (₹11,052.06 crore) accounted for 86.82 *per cent* of total expenditure (₹12,729.60 crore) during the current year. Committed expenditure (₹8,104.81 crore) like salary and wages, pension, interest payments steadily increased by ₹2,625 crore (47.92 *per cent*) during the last five-year period from ₹5,479.02 crore in 2016-17 to ₹8,104.81 crore in 2020-21. The Committed Expenditure during the year 2020-21 was 70.92 *per cent* of the Revenue Receipts and 73.33 *per cent* of the Revenue Expenditure.

Under National Pension System (NPS), the State Government short contributed ₹142.23 crore resulting in understatement of revenue and fiscal deficit to that extent. Further, as on 31 March 2021, ₹185.61 crore were outstanding under NPS, with the State Government and had not been transferred to NSDL, creating avoidable outstanding financial liabilities under the Scheme.

Capital Expenditure is the expenditure for creation of assets of permanent and material character. Capital Expenditure (₹1,671.93 crore) increased by ₹465.61 crore (38.60 *per cent*) during 2020-21 compared to the previous year (₹1,206.32 crore) and stood at 13.13 *per cent* of total expenditure during the year. There were 416 projects lying incomplete as on 31 March 2021 for which ₹1,380.04 crore had been expended. There was cost over-run of ₹183.36 crore on these incomplete projects as on 31 March 2021.

The State's share of expenditure on Health (5.10 and 5.59 *per cent* during 2016-17 and 2020-21 respectively) was lower than the averages of North Eastern and Himalayan States (5.67 and 7.04 *per cent* during 2016-17 and 2020-21 respectively). Similarly, the State's share of expenditure on Education (13.03 and 13.44 *per cent* during 2016-17 and 2020-21 respectively) as proportion of Aggregate Expenditure was less than that of the averages of North Eastern and Himalayan States (16.67 and 16.95 *per cent* during 2016-17 and 2020-21 respectively).

As per Finance Accounts 2020-21, the State Government invested ₹One crore in Government Company (Nagaland State Mineral Development Corporation, limited). As on 31 March 2021, whereas the State Government made investment of ₹296.17 crore in Government Companies, Statutory Corporation, Co-operative Societies and Joint Stock Companies, the return on investments was a meagre ₹2.47 crore by way of dividends during the year.

The State had outstanding guarantees of ₹174.96 crore which was 1.53 *per cent* of the Revenue Receipts of the State (for the year) as on 31 March 2021.

The outstanding Public Debt rapidly increased by ₹3,533.47 crore from ₹7,115.56 crore in 2016-17 to ₹10,649.03 crore in 2020-21 whereas the Debt/ GSDP ratio increased from 32.76 to 36.33 *per cent* during the same period. During 2020-21, the outstanding Public Debt (₹10,649.03 crore), increased by ₹1,530.94 crore (16.79 *per cent*) compared to the previous year (₹9,118.09 crore). Between 6.15 and 7.50 *per cent* of the Revenue Receipts were used by the State for payment of interest on the outstanding Public Debt while the average rate of interest ranged between 7.40 and 8.40 *per cent* during last five-years period from 2016-17 to 2020-21.

Maturity profile of outstanding stock of Public Debt as on 31 March 2021 indicates that out of Outstanding Public Debt of ₹10,649.03 crore, 54.31 *per cent* of public debt (₹5,783.49 crore) needs to be repaid within the next seven years while the remaining 45.69 *per cent* (₹4,865.54 crore) of Outstanding Public debt is in the maturity bracket of more than seven years.

## (Chapter II)

### Recommendations

The State Government needs to give greater focus on development expenditure by steadily increasing its Capital expenditure on identified infrastructure gaps in a planned manner with periodical review and monitoring mechanism at the highest level of administration.

The State Government would do well by increasing its expenditure on Health and Education to compare favourably with North Eastern and Himalayan States.

To avoid possible future liabilities under NPS, the State Government needs to fulfil their obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated, to NSDL for management of the NPS.

The State Government may seriously review the functioning of the Corporations, Companies and Societies to ensure returns on their investments and consider either revival or closure of non-functional units in a time bound manner.

The State Government may ensure that mobilised debt resources are used adequately for incurring capital expenditure for creation of assets. The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments. Own non tax revenues need to be augmented to meet the interest on debt liabilities.

## Budgetary Management

During 2020-21, against the total budget approved by the State Legislature of ₹26,895.64 crore (Original: ₹21,068.85 crore *plus* Supplementary: ₹5,826.79 crore), Departments incurred an expenditure of ₹22,645.02 crore, leaving a savings of ₹4,250.02 crore (15.80 *per cent* of the total budget).

It is indicative that the Supplementary Grant of ₹5,826.79 crore was not required as the gross expenditure was ₹1,577.03 crore more than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 19 January 2021 and total expenditure as on December 2020 was only ₹17,247.10 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹3,821.75 crore with the State Government for the remaining 90 days. With the Supplementary Grant, total funds available with the State Government were ₹9,648.54 crore. This was indicative of over estimation and poor financial management.

Thus, the Supplementary Grants/ Appropriations were obtained without adequate justification, and funds were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

There was an overall savings of ₹4,252.10 crore offset by excess of ₹1.48 crore during the year 2020-21 resulting in net savings of ₹4,250.62 crore which was 16 *per cent* of total Grants/ Appropriations and 19 *per cent* of the expenditure. These savings may be seen in context of estimation of Receipts of ₹20,826.02 crore by the State Government and estimation on the expenditure side being ₹26,895.64 crore during the year 2020-21. This implied that the savings were notional, as the funds were not actually available for expenditure.

At the beginning of the year 2020-21, there was an outstanding excess expenditure of ₹7,17.01 crore under 34 Grants (pertaining to the year 2014-15 to 2019-20) which requires regularisation as per the Article 205 of the Constitution of India. Out of this, excess expenditure of ₹504.54 crore for the years 2014-15, 2015-16 and 2016-17 have been regularised in the State Assembly (November 2021) and excess expenditure amounting to ₹212.47 crore for 2017-18 to 2019-20 was yet to be regularised (February 2022). Further, there was an excess expenditure of ₹1.48 crore during 2020-21 which also requires regularisation. During the year, an expenditure of ₹9.22 crore was incurred without budget provision.

Review of Water Resources Department (Grant No. 59) revealed persistent savings, unexplained Re-appropriation and substantial surrenders.

**(Chapter III)**

## Recommendations

Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and advised to seek supplementary grants/ re-appropriations in time.

The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.

Excess expenditure pending regularisation, may be regularised by obtaining legislative approval.

## Quality of Accounts and Financial Reporting Practices

During the year 2020-21, 78 grants involving ₹212.60 crore were provided to 21 Departments for which Utilisation Certificates (UCs) are due for submission during the year 2021-22. As on March 2021, there are 173 UCs worth ₹396.47 crore, which are due for submission for periods pertaining up to 2019-20. Pending UCs violate prescribed financial rules and directives, and reflects poor monitoring mechanism of the State Government. Moreover, high pendency of UCs is fraught with risk of misappropriation of funds. The State would also lose out on central funds for want of UCs not submitted.

There were 373 Abstract Contingent (AC) Bills involving ₹562.30 crore pending for adjustment by submission of Detailed Countersigned Contingent (DCC) Bills, as of March 2021. Out of these, 23 AC bills amounting to ₹43.48 crore pertained to the year 2020-21. The non-adjustment of AC Bills is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective Drawing and Disbursing Officers for ensuring submission of DCC bills. Further, there is no assurance that the expenditure of the State Government reflected in the Finance Accounts is correct or final due to non-receipt of DCC bills to that extent.

During the year, expenditure of ₹1,230.64 crore under 73 Revenue and Capital Major Heads, constituting about 9.67 *per cent* of total expenditure of ₹12,724.85 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹264.74 crore under 29 Revenue Major Heads, constituting about 2.32 *per cent* of the total Revenue receipts of ₹11,427.43 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads. During 2020-21, there were 45 Major Heads (MHs) under Receipts where Minor Head 800 was operated. Out of these 45 MHs, there were 24 MHs where other specific Minor Heads were already operated. The nature of receipt was found to be recurring in nature for the past three years in 38 MHs. Similarly, 49 MHs under Expenditure where Minor Head 800 was operated. Out of these 49 MHs, there were 37 MHs where other specific Minor Heads were already operated. The nature of receipt was found to be recurring in nature for the past three years in 47 MHs. Thus, MH 800 was still operated where there were specific Minor Heads already available. Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

The State Government notified (August 2011) the enforcement of Levy and Collection of Cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. At the end of 2020-21, a total of 30,725 workers were registered with the Nagaland Building and Other Construction Workers' Welfare Board (NBOCWBB). Out of the total available fund of ₹78.47 crore during the year, the NBOCWBB expended ₹18.24 crore. Out of total expenditure of ₹18.24 crore, administrative expenses were ₹0.58 crore, which was 3.18 per cent of the total expenditure and remains within the prescribed limit under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. Remaining expenditure of ₹17.61 crore was incurred mainly on Educational Scholarship (₹14.58 crore) to 24,298 children of the beneficiaries *i.e.* building and other construction workers, Covid-19 Aid (₹2.03 crore) to 10,162 beneficiaries, and Tool Grant (₹0.42 crore) to 4,182 beneficiaries.

During the year 2020-21, Public Works and Forests Divisions were the major units that delayed the rendition of monthly accounts. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management.

#### (Chapter IV)

### Recommendations

State Government may ensure timely submission of utilisation certificates by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.

The Finance Department should, in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed /object heads of account.

Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position. Persistently defaulting bodies may be given further financial assistance by the State Government only on submission of final accounts.

The State Government should ensure that the Controlling Officers render the monthly accounts in time to the Principal Accountant General (A&E) in the interest of financial discipline and better budget management.

### Functioning of State Public Sector Enterprises

As on 31 March 2021, the State of Nagaland had six State Public Sector Enterprises (SPSEs - all Government companies), which included two non-working SPSEs. As on 31 March 2021, there were differences in the figures of State's investment in Equity (₹76.71 crore) and Loan (₹0.33 crore) of SPSEs as per State Finance Accounts *vis-à-vis* records of SPSEs.

During 2020-21, the recipients of budgetary support were Nagaland Handloom and Handicrafts Development Corporation Limited (Grant: ₹10.32 crore, 38.56 per cent), Nagaland State Mineral Development Corporation Limited (Grant: ₹9.71 crore, 36.29 per cent), Nagaland Hotels Limited (Grant: ₹3.68 crore, 13.75 per cent), Nagaland Industrial Raw Materials and Supply Corporation Limited (Grant: ₹2.25 crore, 8.41 per cent) and Nagaland Industrial Development Corporation Limited (Grant: ₹0.80 crore, 2.99 per cent and Loans: ₹0.62 crore, 100 per cent).

The net worth of both these SPSEs was negative due to complete erosion of their Capital by the accumulated losses. During 2020-21, however, the State Government provided budgetary support (Grant) of ₹26.76 crore to five SPSEs (Four Working and one non-working SPSEs) to meet its establishment expenditure which is unproductive and a drain on the State exchequer. Accumulation of huge losses by all the four working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their working or fully review the working of these SPSEs for continuing their operations.

During 2020-21, the three working SPSEs incurred losses aggregating ₹8.80 crore. Further, the accumulated losses of two working SPSEs (₹71.79 crore) had completely eroded their paid-up capital (₹25.55 crore).

As on 30 September 2021, the four working SPSEs had an arrear of total nine Accounts ranging from one to three years.

## (Chapter V)

### **Recommendations**

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long term Loans) of the State Government as appearing in the State Finance Accounts *vis-à-vis* SPSE records in a time-bound manner.

Accumulation of huge losses by two out of four working SPSEs had eroded public wealth, which is a cause of concern and the State Government may review the working of these SPSEs to either improve their profitability or close their operations.

The Administrative Departments, which have the responsibility to oversee the activities of the SPSEs, have to ensure that the SPSEs finalise and adopt their accounts within the stipulated period. In view of the position of arrears of accounts indicated above, the actual contribution of SPSEs to the GSDP for the year 2020-21 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

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*CHAPTER I*

*OVERVIEW OF THE STATE FINANCES*

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# Chapter I: Overview of the State Finances

## 1.1 Profile of the State

Nagaland is situated in the North-Eastern region of India, bordering three States viz. Assam in North and West, Arunachal Pradesh in East and Manipur in the South. It has an international border with Myanmar in the East (215 km) and runs parallel to the bank of Brahmaputra. With a geographical area of 16,579 sq. kms. *i.e.* about 0.50 *per cent* of country's total geographical area, Nagaland population in 2021 is 21.90 lakh which is 0.16 *per cent* population of the Country. Nagaland has a lower density of population, population below poverty line, infant mortality rate and decadal population growth (2011 to 2021) as compared to the All India average figures. It has a higher literacy rate as compared to the All India Average figures. At present, Nagaland has 12 districts. The per capita GSDP in respect of Nagaland for the year 2020-21 is ₹1,34,339 as compared to ₹1,45,680 for the nation.

General and financial data relating to the State are given in *Appendix 1.1*.

### 1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time. The growth rate for the period from 2016-17 to 2020-21 compared with India's GDP is presented in **Table 1.1**:

**Table 1.1: Trends in GSDP compared to the GDP**

Year	2016-17	2017-18	2018-19	2019-20	2020-21
GDP (2011-12 Series)	1,53,91,669 (3 <sup>rd</sup> RE)	1,70,90,042 (2 <sup>nd</sup> RE)	1,88,86,957 (2 <sup>nd</sup> RE)	2,03,51,013 (1 <sup>st</sup> RE)	1,97,45,670 (PE)
Growth rate of GDP over previous year (in <i>per cent</i> )	11.76	11.03	10.51	7.75	-2.97
State's GSDP (2011-12 Series)	21,722	24,393	26,527	29,536 (PE)	29,313 (AE)
Growth rate of GSDP over previous year (in <i>per cent</i> )	11.26	12.29	8.75	11.34	-0.76

Sources: GDP- Central Statistical Office (CSO), Ministry of Statistics and Programme Implementation GSDP- Directorate of Economics and Statistics, Government of Nagaland

RE: Revised Estimates; PE: - Provisional Estimates; A.E: - Advance Estimates

As can be seen from the details tabulated above, during the five-year period 2016-21, the growth rate of GSDP of the State showed fluctuating trend as compared to decreasing trend of the GDP. However, the growth rate for 2017-18 and 2019-21 for the State was higher compared to the national growth rate. The CAGR of GSDP for Nagaland (10.25 *per cent*) in the decade was lower than the CAGR of Arunachal Pradesh (11.18 *per cent*), Assam (10.38 *per cent*), Manipur (10.93 *per cent*), Mizoram (16.67 *per cent*), Sikkim (12.69 *per cent*) and Tripura (13.25 *per cent*) and

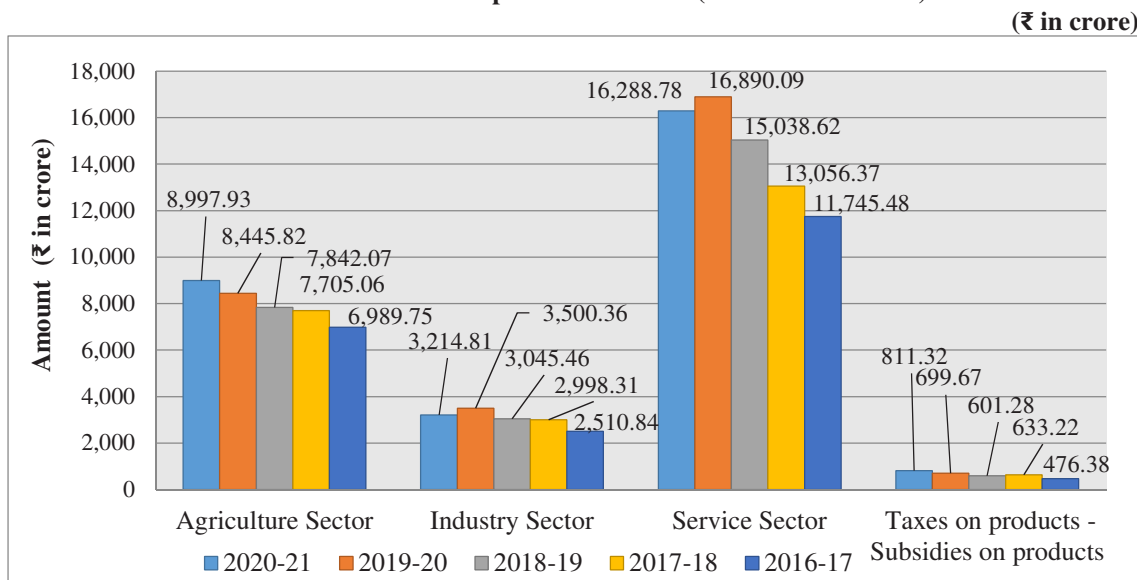
was higher than the CAGR of the other North Eastern and Himalayan (NE&H)<sup>1</sup> States and all India CAGR (9.48 per cent).

The GSDP of the State fell short of the assessment made by the XV FC during 2020-21. The actual GSDP of the State during 2020-21 was ₹29,312.83 crore which fell short by ₹3,579.17 crore, *i.e.*, 10.88 per cent less than the assessment of the XV FC (₹32,892.00 crore). While the XV FC projected the annual growth rate of GSDP of the State for the 2020-21 as 10.50 per cent, the annual growth rate of GSDP of the State stood at (-) 0.76 per cent during 2020-21. This reduced growth rate of the GSDP than the assessment made by the XV FC had an adverse impact on the resource mobilisation and public expenditure in the State.

GSDP is the most important indicator for measuring the economic growth of a State. These estimates of economy, over a period of time, reveal the extent and direction of the changes in the levels of economic development. The State Domestic Product is classified under three broad Sectors such as Primary, Secondary and Tertiary and is compiled economic activity-wise as per the methodology prescribed by the Central Statistics Office (CSO), Government of India (GoI) and furnished to the Ministry of Statistics and Programme Implementation. Moreover, GSDP is the sum total of value added by different economic sectors (Agriculture, Industry and Services), which form the three broad sectors, produced within the boundaries of the State calculated without duplication during a year. It is one of the measures of economic growth for a State's economy.

**Charts 1.1 and 1.2** depict the details of the shift in sectoral contribution to GSDP and sectoral growth of the GSDP during the period 2016-21.

**Chart-1.1: Sectoral composition of GSDP (2016-17 to 2020-21)**



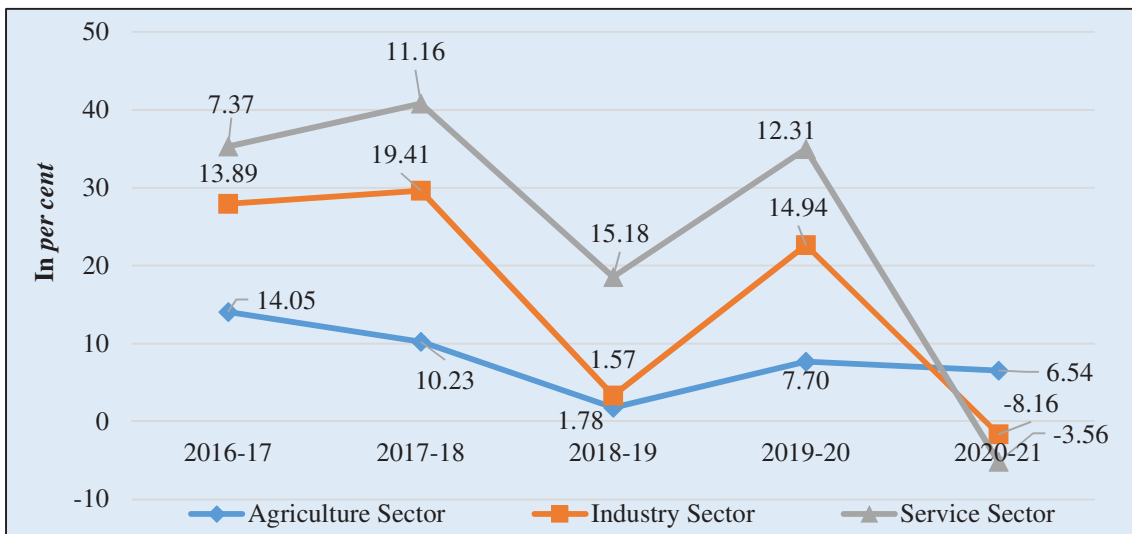
Source: Information furnished by the Directorate of Economics and Statistics, GoN

<sup>1</sup> Total 11 North Eastern and Himalayan States:

**Eight North Eastern States:** (i) Arunachal Pradesh, (ii) Assam, (iii) Manipur, (iv) Meghalaya, (v) Mizoram, (vi) Nagaland, (vii) Sikkim and (viii) Tripura

**Three Himalayan States:** (i) Himachal Pradesh, (ii) Jammu and Kashmir and (iii) Uttarakhand

Chart 1.2: Sectoral growth in GSDP



Source: Information furnished by the Directorate of Economics and Statistics, Government of Nagaland

The GSDP of the State increased by ₹7,590.38 crore during the period 2016-17 (₹21,722.45 crore) to 2020-21 (₹29,312.83 crore) at a Compounded Annual Growth Rate (CAGR) of 7.78 per cent. During the current year, GSDP decreased by ₹223.10 crore (0.76 per cent) over the previous year mainly due to decrease in contribution under Industry and Service sectors.

During the five-year period 2016-17 to 2020-21, the Service sector was the major contributor to the GSDP contributing over 50 per cent of the GSDP. During 2020-21, the Service sector contributed 55.57 per cent followed by the Agriculture sector with 30.70 per cent and Industry sector with 10.97 per cent. Taxes on products - Subsidies on products formed 2.76 per cent of GSDP.

The sector-wise trend is discussed below:

- (i) Agriculture Sector increased by ₹2,008.18 crore during the period 2016-17 to 2020-21 at a CAGR of 6.52 per cent. During 2020-21, the major contributor in this sector was Agriculture, Forestry and Fishing (97.34 per cent). The increase of ₹552.11 crore (6.54 per cent) over the previous year was primarily due to increase in activities under 'crops' and 'forestry and logging' by 5.81 and 9.87 per cent respectively, over the previous year.
- (ii) Industry Sector increased by ₹703.97 crore during the period 2016-17 to 2020-21 at a CAGR of 6.37 per cent. During 2020-21, the major contributors in this sector were construction (70.33 per cent) and electricity, gas, water supply and other utility services (19.89 per cent). The decrease of ₹288.55 crore (8.16 per cent) during 2020-21 over the previous year was primarily due to decrease in contribution under construction by 12.40 per cent over the previous year.
- (iii) Service Sector increased by ₹4,543.30 crore during the period 2016-17 to 2020-21 at a CAGR of 8.52 per cent. During 2020-21, the major contributors in this sector were public administration (34.65 per cent), other services (26.11 per cent), and trade, repair, hotels and restaurants (16.68 per cent). The decrease of

₹601.31 crore (3.56 per cent) during 2020-21 over the previous year was primarily due to decrease under 'Trade, Hotels and Restaurants' and 'Transport, storage, communication & services related to broadcasting' by 18.30 per cent.

- (iv) Taxes on products - Subsidies on products increased by ₹334.94 crore at a CAGR of 14.24 per cent during the period 2016-17 to 2020-21. During 2020-21, there was an increase of ₹111.65 crore (15.96 per cent) over the previous year due to an increase under 'Taxes on products' by 12.00 per cent and 'Subsidies on products' by 5.60 per cent over the previous year.

## 1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts and Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XV Finance Commission (FC), State Fiscal Responsibility and Budget Management Act, best practices and guidelines of the GoI.

### 1.3 Report Structure

The SFAR is structured into the following five Chapters:

<b>Chapter – 1</b>	<b>Overview of the State Finances</b> This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State’s fiscal position including the deficits/ surplus.
<b>Chapter – 2</b>	<b>Finances of the State</b> This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
<b>Chapter – 3</b>	<b>Budgetary Management</b> This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
<b>Chapter – 4</b>	<b>Quality of Accounts and Financial Reporting Practices</b> This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
<b>Chapter - 5</b>	<b>Functioning of State Public Sector Enterprises</b> This chapter comments on an overall picture of the financial performance of State Public Sector Undertakings (SPSUs).

### 1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

#### **Consolidated Fund of the State (Article 266 (1) of the Constitution of India)**

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc.*), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

#### **Contingency Fund of the State (Article 267 (2) of the Constitution of India)**

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the

State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

### **Public Accounts of the State (Article 266 (2) of the Constitution of India)**

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the Government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

**Revenue Receipts** consist of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

**Revenue Expenditure** consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The capital receipts consist of:

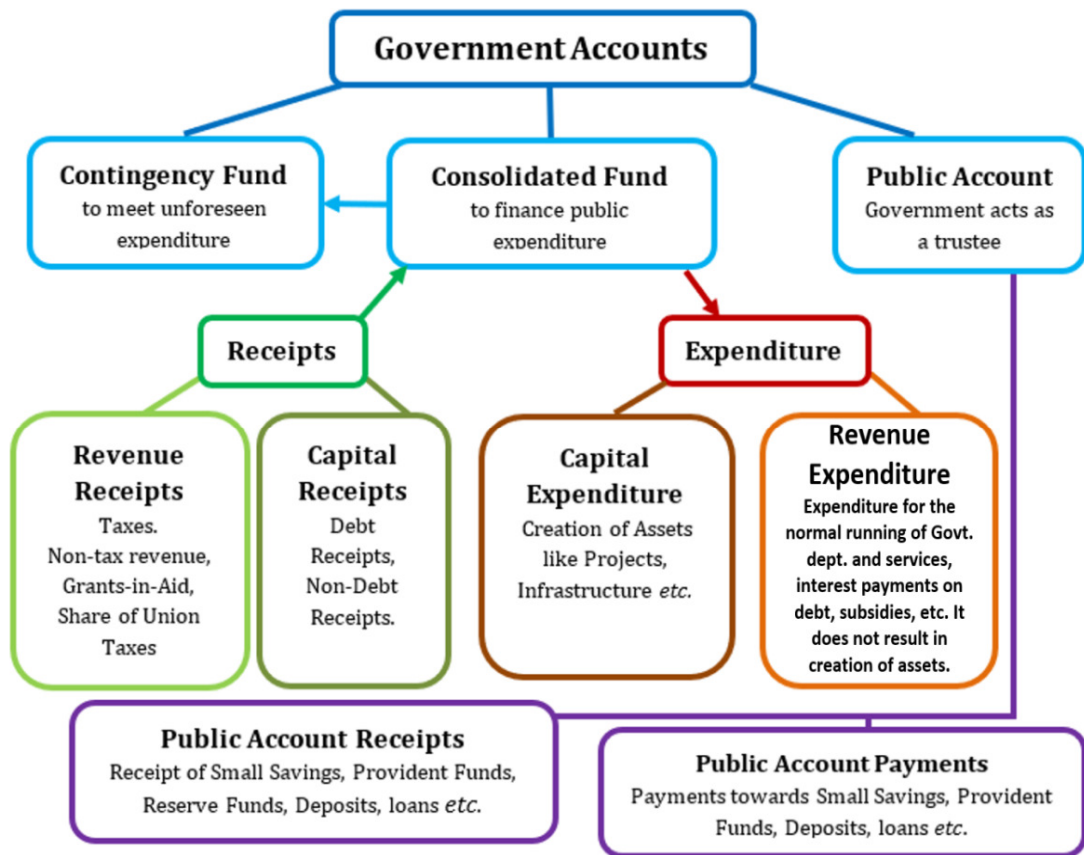
**Debt Receipts** include Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*;

**Non-debt Receipts** include Proceeds from disinvestment, recoveries of loans and advances;

**Capital Expenditure** includes expenditure incurred with the objective of increasing concrete assets of a material and permanent character *viz.*, on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

The layout of the Finance Accounts has been shown in **Appendix 1.1, Part A** and the pictorial depiction of the structure of Government Accounts is given in **Chart 1.3**.

Chart 1.3: Pictorial depiction of the structure of Government Accounts



At present, we have an accounting classification system in government that is both functional and economic as shown in **Table 1.2**.

Table 1.2: Accounting classification system in Government

	Attribute of transaction	Classification
Standardised in LMMH by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub-scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object Head is the primary unit of appropriation in the budget documents.

### Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget – there could be sub-budgets like Gender Budget, Agriculture Budget, Weaker sections (SCs/ STs) Budget, Disability Budget, *etc.*

Government of Nagaland (GoN) has not prepared its Budget manual so far. While formulating its Budget for 2020-21, the State Government introduced several significant and proactive policies to promote the overall development of the State and its people. However, no separate sub-budgets were prepared during 2020-21. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

### Summarised position of Finances

Details of actual financial results *vis-à-vis* Budget Estimates (BEs) for the year 2020-21 *vis-à-vis* actual of 2019-20 are shown in **Table 1.3**.

**Table 1.3: Financial results *vis-à-vis* BEs**

Sl. No.	Components	2019-20 Actuals	2020-21		Percentage of Actual to BEs	Percentage of Actuals to GSDP
			BEs	Actuals		
1.	Tax Revenue	958.23	1,011.12	1,022.74	101.15	3.49
2.	Non-Tax Revenue	339.29	272.23	242.60	<b>89.12</b>	0.83
3.	Share of Union Taxes and Duties	3,267.08	4,493.38	3,409.25	<b>75.87</b>	11.63
4.	Grants-in-Aid and Contributions	6,858.69	8,871.15	6,752.84	<b>76.12</b>	23.04
<b>5.</b>	<b>Revenue Receipts (1+2+3+4)</b>	<b>11,423.29</b>	<b>14,647.88</b>	<b>11,427.43</b>	<b>78.01</b>	<b>38.98</b>
6.	Recovery of Loans and Advances	1.09	1.50	1.23	<b>82.00</b>	0.00
7.	Other Receipts	0.00	0.00	0.00	0.00	0.00
8.	Borrowings and other Liabilities (a)	1,417.43	1,819.89	1,175.06	<b>64.57</b>	4.01
<b>9.</b>	<b>Capital Receipts (6+7+8)</b>	<b>1,418.52</b>	<b>1,821.39</b>	<b>1,176.29</b>	<b>64.58</b>	<b>4.01</b>
<b>10.</b>	<b>Total Receipts (5+9)</b>	<b>12,841.81</b>	<b>16,469.27</b>	<b>12,603.72</b>	<b>76.53</b>	<b>43.00</b>
<b>11.</b>	<b>Revenue Expenditure</b>	<b>11,637.02</b>	<b>13,623.54</b>	<b>11,052.06</b>	<b>81.12</b>	<b>37.70</b>
12.	Interest payments	813.74	970.50	856.77	<b>88.28</b>	2.92
<b>13.</b>	<b>Capital Expenditure (b)</b>	<b>1,215.58</b>	<b>2,288.64</b>	<b>1,677.54</b>	<b>73.30</b>	<b>5.72</b>
14.	Capital outlay	1,206.32	2,285.14	1,671.93	<b>73.17</b>	5.70
15.	Loan and advances	9.26	3.50	5.61	<b>160.29</b>	0.02
<b>16.</b>	<b>Total Expenditure (11+13)</b>	<b>12,852.60</b>	<b>15,912.18</b>	<b>12,729.60</b>	<b>80.00</b>	<b>43.43</b>



Sl. No.	Components	2019-20 Actuals	2020-21		Percentage of Actual to BEs	Percentage of Actuals to GSDP
			BEs	Actuals		
17.	Revenue Deficit(-)/ Surplus (+) (5-11)	-213.73	1,024.34	375.37	36.65	1.28
18.	Fiscal Deficit {16-(5+6+7)}	1,428.22	1,262.80	1,300.94	103.02	4.44
19.	Primary Deficit (18-12)	614.48	292.30	444.17	151.96	1.52

Source: Finance Accounts, 2020-21 and Annual Financial Statement, 2020-21

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt+Net of Contingency Fund+Net (Receipts-Disbursements) of Public Account+Net of Opening and Closing Cash Balance.

(b) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed.

- The actual own tax revenue collections exceeded the budget estimates, while the non-tax revenue, share of Union Taxes and Duties and Grants-in-Aid (GIA) from the GoI fell short over the budget estimates. The overall Revenue Receipts of the State fell short of the BEs mainly due to overestimation of the GIA from the GoI at BEs stage.
- During 2020-21, the State moved from a Revenue Deficit to a Revenue Surplus State due to less expenditure over the previous year and marginal growth of Revenue Receipts. The Revenue Receipts increased by ₹4.14 crore (0.04 per cent) from ₹11,423.29 crore in 2019-20 to ₹11,427.43 crore in 2020-21, while the Revenue Expenditure decreased by ₹584.96 crore (5.03 per cent) from ₹11,637.02 crore in 2019-20 to ₹11,052.06 crore in 2020-21.
- The Fiscal Deficit decreased over the previous year. It decreased by ₹127.28 crore (8.91 per cent) from ₹1,428.22 crore in 2019-20 to ₹1,300.94 crore in 2020-21. The Government's Capital Expenditure increased by ₹461.96 crore (38.00 per cent) from ₹1,215.58 crore in 2019-20 to ₹1,677.54 crore in 2020-21.

### Summarised position of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

The financial position of the Government of Nagaland as on 31 March 2021 is given in **Appendix 1.2**. The summarised position of Assets and Liabilities of the State for the year 2020-21 as compared to the previous year 2019-20 is shown in **Table 1.4**.

**Table 1.4: Summarised position of Assets and Liabilities**

(₹ in crore)

Liabilities				Assets					
	2019-20	2020-21	Increase (per cent)		2019-20	2020-21	Increase (per cent)		
Consolidated Fund									
A	Internal Debt	8,986.93	10,331.14	15	A	Gross Capital Outlay	19,302.06	20,973.99	9
B	Loans and Advances from GoI	131.15	317.88	142	B	Loans and Advances	37.07	41.45	12

Liabilities				Assets					
	2019-20	2020-21	Increase (per cent)		2019-20	2020-21	Increase (per cent)		
Contingency Fund	0.35	0.35	0						
Public Account									
A	Small Savings, Provident Funds, etc.	2,131.38	1,875.68	-12	A	Advances	0.37	0.58	57
B	Deposits	960.38	978.57	2	B	Remittance	-	-	-
C	Reserve Funds	1,628.43	1,754.57	8	C	Suspense and Miscellaneous	89.02	90.1	1
D	Remittances	-661.18	-661.02	0		Cash balance (including investment in Earmarked Fund)	2,627.83	2,745.33	4
						<b>Total</b>	<b>22,056.35</b>	<b>23,851.45</b>	<b>8</b>
						<b>Deficit in Revenue Account</b>	8,878.91	9,254.28	4
	<b>Total</b>	<b>13,177.44</b>	<b>14,597.17</b>	<b>11</b>		<b>Total</b>	<b>13,177.44</b>	<b>14,597.17</b>	<b>11</b>

Source: Finance Accounts, 2020-21

As can be seen from the above table, the Assets and Liabilities of the State showed an increase of 11 *per cent* during 2020-21 over the previous year. The increase in Liabilities was mainly due to increase in Reserve Funds (eight *per cent*) and Loans and Advances from GoI (142 *per cent*), which was offset by decrease in Small Savings, Provident funds, etc. (12 *per cent*) over the previous year. Similarly, the increase in Assets was mainly due to increase in Cash balance (including investment in Earmarked Fund) (four *per cent*) and disbursement of Loans and Advances (12 *per cent*).

## 1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

Deficits must be financed by borrowing giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which adds to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both government and

industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. There has also been an attempt to raise receipts through the sale of shares in PSUs. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management Act (FRBM) with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context the Act provides quantitative targets to be adhered by the state with regard to deficit measures and debt level.

State Government enacted the Nagaland Fiscal Responsibility and Budget Management (NFRBM) Act, 2005 in line with the Union FRBM Act, 2003, to ensure stability and sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove impediments to effective conduct of fiscal policy and prudent debt management.

In line with the recommendations of the Central Finance Commissions, the NFRBM Act was subsequently amended thrice *i.e.* July 2009, March 2011 and March 2021. However, the NFRBM Act was not amended in line with the XIV FC recommendations (Paragraph 2.6 of XIV FC Report) during the award period (2015-20) of XIV FC (2015-20). Hence, the recommendations of the XV FC (Paragraph 1.25 of 2020-21) on adherence of FRBM Act (amended in 2018) could not be observed.

In addition to the Fiscal Correction Path (FCP), the State Government is required to prepare every year, as per the provisions of the NFRBM Act, 2005, a Medium Term Fiscal Policy Statement (MTFPS) showing the rolling fiscal targets. The State Government had prepared MTFPS every year.

The status of achievement *vis-à-vis* projections set by the XIV/ XV FC, based on the information furnished by Finance Department, Government of Nagaland during the period 2016-17 to 2020-21 is given in **Table 1.5**:

**Table 1.5: Compliance with the projections of FRBM Act**

Fiscal Parameters	XIV/ XV FC projections	Achievement				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue	2016-20:	790.34	827.86	517.43	(-2)13.73	375.37
Deficit (-)/ Surplus (+)	Revenue Surplus 2020-21: Revenue Deficit	✓	✓	✓	✗	✓
(₹ in crore)						
Fiscal Deficit (-)/ Surplus (+)	2016-20: Three <i>per cent</i> of GSDP 2020-21: 3.92	(-)284.86 (-1.31)	(-)446.09 (-1.83)	(-)1,082.32 (-4.08)	(-)1,428.22 (-4.84)	(-)1,300.94 (-4.44)
		✓	✓	✗	✗	✗
Ratio of total outstanding debt to GSDP ( <i>per cent</i> )	2016-17: 33.00 2017-18: 31.00 2018-19: 42.00 2019-20: 40.00 2020-21: 45.20	44.00	42.67	39.75	41.23	45.96
		✗	✗	✓	✗	✗

Source: Finance Department, GoN and Finance Accounts of respective years

State Government was successful in maintaining Revenue Surplus as projected in FC reports, in four out of the five years, during the five-year period from 2016-17 to 2020-21.

The State was successful in achieving the respective Fiscal Deficit as *per cent* of GSDP projections made in FC reports in two out of the last five years during 2016-21.

During the five-year period from 2016-17 to 2020-21, the State Government was successful in maintaining outstanding debt to GSDP ratio only in 2018-19 as per the projection made in FC reports. The State Government could not maintain outstanding debt to GSDP ratio projection during 2020-21 as the State Government availed additional one *per cent* borrowing allowed by GoI under the Atma Nirbhar Package which increased States' borrowing limits from three *per cent* to five *per cent*.

The position of projections made by the State Government in its MTFPS *vis-à-vis* achievements during the year 2020-21 is depicted in **Table 1.6**.

**Table 1.6: Actuals *vis-à-vis* projection in MTFPS for 2020-21**

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals (2020-21)	Variation (in <i>per cent</i> )
1.	Own Tax Revenue	1,011.13	1,022.74	1.15
2.	Non-Tax Revenue	272.23	242.60	-10.88
3.	Share of Central Taxes	4,493.37	3,409.25	-24.13
4.	Grants-in-Aid from GoI	8,871.15	6,752.84	-23.88
<b>5.</b>	<b>Revenue Receipts (1 + 2 + 3 + 4)</b>	<b>14,647.88</b>	<b>11,427.43</b>	<b>-21.99</b>
<b>6.</b>	<b>Revenue Expenditure</b>	<b>13,623.54</b>	<b>11,052.06</b>	<b>-18.88</b>
7.	Revenue Surplus (5 - 6)	1,024.34	375.37	-63.35
8.	Fiscal Deficit	1,262.80	1,300.94	3.02
9.	Debt-GSDP ratio ( <i>per cent</i> )	40.99	45.96	12.12
10.	GSDP growth rate at current prices ( <i>per cent</i> )	15.57	-0.76	104.88

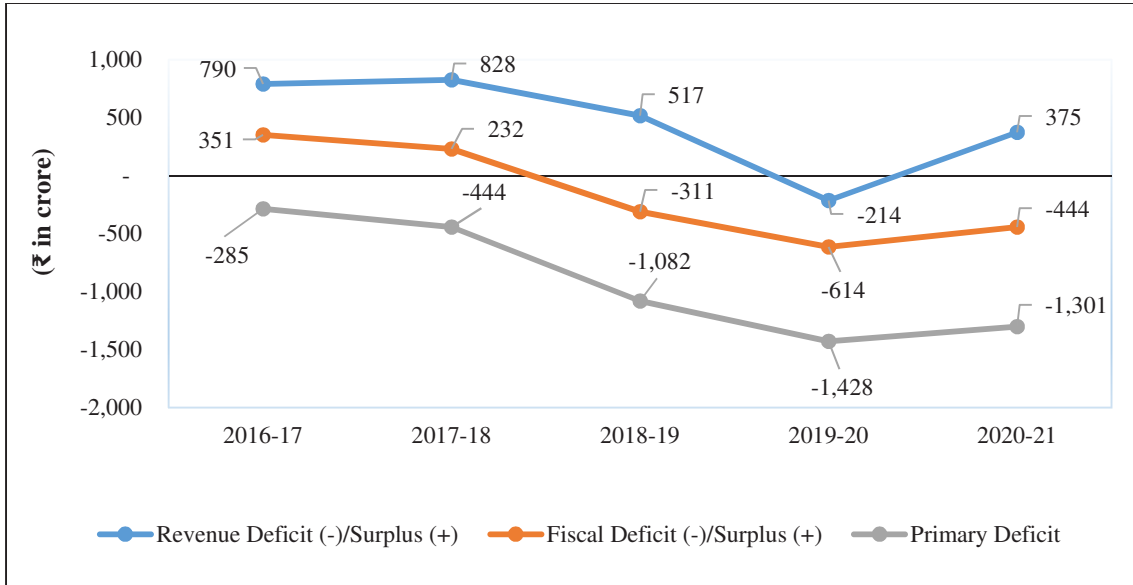
Source: MTFP Statement and Finance Accounts, 2020-21

As can be seen from the above table, the projections made in MTFPS relating to two key fiscal parameters *i.e.*, Revenue Deficit and Fiscal Deficit were not achieved during 2020-21. The projection relating to growth rate of GSDP was not met with

negative growth in GSDP. Moreover, projection relating to Debt-GSDP ratio was also not met, with the year ending at a higher Debt to GSDP ratio.

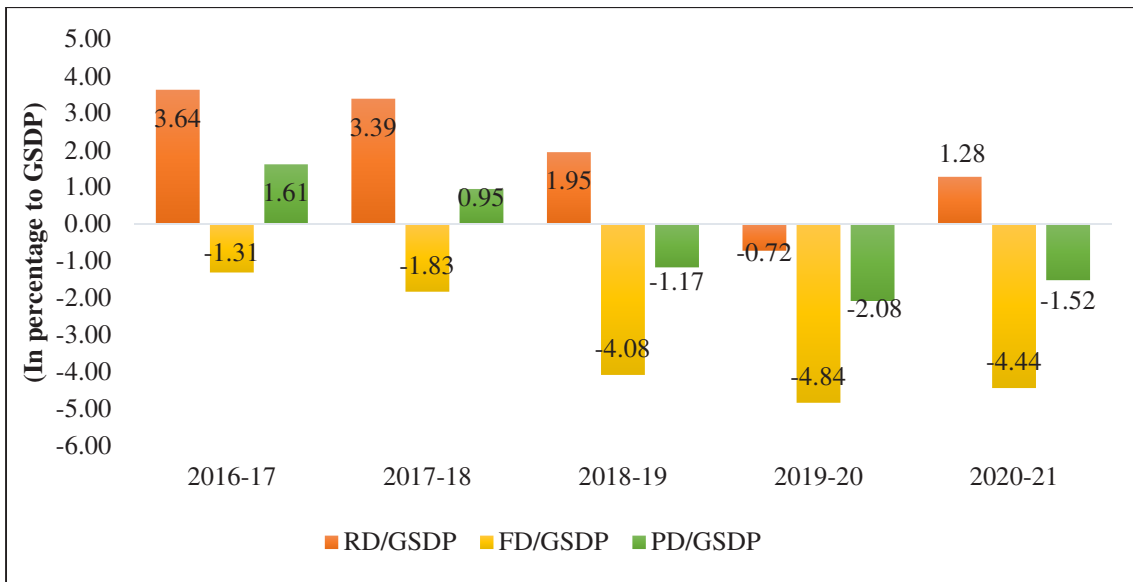
**Charts 1.4 and 1.5** present the trends in deficit indicators and **Chart 1.6** presents the trends in Fiscal Liabilities and GSDP *vis-à-vis* target set by the State Government in its MTFP statement over the period 2016-17 to 2020-21.

