

CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

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

1.2 Financial position of the State

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

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

Table No.1.1

		(Rupees in crore)	
As on 31.03.2001	LIABILITIES		As on 31.03.2002
871.58	Internal Debt		1037.15
	Market loans bearing interest	733.86	
	Market loans not bearing interest	0.11	
	Loans from LIC	29.32	
	Loans from other institutions	233.86	
	Ways and Means Advances	40.00	
99.30	Overdrafts from Reserve Bank of India		177.63
459.06	Loans and Advances from Central Government		481.15
	Pre-1984-85 loans	22.97	
	Non-Plan Loans	65.02	
	Loans for State Plan Schemes	313.78	
	Loans for Central Plan Schemes	2.87	
	Loans for Centrally Sponsored Plan Schemes	13.57	
	Ways & Means Advances	57.15	
	Loans for Special Schemes	5.79	
0.35	Contingency Fund		0.35
405.46	Small Savings, Provident Funds, etc.		437.48
91.25	Deposits		78.63
3.49	Reserve Funds		1.97
-	Suspense and Miscellaneous balance		40.08

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14.30	Remittance Balances		1.67
134.29	Surplus on Government Account-		31.71
	Accumulated surplus upto 31 March 2001	134.29	
	Less deficit of current year	(-)102.58	
2079.08			2287.82
ASSETS			
1989.83	Gross Capital outlay on Fixed Assets-		2228.56
	Investments in shares of Companies, Corporations, etc.	53.87	
	Other capital outlay	2174.69	
52.40	Loans and Advances		48.04
	Other Development Loans	43.00	
	Loans to Government servants' etc.	5.04	
1.93	Advances		1.98
71.54	Suspense and Miscellaneous Balances		-
(-) 36.62	Cash Balance		9.24
	Cash in Treasuries and Local Remittances	0.17	
	Deposits with Reserve Bank	(-)30.34	
	Departmental Cash Balance including Permanent Advances	31.20	
	Investment of earmarked funds	8.21	
	Cash Balance Investments	---	
2079.08			2287.82

Source: Finance Accounts

1.2.2 While the liabilities consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the table that while the liabilities grew by 16 per cent from Rs.1944.79 crore in 2000-01 to Rs.2256.11 crore during 2001-02, the assets grew by only 10 per cent from Rs.2079.08 crore in 2000-01 to Rs.2287.82 crore during 2001-02, mainly as a result of revenue deficit of Rs.102.58 crore.

1.3 Sources and applications of funds

1.3.1 The table no.1.2 below gives the position of sources and applications of funds during the current and the preceding year.

SOURCES AND APPLICATIONS OF FUNDS

Table No.1.2

		<i>(Rupees in crore)</i>	
		Sources	
2000-01			2001-02
1254.10	1. Revenue receipts		1324.53
6.45	2. Recoveries of Loans and Advances		7.78
219.17	3. Increase in Public debt other than overdraft		187.67
11.17	4. Net receipts from Public Account		116.82
	32.42 Increase in Small Savings	32.02	
	5.52 Increase in Deposits and Advances	(-)12.67	
	0.66 Decrease in Reserve Funds	(-)1.52	
	(-)15.42 Net effect of Suspense and Miscellaneous transactions	111.62	
	(-)12.01 Net effect of Remittance transactions	(-)12.63	
64.80	5. Overdrafts from Reserve Bank of India (Net)		78.33

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1555.69	Total	1715.13
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Applications		
1290.23	1. Revenue expenditure	1427.11
17.35	2. Lending for development and other purposes	3.43
224.40	3. Capital expenditure	238.73
23.71	4. Increase in closing cash balance	45.86
---	5. Reduction of overdraft payable to Reserve Bank of India	---
1555.69	Total:-	1715.13

Source:- Finance Accounts

1.3.2 The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and for development and other purposes. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government. While their relative share went down from 80.61 *per cent* in 2000-01 to 77.23 *per cent* during 2001-02, the share of recoveries of loans and advances went up to 0.45 *per cent* during 2001-02 from 0.41 *per cent* in 2000-01, and the net receipts from the Public Account went up from 0.72 *per cent* in 2000-01 to 6.81 *per cent* in 2001-02. This was mainly due to increase of 723.87 *per cent* in net effect of suspense and miscellaneous transactions. The share of receipts from Public Debt went down from 14 *per cent* to 11 *per cent*.

1.3.3 The funds were mainly applied for revenue expenditure, whose share went up from 82.94 *per cent* to 83.21 *per cent*, but remained considerably higher than the share of revenue receipts (77.23 *per cent*) in the total receipts of the State Government. This led to the revenue deficit of Rs.102.58 crore. The percentage of capital expenditure went down from 14.42 *per cent* to 13.92 *per cent*, lending for development purposes both in absolute terms as also in percentage basis, down drastically from 1.12 *per cent* to 0.20 *per cent*. Balance funds were utilised in repayment of overdrafts from RBI (4.57 *per cent*) and increase in closing balance (2.67 *per cent*).

1.4 Financial operations of the State Government

1.4.1 Table no.1.16 at the end of this chapter gives the details of the receipts and disbursements made by the State Government. The revenue expenditure (Rs.1427.11 crore) during the year exceeded the revenue receipts (Rs.1324.53 crore) resulting in a revenue deficit of Rs.102.58 crore. The revenue receipts comprised tax revenue (Rs.62.39 crore), non-tax revenue (Rs.43.41 crore), State's share of Union taxes and duties (Rs.23.22 crore) and grants-in-aid from the Central Government (Rs. 1195.51 crore). The main sources of tax revenue were sales tax (55 *per cent*), state excise (3 *per cent*), taxes on vehicles (9 *per cent*) and stamps and registration fees (1 *per cent*). Non-tax revenue came mainly from interest receipts (4 *per cent*), other administrative services (7 *per cent*), housing (5 *per cent*), forestry and wildlife (5 *per cent*), power (53 *per cent*) and road transport 42 *per cent* 1

1.4.2 The capital receipts comprised Rs.7.78 crore from recoveries of loans and advances and Rs.335.28 crore from public debt. Against this, the

expenditure was Rs.238.73 crore on capital outlay, Rs.3.43 crore on disbursement of loans and advances and Rs.69.28 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.646.31 crore, against which the disbursements made were Rs.529.49 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase of Rs.45.86 crore in the cash balance bringing the negative balance of Rs.36.62 crore at the beginning of the year to plus balance of Rs.9.24 crore at the year end.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in table no.1.16 and the time series data for the five year's period from 1997-98 to 2001-02 presented in the table given below:

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

Table No.1.3

	(Rupees in crore)				
	1997-98	1998-99	1999-2000	2000-01	2001-02
Part A. Receipts					
I. Revenue Receipts	860.99	989.38	1131.46	1254.10	1324.53
(i) Tax Revenue	31.57 (4)	30.56 (3)	39.50 (3)	46.25(4)	62.39 (5)
Sales Tax	16.52(52)	16.10 (53)	23.04 (58)	27.30(59)	34.42(55)
State Excise	2.10(7)	1.89 (6)	1.73 (4)	1.77(4)	1.87(3)
Taxes on vehicles	3.86(12)	4.37 (14)	4.59 (12)	5.28(11)	5.35(9)
Stamps and Registration fees	3.66(12)	1.94 (6)	1.85 (5)	1.77(4)	0.91(1)
Land Revenue	0.08(*)	0.12 (*)	0.26 (*)	0.35(1)	0.62(1)
Other Taxes	5.35(17)	6.14 (20)	8.03 (20)	9.78(21)	19.22(31)
(ii) Non Tax Revenue	27.52(3)	44.15 (5)	38.86 (3)	39.23(3)	43.41(3)
(iii) State's share in Union taxes and duties	380.81(44)	437.19 (44)	526.04 (47)	96.48(8)	23.22(2)
(iv) Grants in aid from GOI	421.09(49)	477.48 (48)	527.06 (47)	1072.14(85)	1195.51(90)
2. Misc. Capital Receipts	---	---	---	---	---
3. Total revenue and Non-debt capital receipt (1+2)	860.99	989.38	1131.46	1254.10	1324.53
4. Recoveries of Loans and Advances	4.45	13.18	15.98	6.45	7.78
5. Public Debt Receipts	242.57	394.17	344.23	335.97	335.28
Internal Debt (excluding Ways & Means Advances and Overdrafts)	83.84	104.65	167.24	163.05	224.23
Net transactions under Ways and Means Advances and Overdraft	122.14	72.69	---	123.34	49.04
Loans and Advances from Government of India ¹	36.59	216.83	176.99	49.58	62.01
6. Total receipts in the Consolidated Fund (3+4+5)	1108.01	1396.73	1491.67	1596.52	1667.59
7. Contingency Fund Receipts	---	---	---	---	---
8. Public Account receipts	343.25	427.00	538.71	601.87	646.31
9. Total receipts of the State (6+7+8)	1451.26	1823.73	2030.38	2198.39	2313.90
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	988.18	1,012.40	1140.80	1290.23	1427.11
Plan	199.68(20)	205.94 (20)	229.38 (20)	231.00(18)	232.65(16)
Non-Plan	788.50(80)	806.46 (80)	911.42 (80)	1059.23(82)	1194.46(84)
General Services (including interest payments)	417.96(42)	460.41 (45)	544.60 (48)	623.33(48)	723.88(51)
Social Services	262.81(27)	293.78 (29)	330.39 (29)	351.15(27)	377.18(26)
Economic Services	307.41(31)	258.21 (26)	265.81 (23)	315.75(25)	326.05(23)
Grants-in-aid contribution	---	---	---	---	---
11. Capital Expenditure	133.69	155.78	179.34	224.40	238.73
Plan	132.99(99)	151.83 (97)	179.21 (100)	215.85(96)	238.65(100)
Non-Plan	0.70(1)	3.95 (3)	0.13 (*)	8.55(4)	0.08(*)
General Services	9.88(8)	10.63 (7)	11.80 (7)	28.51(13)	14.25(6)
Social Services	49.94(37)	55.19 (35)	77.11 (43)	81.02(36)	98.87(41)
Economic Services	73.87(55)	89.96 (58)	90.43 (50)	114.87(51)	125.60(53)
12. Disbursement of Loans and Advances	8.27	19.11	10.21	17.35	3.43

¹ Includes Ways & Means Advances from Government of India.

* Indicates negligible percentage

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(Rupees in crore)					
	1997-98	1998-99	1999-2000	2000-01	2001-02
13. Total (10+11+12)	1130.14	1187.29	1330.35	1531.98	1669.27
14. Repayments of Public Debt	31.12	207.26	247.45	52.00	69.28
Internal Debt (excluding Ways & Means Advances and Overdrafts)	17.46	22.53	31.19	31.47	29.37
Net transactions under Ways and Means Advances and Overdraft	---	13.66	149.58	---	---
Loans and Advances from Government of India ¹	13.66	184.73	66.68	20.53	39.91
15. Appropriation to Contingency Fund	---	---	---	---	---
16. Total disbursement out of Consolidated Fund (13+14+15)	1161.26	1394.55	1577.80	1583.98	1738.55
17. Contingency Fund disbursements	---	---	---	---	---
18. Public Account disbursements	291.90	396.22	443.39	590.70	529.49
19. Total disbursement by the State (16+17+18)	1453.16	1790.77	2021.19	2174.68	2268.04
Part C. Deficits					
20. Revenue Deficit (1-10)(-)/Surplus (+)	(-) 127.19	(-) 23.02	(-) 9.34	(-)36.13	(-)102.58
21. Fiscal Deficit (3+4-13)	264.70	184.73	182.91	271.43	336.96
22. Primary Deficit (21-23)	152.08	49.90	30.63	94.34	136.49
Part D. Other data					
23. Interest payments (included in revenue expenditure)	112.62	134.83	152.28	177.09	200.47
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	12.38 (21)	26.22 (35)	@	@	@
25. Financial assistance to local bodies etc.	23.99	18.30	31.94	19.12	15.76
26. Ways and Means Advances/Overdrafts availed (days)	364.94 (96)	402.49 (40)	195.29 (74)	454.04(192)	668.43 (261)
27. Interest on WMA/Overdraft	0.90	0.94	1.22	21.14	1.45
28. Gross State Domestic Product (GSDP)	2324.10	2385.23	NA	NA	NA
29. Outstanding Debt (year end)	862.28	1,049.18	1145.96	1429.93	1695.93
30. Outstanding guarantees (year end)	@	@	@	@	@
31. Maximum amount guaranteed (year end)	7.24	7.24	7.24	7.24	7.24
651Qxp ehuri lqfrp sduh sumfw	@	@	@	@	@
661Fds lqceorfing lq lqfrp sduh sumfw	@	@	@	@	@

Source: Finance Accounts.

1.4.4 Expenditure (Rs.1665.84 crore) during the year 2001-02 registered an increase of 10 per cent (Rs.151.21 crore) over that of 2000-2001 (Rs.1514.63 crore). The increase in expenditure was met from funds (Rs.224.23 crore) borrowed from markets and loans and advances from Government of India (Rs.62.01 crore).