**Chart 1.4: Trends in deficit parameters**



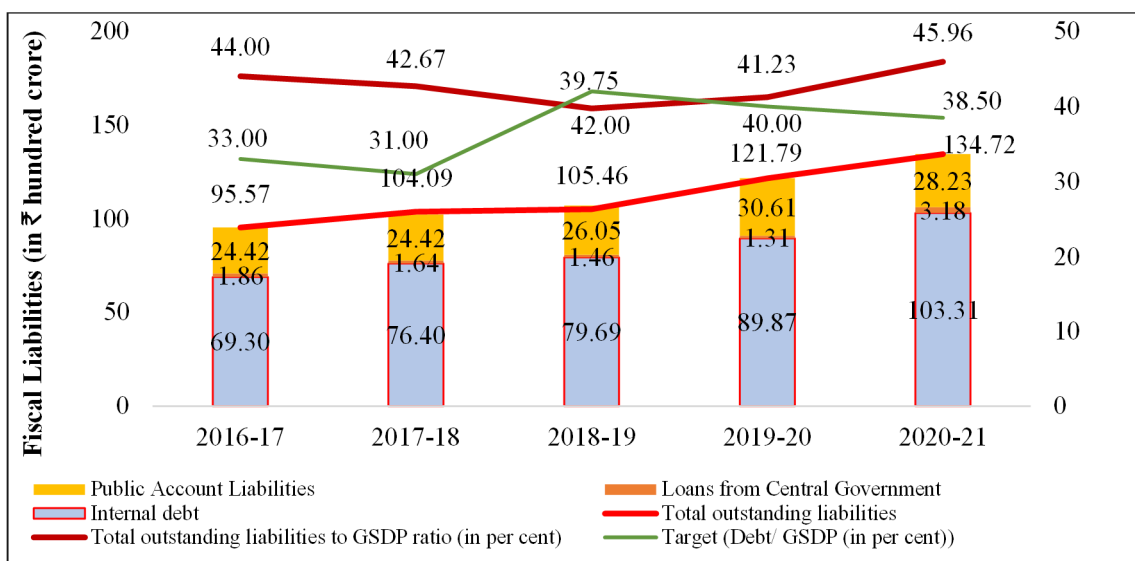
Source: Finance Accounts for respective years and GSDP-Directorate of Economics and Statistics, GoN

**Chart 1.5: Trends in Surplus/ Deficit relative to GSDP**



Source: Finance Accounts for respective years and GSDP-Directorate of Economics and Statistics, GoN  
RD: Revenue Deficit, FD: Fiscal Deficit; PD: Primary Deficit

Chart 1.6: Trends in Fiscal Liabilities and GSDP



Source: Finance Accounts for respective years and GSDP-Directorate of Economics and Statistics, GoN

As can be seen from the above charts, Surplus on Revenue Account was witnessed during 2020-21 and it was mainly due to the fact that the State witnessed decrease in Revenue Expenditure whereas Revenue Receipt increased marginally during the year over the previous year. During 2020-21, Revenue Expenditure decreased by 5.03 per cent (₹584.96 crore) over the previous year, while Revenue Receipt increased marginally by 0.04 per cent (₹4.14 crore) during the same period.

The total fiscal liabilities showed increasing trend during the five-year period 2016-21. The increasing trend was mainly due to increase in Public Account liabilities and Internal Debt. During this period, the total outstanding liabilities to GSDP ratio was above the norm set by the State Government in its MTFPS in four years.

## 1.6 Deficits and Total Debt after examination in audit

In order to present better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off budget financial activities.

### Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget financial activities impact deficit figures. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to National Pension Scheme, Sinking and Redemption funds, etc. also impacts the revenue surplus and fiscal deficit figures.

Audit noticed overstatement of Revenue Surplus by ₹189.18 crore and understatement of Fiscal Deficit by ₹151.02 crore for 2020-21, as detailed in **Table 1.7**.

**Table 1.7: Revenue and Fiscal Deficit, post examination by Audit**

Particulars	Impact on (₹ in crore) {Understated (+)/ overstated (-)}		Paragraph Reference
	Revenue Surplus	Fiscal Deficit	
Short-contribution to National Pension Scheme	(-) 142.23	(+) 142.23	Para 2.4.2.3
Grants-in-Aid booked as Capital Expenditure instead of Revenue	(-) 0.07	-	Para 3.3.2.1
Minor works budgeted/ booked under Capital Section instead of Revenue	(-) 41.52	-	Para 3.3.2.2
Major works budgeted/ booked under Revenue Section instead of Capital	(+) 3.43	-	Para 3.3.2.2
Interest adjustment on Defined Contribution Pension Scheme	(-) 7.78	(+) 7.78	Para 4.2
Short transfer to Guarantee Redemption Fund	(-) 0.87	(+) 0.87	Para 2.5.2.3
State Compensatory Afforestation Fund	(-) 0.14	(+) 0.14	Para 2.5.2.4
<b>Total</b>	<b>(-) 189.18</b>	<b>(+) 151.02</b>	

Source: Finance Accounts, 2020-21

Based on the result of examination of misclassification during post audit, the Revenue Surplus would reduce from ₹375.37 crore to ₹186.19 crore and Fiscal Deficit would increase from ₹1,300.94 crore to ₹1,451.96 crore.

## 1.7 Conclusion

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and primary deficit/surplus.

The State's GSDP decreased by ₹223.10 crore (0.76 per cent) from ₹29,535.93 crore in 2019-20 to ₹29,312.83 crore in 2020-21. During the last five years, there was a steady increase in GSDP from ₹21,722.45 crore in 2016-17 to ₹29,535.93 crore in 2019-20. The GSDP negative growth rate for Nagaland (-0.76 per cent) was higher than the all India GDP growth rate (-2.97 per cent) in 2020-21. Service Sector was the major contributor of GSDP during the year with 55.57 per cent. Agriculture Sector was the second largest contributor with 30.70 per cent while Industry Sector (10.97 per cent) and Taxes on products – Subsidies on products (three per cent) were third and fourth respectively.

During 2020-21, the State had a Revenue surplus of ₹375.37 crore which was 1.28 per cent of GSDP. Fiscal deficit was ₹1,300.94 crore during 2020-21 which was 4.44 per cent of GSDP and primary deficit was ₹444.17 crore, 1.52 per cent of GSDP.

The State's Revenue Deficit in previous year turned into Revenue Surplus, which was ₹375.37 crore for the year, mainly due to decrease in Revenue Expenditure (5.03 per cent) and marginal increase in Revenue Receipt (0.04 per cent).

The State's Revenue Receipts (₹11,427.43 crore) increased by 0.04 per cent (₹4.14 crore) over the previous year (₹11,423.29 crore), mainly due to increase in Own Tax Revenue (6.73 per cent) and State's share in Union Taxes and Duties (4.35 per cent).

The State's Own Tax Revenue (₹1,022.74 crore) increased by 6.73 per cent over the previous year (₹958.23 crore). State's share of Union Taxes and Duties

(₹3,409.25 crore) in comparison to the previous year (₹3,267.08 crore) increased by ₹142.17 crore (4.35 per cent).

Revenue Expenditure was ₹11,052.06 crore and it decreased by 5.03 per cent (₹584.96 crore) over the previous year (₹11,637.02 crore).

Capital Expenditure which was ₹1,671.93 crore for the year, increased by 38.60 per cent (₹465.61 crore) over the previous year's expenditure ₹1,206.32 crore. It was mainly due to increase in capital outlay under General Services (147.15 per cent) and Economic Services (29.22 per cent).

The State's Total Expenditure for the year, which was ₹12,729.60 crore, decreased by 0.96 per cent (₹123.00 crore) over the previous year (₹12,852.60 crore). It was mainly due to decrease in Revenue Expenditure (₹584.96 crore) offset by increase in Capital Expenditure (₹465.61 crore).

The State's Fiscal Deficit (₹1,300.94 crore) decreased by 8.91 per cent (₹127.28 crore) as compared to previous year (₹1,428.22 crore). The Government was successful in maintaining Revenue Surplus as projected in FRBM Act (amended in March 2021) during the year but the Fiscal Deficit-GSDP ratio and Outstanding Debt-GSDP ratio were above the ceilings prescribed under the Act.

Based on the result of examination of misclassification during post audit, the Revenue Surplus would reduce from ₹375.37 crore to ₹186.19 crore and Fiscal Deficit would increase from ₹1,300.94 crore to ₹1,451.96 crore.

## 1.8 Recommendations

- The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2020-21 by focusing on other potential areas, apart from State Goods and Services Tax to have a sustained increase in Own Tax Revenues.
- The State Government needs to make efforts to achieve the projections on deficit and debt parameters, made in the Nagaland FRBM Act.



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*CHAPTER II*

*FINANCES OF THE STATE*

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## Chapter II: Finances of the State

### 2.1 Major changes in Key fiscal aggregates during 2020-21 vis-à-vis 2019-20

This Section gives a bird's-eye view of the major changes in key fiscal aggregates of the State during the financial year, compared to the previous year.

**Table 2.1** gives a bird's-eye view of the major changes in key fiscal aggregates of the State during 2020-21, compared to the previous year. Each of these indicators are analysed in the succeeding paragraphs.

**Table 2.1: Changes in key fiscal aggregates in 2020-21 compared to 2019-20**

<b>Revenue Receipts</b>	<ul style="list-style-type: none"> <li>➤ Revenue receipts of the State increased by 0.04 per cent</li> <li>➤ Own Tax receipts of the State increased by 6.73 per cent</li> <li>➤ Own Non-tax receipts decreased by 28.50 per cent</li> <li>➤ State's Share of Union Taxes and Duties increased by 4.35 per cent</li> <li>➤ Grants-in-Aid from Government of India decreased by 1.54 per cent</li> </ul>
<b>Revenue Expenditure</b>	<ul style="list-style-type: none"> <li>➤ Revenue expenditure decreased by 5.03 per cent</li> <li>➤ Revenue expenditure on General Services decreased by 6.06 per cent</li> <li>➤ Revenue expenditure on Social Services increased by 3.58 per cent</li> <li>➤ Revenue expenditure on Economic Services decreased by 11.47 per cent</li> </ul>
<b>Capital Expenditure</b>	<ul style="list-style-type: none"> <li>➤ Capital expenditure increased by 38.60 per cent</li> <li>➤ Capital expenditure on General Services increased by 147.15 per cent</li> <li>➤ Capital expenditure on Social Services increased by 11.20 per cent</li> <li>➤ Capital expenditure on Economic Services increased by 29.22 per cent</li> </ul>
<b>Loans and Advances</b>	<ul style="list-style-type: none"> <li>➤ Disbursement of Loans and Advances decreased by 39.42 per cent</li> <li>➤ Recoveries of Loans and Advances increased by 12.84 per cent</li> </ul>
<b>Public Debt</b>	<ul style="list-style-type: none"> <li>➤ Public Debt Receipts increased by 45.30 per cent</li> <li>➤ Repayment of Public Debt increased by 44.22 per cent</li> </ul>
<b>Public Account</b>	<ul style="list-style-type: none"> <li>➤ Public Account Receipts decreased by 11.73 per cent</li> <li>➤ Disbursement of Public Account increased by 28.82 per cent</li> </ul>
<b>Cash Balance</b>	<ul style="list-style-type: none"> <li>➤ Cash balance increased by ₹117.50 crore (4.47 per cent) during 2020-21 compared to previous year</li> </ul>

### 2.2 Sources and Application of Funds

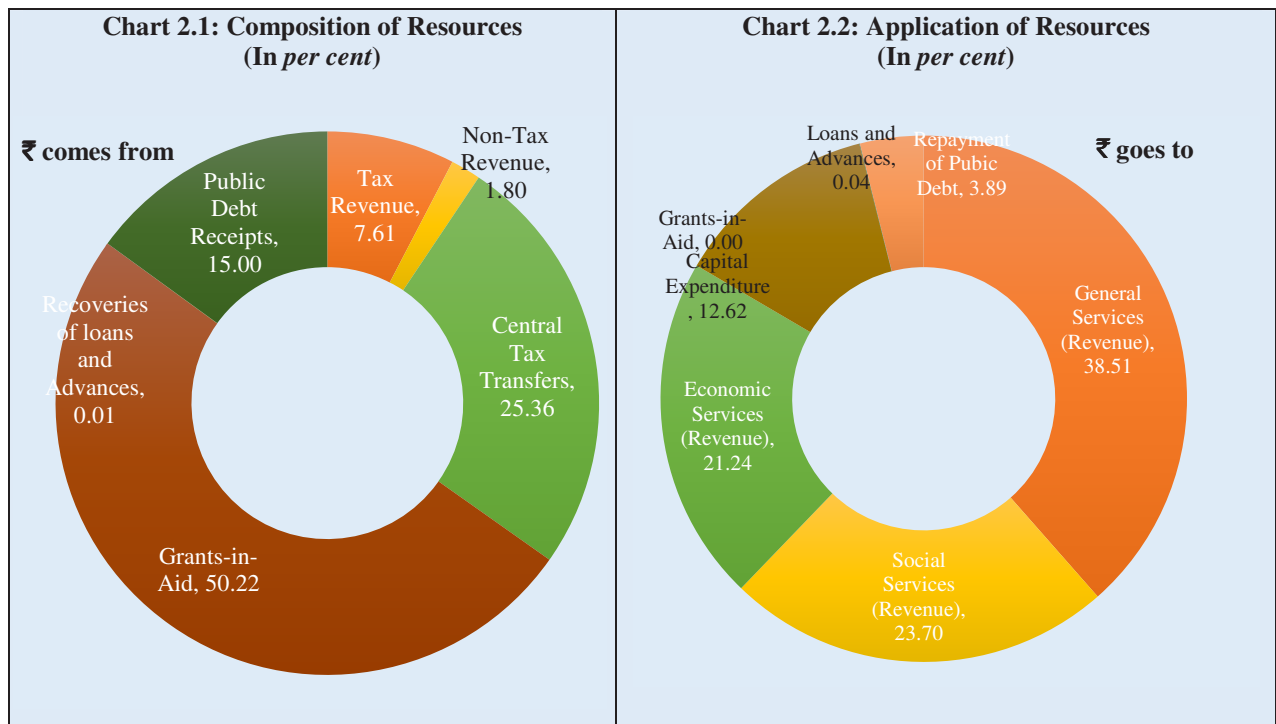
**Table 2.2** compares the sources and application of funds of the State during 2020-21 with 2019-20 in figures, while **Charts 2.1** and **2.2** give the details of receipts and expenditure from the Consolidated Fund during 2020-21 in terms of percentages.

**Table 2.2: Details of Sources and Application of funds during 2019-20 and 2020-21**

(₹ in crore)				
	Particulars	2019-20	2020-21	Increase (+)/ Decrease (-)
<b>Sources</b>	Opening Cash Balance with RBI	1,856.93	2,627.83	770.90
	Revenue Receipts	11,423.29	11,427.43	4.14
	Recoveries of Loans and Advances	1.09	1.23	0.14
	Public Debt Receipts (Net)	1,002.57	1,530.94	528.37
	Public Account Receipts (Net)	1,196.55	-112.50	-1,309.05
	<b>Total</b>		<b>15,480.43</b>	<b>15,474.93</b>

	Particulars	2019-20	2020-21	Increase (+)/ Decrease (-)
Application	~	11,637.02	11,052.06	-584.96
	Capital Expenditure	1,206.32	1,671.93	465.61
	Disbursement of Loans and Advances	9.26	5.61	-3.65
	Closing Cash Balance with RBI	2,627.83	2,745.33	117.50
	<b>Total</b>	<b>15,480.43</b>	<b>15,474.93</b>	<b>-5.50</b>

Source: Finance Accounts, 2020-21



### 2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from dis-investments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

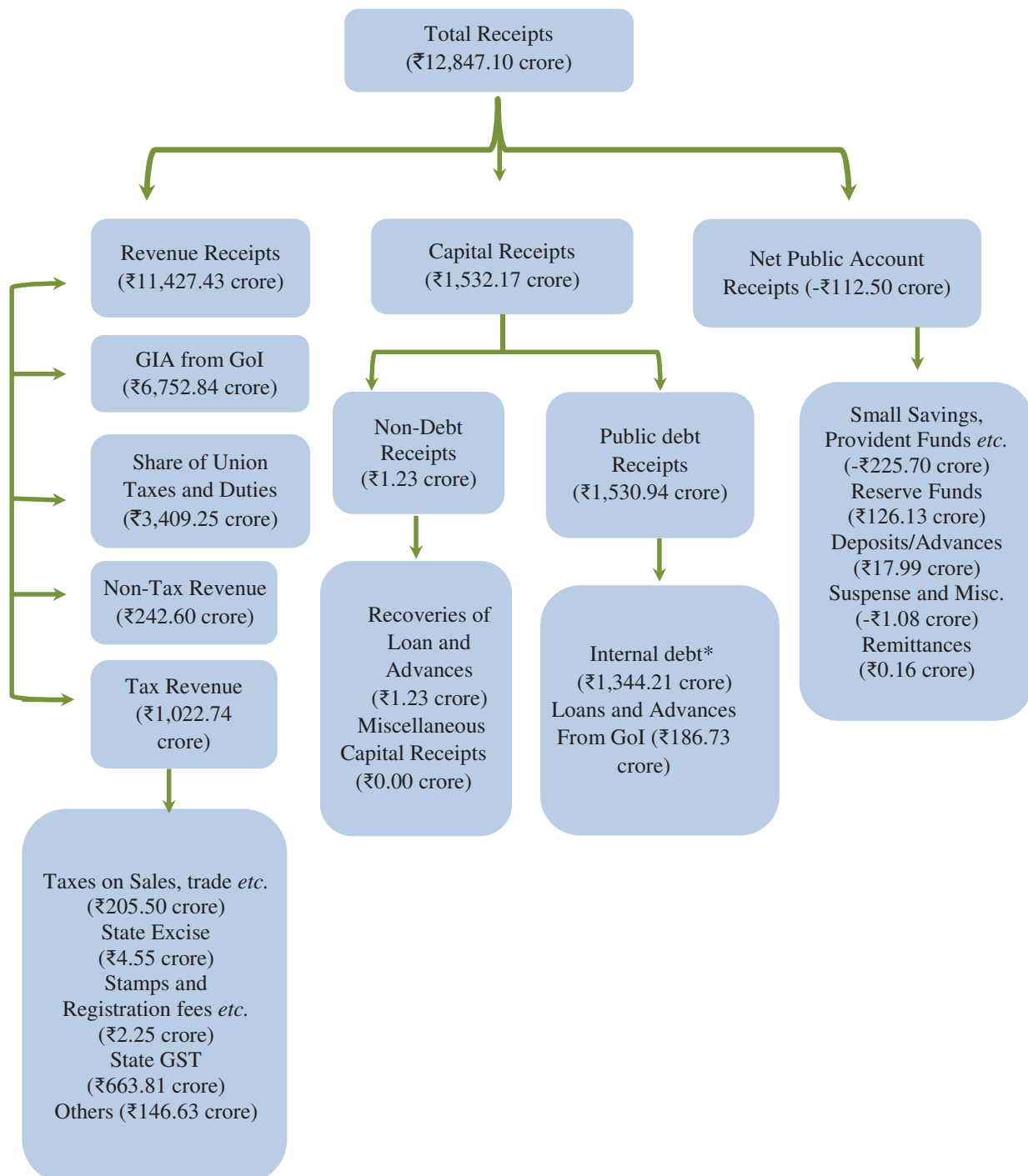
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, *etc.* which do not form part of the Consolidated Fund.

These 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.

### 2.3.1 Receipts of the State

Composition of receipts of the State during 2020-21 is given in **Chart 2.3**.

**Chart 2.3: Composition of receipts of the State during 2020-21**



Source: Finance Accounts, 2020-21

\*: including net of Ways and Means Advances (WMA) amounting to ₹28.57 crore (WMA Receipt: ₹9,417.75 crore (-) WMA Repayment ₹9,389.18 crore)

### 2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

#### 2.3.2.1 Trends and growth of Revenue Receipts

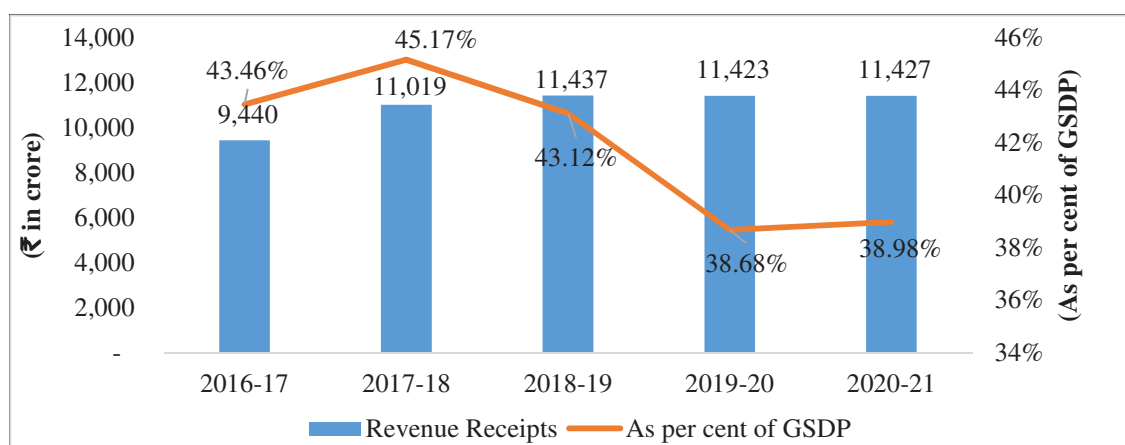
**Table 2.3** provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2016-21. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Charts 2.4** and **2.5** respectively.

**Table 2.3: Trend in Revenue Receipts**

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Receipts (RR) (₹ in crore)	9,439.79	11,019.21	11,437.41	11,423.29	11,427.43
Rate of growth of RR (per cent)	17.40	16.73	3.80	-0.12	0.04
Own Tax Revenue (₹ in crore)	510.75	638.28	846.43	958.23	1,022.74
Non-Tax Revenue (₹ in crore)	343.03	388.53	255.24	339.29	242.60
Rate of growth of Own Resources (Own Tax and Non-tax Revenue) (per cent)	25.42	20.27	7.29	17.78	-2.48
Gross State Domestic Product (₹ in crore)	21,722.45	24,392.96	26,527.42	29,535.93	29,312.83
Rate of growth of GSDP (per cent)	11.26	12.29	8.75	11.34	-0.76
RR/GSDP (per cent)	43.46	45.17	43.12	38.68	38.98
<b>Buoyancy Ratios<sup>2</sup></b>					
Revenue Buoyancy w.r.t. GSDP	1.55	1.36	0.43	-0.01	-0.05
State's Own Resources Buoyancy w.r.t. GSDP	2.26	1.65	0.83	1.57	3.26

Source of GSDP figures: Directorate of Economics and Statistics, GoN

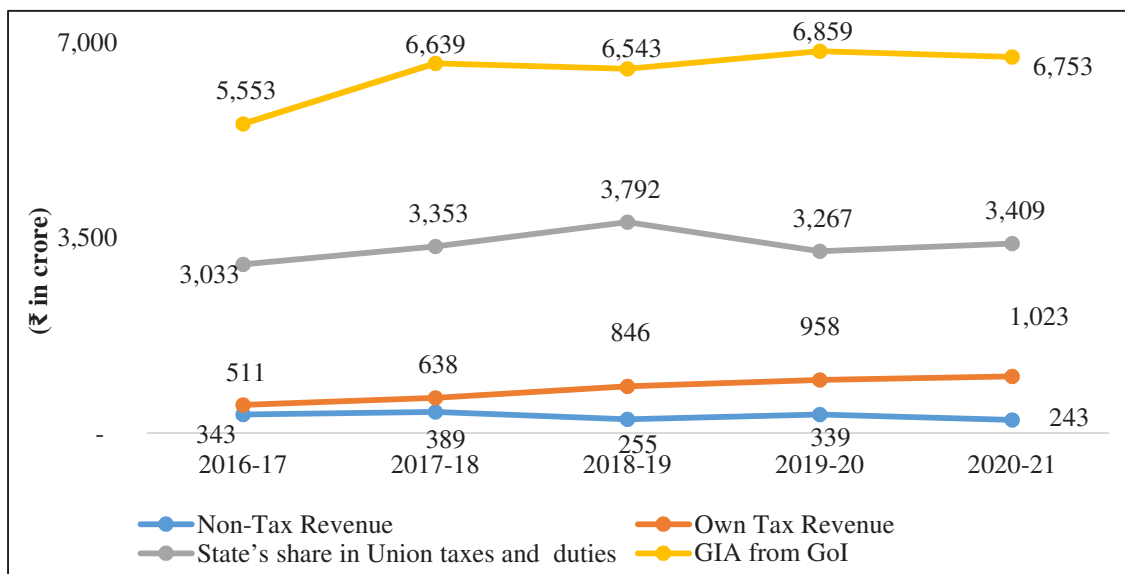
**Chart 2.4: Trend of Revenue Receipts**



Source: Finance Accounts and GSDP-Directorate of Economics and Statistics, GoN

- 2 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 with respect to GSDP at -0.05 implies that Revenue Receipts tend to decrease by -0.05 percentage points, if the GSDP decreases by one per cent.

Chart 2.5: Trend of components of Revenue Receipts



Source: Finance Accounts of respective years

General trends relating to Revenue Receipts of the State are as follows:

- Revenue Receipts increased by ₹1,987.64 crore (21.06 per cent) from ₹9,439.79 crore in 2016-17 to ₹11,427.43 crore in 2020-21 at a Compound Annual Growth Rate (CAGR) of 4.89 per cent. During 2020-21, Revenue Receipts increased by ₹4.14 crore (0.04 per cent) over the previous year.
- During 2020-21, State's own resources contributed 11.07 per cent of the Revenue Receipts, while Central Tax Transfers and GIA together contributed 88.93 per cent. This is indicative of the fact that Nagaland's fiscal position is largely dependent on the tax transfers and GIA from GoI.
- During the current year, there was increase of 0.04 per cent (₹4.14 crore) in Revenue Receipts and decrease of 5.03 per cent (₹584.96 crore) in Revenue Expenditure as compared to 2019-20, leading to a Revenue Surplus, as against a Revenue Deficit in the previous year.
- The Revenue Receipts buoyancy with respect to GSDP was (-) 0.01 in 2019-20 which decreased to (-) 0.05 in 2020-21. The State's Own Tax buoyancy with respect to GSDP was 1.57 in 2019-20 which increased to 3.26 in 2020-21, due to decrease in rate of growth of GSDP.

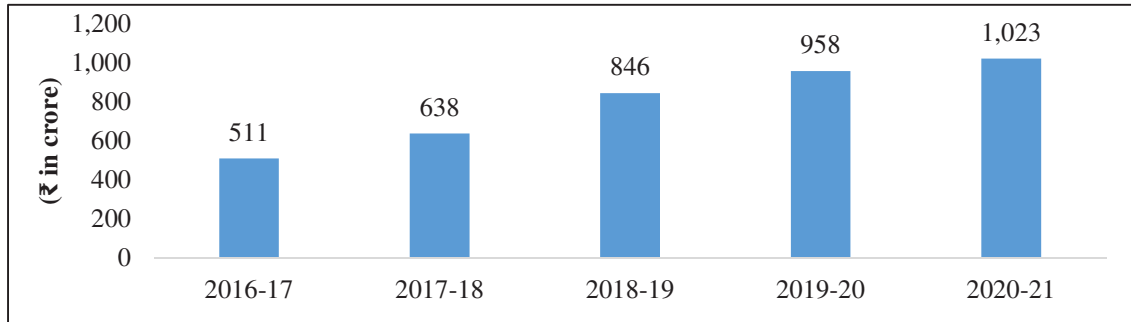
### 2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. GIA from Central Government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

### Own Tax Revenue

Own tax revenues of the State consist of State GST, State excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue, Taxes on goods and passengers, *etc.* The gross collection of Own Tax Revenue of the State during the five-year period 2016-21 is given below.

**Chart 2.6: Growth of Own Tax Revenue during 2016-21**



Source: Finance Accounts of respective years

The detail components of gross collections in respect of major Taxes and Duties collected during 2016-21 are given in **Table 2.4**.

**Table 2.4: Components of State's own tax revenue**

Revenue Head	Revenue (₹ in crore)					Sparkline
	2016-17	2017-18	2018-19	2019-20	2020-21	
Taxes on Sales, Trades etc.	400	287	187	175	205	
State Goods and Services Tax	0	188	470	613	664	
State excise	5	4	5	3	5	
Taxes on vehicles	57	101	126	114	93	
Stamp duty and Registration fees	2	3	2	3	2	
Land revenue	1	1	1	1	1	
Taxes on goods and passengers	15	18	20	18	16	
Other taxes	31	36	35	31	37	
<b>Total</b>	<b>511</b>	<b>638</b>	<b>846</b>	<b>958</b>	<b>1,023</b>	

Source: Finance Accounts of respective years

State's Own Tax Revenue increased by ₹512 crore from ₹511 crore in 2016-17 to ₹1,023 crore in 2020-21 at Compound Annual Growth Rate (CAGR) of 18.95 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (64.91 per cent), Taxes on Sales, Trades *etc.*, (20.04 per cent) and Taxes on vehicles (9.09 per cent). There has been a decline in taxes on vehicles as compared to the previous year.

The State Government should enforce adequate measures to increase own resources of revenue.



### State Goods and Services Tax (SGST)

As per the Goods and Services Tax (GST) Act, any shortfall in revenue by the State is required to be compensated by the Central Government. The Centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the state's share of tax to the state where the goods or services are consumed.

The Nagaland GST Act, 2017 was passed by the State Legislature in May 2017 and made effective from 01 July 2017 in the State. The Projected revenue<sup>3</sup> of the State for the year 2020-21 in accordance with Section 6 of GST (Compensation to States) Act, 2017, was fixed at ₹432.54 crore<sup>4</sup>.

The actual revenue received by the State under Goods and Services Tax (SGST) was ₹663.81 crore<sup>5</sup>. This excludes the revenue receipt of ₹205.50 crore under pre-GST arrear of Value Added Tax (VAT) collection.

**Table 2.5: Details of SGST receipt of the State including apportionment of IGST and pre-GST arrears of VAT during 2020-21**

(₹ in crore)		
Sl. No.	Components	Amount
1.	Protected Revenue of State for the year 2020-21	493.10 <sup>6</sup>
2.	<b>State Goods and Services Tax (SGST)</b>	
	(a) Tax	187.83
	(b) Apportionment of Taxes from IGST	451.65
	(c) Advance apportionment of Taxes from IGST	24.33
3.	<b>VAT collection (Arrear pre-GST)</b>	205.50
<b>Total GST Collection</b>		<b>869.31</b>

Source: Finance Accounts, 2020-21 and GST (Compensation to States) Act, 2017

As can be seen from the above table, the revenue collection of the GoN was more than the protected revenue of the State during 2020-21. As such the State was not eligible for compensation. However, during 2020-21, the State had received ₹14.22 crore as GST compensation from the GoI for loss of revenue due to shortfall in collection during the month of April and May 2020 on account of implementation of Goods and Service Tax.

### Analysis of arrears of revenue and arrears of assessment

The arrear of revenue indicates delayed realisation of revenue due to the Government. Similarly, arrear of assessment indicates potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

<sup>3</sup> The GST (Compensation to State) Act, 2017 provides that Union shall compensate the states for loss of revenue due to implementation of GST. Base year for calculating the compensation shall be the revenue collection of the State for 2015-16. Protected revenue is calculated/ arrived at, by taking into consideration the revenue collection of base year plus 14 per cent increase for every following year.

<sup>4</sup> Ministry of Finance, Office Memorandum No. S-31011/03/2014-SO (ST)-Pt-I dated 29 August 2017.

<sup>5</sup> Apportionment of Integrated Goods and Services Tax (IGST): ₹451.65 crore plus Tax: ₹187.83 crore plus advance apportionment from IGST: ₹24.33 crore.

<sup>6</sup> Calculated at ₹256.10 crore X (1+14/100)<sup>2</sup> crore for subsequent year taking ₹256.10 crore as base year revenue of 2015-16 {₹256.10 crore x 1.14<sup>2</sup> = ₹256.10 crore x 1.9254145 = ₹493.10 crore (approx.)}.

The arrears of revenue as on 31 March 2021 on some principal heads of revenue was outstanding for more than five years, as detailed in **Table 2.6**.

**Table 2.6: Arrears of revenue**

(₹ in lakh)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2021	Amount outstanding for more than five years as on 31 March 2021
1.	Nagaland VAT	323.38	96.68
2.	Petroleum Tax	440.18	118.21
3.	Central Sales Tax	48.30	47.12
4.	Purchase Tax	0.45	0.00
5.	Professional Tax	5.96	1.17
6.	Nagaland Sales Tax	30.34	28.26
<b>Total</b>		<b>848.61</b>	<b>291.44</b>

Source: Departmental figures

It can be seen from the table above that revenue arrear of ₹8.49 crore was outstanding as on 31 March 2021, of which ₹2.91 crore was pending for recovery for more than five years. Reasons for arrear and steps taken to recover the arrear were not intimated by the State Government (March 2021). Earnest efforts are required to be made to recover the arrears before expiry of the statutory period.

Further, the details of cases pending at the beginning of the year 2020-21, cases becoming due for assessment, cases disposed off during the year 2020-21 and number of cases pending for finalisation at the end of the year as furnished by the office of the Commissioner of State Taxes, Nagaland in respect of Sales Tax/ VAT on Sales, Trades *etc.*, are shown in **Table 2.7**.

**Table 2.7: Statement showing arrears in assessments**

Head of Revenue	Opening Balance of arrears in assessment as on 01 April 2020	New cases due for assessment during 2020-21	Total assessment due	Cases disposed-off during 2020-21	Balance at the end of the 31 March 2021	Percentage of cases disposed to the total assessment due
1	2	3	4	5	6	7 (5 to 4)
Nagaland VAT	418	47	465	186	279	40
Petroleum Tax	31	36	67	28	39	42
Central Sales Tax	402	30	432	132	300	31
Professional Tax	438	190	628	337	291	54
Amusement Tax	5	0	5	5	0	100
<b>Total</b>	<b>1,294</b>	<b>303</b>	<b>1,597</b>	<b>688</b>	<b>909</b>	<b>43</b>

Source: Departmental figures

The arrears in assessment decreased from 1,294 to 909 cases with the addition of 303 cases, which became due for assessment during 2020-21 and 688 cases were disposed off during the year. The cases disposed off during 2020-21 were only 43 per cent and the pace needs to be improved.

Thus, the outstanding arrears had deprived of potential revenue receipts and impacted upon the extent of revenue surplus of the State to that extent.

### Details of refund cases

Promptness in disposal of refund cases is important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, etc.

The details of the cases of claims of refund at the beginning of the year 2020-21, receipt during the year, refunds made/ rejected and outstanding claims at the end of the year are shown in **Table 2.8**.

**Table 2.8: Statement showing pendency of refund cases**

Particulars	(Amount in lakh)	
	GST	
	No. of cases	Amount
Claims outstanding at the beginning of the year	3	14.41
Claims received during the year	72	162.63
<b>Total claims during the year</b>	<b>75</b>	<b>177.04</b>
Refunds made during the year	55	153.87
Refunds rejected during the year	6	6.19
Balance outstanding at the end of the year	14	16.98

Source: Departmental figures

During 2020-21, out of 72 claims received, the Department settled 55 claims (76 per cent). The outstanding number of claims at the end of the year 2020-21 stood at 14. There was no cases of evasion of tax detected during the current year.

### Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The component-wise details of Non-Tax Revenue collected during the years 2016-21 are shown in **Table 2.9**.

**Table 2.9: Components of State's non-tax revenue**

Revenue Head	2016-17					2017-18					2018-19					2019-20					2020-21					Sparkline
Interest Receipts	7	7	12	5	5	7	7	12	5	5	7	7	12	5	5	7	7	12	5	5	7	7	12	5	5	
Dividends and Profits	0	0	1	3	2	0	0	1	3	2	0	0	1	3	2	0	0	1	3	2	0	0	1	3	2	
Other Non-Tax Receipts	336	382	242	331	236	336	382	242	331	236	336	382	242	331	236	336	382	242	331	236	336	382	242	331	236	
Misc. General Services	14	16	24	22	21	14	16	24	22	21	14	16	24	22	21	14	16	24	22	21	14	16	24	22	21	
Power	114	128	148	159	171	114	128	148	159	171	114	128	148	159	171	114	128	148	159	171	114	128	148	159	171	
Education, Sports, Arts and Culture	119	133	4	62	2	119	133	4	62	2	119	133	4	62	2	119	133	4	62	2	119	133	4	62	2	
Other Misc.	89	105	66	87	41	89	105	66	87	41	89	105	66	87	41	89	105	66	87	41	89	105	66	87	41	
<b>Total</b>	<b>343</b>	<b>389</b>	<b>255</b>	<b>339</b>	<b>243</b>	<b>343</b>	<b>389</b>	<b>255</b>	<b>339</b>	<b>243</b>	<b>343</b>	<b>389</b>	<b>255</b>	<b>339</b>	<b>243</b>	<b>343</b>	<b>389</b>	<b>255</b>	<b>339</b>	<b>243</b>	<b>343</b>	<b>389</b>	<b>255</b>	<b>339</b>	<b>243</b>	

Source: Finance Accounts of respective years

Non-Tax Revenue ranged between 2.12 and 3.63 per cent of Total Revenue Receipts of the State during the five-year period from 2016-17 to 2020-21. Non-Tax Revenue decreased by ₹100 crore from ₹343 crore in 2016-17 to ₹243 crore in 2020-21 at CAGR of (-)8.26 per cent. The significant decrease in Non-Tax Revenue as compared to the previous year were noticed in other Misc. (₹47 crore) and Education, Sports, Arts and Culture (₹60 crore).

### State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The trends of State's Own Resources for the last five years are given in **Table 2.10**.

**Table 2.10: State's Own Resources for 2016-21**

	2016-17	2017-18	2018-19	2019-20	2020-21
Tax Revenue	510.75	638.28	846.43	958.23	1,022.74
Non-Tax Revenue	343.03	388.53	255.24	339.29	242.60
<b>State's Own Resources</b>	<b>853.78</b>	<b>1,026.81</b>	<b>1,101.67</b>	<b>1,297.52</b>	<b>1,265.34</b>

Source: Finance Accounts of respective years

The State's actual Tax and Non-Tax Receipts for the year 2020-21 *vis-à-vis* assessment made in the Budget and projection made by the Fifteenth Finance Commission (XV FC) is given in **Table 2.11**.

**Table 2.11: Tax and Non-Tax receipts *vis-à-vis* projections**

	XV FC projections	Budget Estimates	Actual	Percentage variation of actual over	
				Budget estimates	XV FC projections
				Own Tax Revenue	954.00
Non-Tax Revenue	336.00	272.24	242.60	-10.89	-27.80

Source: XV FC report, Budget documents and Finance Accounts, 2020-21

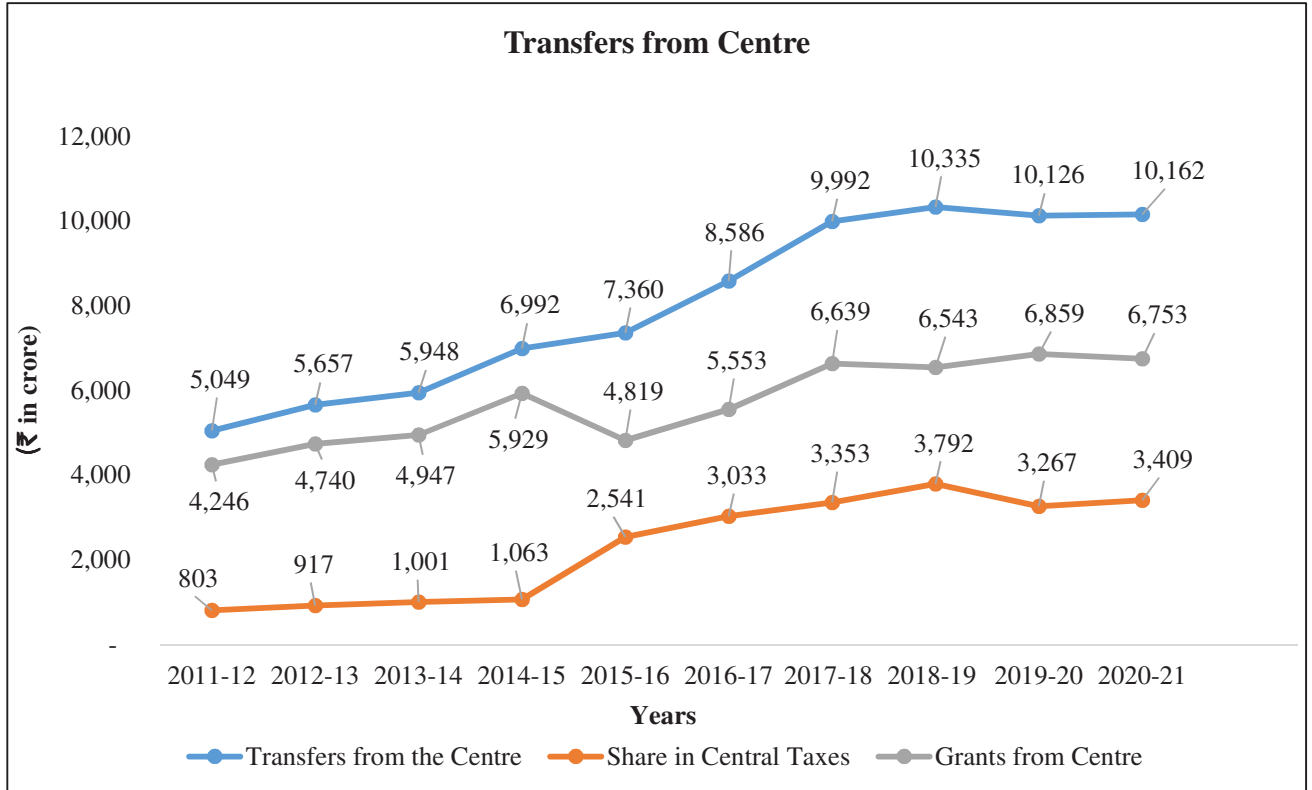
Actual own Tax realised was higher and actual Non-Tax Revenue was lower than the projections made by the XV FC/ BEs. The Revenue Surplus registered by the State was a result of receipt of Revenue Deficit Grant of ₹3,916.94 crore (from April 2020 to March 2021) from the GoI. The State Government should strive to improve its non tax mobilisation efforts.

#### 2.3.2.3 Transfers from the Centre

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 to 42 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to States. However, XV FC recommended an aggregate share of 41 *per cent* of the net proceeds of Union Taxes (Divisible pool) to be devolved to states in the year 2020-21. Out of the net proceeds of Union Taxes, the State's share was 0.573 *per cent*.

The trends in transfer from Centre for 10 years are given in **Chart 2.7**.

Chart 2.7: Trends in transfers from Centre



Source: Finance Accounts of respective years

### Central tax transfer

The details of the State's actual tax devolution *vis-à-vis* Finance Commission projections and State Government's projection in Fiscal Consolidation Roadmap (FCR) for ten years are given in **Table 2.12**.

**Table 2.12: State's share in Union taxes and duties - Actual devolution *vis-à-vis* Finance Commission projections**

(₹ in crore)				
Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2011-12	0.314 per cent of net proceeds of all shareable taxes excluding service tax and 0.318 per cent of net proceeds of sharable service tax {As per recommendations of Thirteenth Finance Commission (XIII FC)}	828.27	803.20	-25.07
2012-13		993.92	917.14	-76.78
2013-14		1,192.71	1,001.27	-191.44
2014-15		1,431.25	1,062.68	-368.57
2015-16	0.498 per cent of net proceeds of all shareable taxes excluding service tax and 0.503 per cent of net proceeds of sharable service tax {As per recommendations of Fourteenth Finance Commission (XIV FC)}	2,889.00	2,540.72	-348.28
2016-17		3,334.00	3,032.63	-301.37
2017-18		3,852.00	3,353.13	-498.87
2018-19		4,456.00	3,792.41	-663.59
2019-20	0.573 per cent of net proceeds of the taxes (Divisible Pool). {As per recommendations of Fifteenth Finance Commission (XV FC)}	5,161.00	3,267.08	-1,893.92
2020-21		3,409.25	3,409.25	0.00

Source: Reports of the XIII FC, XIV FC and XV FC, Finance Accounts and Information furnished by the Finance Department, GoN

The break-up of State's share of Union Taxes and Duties received during 2016-21 is given in **Table 2.13**.

Table 2.13: Central Tax Transfers

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Central Goods and Services Tax	0.00	47.80	936.07	927.14	1,019.70
Integrated Goods and Services Tax	0.00	338.64	74.70	0.00	0.00
Corporation Tax	973.28	1,027.20	1,318.92	1,113.93	1,023.92
Taxes on Income other than Corporation Tax	676.44	867.42	971.32	872.84	1,049.12
Customs	418.66	338.5	268.83	207.09	185.46
Union Excise Duties	478.09	353.90	178.66	143.96	115.23
Service Tax	483.93	379.70	34.60	0.00	13.61
Other Taxes <sup>7</sup>	2.23	-0.03	9.31	2.12	2.21
<b>Central Tax transfers</b>	<b>3,032.63</b>	<b>3,353.13</b>	<b>3,792.41</b>	<b>3,267.08</b>	<b>3,409.25</b>
Percentage of increase over previous year	19.36	10.57	13.10	-13.85	4.35
Percentage of Central tax transfers to Revenue Receipts	32.13	30.43	33.16	28.60	29.83

Source: Finance Accounts of respective years

Central Tax transfers during the year (₹3,409.25 crore) were less than the assessment made in Budget Estimates (₹4,493.38 crore) by ₹1,084.13 crore (24.13 per cent). State's share of Union Taxes and Duties increased by ₹142.17 crore (4.35 per cent) from ₹3,267.08 crore in 2019-20 to ₹3,409.25 crore in 2020-21 contributing 29.83 per cent of the total Revenue Receipts during 2020-21. The State's share of Union Taxes and Duties increased during the current year over the previous year mainly due to increase under Service Tax (100 per cent), Taxes on Income other than Corporation Tax (20.20 per cent) and Central Goods and Services Tax (9.98 per cent).

### Grants-in-Aid from GoI

The break-up of Grants-in-Aid (GIA) received from GoI during 2016-21 is given in Table 2.14.

Table 2.14: Grants-in-Aid from GoI

(₹ in crore)					
Head	2016-17	2017-18	2018-19	2019-20	2020-21
Non-Plan Grants/ Grants for State/ Union Territory Schemes	214.71	290.01	601.16	312.57	515.40
Non Development Grants*/ Grants for State Plan Schemes (excluding Finance Commission Grants – Post Devolution Revenue Deficit Grants)	94.73	276.63	341.98	401.81	178.01
Finance Commission Grants (Post Devolution Revenue Deficit Grants)	3,451.00	3,700.00	3,945.00	4,176.79	3,916.94
Grants for Central Plan Schemes	26.84	25.92	170.43	106.85	84.40
Grants for Centrally Sponsored Schemes	1,660.65	2,224.45	1,439.73	1,823.15	2,008.24
Grants for Special Plan Schemes	105.45	122.26	45.03	37.52	35.63
Other transfer/ Grants to States/ Union Territories with Legislature					14.22
<b>Total</b>	<b>5,553.38</b>	<b>6,639.27</b>	<b>6,543.33</b>	<b>6,858.69</b>	<b>6,752.84</b>
Percentage of increased over the previous year	15.23	19.55	-1.45	4.82	-1.54
Percentage of GIA to Revenue Receipts	58.83	60.25	57.21	60.04	59.09

Source: Finance Accounts of respective years \*It includes Finance Commission Grants/ Grants to Areas not covered by Part IX and IXA of Constitution – Local Urban Bodies and Local Rural Bodies

<sup>7</sup> Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

The total GIA from GoI showed fluctuating trend with inter-year variation during the five-year period from 2016-17 to 2020-21. During 2020-21, it decreased by ₹105.85 crore (1.54 per cent) as compared with the previous year mainly due to decrease in Post Devolution Revenue Deficit Grants (₹259.85 crore) and grants for Central Plan Schemes (₹22.45 crore). The decrease was inspite of receiving ₹14.22 crore as GST compensation during the year. The GIA from GoI constituted 59.09 per cent of the total Revenue Receipts of the State during 2020-21.

### Finance Commission Grants

As per recommendation of the XIV/ XV FCs, the GoI had released grants for Local Bodies and towards State Disaster Response Fund (SDRF) during FC Award period from 2015-16 to 2019-20 and 2020-21 to 2025-26. The details of release of funds to the State on the basis of recommendations of the XIV/ XV FC during the Award period 2016-21 and transfer by the State Government have been shown in **Table 2.15**.

**Table 2.15: Recommended amount, actual release and transfers of Grants-in-aid**

(₹ in crore)

Transfers	Recommendation of the XIV/XV-FC 2016-21	Recommendation of the XIV/XV-FC			Actual release by GoI			Release by State Government		
		2016-20	2020-21	Total	2016-20	2020-21	Total	2016-20	2020-21	Total (percentage of column 8)
1	2	3	4	5	6	7	8	9	10	11
<b>(A) Local Bodies:</b>										
<b>(i) Grants to PRIs/RLBs</b>	<b>125.00</b>	<b>0.00</b>	<b>125.00</b>	<b>125.00</b>	<b>0.00</b>	<b>62.50</b>	<b>62.50</b>	<b>0.00</b>	<b>62.50</b>	<b>62.50 (100.00)</b>
(a) General Basic Grant		0.00	-	-	0.00	0.00	0.00	0.00	0.00	0.00
(b) General Performance Grants		0.00	-	-	0.00	0.00	0.00	0.00	0.00	0.00
<b>(ii) Grants to ULBs</b>	<b>175.25</b>	<b>115.25</b>	<b>60.00</b>	<b>175.25</b>	<b>101.97</b>	<b>30.00</b>	<b>131.97</b>	<b>101.97</b>	<b>30.00</b>	<b>131.97 (100.00)</b>
(a) General Basic Grant	-	89.75	-	-	101.97	30.00	131.97	101.97	30.00	131.97
(b) General Performance Grants	-	25.50	-	-	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total for Local Bodies</b>	<b>300.25</b>	<b>115.25</b>	<b>185.00</b>	<b>300.25</b>	<b>101.97</b>	<b>92.50</b>	<b>194.47</b>	<b>101.97</b>	<b>92.50</b>	<b>194.47 (100.00)</b>
<b>(B) State Disaster Response Fund*</b>	<b>89.56</b>	<b>44.00</b>	<b>45.56</b>	<b>89.56</b>	<b>39.60</b>	<b>41.00</b>	<b>80.60</b>	<b>44.00</b>	<b>45.56</b>	<b>89.56</b>
<b>Grand Total (A+B)</b>	<b>390.25</b>	<b>159.25</b>	<b>231.00</b>	<b>389.81</b>	<b>141.57</b>	<b>133.50</b>	<b>275.07</b>	<b>145.97</b>	<b>138.06</b>	<b>284.03</b>

\$ Including tied grant of ₹62.50 crore # Including tied grant of ₹30.00 crore \* Including State shares of 10 per cent of total grants (₹4 crore for 2016-20 and ₹5 crore for 2020-21)

Source: XIV/XV-FC Report and Information furnished by Finance Department, GoN

As can be seen from the above table, out of the the total XIV/ XVFC recommendation of ₹300.25 crore for grants to Local bodies, the State received an amount of ₹194.47 crore (64.77 per cent) and the same amount was released by the State Government to the implementing Departments. The State Government also received ₹89.56 crore under State Disaster Response Fund/ State Disaster Risk and Management Fund and the entire amount was expended during the period.

### 2.3.3 Capital Receipts

**Capital Receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI.

**Table 2.16** shows the trends in growth and composition of Capital Receipts and net Public Debt Receipt.

**Table 2.16: Trends in growth and composition of capital receipts**

(₹ in crore)					
Sources of State's Receipts	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Capital Receipts*</b>	<b>380.41</b>	<b>690.10</b>	<b>312.03</b>	<b>1,003.66</b>	<b>1,532.17</b>
Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
Recovery of Loans and Advances	1.09	1.09	1.08	1.09	1.23
<b>Net Public Debt Receipts</b>	<b>379.33</b>	<b>689.01</b>	<b>310.95</b>	<b>1002.57</b>	<b>1530.94</b>
<i>Internal Debt**</i>	<i>400.60</i>	<i>710.40</i>	<i>328.69</i>	<i>1,017.78</i>	<i>1,344.21</i>
<i>Growth rate</i>	<i>-53.50</i>	<i>77.22</i>	<i>-53.73</i>	<i>209.65</i>	<i>32.07</i>
<i>Loans and advances from GoI</i>	<i>-21.54</i>	<i>-21.39</i>	<i>-17.74</i>	<i>-15.21</i>	<i>186.73</i>
<i>Growth rate</i>	<i>0.00</i>	<i>-0.70</i>	<i>-17.06</i>	<i>-14.26</i>	<i>1,327.68</i>
Rate of growth of debt Capital Receipts	-54.87	81.64	-54.87	222.42	52.70
Rate of growth of non-debt capital receipts	118.00	0.00	-0.92	0.93	12.84
Rate of growth of GSDP	11.26	12.29	8.75	11.34	-0.76
Rate of growth of Capital Receipts (per cent)	-54.77	81.41	-54.78	221.65	52.66

Source: Finance Accounts and for GSDP– Source: Directorate of Economics and Statistics, GoN

\* As per the Finance Accounts Miscellaneous Capital Receipts is '0', hence, the figures are rectified in the current year SFAR

\*\* Including unpaid balance under Ways and Means Advances of ₹691.90 crore for the current year 2020-21

Capital Receipts increased by 302.77 per cent from ₹380.41 crore in 2016-17 to ₹1,532.17 crore in 2020-21. Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During 2020-21, the net Public Debt Receipts increased by ₹528.37 crore from ₹1,002.57 crore in 2019-20 to ₹1,530.94 crore (including an outstanding amount of ₹691.90 crore under Ways and Means Advances from the Reserve Bank of India) in 2020-21.

## 2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.



### 2.4.1 Growth and composition of expenditure

The Total Expenditure, its composition and relative share in GSDP during the years 2016-17 to 2020-21 is presented in **Table 2.17**.

**Table 2.17: Total expenditure and its composition**

Parameters	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Total Expenditure (TE)</b>	<b>9,725.74</b>	<b>11,466.39</b>	<b>12,520.81</b>	<b>12,852.60</b>	<b>12,729.60</b>
Revenue Expenditure (RE)	8,649.45	10,191.35	10,919.98	11,637.02	11,052.06
Capital Expenditure (CE)	1,076.10	1,274.85	1,595.56	1,206.32	1,671.93
Loans and Advances	0.19	0.19	5.27	9.26	5.61
<b>As a percentage of GSDP</b>					
TE/ GSDP	44.77	47.01	47.20	43.52	43.43
RE/ GSDP	39.82	41.78	41.16	39.40	37.70
CE/ GSDP	4.95	5.23	6.01	4.08	5.70
Loans and Advances/ GSDP	0.00	0.00	0.02	0.03	0.02

Source: Finance Accounts of respective years

The above table shows that Total Expenditure of the State increased by 30.89 per cent from ₹9,725.74 crore in 2016-17 to ₹12,729.60 crore in 2020-21. During the year, it decreased by 0.96 per cent over the previous year. As a percentage of GSDP, the Total Expenditure remained in the range between 43.43 and 47.20 per cent during 2016-21.

In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹12,729.60 crore during 2020-21 (**Appendix 1.1 Part C**) is given in **Table 2.18**.

**Table 2.18: Relative share of various sectors of expenditure**

Parameters	(In per cent)				
	2016-17	2017-18	2018-19	2019-20	2020-21
General Services	41.40	40.00	43.43	43.53	43.28
Social Services	28.04	26.55	27.86	27.13	28.65
Economic Services	30.56	33.45	28.67	29.27	28.03
Others (Grants to Local Bodies and Loans and Advances)	0.00	0.00	0.04	0.07	0.04

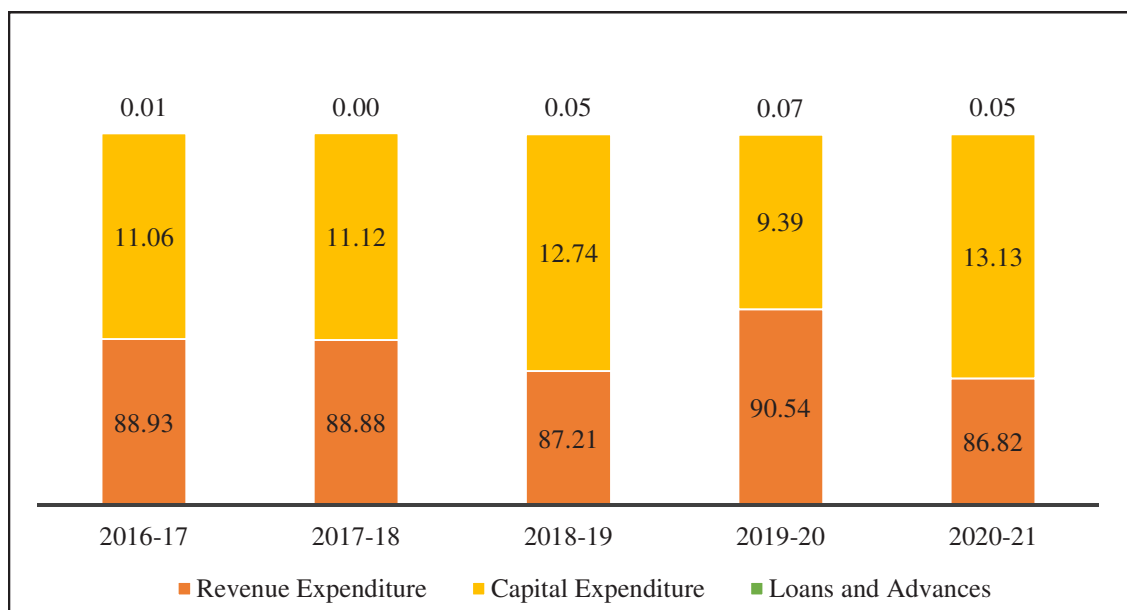
Source: Finance Accounts of respective years

- The percentage to the total expenditure in General Services decreased from 43.53 to 43.28 per cent during 2020-21 as compared to 2019-20 mainly due to decrease in expenditure on Interest payment & servicing of Debt by 11.10 per cent and 6.18 per cent in Administrative Services under Revenue account during the year.
- The percentage to total expenditure in Social Services increased to 28.65 per cent in 2020-21 from 27.13 per cent in 2019-20 mainly due to increase in expenditure in respect of Welfare of SC, ST and OBC by 136.13 per cent and Water Supply, Sanitation, Housing and Urban Development by 78.31 per cent under Revenue account during the year.

- There was marginal decrease in Expenditure in Economic services (28.03 per cent) and Loans and Advances (0.04 per cent) during 2020-21, as compared to 29.27 and 0.07 per cent respectively in the previous year.

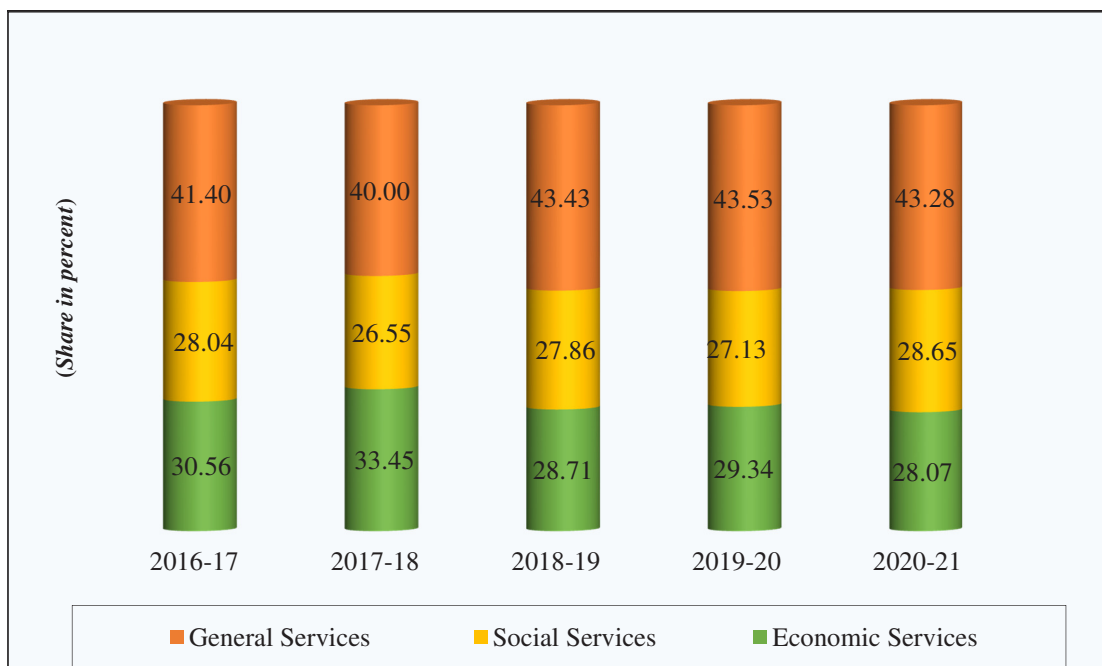
**Charts 2.8** and **2.9** present the trends in share of its components and expenditure by activities of Total Expenditure over a period of five years (2016-21) whereas **Chart 2.10** depicts the composition of Total Expenditure out of the Consolidated Fund of the State during the year.

**Chart 2.8: Total Expenditure: Trends in share of its components**

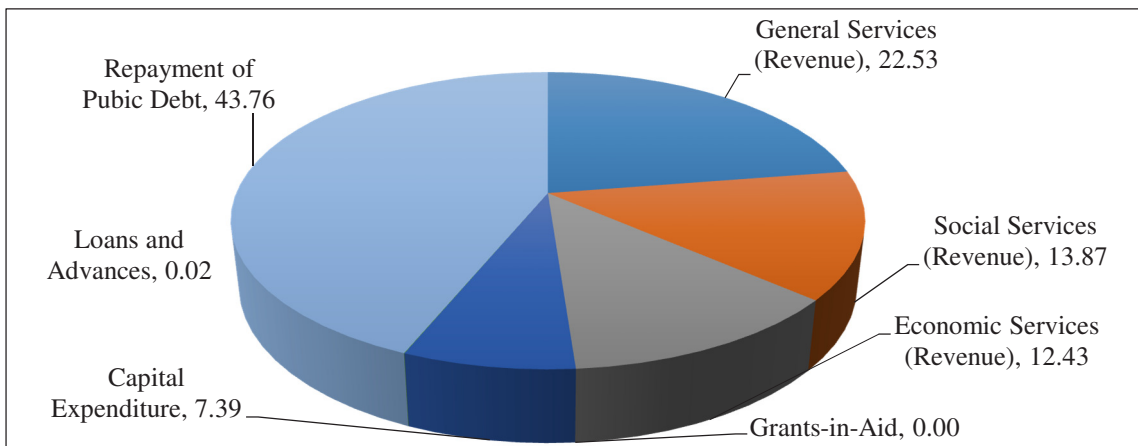


Source: Finance Accounts of respective years

**Chart 2.9: Total expenditure - Expenditure by activities**



Source: Finance Accounts of respective years

**Chart 2.10: Pie Chart for the composition of expenditure during 2020-21 (in per cent)**

Source: Finance Accounts, 2020-21

It could be seen that Capital Expenditure has shown a fluctuating trend in the last five years from 2016-17 to 2020-21. However, it increased during 2020-21 as compared to the previous year. The share of Capital Expenditure as a percentage of GSDP increased from 4.95 per cent in 2016-17 to 5.70 per cent in 2020-21.

The shares (in percentage of total expenditure) in General, Social and Economic services remained stable during the five-year period 2016-21. Repayment of Public Debt constituted around 44 per cent of the total expenditure during the year, up from 35 per cent during the previous year.

#### 2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure constituted on an average 88.48 per cent (ranged between 86.82 (2020-21) and 90.54 per cent (2019-20)) of the total expenditure during the period 2016-21. The percentage of Revenue Expenditure to Total Expenditure and RE to GSDP during 2020-21 was the lowest during the last five years. Rate of growth of Revenue Expenditure has displayed wide fluctuation during the five-year period 2016-21. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts is indicated in **Table 2.19** and the sectoral distribution of Revenue Expenditure pertaining to 2020-21 is given in **Chart 2.11**.

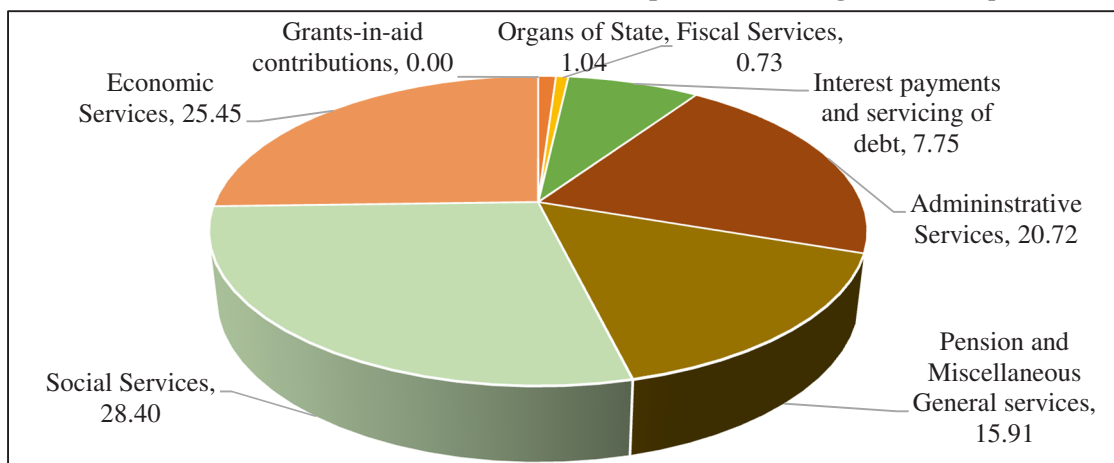
**Table 2.19: Revenue Expenditure – Basic Parameters**

Parameters	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Total Expenditure (TE)	9,725.74	11,466.39	12,520.81	12,852.60	12,729.60
Revenue Expenditure (RE)	8,649.45	10,191.35	10,919.98	11,637.02	11,052.06
Rate of Growth of RE (per cent)	14.12	17.83	7.15	6.57	-5.03
Revenue Expenditure as percentage of TE	88.93	88.88	87.21	90.54	86.82
RE/ GSDP (per cent)	39.82	41.78	41.16	39.40	37.70
RE as percentage of RR	91.63	92.49	95.48	101.87	96.72

Parameters	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Buoyancy of Revenue Expenditure with:</b>					
GSDP (ratio)	1.25	1.45	0.82	0.58	6.62
Revenue Receipts (ratio)	0.81	1.07	1.88	-54.75	-125.75

Source: Finance Accounts of respective years

**Chart 2.11: Sector-wise distribution of Revenue Expenditure during 2020-21 (in per cent)**



Source: Finance Accounts, 2020-21

During the five-year period of 2016-21, both Revenue Expenditure as a percentage of GSDP and growth rate of RE showed a decreasing trend.

#### 2.4.2.1 Major changes in Revenue Expenditure

**Table 2.20** details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

**Table 2.20: Variation in Revenue Expenditure during 2020-21 compared to 2019-20**

(₹ in crore)

Major Heads of Account	2019-20	2020-21	Increase (+)/ Decrease (-)
2048 - Appropriation for reduction or avoidance of debt	150.00	0.00	(-) 150.00
2049 - Interest Payment	813.74	856.77	(+) 43.03
2052 - Secretariat General Services	150.97	193.79	(+) 42.82
2055 - Police	1,696.82	1,532.34	(-) 164.48
2059 - Public Works	191.52	178.54	(-) 12.98
2071 - Pension and other retirement benefits	1,810.91	1,752.47	(-) 58.44
2202 - General Education	1,512.32	1,641.93	(+) 129.61
2210 - Medical and Public Health	624.31	644.18	(+) 19.87
2216 - Housing	11.16	28.36	(+) 17.20
2217 - Urban Development	34.26	135.02	(+) 100.76
2225 - Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	23.58	55.68	(+) 32.10
2235 - Social Security and Welfare	193.97	173.80	(-) 20.17
2245 - Relief on account of Natural calamity	206.23	48.22	(-) 158.01
2401 - Crop Husbandry	314.76	267.81	(-) 46.95
2406 - Forestry and Wildlife	143.09	96.48	(-) 46.61
2501 - Special Programmes for Rural Development	274.86	115.06	(-) 159.80
2505 - Rural Employment	370.34	484.73	(+) 114.39
2801 - Power	580.17	614.13	(+) 33.96
3054 - Roads and Bridges	367.56	334.06	(-) 33.50
3451 - Secretariat Economic Services	242.81	89.22	(-) 153.59

Source: Finance Accounts, 2020-21

**Table 2.20** indicates that Revenue Expenditure decreased during 2020-21 over the previous year which was mainly due to decrease under Appropriation for reduction or avoidance of debt, Police, Special Programmes for Rural Development, Relief on account of Natural calamity and Secretariat Economic Services, which was offset mainly by increase under General Education, Urban Development and Rural Employment.

During 2020-21, the Revenue Expenditure on General Services and Economic Services decreased by ₹328.76 crore (6.06 per cent) and ₹364.66 crore (11.47 per cent) respectively as compared to the previous year. However, the Revenue Expenditure on Social Services during the year increased by ₹108.46 crore (3.58 per cent) over the previous year.

#### 2.4.2.2 Committed expenditure

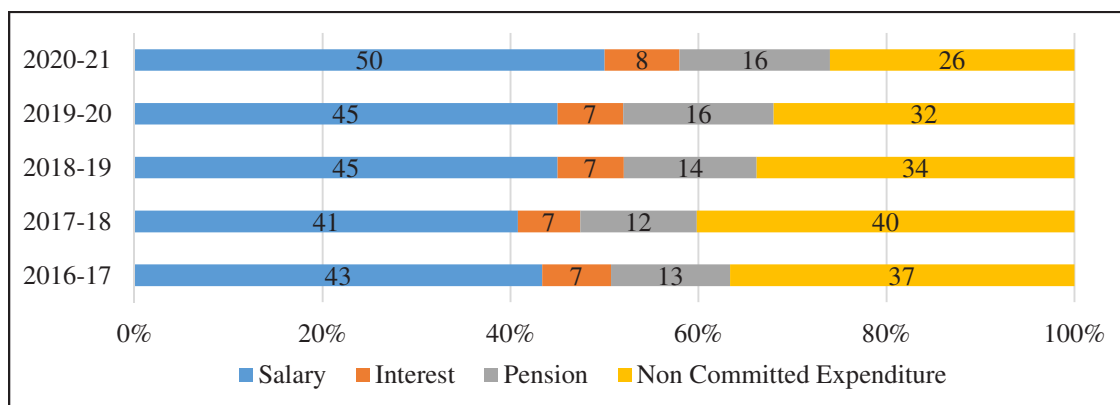
The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

**Table 2.21** presents the trends in the components of committed expenditure during 2016-21. Percentage of committed expenditure to Revenue Receipts and Revenue Expenditure during 2016-21 is given in **Chart 2.12**.

**Table 2.21: Components of Committed Expenditure**

(₹ in crore)					
Components of Committed Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21
Salaries and Wages	3,750.05	4,155.72	4,944.95	5,249.81	5,495.56
Expenditure on Pensions	1,093.47	1,264.10	1,552.79	1,810.91	1,752.48
Interest Payments	635.50	677.75	771.74	813.74	856.77
<b>Total</b>	<b>5,479.02</b>	<b>6,097.57</b>	<b>7,269.48</b>	<b>7,874.46</b>	<b>8,104.81</b>
As a percentage of Revenue Receipts (RR)					
Salaries and Wages	39.73	37.71	43.23	45.96	48.09
Expenditure on Pensions	11.58	11.47	13.58	15.85	15.34
Interest Payments	6.73	6.15	6.75	7.12	7.50
<b>Total</b>	<b>58.04</b>	<b>55.33</b>	<b>63.56</b>	<b>68.93</b>	<b>70.92</b>
As a percentage of Revenue Expenditure (RE)					
Salaries and Wages	43.36	40.78	45.28	45.11	49.72
Expenditure on Pensions	12.64	12.40	14.22	15.56	15.86
Interest Payments	7.35	6.65	7.07	6.99	7.75
<b>Total</b>	<b>63.35</b>	<b>59.83</b>	<b>66.57</b>	<b>67.66</b>	<b>73.33</b>

Source: Finance Accounts of respective years

**Chart 2.12: Share of Committed expenditure in total Revenue Expenditure**

Source: Finance Accounts of respective years

As can be seen from the details tabulated above, the committed expenditure constituted 60 *per cent* or more of Revenue Expenditure during the five-year period from 2016-17 to 2020-21. It accounted for over 60 *per cent* of the Revenue Receipts of the State during 2018-19, 2019-20 and 2020-21 as the committed liabilities fell below 60 *per cent* of Revenue Receipts during 2016-17 and 2017-18. The percentage of salaries and pensions within Revenue Expenditure was highest in 2020-21 during the last five years while the percentage of non committed expenditure to RE was the lowest in 2020-21 during the period. It signifies limited flexibility of the State to allocate and spend on areas of non committed expenditure.

#### 2.4.2.3 Undischarged liabilities in National Pension System

The expenditure during the year on “Pension and other Retirement Benefits” to State Government employees recruited on or before 31 December 2009 was ₹1,764.17 crore which was 15.96 *per cent* of total revenue expenditure ₹11,052.06 crore. State Government employees appointed on or after 01 January 2010 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. All India Service officers are covered under the scheme *w.e.f.* 01 January 2004. In terms of the Scheme, employees contribute 10 *per cent* of their basic pay plus dearness allowances which the State Government is required to match with 14 *per cent* of the basic pay plus dearness allowances (with effect from 1 April 2019). Both the employees and government contributions are transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/ Trustee Bank. The subscription received from employees is credited to MH-8342-117 ‘Defined Contributory Pension Scheme (DCPS)’ for Government servants. The State Government follows the accounting procedure while providing the employer’s matching contribution towards the fund (MH-8342-117 employer contribution) by debiting to MH-2071 Pensions and Other Retirement Benefits.

Total number of employees under NPS as of 31 March 2020 was 26,395 which increased to 27,432 as of 31 March 2021. Out of these 27,432 employees under NPS, 1,540 employees have been allotted Permanent Retirement Account Number (PRAN) as of 31 March 2021.

During the year 2020-21, total subscription received from NPS Employees was ₹157.41 crore. Against this, the State Government contributed ₹82.44 crore and credited ₹239.85 crore (Employees' contribution ₹157.41 crore and Government contribution ₹78.14 crore and interest of ₹4.30 crore) to MH-8342-117 DCPS. Thus, short-contribution by the State Government of ₹142.23 crore towards DCPS has understated fiscal deficit and overstated revenue surplus to that extent.

State Government transferred only ₹224.59 crore to NSDL/ Trustee Bank resulting in shortfall of ₹157.49 crore (short Government contribution of ₹142.23 crore and less transfer of ₹15.26 crore of deposit already collected). As on 31 March 2021, ₹185.61 crore are outstanding under the MH-8342-117 DCPS which had not been transferred to NSDL. Thus, uncollected, unmatched and un-transferred amounts, with accrued interest represent outstanding liabilities under the Scheme.

#### 2.4.2.4 Subsidies

During 2020-21, an amount of ₹25.12 crore was booked as subsidy under levy sugar under Target Public Distribution System (subsidies).

#### 2.4.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institutions by way of grants and loans.

The quantum of assistance provided by way of grants and loans to Local bodies and others during the period 2016-21 is presented in **Table 2.22**.

**Table 2.22: Financial Assistance to Local Bodies etc.**

(₹ in crore)					
Financial Assistance to Institutions	2016-17	2017-18	2018-19	2019-20	2020-21
<b>(A) Local Bodies</b>					
Municipal Corporations and Municipalities	1.82	1.62	1.62	1.62	1.62
Rural Local Bodies	0.00	0.00	0.00	0.00	62.50
<b>Total (A)</b>	<b>1.82</b>	<b>1.62</b>	<b>1.62</b>	<b>1.62</b>	<b>64.12</b>
<b>(B) Others</b>					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	4.16	5.85	3.00	2.65	3.00
Development Authorities	32.22	51.55	53.92	56.72	60.02
Hospitals and Other Charitable Institutions	17.68	19.37	21.77	25.84	26.94
Other Institutions	114.99	250.00	86.75	73.87	40.77
<b>Total (B)</b>	<b>169.05</b>	<b>326.77</b>	<b>165.44</b>	<b>159.08</b>	<b>130.73</b>
<b>Total (A + B)</b>	<b>170.87</b>	<b>328.39</b>	<b>167.06</b>	<b>160.70</b>	<b>194.85</b>
Revenue Expenditure	8,649.45	10,191.35	10,919.98	11,637.02	11,052.06
Assistance as percentage of Revenue Expenditure	1.98	3.22	1.53	1.38	1.76

Source: Finance Accounts of respective years

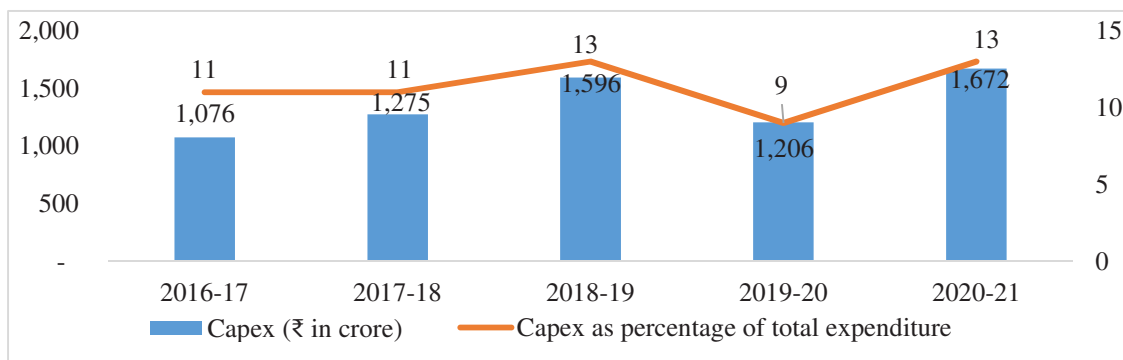
The total financial assistance to Local Bodies and Other Institutes, showed a fluctuating trend during 2016-17 to 2020-21. The increase in financial assistance was ₹34.15 crore (21.25 per cent) from ₹160.70 crore in 2019-20 to ₹194.85 crore in 2020-21. During

2020-21, financial assistance was 1.76 per cent of Revenue Expenditure, an increase of 27.54 per cent from the previous year.

### 2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. The details of the capex and its percentage of total expenditure for the period from 2016-17 to 2020-21 are given in Chart 2.13.

Chart 2.13: Capital expenditure in the State



Source: Finance Accounts of respective years

Capital Expenditure (₹1,671.93 crore) during the current year (2020-21) increased by ₹465.61 crore (38.60 per cent) over the previous year (₹1,206.32 crore) and was ₹613.21 crore (26.83 per cent) less than the Budget Estimates (₹2,285.14 crore). As compared to the total expenditure, the capital outlay showed a fluctuating trend (between nine and thirteen per cent) over the period 2016-17 to 2020-21. Percentage of capex to total expenditure during the period was the highest in 2020-21.

During 2020-21, Capital expenditure of the State increased mainly due to receipt of ₹200.00 crore from the GoI for 'Scheme for Special Assistance as loan to States for Capital Expenditure'. The State Government released the entire fund to five departments viz. Urban Development (₹50.00 crore), Social Security and Welfare (₹18.60 crore), Power (₹13.87 crore), Road Transport (₹6.30 crore) and Public Works (Roads and Bridges) (₹111.23 crore) Departments for execution of various works under Capital Outlay-Major Works.

#### 2.4.3.1 Major changes in Capital Expenditure

Table 2.23 highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2020-21 vis-à-vis the previous year.

Table 2.23: Capital expenditure during 2020-21 compared to 2019-20

Major Heads of Accounts	(₹ in crore)		
	2019-20	2020-21	Increase (+)/ Decrease (-)
4055-Capital Outlay on Police	60.64	218.89	(+) 158.25
4059-Capital Outlay on Public Works	104.21	183.91	(+) 79.70
4210- Capital Outlay on Medical and Public Health	7.62	27.25	(+) 19.63
4215-Capital Outlay on Water Supply and Sanitation	76.69	149.71	(+) 73.02
4217- Capital Outlay on Urban Development	193.85	140.59	(-) 53.26



Major Heads of Accounts	2019-20	2020-21	Increase (+)/ Decrease (-)
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities	41.87	38.72	(-) 3.15
4235-Capital Outlay on Social Security and Welfare	24.47	19.73	(-) 4.74
4575-Capital Outlay on Other Special Area Programme	136.00	103.69	(-) 32.31
4801-Capital Outlay on Power Projects	49.96	87.56	(+) 37.60
5054-Capital Outlay on Roads and Bridges	264.62	402.87	(+) 138.25

Source: Finance Accounts of respective years

The above table reveals that the increase in Capital expenditure during 2020-21 over the previous year was mainly due to increase under Police, Roads and Bridges and Public Works, which was offset mainly by decrease under Urban Development and Other Special Area Programme.

During 2020-21, the Capital Expenditure on General Services, Social Services and Economic Services increased by ₹243.88 crore (147.15 per cent), ₹51.19 crore (11.20 per cent) and ₹170.53 crore (29.22 per cent) as compared to the previous year.

#### 2.4.3.2 Quality of capital expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

#### Quality of investments in the companies, corporations and other bodies

Capital expenditure in the companies, corporations, and other bodies, which are loss making or where net worth is completely eroded is not sustainable.

Investments made and loan given to companies Corporations and Co-operatives (e.g. sugar mills), which are loss making and those where net worth is completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in PSUs and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

The Government had invested ₹296.17 crore in Government Companies, Statutory Corporations, Joint Stock Companies and Co-operatives (Table 2.24), as on 31 March 2021. During the current year, an amount of ₹ one crore was invested in Nagaland State Mineral Development Corporation Limited during the current year.

Table 2.24: Return on Investment

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Investment at the end of the year# (₹ in crore)	291.75	293.20	294.17	295.17	296.17
Return (₹ in crore)	0.00	0.00	0.66	2.80	2.47
Return (per cent)	0.00	0.00	0.22	0.95	0.83
Average rate of interest on Government Borrowings (per cent)	6.87	6.79	7.37	7.14	6.68

Investment/return/ cost of borrowings	2016-17	2017-18	2018-19	2019-20	2020-21
Difference between interest rate and return* (per cent)	6.87	6.79	7.15	6.19	5.85
Difference between interest on Government borrowings and return on investment (₹ in crore)#	576.78	613.63	667.92	688.20	729.40

Source: Finance Accounts of respective years # Investment at the end of the year \*Difference between interest rate and return

During the five-year period of 2016-21, the State Government's investments had increased by ₹4.42 crore. The average return on this investment was 'Nil' during the years 2016-17 and 2017-18, while the return in the remaining years of 2018-21 ranged between ₹0.66 crore and ₹2.80 crore. The Government paid an average interest rate ranging between 6.68 and 7.37 per cent on its borrowings during the same period.

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and Advances to many Institutions/ Organisations. **Table 2.25** presents the outstanding Loans and Advances as on 31 March 2021 and interest receipts vis-à-vis interest payments during the last five years.

**Table 2.25: Quantum of loans disbursed and recovered during five years**

Quantum of loans disbursed and recovered	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Opening Balance of loans outstanding	26.50	25.60	24.70	28.89	37.06
Amount advanced during the year	0.19	0.19	5.27	9.26	5.61
Amount recovered during the year	1.09	1.09	1.08	1.09	1.23
Closing Balance of the loans outstanding	25.60	24.70	28.89	37.06	41.44
Net addition	-0.90	-0.90	4.19	8.17	4.38
Interest received	3.11	2.18	2.23	3.59	3.16
Interest rate on Loans and Advances given by the Government.	11.94	8.67	8.32	10.89	8.05
Rate of Interest paid on the outstanding borrowings of the Government	6.87	6.79	7.37	7.14	6.68
Difference between the rate of interest paid and interest received (per cent)	5.07	1.88	0.95	3.75	1.37

Source: Finance Accounts of respective years

At the end of March 2021, the Government had outstanding Loans and Advances of ₹41.44 crore. The amount of loans outstanding during the year decreased to ₹4.38 crore from ₹8.17 crore in 2019-20. Out of the total outstanding of ₹41.44 crore, ₹38.88 crore (93.82 per cent) pertains to Agriculture and Allied Activities, ₹2.16 crore (5.21 per cent) for Industry and Minerals and ₹0.40 crore (0.97 per cent) for Government Servants.

### **Capital locked in incomplete projects**

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods.

As per the Finance Accounts of the State for the year 2020-21, there were 416 incomplete/ ongoing projects in the State as on 31 March 2021. These were being

executed by 36 Departments. Age profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2021 is given in **Tables 2.26** and **2.27**.

**Table 2.26: Age profile of incomplete projects as on 31 March 2021**

(₹ in crore)

Year	No of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2021)
2003-11	63	1,479.80	156.61	722.61
2011-12	19	126.13	0.01	67.96
2012-13	39	222.17	25.84	132.86
2013-14	134	147.10	0.90	53.55
2014-15	59	71.76	0.00	23.98
2015-16	21	170.27	0.00	96.18
2016-17	10	31.74	0.00	11.98
2017-18	34	135.60	0.00	67.48
2018-19	09	66.65	0.00	42.78
2019-20	04	13.30	0.00	5.28
2020-21	00	0.00	0.00	0.00
Others*	24	215.02	0.00	155.38
<b>Total</b>	<b>416</b>	<b>2,679.54</b>	<b>183.36</b>	<b>1,380.04</b>

Source: Appendix-IX, Finance Accounts, 2020-21

\* Those projects without information on year of commencement

**Table 2.27: Department-wise profile of incomplete projects as on 31 March 2021**

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2021)
Veterinary and Animal Husbandry	62	49.78	0.14	19.30
Police Engineering Project	48	697.04	0.00	177.75
Civil Administration Works	47	56.91	0.00	15.33
PWD (Housing)	35	350.91	5.78	235.56
PWD (Roads and Bridges)	15	334.25	61.40	258.85
Urban Development	26	217.70	0.00	96.77
Geology and Mining	4	53.08	27.41	48.95
Other 29 Departments	179	919.87	88.63	527.53
<b>Total</b>	<b>416</b>	<b>2,679.54</b>	<b>183.36</b>	<b>1,380.04</b>

Source: Appendix-IX, Finance Accounts, 2020-21

Analysis of the above 416 incomplete projects revealed the following:

- In 63 out of 416 projects, target year of completion was not furnished by the Departments (March 2021);
- Out of these 416 projects, 356 incomplete projects are aged five years and more;
- Works in respect of two projects (estimated cost ₹10.93 crore) had been suspended (during 2014-15) after incurring an expenditure of ₹10.46 crore (95.70 per cent of estimated cost);
- In 358 projects, there was no financial progress during 2020-21;
- There was 100 per cent financial achievement in six projects. However, 100 per cent physical progress was not achieved, in one project physical progress was Nil;
- No expenditure was incurred in 63 projects which had an estimated cost of ₹33.46 crore;

- There was no physical progress, despite expenditure of ₹30.37 crore (16.04 *per cent* of the estimated/ revised cost of ₹189.39 crore) incurred on 19 projects up to March 2021; and
- Project cost in respect of 18 incomplete projects was revised from ₹271.46 crore to ₹454.82 crore. Increase of ₹183.36 crore in cost was related to projects under PWD (Roads and Bridges) - (₹61.40 crore), PWD (Housing) - (₹5.78 crore), Public Health Engineering Department (₹0.49 crore), Geology and Mining (₹27.41 crore), State Council of Educational Research and Training (₹0.69 crore), Transport (₹3.81 crore), Youth Resources and Sports (₹12.02 crore), Agriculture (₹0.01 crore), Social Welfare (₹9.25 crore) Forest (₹24.72 crore), Police Engineering Project (₹0.14 crore) and School education (₹37.64 crore).

Thus, the Capital Expenditure of ₹1,380.04 crore incurred on these 416 incomplete projects remained blocked. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, delay in completion of the projects was fraught with the risk of cost overrun, which was evident in 63 projects which were pending since 2003-11. Therefore, effective steps need to be taken to complete all these projects without further delay to avoid time and cost inefficiencies.

#### 2.4.4 Expenditure priorities

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 under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

**Table 2.28** analyses the fiscal priority of the State Government in 2016-17 and 2020-21 with regard to Social Sector Expenditure (Health and Education) and Capital Expenditure.