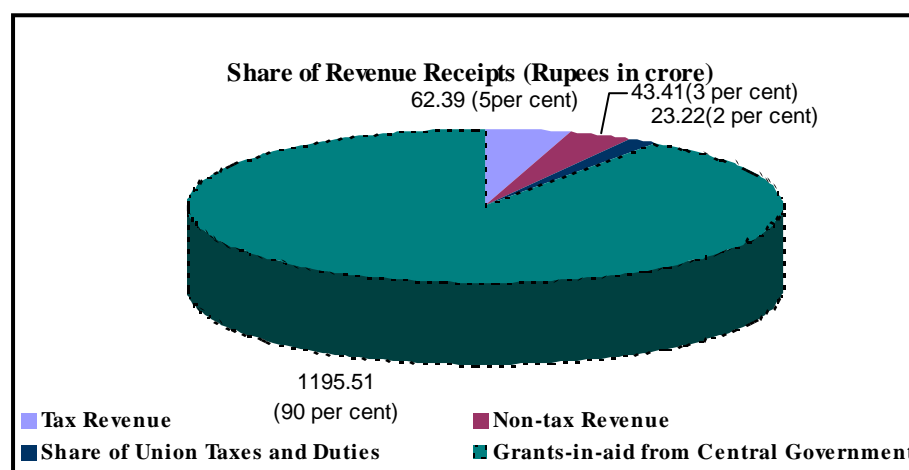
1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in chart no.1.1. The revenue receipts grew at an average annual rate of 10.77 per cent during 1997-98 to 2001-02, and grew by 5.62 per cent during 2001-02 with reference to the year 2000-01.

@ Information awaited from the Government (February 2003).

Note: Figures in brackets represents percentages (rounded off) to total of each sub-heading.

Chart No.1.1



Tax revenue

1.5.2 Tax revenue constituted 5 per cent of the revenue receipts during 2001-02. Table number 1.3 shows that the relative contribution of sales tax went up from 52 per cent in 1997-98 to 55 per cent in 2001-02 while that of state excise duty declined from 7 per cent in 1997-98 to 3 per cent in 2001-02 and stamps and registration fees declined from 12 per cent in 1997-98 to 1 per cent in 2001-02. During 1997-2002, the contribution of land revenue was negligible and the share of taxes on vehicles declined from 12 per cent in 1997-98 to 9 per cent in 2001-02.

Non-tax revenue

1.5.3 The share of non-tax revenue of revenue receipts remained static at 3 per cent in 1997-98 and 2001-02. Non-tax revenue mainly came from power (53 per cent), road transport (12 per cent), other administrative services- (7 per cent) and housing (5 per cent). The share of interest receipts (Rs.1.62 crore) was 4 per cent of the non-tax revenue (Rs.43.41 crore) and was only 0.12 per cent of the total revenue receipts (Rs.1324.53 crore) as compared to share of interest payments (Rs.200.47 crore) at 14 per cent in the total revenue expenditure of the State (Rs.1427.11 crore).

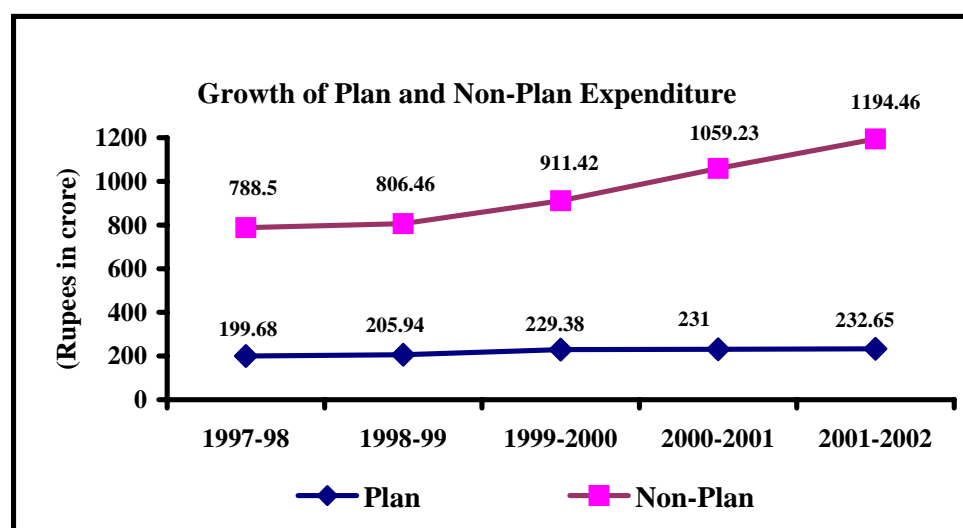
State's share of Union taxes and duties, and grants-in-aid from the Central Government

1.5.4 The State's share of Union taxes (excise duties, income and corporation taxes) decreased by 76 per cent during the year, while the grants-in-aid from the Central Government increased by 11 per cent as compared to the preceding year. However, as a percentage of revenue receipts they (both taken together) decreased from 93 per cent in 1997-98 to 92 per cent during 2001-02; this was mainly due to decrease (from 44 per cent to 2 per cent) in the State share of union taxes from Government of India.

1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for most of the expenditure of the State Government and increased by 11 *per cent* during 2001-02. Nearly 84 *per cent* of total revenue expenditure consisted of non-Plan expenditure and 86 *per cent* of total expenditure during the year. Non-Plan component of revenue expenditure also recorded a higher average of annual growth of 10.30 *per cent* during 1997-2002, compared to an annual growth of 3.30 *per cent* in the Plan expenditure. Growth of Plan and non-Plan revenue expenditure can be seen in *chart no.1.2*.

Chart No.1.2



1.6.2 Sector-wise analysis shows that while the expenditure on General Services* increased by 71 *per cent* from Rs.305.34 crore in 1997-98 to Rs.523.41 crore in 2001-02, the corresponding increases in expenditure on Social Services and Economic Services from Rs.262.81 crore to Rs.377.18 crore and Rs.307.41 crore to Rs.326.05 crore were only 44 and 6 *per cent* respectively. As a proportion of total expenditure, the share of General Services increased from 42 *per cent* in 1997-98 to 51 *per cent* in 2001-02, whereas the share of Social Services and Economic Services decreased from 27 and 31 *per cent* in 1997-98 to 26 and 23 *per cent* in 2001-02 respectively.