**Table 2.28: Priority of the State with regards to Health, Education and Capital expenditure**

Fiscal priority of the State	(In <i>per cent</i> )			
	TE/ GSDP	CE/TE	Education/ TE	Health/ TE
<b>NE&amp;H States Average (2016-17)</b>	<b>26.50</b>	<b>15.97</b>	<b>16.67</b>	<b>5.67</b>
State	44.77	11.07	13.03	5.10
<b>NE&amp;H States Average (2020-21)</b>	<b>26.92</b>	<b>15.83</b>	<b>16.95</b>	<b>7.04</b>
State	43.43	13.18	13.44	5.59

Source: Fiscal Priority of State (circulated by the Economic Advisor) and Finance Accounts of respective years

TE: Total Expenditure; CE: Capital Expenditure (including loans and advances)

A comparison of the data related to Nagaland with that of NE&H States revealed the following:

- Total Expenditure (TE) as a proportion of GSDP was almost twice the NE&H States average in 2016-17 and 2020-21. However, the ratio of TE as a proportion of GSDP decreased from 44.77 *per cent* in 2015-16 to 43.43 *per cent* in 2020-21.

- The share of Capital Expenditure (CE) as a proportion of TE of the State was less than the NE&H average in 2016-17 and 2020-21. The proportion of CE to TE increased during 2020-21 in comparison to 2016-17. It indicates that the State Government accorded appropriate fiscal priorities to enhance the productive capacity of the State.
- The share of expenditure on Education as a proportion of TE was lower than the NE&H average in 2016-17 and 2020-21. The ratio increased in 2020-21 as compared to 2016-17.
- The share of expenditure on Health Sector as a proportion of TE was lower than the NE&H average in 2016-17 and 2020-21. The ratio increased during 2020-21 as compared to 2016-17.

## 2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

### 2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State is given as follows.

**Table 2.29: Component-wise net balances in Public Account as of 31 March of the year**

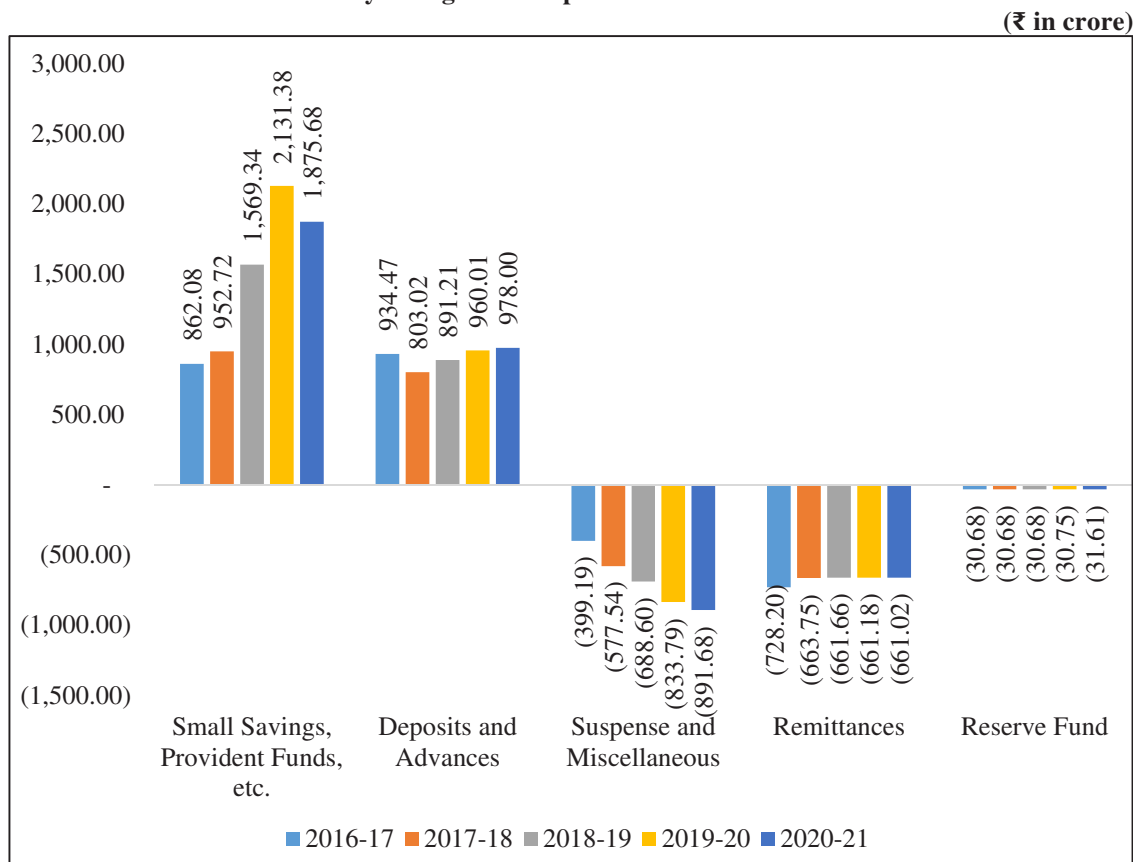
		(₹ in crore)				
Sector	Sub Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	862.08	952.72	1,569.34	2,131.38	1,875.68
J. Reserve Funds	(a) Reserve Funds bearing Interest	-14.58	-14.58	-14.58	-14.58	-15.43
	(b) Reserve Funds not bearing Interest	-16.10	-16.10	-16.10	-16.17	-16.17
K. Deposits and Advances	(a) Deposits bearing Interest	79.66	103.68	137.13	170.35	185.61
	(b) Deposits not bearing Interest	855.14	699.66	754.45	790.03	792.96
	(c) Advances	-0.33	-0.32	-0.37	-0.37	-0.57
L. Suspense and Miscellaneous	(b) Suspense	-91.36	-97.55	-99.34	-89.02	-90.10
	(c) Other Accounts	-307.83	-479.99	-589.26	-744.77	-801.58
M. Remittances	(a) Money Orders, and other Remittances	-727.31	-663.10	-661.23	-660.82	-660.74
	(b) Inter-Governmental Adjustment Account	-0.89	-0.65	-0.43	-0.36	-0.28
<b>Total</b>		<b>638.48</b>	<b>483.77</b>	<b>1,079.61</b>	<b>1,565.67</b>	<b>1,269.37</b>

Source: Finance Accounts of respective years

Note: +ve denotes debit balance and -ve denotes credit balances

The yearly changes in composition of balances in Public Account over the five-year period 2016-21 are given in **Chart 2.14**.

**Chart 2.14: Yearly changes in composition of Public Account balances**



Source: Finance Accounts of respective years

## 2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

There are three Reserve funds operated by the State Government and one Reserve fund was yet to be operated by the State Government. The total accumulated balance at the end of 31 March 2021 in the Reserve Funds was (Dr) ₹31.61 crore, of which ₹15.44 crore (48.85 per cent) was under interest bearing Reserve funds and ₹16.17 crore (51.15 per cent) was under non-interest bearing Reserve funds.

Details of significant Reserve Funds of the GoN are given below:

### 2.5.2.1 Consolidated Sinking Fund

In terms of the recommendations of the Tenth Finance Commission, the State Government created (2006-07) Consolidated Sinking Fund to be administered by the Reserve Bank of India for the amortisation of all loans. According to guidelines of the Fund, States are required to contribute to the Fund a minimum of 0.50 per cent of their outstanding liabilities (Internal Debt + Public Account liabilities) as at the end of the previous year.

During the year, the State Government transferred ₹124.51 crore to the Fund from Revenue Account which works out to 1.02 *per cent* of total outstanding liability of ₹12,179.10 crore (Internal debt + Public Account liabilities) as on 31 March 2020. The balance in the Consolidated Sinking Fund as on 31 March 2021 was ₹1,719.88 crore and the same was invested by RBI.

Due to Corona Virus outbreak, the RBI granted ₹13,300 crore or 45 *per cent* to repay the old debt of the States from the sinking fund and this facility was extended only up to 31 March 2021. However, the State Government did not avail the facility granted by the RBI.

### **2.5.2.2 State Disaster Response Fund**

The State Government replaced the Calamity Relief Fund, with the “State Disaster Response Fund” (SDRF) as recommended by the Thirteenth Finance Commission. In terms of the guidelines, the Central and State Governments are required to contribute to the Fund in the ratio of 90:10.

As per guidelines on Constitution and Administration of SDRF (September 2010), the SDRF Fund would be constituted in the Public Account under Reserve Fund bearing interest, under MH 8121 in the accounts of the State Government. The State government shall take the amount as receipts in its budget and account under MH 1601-01-109. In order to enable transfer of the total amount of the contribution to the fund, including the State share, the State government would make suitable budget provision on the expenditure side of the budget under MH 2245-05-101 (Relief on account of natural calamities). Immediately upon receipt of GoI share, the State would transfer the amount, along with its share to the Public Account head (MH 8121-122). The actual expenditure on relief works will be booked only under respective minor head under MH 2245 and the expenditure to be charged to the SDRF will be shown as a negative entry under 2245-05-901. Direct expenditure should not be made from the Public Account. The balance in the Fund would be invested as per provisions stipulated in the guidelines in Central Government dated securities, auctioned treasury bills and interest bearing deposits and certificates of deposit with scheduled commercial banks.

During 2020-21, the State Government received ₹41.00 crore from the Central Government as its share towards SDRF. The State Government transferred ₹45.56 crore to the SDRF (Central share: ₹41.00 crore and State share: ₹4.56 crore). The entire fund of ₹45.56 crore was spent by the State Government on natural calamities.

It was observed that the closing balance of ₹0.86 crore in the Fund as on 31 March 2020 has become ‘Nil’ as on 31 March 2021 by way of adjustment as Deduct Recoveries of Overpayments as per State Government approval. However, the justification of accounting treatment for Recoveries of Overpayments was not received from the State Government. Moreover, the write off was not made as per the applicable procedure and existing rules and regulations.

During the Exit conference, it was stated by the Finance Department that the opening balance of ₹0.86 crore has been adjusted during 2020-21. The reply of the Finance Department could not be accepted as the details of adjustment along with the existing procedure for write-off of closing balance lying in the account was not followed.

#### **2.5.2.3 Guarantee Redemption Fund**

The State Government constituted (August 2006)<sup>8</sup>, a Guarantee Redemption Fund in 2006-07, that is administered by Reserve Bank of India (RBI). The State Government shall initially contribute a minimum of 1.00 *per cent* and thereafter at a rate of 0.50 *per cent* of outstanding guarantees at the end of the previous year to achieve a minimum level in next five years.

During 2020-21, ₹2.48 crore was transferred by the State Government and the entire corpus of ₹34.68 crore as on 31 March 2021 was invested by the RBI. However, the State Government did not transfer any fund against the required contribution of ₹0.87 crore (0.50 *per cent* of ₹174.96 crore, outstanding guarantees at the end of 2019-20) to the Guarantee Redemption Fund resulting in overstatement of Revenue Surplus and understatement of Fiscal Deficit.

#### **2.5.2.4 State Compensatory Afforestation Fund**

In compliance with the instructions issued (April 2009)<sup>9</sup> by the Ministry of Environment and Forests, GoI and Guidelines of 2 July 2009, the State Governments are required to establish the State Compensatory Afforestation Fund for amounts received from user agencies and utilisation of monies collected for undertaking Compensatory Afforestation, assisted natural regeneration, conservation and protection of forests, infrastructure development, wildlife conservation and protection and other related activities and for matters connected therewith or incidental thereto.

The monies received by the State Governments from the user agencies need to be credited in 'State Compensatory Afforestation Deposits' under interest bearing section in Public Account of the State at Minor head level below the Major Head 8336-Civil Deposits. As per Section 3 (4) of the Compensatory Afforestation Fund Act, 2016, 90 *per cent* of the fund needs to be transferred to the Major Head 8121-General and Other Reserve Funds in Public Account of the State and balance 10 *per cent* to be credited into the National Fund on yearly basis provided that, the credit of 10 *per cent* Central share of funds should be ensured on monthly basis so that the same is transferred to the National Fund.

The applicable rate of interest on balances available under 'State Compensatory Afforestation Deposits' under '8336-Civil Deposits' and 'State Compensatory Afforestation Fund' under '8121-General and Other Reserve Funds' will be as per the rate declared by the Central Government on year to year basis.

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<sup>8</sup> Vide notification No. BUD/1-14/2005-06 dated 29 August 2006

<sup>9</sup> Vide letter No. 5-1/2009-FC dated 28 April 2009



The State Government is yet to open the State Compensatory Afforestation Fund. During 2020-21, the State Government received ₹5.15 crore from the Ministry of Environment, Forest and Climate Change, GoI under National Afforestation Programme and incurred expenditure of ₹5.01 crore under 2406-04-101 National Afforestation Programme. Non expenditure/ transfer of remaining amount of ₹0.14 crore to Public Account resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit. Further, the State Government did not operate MH 8336-Civil Deposits-103 State Compensatory Afforestation Fund during 2020-21.

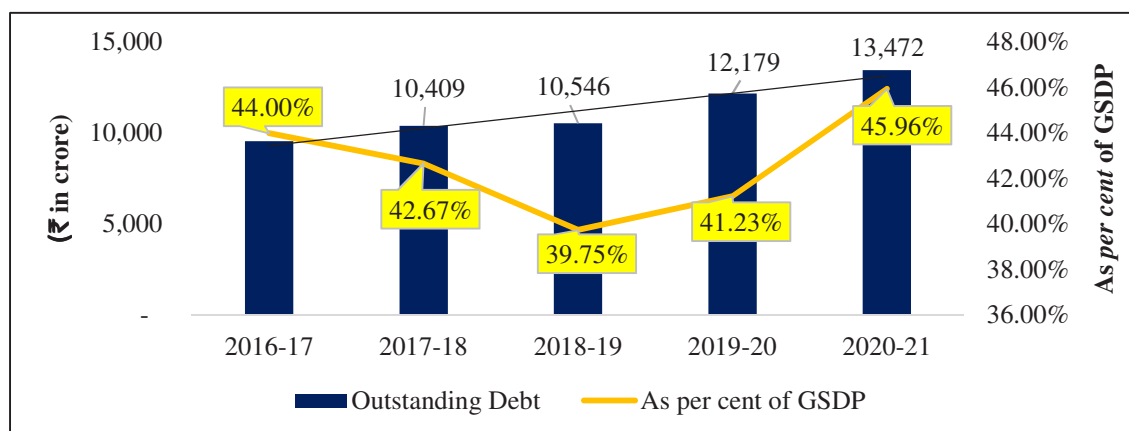
During the Exit conference, the Finance Department while accepting the non-operation of MH 8336 stated that efforts would be taken up to comply with the rules.

## 2.6 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

The details relating to outstanding debt and ratio of debt to GSDP during the five-year period 2016-21 are given in **Chart 2.15**.

**Chart 2.15: Trend of overall Debt**



Source: Finance Accounts of respective years and GSDP-Directorate of Economics and Statistics, GoN

### 2.6.1 Debt profile: Components

Total debt of the State Government comprise of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), and loans and advances from the Central Government.

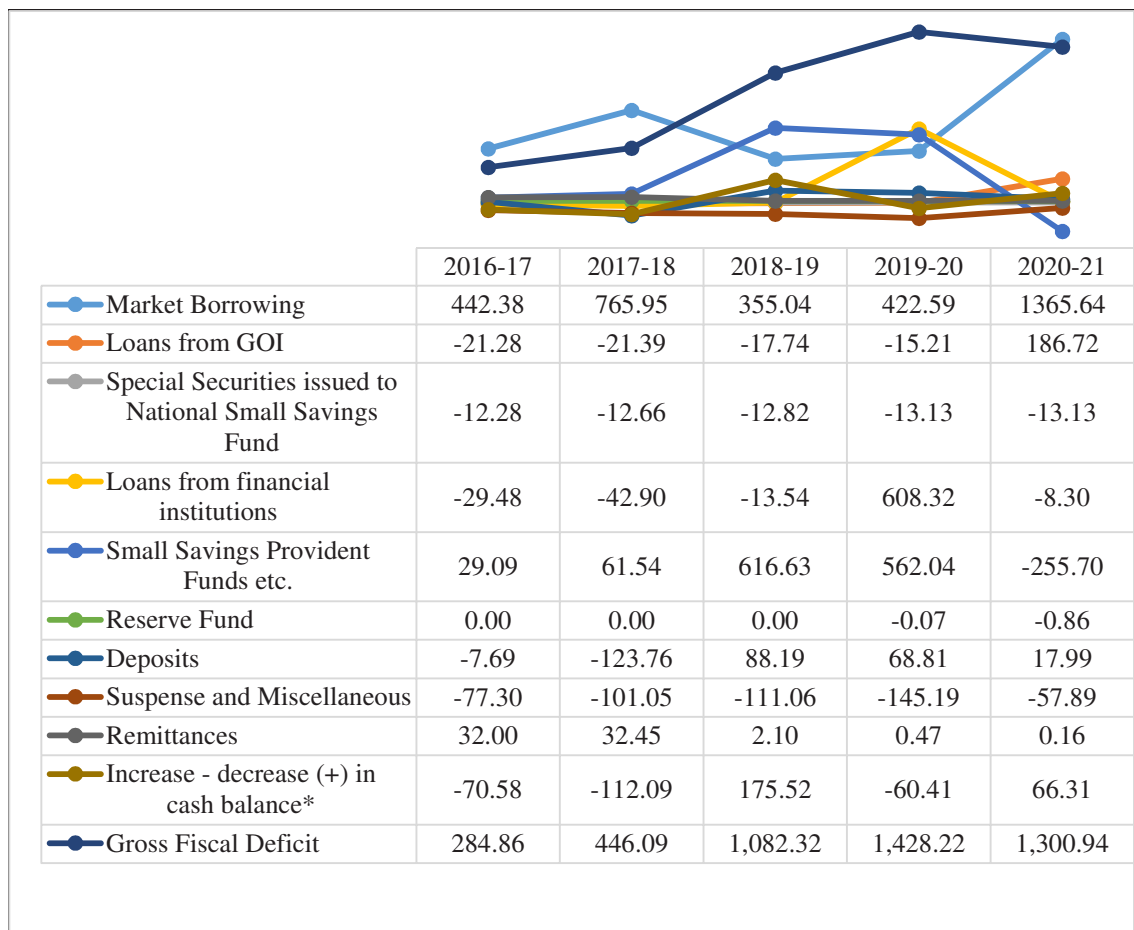
The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2016-21 are given in **Table 2.30**, as is **Chart 2.16**.

Table 2.30: Component-wise debt trends

		(₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
<b>Outstanding Debt</b>		<b>9,557.35</b>	<b>10,409.15</b>	<b>10,545.76</b>	<b>12,179.10</b>	<b>13,471.67</b>
Public Debt	Internal Debt	6,930.06	7,640.46	7,969.15	8,986.93	10,331.14
	Loans from GoI	185.50	164.11	146.37	131.16	317.89
Public Account Liabilities		2,441.79	2,604.58	2,430.24	3,061.01	2,822.64
Rate of growth of outstanding debt (per cent)		7.01	8.91	1.31	15.49	10.61
Gross State Domestic Product (GSDP)		21,722.45	24,392.96	26,527.42	29,535.93	29,312.83
Debt/ GSDP (per cent)		44.00	42.67	39.75	41.23	45.96
Total Debt Receipts		6,514.27	6,217.03	4,758.32	10,059.01	9,370.26
Total Debt Repayments		6,524.07	6,042.98	4,289.24	8,681.42	9,462.83
Total Debt Available		-9.80	174.05	469.08	1,377.59	-92.57
Debt Repayments/ Debt Receipts (In per cent)		100.15	97.20	90.14	86.30	100.99

Source: Finance Accounts of respective years and GSDP- Directorate of Economics and Statistics, GoN

Chart 2.16: Component-wise debt trends



Source: Finance Accounts of respective years

During 2020-21, under the Atma Nirbhar Bharat Package, States were allowed to increase their borrowing limits from three to five *per cent*. The increase was regulated by a specific scheme notified by Department of Expenditure, Ministry of Finance, GoI under the following pattern:

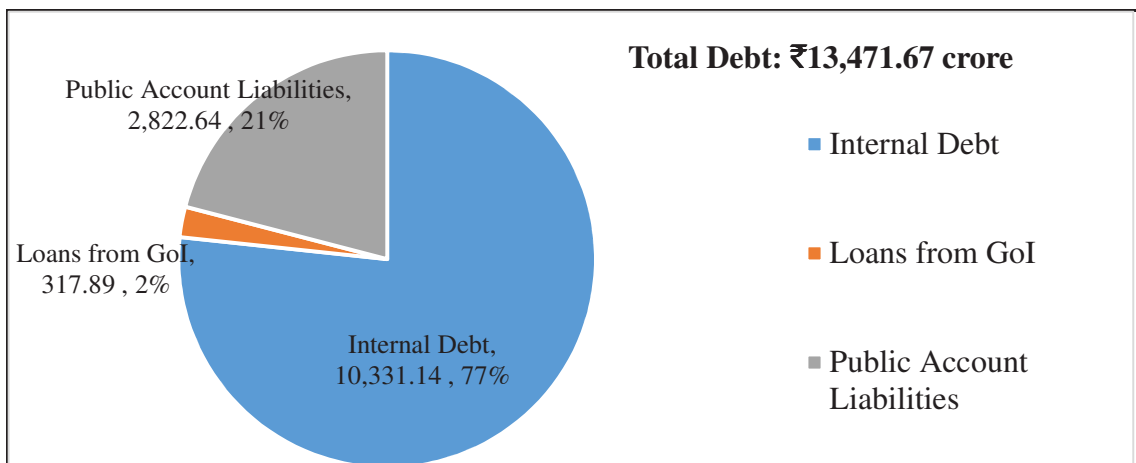
- Unconditional increase of 0.50 *per cent*.

- One per cent in four tranches of 0.25 per cent, with each tranche linked to clearly specified, measurable and feasible reform actions in the above four areas viz., (i) universalisation of ‘One Nation One Ration card’, (ii) Ease of Doing Business, (iii) Power distribution and (iv) Urban Local Body revenues.
- Further 0.50 per cent if milestones are achieved in at least three out of four reform areas.

As per the reply (September 2021) of the Finance Department, the State availed only ₹314 crore being one per cent under unconditional pattern, as GoI. However, the State did not avail the conditional one per cent linked to clearly specified, measurable and feasible reform actions. This has been one of the reasons for huge increase of 69.06 per cent (₹943.05 crore) from ₹422.59 crore in 2019-20 to ₹1,365.64 crore in 2020-21 under market borrowing.

The total outstanding debt of the State Government at the end of 2020-21 was ₹13,471.67 crore. Component-wise break-up of debt is shown below in **Chart 2.17**.

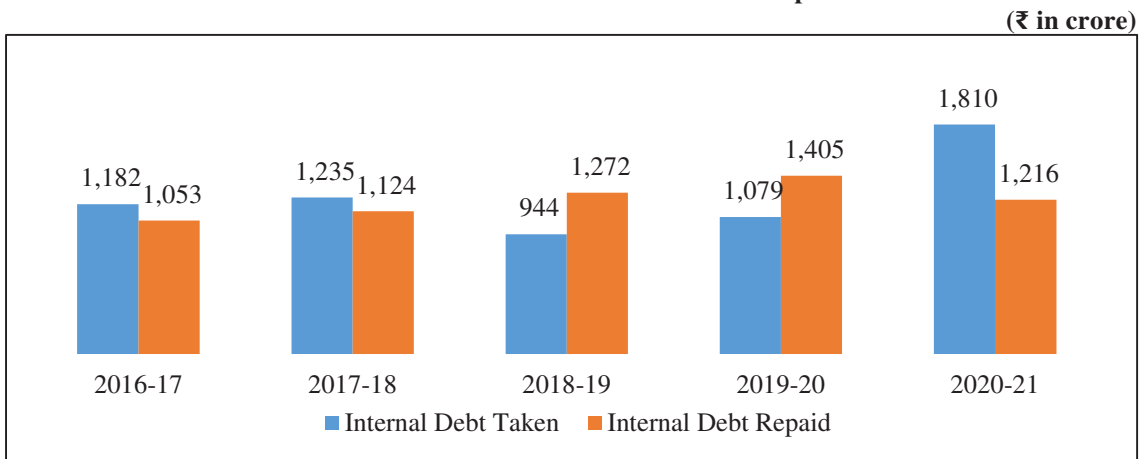
**Chart 2.17: Break up of Outstanding Debt at the end of 2020-21**



Source: Finance Accounts, 2020-21

The trend of internal debt taken vis-à-vis repaid during each year for the period of five-years from 2016-17 to 2020-21 is given in **Chart 2.18**.

**Chart 2.18: Internal debt taken vis-a-vis repaid**



Source: Finance Accounts of respective years

The financing pattern of the Fiscal Deficit has undergone a compositional shift during 2016-21 as reflected in **Table 2.31** and the details of receipt and disbursement of the components used for financing the Fiscal Deficit for the year 2020-21 are given in **Table 2.32**.

**Table 2.31: Components of fiscal deficit and its financing pattern**

Particulars		2016-17	2017-18	2018-19	2019-20	2020-21
<b>Composition of Fiscal Deficit (-)</b>		<b>(-)284.86</b>	<b>(-)446.09</b>	<b>(-)1,082.32</b>	<b>(-)1,428.22</b>	<b>(-)1,300.94</b>
1.	Revenue Deficit (-)/ Surplus (+)	790.34	827.86	517.43	(-)213.73	375.37
2.	Net Capital Expenditure	(-)1,076.10	(-)1,274.85	(-)1,595.56	(-)1,206.32	(-)1,671.93
3.	Net Loans and Advances	0.90	0.90	(-)4.19	(-)8.17	(-)4.38
<b>Financing Pattern of Fiscal Deficit:</b>						
1.	Market Borrowings	442.38	765.95	355.04	422.59	1,365.64
2.	Loans from GoI	-21.28	-21.39	-17.74	-15.21	186.72
3.	Special Securities issued to NSSF	-12.28	-12.66	-12.82	-13.13	-13.13
4.	Loans from Financial Institutions	-29.48	-42.90	-13.54	608.32	-8.30
5.	Small Savings, PF, etc.	29.09	61.54	616.63	562.04	-255.70
6.	Deposits	-7.69	-123.76	88.19	68.81	17.99
7.	Suspense and Miscellaneous	-77.30	-101.05	-111.06	-145.19	-57.89
8.	Remittances	32.00	32.45	2.10	0.47	0.16
9.	Reserve Fund	0.00	0.00	0.00	-0.07	-0.86
<b>10.</b>	<b>Overall Deficit</b>	<b>355.44</b>	<b>558.18</b>	<b>906.8</b>	<b>1,488.63</b>	<b>1,234.63</b>
11.	Increase/ Decrease in cash balance	-70.58	-112.09	175.52	-60.41	66.31
<b>12.</b>	<b>Gross Fiscal Deficit</b>	<b>284.86</b>	<b>446.09</b>	<b>1,082.32</b>	<b>1,428.22</b>	<b>1,300.94</b>

Source: Finance Accounts of respective years

**Table 2.32: Receipts and Disbursements under components financing the fiscal deficit**

Particulars		Receipt	Disbursement	Net
1.	Market Borrowings	1,721.00	355.36	1,365.64
2.	Loans from GOI	207.61	20.89	186.72
3.	Special Securities issued to NSSF	0.00	13.13	-13.13
4.	Loans from Financial Institutions	9,506.24	9,514.54	-8.30
5.	Small Savings, PF, etc.	410.86	666.56	-255.70
6.	Deposits and Advances	935.36	917.37	17.99
7.	Suspense and Miscellaneous	1,201.11	1,259.00	-57.89
8.	Remittances	2,059.25	2,059.09	0.16
9.	Reserve Fund	171.69	172.55	-0.86
<b>10.</b>	<b>Overall Deficit</b>	<b>16,213.12</b>	<b>14,978.49</b>	<b>1,234.63</b>
11.	Increase/Decrease in cash balance	223.90	156.73	66.31
<b>12.</b>	<b>Gross Fiscal Deficit</b>	<b>15,671.37</b>	<b>15,135.22</b>	<b>1,300.94</b>

Source: Finance Accounts of respective years

Fiscal deficits during the five-year period from 2016-17 to 2020-21, peaked at ₹1,428.22 crore during 2019-20. During the current financial year, it was at ₹1,300.94 crore.

During 2020-21, fiscal deficit was primarily financed by Loan from GoI (₹186.72 crore), market borrowings (net) (₹1,365.64 crore) and deposits (₹17.99 crore).

The increase in net capital outlay during the year indicated that borrowed funds were being more utilised for productive uses than in previous year. The Government should continue to improve this trend as the solution to the Government debt problem lies in the productive application of borrowed funds. This would either provide returns directly or result in increased productivity of the economy. It may also result in increase in government revenue in future, making debt payments more manageable.

### 2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing.

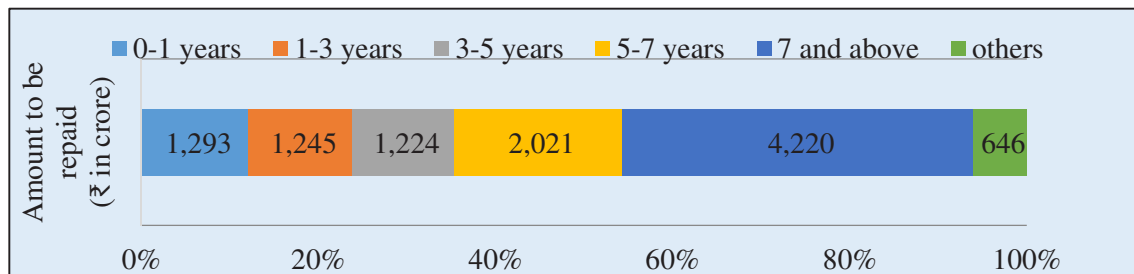
As per Annexure to Statement 17 of the Finance Accounts for the year 2020-21, the outstanding debt of the State was ₹10,649.03 crore as on 31 March 2021. The maturity profile of the State debt is as indicated in **Table 2.33** and **Chart 2.19**.

**Table 2.33: Debt Maturity profile of repayment of State debt**

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	1,293.32	12.14
1 – 3	1,245.05	11.69
3 – 5	1,223.94	11.49
5 – 7	2,020.79	18.98
7 and above	4,219.69	39.63
Others <sup>10</sup>	646.24	6.07
<b>Total</b>	<b>10,649.03</b>	<b>100.00</b>

Source: Finance Accounts, 2020-21

**Chart 2.19: Debt Maturity Profile**



Source: Finance Accounts, 2020-21

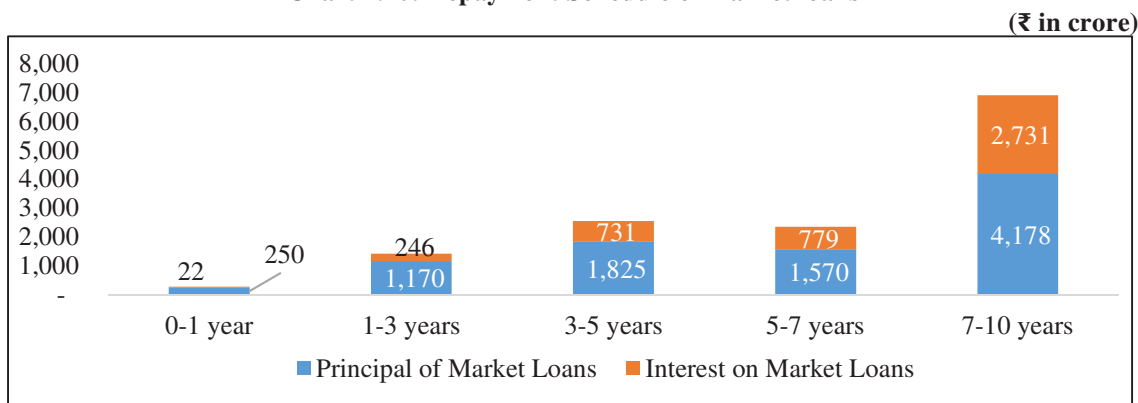
From the above, it could be seen that maturity profile of outstanding stock of public debt as on 31 March 2021 indicates that out of outstanding public debt of ₹10,649.03 crore, 54.31 per cent of outstanding public debt (₹5,783.49 crore) needs to be repaid within the next seven years while the remaining 45.69 per cent (₹4,865.54 crore) of outstanding public debt is in the maturity bracket of more than seven years. Of the total outstanding public debt, internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, etc. constituted 97.01 per cent (₹10,331.14 crore).

Out of ₹10,649.03 crore, ₹8,993.03 crore was the principal amount of market loan taken by the State. The State is liable to pay an interest of ₹4,508.80 crore at the end

<sup>10</sup> Payment schedule of this amount is not being maintained by the Accountant General (A&E).

of repayment of these loans, if the loans are repaid as per the maturity profile. **Chart 2.20** represents the repayment schedule of both the principal of market loan and interest thereof.

**Chart 2.20: Repayment Schedule of market loans**



Source: Finance Accounts, 2020-21

## 2.7 Debt Sustainability Analysis (DSA)

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of Interest Payments to Revenue Receipts) and maturity profile of the State Government debt.

**Table 2.34** shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2016-17 and **Chart 2.21** predicts the trends of debt sustainability indicators for the five years.

**Table 2.34: Trends in debt Sustainability indicators**

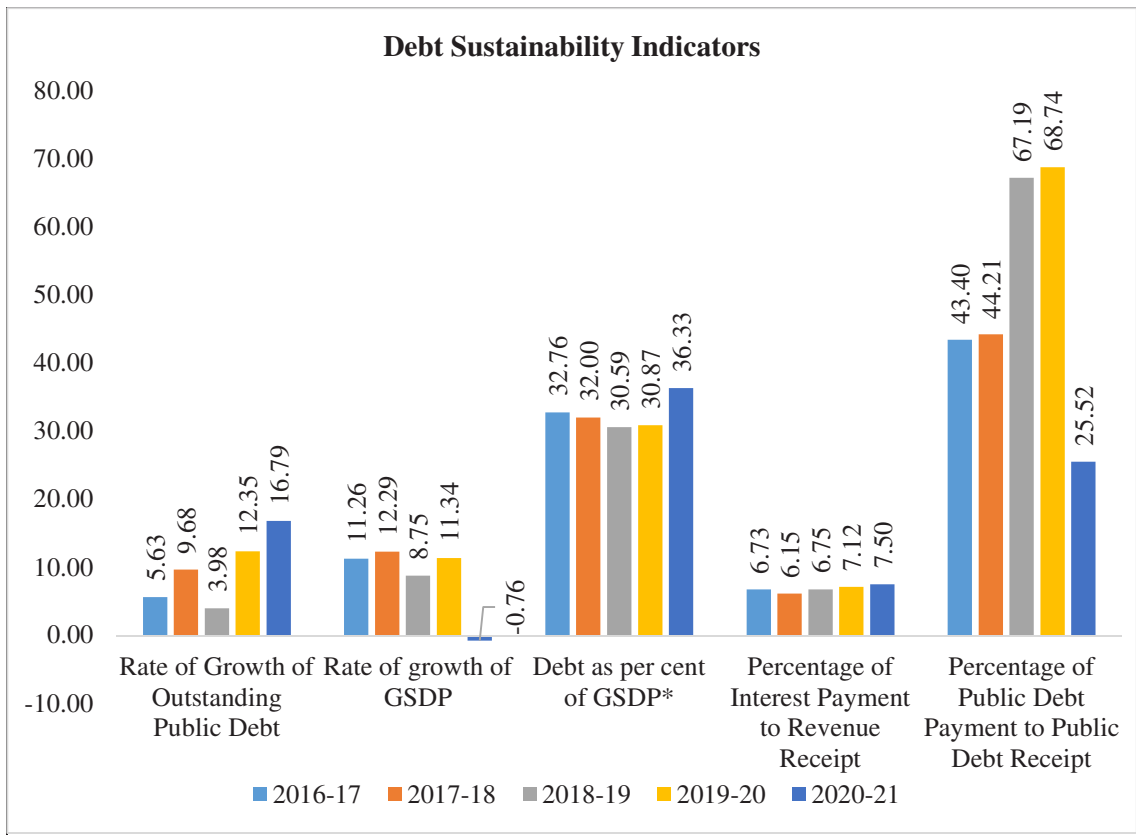
Debt Sustainability Indicators	2016-17	2017-18	2018-19	2019-20	2020-21
Outstanding Public Debt* (₹ in crore)	7,115.56	7,804.57	8,115.52	9,118.09	10,649.03
Rate of Growth of Outstanding Public Debt	5.63	9.68	3.98	12.35	16.79
GSDP (₹ in crore)	21,722.45	24,392.96	26,527.42	29,535.93	29,312.83
Rate of Growth of GSDP	11.26	12.29	8.75	11.34	-0.76
Debt/ GSDP	32.76	32.00	30.59	30.87	36.33
Debt Maturity profile of repayment of State debt (₹ in crore)	513.35	546.01	636.89	746.08	514.74
Average interest Rate of Outstanding Public Debt (per cent)	8.33	8.23	8.40	8.02	7.40
Percentage of Interest payment to Revenue Receipt	6.73	6.15	6.75	7.12	7.50
Percentage of Debt Repayment to Debt Receipt	43.4	44.21	67.19	68.74	25.52
Net Debt available to the State# (₹ in crore)	669.35	689.01	310.95	339.24	1,502.37
Net Debt available as per cent to Debt Receipts	3.67	3.58	7.09	6.33	1.27
Debt Stabilisation (Quantum spread + Primary Deficit)	770.21	804.16	-165.05	-105.40	-1,446.46

Source: Finance Accounts of respective years

\*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

#Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

Chart 2.21: Trends of Debt Sustainability indicators



Source: Finance Accounts of respective years

\*excluding Public Account Liabilities

The outstanding Public Debt rapidly increased by ₹3,533.47 crore from ₹7,115.56 crore in 2016-17 to ₹10,649.03 crore in 2020-21 and the Debt/ GSDP ratio increased from 32.76 per cent to 36.33 per cent during the same period.

### 2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

The trends of the total borrowing, repayment of earlier borrowings and utilisation during the five years from 2016-17 to 2020-21 are given in **Table 2.35**.

Table 2.35: Utilisation of borrowed funds

	(₹ in crore)				
1. Year	2016-17	2017-18	2018-19	2019-20	2020-21
2. Total Borrowings	5,444.35	5,141.02	2,907.22	7,869.82	11,434.86
3. Repayment of earlier borrowings (Principal) (In per cent)	5,056.03 (92.87)	4,452.01 (86.60)	2,596.27 (89.30)	6,867.25 (87.26)	9,903.92 (86.61)
4. Net capital expenditure (Percent)	1,076.10 (19.77)	1,274.85 (24.80)	1,595.56 (54.88)	1,206.32 (15.33)	1,671.93 (14.62)
5. Net loans and advances	-0.90	-0.90	4.19	8.18	4.38
6. Portion of Revenue expenditure met out of net available borrowings (2 – 3 – 4 - 5)	-686.88	-584.94	-1,288.8	-211.93	-145.37

Source: Finance Accounts of respective years

As can be seen from the above table, the borrowings were utilised for repayment of earlier borrowings which ranged between 86.60 *per cent* in 2017-18 and 92.87 *per cent* in 2016-17, during the five-year period of 2016-21.

### 2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to cap on the guarantees. As per NFRBM Act 2005, the State Government decided to charge guarantee fee at the rate of one *per cent* to cover the risk in the guarantees.

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2016-17 to 2020-21 are shown in **Table 2.36**.

**Table 2.36: Guarantees given by the State Government**

(₹ in crore)					
Guarantees	2016-17	2017-18	2018-19	2019-20	2020-21
Ceiling applicable to the outstanding amount of guarantees including interest	<b>No law has been passed by the State Legislature under Article 293 of the Constitution laying down the limit within which the Government may give guarantee on the security of the Consolidated Fund of the State.</b>				
Outstanding amount of guarantees including interest	81.19	110.46	120.96	174.96	174.96

Source: Finance Accounts of respective years

Government had guaranteed loans raised by various Corporations and Others which at the end of 2020-21 stood at ₹174.96 crore. During the year, the State Government did not give guarantees against Distribution Companies (DISCOM) under Atma Nirbhar Bharat Package as the State did not have any DISCOM.

The Outstanding Guarantees was obtained mainly for repayment of principal and payment of interest on loan pertaining to Nagaland Industrial Development Corporation (₹44.24 crore). The Outstanding Guarantees of ₹174.96 crore as on 31 March 2021 was 1.53 *per cent* of the Revenue Receipts of the State during the year.

### 2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. The State Government was required to maintain a daily minimum cash balance of ₹0.25 crore with the RBI. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMAs)/ Special Ways and Means Advances (SWMAs)/ Overdrafts (ODs) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.



**Table 2.37** depicts the cash balances and investments made by the State Government out of cash balances during the year.

**Table 2.37: Cash Balances and their investment**

	(₹ in crore)	
	Opening balance on 1 April 2020	Closing balance on 31 March 2021
<b>A. General Cash Balance</b>		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	223.90	157.59
<b>Total</b>	<b>223.90</b>	<b>157.59</b>
Investments held in Cash Balance investment account	0.00	0.00
<b>Total (A)</b>	<b>223.90</b>	<b>157.59</b>
<b>B. Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	744.75	801.56
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	1,659.18	1,786.18
<b>Total (B)</b>	<b>2,403.93</b>	<b>2,587.74</b>
<b>Total (A + B)</b>	<b>2,627.83</b>	<b>2,745.33</b>
<b>Interest realised</b>	<b>1.78</b>	<b>0.07</b>

Source: Finance Accounts, 2020-21

It was noticed that State Government's opening general Cash Balance as on 01 April 2020 was ₹223.90 crore. The closing general Cash Balance (31 March 2021) showed a decrease of 29.62 per cent (₹66.31 crore) and stood at ₹157.59 crore. The State Government had earned ₹0.07 crore from the Cash Balance Investments during 2020-21.

However, the State Government could maintain the minimum daily cash balance with the RBI for 154 days during 2020-21 and as such WMAs/ SWMAs/ ODs was availed for 211 days during the year, for which an interest of ₹10.35 crore (*Appendix 1.1 Part C*) was paid.

The Cash Balance Investments of the State of Nagaland for last five years (2016-17 to 2020-21) are given in **Table 2.38**.

**Table 2.38: Cash Balance Investment Account (Major Head-8673)**

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
2016-17	0.00	35.41	35.41	3.01
2017-18	35.41	63.16	27.75	3.67
2018-19	63.16	134.96	71.80	9.57
2019-20	134.96	0.00	(-)134.96	1.78
2020-21	0.00	0.00	0.00	0.07

Source: Finance Accounts of respective years

The trend analysis of the cash balance investment of the State Government revealed that during the five year-period of 2016-21, there has been large fluctuation in cash balance at the end of each year of the State.

## 2.8 Conclusion

Revenue Receipts were ₹11,427.43 crore during 2020-21, which increased by ₹4.14 crore (0.04 *per cent*) compared to the previous year. During the current year, State's Own Tax Revenue increased by ₹64.51 crore (6.73 *per cent*) and Non-Tax Revenue decreased ₹96.69 crore (28.50 *per cent*) respectively over the previous year. Grants-in-Aid from GoI decreased by ₹105.85 crore (1.54 *per cent*) while State's Share of Union Taxes and Duties increased by ₹142.17 crore (4.35 *per cent*) as compared to the previous year.

Revenue Expenditure (₹11,052.06 crore) accounted for 86.82 *per cent* of total expenditure (₹12,729.60 crore) during the current year. Committed expenditure (₹8,104.81 crore) like salary and wages, pension, interest payments steadily increased ₹2,625 crore (47.92 *per cent*) during the last five-year period from ₹5,479.02 crore in 2016-17 to ₹8,104.81 crore in 2020-21. The Committed Expenditure during the year 2020-21 was 70.92 *per cent* of the Revenue Receipts and 73.33 *per cent* of the Revenue Expenditure.

Under National Pension System (NPS), the State Government short contributed ₹142.23 crore resulting in understatement of revenue and fiscal deficit to that extent. Further, as on 31 March 2021, ₹185.61 crore were outstanding under NPS, with the State Government and had not been transferred to NSDL, creating avoidable outstanding financial liabilities under the Scheme.

Capital Expenditure is the expenditure for creation of assets of permanent and material character. Capital Expenditure (₹1,671.93 crore) increased by ₹465.61 crore (38.60 *per cent*) during 2020-21 compared to the previous year (₹1,206.32 crore) and stood at 13.13 *per cent* of total expenditure during the year. There were 416 projects lying incomplete as on 31 March 2021 for which ₹1,380.04 crore had been expended. There was cost over-run of ₹183.36 crore on these incomplete projects as on 31 March 2021.

The State's share of expenditure on Health (5.10 and 5.59 *per cent* during 2016-17 and 2020-21 respectively) was lower than the averages of North Eastern & Himalayan States (5.67 and 7.04 *per cent* during 2016-17 and 2020-21 respectively). Similarly, the State's share of expenditure on Education (13.03 and 13.44 *per cent* during 2016-17 and 2020-21 respectively) as proportion of Aggregate Expenditure was less than that of the averages of North Eastern and Himalayan States (16.67 and 16.95 *per cent* during 2016-17 and 2020-21 respectively).