Interest payments

1.6.3 Interest payments increased steadily by 78 *per cent* from Rs.112.62 crore in 1997-98 to Rs.200.47 crore in 2001-02. This is further discussed in the section on Financial indicators.

Financial assistance to local bodies and other institutions

1.6.4 The quantum of assistance provided to different local bodies etc., during the five years ending 2000-01 was as follows:

* Excluding interest payments

Table No.1.4 (Rupees in crore)

		1997-98		1998-99		1999-2000		2000-01		2001-02	
		Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans
(A)	Universities and Educational Institutions	0.24	---	0.42	---	0.42	---	0.94	---	0.65	---
(B)	Municipal Corporations	---	---	---	---	---	---	---	---	---	---
(C)	Zila Parishad	---	---	---	---	---	---	---	---	---	---
(D)	Development Agencies	12.53	---	12.77	---	13.57	---	13.01	---	2.67	---
(E)	Hospitals and other Charitable Institutions	0.03	---	2.02	---	0.02	---	---	---	---	---
(F)	Other Institutions	11.19	2.59	3.09	2.74	17.93	8.42	5.17	---	12.44	3.28
Total		23.99	2.59	18.30	2.74	31.94	8.42	19.12	---	15.76	3.28
Percentage of growth over previous year		7	(-) 64	(-) 24	6	75	207	(-)40	---	(-)18	---
Assistance as percentage of Revenue expenditure		2	0.26	2	0.27	3	0.74	1	---	1	---

Source: Detailed Appropriation Accounts

1.6.5 The assistance to the local bodies and other institutions went down during 2001-02. The financial assistance to universities and educational institutions went up by 171 per cent from Rs.0.24 crore in 1997-98 to Rs.0.65 crore in 2001-02. Other institutions witnessed increase of 11 per cent from Rs.11.19 crore in 1997-98 to Rs.12.44 crore in 2001-02 and the loans also increased by 27 per cent from Rs.2.59 crore in 1997-98 to Rs.3.28 crore in 2001-02.

Loans and Advances by the State Government

1.6.6 The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that, there was an increase in repayment of loans and advances by 75 per cent from Rs.4.45 crore in 1997-98 to Rs.7.78 crore in 2001-02.

Table No.1.5

	(Rupees in crore)				
	1997-98	1998-99	1999-2000	2000-01	2001-02
Opening balance	37.52	41.34	47.26	41.49	52.39
Amount advanced during the year	8.27	19.10	10.21	17.35	3.43
Amount repaid during the year	4.45	13.18	15.98	6.45	7.78
Closing balance	41.34	47.26	41.49	52.39	48.04
Net addition	3.82	5.92	(-) 5.77	10.90	(-)4.35
Interest received	0.49	0.54	0.65	0.73	0.93

Source: Finance Accounts

1.6.7 Though the departmental authorities and controlling officers were required to furnish information about the arrears in recovery (principal as well as interest) of loans as on 31 March 2002 to the Sr. Deputy Accountant General (Accounts and Entitlements) by June, the information is awaited (February 2003) despite reminders.

1.7 Capital expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government *i.e.*, Public Sector Undertakings (PSUs), Corporations, etc., and loans and advances. Capital expenditure increased by 79 *per cent* from Rs.133.69 crore in 1997-98 to Rs.238.73 crore during 2001-02 and constituted 14 *per cent* of the total expenditure during the year. The share of capital expenditure (Rs.238.73 crore) to the total expenditure (Rs.1665.84 crore) decreased by 1 *per cent* in 2001-02 over that of 2000-2001. Capital expenditure was mainly on Plan works under Social Services (41 *per cent*), Economic Services (53 *per cent*) and General Services (6 *per cent*).

1.8 Quality of expenditure

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

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

1.8.3 The following table no.1.6 lists out the trend in these indicators:

Table No.1.6

		1997-98	1998-99	1999-2000	2000-01	2001-02
1.	Plan expenditure as a percentage of:-					
	Revenue expenditure	20	20	20	18	16
	Capital expenditure	99	97	100	96	100
2.	Capital expenditure (<i>per cent</i>)	12	13	14	15	14
3.	Expenditure on General Services (<i>per cent</i>)					
	Revenue	31	32	35	48	51
	Capital	8	7	7	13	6
4.	Amount of wastage and diversion of funds detected during test audit (Rupees in crore)	0.65	18.99	257.43	46.33	117.55

Source: Finance Accounts and Audit Report

1.8.4 It would be seen that, the share of Plan expenditure on the revenue side has remained static (20 *per cent*) from 1997-98 to 1999-2000 and thereafter decreased by 2 *per cent* in 2000-01 and 2001-02 while the share of the capital sector has been decreasing in 1998-99 and 2000-01 but increased in 1999-

2000 and 2001-2002 compared to previous year. However, from 1997-98 onwards, the share of expenditure on General Services has increased on the revenue side, and declined on the capital side upto 2001-02 except 2000-2001. The substantial amounts of wastage and diversion of funds detected during test audit negatively impinged on the quality of expenditure as brought out in the succeeding paragraphs and reviews.

1.9 Financial management

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

Fiscal Reforms Programme

1.9.2 To improve the financial position of the State a Memorandum of Agreement (MOA) between the Government of India, Ministry of Finance (GOI) and Government of Nagaland (GON) was signed (17 April 1999) to implement a mutually agreed reform programme as per fixed time schedule. Under this fiscal measures were to be adopted by the Government of Nagaland to reduce revenue expenditure and shore up revenue in accordance with an Action Plan. With a view to achieve the fiscal sustainability a Memorandum of Understanding (MOU) was signed (19 November 2001) between Government of India and Government of Nagaland on Medium Term Fiscal Reforms Programme (2000-01 to 2004-05) (MTFRP).

1.9.3 The main objectives of the MOU are to achieve the fiscal sustainability over the medium term, to augment tax and non tax revenue as a percentage of GSDP, improve the expenditure management and efficiency of public resource allocation, privatisation of the Public Sector Units to reduce future drafts on the Nagaland budgets and to reduce transmission and distribution loss of power.

1.9.4 An analysis of the implementation of the MOU is summarised below:-

Revenue measures

1.9.5 As per MOA signed (April 1999) revenue deficit was to be reduced @ 5 per cent every year, but instead of reducing, it has been increased as shown below:

Table No. 1.7 (Rupees in crore)

	1999-2000	2000-2001	2001-2002
Revenue deficit	9.34	36.13	102.58
Increase (+)/Decrease(-) (%)	(-) 59.43	(+)286.83	(+) 183.92

1.9.6 The overdraft limit of overdraft was to be reduced to zero, but the Government of Nagaland had resorted to overdraft (OD) as shown below.