As per Finance Accounts 2020-21, the State Government invested ₹One crore in Government Company (Nagaland State Mineral Development Corporation Ltd.). As on 31 March 2021, whereas the State Government made investment of ₹296.17 crore in Government Companies, Statutory Corporation, Co-operative Societies and Joint Stock Companies, the return on investments was a meagre ₹2.47 crore by way of dividends during the year.

The State had outstanding guarantees of ₹174.96 crore which was 1.53 *per cent* of the Revenue Receipts of the State (for the year) as on 31 March 2021.

The outstanding Public Debt rapidly increased by ₹3,533.47 crore from ₹7,115.56 crore in 2016-17 to ₹10,649.03 crore in 2020-21 whereas the Debt/ GSDP ratio increased from 32.76 to 36.33 *per cent* during the same period. During 2020-21, the outstanding Public Debt (₹10,649.03 crore), increased by ₹1,530.94 crore (16.79 *per cent*) compared to the previous year (₹9,118.09 crore). Between 6.15 and 7.50 *per cent* of the Revenue Receipts were used by the State for payment of interest on the outstanding Public Debt while the average rate of interest ranged between 7.40 and 8.40 *per cent* during last five-years period from 2016-17 to 2020-21.

Maturity profile of outstanding stock of public debt as on 31 March 2021 indicates that out of outstanding public debt of ₹10,649.03 crore, 54.31 *per cent* of outstanding public debt (₹5,783.49 crore) needs to be repaid within the next seven years while the remaining 45.69 *per cent* (₹4,865.54 crore) of outstanding public debt is in the maturity bracket of more than seven years.

## 2.9 Recommendations

- The State Government needs to give greater focus on development expenditure by steadily increasing its Capital expenditure on identified infrastructure gaps in a planned manner with periodical review and monitoring mechanism at the highest level of administration.
- The State Government would do well by increasing its expenditure on Health and Education to compare favourably with North Eastern & Himalayan States.
- To avoid possible future liabilities under NPS, the State Government needs to fulfil their obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated, to NSDL for management of the NPS.
- The State Government may seriously review the functioning of the Corporations, Companies and Societies to ensure returns on their investments and consider either revival or closure of non-functional units in a time bound manner.
- The State Government may ensure that mobilised debt resources are used adequately for incurring capital expenditure for creation of assets. The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments. Own non tax revenues need to be augmented to meet the interest on debt liabilities.



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*CHAPTER III*

*BUDGETARY MANAGEMENT*

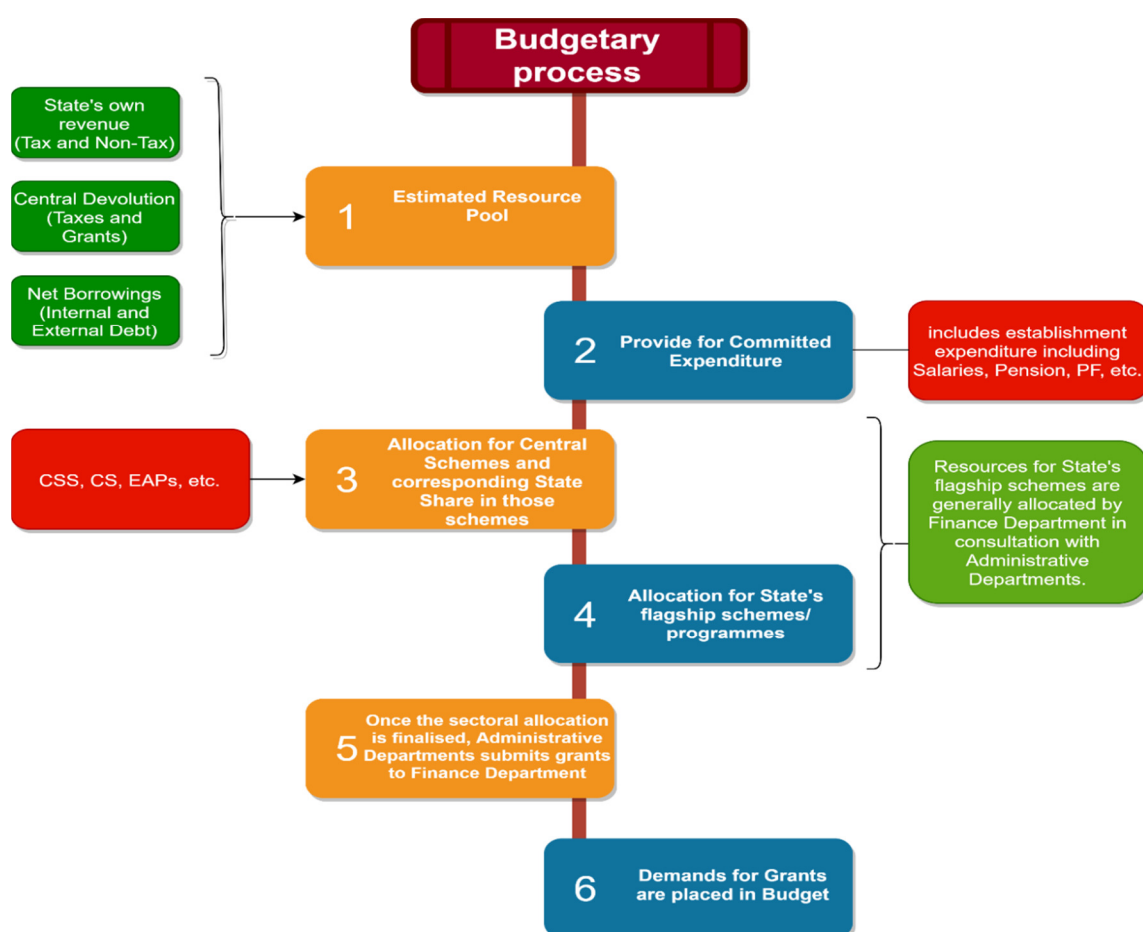
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## Chapter III: Budgetary Management

### 3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given in *Appendix 1.1 Part A*. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is shown as under:



*CSS: Centrally Sponsored Schemes; CS: Central Schemes, EAP: Externally Aided Projects.*

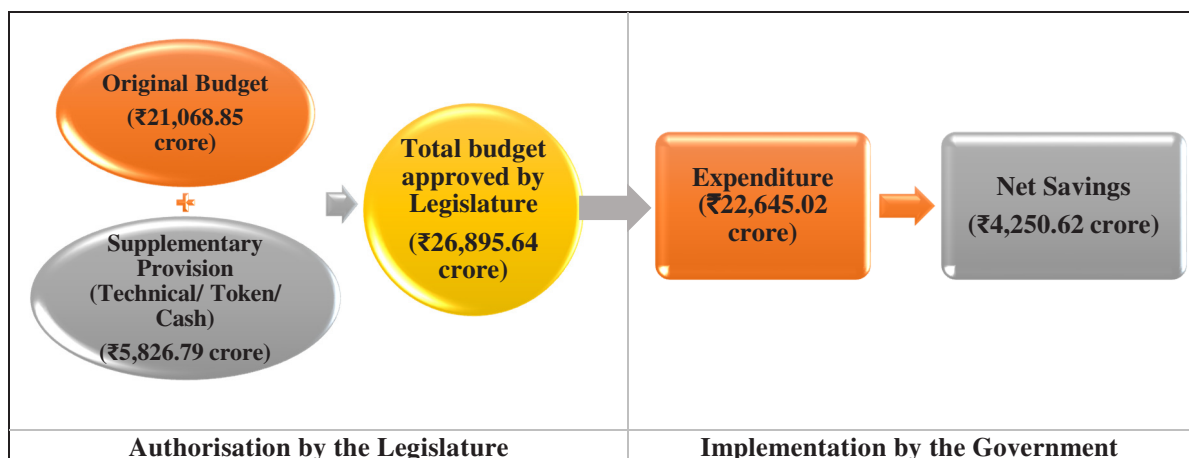
The Government of Nagaland has not yet prepared a Budget Manual, detailing the processes involved in budget formulation exercise, roles and responsibilities of the persons entrusted with the preparation and implementation of budget, timelines for preparation and submission of budgetary estimates, requirements of supplementary budget, mode of seeking re-appropriations within Grants, assessment of savings, surrenders *etc.* and monitoring and controls to be exercised by the Controlling Officers at all stages of budget preparation and implementation.

In the absence of a Budget Manual, the Government has been following the General Financial Rules, various provisions of the Constitution of India and guidelines issued by the Central and State Governments.

Legislative authorisation is the *sine qua non* for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government framed financial rules and provided for delegation of financial powers. These delegations establish the limits for incurrence of expenditure and the levels authorised to sanction such expenditure together with restrictions on appropriation and re-appropriations.

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 82 Demands for Grants. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation. The various components of budget are depicted in the chart below:



Source: Appropriation Accounts, 2020-21

The above chart indicates that the Supplementary Grant of ₹5,826.79 crore was not required as the gross expenditure was ₹1,577.03 crore more than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 19 January 2021 and total expenditure as on December 2020 was only ₹17,247.10 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹3,821.75 crore with the State Government for the remaining 90 days. With the Supplementary Grant, total funds available with the State Government were ₹9,648.54 crore, which was 56 per cent of the total expenditure in the first nine months of 2020-21. This was indicative of over estimation and poor financial management.



### 3.1.1 Summary of total provisions, actual disbursements and savings during 2020-21

A summarised position of total budget provision, disbursement and saving/ excess with its further bifurcation into voted/ charged may be included as under:

**Table 3.1: Budget provision, disbursement and savings/excess during 2020-21**

Total Budget Provision		Disbursements		Savings		Excess	
Voted	Charged	Voted	Charged	Voted	Charged	Voted	Charged
15,628.70	11,266.94	11,843.76	10,801.26	3786.42	465.68	1.48	0.00

Source: Appropriation Accounts, 2020-21

There was an overall savings of ₹4,252.10 crore offset by excess of ₹1.48 crore during the year 2020-21 resulting in net savings of ₹4,250.62 crore which was 16 per cent of total Grants/ Appropriations and 19 per cent of the expenditure.

These savings may be seen in context of estimation of Receipts of ₹20,826.02 crore by the State Government and estimation on the expenditure side being ₹26,895.64 crore during the year 2020-21. This implied that the savings were notional, as the funds were not actually available for expenditure.

#### 3.1.1.1 Charged and voted disbursements

The break-up of total disbursement into charged and voted during the last five-year (2016-21) is given below.

**Table 3.2: Break-up of total disbursement into charged and voted during 2016-21**

Year	Disbursements		Saving (-)/ Excess (+)	
	Voted	Charged	Voted	Charged
2016-17	8,864.71	5,946.14	(-) 2,094.01	(-) 157.77
2017-18	10,563.94	5,378.33	(-) 1,742.90	(-) 764.74
2018-19	11,538.47	3,619.72	(-) 2,992.08	(-) 2,319.70
2019-20	11,869.85	7,863.79	(-) 2,726.39	(-) 36.39
2020-21	11,843.76	10,801.26	(-) 3,784.94	(-) 465.69

Source: Appropriation Accounts of respective years

As can be seen from the above table, there were savings under voted and charged head in all the years during the five-year period of 2016-21.

## 3.2 Appropriation Accounts

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

### 3.3 Comments on integrity of budgetary and accounting process

#### 3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this Article 204 of the constitution. Expenditure on new scheme should not be incurred on a scheme/ service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

As appearing in Article 115 (1) (a) and 205 (1) (a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/ State assembly earlier, including a new activity or a new form of investment.

‘New Instrument of Service’ means relatively large expenditure arising out of important expansion of an existing activity.

Audit scrutiny revealed that in two Grants (two cases), expenditure of ₹10 lakh and above was incurred (total expenditure was ₹9.22 crore), without budget provision as detailed in **Appendix 3.1**. Grant-wise summary of the cases where expenditure was incurred without budget provision is given in **Table 3.3**.

**Table 3.3: Summary of Expenditure without Budget Provision**

Grant No.	Description	Expenditure (₹ in crore)	Number of Schemes/ Sub-Heads
28	Civil Police	9.09	1
66	Sericulture	0.13	1
<b>Total</b>		<b>9.22</b>	<b>2</b>

Source: Appropriation Accounts, 2020-21

Expenditure without budget is violative of financial regulations as well as the will of the Legislature. This is also indicative of lack of financial discipline in Government Departments.

#### 3.3.2 Misclassification of expenditure

##### 3.3.2.1 Grants-in-Aid as capital expenditure

As per Indian Government Accounting Standards (IGAS) -2, Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee irrespective of the end use.

However, examination of the accounts and Voucher Level Computerisation (VLC) data revealed that during 2020-21, Grants-in-Aid expenditure of ₹7.08 lakh was classified as capital expenditure under Major Head 4217 – Capital Outlay on Urban Development.

### 3.3.2.2 Capital expenditure as revenue expenditure and vice versa

Misclassification of expenditure of revenue nature as capital expenditure or *vice-versa*, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

Examination of the accounts and Voucher Level Computerisation (VLC) data revealed that -

1. During the year, an expenditure of ₹3.43 crore related to major works was booked under revenue expenditure as minor works/ Maintenance and repairs. This ultimately leads to understatement of Capital Expenditure.
2. During the year, an expenditure of ₹41.52 crore related to minor works was booked under capital expenditure as major works. This leads to overstatement of Capital expenditure.

### 3.3.3 Unnecessary or excessive supplementary grants

The existence of likely or actual savings in the budget should never be seized upon as an opportunity to introduce fresh items of expenditure which ought to wait till next year. Known savings in the budget should not be left un-surrendered for fear of the next year's budget allotment being reduced.

Considerable Re-Appropriation from one Sub-Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the course of the year, but in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

Supplementary Provision of ₹92.07 crore obtained by eight Departments during the year proved unnecessary as the expenditure either did not come up to the level of Original Provision or the subsequent Supplementary Provision was not utilised by the Departments concerned as detailed in **Appendix 3.2**. Cases where supplementary provision (₹50 lakh or more in each case) proved unnecessary are given in **Table 3.4**.

**Table 3.4: Details of cases where supplementary provision proved unnecessary**

(₹ in crore)					
Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Original Provisions
<b>(A) Revenue (Voted)</b>					
1.	26- Civil Secretariat	270.48	30.40	266.31	4.17
2.	28- Civil Police	1,457.71	1.19	1,454.24	3.47
3.	32- Higher Education	188.70	19.46	165.24	23.46
4.	43- Social Security and Welfare	260.27	35.38	250.55	9.72
<b>Total A</b>		<b>2,177.16</b>	<b>86.43</b>	<b>2,136.34</b>	<b>40.82</b>

Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Savings out of Original Provisions
<b>(B) Capital (Voted)</b>					
5.	9- Taxes on Vehicles	2.93	1.33	2.93	0.00
6.	34- Art and Culture and Gazetteers	1.10	2.99	1.08	0.02
7.	70- Horticulture	2.50	1.16	2.50	0.00
<b>Total B</b>		<b>6.53</b>	<b>5.48</b>	<b>6.51</b>	<b>0.02</b>
<b>Grand Total (A + B)</b>		<b>2,183.69</b>	<b>91.91</b>	<b>2,142.85</b>	<b>40.84</b>

Source: Appropriation Accounts, 2020-21

### 3.3.4 Unnecessary Re-appropriation

According to Financial Rules, reasons for additional expenditure and savings should be explained in the Re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, scrutiny of Re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, Re-appropriation was done in 80 grants (98 per cent) on the last day without stating specific reasons for withdrawal of provision or additional provision by way of Re-appropriation of funds. This Re-appropriation on last day of the financial year resulted in savings in seven Grants, which was avoidable, as discussed in Paragraph 3.3.3 above.

Injudicious (excess/ unnecessary/ insufficient re-appropriation) re-appropriation of Funds made during the year 2020-21 proved excessive (by 10 lakh or more and less than or equal to savings/ excess) resulting in savings of ₹40.41 crore in 18 Sub-heads as detailed in Table 3.5.

Table 3.5: Excess/ unnecessary/ insufficient re-appropriation

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
1.	9	2041-00-001-01 Direction	447.50	0.00	11.43	11.68	-
2.	9	4059-01-051-01 Works under Taxes on Vehicles	0.00	133.00	0.00	133.00	-
3.	27	4059-80-800-04 Local Area Development Programme	0.00	0.00	9,000.00	1,000.00	-
4.	28	2055-00-001-01 Police Headquarters	12,809.30	0.00	5,425.71	100.00	-
5.	28	2055-00-109-01 District Police Establishment	37,720.19	0.00	1,554.17	100.00	-
6.	31	2202-01-101-02 Middle School	10,984.92	0.00	17,044.65	15.06	-

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
7.	31	2202-02-109-01 Government School	17,078.33	0.00	21,234.69	20.02	-
8.	35	4210-01-110-01 Upgradation of Hospital	650.00	0.00	1,058.50	552.50	-
9.	39	4552-39-800-01 Promotion of Tourism in NER	0.00	1,147.14	0.00	187.12	-
10.	53	2851-00-001-01 Direction	0.00	0.00	572.23	121.03	-
11.	56	5055-00-800-03 Construction	0.00	597.43	32.57	315.00	-
12.	58	5054-04-337-02 Major District Roads	6,500.00	0.00	12,965.02	400.00	-
13.	58	5054-80-800-01 Non Lapsable Central Pool of Resources	0.00	0.00	6,241.62	140.00	-
14.	68	4055-00-211-02 Government Residential Building	486.15	7,105.32	0.00	72.00	-
15.	68	4055-00-211-02 Government Residential Building	0.00	14,136.00	0.00	700.00	-
16.	73	4059-01-051-01 Functional Buildings	0.00	228.52	0.00	26.28	-
17.	78	4202-02-104-01-02 Upgradation of existing Polytechnics	0.00	288.51	11.49	75.00	-
18.	78	4202-02-104-01-03 Construction of Directorate Building	0.00	300.00	0.00	72.11	-
<b>Total</b>						<b>4,040.80</b>	

Source: Detailed Appropriation Accounts, 2020-21

Substantial savings of more than ₹0.10 crore in respect of Heads of Account where re-appropriation was resorted to or not made, reflects poorly on planning and monitoring of budget allocation and its utilisation by the State Government.

### 3.3.5 Unspent amount and surrendered appropriations and/ or Large Savings/ Surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilised.

The audit of Grants revealed that there was a total Savings of ₹4,252.10 crore, out of which Savings of ₹4,230.21 crore occurred in 56 Grants (**Appendix 3.3**) which exceeded rupees one crore in each case or by more than 20 *per cent*. Further, there were savings of ₹3,792.38 crore which occurred in 18 Grants of the total provisions (savings were ₹50 crore and above) and are shown in **Table 3.6**.

**Table 3.6: List of Grants having large savings (savings above ₹50 crore) during the year**

(₹ in crore)							
Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Saving/ Excess	Surrender
<b>Revenue (Voted)</b>							
1.	18-Pensions and Other Retirement Benefits	2,188.00	0.00	2,188.00	1,752.47	435.53	435.53
2.	21- Relief of Distress caused by Natural calamities	212.25	0.00	212.25	47.97	164.28	163.42

Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Saving/ Excess	Surrender
3.	27- Planning Machinery	382.35	0.00	382.35	35.10	347.25	347.24
4.	31-School Education	1,742.89	0.00	1,742.89	1,496.31	246.58	246.03
5.	35-Medical, Public Health and Family Welfare	741.92	0.00	741.92	683.82	58.10	58.16
6.	42-Rural Development	1,349.57	0.00	1,349.57	725.46	624.12	624.03
7.	48-Agriculture	311.08	0.00	311.08	219.05	92.03	92.03
8.	52- Forest, Environment and Wildlife	152.95	0.00	152.95	96.52	56.43	56.42
9.	70-Horticulture	122.03	0.00	122.03	59.42	62.61	62.57
10.	72- Land Resources Development	136.07	0.00	136.07	20.83	115.24	115.51
<b>Capital (Voted)</b>							
1.	26-Civil Secretariat	311.50	0.00	311.50	53.31	258.19	258.19
2.	27-Planning Machinery	398.69	0.00	398.69	177.14	221.56	211.56
3.	32- Higher Education	80.53	0.00	80.53	25.94	54.59	54.59
4.	35-Medical, Public Health and Family Welfare	122.85	0.00	122.85	39.40	83.45	77.93
5.	36- Urban Development	152.54	0.00	152.54	87.90	64.64	64.70
6.	37- Municipal Administration	137.00	0.00	137.00	52.69	84.31	84.31
7.	58-Road and Bridges	565.00	0.00	565.00	405.66	159.34	152.94
8.	59- Water Resources	184.50	0.00	184.50	57.16	127.34	127.33
9.	77- Development of Under-developed Areas	82.10	0.00	82.10	16.96	65.14	65.14
<b>Revenue (Charged)</b>							
1.	75-Servicing of Debt	1,195.50	0.00	1,195.50	856.77	338.73	338.73
<b>Capital (Charged)</b>							
1.	75-Servicing of Debt	5,045.93	4,980.93	10,026.86	9,903.92	122.94	122.93
<b>Grand Total</b>		<b>15,615.25</b>	<b>4,980.93</b>	<b>20,596.18</b>	<b>16,813.80</b>	<b>3,792.38</b>	<b>3,759.29</b>

Source: Appropriation Accounts, 2020-21

It was observed that out of the above 18 Grants, in two Grants, there was persistent low utilisation (less than 50 per cent) in the last five years from 2016-17 to 2020-21. Details of utilisation of budgetary allocation in these two Grants are shown in **Table 3.7**.

**Table 3.7: Budget utilisation less than 50 per cent (in 2020-21)**

Sl. No.	Grant	Budget utilisation during the years: (in per cent)					Number of years*	Budget 2020-21	Total Budget for five years
		2016-17	2017-18	2018-19	2019-20	2020-21		(₹ in crore)	
1.	27-Planning Machinery	25.02	28.72	27.89	37.37	27.17	05	781.04	4,233.06
2.	59-Water Resources	27.24	33.82	30.45	58.39	39.84	04	221.95	977.71

\* Number of years with utilisation below 50 per cent

Source: Appropriation Accounts of respective years

It can be seen from the table above that in Grant 59, low utilisation (less than 50 per cent) was in four, out of five years. While in Grant 27, low utilisation (less than 50 per cent) was in all the five years. This is indicative of systemic issues that warrant a close review by the Government to enable initiation of corrective measures.

Substantial surrenders (more than 50 per cent of Total Provision) were made in respect of 122 Sub Heads. Out of the Total Provision amounting to ₹4,224.49 crore in those Sub-Heads, ₹3,927.13 crore (92.96 per cent) was surrendered, which included 100 per cent surrender under 65 Sub-Heads (₹1,188.39 crore). The details of such cases are given in **Appendix 3.4**. In 21 cases, the surrender was more than ₹50 crore at the end of March 2021 as given in **Table 3.8**.

**Table 3.8: Details of surrender of funds in excess (more than ₹50 crore)**

(₹ in crore)

Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Saving/ Excess	Surrender
<b>Revenue (Voted)</b>							
1.	18-Pensions and Other Retirement Benefits	2,188.00	0.00	2,188.00	1,752.47	435.53	435.53
2.	21- Relief of Distress caused by Natural calamities	212.25	0.00	212.25	47.97	164.28	163.42
3.	27- Planning Machinery	382.35	0.00	382.35	35.10	347.25	347.24
4.	31-School Education	1,742.89	0.00	1,742.89	1,496.31	246.58	246.03
5.	35-Medical, Public Health and Family Welfare	741.92	0.00	741.92	683.82	58.10	58.16
6.	42-Rural Development	1,349.57	0.00	1,349.57	725.46	624.12	624.03
7.	48-Agriculture	311.08	0.00	311.08	219.05	92.03	92.03
8.	52- Forest, Environment and Wildlife	152.95	0.00	152.95	96.52	56.43	56.42
9.	70-Horticulture	122.03	0.00	122.03	59.42	62.61	62.57
10.	72- Land Resources Development	136.07	0.00	136.07	20.83	115.24	115.51



Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Saving/ Excess	Surrender
<b>Capital (Voted)</b>							
1.	26-Civil Secretariat	311.50	0.00	311.50	53.31	258.19	258.19
2.	27-Planning Machinery	398.69	0.00	398.69	177.14	211.56	211.56
3.	32- Higher Education	80.53	0.00	80.53	25.94	54.59	54.59
4.	35-Medical, Public Health and Family Welfare	122.85	0.00	122.85	39.40	83.45	77.93
5.	36- Urban Development	152.54	0.00	152.54	87.90	64.64	64.70
6.	37- Municipal Administration	137.00	0.00	137.00	52.69	84.31	84.31
7.	58-Road and Bridges	565.00	0.00	565.00	405.66	159.34	152.94
8.	59- Water Resources	184.50	0.00	184.50	57.16	127.34	127.33
9.	77- Development of Underdeveloped Areas	82.10	0.00	82.10	16.96	65.14	65.14
<b>Revenue (Charged)</b>							
1.	75-Servicing of Debt	1,195.50	0.00	1,195.50	856.77	338.73	338.73
<b>Capital (Charged)</b>							
1.	75-Servicing of Debt	5,045.93	4,980.93	10,026.86	9,903.92	122.94	122.93
<b>Grand Total</b>		<b>15,615.25</b>	<b>4,980.93</b>	<b>20,596.18</b>	<b>16,813.80</b>	<b>3,782.38</b>	<b>3,759.29</b>

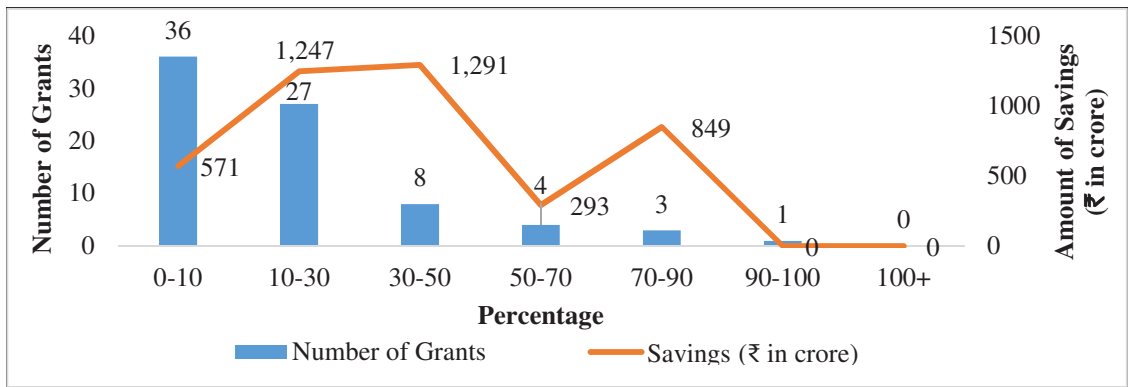
Source: Appropriation Accounts, 2020-21

The reasons for surrender of funds in respect of the above 18 Grants are detailed below:

- **Grant no. 52 and 72:** Savings under salaries due to austerity measures taken by Government for Covid-19 and non-receipt of funds under Centrally Sponsored Schemes (CSS).
- **Grant no. 27:** Re-allocation to various departments/ as State Share to CSS/ NEC etc., savings under salaries due to austerity measures taken by Government for Covid-19, less receipt of funds from GoI etc.
- **Other Grants:** non-receipt of funds from Ministry/ Sponsoring Agency, non-release of funds from GoI etc.

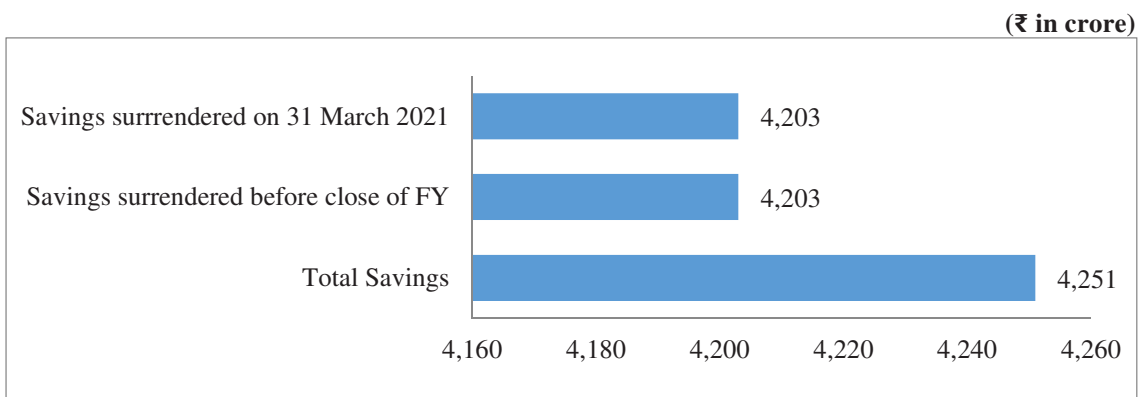
The distribution of number of Grants grouped by the percentage of savings for 2020-21 and the overall savings and surrenders before close of the financial year 2020-21, are depicted in **Chart 3.1** and **Chart 3.2**.

**Chart 3.1: The distribution of the number of Grants grouped by the percentage of savings along with total savings in ₹one crore in each group**



Source: Appropriation Accounts, 2020-21

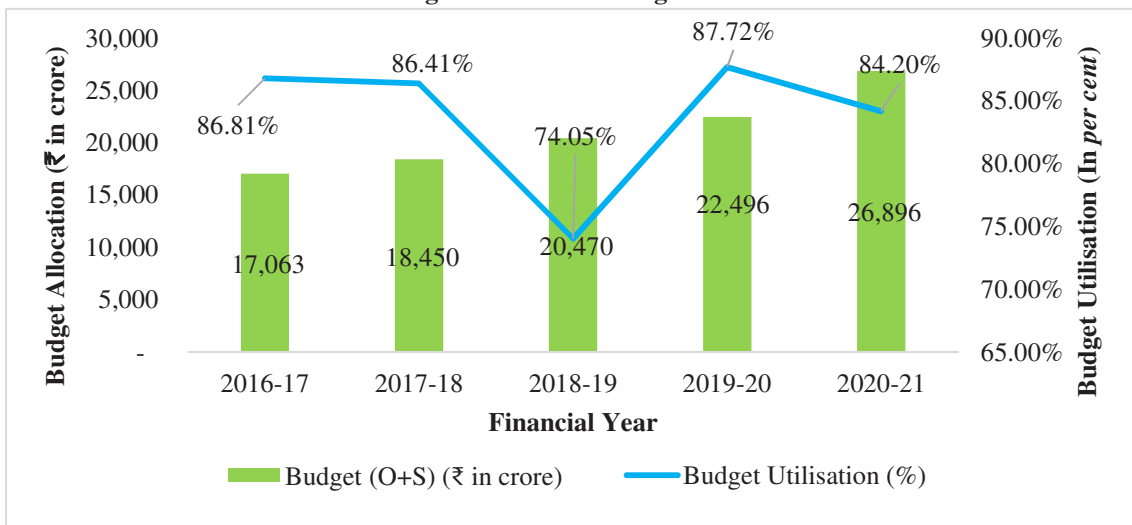
**Chart 3.2: Savings and surrenders before close of financial year 2020-21**



Source: Appropriation Accounts, 2020-21 and Surrender/ Re-appropriation orders for 2020-21

Utilisation of budgeted funds by the State has been sub optimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2016-17 to 2020-21 is in **Chart 3.3**.

**Chart 3.3: Budget Utilisation during 2016-17 to 2020-21**



Source: Appropriation Accounts of the respective years

As can be seen from the Chart above, utilisation of budget has been around 86 per cent during four of the last five years and has shown fluctuating trend, though it was

minimum at around 74 per cent in 2018-19. Large amount of savings in allocated funds indicate both poor budget management/ estimation/ inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

### 3.3.6 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/ appropriations regularised by the State Legislature for the Financial Year.

#### 3.3.6.1 Excess expenditure relating to 2020-21

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but is also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

It was observed that during 2020-21, there was an excess disbursement over grants of ₹1.48 crore under three Departments. The summary of excess disbursements over grants during the financial year 2020-21 is shown in **Table 3.9**.

**Table 3.9: Summary of excess disbursements over grants during the financial year**

	Name of Department		Number of Grants
	Public Work/ Irrigation/ Forest	Other	
Revenue (Voted)	0.00	1.45	02
<b>(A) Total Excess (Revenue)</b>	<b>0.00</b>	<b>1.45</b>	<b>02</b>
Capital (Voted)	0.00	0.02	01
<b>(B) Total Excess (Capital)</b>	<b>0.00</b>	<b>0.03</b>	<b>01</b>
<b>Grand Total (A + B)</b>	<b>0.00</b>	<b>1.48</b>	<b>03</b>

(₹ in crore)

Source: Appropriation Accounts, 2020-21

The details of the Major Head wise excess disbursement over the budget during the year 2020-21 requiring regularisation is shown in **Table 3.10**.

**Table 3.10: Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during 2020-21**

Sl. No.	Grant No.	Major Head	Major Head Description	Total Provision	Re-appropriation	Total	Expenditure	Excess	Reason for excess stated by the Department
<b>Revenue (Voted)</b>									
1.	53	2851	Industries	69.44	19.15	88.59	89.79	1.20	Excess was due to shortfall in assessment for demand for grants
2.	66	2851	Sericulture	21.13	0.81	21.94	22.19	0.25	
<b>Capital (Voted)</b>									
3.	45	4425	Capital Outlay on Cooperation	7.49	2.30	9.79	9.81	0.03	The fund was re-appropriated/ surrendered during the end of the year which resulted in excess.
<b>Total</b>								<b>1.48</b>	

(₹ in crore)

Source: Appropriation Accounts, 2020-21

This excess disbursement is in violation of Article 204 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund, except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

### 3.3.6.2 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses are noticed in the grants. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Persistent excesses may be due to improper estimation at the time of preparation of budget.

Examination of records revealed that there was no grant having persistent excesses during four out of five years during the five-year period of 2016-21, though excess during three years (2016-17, 2017-18 and 2019-20) was noticed in Grant no. 28 (Civil Police).

### 3.3.6.3 Regularisation of excess expenditure of previous financial years

Article 205 of the Constitution of India mandates the State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation was prescribed under this Article, excess expenditure was to be regularised after discussion of the Appropriation Accounts by the PAC. Administrative departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. The details of the grant-wise excess expenditure relating to previous years requiring regularisation are given in **Table 3.11**.

**Table 3.11: Excess expenditure relating to previous years (2014-20) requiring regularisation**

(₹ in crore)		
Year	Total Number of Grants	Amount of excess required to be regularised
2014-15	09	38.78
2015-16	16	373.60
2016-17	09	92.16
2017-18	09	14.51
2018-19	01	0.01
2019-20	10	197.95
<b>Total</b>		<b>717.01</b>

Source: Appropriation Accounts of respective years

During the period 2014-20, there was an excess expenditure of ₹717.01 crore under 34 Grants. Further, there was an excess expenditure of ₹1.48 crore during 2020-21. This is in violation of Article 204 (3) of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by

the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

The Finance Department stated that excess expenditure of ₹504.54 crore for the years 2014-15, 2015-16 and 2016-17 have been regularised in the State Assembly (November 2021). However, excess expenditure amounting to ₹212.47 crore for 2017-18 to 2019-20 was yet to be regularised (February 2022).

### 3.4 Comments on effectiveness of budgetary and accounting process

#### 3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/ other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised.

The summarised position of actual expenditure during 2020-21 against 82 Grants is given in Table 3.12.

**Table 3.12: Summarised position of Actual Expenditure vis-à-vis Budget (Original/ Supplementary) provisions during the financial year**

	Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Net of Savings (-)	Surrender during March	
							Amount	per cent
							₹ in crore)	
Voted	I. Revenue	12,408.54	326.13	12,734.67	10,170.90	(-) 2,563.77	2,558.64	99.83
	II. Capital	2,376.90	511.30	2,888.20	1,667.25	(-) 1,220.95	1,178.42	96.52
	III. Loans and Advances	3.50	2.33	5.83	5.61	(-) 0.22	0.22	100
	<b>Total</b>	<b>14,788.94</b>	<b>839.76</b>	<b>15,628.70</b>	<b>11,843.76</b>	<b>(-) 3,784.94</b>	<b>3,737.28</b>	<b>98.76</b>
Charged	IV. Revenue	1,233.98	1.41	1,235.39	892.64	(-) 342.75	342.75	100
	V. Capital	0.00	4.69	4.69	4.69	0.00	0.00	0
	VI. Public Debt-Repayment	5,045.93	4,980.93	10,026.86	9,903.93	(-) 122.93	122.93	100
	<b>Total</b>	<b>6,279.91</b>	<b>4,987.03</b>	<b>11,266.94</b>	<b>10,801.26</b>	<b>(-) 465.68</b>	<b>465.68</b>	<b>100</b>
Appropriation to Contingency Fund (if any)	--	--	--	--	--	--	--	--
<b>Grand Total</b>	<b>21,068.85</b>	<b>5,826.79</b>	<b>26,895.64</b>	<b>22,645.02</b>	<b>(-) 4,250.62</b>	<b>4,202.96</b>	<b>98.90</b>	

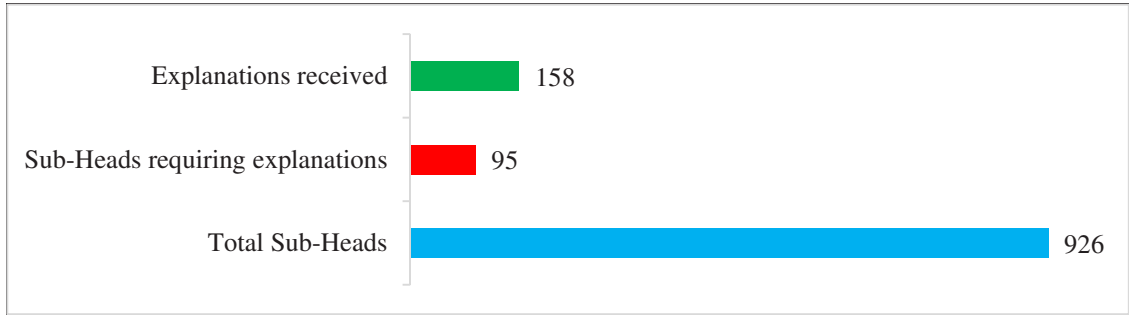
Source: Appropriation Accounts, 2020-21

Overall Savings of ₹4,250.62 crore (15.80 per cent of Total Allocation) was the result of Savings in 79 Grants under Revenue Section and 51 Grants under Capital Section offset by excess of ₹1.48 crore in two Grants under Revenue Section and one Grant under Capital Section. During the year, the amount surrendered was 98.90 per cent of overall Savings.

The Savings/ Excess (Detailed Appropriation Accounts for the year 2020-21) were intimated to all the 82 Controlling Officers requesting them to explain the significant variations. The Controlling Officers of 14 Departments of the State furnished their replies before finalisation of the Appropriation Accounts 2020-21. However, no valid

reasons for the Savings/ Excess were explained or explicitly stated by any of the Departments. The status is given in **Chart 3.4**.

**Chart 3.4: Summary of Explanation for Variation in Appropriation Accounts**



Source: VLC data of AG (A&E)

The trend in percentage of overall saving/excess against overall provision in the budget for the last five years from 2016-17 to 2020-21 is detailed in **Table 3.13**.

**Table 3.13: Original Budget, Revised Estimates and Actual Expenditure during 2016-21**

	(₹ in crore)				
	2016-17	2017-18	2018-19	2019-20	2020-21
Original Budget	13,658.74	16,375.43	18,315.76	18,026.11	21,068.85
Supplementary Budget	3,403.89	2,074.48	2,154.21	4,470.31	5,826.79
Revised Estimates	17,062.63	18,849.91	20,469.97	22,496.42	26,895.64
Actual Expenditure	14,810.85	15,942.27	15,158.19	19,733.64	22,645.02
Saving /excess	(-)2,251.78	(-)2,507.64	(-)5,311.78	(-)2,762.78	(-) 4,250.62
Percentage of Savings	13.20	13.30	25.95	12.28	15.80

Source: Appropriation Accounts of respective years

It could be seen from the table above that there was overall savings in all the years during the five-year period of 2016-21. The percentage of savings with respect to the revised estimates ranged between 12.28 and 25.95 during the period. The percentage of savings during 2020-21 was highest, after 2018-19, during the last five years.

### 3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/ activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the unutilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public at large in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which is either for that Financial Year *i.e.* one-time activity or is of recurring nature. Broadly, all the schemes, budget allocation thereon, timeframe of their completion and intended benefit announced by Government can be gathered from the Budget Speech of the FM. Actual figures related to expenditure with funding pattern *i.e.* from the State's own

resources or from Central Government assistance or through debt may be gathered from the Finance Accounts of the State. Of these, several schemes/ programmes declared by the Government do not typically get operationalised due to lack of preparatory work and/or lack of adequate allocation of budget.

During the year, it was noticed that in 23 major grants (savings of more than one crore or more than 20 per cent of the total provisions), the total budget provisions of ₹2,529.30 crore (Capital/ voted) proved unnecessary/ excessive as the actual expenditure of ₹1,317.58 crore did not come up to the total budget provisions resulting in ₹1,211.72 crore un-utilised funds under these grants as detailed below:

**Table 3.14: List of grants with un-utilised fund during 2020-21**

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Un-utilised funds
<b>Capital (Voted)</b>						
1.	9-Taxes on Vehicles	2.93	1.33	4.26	2.93	1.33
2.	26-Civil Secretariat	311.50	0.00	311.50	53.31	258.19
3.	27-Planning Machinery	398.69	0.00	398.69	177.13	221.56
4.	32-Higher Education	80.53	0.00	80.53	25.94	54.59
5.	33-Youth Resources and Sports	11.00	35.40	46.40	25.12	21.28
6.	34-Art and Culture and Gazetteers unit	1.10	2.99	4.09	1.08	3.01
7.	35-Medical, Public Health and Family Welfare	122.85	0.00	122.85	39.40	83.45
8.	36-Urban Development	152.54	0.00	152.54	87.90	64.64
9.	37-Municipal Administration	137.00	0.00	137.00	52.69	84.31
10.	39-Tourism	0.83	20.75	21.58	11.90	9.68
11.	43-Social security and Welfare	12.00	16.05	28.05	19.73	8.31
12.	53-Industries	2.50	0.00	2.50	0.85	1.65
13.	55-Power	19.25	98.58	117.83	89.57	28.26
14.	56-Road Transport	6.70	7.97	14.67	9.23	5.45
15.	57-Housing Loans	0.22	0.00	0.22	0.00	0.22
16.	58-Roads and Bridges	565.00	0.00	565.00	405.66	159.34
17.	59- Water Resources	184.50	0.00	184.50	57.17	127.33
18.	65-State Council of Educational Research & Training	10.34	0.00	10.34	9.20	1.14
19.	68-Police Engineering Project	12.50	212.41	224.91	217.19	7.72
20.	70-Horticulture	2.50	1.16	3.66	2.50	1.16
21.	77-Development of Underdeveloped Areas	82.10	0.00	82.10	16.96	65.14
22.	78-Technical Education	1.57	8.28	9.85	7.84	2.01
23.	82-New and Renewable Energy	4.26	1.97	6.23	4.28	1.95
<b>Total</b>		<b>2,122.41</b>	<b>406.89</b>	<b>2,529.30</b>	<b>1,317.58</b>	<b>1,211.72</b>

Source: Appropriation Accounts, 2020-21

Further, as per Finance Accounts, there were 16 incomplete scheme/ projects which require further allocation of funds for their completion. The details of such schemes/ projects having estimated cost more than ₹50 crore are shown in **Table 3.15**.