Table No. 1.8 (Rupees in crore)

	1999-2000	2000-2001	2001-2002
Opening Balance	168.83	34.50	99.30
Received during the year	140.28	208.57	363.82
Total	309.11	243.07	463.12
Repaid during the year	274.61	143.77	285.49
Balance at the end of year	34.50	99.30	177.63

1.9.7 As per MOU community participation in rural water supply scheme was to be introduced during 2001-02. Though rules for community participation in Rural Water Supply have been framed, the process of examining the rules by the Government was under way (September 2002).

1.9.8 Introduction of metering system of collection of water charges though planned to be completed by 2002-03 had been installed in only one district (Zunheboto) so far. Installation was in progress in three districts (September 2002).

Expenditure measures

1.9.9 High Powered Committee's recommendations to right size the Government and State Transport Department were to be implemented by 31 March 2002. However, the reports of recommendations were awaited (February 2003).

1.9.10 Surplus teachers were to be identified and re-deployed to schools having shortage of teachers by 31 March 2002. The department replied that identification was completed in two districts out of 8 districts and identification in remaining districts was in progress (February 2003).

1.9.11 It was also contemplated in MOU to implement the recommendation of the commission set up to determine the right size of work charged establishments under various departments. Although the commission was set up (April 2001) its final reports were awaited (September 2002).

Power sector reforms

1.9.12 To reduce the transmission and distribution (T&D) losses by 5 per cent year and to bring down to the level of 40 per cent in five years it was proposed to hand over the village electricity revenue management to Village Councils to check pilferage and theft of energy by implementing the single point metering of villages by April 2001. Though the scheme was approved (February 2003) by the Cabinet, its implementation was awaited (December 2002).

1.9.13 About 20,000 defective meters were replaced during 2001-02, but due to meter tampering by the consumer, the exercise of replacement of meters became fruitless.

1.9.14 The programme for up-gradation of transmission lines, sub-stations, L.T. lines etc. was under review by the Government for which a Memorandum of Agreement (MOA) between the Government of India and Government of Nagaland was signed on 13 September 2002.

1.9.15 Though metering up to 11 KV sub-station level for 100 per cent metering during 2000-01 was planned its implementation was underway (September 2002). Thus efforts to reduce the T&D losses by 5 per cent year has not been achieved yet.

1.9.16 The fiscal reform programme was not implemented properly which is evident from the fact that the Government resorted to overdraft and Ways and Means Advances. The Government also failed to achieve the targets under revenue and expenditure measures as well as power sector reforms. As such revenue deficit could not be arrested as contemplated.

Investments and returns

1.9.17 Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

Table No.1.9

(Rupees in crore)				
	Sector	Number of concerns	Amount invested	
			As on 31.3.2002	During 2001-02
(1)	Statutory Corporations	1	0.04	---
(2)	Government Companies	5 ²	27.08 ³	0.93
(3)	Joint Stock Companies	2	6.91	---
(4)	Co-operative Institutions	@	19.84	1.90
Total:-			53.87	2.83

Source: Finance Accounts

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

Table No.1.10

(Rupees in crore)				
Year	Investment at the beginning of the year	Return	Total interest liability	Rate of interest on Government borrowing (%)
1997-98	35.61	*	4.67	13.05 (May 1997)
1998-99	41.59	NIL	5.13	12.15 (April 1998) 12.50 (October 1998)
1999-2000	46.70	NIL	5.63	12.25 (April 1999) 11.85 (September 1999)
2000-01	48.05	**	5.13	10.52 (April 2000) 10.82 (January 2001)
2001-02	51.04	**	4.61	10.35 (May 2001) 9.45 (October 2001) 8.30 (January 2002) 8.00 (March 2002)
Total:-			25.17	

Source: Finance Accounts

² Excludes one subsidiary company, *i.e.* Nagaland Hotels Ltd.

³ Investment shown here is as per Finance Accounts 2001-02.

@ Information is awaited from Government (February 2003).

* Rs.2000 received as dividend.

** Information regarding dividend is awaiting from Government.

1.9.19 Thus, even while the Government was raising high cost borrowings from the market, it had been increasing the investments in the above institutions by borrowing from the open market year after year without getting any return therefrom. During the last five years alone, interest liability on the investments made out of borrowed funds at the prevailing market borrowing rates worked out to Rs.25.17 crore which represents 47 *per cent* of the total investments of Rs.53.87 crore made as on March 2002. As on 31 March 2002, five of the Government companies in which Government had invested Rs.53.87 crore had accumulated losses of Rs.7.49 crore.

Arrears of revenue

1.9.20 The arrears of revenue pending collection as of March 1999 increased by 112 *per cent*. The outstanding arrears registered a secular increase during the preceding four years (table under paragraph 1.4.3) and their percentage increased from 4 *per cent* of the revenue raised during 1994-95 to 35 *per cent* during 1998-99. Of the arrears of Rs.26.22 crore as of March 1999, Rs.4.47 crore (17 *per cent*) were pending for more than five years, and pertained mainly to sales tax (Rs.3.74 crore) and central sales tax (Rs.0.71 crore) and professional tax (Rs.0.02 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue collection efforts of the State Government. Information regarding arrears of revenue for the year 1999-2000 to 2001-2002 was not furnished by the department (February 2003) despite repeated reminders.

Ways and Means Advances and Overdrafts

1.9.21 Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs.0.25 crore. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking ways and means advances (WMA)/overdrafts (OD) from the Bank. In addition, special WMA are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects poorly on the financial management of the Government. During the year 2001-02, Government obtained Rs.304.61 crore as ways and means advances on 188 days in addition to the outstanding balance of Rs.69.29 crore from the preceding year. Against this, only Rs.333.90 crore together with interest of Rs.0.93 crore were repaid, leaving an outstanding balance of Rs.40 crore on 31 March 2002.

1.9.22 The ways and means advances obtained had increased from Rs.108.03 crore in 1997-98 to Rs.304.61 crore in 2001-02 indicating an increase of 182 *per cent*. Similarly, overdraft availed by the Government during 2001-02 was Rs.363.82 crore was also available during the year on 73 days in addition to the opening balance of Rs.99.30 crore at the beginning of the year. Of this, Rs.285.49 crore was repaid with interest of Rs.0.52 crore leaving an outstanding balance of Rs.177.63 crore at the end of the year. The overdrafts obtained (gross) had increased by Rs.106.90 crore in 2001-02 (Rs.363.82 crore) with reference to 1997-98 (Rs.256.92 crore) constituting an increase of 42 *per cent*. The Government was increasingly depending on overdrafts/ways and means advances for meeting its financial requirements.