**Table 3.15: List of incomplete scheme/projects at the end of 2019-20**

(₹ in crore)

Sl. No.	Name of Scheme/ Project (having estimated cost of ₹50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2021	Scheduled date of completion	Expenditure as of 31 March 2021	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
1.	Construction of Road	83.99	53.62	NA	53.62	NA	30.37
2.	Construction and up gradation of Longleng – Ladaigarh Road	79.49	73.62	NA	73.62	96	5.87
3.	Constriction of Link Roads to Mineral Deposit area	53.95	26.02	2010-11	26.02	80	27.93
4.	Construction of Staff Quarter at Dwarka P-I	62.29	38.10	2020-21	38.10	90	24.19
5.	Construction of Staff Quarter at Dwarka P-II	54.09	41.12	2020-21	41.12	90	12.97
6.	Integrated Roads & Multilevel Parking Project in Kohima	50.42	10.20	2011-12	10.20	NA	40.22
7.	Housing for Urban poor in Dimapur Under IHSDP	87.74	36.63	2011-12	36.63	NA	51.11
8.	DDUGJY-XII Plan	92.31	52.38	2017-18	52.38	65	39.93
9.	Construction of Permanent Headquarters for 9 <sup>th</sup> NAP (IR) Bn at Saijang under HUDCO	72.99	68.43	NA	68.43	NA	4.56
10.	Construction of Permanent Headquarters for 10 <sup>th</sup> NAP (IR) Bn at Zhadima under HUDCO	68.63	38.76	2009-10	38.76	98	29.87
11.	Construction of Permanent Headquarters for 11 <sup>th</sup> NAP (IR) Bn at Aboi under HUDCO	93.88	8.00	2014-15	8.00	26	85.88
12.	Construction of Permanent Headquarters for 12 <sup>th</sup> NAP (IR) Bn at Chingtok under HUDCO	97.88	8.00	2014-15	8.00	85	89.88
13.	Construction of Permanent Headquarters for 13 <sup>th</sup> NAP (IR) Bn at Yachang under HUDCO	98.43	14.00	2014-15	14.00	70	84.43



Sl. No.	Name of Scheme/ Project (having estimated cost of ₹50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2021	Scheduled date of completion	Expenditure as of 31 March 2021	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
14.	Construction of Permanent Headquarters for 14 <sup>th</sup> NAP (IR) Bn at Okhezhong under HUDCO	121.19	8.00	2014-15	8.00	85	113.19
15.	Construction of Permanent Headquarters for 15 <sup>th</sup> NAP (IR) Bn at Mpetsa	109.31	21.52	NA	21.52	22	87.79
16.	Construction of Multi-Disciplinary Sports Complex, Dimapur (Site Grading)	134.91	53.00	2011-12	53.00	60	81.91
<b>Total</b>		<b>1,361.50</b>	<b>551.40</b>	<b>--</b>	<b>551.40</b>	<b>--</b>	<b>810.10</b>

Source: Appendix IX, Finance Accounts – Vol. II, 2020-21

As can be seen from the above table, out of the total estimated/ revised cost of ₹1,361.50 crore in respect of 16 projects/ schemes, an amount of ₹551.40 crore (60 per cent) was required for completion of these projects/ schemes. The State Government may devise a mechanism to avoid savings in certain grants which could be utilised for completion of these incomplete projects/ schemes on time.

### 3.4.3 Re-appropriation of Grants

The various provisions related to the re-appropriation are given in **Paragraph 3.3.5**. Scrutiny of re-appropriation orders and Detailed Appropriation Accounts revealed that:

- i. Out of 82 grants, re-appropriation was done in 60 grants during 2020-21. The re-appropriation orders were issued (March 2021) by the Finance Department, GoN, without specifying the reasons for re-appropriations.
- ii. In 38 Grants, there was no budget provision (both original grant and supplementary) in 121 Sub Heads and the final provision/ grant was due to re-appropriations within the respective grants only. However, expenditure was incurred in all Sub Heads.
- iii. All the re-appropriation orders were issued on the last working day of the year (31 March 2021).
- iv. In 10 Grants, re-appropriations were made from Supplementary Grants in 17 Sub-Heads as there was no original provision in these Sub-Heads. In eight cases, the entire fund under supplementary grants was re-appropriated. This ultimately resulted in defeating the objective of supplementary grant which was voted for a definite purpose.

### 3.4.4 Review of selected Grant

Review of a selected Grant (Grant No. 59 – Water Resources) was done to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within the grant, persistent diversion of funds for other purposes *etc.*

The summarised position of Budget Provision and Actual Expenditure during 2020-21 in respect of the Grant is given in **Table 3.16**.

**Table 3.16: Summarised position of Budget Provision and Actual Expenditure**

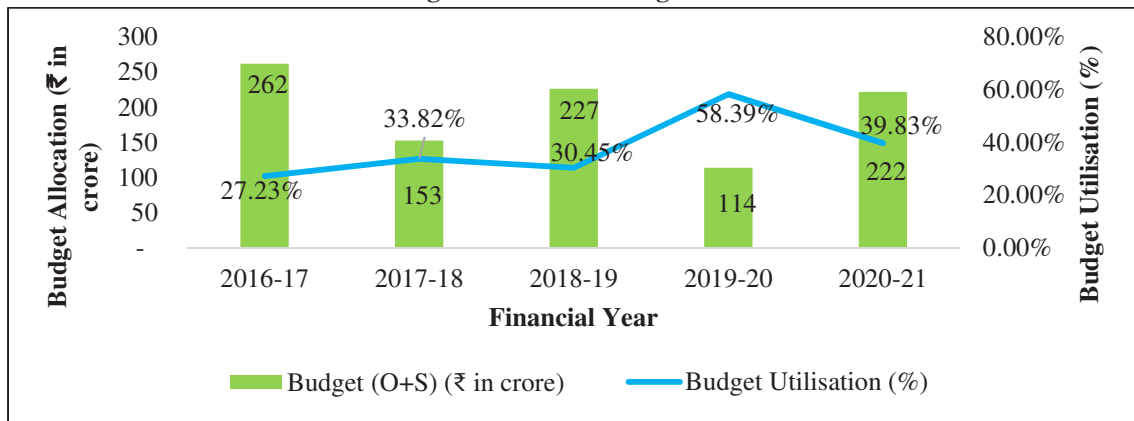
Nature of Expenditure	Budget Provision			Actual Expenditure	Saving(-) / Excess(+)
	Original	Supplementary	Total		
Revenue	37.45	0.00	37.45	31.25	(-) 6.20
Capital	184.49	0.00	184.50	57.16	(-) 127.33
<b>Total</b>	<b>221.95</b>	<b>0.00</b>	<b>221.95</b>	<b>88.41</b>	<b>(-) 133.53</b>

Source: Appropriation Accounts of respective years

The above table shows that during the year 2020-21, there was overall savings of ₹133.53 crore representing 60.16 per cent of the total Budget Provision as a result of savings under both Revenue (₹6.20 crore) and Capital (₹127.33 crore) heads.

Utilisation of budgeted funds by the Department has been minimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2016-17 to 2020-21 is shown in **Chart 3.5**.

**Chart 3.5: Budget Utilisation during 2016-17 to 2020-21**



Source: Appropriation Accounts of the respective years

As can be seen from the Chart above, utilisation of budget has been around 30 per cent during three of the last five years and has shown fluctuating trend, though it was maximum at around 58 per cent in 2019-20. Large amount of savings in allocated funds indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

Budget provision sought and obtained by the Department far in excess of actual requirement and inability to utilise, deprives allocation of resources to priority sectors and also leads to poor legislative control over public finances.

### 3.4.4.1 Transfers not mandated by the Appropriation Act/ Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act authorises incurrence of expenditure under specified Grants, during the financial year. Hence transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts is not authorised through the Appropriation Act.

During 2020-21, an amount of ₹17.99 crore was drawn by the Department for implementation of scheme and kept in Civil Deposits. The Department did not incur any expenditure from the amount drawn during the year. The balance funds of ₹20.63 crore (including the amount of ₹2.64 crore pertaining to previous year) was still lying in Civil Deposits as on 31 March 2021.

Further, as per information furnished (October 2021) by the Department, an amount of ₹42.52 crore was lying in the 16 bank accounts of 14 Drawing and Disbursing Officers (DDOs) under the Department as on 31 March 2021 to avoid lapse of grant, which was not authorised as per the Appropriation Act.

The funds drawn and kept in Civil Deposits and in bank accounts were shown as utilised by the respective DDOs and thus, the expenditure was artificially inflated to that extent, without actual expenditure having been incurred under the programme/ scheme, in contravention of the financial rules.

### 3.4.4.2 Persistent Savings

Persistent savings over a period of five years or more indicated that the basic assumptions behind the overall budget formulation process were not realistic and there was lack of proper assessment as well as prudent utilisation of the allocated budgetary provision.

There was persistent Savings of more than ₹50 lakh in both Revenue and Capital head and also 50 per cent or more in Capital head of the total Grant during the last five years (Table 3.17):

**Table 3.17: Details of Savings during 2016-21**

(₹ in crore)

No. and Name of the Grant	Amount of Savings					
	2016-17	2017-18	2018-19	2019-20	2020-21	
<b>59-Water Resources</b>						
<b>Revenue-Voted</b>	Amount	3.87	8.32	10.13	8.66	6.20
	Percentage	12.68	22.95	24.53	21.74	16.56
<b>Capital-Voted</b>	Amount	186.89	92.84	147.46	38.84	127.33
	Percentage	80.70	79.63	79.49	52.25	69.02

Source: Appropriation Accounts of respective years

During the five-year period of 2016-21, there were persistent Savings in the reviewed Grant, which indicates poor budgeting, shortfall in performance or both, as funds could not be utilised as estimated on activities planned by the Department concerned.

Reason for persistent Savings had not been intimated (March 2021) by the Department.

### 3.4.4.3 Excessive/ Insufficient Funds

Re-appropriation is transfer of funds within a Grant from one unit of Appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation of Funds made in one Sub Head during the year 2020-21 proved insufficient (by ₹10 lakh or more) resulting in Excess of ₹0.20 crore in one Sub-Head as detailed in **Table 3.18**.

**Table 3.18: List of Sub Heads with excess/ savings during 2020-21**

Sl. No.	Head of Account	Re-appropriation	Final	
			Excess	Savings
1.	2702-80-001-01 (Direction)	(-) 11.96	0.20	--
<b>Total</b>			<b>0.20</b>	<b>--</b>

Source: Detailed Appropriation Accounts, 2020-21

### 3.4.4.4 Unexplained Re-Appropriations

According to Financial Rules, reasons for additional expenditure and savings should be explained in the re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided.

However, scrutiny of re-appropriation orders issued by the Finance Department revealed that re-appropriation of ₹5.87 crore under Revenue head and ₹9.03 crore under Capital head was done on the last day of the financial year without stating specific reasons for withdrawal of provision or additional provision by way of re-appropriation of funds. This re-appropriation on last day of the financial year resulted in excess in one Sub-Head which was avoidable, as discussed in **Paragraph 3.4.4.3**.

### 3.4.4.5 Substantial Surrenders

Substantial surrenders (more than 50 per cent of total provision was surrendered) were made in respect of three Sub-Heads. Out of the total provision amounting to ₹18.93 crore in those Sub-Heads, ₹12.06 crore (63.74 per cent) was surrendered, which included 100 per cent surrender under one Sub-Head (₹0.04 crore) as detailed in **Table 3.19**.

**Table 3.19: Details of Sub-Heads with substantial surrenders during 2020-21**

Sl. No.	Head of Account	Total Grant/ Appropriation	Amount Surrendered	Percentage of surrender
1.	2702-80-001-01 (Direction)	18.78	11.97	63.74
2.	2702-80-800-02 (Other Minor Irrigation Works)	0.04	0.04	100.00
3.	2702-02-005-01 (Ground Water Development)	0.10	0.05	50.00
<b>Total</b>		<b>18.92</b>	<b>12.06</b>	<b>63.74</b>

Source: Detailed Appropriation Accounts, 2020-21

The circumstances prompting the Department to surrender the funds were neither stated nor on record.

### 3.5 Conclusion

During 2020-21, against the total budget approved by the State Legislature of ₹26,895.64 crore (Original: ₹21,068.85 crore *plus* Supplementary: ₹5,826.79 crore), Departments incurred an expenditure of ₹22,645.02 crore, leaving a savings of ₹4,250.62 crore (15.80 *per cent* of the total budget).

It is indicative that the Supplementary Grant of ₹5,826.79 crore was not required as the gross expenditure was ₹1,577.03 crore more than the Original Provisions. It is pertinent to mention that Supplementary Grant was taken on 19 January 2021 and total expenditure as on December 2020 was only ₹17,247.10 crore as per monthly civil accounts submitted by the Treasuries, leaving ₹3,821.75 crore with the State Government for the remaining 90 days. With the Supplementary Grant, total funds available with the State Government were ₹9,648.54 crore. This was indicative of over estimation and poor financial management.

Thus, the Supplementary Grants/ Appropriations were obtained without adequate justification, and funds were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

There was an overall savings of ₹4,252.10 crore offset by excess of ₹1.48 crore during the year 2020-21 resulting in net savings of ₹4,250.62 crore which was 16 *per cent* of total Grants/ Appropriations and 19 *per cent* of the expenditure. These savings may be seen in context of estimation of Receipts of ₹20,826.02 crore by the State Government and estimation on the expenditure side being ₹26,895.64 crore during the year 2020-21. This implied that the savings were notional, as the funds were not actually available for expenditure.

At the beginning of the year 2020-21, there was an outstanding excess expenditure of ₹7,17.01 crore under 34 Grants (pertaining to the year 2014-15 to 2019-20) which requires regularisation as per the Article 205 of the Constitution of India. Out of this, excess expenditure of ₹504.54 crore for the years 2014-15, 2015-16 and 2016-17 have been regularised in the State Assembly (November 2021) and excess expenditure amounting to ₹212.47 crore for 2017-18 to 2019-20 was yet to be regularised (February 2022). Further, there was an excess expenditure of ₹1.48 crore during 2020-21 which also requires regularisation. During the year, an expenditure of ₹9.22 crore was incurred without budget provision.

Review of Water Resources Department (Grant No. 59) revealed persistent savings, unexplained Re-appropriation and substantial surrenders.

### 3.6 Recommendations

- Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and advised to seek supplementary grants/ re-appropriations in time.
- The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.
- Excess expenditure pending regularisation, may be regularised by obtaining legislative approval.

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*CHAPTER IV*

*QUALITY OF ACCOUNTS AND  
FINANCIAL REPORTING PRACTICES*

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## Chapter IV: Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

### Issues related to completeness of accounts

#### 4.1 Funds outside Consolidated Fund or Public Account of the State

Article 266 (1) subject to the provisions of Article 267, provides that all revenues received by the Government of a State, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled the Consolidated Fund of the State. Article 266 (2) provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

It was observed that funds meant to be credited to consolidated fund or public account are not credited or credited to bank accounts. The instances are discussed below:

##### 4.1.1 Collection/ utilisation of Petroleum cess

The State Government imposed the Covid-19 Cess on Petroleum and its products (Diesel: ₹five per litre and Petrol and other Motor Spirit: ₹six per litre) with effect from 28 April 2020 and revoked the same from the midnight of 24 September 2020. The purpose of the fund was to mobilise additional revenue to combat Covid-19 pandemic in the State.

As per information furnished by the Finance Department, the total Covid-19 cess collection was ₹13.14 crore and was booked under the MH 0040- Taxes on Sales, Trade *etc.* in the Consolidated Fund of the State. The expenditure was incurred under Departments and the same was subsumed under the additional expenditure of ₹90.00 crore incurred by the State for fighting Covid-19 pandemic during 2020-21.

##### 4.1.2 Funds of regulators outside Government Account

The Regulatory Authorities, are 'State' within the meaning of Article 12 of the Constitution. Money being received by them are on account of discharge of functions 'on behalf of the Government'. Hence, their Funds need to be housed in the Public Account of India/ States. This is the settled position of the CAG, Ministry of Finance and Ministry of Law for the GoI.

The status of funds of Nagaland State Electricity Regulatory Commission (NSERC) is shown in **Table 4.1**.

**Table 4.1: Details of Regulator and the Funds**

Name of the Regulatory Authority	Constitution of Fund under Nagaland Electricity Regulatory Commission Fund Rules, 2008	Amount outstanding towards Government
NSERC	The Fund shall be maintained with the State Bank of India, Kohima as the main accounts and subsidiary accounts at such other branches of said bank. The Fund shall comprise of all revenues including the grants and loans from the State Government, the fees and other sum.	As per the latest finalised accounts for the year 2017-18, the total amount of the Fund was ₹13.53 lakh, which remained outside Government Account.

Source: Latest finalised accounts

## 4.2 Non-discharge of interest liability towards interest bearing deposits

The State Government is liable to pay/ adjust interest of balances under category J-Reserve Funds (a. Reserve Funds bearing interest) and K-Deposits and Advances (a. Deposits bearing interest), and for this purpose, specific Sub-Major Heads are provided in the List of Major and Minor Heads of Account issued by Controller General of Accounts, Department of Expenditure, Ministry of Finance, GoI.

As on 1 April 2020, the balance under K-Deposits (8342-117 Defined Contribution Pension Scheme for Government Employees) was ₹170.35 crore. The interest to be paid for 2020-21 by the State Government worked out to be ₹12.09 crore<sup>11</sup>. However, the State Government paid only ₹4.31 crore resulting in non-payment/ short payment of the interest of ₹7.78 crore. This resulted in overstatement of Revenue Surplus and understatement of Fiscal Deficit.

## 4.3 Funds transferred directly to State implementing agencies

The GoI transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organisations for implementation of various schemes and Programmes. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts.

During the year 2020-21, GoI funds amounting to ₹370.64 crore were directly transferred to the Implementing Agencies. Details of major amount of funds transferred directly to Implementing Agencies are shown in **Table 4.2**.

**Table 4.2: Funds transferred by GoI directly to State implementing agencies**

Name of the Schemes/ Programme of GoI	Name of the Implementing Agencies	GoI releases during 2020-21
Pradhan Mantri Kishan Samman Nidhi	Department of Agriculture, Nagaland	122.62
Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD)	Department of Tourism Board, Nagaland	5.96
National AIDS and STD Control Programme (NACO)	Nagaland State AIDS Control Society	40.80
Khelo India National Programme	Directorate of Youth Resource and	16.50

<sup>11</sup> Interest calculated at the rate of 7.10 per cent notified by the Government/ payable to General Provident Fund

Name of the Schemes/ Programme of GoI	Name of the Implementing Agencies	GoI releases during 2020-21
	Sports	
Swadesh Darshan-Integrated Development Theme based Tourism Circuits	Nagaland Tourism Board	19.97
Scheme of North Eastern Council Special Development Projects	Nagaland Tourism Board	5.55
Organic Value chain Development of North East Region	Nagaland Organic Mission	22.59
Solar Power-off Grid	Nagaland Renewable Energy Development Agency (NREDA)	10.69
Support to National Institute of Technology (NITs) and IEST	National Institute of Technology Nagaland	23.08
Assistance to State Agencies for intra- State movement of foodgrains and FPS dealers margin under NFSA	The Directorate of Food & Civil Supplies Nagaland	15.63
Others	Other 122 implementing Agencies against 61 schemes	87.25
<b>Total</b>		<b>370.64</b>

Source: Public Financial Management System (PFMS) portal of Controller General of Accounts for the State Accounts (2020-21).

It can be seen from the table above that out of ₹370.64 crore transferred directly by GoI during 2020-21, ₹283.39 crore (76.46 per cent) was given for implementation of 10 major Schemes during the year. Further, out of the 10 major schemes, Pradhan Mantri Kishan Samman Nidhi constituted 33.08 per cent of the total transfer during the year.

### Issues related to transparency

#### 4.4 Delay in submission of Utilisation Certificates

The General Financial Rules provide that every order sanctioning a grant would specify its objective clearly and time limit within which the grant is to be spent. The departmental officers drawing the grants-in-aid would be primarily responsible for certifying to the Accountant General, where necessary, the fulfillment of the conditions attached to the grant and submission of certificate (Utilisation Certificate) in such form and at such interval as may be agreed between the Accountant General (Accounts and Entitlement) and the Head of the Department concerned.

Rule 238 (1) of General Financial Rules, 2017 stipulates that a grantee Organisation or Institution getting non-recurring grants is required to submit a certificate of actual utilisation of the grants received for the purpose for which it was sanctioned in Form **GFR 12-A** within twelve months.

Non-submission of the Utilisation Certificates (UCs) means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

During the year 2020-21, 78 grants involving ₹212.60 crore were provided to 21 Departments for which UCs are due for submission during the year 2021-22. As on March 2021, there were 173 UCs worth ₹396.47 crore, which were due for submission for periods pertaining up to 2019-20.

Tables 4.3 and 4.4 represent the age-wise arrears and department-wise break-up of outstanding UCs. Outstanding UCs in respect of ten major Departments is also given in Chart 4.1. Details of department-wise outstanding UCs up to 2020-21 is shown in Appendix 4.1.

**Table 4.3: Age-wise arrears in submission of UCs**

(₹ in crore)

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Upto 2018-19	255	865.30	70	167.06	138	271.64	187	760.72
2019-20	187	760.72	91	77.61	83	382.13	195	456.20
2020-21	195	456.20	78	212.60	22	59.73	251	609.07

\*UCs for the GIA disbursed during 2020-21 become due only during 2021-22.

Source: Finance Accounts, 2020-21

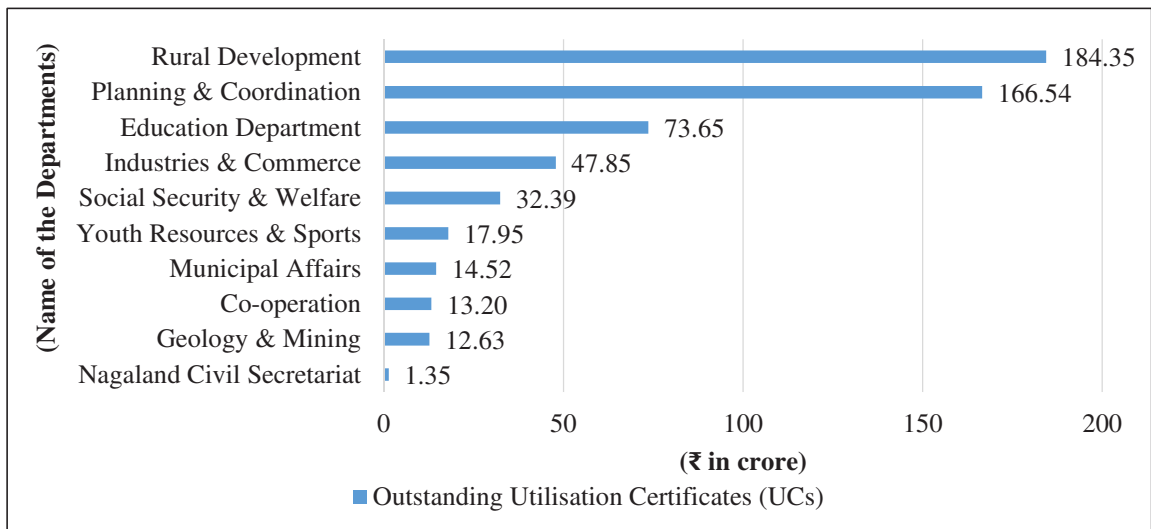
**Table 4.4: Year-wise break up of outstanding UCs**

(₹ in crore)

Year	Number of UCs	Amount
2011-12	04	6.65
2012-13	05	26.65
2013-14	08	126.95
2014-15	16	85.64
2015-16	13	30.78
2016-17	12	9.74
2017-18	18	13.26
2018-19	25	26.14
2019-20	72	70.66
2020-21	78	212.60
<b>Total</b>	<b>251</b>	<b>609.07</b>

Source: Information furnished by PAG (A&E)

**Chart 4.1: Outstanding UCs in respect of 10 major Departments for the grants paid up to 2020-21**



Source: Information furnished by the Office of the PAG (A&E), Nagaland

As can be seen from the chart above, major defaulting departments, which had not submitted the UCs, were Rural Development, Planning and Co-ordination, Education and Industries & Commerce.

Thus, pending UCs violate prescribed financial rules and directives, and reflects poor monitoring mechanism of the State Government. Moreover, high pendency of UCs is fraught with risk of misappropriation of funds. The State would also lose out on central funds for want of UCs in due time.

#### 4.4.1 Grants to Other Grantee Institutions

There is a mechanism in some States of giving institute code to various bodies and authorities receiving Grants-in-Aid (GIA) from Government. These grants are also recorded in VLC system of Accountant General (A&E) office and submission of UCs is monitored against outstanding amount against each institute. Needless to say, for this system to work, grantee institute should be recorded properly. In absence of proper code, outstanding amounts against all institutes cannot be worked out.

If GIA constitutes a significant portion of the total expenditure of the State, it is essential that the Government provides the details and nature of the Grantee Institution to which it is providing funds, in the interests of transparency of accounts.

Out of the total GIA of ₹194.85 crore during the financial year, an amount of ₹40.77 crore (20.92 per cent) was shown as disbursed to Grantee Institutions of type “Others”. The trend of such disbursement during 2016-21 is given in **Table 4.5**.

**Table 4.5: Trend of GIA/ assistance to Grantee Institutions of type “Others” during 2016-21**

	(₹ in crore)				
Year	2016-17	2017-18	2018-19	2019-20	2020-21
Total GIA during the year	170.87	328.40	167.06	160.71	194.85
Grant to the type “Others”	152.39	250.00	86.74	67.76	40.77
Percentage to the Total GIA	89.18	76.13	51.92	42.16	20.92

Source: Finance Accounts of respective years

As can be seen from the above table, the percentage of Grants to Grantee Institutions of type “Others” showed a decreasing trend from 89.18 per cent in 2016-17 to 20.92 per cent in 2020-21.

## 4.5 Abstract Contingent Bills

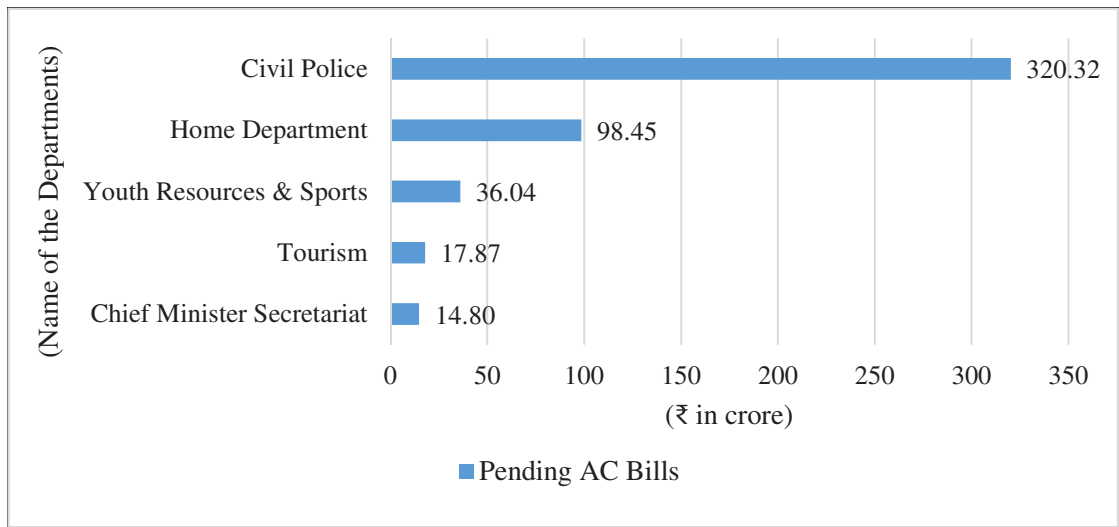
The drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers is not available at the time of drawal are made on ‘Abstract Contingent’ (AC) Bills. Initially made as advance, its subsequent adjustments are ensured through submission of Detailed Countersigned Contingent (DCC) bills within a stipulated period of drawal of AC bill. DCC bill consists of abstract of expenditure along with sub-vouchers for amount drawn through AC bill. DDOs are required to present DCC bills duly countersigned by the Controlling Officer in all these cases within period prescribed in the State Treasury Rules.

Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

During 2020-21, 23 AC bills amounting to ₹43.48 crore were drawn and no DCC bills against the drawal of these bills has been submitted before the closing of the accounts for the financial year 2020-21 and, therefore, there is no assurance that the expenditure of ₹43.48 crore has actually been incurred during the financial year for the purpose for which it was authorised by the Legislature. In addition to this, 350 AC bills amounting to ₹518.82 crore drawn up to 2019-20 were also outstanding as on 31 March 2021. Thus, 373 AC bills involving ₹562.30 crore were outstanding as of March 2021. Advances drawn and not accounted for increases the possibility of wastage/ misappropriation/ malfeasance, etc.

Department-wise pending AC bills for the years up to 2020-21 is detailed in **Appendix 4.2**. Status of pending AC bills (amount above ₹10 crore) in respect of five major departments is given in **Chart 4.2**.

**Chart 4.2: Pending AC Bills in respect of major Departments**



Source: Information furnished by PAG (A&E)

Year-wise details of pendency of AC bills for the years up to 2020-21 are shown in **Table 4.6**.

**Table 4.6: Year wise progress in submission of DCC bills against the outstanding AC bills**  
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2018-19	167	320.94	144	225.13	20	19.30	291	526.77
2019-20	291	526.77	125	96.22	37	74.30	379	548.69
2020-21	379	548.69	23	43.48	29	29.87	373	562.30

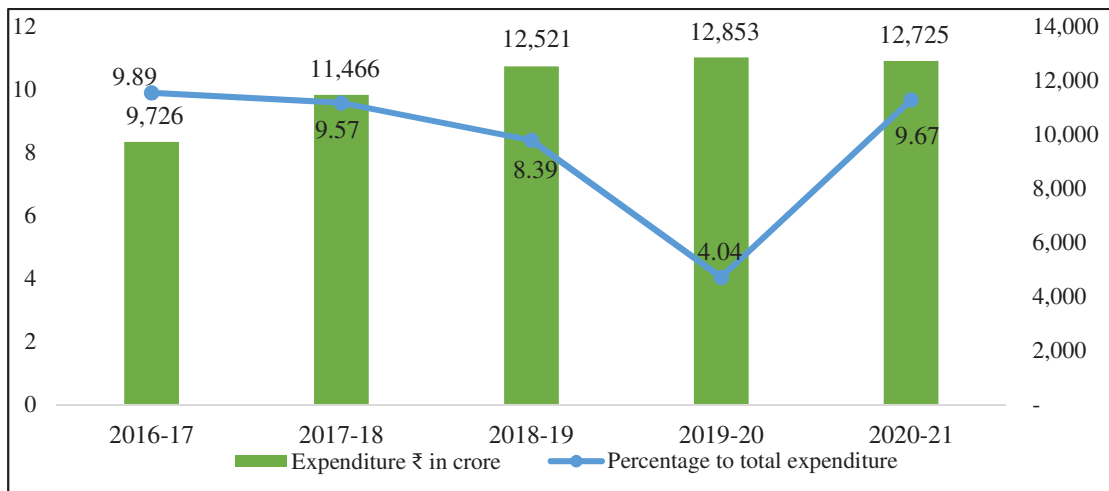
Source: Finance Accounts, 2020-21 and information furnished by PAG (A&E)

The above details clearly indicate that the Drawing and Disbursing Officers and Treasury Officers concerned failed to ensure compliance with the extant Central Treasury Rules and that AC Bills were drawn without adjustment of previously drawn AC Bills. Thus, there was an environment of financial indiscipline, which calls for action against the officers responsible for the lapse in this regard.

#### 4.6 Indiscriminate use of Minor Head 800

Minor Head 800- Other Expenditure/ Other Receipts is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque. During the year, expenditure of ₹1,230.64 crore under 73 Revenue and Capital Major Heads, constituting about 9.67 per cent of total expenditure of ₹12,724.85 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹264.74 crore under 29 Revenue Major Heads, constituting about 2.32 per cent of the total Revenue receipts of ₹11,427.43 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads.

The quantum of expenditure booked under Minor Head 800 extensively during the five-year period 2016-21, which showed a mixed trend over the years. The extent of operation of Minor Head 800 for Other Expenditure, as a percentage of Total Expenditure during 2016-21 is given in **Chart 4.3**.

**Chart 4.3: Operation of Minor Head 800 - Other Expenditure during 2016-21**

Source: Finance Accounts of the respective years

**Chart 4.3** shows that there has been large scale operation of 800 for Other Expenditure, with its share in total expenditure ranging from 4.04 to 9.89 per cent during the five-year period. Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’, are given in **Table 4.7**.

**Table 4.7: Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year**

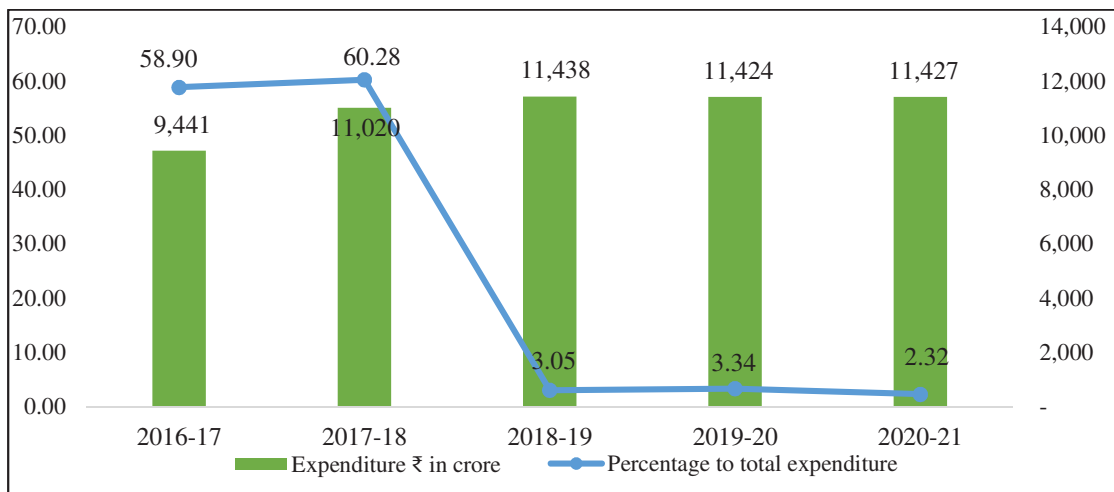
(₹ in crore)

Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Percentage
2013	Council of Ministers	6.77	10.78	62.80
2216	Housing	28.36	28.36	100.00
2501	Special Programmes for Rural Development	94.23	115.06	81.90
2552	North Eastern Areas	11.12	12.71	87.49
3055	Road Transport	57.21	69.69	82.09
4070	Capital Outlay on Other Administrative Services	4.69	4.69	100
4215	Capital Outlay on Water Supply and Sanitation	102.83	149.71	68.69
4220	Capital Outlay on Information and Publicity	1.28	1.28	100.00
4235	Capital Outlay on Social Security and Welfare	19.73	19.73	100.00
4401	Capital Outlay on Crop Husbandry	5.50	5.50	100.00
4408	Capital Outlay on Food, Storage and Warehousing	7.05	7.05	100.00
4552	Capital Outlay on North Eastern Areas	50.97	52.64	93.47
4575	Capital Outlay on Other Special Areas Programmes	103.69	103.69	100.00
4702	Capital Outlay on Minor Irrigation	54.10	54.10	100.00
4801	Capital Outlay on Power Projects	78.05	87.56	89.14
4853	Capital Outlay on Non-ferrous Mining and Metallurgical Industries	3.00	4.00	75.00
5053	Capital Outlay on Civil Aviation	1.35	1.35	100.00
5055	Capital Outlay on Road Transport	3.15	5.55	56.76
<b>Total</b>		<b>633.08</b>	<b>733.45</b>	<b>86.32</b>

Source: Finance Accounts, 2020-21

The extent of operation of Minor Head 800 for Other Receipts, as a percentage of Total Expenditure during 2016-21 is given in **Chart 4.4**.

**Chart 4.4: Operation of Minor Head 800 - Other Receipts during 2016-21**



Source: Finance Accounts of the respective years



Similarly, the quantum of receipts booked under Minor Head 800 was higher compared to expenditure, and ranged between 2.32 per cent in 2020-21 and 60.28 per cent in 2017-18. Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Receipts’, are given in **Table 4.8**.

**Table 4.8: Significant receipts booked under Minor Head 800 – Other Receipts during financial year**

(₹ in crore)

Sl. No.	Major Head	Receipt under Minor Head- 800	Total Receipt under Major Head concerned	Percentage
1.	0029- Land Revenue	0.97	1.01	96.04
2.	0039- State Excise	4.47	4.55	98.24
3.	0042- Taxes on Goods and Passengers	15.44	15.62	100.00
4.	0043-Taxes and Duties on Electricity	5.14	5.41	100.00
5.	0049- Interest Receipts	3.16	4.55	69.45
6.	0055- Police	1.19	1.30	91.54
7.	0070- Other Administrative Services	1.15	1.87	61.50
8.	0210- Medical and Public Health	0.41	0.51	80.39
9.	0401- Crop Husbandry	0.10	0.10	100.00
10.	0403- Animal Husbandry	0.32	0.35	91.43
11.	0405- Fisheries	0.04	0.04	100.00
12.	0406- Forestry and Wildlife	10.35	11.55	89.61
13.	0408-Food Storage and Warehousing	0.02	0.03	66.67
14.	0425- Co-operation	3.03	3.03	100.00
15.	0515- Other Rural Development Programmes	0.92	1.09	84.40
16.	0552- North Eastern Areas	0.05	0.05	100.00
17.	0575- Other Special Areas Programmes	0.06	0.06	100.00
18.	0801- Power	171.42	171.42	100.00
19.	0851- Village and Small Industries	0.09	0.14	64.29
20.	0853- Non-ferrous Mining and Metallurgical Industries	1.81	2.30	78.70
21.	1053- Civil Aviation	1.41	1.41	100.00
22.	1055- Road Transport	3.24	3.24	100.00
23.	1425- Other Scientific Research	0.02	0.02	100.00
24.	1452- Tourism	0.09	0.09	100.00
25.	1475- Other General Economic Services	0.22	0.24	91.67
<b>Total</b>		<b>225.12</b>	<b>229.98</b>	<b>97.89</b>

Source: Finance Accounts, 2020-21

It was observed that during 2020-21, there were 45 Major Heads under Receipts where Minor Head 800 was operated. Out of these 45 MHs, there were 24 MHs where other specific Minor Heads were already operated. The nature of receipt was found to be recurring in nature for the past three years in 38 MHs.

Similarly, it was noticed that there were 49 Major Heads under Expenditure where Minor Head 800 was operated. Out of these 49 MHs, there were 37 MHs where other

specific Minor Heads were already operated. The nature of receipt was found to be recurring in nature for the past three years in 47 MHs. Thus, MH 800 was still operated where there were specific Minor Heads already available.

In the Exit conference (December 2021), the Finance Department stated that steps would be taken up to find out the Departments where MH 800 are operated and corrective measures taken thereafter in consultation with the Principal Accountant General (A&E).

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

#### 4.7 Collection of Labour Cess

As per Rule 5 of “The Building and Other Construction Workers’ Welfare Cess Rules, 1998”, the proceeds of the cess collected under Rule 4 shall be transferred by such government office, public sector undertakings, local authority, or cess collector, to the Board along with the form of challan prescribed (and in the head of account of the Board) under the accounting procedures of the State, by whatever name they are known.

The State Government, in exercise of the powers conferred under Section 62 and 40 of the Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Act, 1996 has framed (June 2011) the Nagaland Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Rules 2010. As per Rule 249, the State Government was to constitute the Nagaland Building and Other Construction Workers’ Welfare Board and accordingly the State had constituted the Board to provide social security to the section of workers engaged in building and other construction works by implementing different welfare schemes *viz.*, Grant for purchase of tools, Medical assistance, Children Education Allowance and Maternity benefit for the women beneficiaries.

The State Government notified (August 2011) the enforcement of Levy and Collection of cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The levy and collection of such cess is at the rate of one *per cent* of the cost of construction incurred by an employer. In compliance with this notification, Finance Department instructed (February 2012) the DDOs to ensure that deduction of the cess as prescribed is made against all civil construction works involving employment of labour and to deposit the same into the account of the Nagaland Building and Other Construction Workers’ Welfare Board (NBOCWFB) by Demand Draft/ Cheque. As such, the Board had been receiving the cess from 2011-12 onwards.

Examination of records revealed that the Departments booked the Labour cess under MH 8443-Civil Deposit-108-Public Works. Thus, during the year 2020-21, the Government collected the Labour Cess amounting to ₹31.39 crore and transferred the entire amount to the NBOCWFB.

As of end of 2020-21, a total of 30,725 workers were registered with the Board. Details of amount collected and actual expenditure incurred during the period from 2016-17 to 2020-21 are shown in **Table 4.9**.

**Table 4.9: Statement of Cess Collection and Expenditure incurred (2016-17 to 2020-21)**

(₹ in crore)

Year	Opening Balance	Receipt during the year	Available Fund	Expenditure	Balance at the end of the year
2016-17	18.10	9.23	27.33	1.40	25.93
2017-18	25.93	9.45	35.38	7.56	27.82
2018-19	27.82	18.30	46.12	9.84	36.28
2019-20	36.28	23.46	59.74	12.66	47.08
2020-21	47.08	31.39	78.47	18.24	60.23

Source: Information furnished by NBOCW Welfare Board.

As can be seen from the above table, out of the total available fund of ₹78.47 crore, the NBOCWWB expended ₹18.24 crore (23.24 per cent) leaving a balance of ₹60.23 crore.

Section 24(3) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 states that no Board shall, in any financial year, incur expenses towards salaries, allowances and other remuneration to its members, officers and other employees and for meeting the other administrative expenses exceeding five per cent of its total expenses during the financial year. Scrutiny of the details of expenditure of NBOCWWB for 2020-21 revealed that out of the total expenditure of ₹18.24 crore, an expenditure of ₹0.58 crore (3.18 per cent of the total expenditure) was incurred towards administrative expenses and remains within the prescribed limit under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.

The remaining expenditure of ₹17.61 crore was incurred by the Board mainly on Educational Scholarship (₹14.58 crore) to 24,298 children of the beneficiaries i.e. building and other construction workers, Covid-19 Aid (₹2.03 crore) to 10,162 beneficiaries, and Tool Grant (₹0.42 crore) to 4,182 beneficiaries.

Further, Rule 280 of Nagaland Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Rules, 2010 stipulates that all moneys belonging to fund may be invested in the Nationalised Banks or Scheduled Banks or in the securities referred to in clauses (a) to (d) of Section 20 of the Indian Trust Act, 1882 (2 of 1882). As per the information furnished by the Board, an amount of ₹40.00 crore out of ₹60.23 crore was invested in SBI Mutual Fund as on 31 March 2021.

#### **4.7.1 Non-preparation of Accounts and non-submission of audited statement in the State Legislature**

As per Section 27 of the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, the Board has to maintain proper accounts and other relevant records and prepare an Annual Statement of Accounts. Further, the Board has to furnish the audited copy of accounts together with the auditor's report to the State Government, who shall cause it to be laid before the State

Legislature. The Board, though, has stated to have prepared the accounts for the year 2020-21, the same could not be furnished. Moreover, the Board had not submitted the same for audit. Thus, it could be concluded that the Board had not prepared the accounts for 2020-21.

The Secretary, NBOCWVB replied (October 2021) that the accounts have never been laid in the State Legislature Assembly. However, the Board would initiate necessary procedures for submission from the current financial year.

In the absence of annual accounts, a true and fair view of the financial position and performance and the veracity of the expenditure incurred under various heads during 2020-21 could not be ascertained.

Further, due to non-submission of audited copy of the accounts (annual report) and Annual statement, the state of affairs and activities of the Board remained out of the scrutiny of the State Legislature.

#### 4.8 Outstanding balance under major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads.

Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, etc. The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.10**.

**Table 4.10: Balances under Suspense and Remittance Heads**

(₹ in crore)

Minor Head	2018-19		2019-20		2020-21	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	135.29	109.48	156.44	141.10	179.91	163.54
<b>Net</b>	<b>Dr. 25.81</b>		<b>Dr. 15.34</b>		<b>Dr. 16.37</b>	
102 - Suspense Account-Civil	18.94	1.69	18.94	1.69	18.94	1.69
<b>Net</b>	<b>Dr. 17.25</b>		<b>Dr. 17.25</b>		<b>Dr. 17.25</b>	
107 - Cash Settlement Suspense Account	34.87	0.00	34.87	0.00	34.87	0.00
<b>Net</b>	<b>Dr. 34.87</b>		<b>Dr. 34.87</b>		<b>Dr. 34.87</b>	
109 - Reserve Bank Suspense -Headquarters	12.14	14.16	12.14	14.16	12.14	14.16
<b>Net</b>	<b>Cr. 2.02</b>		<b>Dr. 2.02</b>		<b>Cr. 2.02</b>	
110 - Reserve Bank Suspense - CAO	50.94	10.01	50.63	10.01	50.66	10.04
<b>Net</b>	<b>Cr. 40.93</b>		<b>Cr. 40.62</b>		<b>Dr. 40.62</b>	
129 - Material Purchase Settlement Suspense Account	209.30	223.15	209.30	223.15	235.85	249.70
<b>Net</b>	<b>Cr. 13.85</b>		<b>Cr. 13.85</b>		<b>Cr. 13.85</b>	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	14634.53	14550.75	16253.73	16170.20	18169.50	18086.08
<b>Net</b>	<b>Dr. 83.78</b>		<b>Dr. 83.53</b>		<b>Dr. 83.42</b>	
103 - Forest Remittances	1884.24	1508.49	2084.33	1708.73	2227.12	1851.50
<b>Net</b>	<b>Dr. 375.75</b>		<b>Dr. 375.60</b>		<b>Dr. 375.62</b>	

Minor Head	2018-19		2019-20		2020-21	
105 – R.B.I Remittances	6.26	0.00	6.26	0.00	6.26	0.00
<b>Net</b>	<b>Dr. 6.26</b>		<b>Dr. 6.26</b>		<b>Dr. 6.26</b>	
112 – Nagaland and Manipur Remittances	0.00	0.70	0.00	0.70	0.70	0.00
<b>Net</b>	<b>Cr. 0.70</b>		<b>Cr. 0.70</b>		<b>Dr. 0.70</b>	

Source: Finance Accounts of respective years

As can be seen from the table above, there was significant increase in closing balance under 101 - PAO suspense. These balances impacted on cash balance of the State. On clearance of these balances, cash balance of the State would increase.