Deficit

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

1.9.24 Revenue deficit is the excess of revenue expenditure over revenue receipts. Fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received and certain non-debt capital receipts). Primary deficit is fiscal deficit less interest payments. The following table No.1.11 gives a break-up of the deficits in Government account:

OVERALL FINANCIAL TRANSACTIONS OF GOVERNMENT

Table No.1.11

(Rupees in crore)				
CONSOLIDATED FUND				
RECEIPT	Amount		DISBURSEMENT	Amount
Revenue	1324.53	Revenue deficit: 102.58	Revenue	1427.11
Misc. capital receipts	---		Capital	238.73
Recovery of loans & advances	7.78		Loans & advances disbursement	3.43
Sub-total:	1332.31	Gross fiscal deficit: 336.96	Sub-total:	1669.27
Public debt receipts	335.28		Public debt repayment	69.28
Total:	1667.59	A: Deficit in Consolidated Fund: 70.96	Total:	1738.55
PUBLIC ACCOUNT				
Small savings, PF etc.	100.99		Small savings, PF etc.	68.97
Deposits & advances	51.35		Deposits & advances	64.02
Reserve funds	0.51		Reserve funds	2.03
Suspense & Misc.	124.84		Suspense & Misc.	13.22
Remittances	368.62		Remittances	381.25
Total: Public Account	646.31	B-Surplus in Public Account:116.82 Deficit in Consolidated Fund: 70.96 and surplus in Public Account (116.82) led to increase in closing cash balance of the State Government by :45.86	Total: Public Account	529.49

Source: Finance Accounts

1.9.25 The above table shows that gross fiscal deficit of Rs.336.96 crore was financed by net proceeds of Public Debt. The deficit of Rs.70.96 crore (Rs.266 crore – Rs.336.96 crore) in the Public Debt and Surplus of Rs.116.82 crore in the Public Account led to increase in the closing cash balance and bringing down the negative cash balance of Rs.36.62 crore at the beginning of the current year to Rs.9.24 crore at the end of the year.

1.9.26 Table no.1.3 under paragraph 1.4.3 shows that from 1997-98, the State had a revenue deficit every year upto 2001-02. The fiscal deficit had increased from Rs.264.70 crore in 1997-98 to Rs.336.96 crore in 2001-02 registering an increase of 27 per cent during the five years ending March 2002, and was highest during the year 2001-02 (Rs.336.96 crore).

Application of the borrowed funds (Fiscal Deficit)

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

Table No.1.12

					<i>(Rupees in lakh)</i>
Ratio of	1997-98	1998-99	1999-2000	2000-01	2001-02
RD/FD	0.48	0.13	0.05	0.13	0.29
CE/FD	0.51	0.84	0.98	0.83	0.70
Net loans/FD	0.01	0.03	(-) 0.03	0.04	0.01
Total	1.00	1.00	1.00	1.00	1.00

Source: Finance Accounts

Guarantees given by the State Government

1.9.28 Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and co-operative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. As indicated in the table number 1.3, the maximum amount guaranteed as of March 2002 was Rs.7.24 crore. The information regarding the outstanding amount of principal as well as interest thereon, and the guarantee fee payable by these institutions was not furnished by the Government.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table no.1.13.

Table No.1.13

(Rupees in crore)						
Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities ⁴	Total liabilities	Ratio of debt to GSDP
1997-98	574.68	287.60	862.28	349.43	1211.71	0.52
1998-99	729.49	319.69	1049.18	369.73	1418.91	0.59
1999-2000	715.95	430.01	1145.96	461.55	1607.51	#
2000-01	970.88	459.05	1429.93	500.20	1930.13	#
2001-02	1214.78	481.15	1695.93	518.08	2214.01	#

Source: Finance Accounts

1.10.2 During the five year period, the total liabilities of the Government had grown by 83 per cent. This was on account of 111 per cent growth in internal debt, 67 per cent growth in loans and advances from Central Government and 48 per cent growth in other liabilities. During 2001-02, Government borrowed Rs.155.82 crore in the open market at interest rates of 10.35, 9.45, 8.30 and 8 per cent per annum.

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

Table No.1.14

(Rupees in crore)					
	1997-98	1998-99	1999-2000	2000-01	2001-02
Internal Debt (excluding Ways and Means Advances and Overdrafts from RBI)					
Receipt during the year	83.84	104.65	167.24	163.05	224.23
Repayment-principal	17.47	22.53	31.19	31.47	29.37
Interest	59.12	64.30	83.67	95.87	238.42
Sub-total:-	76.59	86.83	114.86	127.34	267.79
Net funds available (per cent)	7.25 (9)	17.82 (17)	52.38 (31)	35.71 (22)	(-)43.56 (-19)
Loans and advances from GOI					
Receipt during the year	36.59	46.83	51.99	49.58	62.01
Repayment-Principal	13.66	14.73	16.68	20.53	39.91
Interest	30.77	33.92	38.27	43.13	46.82
Sub-total:-	44.43	48.65	54.95	63.66	86.73
Net funds available (per cent)	(-) 7.84 (-21)	(-)1.82 (-0.04)	(-) 2.96 (-0.06)	(-)14.08 (-28)	(-)24.72 (-40)
Other liabilities					
Receipt during the year	96.76	91.23	159.36	192.03	143.31
Repayment-Principal	51.44	70.93	67.54	151.38	125.42
Interest	22.73	24.89	27.03	38.09	34.35
Sub-total:-	74.17	95.82	94.57	189.47	159.77
Net funds available (per cent)	22.59 (23)	(-)4.59 (-5)	64.79 (41)	2.56 (1)	(-)16.46 (-11)

Source: Finance Accounts

1.10.4 It would be seen that very little of the borrowings are available for investment and other expenditure after meeting the repayment obligations. The increase of 97 per cent in outstanding debt from Rs.862.28 crore in 1997-98 to Rs.1695.93 crore in 2001-02 with its resultant repayment and interest obligations had affected the net availability of funds.

⁴ Other liabilities include small savings, provident funds, reserve funds and deposits.

Information regarding Gross State Domestic Product (GSDP) is not available.