#### 4.9 Reconciliation of Departmental figures

To enable Controlling Officers (COs) of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E).

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

The details of receipts and expenditure for the State during the last three years are shown in **Table 4.11**.

**Table 4.11: Status of Reconciliation of Receipts and Expenditure figures**

(₹ in crore)

Year	No. of COs	Receipts	Expenditure	Remarks
2018-19	82	26,894.56	27,070.08	<b>Fully Reconciled</b>
2019-20		25,501.48	25,654.57	
2020-21		27,641.80	27,708.97	

Source: Finance Accounts of respective years

During the past three years, all the 82 COs had reconciled their figures (both Receipts and Expenditure) in full with the books of Principal Accountant General (A&E) of the State.

#### 4.10 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Principal Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

The difference in cash balances for the previous five years from 2016-17 to 2020-21 is shown in **Table 4.12**.

**Table 4.12: Difference in cash balances from 2016-17 to 2020-21**

Year	Cash Balance		Adjustment by RBI	Difference in cash balance
	RBI figures	AG figures		
2016-17	67.82 (Dr)	226.92 (Cr)	6.61 (Dr)	152.49 (Cr)
2017-18	5.96 (Dr)	339.01 (Cr)	2.06 (Dr)	330.99 (Cr)
2018-19	93.36 (Dr)	163.49 (Cr)	18.99 (Dr)	51.14 (Cr)
2019-20	115.13 (Dr)	223.90 (Cr)	1.49 (Dr)	107.28 (Cr)
2020-21	47.80 (Cr)	157.59 (Cr)	19.09 (Cr)	89.84 (Cr)

Source: Information furnished by the Office of PAG (A&E), Nagaland

It can be seen from the table above that there was a net difference of ₹109.79 crore (Credit) between the Cash Balance of ₹157.59 crore as determined by the Principal Accountant General (A&E) and the figures of ₹47.80 crore reported by the Reserve Bank of India as on 31 March 2021. This was mainly due to incorrect reporting by Agency Banks to the RBI and misclassification by Banks/ Treasuries. After reconciliation, the difference is reduced and stands at ₹90.70 crore (Credit) due to adjustment of ₹19.09 crore (net debit) from previous year balance.

### Issues related to disclosure

#### 4.11 Compliance with Accounting Standards

As per Article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS).

The details of three standards and the extent of compliance with these by the Government of Nagaland in its financial statements for the year 2020-21 are given in **Table 4.13**.

**Table 4.13: Compliance to Accounting Standards**

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	<b>IGAS-1:</b> <i>Guarantees Given by the Government – Disclosure requirements</i>	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Not complied	While the Government has disclosed the maximum amount of guarantees given during the year along with additions, deletions, invoked, discharged and outstanding at the end of the year, however, information concerning class or sector of Guarantees on other material details was not furnished.

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
2.	<b>IGAS-2:</b> <i>Accounting and Classification of Grants-in-Aid</i>	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Complied	
3.	<b>IGAS-3:</b> <i>Loans and Advances made by Government</i>	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Not complied. While the State Government complied with the format prescribed by the Standard, the details of recoveries in arrears, interest received, written off loans etc., in respect of loans and advances have not been provided to the Principal Accountant General (A&E).	Due to absence of information on interest received, the Revenue receipt may be understated.

## 4.12 Submission of Accounts/ Separate Audit Reports of Autonomous Bodies

Fourteen Autonomous Bodies<sup>12</sup> have been set up by the State Government, of which, only five ABs are required to submit their accounts and prepare Separate Audit Report (SAR) annually to be placed in the State Legislature as per their respective Acts. The audit of these ABs are taken up under Section 19 (3) of the Comptroller and Auditor General of India' DPC Act, 1971. However, the annual accounts of these ABs are not furnished to Principal Accountant General (Audit) on time. The status of submission of accounts and issuance of Separate Audit Report (SAR) and its placement in the Legislature is indicated in **Table 4.14**.

**Table 4.14: Delay in Submission of Accounts and Tabling of Separate Audit Reports**

Sl. No.	Name of Autonomous Body	Accounts submitted upto	SAR issued upto	Date of last placement
1.	The Nagaland Khadi and Village Industries Board (NKVIB)	2019-20	2019-20	18.08.2017 (SAR for 2011-12 to 2014-15)

<sup>12</sup> (1) The Nagaland Khadi and Village Industries Board (2) Nagaland State Electricity Regulatory Commission (3) Nagaland State Legal Services Authority, Kohima (4) Nagaland Pollution Control Board (5) Nagaland Building & Other Construction Workers' Board (6) Development Authority of Nagaland (7) Nagaland Board of School Education (8) Nagaland State Agriculture Marketing Board (9) Nagaland Bamboo Development Agency (10) Naga Hospital Authority (11) Nagaland State Social Welfare Advisory Board (12) Nagaland Livestock Development Board (13) State Institute of Rural Development (14) Nagaland Bee-keeping & Honey Mission. The first five are required to prepare SARs.

Sl. No.	Name of Autonomous Body	Accounts submitted upto	SAR issued upto	Date of last placement
2.	Nagaland State Electricity Regulatory Commission (NSERC)	2017-18	2017-18	Nil
3.	Nagaland State Legal Services Authority, Kohima (NSLSA)	2019-20	Not audited	NA
4.	Nagaland Pollution Control Board (NPCB)	-	-	NA
5.	Nagaland Building & Other Construction Workers' Welfare Board (NBOCWFB)	-	-	NA

Source: Information furnished by the O/o the PAG (Audit), Commercial Wing, Nagaland

The accounts of NKVIB for the years 2015-16 to 2019-20 was submitted (10.09.2021) together. Similarly, the accounts of NSERC since inception *i.e.* for the years 2009-10 to 2017-18 was also submitted (22.02.2021) together. The accounts of NSLSA was also due since inception (1999) but NSLSA submitted (24.09.2021) their accounts for the years from 2011-12 to 2019-20.

Although the Annual Accounts of these Bodies were due for submission to the Accountant General (Audit) every year, yet the Accounts of the remaining two ABs *i.e.* NPCB and NBOCWFB were not yet furnished by those authorities since their inception (1991 and 2011 respectively), due to which CAG could not conduct the audit and submit Separate Audit Report to the State Legislature.

Thus, the non-submission/ delay in submission of Annual Accounts dilutes accountability. Such inaction was also indicative of the failures of the management at the level of such Bodies/ Authorities and proper monitoring at Government's level, which is a matter of concern.

#### 4.13 Grants / loans given to bodies and authorities

In order to identify institutions/ organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (CAG's DPC Act), the Government/ Head of the Departments (HoDs) are required to furnish to Audit every year.

- detailed information about the financial assistance given to various institutions;
- the purpose for which the assistance is granted; and
- total expenditure of the institutions.

Further, Regulation on Audit and Accounts, 2007 (Regulation 84) provides that Governments and HODs, who sanction grants and/or loans to bodies or authorities, shall furnish to Audit by the end of July every year, a statement of such bodies and authorities to which grants and/ or loans aggregating ₹10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

As per Finance Accounts, grants/ assistances were given to Urban bodies, Public Sector Undertakings, Autonomous Bodies, Non-Government Organisations every



year. The details of such grants/ assistance (₹10 lakh or more in each case) given during 2019-20 and 2020-21 are shown in **Table 4.15**.

**Table 4.15.: List of Recipient of grants/ assistance from the State Government during 2019-20 and 2020-21**

Recipient	2019-20		2020-21	
	No of Recipients	Amount	No of Recipients	Amount
Urban Local Bodies	Not specified	1.62	Not specified	1.62
	Not specified	6.11	Not specified	0.00
Rural Local Bodies	--	0.00	Not specified	62.50
Public Sector Undertakings	07	24.22	07	26.54
Autonomous Bodies	06	58.04	06	60.12
Non-Government Organisations	02	2.95	03	3.30
Others*	29	67.20	42	40.77
<b>Total</b>		<b>160.14</b>		<b>194.85</b>

Source: Finance Accounts of respective years

\* The Recipients who were not categorised under the above mentioned nomenclatures, kept under others

As can be seen from the **Table 4.15** above that an amount of ₹160.14 crore and ₹194.85 crore were given as grants/ assistance during the years 2019-20 and 2020-21 respectively by the State Government to various bodies and authorities. However, the name of the bodies and authorities to whom grants and/ or loans aggregating ₹10 lakh or more were paid during the years, indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure incurred by the body or authority, who receive the grants/ assistances during the years 2019-21 was not disclosed by the State Government.

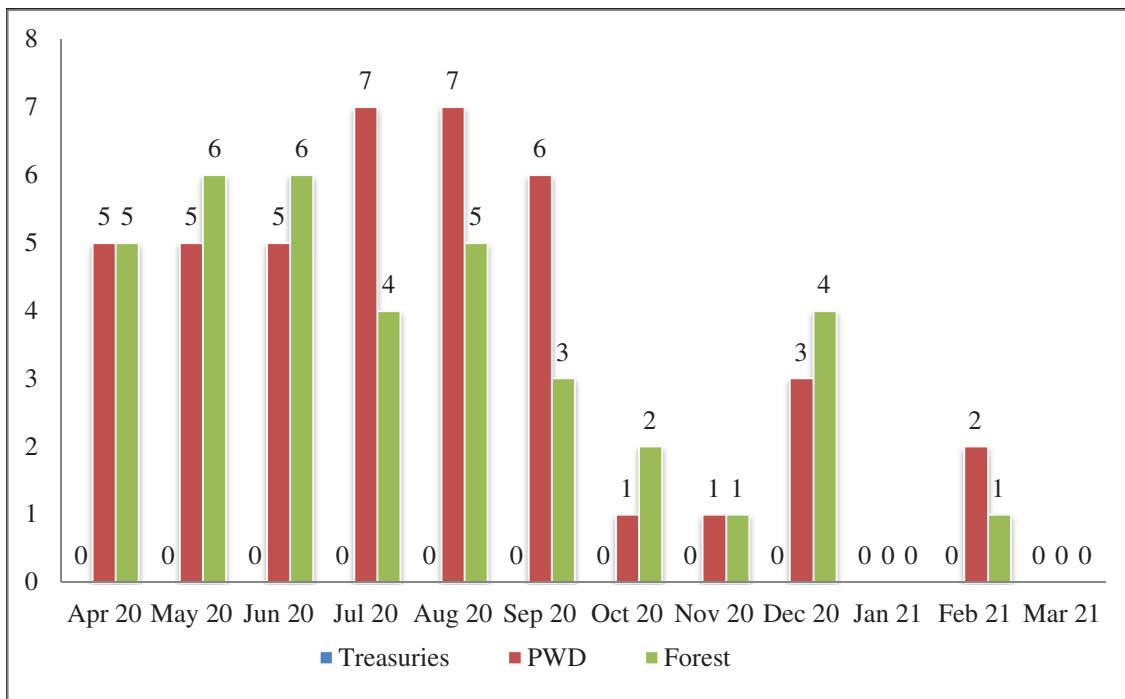
#### 4.14 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Principal Accountant General (A&E) from the initial accounts rendered by district treasuries, sub-treasuries, Resident Commissioners, cyber treasury, public works divisions and forest divisions, apart from the RBI advices. There are often delays in rendition of monthly accounts. Due to the failure of the account rendering units to furnish accounts on time, some accounts are excluded from the monthly Civil Accounts by the Principal Accountant General (A&E).

In Nagaland, the Principal Accountant General (A&E) is required to compile the accounts of the State Government, from the initial accounts rendered by the 11 District Treasuries, 09 Sub-Treasuries, Principal Resident Commissioner (New Delhi), Deputy Resident Commissioners (Guwahati, Shillong and Kolkata), 88 Public Works Divisions and 26 Forest Divisions, apart from the RBI advices.

During the financial year 2020-21, there were delays in rendition of monthly accounts that resulted in accounts excluded from the monthly Civil Accounts. Details of accounts excluded from the monthly Civil Accounts of works divisions are given below:

**Chart 4.5: Number of accounts excluded from monthly Civil Accounts during 2020-21**



Source: Information furnished by the Office of the PAG (A&E), Nagaland

As can be seen from the **Chart 4.5** above, during the year 2020-21, Public Works and Forests Divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/ units could not be incorporated in the Civil Accounts in the month of their occurrence of the transaction. Due to the failure of the accounts rendering units to furnish accounts on time, these accounts were excluded from the Monthly Civil Accounts by the Principal Accountant General (A&E) throughout the year 2020-21, except for March 2021. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the PAG (A&E) to the State Government were incomplete in all the months, except for the month of March 2021. However, no accounts have been excluded at the end of the year.

Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments *etc.* during the year. In short, the State Government needs to monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Principal Accountant General (A&E) on a timely basis, to manage its own budget more effectively.

#### 4.15 Misappropriations, losses, thefts, *etc.*

State Financial Rules lay down detailed instructions regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report thereof to the Police/ Principal Accountant General.

There were 29 cases of misappropriation, losses *etc.*, involving Government money of ₹243.98 crore up to the period ending 31 March 2021 on which final action was pending. Out of these 29 cases, five cases involving ₹18.94 crore were reportedly pending in the court of law.

The Department-wise break up of pending cases and age wise analysis is given in **Appendix 4.3**. The Department-wise break up of pending cases and the reasons for delay in final disposal are summarised in **Table 4.16**.

**Table 4.16: Pending cases of misappropriation, losses, theft, *etc.***

(₹ in crore)

Sl. No.	Name of the Department	Cases of Misappropriation/ Losses/ Theft of Government materials#		Reasons for delay in final disposal of pending cases of misappropriation, loss theft, <i>etc.</i>					
				Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	School Education	2	82.80	1	70.00	0	0.00	0	0.00
2.	Power	1	25.48	1	25.48	0	0.00	0	0.00
3.	Rural Development	4	3.21	3	2.90	0	0.00	0	0.00
4.	Public Works Department (R&B and Mechanical)	5	42.32	5	42.32	0	0.00	0	0.00
5.	Health and Family Welfare	4	13.70	4	13.70	0	0.00	0	0.00
6.	Tourism	1	5.00	1	5.00	0	0.00	0	0.00
7.	Public Health Engineering	2	5.06	2	5.06	0	0.00	0	0.00
8.	Municipal Affairs	2	4.11	0	0.00	0	0.00	0	0.00
9.	Taxes	1	0.80	1	0.80	0	0.00	0	0.00
10.	Planning and Co-ordination	1	20.23	1	20.23	0	0.00	0	0.00
11.	Land Records and Survey	1	1.24	1	1.24	0	0.00	0	0.00
12.	Various Departments	5	40.03	4	38.31	0	0.00	0	0.00
<b>Total</b>		<b>29</b>	<b>243.98</b>	<b>24</b>	<b>225.04</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>

Source: Nagaland Lokayukta, Directorate of Investigation, Nagaland) # including 5 cases involving ₹22.87 crore

Further, as per the information furnished by Nagaland Lokayukta, Directorate of Investigation, Nagaland, there are four cases of loss to Government due to theft, misappropriations, loss of Government materials *etc.* involving ₹160.47 crore, out of which an amount of ₹4.35 crore has been recovered.

#### 4.16 Follow up action on State Finances Audit Report

In Nagaland, the Departments concerned are required to furnish a *suo motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The Government should without waiting for any notice or call from the Public Accounts Committee submit a *suo motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports indicating the action taken or proposed to be taken within a period of three months from the date of laying of the Audit Reports.

The Government Departments shall invariably submit action taken notes (ATNs) on the recommendation of the PAC within a period of six months from the date of receipt of the PAC's report from the Secretary/ Commissioner Secretary, Assembly. This timeframe was further reduced by the PAC to two months.

The Audit Reports on State Finances for the years from 2008-09 to 2018-19 were placed before the State Legislature and that for the year 2019-20 was yet to be placed (as on November 2021) are shown in **Table 4.17**.

**Table 4.17: Follow up status of State Finances Audit Reports for 2008-09 to 2019-20**

Year of State Finances Audit Report	Date of placement in State Legislature	Remarks
2008-09	27.03.2010	The ATNs, on the recommendations of the Public Accounts Committee on the Report of State Finances, for the year 2011-12 have been received and ATNs for the years from 2012-13 to 2018-19 were yet to be received (November 2021).
2009-10	28.03.2011	
2010-11	22.03.2012	
2011-12	18.03.2013	
2012-13	25.07.2014	
2013-14	17.03.2015	
2014-15	19.03.2016	
2015-16	28.03.2017	
2016-17	20.09.2018	
2017-18	15.02.2020	
2018-19	19.02.2021	
2019-20	Yet to be laid	

Source: Information furnished by the Nagaland State Legislative Assembly Secretariat

## 4.17 Conclusion

During the year 2020-21, 78 grants involving ₹212.60 crore were provided to 21 Departments for which Utilisation Certificates (UCs) are due for submission during the year 2021-22. As on March 2021, there are 173 UCs worth ₹396.47 crore, which are due for submission for periods pertaining up to 2019-20. Pending UCs violate prescribed financial rules and directives, and reflects poor monitoring mechanism of the State Government. Moreover, high pendency of UCs is fraught with risk of misappropriation of funds. The State would also lose out on central funds for want of UCs not submitted.

There were 373 Abstract Contingent (AC) Bills involving ₹562.30 crore pending for adjustment by submission of Detailed Countersigned Contingent (DCC) Bills, as of March 2021. Out of these, 23 AC bills amounting to ₹43.48 crore pertained to the year 2020-21. The non-adjustment of AC Bills is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of Detailed Countersigned Contingent (DCC) bills. Further, there is no assurance that the expenditure of the State Government reflected in the Finance Accounts is correct or final due to non-receipt of DCC bills to that extent.

During the year, expenditure of ₹1,230.64 crore under 73 Revenue and Capital Major Heads, constituting about 9.67 per cent of total expenditure of ₹12,724.85 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹264.74 crore under 29 Revenue Major Heads, constituting about 2.32 per cent of the total Revenue receipts of ₹11,427.43 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads. During 2020-21, there were 45 Major Heads (MHs) under Receipts where Minor Head 800 was operated. Out of these 45 MHs, there were 24 MHs where other specific Minor Heads were already operated. The nature of receipt was found to be recurring in nature for the past three years in 38 MHs. Similarly, 49 MHs under Expenditure where Minor Head 800 was operated. Out of these 49 MHs, there were 37 MHs where other specific Minor Heads were already operated. The nature of receipt was found to be recurring in nature for the past three years in 47 MHs. Thus, MH 800 was still operated where there was specific Minor Heads already available. Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

The State Government notified (August 2011) the enforcement of Levy and Collection of Cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. At the end of 2020-21, a total of 30,725 workers were registered with the Nagaland Building and Other Construction Workers' Welfare Board (NBOCWFB). Out of the total available fund of ₹78.47 crore during the year, the NBOCWFB expended ₹18.24 crore. Out of total expenditure of ₹18.24 crore, administrative expenses were ₹0.58 crore, which was 3.18 per cent of the total expenditure and remains within the prescribed limit under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. Remaining expenditure of ₹17.61 crore was incurred mainly on Educational Scholarship (₹14.58 crore) to 24,298 children of the beneficiaries *i.e.* building and other construction workers, Covid-19 Aid (₹2.03 crore) to 10,162 beneficiaries, and Tool Grant (₹0.42 crore) to 4,182 beneficiaries.

During the year 2020-21, Public Works and Forests Divisions were the major units that delayed the rendition of monthly accounts. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management.

#### 4.18 Recommendations

- State Government may ensure timely submission of all utilisation certificates due by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.
- The Finance Department should, in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed /object heads of account.

- Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position. Persistently defaulting bodies may be given further financial assistance by the State Government only on submission of final accounts.
- The State Government should ensure that the Controlling Officers render the monthly accounts in time to the Principal Accountant General (A&E) in the interest of financial discipline and better budget management.

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*CHAPTER V*

*FUNCTIONING OF STATE PUBLIC  
SECTOR ENTERPRISES*

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## Chapter V: Functioning of State Public Sector Enterprises

### SUMMARY OF FINANCIAL PERFORMANCE OF STATE PUBLIC SECTOR ENTERPRISES

#### 5.1 Introduction

This Chapter presents the financial performance of ‘Government Companies’, ‘Statutory Corporations’ and ‘Government Controlled Other Companies’. The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company, which is a subsidiary of a Government Company.

Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

#### 5.2 Mandate

Audit of ‘Government companies’ and ‘Government Controlled Other Companies’ is conducted by the CAG under the provisions of Section 143 (5) to 143 (7) of the Companies Act, 2013 read with Section 19 of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

#### 5.3 Working and non-working SPSEs

As on 31 March 2021, there were six SPSEs (all Government companies including two non-working) under the audit jurisdiction of the CAG in Nagaland as shown in **Table 5.1**.

**Table 5.1: List of SPSEs in the State**

<b>Working SPSEs</b>	1. Nagaland Industrial Development Corporation Limited (NIDC)
	2. Nagaland State Mineral Development Corporation Limited (NSMDC)
	3. Nagaland Hotels Limited (NHL)
	4. Nagaland Handloom and Handicrafts Development Corporation Limited (NHHDC)
<b>Non-working SPSEs</b>	1. Nagaland Sugar Mills Company Limited (NSMC)
	2. Nagaland Industrial Raw Materials and Supply Corporation Limited (NIRMSC)

**Table 5.2** below provides the comparative details of working SPSEs turnover and GSDP for a period of three years ending 2020-21.

**Table 5.2: Contribution of SPSEs-turnover to GSDP**

Particulars	(₹ in crore)		
	2018-19	2019-20	2020-21
SPSEs-Turnover <sup>13</sup>	6.70	6.78	6.52
GSDP	26,527	29,536	29,313
Percentage of Turnover to GSDP	0.03	0.02	0.02

Source: As per latest finalised accounts of SPSEs

It could be noticed from the table above that during last three years (2018-19 to 2020-21), the contribution of SPSEs-turnover to GSDP was meagre and in decreasing trend, ranging between 0.03 and 0.02 per cent.

## 5.4 Investment in SPSEs

### State Government's investment in SPSEs

The State's investment in its SPSEs was by way of Equity Share Capital and Long Term Loans. The figures in respect of Equity Capital and Loans provided by the State Government as per the records of the SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard for last three years is given in **Table 5.3**.

**Table 5.3: Equity and Loans<sup>14</sup> outstanding as per the State Finance Accounts vis-à-vis records of SPSEs for last three years**

Year	2018-19			2019-20			2020-21		
	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference
Equity <sup>15</sup>	108.75	34.34	74.41	109.75	34.34	75.41	111.05	34.34	76.71
Loans	0.48	0.81	0.33	0.48	0.81	0.33	0.48 <sup>16</sup>	0.81	0.33

Source: As per State Finance Accounts and as per records of SPSEs.

It can be noticed from the table above that, during last three years (2018-19 to 2020-21), as per records of SPSEs, the Equity investment and Loans by the State Government remained unchanged at ₹34.34 crore and ₹0.81 crore respectively. During 2020-21, however, there were differences in the figures of Equity (₹76.71 crore) and Loans (₹0.33 crore) as per two sets of records. The difference in Equity investment occurred in respect of all six SPSEs where State Government had made direct investment. As regards Loan figures, SPSE-wise figures of State Government Loans not available in the State Finance Accounts and hence, the SPSEs having difference in the figures of State Government Loans as per two sets of records could not be ascertained.

<sup>13</sup> As per the latest finalised accounts of working SPSEs as on 30<sup>th</sup> September of respective years.

<sup>14</sup> Figures as per the records of SPSEs are provisional and as provided by the SPSEs as none of the SPSEs had finalised their current accounts (2020-21).

<sup>15</sup> Including 'Share application money pending allotment'.

<sup>16</sup> This represents the Loans provided by the State Government to 'Public Sector and other Undertakings' and booked under the heading 'Industry & Mineral-Loans to Consumer Industries-Sugar in the State Finance Accounts without giving the SPSE-wise details.

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of financing the SPSEs and the Finance Accounts may be updated.

## 5.5 Budgetary assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The summarised details of budgetary support towards Equity, Loans and Grants/ subsidies in respect of SPSEs during past three years are given in **Table 5.4**.

**Table 5.4: Details regarding annual budgetary support to SPSEs**

(₹ in crore)

Particulars	2018-19		2019-20		2020-21	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity capital outgo from budget	0	0.00	0	0.00	0	0.00
Loans given from budget	1	3.85	1	3.41	1	0.62
Grants/ subsidy from budget	5	25.04	5	24.49	5	26.76
<b>Total</b>	<b>6</b>	<b>28.89</b>	<b>6</b>	<b>27.90</b>	<b>6</b>	<b>27.38</b>

Source: Figures as provided by the SPSEs

It can be noticed from the table above that during last three years ending 2020-21, the budgetary support provided by State Government to SPSEs ranged between ₹27.38 crore (2020-21) and ₹28.89 crore (2018-19). During 2020-21, the recipients of budgetary support were Nagaland Handloom and Handicrafts Development Corporation Limited (Grant: ₹10.32 crore, 38.56 per cent), Nagaland State Mineral Development Corporation Limited (Grant: ₹9.71 crore, 36.29 per cent), Nagaland Hotels Limited (Grant: ₹3.68 crore, 13.75 per cent), Nagaland Industrial Raw Materials and Supply Corporation Limited (Grant: ₹2.25 crore, 8.41 per cent) and Nagaland Industrial Development Corporation Limited (Grant: ₹0.80 crore, 2.99 per cent and Loans: ₹0.62 crore, 100 per cent).

The net worth of both these SPSEs was negative due to complete erosion of their Capital by the accumulated losses. During 2020-21, however, the State Government provided budgetary support (Grant) of ₹26.76 crore to five SPSEs (Four Working and one non-working SPSEs) to meet its establishment expenditure which is unproductive and a drain on the State exchequer. Accumulation of huge losses by all the four working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their working or fully review the working of these SPSEs for continuing their operations.

## 5.6 Return on investment in Government Companies and Corporations

### *Profit earned and Dividend paid by SPSEs*

The position of aggregate profit earned and dividend paid by profit earning SPSEs during the past three years as per the latest finalised accounts as on 30 September of respective year is given in **Table 5.5**.

**Table 5.5: Details of profits earned and dividend paid by working SPSEs**

Year	2018-19	2019-20	2020-21
Number of profit earning working SPSEs	1	Nil	1
Aggregate profit earned (₹ in crore)	1.18	-	2.50
Dividend paid	-	-	-

Source: Figures as provided by the SPSEs

As can be noticed from table above that during two out of three years, only one working SPSE (Nagaland State Mineral Development Corporation Limited) earned profits of ₹1.18 crore (2018-19) and ₹2.50 crore (2020-21). However, this profit earning SPSE has not declared any dividend.

## 5.7 Long Term Debt of SPSEs

The position of outstanding Long Term Debts of the SPSEs during the last three years as per their latest finalised accounts is given in **Table 5.6**.

**Table 5.6: Position of outstanding Long Term Loans of the SPSEs**

Particulars	(₹ in crore)		
	2018-19	2019-20	2020-21
Total Loans outstanding (State Government and Others)	73.72	73.72	77.76
State Government Loans outstanding	0.81	0.81	0.81
Interest on Total Loans <sup>17</sup>	2.08	2.06	1.62

Source: As per latest finalised accounts of SPSEs

It can be noticed from the table above that during the three years ending 2020-21, the total long term borrowings of the SPSEs from all sources registered a marginal increase of ₹4.04 crore (5.48 per cent) from ₹73.72 crore (2019-20) to ₹77.76 crore (2020-21). However, the State Government Loans remained constant at ₹0.81 crore during the last three years. Further, one out of six SPSEs in Nagaland (Nagaland State Mineral Development Corporation Limited) did not have any outstanding long term borrowings during 2020-21 as per their latest finalised accounts.

## 5.8 Operating Efficiency of SPSEs

### Key parameters

Some of the key parameters of the operational efficiency of working SPSEs for last three years as per their latest finalised accounts as on 30 September of the respective year are given in **Table 5.7**.

**Table 5.7: Key parameters of operational efficiency of working SPSEs**

Year	No. of working SPSEs	Paid up capital <sup>18</sup>	(₹ in crore)			
			Net overall Accumulated profits(+)/ losses(-)	Net overall profits (+)/ losses(-)	EBIT	Capital Employed <sup>19</sup>
2018-19	5	35.95	-66.38	-2.62	-0.54	(+) 28.52
2019-20	5	35.95	-68.62	-6.03	-3.97	(+) 26.28
2020-21	4	35.14	-67.75	-6.30	-4.68	(+) 39.02

Source: As per latest finalised accounts of SPSEs

<sup>17</sup> Interest figures as available in the latest finalised accounts of respective SPSEs

<sup>18</sup> Including 'Share application money pending allotment'.

<sup>19</sup> **Capital Employed**= Paid up share capital plus Free reserves and Surplus plus Long term loans minus Accumulated losses minus Deferred revenue expenditure.

From the table above, it can be seen that, the position of the Net overall losses and 'Earnings before Interest and Tax' (EBIT) has deteriorated in 2020-21 as compared to 2018-19. More than 73 per cent (₹49.70 crore) of the accumulated losses of SPSEs (₹67.75 crore) during 2020-21 were contributed by Nagaland Industrial Development Corporation Limited.

## 5.9 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed in excess of the cost of capital. ROCE is an important metric for long term lenders. ROCE is calculated by dividing a company's Earnings before Interest and Taxes (EBIT) by the Capital Employed.

During 2020-21, the overall capital employed in respect of four working SPSEs as per their latest finalised accounts was ₹39.02 crore. Further, out of four working SPSEs, only one SPSE<sup>20</sup> had positive ROCE.

## 5.10 Return on Equity (ROE)

Return on equity<sup>21</sup> (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2020-21, one working SPSE<sup>22</sup> had positive ROE.

## 5.11 SPSEs incurring Losses

As mentioned earlier, out of four working SPSEs in Nagaland, three had incurred losses during 2020-21. The position of aggregate losses incurred by loss making working SPSEs during the past three years as per their latest finalised accounts is given in **Table 5.8**.

**Table 5.8: Details of loss making working SPSEs**

Year	2018-19	2019-20	2020-21
Total No. of working SPSEs	5	5	4
Number of loss making working SPSEs	4	5	3
Aggregate losses (₹ in crore)	3.80	6.03	8.80

Source: As per latest finalised accounts of SPSEs

The details of major contributors to losses of working SPSEs during 2020-21 are shown in **Table 5.9**.

**Table 5.9: Major contributors to losses of working SPSEs during 2020-21**

Sl. No.	Name of the SPSE	Latest finalised accounts	Net Loss (₹ in crore)
1.	Nagaland Industrial Development Corporation Limited	2019-20	5.12
2.	Nagaland Hotels Limited	2017-18	2.84
<b>Total</b>			<b>7.96</b>

Source: As per latest finalised accounts of SPSEs

<sup>20</sup> Nagaland State Mineral Development Corporation Limited (ROCE: (+) 22.49 per cent)

<sup>21</sup> **Return on Equity** = (Net Profit after Tax and preference Dividend ÷ Equity) x 100, where **Equity** = Paid up Capital plus Free Reserves minus Accumulated Loss minus Deferred Revenue Expenditure.

<sup>22</sup> Nagaland State Mineral Development Corporation Limited (Net profit for 2018-19 was ₹ 2.50 crore)

From the table above, it can be noticed that more than 90 *per cent* of the losses incurred by working SPSEs during 2020-21 were contributed by the above mentioned two SPSEs.

## 5.12 Erosion of capital in Government Companies

The aggregate paid-up capital and accumulated losses of four working SPSEs as per their latest finalised accounts as on 30 September 2021 were ₹35.14 crore and (-)₹67.75 crore respectively. Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of two working SPSEs (₹71.79 crore) had completely eroded their paid-up capital (₹25.55 crore) as detailed in **Table 5.10**.

**Table 5.10: Erosion of Capital of SPSEs**

(₹ in crore)			
Name of SPSE	Latest finalised accounts	Paid up capital <sup>23</sup>	Accumulated losses
Nagaland Industrial Development Corporation Limited	2019-20	23.20	49.70
Nagaland Hotels Limited	2017-18	2.35	22.09
<b>Total</b>		<b>25.55</b>	<b>71.79</b>

Source: As per latest finalised accounts of SPSEs

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

## OVERSIGHT ROLE OF COMPTROLLER & AUDITOR GENERAL OF INDIA

### 5.13 Audit of State Public Sector Enterprises (SPSEs)

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and supplement or comment upon the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

### 5.14 Appointment of Statutory auditors of Public Sector Enterprises by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. The statutory auditors of all the four working SPSEs and two non-working SPSE are appointed by the CAG.

<sup>23</sup> Including 'Share application money pending allotment'.

## 5.15 Submission of Accounts by SPSEs

### *Need for timely submission*

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the companies from the State budget.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2020, as discussed below.

## 5.16 Timeliness in preparation of Accounts by SPSEs

The details relating to finalisation of accounts by four working SPSEs during the last three years as of 30 September of respective year are given in **Table 5.11**.

**Table 5.11: Position relating to finalisation of Accounts of working SPSEs**

Sl. No.	Particulars	2018-19	2019-20	2020-21
1.	Number of working SPSEs	5	5	4
2.	Number of Accounts finalised during the year	8	2	14
3.	Number of Accounts in arrears	18	21	9
4.	Number of Working SPSEs with arrears in Accounts	5	5	4
5.	Extent of arrears (number in years)	1 to 9	2 to 10	1 to 3

Source: As per latest finalised accounts of SPSEs

As could be seen from **Table 5.11**, none of the four working SPSEs had finalised their accounts for the current year (2020-21). However, there is significant reduction in pendency of working SPSE accounts from total 21 Accounts (2019-20) to nine Accounts (2020-21) mainly due to finalisation of total 14 Accounts during 2020-21 as compared to two Accounts (2019-20) finalised by SPSEs during last year. As on 30 September 2021, the four working SPSEs had an arrear of total nine Accounts ranging from one to three years. As regards non-working SPSEs, both the non-working SPSEs<sup>24</sup> had a backlog of total 21 Accounts as on 30 September 2021.

<sup>24</sup> Nagaland Industrial Raw Materials Supply Corporation Limited (two Accounts) and Nagaland Sugar Mills Company Limited (19 Accounts).

The Administrative Departments, which have the responsibility to oversee the activities of the SPSEs, have to ensure that the SPSEs finalise and adopt their accounts within the stipulated period. In view of the position of arrears of accounts indicated above, the actual contribution of SPSEs to the GSDP for the year 2020-21 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

The Principal Accountant General (Audit), Nagaland had been regularly pursuing with the administrative departments and concerned SPSEs for liquidating the arrears of accounts of SPSEs. However, the State Government and the SPSEs concerned could not address the issue to clear pendency of accounts of the SPSEs in a time bound manner.

### **5.17 CAG's oversight - Audit of Accounts and Supplementary Audit**

#### ***Financial reporting framework***

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

### **5.18 Audit of Accounts of Government Companies by Statutory Auditors**

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector enterprises with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the Statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the Statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

### **5.19 Supplementary Audit of Accounts of Government Companies**

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI)



and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

## 5.20 Non-Compliance with provisions of Accounting Standards/IND AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Ind AS) Rules, 2015 and Companies (Ind AS) (Amendment) Rules, 2016.

The Statutory Auditors reported that one company namely Nagaland State Mineral Development Corporation Limited did not comply with mandatory Accounting Standards. The deviation is shown in **Table 5.12**.

**Table 5.12 Deviations reported by statutory auditors**

Accounting Standard		Name of the Company	Deviation
AS-1	Disclosure of Accounting Policies	Nagaland State Mineral Development Corporation Limited	Accounts are being prepared in hybrid system of accounting in contravention of fundamental accounting assumption.
AS-15	Employees Benefit		Non-provision of gratuity on mercantile system.
AS-9	Revenue recognition		Accounting for sales and hire charges income has not been made as per AS-9

Source: Statutory Audit Reports

## 5.21 Result of CAG's oversight role

### *Audit of accounts of SPSEs Government Companies*

During 2020-21, four working companies forwarded 14 Accounts and one non-working company forwarded one year Accounts to the Principal Accountant General (Audit). The supplementary audit of three Accounts were taken up and comments issued whereas remaining 12 Accounts were issued 'Non-Review Certificates'.

Some significant audit observations are discussed as follows:

#### *Nagaland Industrial Development Corporation Limited (2019-20)*

- The current liabilities were understated by ₹2.54 crore due to non-provisioning towards outstanding electricity dues (₹0.89 crore) relating to ASEZ, Ganeshnagar and dues payable to LIC of India against Gratuity premium (₹1.65 crore). This has correspondingly resulted in understatement of 'loss for the year' to the same extent.

- ii. Non-recognition of the interest liability payable to National Minorities Development and Financial Corporation (₹4.25 crore), National Scheduled Tribes Finance and Development Corporation (₹0.18 crore) and National Safai Karmchhari Finance and Development Corporation (₹0.02 crore) on 'accrual basis' is contrary to the Generally Accepted Accounting Principles (GAAP) resulting in understatement of 'non-current liabilities' and 'loss' for the year 2019-20 by ₹4.45 crore each.

#### ***Nagaland Handloom and Handicrafts Development Corporation Limited (2013-14)***

Accounts and Significant Accounting Policies (Schedule 22) for the year 2013-14 disclosed that Depreciation on Fixed Assets has been provided at the rates prescribed under the Income Tax Act 1961. However, it was observed that the various Buildings under Fixed Assets have been provided depreciation @ 2.50 *per cent* per annum in contradiction to 10 *per cent* per annum prescribed under Income Tax Act. This has resulted in overstatement of Fixed Assets by ₹35.89 lakh and understatement of Depreciation by same amount with corresponding understatement of Loss to the same extent.

## **5.22 Conclusion**

As on 31 March 2021, the State of Nagaland had six SPSEs (all Government companies), which included two non-working SPSEs. As on 31 March 2021, there were differences in the figures of State's investment in Equity (₹76.71 crore) and Loan (₹0.33 crore) of SPSEs as per State Finance Accounts *vis-à-vis* records of SPSEs.

During 2020-21, the recipients of budgetary support were Nagaland Handloom and Handicrafts Development Corporation Limited (Grant: ₹10.32 crore, 38.56 *per cent*), Nagaland State Mineral Development Corporation Limited (Grant: ₹9.71 crore, 36.29 *per cent*), Nagaland Hotels Limited (Grant: ₹3.68 crore, 13.75 *per cent*), Nagaland Industrial Raw Materials and Supply Corporation Limited (Grant: ₹2.25 crore, 8.41 *per cent*) and Nagaland Industrial Development Corporation Limited (Grant: ₹0.80 crore, 2.99 *per cent* and Loans: ₹0.62 crore, 100 *per cent*).

The net worth of both these SPSEs was negative due to complete erosion of their Capital by the accumulated losses. During 2020-21, however, the State Government provided budgetary support (Grant) of ₹26.76 crore to five SPSEs (Four Working and one non-working SPSEs) to meet its establishment expenditure which is unproductive and a drain on the State exchequer. Accumulation of huge losses by all the four working SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to either improve their working or fully review the working of these SPSEs for continuing their operations.


During 2020-21, the three working SPSEs incurred losses aggregating ₹8.80 crore. Further, the accumulated losses of two working SPSEs (₹71.79 crore) had completely eroded their paid-up capital (₹25.55 crore).

As on 30 September 2021, the four working SPSEs had an arrear of total nine Accounts ranging from one to three years.

### 5.23 Recommendations


- The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long term Loans) of the State Government as appearing in the State Finance Accounts *vis-à-vis* SPSE records in a time-bound manner.
- Accumulation of huge losses by two out of four working SPSEs had eroded public wealth, which is a cause of concern and the State Government may review the working of these SPSEs to either improve their profitability or close their operations.
- The Administrative Departments, which have the responsibility to oversee the activities of the SPSEs, have to ensure that the SPSEs finalise and adopt their accounts within the stipulated period. In view of the position of arrears of accounts indicated above, the actual contribution of SPSEs to the GSDP for the year 2020-21 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

**Kohima**  
The 09 June 2022

  
(A. P. CHOPHY)  
Principal Accountant General (Audit)

*Countersigned*

**New Delhi**  
The 20 June 2022

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India



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## *APPENDICES*

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## Appendix 1.1

### Part A: Glossary of important Budget related terms

(Reference: Paragraphs-1.1; 1.4 and 3.1)

1. **'Accounts' or 'actuals' of a year.** - are the amounts of receipts and disbursements for the financial year beginning on *April 1st* and ending on *March 31st* following, as finally recorded in the Accounting authority's books (as audited by C&AG). Provisional Accounts refers to the unaudited accounts.
2. **'Administrative approval' of a scheme, proposal or work.** - is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure. Taken with the provision of funds in the budget, it operates as a financial sanction to the work during that particular year in which the Administrative Approval is issued.
3. **'Annual financial statement'** – Also referred to as Budget means the statement of estimated receipts and expenditure of the Central/State Government for each financial year, laid before the Parliament/State Legislature.
4. **'Appropriation'** - means the amount authorized by the Parliament/State Legislature for expenditure under different primary unit of appropriation or part thereof placed at the disposal of a disbursing officer.
5. **'Charged Expenditure'** - means such expenditure as is not to be submitted to the vote of the Legislature under the provisions of the Constitution.
6. **'Consolidated Fund of India/ State'**- All revenues of the Union/State Government, loans raised by it and all moneys received in repayment of loans form the Consolidated Fund of India/ State. No moneys out of this Fund can be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution.
7. **'Contingency Fund'** is in the nature of an imprest. The Contingency Fund is intended to provide advances to the executive/Government to meet unforeseen expenditure arising in the course of a year pending its authorisation by the Parliament/ State Legislature. The amounts drawn from the Contingency Fund are recouped after the Parliament/State Legislature approves it through the Supplementary Demands.
8. **'Controlling Officer (budget)'** - means an officer entrusted by a Department with the responsibility of controlling the incurring of expenditure and/ or the collection of revenue. The term includes the Heads of Department and also the Administrators.
9. **'Drawing and Disbursing Officer' (DDO)** – means a Head of Office and also any other Officer so designated by the Finance Department of the State Government, to draw bills and make payments on behalf of the State Government. The term shall also include a Head of Department where he himself discharges such function.

10. **'Excess Grant'** – Excess grant means the amount of expenditure over and above the provision allowed through the original/supplementary grant, that requires regularisation by obtaining excess grant from the Parliament/State Legislature under Article 115/205 of the Constitution.
11. **'New Service'** – As appearing in Article 115(1)(a)/205(1)(a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/ State Legislature earlier, including a new activity or a new form of investment.
12. **'New Instrument of Service'**- means relatively large expenditure arising out of important expansion of an existing activity.
13. **'Public Accounts'**- means the Public Account referred to in Article 266(2) of the Constitution. The receipts and disbursements such as deposits, reserve funds, remittances, *etc.* which do not form part of the Consolidated Fund are included in the Public Account. Disbursements from the Public Account are not subject to vote by the Parliament/ State Legislature, as they are not moneys issued out of the Consolidated Fund of India/State.
14. **'Re-appropriation'** - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation.
15. **'Revised Estimates'** - is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipation for the remainder of the year in the light of the orders already issued.
16. **'Supplementary Demands for Grants'**- means the statement of supplementary demands laid before the legislature, showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Financial Statement for that year. The demand for supplementary may be token, technical or substantive/cash.
  - a) **Cash Supplementary** is over and above the original budget provisions and results in enhancement of the allocation for the Demand/Grant. It should be obtained as a last resort and after proper due diligence. Presently, this method is followed by the State.
  - b) There are four Sections in each Demand *i.e.*, Revenue Voted, Revenue Charged, Capital Voted and Capital Charged. **Technical Supplementary**, after obtaining the approval of the State Legislature, allows to utilize the savings of one of the Sections for any other Section.
  - c) **Token Supplementary** allows to utilise the savings within the same section of the grant.
17. **'Major Head'** - means a Major Head of account for the purpose of recording and classifying the receipts and disbursements of the State. A Major Head, particularly



the one falling within the Consolidated Fund, generally corresponds to a ‘function’ of Government such as Agriculture, Education, Health, etc.

18. **‘Sub-Major Head’** - means an intermediate head of account introduced between a Major Head and the Minor Heads under it, when the Minor Heads are numerous and can conveniently be grouped together under such intermediate Head.
19. **‘Minor Head’** - means a head subordinate to a Major Head or a Sub-Major Head. A Minor Head subordinate to a Major Head identifies a “programme” undertaken to achieve the objectives of the function represented by the Major Head.
20. **‘Sub-Head’** - means a unit of account next subordinate to a Minor Head which normally denotes the scheme or organisation under that Minor Head or programme.
21. **‘Major Work’** - means an original work, the estimated cost of which exclusive of departmental charges exceeds the amount as notified by the Government from time to time.
22. **‘Minor Work’** - means an original work, the estimated cost of which exclusive of departmental charges does not exceed the amount as notified by the Government from time to time.
23. **‘Modified Grant or Appropriation’** - means the sum allotted to any Sub-Head of Appropriation as it stands after Re-Appropriation or the sanction of an Additional or Supplementary Grant by competent authority.
24. **‘Supplementary or Additional Grant or Appropriation’** - means a provision included in an Appropriation Act, during the course of a financial year, to meet expenditure in excess of the amount previously included in an Appropriation Act for that year.
25. **‘Schedule of New Expenditure’** - means a statement of items of new expenditure proposed for inclusion in the Budget for the ensuing year.
26. **‘Token demand’** - means a demand made to the Assembly for a nominal or token sum when, for example, it is proposed to meet the entire expenditure on a new service from savings out of the sanctioned budget grant.

The definition of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given below:

Term	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]* 100$

Term	Basis of calculation
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest Payment/[(Amount of previous year's Fiscal liabilities + Current year's Fiscal Liabilities)/2]*100
Interest received as <i>per cent</i> to Loans Outstanding	Interest Received/[(Opening balance + Closing balance of Loans and Advances)/2]*100
Average interest rate of Outstanding Debt	Interest Paid/[(Opening Balance of Public Debt + Closing Balance of Public Debt)/2]
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts.
Primary Deficit	Fiscal Deficit – Interest Payments
Compound Annual Growth Rate (CAGR)	The Compound Annual Growth Rate is calculated by taking the n <sup>th</sup> root of the total percentage growth rate, where n is the number of years in the period being considered. CAGR= [ending value /beginning value] <sup>1/no of years -1</sup>
GSDP	GSDP is defined as the total income of the State or the Market Value of Goods and Services produced using Labour and all other factors of production at Current Prices.
Buoyancy Ratio	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 0.70 implies that Revenue Receipts tend to increase by 0.70 percentage points, if the GSDP increases by one per cent.
Core Public and Merit Goods	Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such goods lead to no subtractions from any other individual's consumption of the goods, <i>e.g.</i> enforcement of law and order, security and protection of our rights; pollution free air, other environmental good, road infrastructure <i>etc.</i> 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 morbidity, providing basic education to all, drinking water and sanitation, <i>etc.</i>

<b>Term</b>	<b>Basis of calculation</b>
Debt Sustainability	Debt Sustainability is defined as the ability of the State to maintain a constant Debt-GSDP 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 balance between costs of additional borrowings with returns from such borrowings. It means that rise in Fiscal Deficit should match with the increase in capacity to service the Debt.
Non-debt receipts	Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.
Net Availability of Borrowed Funds	Defined as the ratio of the debt redemption (Principal + Interest payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the Net Availability of Borrowed Funds.
Misappropriation	Dishonestly misappropriating or converting to own use any property, or dishonestly using or disposing of that property in violation of any direction of law prescribing the mode in which such trust is to be discharged, or of any legal contract, express or implied.
Defalcation	Defalcation is misappropriation of funds by a person trusted with its charge; also, the act of misappropriation, or an instance thereof.

## Appendix 1.1

## Part B: State Profile

(Reference: Paragraph-1.1)

A. General information pertaining to the State for the year 2020-21					
Sl. No.	Particulars		Unit	India	Nagaland
1.	Area		Sq. km	32,87,263	16,579
2.	Population (in lakhs)	(a) 2010*	In lakh	11,767	19.52
		(b) 2011*	In lakh	122,02	19.91
		(c) 2021*	In lakh	137,03	21.90
3.	Density of population persons (projected)		Per square km	382	119.00
4.	Population below Poverty line (2011-12)		Per cent	21.92	18.88#
5.	Literacy rate (2011 census)		Per cent	73.00	79.55
6.	Infant mortality rate (National Family Health Survey 2015-16)		Per 1000 live births	30.00	3.00\$
7.	Life expectancy at birth in years		Year	69.40	NA
8.	Decadal population growth (2011 to 2021)*		Per cent	12.30	10.76
9.	GDP/GSDP (2019-20) at current prices (2011-12 Series)		(₹ in crore)	1,97,45,670	29,313
10.	Per Capita GSDP		(in ₹)	1,45,680	1,34,339
11.	Growth rate of GSDP for 2020-21 from the previous year		Per cent	-2.97	-0.76
Sources: Report of the Technical Group on Population Projections for India and States (2011-2036), Registrar of India, Census data 2011, MOSPI, SRS Bulletin 2019 (October, 2021), SRS based Abridged Life Tables 2014-18, Registrar General of India (September 2020), For state figures: Directorate of Economics and Statistics Department, Nagaland * Projected figures # Tendulkar Methodology \$ National Family Health Survey 2019-20 \$ SRS Bulletin, October 2021					

B. Financial Data								
Particulars	Figures (in per cent)							
	2011-12 to 2014-15		2015-16 to 2018-19		2018-19 to 2019-20		2019-20 to 2020-21	
	NE&H*	Nagaland	NE&H	Nagaland	NE&H	Nagaland	NE&H	Nagaland
CAGR (per cent)								
Revenue Receipts	10.51	11.05	12.52	12.46	-0.52	-0.12	6.95	0.04
Tax Revenue	10.97	8.54	11.86	25.61	1.05	13.21	2.97	6.96
Non Tax Revenue	-0.75	5.09	22.74	0.21	-10.19	32.93	-14.64	-28.50
Total Expenditure	12.15	8.31	14.28	13.17	4.12	2.65	4.04	-0.96
Capital Expenditure	7.75	-6.51	18.25	14.75	-3.18	-24.07	9.97	38.00
Revenue Expenditure on								
(i) Education	13.99	17.37	14.02	13.83	0.94	-12.27	3.06	8.25
(ii) Health	15.43	18.50	15.14	10.43	5.77	7.27	15.09	3.56
(iii) Salary and Wages	10.93	12.76	13.28	10.26	4.13	6.17	0.34	4.68
(iv) Pension	11.84	15.55	17.36	14.71	9.05	16.62	11.48	-3.23

\* NE&amp;H: North Eastern and Himalayan States

## Appendix 1.1

## Part C: Time Series Data on the State Government Finances

(Reference: Paragraphs-1.1; 2.4.1 and 2.7.3)

(₹ in crore)

	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Part A. Receipts</b>					
<b>1. Revenue Receipts</b>	<b>9,439.79</b>	<b>11,019.21</b>	<b>11,437.41</b>	<b>11,423.29</b>	<b>11,427.43</b>
<b>(i) Tax Revenue</b>	<b>510.75(5)</b>	<b>638.28(6)</b>	<b>846.43(8)</b>	<b>958.23(8)</b>	<b>1022.74(9)</b>
Taxes on Agricultural Income	-	-	-	-	-
Goods and Service Tax	0.00	187.57(29)	469.64(55)	613.22(64)	663.81(65)
Taxes on Sales, Trade, etc.	400.12(78)	287.55(45)	186.69(22)	175.15(18)	205.50(20)
State Excise	4.62(1)	4.20(1)	4.65(1)	3.24(1)	4.55(0)
Taxes on Vehicles	57.39(11)	101.53(16)	126.22(15)	113.93(12)	93.29(9)
Stamps and Registration Fees	2.05(0)	2.62(0)	2.53(1)	2.79(0)	2.25(0)
Land Revenue	0.82(0)	0.90(0)	1.13(0)	1.04(0)	1.09(0)
Taxes on Goods and Passengers	14.76(3)	17.59(3)	20.16(2)	18.09(2)	15.62(2)
Other Taxes	30.99(6)	36.32(6)	35.41(4)	30.77(3)	36.63(4)
<b>(ii) Non Tax Revenue</b>	<b>343.03(4)</b>	<b>388.53(4)</b>	<b>255.24(2)</b>	<b>339.29(3)</b>	<b>242.60(2)</b>
<b>(iii) State's share of Union taxes and Duties</b>	<b>3,032.63(32)</b>	<b>3,353.13(30)</b>	<b>3,792.41(33)</b>	<b>3,267.08(29)</b>	<b>3,409.25(30)</b>
<b>(iv) Grants in Aid from Government of India</b>	<b>5,553.38(59)</b>	<b>6,639.27(60)</b>	<b>6,543.33(57)</b>	<b>6,858.69(60)</b>	<b>6,752.84(59)</b>
<b>2. Miscellaneous Capital Receipts</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>3. Recoveries of Loans and Advances</b>	<b>1.09</b>	<b>1.09</b>	<b>1.08</b>	<b>1.09</b>	<b>1.23</b>
<b>4. Total Revenue and Non Debt Capital Receipts (1+2+3)</b>	<b>9,440.88</b>	<b>11,020.30</b>	<b>11,438.49</b>	<b>11,424.38</b>	<b>11,428.66</b>
<b>5. Public Debt Receipts</b>	<b>5,444.35</b>	<b>5,141.02</b>	<b>2,907.22</b>	<b>7,869.83</b>	<b>11,434.87</b>
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,182.44	1,234.69	943.86	1,078.64	1,809.50
Net transactions under Ways and Means Advances and Overdrafts	4,261.91	3,906.00	1,959.38	6,784.50	9,417.75
Loans and Advances from Government of India	0.00	0.33	3.98	6.69	207.62
<b>6. Total Receipts in the Consolidated Fund (4+5)</b>	<b>14,885.23</b>	<b>16,161.32</b>	<b>14,345.71</b>	<b>19,294.21</b>	<b>22,863.53</b>
<b>7. Contingency Fund Receipts</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>8. Public Account Receipts</b>	<b>2,933.99</b>	<b>3,319.54</b>	<b>4,114.23</b>	<b>4,078.25</b>	<b>3,599.70</b>
<b>9. Total Receipts of the State (6+7+8)</b>	<b>17,819.22</b>	<b>19,480.86</b>	<b>18,459.94</b>	<b>23,372.46</b>	<b>264,63.23</b>
<b>Part B. Expenditure/ Disbursement</b>					
<b>10 Revenue Expenditure</b>	<b>8,649.45</b>	<b>10,191.35</b>	<b>10,919.98</b>	<b>11,637.02</b>	<b>11,052.06</b>
General Services (including interest payments)	3,893.96p(45)	4,319.41(42)	5,018.12(46)	5,428.80(47)	5,100.03(46)
Social Services	2,295.21(27)	2,558.56(25)	3,158.58(29)	3,030.05(26)	3,138.51(29)
Economic Services	2,460.28(28)	3,313.38(33)	2,743.28(25)	3,178.17(27)	2,813.52(25)
Grants-in-Aid and contributions#	0.00	0.00	0.00	0.00	0.00
<b>11. Capital Expenditure</b>	<b>1,076.10</b>	<b>1,274.85</b>	<b>1,595.56</b>	<b>1,206.32</b>	<b>1,671.93</b>
General Services	132.55(12)	267.10(21)	419.49(26)	165.73(14)	409.61(25)
Social Services	431.73(40)	485.68(38)	329.89(21)	457.02(38)	508.21(30)
Economic Services	511.82(48)	522.07(41)	846.18(53)	583.57(48)	754.11(45)

	2016-17	2017-18	2018-19	2019-20	2020-21
<b>12. Disbursement of Loans and Advances</b>	<b>0.19</b>	<b>0.19</b>	<b>5.27</b>	<b>9.26</b>	<b>5.61</b>
<b>13. Total Expenditure (10+11+12)</b>	<b>9,725.74</b>	<b>11,466.39</b>	<b>12,520.81</b>	<b>12,852.60</b>	<b>12,729.60</b>
<b>14. Repayments of Public Debt</b>	<b>5,065.03</b>	<b>4,452.01</b>	<b>2,596.27</b>	<b>6,867.25</b>	<b>9,903.92</b>
Internal Debt (excluding Ways and Means Advances and Overdrafts)	491.81	524.29	615.17	724.18	493.85
Net transactions under Ways and Means Advances and Overdraft	4,551.68	3,906.00	1,959.38	6,121.17	9,389.18
Loans and Advances from Government of India	21.54	21.72	21.72	21.90	20.89
<b>15. Appropriation to Contingency Fund</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	<b>14,790.77</b>	<b>15,918.40</b>	<b>15,117.08</b>	<b>19,719.85</b>	<b>22,633.52</b>
<b>17. Contingency Fund disbursements</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>18. Public Account disbursements</b>	<b>2,661.41</b>	<b>3,124.67</b>	<b>3,184.11</b>	<b>2,881.70</b>	<b>3,712.20</b>
<b>19. Total disbursement by the State (16+17+18)</b>	<b>17,452.18</b>	<b>19,043.07</b>	<b>18,301.19</b>	<b>22,601.55</b>	<b>26,345.72</b>
<b>Part C. Deficits</b>					
<b>20. Revenue Deficit(-)/ Revenue Surplus(+)</b> (1-10)*	<b>790.34</b>	<b>827.86</b>	<b>517.43</b>	<b>-213.73</b>	<b>375.37</b>
<b>21. Fiscal Deficit(-)/ Fiscal Surplus (+)</b> (4-13)	<b>-284.86</b>	<b>-446.09</b>	<b>-1,082.32</b>	<b>-1,428.22</b>	<b>-13,00.94</b>
<b>22. Primary Deficit (-)/ Surplus(+)</b> (21+23)	<b>350.64</b>	<b>231.66</b>	<b>-310.58</b>	<b>-614.48</b>	<b>-444.17</b>
<b>Part D. Other Data</b>					
<b>23. Interest Payments (included in Revenue Expenditure)</b>	<b>635.50</b>	<b>677.75</b>	<b>771.74</b>	<b>813.74</b>	<b>856.77</b>
<b>24. Financial Assistance to Local Bodies etc.</b>	<b>170.87</b>	<b>328.40</b>	<b>167.06</b>	<b>160.70</b>	<b>194.85</b>
<b>25. Ways and Means Advances/ Overdraft Aailed (days)</b>	<b>4,261.65</b> <b>(145)</b>	<b>3,906.00</b> <b>(104)</b>	<b>1,959.38</b> <b>(100)</b>	<b>6,784.50</b> <b>(139)</b>	<b>9,417.75</b> <b>(211)</b>
Ways and Means Advances Aailed (days)	4,103.85 (138)	3,646.77 (95)	1,910.85 (98)	6,628.33 (113)	7,765.31 (177)
Overdraft Aailed (days)	157.80 (7)	259.23 (9)	48.53 (2)	156.17 (6)	16,52.44 (34)
<b>26. Interest on Ways and Means Advances/ Overdraft</b>	<b>6.87</b>	<b>6.17</b>	<b>0.92</b>	<b>5.16</b>	<b>10.35</b>
<b>27. Gross State Domestic Product (GSDP)</b>	<b>21,722.45</b>	<b>24,392.96</b>	<b>26,527.42</b>	<b>29,535.93</b>	<b>29,312.83</b>
<b>28. Outstanding Fiscal Liabilities (year-end)</b>	<b>9,557.35</b>	<b>104,09.15</b>	<b>10,545.76</b>	<b>12,179.10</b>	<b>13,471.67</b>
<b>29. Outstanding Guarantees (year-end) (including Interest)</b>	<b>81.19</b>	<b>110.46</b>	<b>120.96</b>	<b>174.96</b>	<b>174.96</b>
<b>30. Maximum Amount Guaranteed (year-end)</b>	<b>26.50</b>	<b>51.50</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>31. Number of Incomplete Projects</b>	<b>340</b>	<b>311</b>	<b>390</b>	<b>399</b>	<b>416</b>
<b>32. Capital Blocked in Incomplete Projects</b>	<b>2,030.18</b>	<b>1,737.68</b>	<b>1,252.87</b>	<b>1,309.30</b>	<b>1,380.04</b>

	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Part E. Fiscal Health Indicators</b>					
<b>I Resource Mobilization</b>					
Own Tax Revenue/GSDP	2.35	2.62	3.19	3.24	3.49
Own Non-Tax Revenue/GSDP	1.58	1.59	0.96	1.15	0.83
Central Transfer/GSDP	13.96	13.75	14.30	11.06	11.63
<b>II Expenditure Management</b>					
Total Expenditure/GSDP	44.77	47.01	47.20	43.52	43.43
Total Expenditure/Revenue Receipts	103.03	104.06	109.47	112.51	111.40
Revenue Expenditure/Total Expenditure	88.93	88.88	87.21	90.54	86.82
Expenditure on Social Services/Total Expenditure	28.04	26.55	27.86	27.13	28.65
Expenditure on Economic Services/Total Expenditure	30.56	33.45	28.71	29.34	28.07
Capital Expenditure/Total Expenditure	11.06	11.12	12.74	9.39	13.13
Capital Expenditure on Social and Economic Services/Total Expenditure.	9.70	8.79	9.39	8.10	9.92
<b>III Management of Fiscal Imbalances</b>					
Revenue Deficit (Surplus)/GSDP	3.64	3.39	1.95	-0.72	1.28
Fiscal Deficit/GSDP	(-) 1.31	(-) 1.83	(-) 4.08	(-)4.84	(-)4.44
Primary Deficit (Surplus)/GSDP	1.61	0.95	(-) 1.17	(-)2.08	(-)1.52
Revenue Deficit/Fiscal Deficit	*	*	*	0.15	*
Primary Revenue Balance/GSDP	3.90	4.16	3.99	4.37	4.30
<b>IV Management of Fiscal Liabilities</b>					
Fiscal Liabilities/GSDP	44.00	42.67	39.75	41.23	45.96
Fiscal Liabilities/RR	101.25	94.49	92.20	106.62	117.89
Debt Redemption (Principal + Interest)/ Total Debt Receipts	92.17	93.90	137.73	132.56	61.90
<b>V Other Fiscal Health Indicators</b>					
Return on Investment	0.00	0.00	0.66	2.80	2.47
Balance from Current Revenue (₹ in crore)	739.32	979.34	744.63	(-)84.40	(-)342.92
Financial Assets/Liabilities	1.74	1.76	1.90	1.81	1.77

Figures in brackets represent percentages (rounded) to total of each sub-heading

# GIA is already included under General Services, Social Services and Economic Services

\*The State experienced Revenue Surplus during these years

## Appendix 1.2

## Summarised Financial Position of the Government of Nagaland as on 31 March 2021

(Reference: Paragraph 1.4)

(₹ in crore)

As on 31.03.2020		Liabilities	As on 31.03.2021	
8,986.93		Internal Debt -		10,331.14
	7,627.36	Market Loans Bearing Interest	8,993.00	
	0.03	Market Loans Not Bearing Interest	0.03	
	6.07	Loans from Life Insurance Corporation of India	3.60	
	690.14	Loans from Other Institutions	642.61	
	663.33	Ways and Means Advances	691.90	
	0.00	Overdrafts from Reserve Bank of India	0.00	
131.15		Loans and Advances from Central Government-		317.88
	0.35	Pre 1984-85 Loans	0.35	
	11.53	Non- Plan Loans	10.80	
	84.05	Loans for State Plan Schemes	272.10	
	0.18	Loans for Central Plan Schemes	0.18	
	27.57	Loans for Centrally Sponsored Schemes	27.14	
	0.00	Ways and Means Advances	0.00	
	7.47	Loans for Special Scheme	7.31	
0.35		Contingency Fund		0.35
2,131.38		Small Savings, Provident Funds, etc.		1,875.68
960.38		Deposits		978.57
1,628.43		Reserve Funds		1,754.57
0.00		Suspense and Miscellaneous Balances		0.00
(-)661.18		Remittance Balances		(-)661.02
<b>13,177.44</b>		<b>Total</b>		<b>14,597.17</b>
<b>Assets</b>				
19,302.01		Gross Capital Outlay on Fixed Assets -		20,973.94
	295.17	Investments in shares of Companies, Corporations, etc.	296.17	
	19,006.84	Other Capital Outlay	20,677.77	
37.06		Loans and Advances -		41.45
	0.00	Loans for Power Projects	0.00	
	36.64	Other Development Loans	41.05	
	0.42	Loans to Government Servants and Miscellaneous Loans	0.40	
0.00		Reserve Fund Investments		0.00
0.37		Advances		0.57
89.01		Suspense and Miscellaneous Balances		90.09
2,627.83		Cash -		2,745.33
	0.00	Cash in Treasuries and Local Remittances	0.00	
	223.90	Deposits with Reserve Bank	157.59	
	744.75	Departmental Cash Balance	801.56	
	0.00	Permanent Advances	0.00	
	1,659.18	Investment on Earmarked Funds	1,786.18	
	0.00	Cash Balance Investments	0.00	
(-)8,878.84		Deficit on Government account -		(-)9,254.21
	213.73	(i) Less Revenue Surplus of the current year	(-)375.37	
	0.00	(ii) Miscellaneous Deficit	0.00	
	(-)9,092.57	Accumulated Deficit at the beginning of the year	(-)8,878.84	
<b>13,177.44</b>		<b>Total</b>		<b>14,597.17</b>

**Explanatory Notes:** The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

Suspense and Miscellaneous Balances include cheques issued but not paid, Inter-Departmental and Inter-Government payments and others awaiting settlement.



## Appendix 3.1

## Expenditure in excess of ₹ 10 lakh without provision at Sub-Head level

(Reference: Paragraph-3.3.1)

(₹ in lakh)

Sl. No.	Grant No.	Head of Account	Description	Expenditure
<b>Revenue</b>				
1.	28	2055-00-003-02	Armed Police Training Centre	909.43
2.	66	2851-00-001-06	Subordinate Establishments (Sericulture)	12.85
<b>Total</b>				<b>922.28</b>

Source: Appropriation Accounts, 2020-21

## Appendix 3.2

## Cases where Supplementary Provision proved unnecessary

(Reference: Paragraph-3.3.3)

(₹ in crore)

Sl. No.	Number and Name of the Grant	Original Provision	Actual Expenditure	Savings out of Original provision	Supplementary provision
<b>(A) Revenue (Voted)</b>					
1.	26-Civil Administration	270.48	266.31	4.17	30.40
2.	28-Civil Police	1,457.71	1,454.24	3.47	1.19
3.	32- Higher Education	188.70	165.24	23.46	19.46
4.	43- Social Security and Welfare	260.27	250.55	9.72	35.38
5.	73- State Institute of Rural Development	5.48	5.46	0.02	0.16
<b>Sub-Total Revenue (Voted)</b>		<b>2,182.64</b>	<b>2,141.80</b>	<b>40.84</b>	<b>86.59</b>
<b>(B) Capital (Voted)</b>					
6.	9- Taxes on Vehicles	2.93	2.93	0.00	1.33
7.	34- Art & Culture and Gazetteers	1.10	1.08	0.02	2.99
8.	70- Horticulture	2.50	2.50	0.00	1.16
<b>Sub-Total Revenue (Charged)</b>		<b>6.53</b>	<b>6.51</b>	<b>0.02</b>	<b>5.48</b>
<b>Grand Total (Revenue + Capital)</b>		<b>2,189.17</b>	<b>2,148.31</b>	<b>40.86</b>	<b>92.07</b>

Source: Appropriation Accounts, 2020-21

## Appendix 3.3

## Statement of various Grants/ Appropriations where Savings were more than ₹One crore each or more than 20 per cent of the Total Provision

(Reference: Paragraph-3.3.5)

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant/ Appropriation	Savings	Percentage
<b>Revenue (Charged)</b>					
1.	75	Servicing of Debt	1,195.50	338.73	28.33
<b>Capital (Charged)</b>					
2.	75	Servicing of Debt	10,026.86	122.93	1.23
<b>Revenue (Voted)</b>					
3.	4	Administration of Justice	40.66	1.38	3.39
4.	7	State Excise	25.00	2.30	9.20
5.	8	Sales Tax	18.45	1.62	8.78
6.	10	Public Service Commission	7.37	1.52	20.62
7.	11	District Administration	174.98	15.06	8.61
8.	12	Treasury & Accounts Administration	60.14	23.07	38.36
9.	14	Jails	59.64	5.16	8.65
10.	15	Lokayukta	10.18	1.33	13.06
11.	16	State Guest Houses	17.26	1.31	7.59
12.	18	Pensions and Other Retirement Benefits	2,188.00	435.53	19.91
13.	21	Relief of Distress caused by Natural calamities	212.25	164.28	77.40
14.	22	Civil Supplies	79.76	1.18	1.48
15.	26	Civil Secretariat	300.88	34.57	11.49
16.	27	Planning Machinery	382.35	347.25	90.82
17.	29	Stationery & Printing	27.22	1.28	4.70
18.	30	Administrative Training Institute	7.35	2.35	31.97
19.	31	School Education	1,742.89	246.58	14.15
20.	32	Higher Education	208.16	42.92	20.62
21.	33	Youth Resources and Sports	37.26	3.65	9.80
22.	34	Art & Culture and Gazetteers	22.01	1.98	9.00
23.	35	Medical, Public Health and Family Welfare	741.92	58.16	7.84
24.	37	Municipal Administration	161.54	45.01	27.86
25.	38	Information & Public Relation	37.35	1.51	4.04
26.	39	Tourism	18.52	1.86	10.04
27.	40	Employment & Training	39.30	2.06	5.24
28.	42	Rural Development	1,349.57	624.12	46.25
29.	43	Social Security & Welfare	295.65	45.09	15.25
30.	44	Evaluation	11.09	2.93	26.42
31.	45	Co-Operation	27.02	4.61	17.06
32.	46	Statistics	41.79	2.13	5.10
33.	47	Legal Metrology & Consumer Protection	12.69	3.00	23.64
34.	48	Agriculture	311.08	92.03	29.58
35.	49	Soil & Water Conservation	69.29	9.69	13.98
36.	50	Animal Husbandry & Dairy Development	116.94	4.13	3.53

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant/ Appropriation	Savings	Percentage
37.	51	Fisheries	51.34	29.83	58.10
38.	52	Forest, Environment and Wildlife	152.95	56.43	36.89
39.	58	Roads and Bridges	359.81	23.54	6.54
40.	59	Water Resources	37.45	6.20	16.56
41.	60	Water Supply	106.33	6.20	5.83
42.	61	Special Development Programme	8.00	1.20	15.00
43.	64	Housing	144.36	1.56	1.08
44.	65	State Council Educational Research and Training	42.89	6.66	15.53
45.	67	Home Guards	36.89	1.81	4.91
46.	68	Police Engineering Project	24.01	2.30	9.58
47.	70	Horticulture	122.03	62.61	51.31
48.	72	Land Resources Development	136.07	115.24	84.69
49.	74	Mechanical Engineering	52.41	5.56	10.61
50.	76	Women Welfare	13.64	3.26	23.90
51.	78	Technical Education	23.58	3.78	16.03
<b>Capital (Voted)</b>					
52.	9	Taxes on Vehicles	4.26	1.33	31.22
53.	26	Civil Secretariat	311.50	258.19	82.89
54.	27	Planning Machinery	398.69	221.56	55.57
55.	32	Higher Education	80.53	54.59	67.79
56.	33	Youth Resources & Sports	46.40	21.28	45.86
57.	34	Art & Culture and Gazetteers	4.09	3.01	73.59
58.	35	Medical, Public Health and Family Welfare	122.85	83.45	67.93
59.	36	Urban Development	152.54	64.64	42.38
60.	37	Municipal Administration	137.00	84.31	61.54
61.	39	Tourism	21.58	9.68	44.86
62.	43	Social Security & Welfare	28.05	8.31	29.63
63.	53	Industries	2.50	1.65	66.00
64.	55	Power	117.83	28.26	23.98
65.	56	Road Transport	14.67	5.45	37.15
66.	57	Housing Loans	0.22	0.22	100.00
67.	58	Roads and Bridges	565.00	159.34	28.20
68.	59	Water Resources	184.50	127.33	69.01
69.	65	State Council Educational Research and Training	10.34	1.14	11.03
70.	68	Police Engineering Project	224.91	7.72	3.43
71.	70	Horticulture	3.66	1.16	31.69
72.	77	Development of Underdeveloped Areas	82.10	65.14	79.34
73.	78	Technical Education	9.85	2.01	20.41
74.	82	New & Renewable Energy	6.23	1.95	31.30
<b>Total</b>			<b>23,918.98</b>	<b>4,230.21</b>	<b>17.69</b>

Source: Appropriation Accounts, 2020-21

## Appendix 3.4

## Results of Review of Substantial Surrenders made during the year 2020-21

(Reference: Paragraph-3.3.5)

(₹ in crore)

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
<b>Revenue (Voted)</b>					
1.	4- Administration of Justice	4059-01-051-01 (Court Building)	1.50	1.50	100.00
2.	11-District Administration & Special Scheme Welfare Schemes	2053-00-101-02 (Red Blanket for GBs)	0.50	0.50	100.00
3.	12- Treasury and Accounts Administration	2054-00-095-01 (Direction)	30.39	17.31	55.95
4.	14- Jail	2056-00-001-01 (Direction)	1.00	1.00	100.00
5.	22- Civil Supplies	2408-01-101-02 (National Food Security Act Scheme)	16.69	16.69	100.00
6.	26- Civil Secretariat	2251-00-091-01 (Nagaland State Disaster Management Authority)	2.53	1.65	65.21
7.		2552-26-800-01 (Bee & Honey Mission)	0.15	0.15	100.00
8.		2575-03-800-01 (Tribal Affairs)	1.00	1.00	100.00
9.		3451-00-090-01 (Secretariat Economics Services Establishment)	35.34	20.90	59.15
10.		3451-00-091-01-07 (Fostering Climate Change Resilient Upland Agriculture System)	50.00	50.00	100.00
11.	27- Planning Machinery	2552-27-101-01 (Pool for Scheme under North Eastern Council)	120.00	120.00	100.00
12.		3451-00-101-02 (Pool for State Share)	133.06	133.06	100.00
13.		3451-00-102-02 (Local Area Development Programme)	90.00	90.00	100.00
14.	28- Civil Police	2055-00-115-03 (Crime and Criminal Tracking Network and System)	5.00	4.71	94.21
15.	31- School Education	2202-01-101-03 (Agriculture Based Education)	3.76	2.28	60.61
16.		2202-02-101-01 (Inspectorates (DEO))	109.62	89.72	81.84
17.		2202-02-101-02 (Subordinate Establishment (SDEO))	310.07	267.92	86.41

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
18.	31- School Education	2202-02-103-01 (Scheme for Providing Education to Madrasas to, Minorities and Disabled)	0.41	0.41	100.00
19.		2202-02-109-03 (Education Technology Cell)	0.74	0.74	100.00
20.		2202-01-109-02 (Scholarship for Minority Community)	0.25	0.25	100.00
21.		2202-01-111-01 (Sarva Shiksha Abhiyan)	379.89	286.52	75.42
22.		2202-02-109-05 (Rashtriya Madhyamik Shiksha Abhiyan)	78.83	48.58	61.62
23.		2202-80-001-01 (Nagaland Education Project- Light House)	10.00	5.99	59.90
24.		32- Higher Education	2202-03-001-01 (Direction)	28.65	19.53
25.	2202-03-800-01 (Rashtriya Ucchata Shiksha Abhiyan)		17.41	17.41	100.00
26.	33- Youth Resources and Sports	2204-00-104-05 (Sports Academy)	2.15	1.52	70.69
27.	35- Medical, Public Health and Family Welfare	2210-02--102-01 (Homeopathy Establishment)	0.25	0.17	68.06
28.		2210-06-104-01 (Drug Control Establishment)	0.21	0.21	100.00
29.		2210-01-200-04 (National Mission on Ayush including Mission on Medicinal Plants)	25.00	18.90	75.58
30.		2210-06-800-03 (Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases and Strokes)	3.67	3.67	100.00
31.		2210-06-800-11 (National Urban Health Mission)	6.03	3.34	55.39
32.	38- Information and Public Relations	2220-60-102-01 (Information Centres Establishment)	1.90	1.06	55.71
33.		2220-60-106-01 (Field Publicity Establishment)	0.18	0.18	100.00
34.	39- Tourism	3452-80-001-02 (Tourist Office, Delhi)	0.90	0.90	100.00
35.		3452-80-001-02 (Subordinate Establishment)	0.70	0.70	100.00
36.	40- Employment and Training	2230-03-800-02 (Vocational Training (World Bank))	1.50	1.50	100.00
37.		2230-03-800-03 (Skill Development)	3.50	3.50	100.00
38.	41- Labour	2230-01-101-02 (Enforcement of Factories Act & Boilers)	0.03	0.03	100.00
39.		2230-01-103-01 (Welfare Centres)	0.10	0.05	50.00
40.	42- Rural Development	2216-03-800-01 (Indira Awas Yojana)	137.12	119.72	87.31

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
41.		2501-06-800-01 (National Rural Livelihood Mission)	300.50	209.24	69.63
42.		2515-00-101-01 (Rashtriya Gram Swaraj Abhiyan RGSA)	9.76	6.04	61.86
43.		2515-00-102-03 (DRDA)	37.65	32.73	86.92
44.		2515-00-106-01 (Shyma Prasad Mukherji Urban Mission)	12.05	12.05	100.00
45.	43- Social Security and Welfare	2235-02-103-01 (Rajiv Gandhi Scheme for Empowerment of Adolescent Girls)	1.50	1.15	76.37
46.		2235-02-102-03 (Mission for Empowerment of Women)	1.46	1.23	84.22
47.		2235-02-103-06 (Ujjawala)	0.20	0.20	100.00
48.		2235-02-103-07 (Swadhar Greh)	0.25	0.25	100.00
49.		2235-03-103-01 (National Mission for Empowerment of Women including Indira Gandhi Matritva Sahyog Yojana)	1.72	1.72	100.00
50.	45- Co-operation	2425-00-107-01 (Credit Co-operation)	0.08	0.07	87.50
51.	47- Legal Metrology and Consumer Protection	3475-00-800-03 (State Consumer Dispute Redressal Commission & District Consumer Fora)	2.00	2.00	100.00
52.	48- Agriculture	2401-00-104-02 (Demonstration Farms)	0.66	0.64	96.32
53.		2401-00-109-02 (Agriculture Information and Publicity)	0.47	0.44	93.59
54.		2401-00-108-09-01 (National Mission for sustainable Agriculture)	26.19	20.74	79.18
55.		2401-00-109-02 (support to state Extension programme for extension reforms)	20.00	20.00	100.00
56.		2401-00-111-02 (Agriculture census)	2.00	2.00	100.00
57.		2401-00-114-01 (National Oil Seeds and Oil palm Mission)	9.00	7.69	85.39
58.		2401-00-800-10 (PKVY)	54.69	54.61	99.86
59.	50- Animal Husbandry and Dairy Development	2403-00-104-01 (Sheep & Goat Farm)	2.05	1.97	96.12
60.		2403-00-101-01 (Animal Health)	0.05	0.05	100.00
61.		2403-00-101-04 (National Livestock Health and Diseases Control Programme)	1.20	1.20	100.00
62.	50- Animal Husbandry and Dairy Development	2403-00-102-01 (Rural Dairy Centre)	3.32	3.32	100.00

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
63.	51- Fisheries	2405-00-101-01 (Riverine Fisheries)	0.02	0.02	100.00
64.		2405-00-001-01 (Direction)	0.03	0.03	100.00
65.		2405-00-101-07 (Integrated Fish Farming)	30.00	30.00	100.00
66.	52- Forest, Ecology, Environment and Wildlife	2406-01-101-02 (Nagaland Forest Management Project (JICA))	10.08	10.08	100.00
67.	52- Forest, Ecology, Environment and Wildlife	2406-01-800-01 (Intensification of Forest Management)	4.00	3.12	78.05
68.		2406-02-110-01 (Integrated Dev. of Wildlife Habitat)	10.50	7.06	67.25
69.		2406-02-110-04 (Project Elephant)	2.00	2.00	100.00
70.		2406-04-101-01 (National Afforestation Programme)	7.00	2.73	38.97
71.		2406-01-101-02 (Nagaland Forest Management Project (JICA))	34.81	34.81	100.00
72.	53- Industries	2408-00-103-01 (Pradhan Mantri Formalization of Micro Food Processing Enterprises)	5.66	5.66	100.00
73.		2851-00-001-04 (Work Charges Establishment)	0.40	0.40	100.00
74.		2851-00-101-01 (Industrial Estates)	0.54	0.54	100.00
75.		2851-00-103-01 (Training)	2.01	1.94	96.65
76.		2851-00-104-01 (Training Centre)	1.33	1.31	98.39
77.		2851-00-200-01 (Beekeeping Farm)	0.98	0.98	100.00
78.		2851-00-200-02 (Economic Plant and Demonstration Farm)	4.93	3.97	80.52
79.		2851-00-800-01 (Exhibition)	0.80	0.80	100.00
80.		55- Power	2801-05-001-02 (Direction Distribution & Revenue)	9.90	8.21
81.	2801-05-052-01 (New Supplies)		0.10	0.10	100.00
82.	59- Irrigation and Flood Control	2702-80-001-01 (Direction)	18.78	11.97	63.70
83.		2702-80-800-02 (Other Minor Irrigation Works)	0.04	0.04	100.00
84.		2702-02-005-01 (Ground Water Development)	0.10	0.05	50.00
85.	70- Horticulture	2401-00-119-01 (Fruit & Vegetable Processing Centre)	1.21	0.67	55.40



Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
86.		2401-00-119-10 (Mission for Integrated Development of Horticulture)	65.00	39.90	61.38
87.		2401-00-119-12 (Dimapur Orchard (PMKSY))	35.00	26.00	74.29
88.	72- Land Resources Development	2501-05-101-03 (Integrated Watershed Management Programme)	120.00	116.47	97.06
89.	76- Women Welfare	2235-02-104-02 (Awareness Programme)	0.25	0.20	80.00
90.	77- Development of Under Developed Areas	2575-03-001-03 (Research & Planning)	0.66	0.66	100.00
91.	78- Technical Education	2203-00-107-01 (Technical Scholarships)	1.65	1.29	78.47
<b>Capital (Voted)</b>					
92.	23- Loans to Government Servant	7610-00-203-01 (Other Conveyance Purchase Advances)	0.35	0.35	100.00
93.	26- Civil Secretariat	4575-03-800-01 (Proviso to Article 275 (1))	300.00	271.33	90.44
94.		4575-03-800-02 (Tribal Research Institute)	11.50	11.50	100.00
95.	27- Planning Machinery	4059-80-800-02 (Non Lapsable Central Pool of Resources)	250.00	250.00	100.00
96.		4059-80-800-01 (Externally Aided Projects)	78.19	78.19	100.00
97.	31- School Education	4202-01-800-01 (Direction and Administration)	58.60	48.60	82.94
98.	32- Higher Education	4202-01-203-02 (Rashtriya Uchchattar Shiksha Abhiyan (CSS))	70.65	56.25	79.62
99.	33- Youth Resources and Sports	4202-03-102-03 (Multi Discipline Indoor Sports Stadium)	14.19	14.19	100.00
100.	34- Art and Culture and Gazetteers Unit	4202-04-106-01 (State Museums)	2.99	2.99	100.00
101.	35- Medical, Public Health and Family Welfare	4210-03-105-01 (Medical College)	107.50	107.50	100.00
102.	36- Urban Development	4217-60-051-05 (Swachh Bharat Mission)	25.00	18.73	74.93
103.		4217-60-051-06 (National Urban Livelihood Mission)	15.00	8.38	55.86

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
104.	36- Urban Development	4217-60-051-07 (Atal Mission- Service Level Improvement)	74.54	72.58	97.37
105.		4217-01-051-01 (EAP (Asian Development Bank))	20.00	18.96	94.79
106.	37- Municipal Administration	4217-60-051-02 (Special Development Fund)	10.00	5.72	57.21
107.		4217-60-051-05 (Smart Cities Mission)	100.00	100.00	100.00
108.	39- Tourism	5452-01-102-01 (Tourism Centre)	3.17	317	100.00
109.	43- Social Security and Welfare	4235-02-800-02 (Construction of Anganwadi Centre)	10.00	10.00	100.00
110.	50- Animal Husbandry and Dairy Development	4403-00-001-01 (Maintenance of Assets)	5.56	5.56	100.00
111.	51- Fisheries	4059-01-051-01 (Building under Fishery)	0.70	0.50	71.43
112.	55- Power	4801-05-800-01 (Transmission Scheme)	13.87	6.94	50.00
113.	57- Housing Loan	7610-00-201-01 (HBA to AIS Officers)	0.22	0.22	100.00
114.	58- Roads and Bridges	5054-04-337-01 (PMGSY)	470.00	374.66	79.72
115.		5054-80-800-02 (Roads and Bridges Financed from Central Road Fund)	30.00	30.00	100.00
116.	64- Housing	4059-80-051-01 (Functional Building)	3.78	3.78	100.00
117.	77- Development of Under Developed Areas	4575-03-800-02 (Development of Under Developed Areas)	21.00	11.87	56.51
118.		4575-03-800-01 (Border Area Development Programme)	61.10	56.04	91.71
119.	82- New and Renewable Energy	4552-82-800-01 (Mini Hydel Project)	0.02	0.02	100.00
120.		4552-82-800-01 (Mini Hydel Project)	1.95	1.65	85.00
<b>Total</b>			<b>4,224.49</b>	<b>3,927.13</b>	<b>92.96</b>

Source: Appropriation Accounts, 2020-21

## Appendix 4.1

**Department-wise list of Outstanding Utilisation Certificates (UCs) for the Grants provided up to the year 2020-21**

(Reference: Paragraph-4.4)

(₹ in crore)

Sl. No.	Name of the Department	No. of UCs	Amount
1.	Rural Development	11	184.35
2.	Planning and Co-ordination	22	166.54
3.	Education Department	36	73.65
4.	Social Security and Welfare	32	32.39
5.	Industries and Commerce	44	47.85
6.	Youth Resource & Sports	16	17.95
7.	Municipal Administration	4	14.52
8.	Co-operation	2	13.20
9.	Geology and Mining	9	12.63
10.	Nagaland Civil Secretariat	17	1.35
11.	Home	12	0.54
12.	Other Departments#	46	44.10
<b>Total</b>		<b>251</b>	<b>609.07</b>

Source: Note to Accounts/Finance Accounts, 2020-21

# Other Departments include (i) Women Resource Development, (ii) Higher & Technical Education, (iii) Power, (iv) Information and Public Relations, (v) Health & Family Welfare and (vi) Rajya Sainik Board

## Appendix 4.2

**Outstanding Detailed Countersigned Contingent (DCC) Bills against the drawal of Abstract Contingent (AC) Bills up to the year 2020-21**

*(Reference: Paragraph-4.5)*

**(₹ in crore)**

Sl. No.	Name of Department	No. of AC bills for which DCC Bills were outstanding	Amount
1.	Civil Police	103	320.32
2.	Home	135	98.45
3.	Youth Resources and Sports	31	36.04
4.	Tourism	6	17.87
5.	Chief Minister Secretariat	21	14.80
6.	Social Security and Welfare	8	6.87
7.	Border Affairs	8	3.88
8.	Higher & Technical Education	9	3.05
9.	Other Departments*	52	61.02
<b>Total</b>		<b>373</b>	<b>562.30</b>

Source: Note to Accounts/Finance Accounts, 2020-21 and VLC data

\* Other Departments include DGP Intelligence, SCERT, Tribal Affairs, Election, Health & Family Welfare, Information Technology and DUDA.

## Appendix 4.3

**Department-wise/ Duration -wise Break-up of the Cases of Misappropriation, Defalcation etc.,  
(Cases where Final Action was pending at the end of March 2021)**

(Reference: Paragraph-4.15)

Sl. No	Name of the Department	Up to 5 Years	5-10 years	Total No. of Cases
1.	School Education	1	1	2
2.	Power	0	1	1
3.	Rural Development	3	1	4
4.	Public Works Department (R&B)	4	1	5
5.	Health & Family Welfare	2	2	4
6.	Tourism	1	0	1
7.	Public Health Engineering	2	0	2
8.	Municipal Affairs	1	1	2
9.	Taxes	1	0	1
10.	Planning & Co-Ordination	1	0	1
11.	Land Records & Survey	0	1	1
12.	Soil & Water Conservation	1	0	1
13.	Water Resources	1	0	1
14.	Forest	1	0	1
15.	Various Departments	2	0	2
<b>Total</b>		<b>21</b>	<b>8</b>	<b>29</b>

Source: Information furnished by Lokayukta, Government of Nagaland





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