1.11 Indicators of the financial performance

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

(i) Sustainability

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

(ii) Flexibility

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

(iii) Vulnerability

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

(iv) Transparency

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

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in *Appendix—I* and how the ratios for the current year were worked out shown in *Appendix-II*. Table no.1.17 indicates the behavior of these indices/ratios over the period from 1997-98 to 2001-02. The implications of these indices/ratios on the State of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus Plan assistance grants minus non-Plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan expenditure. The table no.1.17 shows that the State Government had negative BCRs during all the five years suggesting that Government had to depend entirely on borrowings for meeting its Plan expenditure.

(ii) Interest ratio

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In Nagaland, the ratio has moved in a narrow range of 0.13 to 0.15. A rising interest ratio has adverse implications on sustainability since it indicates a rising interest burden.

(iii) Capital outlay vs capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In Nagaland, the ratio has all along been less than one indicating that a part of the capital receipts is being used for unproductive revenue expenditure.

(iv) Tax receipts vs Gross State Domestic Product (GSDP)

Tax receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would imply that the Government can tax more, and hence its flexibility. A high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in Nagaland the States' own tax receipts to GSDP ratio sharply declined from 0.14 in 1997-98 to 0.01 in 1998-99. This suggests that while the State Government had the option to mobilise more resources through taxation, it chose the easier option of borrowing to meet its increasing revenue and fiscal deficits. The GSDP data for the year 1999-2000 to 2001-02 was not made available by the Government. Hence no analysis could be made for these years.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in Nagaland has been nil and suggests that the investments in the Public Sector

Undertakings (PSUs) were used to finance their loss, rather than generate revenue.

(vi) Capital repayments vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In Nagaland, this ratio has shown mixed trends and ranged between 0.18 and 0.64 during 1997-2002. Decrease in the ratio to 0.18 in 1999-2000 from 0.64 in 1998-99 suggests that there was sufficient capital available for investment during the year.

(vii) Debt vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government which can be used to service debt. An increasing ratio of Debt vs GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In Nagaland, this ratio had moved in the range between 0.52 to 0.59 during 1997-98 to 1998-99. The GSDP data for 1999-2000 to 2001-02 was not made available by the State Government. Hence, the ratio has not been worked out.

(viii) Revenue deficit vs Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus higher the ratio the worse off the State because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. The ratio has gone down from 0.48 in 1997-98 to 0.30 in 2001-02.

(ix) Primary deficit vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In Nagaland, this ratio moved from 0.57 in 1997-98 to 0.41 during 2001-02, suggesting less funds for investment during 2001-02, relative to the position in 1997-98.

(x) Guarantees vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of the State Government and should therefore be compared with the ability of the Government to pay viz., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In Nagaland, this ratio could not be worked out as the State Government had not furnished data for the period from 1997-98 to 2001-02.

(xi) Assets vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. In Nagaland this ratio, though positive, has declined sharply from 1.17 in 1997-98 to 1.01 in 2001-02 indicating that the liabilities have grown at a faster rate than the assets and a contra indicator to solvency.

(xii) Budget

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

Table No.1.13

Preparation	Month of submission	Month of approval
Vote on Account	NIL	NIL
Budget	March 2001	March 2001
Supplementary	March 2002	March 2002

Source: Assembly Secretariat

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

(xiii) Accounts

There are 89 divisions in the State, responsible for maintaining and rendering the accounts to the Sr. Deputy Accountant General (A&E), Nagaland in respect of public works department (44 divisions), public health engineering department (10 divisions), power department (16 divisions) and forest department (19 divisions). All the 89 divisions had delayed submission of their monthly accounts. The delay ranged between 1 and 391 days resulting in exclusion of the transactions of the department concerned from the monthly accounts. However, since all the transactions had to be incorporated in the annual Finance and Appropriation Accounts, the final closure of these accounts also got delayed.

Conclusion

1.11.4 State Government had a negative BCR during all the five years ending March 2002 suggesting that Government had been depending heavily on borrowings for meeting its Plan and non-Plan expenditure. Dependence on Government of India grant is high at about 72 per cent of total expenditure. Interest ratio of the Government increased to 0.15 during 2001-02 as compared to 0.13 in 1997-98 indicating adverse implications on the sustainability of the State on account of increased interest burden. The capital outlay versus capital receipts ratio has all along being less than one indicating that a part of the capital receipts is being used for unproductive revenue expenditure. Decline of assets/liabilities ratio from 1.17 in 1997-98 to 1.01 in

2001-02 indicates adversely on the solvency of the Government. Major portion of the incremental expenditure was utilised on clearance of RBI overdraft.

1.11.5 The matter had been reported to Government in December 2002; reply had not been received (February 2003).

Table No.1.16

(Reference: Paragraph 1.4)

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-2002

(Rupees in crore)									
RECEIPTS				DISBURSEMENTS					
2000-01		2001-02		2000-01		Non-Plan	Plan	Total	2001-02
SECTION A: REVENUE									
1254.10	I. Revenue Receipts	1324.53		1290.23	I. Revenue Expenditure				1427.11
46.25	Tax Revenue	62.39		623.33	General Services	716.40	7.48	723.88	
39.23	Non-tax Revenue	43.41		351.15	Social Services	285.39	91.79	377.18	
96.48	State's share of Union Excise Duties	23.22		181.84	Education, Sports, Art and Culture	175.74	33.92	209.66	
581.07	Non-Plan grants	90.81		76.44	Health and Family Welfare	69.76	8.71	78.47	
384.55	Grants of State Plan Scheme	988.28		40.03	Water Supply, Sanitation, Housing and Urban Development	19.29	9.37	28.66	
19.00	Grants for Central Plan Scheme	21.67		7.18	Information and Broadcasting	8.39	0.85	9.24	
76.79	Grants for Centrally Sponsored Plan Schemes	78.45		7.98	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	---	7.51	7.51	
10.73	Grant for Special Plan Scheme	16.30		4.40	Labour and Labour Welfare	2.82	1.55	4.37	
				28.15	Social Welfare and Nutrition	4.86	29.81	34.67	
				5.13	Others	4.53	0.07	4.60	
				315.75	Economic Services	192.67	133.38	326.05	
				105.02	Agriculture and Allied Activities	64.00	56.25	120.25	
				23.95	Rural Development	6.85	6.03	12.88	
				9.92	Special Areas Programme	1.82	9.23	11.05	
				12.83	Irrigation and Flood Control	4.55	8.92	13.47	
				58.33	Energy	58.96	0.10	59.06	

Chapter I An Overview of the Finances of the State Government

(Rupees in crore)									
RECEIPTS				DISBURSEMENTS					
2000-01			2001-02	2000-01		Non-Plan	Plan	Total	2001-02
				28.45	Industry and Minerals	34.12	9.52	43.64	
				30.41	Transport	12.32	4.68	17.00	
				0.48	Science, Technology and Environment	0.09	1.73	1.82	
				46.36	General Economic Services	9.96	36.92	46.88	
36.13	II. Revenue Deficit carried over to Section-B		102.58	--	II. Revenue Surplus carried over to Section-B				---
1290.23	Total: Section A-Revenue		1427.11	1290.23	Total: Section A-Revenue				1427.11
	SECTION-B								
(-)60.33	III. Opening cash balance including Permanent Advances and Cash Balance Investment		(-)36.62	---	III. Opening Overdraft from RBI				---
---	IV. Miscellaneous Capital Receipts		---	224.40	IV. Capital Outlay	0.08	238.65	238.73	238.73
				28.51	General Services	---	14.25	14.25	
				81.02	Social Services	---	98.88	98.88	
				10.06	Education, Sports, Art and Culture	---	11.23	11.23	
				12.93	Health and Family Welfare	---	2.25	2.25	
				55.84	Water Supply, Sanitation, Housing and Urban Development	---	85.11	85.11	
				---	Information and Broadcasting	---	0.05	0.05	
				0.68	Social Welfare and Nutrition	---	0.04	0.04	
				1.51	Others	---	0.19	0.19	
				114.87	Economic Services	0.08	125.53	125.61	
				20.28	Agriculture and Allied Activities	0.08	13.50	13.58	
				0.13	Rural Development	---	0.10	0.10	
				13.66	Special Areas Programme	---	13.24	13.24	
				50.80	Energy	---	54.35	54.35	
				9.15	Industry and Minerals	---	8.31	8.31	
				18.82	Transport	---	35.95	35.95	
				0.03	General Economic Services	---	0.08	0.08	
6.45	V. Recoveries of Loans and Advances		7.78	17.35	V. Loans and Advance disbursed				3.43
0.88	From Government Servants	1.44		2.48	To Government Servants			2.00	
5.57	From Others	6.34		14.87	To Others			1.43	
---	VI. Revenue Surplus brought down		---	36.13	VI. Revenue deficit brought down				102.58

Audit Report (Civil) for the year ended 31 March 2002

(Rupees in crore)							
Receipts				Disbursements			
2000-01		2001-02	2000-01		2001-02		2001-02
335.97	VII. Public Debt receipts-		335.28	52.00	VII. Repayment of Public Debt-		69.28
163.05	Internal debt other than Ways and Means Advances and Overdrafts	224.23		31.48	Internal debt other than Ways and Means Advances and Overdrafts	29.37	
123.34*	Net transactions under:- Ways and Means Advances including overdrafts	49.04*		---	Net transactions under:- Ways and Means Advances including overdrafts	---	
49.58	Loans and Advances from Central Government	62.01		20.53	Repayment of Loans and Advances to Central Government	39.91	
---	VIII. Appropriation to Contingency Fund	---		---	VIII. Appropriation to Contingency Fund	---	
---	IX. Amount transferred to Contingency Fund	---		---	IX. Expenditure from Contingency Fund	---	
601.87	X. Public Account receipts-		646.31	590.70	X. Public Account disbursements-		529.49
98.83	Small Savings and Provident Funds	100.99		66.41	Small Savings and Provident Funds	68.97	
0.84	Reserve Funds	0.51		0.18	Reserve Funds	2.03	
46.85	Suspense and Miscellaneous	124.84		62.27	Suspense and Miscellaneous	13.22	
355.25	Remittances	368.62		367.26	Remittances	381.25	
100.10	Deposits and Advances	51.35		94.58	Deposits and Advances	64.02	
	XI. Closing Overdraft from Reserve bank of India			(-)36.62	XI. Cash Balance at end-		9.24
				0.17	Cash in Treasuries and Local Remittances	0.17	
				(-)127.56	Deposits with Reserve Bank	(-)30.34	
				21.73	Departmental Cash balance including Permanent Advances	31.20	
				59.30	Cash Balance Investment	8.21	
				9.74	Investment in earmarked funds	---	
883.96	Total:-		952.75	883.96	Total:-		952.75

Source: Finance Accounts

* Represents receipts: Rs.668.43 crore and Rs.454.04 crore and disbursements: Rs.619.39 crore and Rs.330.70 crore for the years 2000-01 and 2001-02 respectively.

Table No.1.17
Financial Indicators for Government of Nagaland

(1)	1997-98 (2)	1998-99 (3)	1999-2000 (4)	2000-01 (5)	2001-02 (6)
SUSTAINABILITY					
BCR (Rupees in crore)	(-) 272.47	(-) 210.89	(-) 277.14	(-)296.20	(-)974.63
Primary Deficit (PD) (Rupees in crore)	152.08	49.90	30.63	94.34	136.49
Interest Ratio	0.13	0.14	0.13	0.14	0.15
Capital outlay/Capital receipts	0.93	0.88	0.69	0.96	0.74
Total tax receipts/GSDP	0.18	0.20	NA	NA	NA
State Tax Receipts/GSDP	0.14	0.01	NA	NA	NA
Return on Investment ratio	NIL	NIL	NIL	NIL	NIL
FLEXIBILITY					
BCR (Rupees In crore)	(-) 272.47	(-) 210.89	(-) 277.14	(-)296.20	(-)974.63
Capital repayments/Capital borrowings	0.26	0.64	0.22	0.24	0.18
State Tax receipts/GSDP	0.14	0.01	NA	NA	NA
Debt/GSDP	0.52	0.59	NA	NA	NA
(1)	1997-98 (2)	1998-99 (3)	1999-2000 (4)	2000-01 (5)	2001-02 (6)
VULNERABILITY					
Revenue Surplus (+)/Revenue Deficit(-) (Rupees in crore)	(-) 127.19	(-) 23.02	(-) 9.34	(-)36.13	(-)102.58
Fiscal Deficit (FD) (Rupees In crore)	264.70	184.73	182.91	271.43	336.96
Primary Deficit (PD) (Rupees In crore)	152.08	49.90	30.63	94.34	136.49
PD/FD	0.57	0.27	0.17	0.35	0.41
RD/FD	0.48	0.13	0.05	0.13	0.30
Outstanding Guarantees/revenue receipts	@	@	@	@	@
Assets/Liabilities	1.17	1.13	1.10	1.08	1.01

EXPLANATORY NOTES

- The summarised financial Statements are based on the Finance Accounts and Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.
- Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc. do not figure in the accounts.
- The capital outlay represents capital expenditure booked in the accounts.
- Although a part of revenue expenditure (grants) and the loans are used by the recipients for capital formation, its classification in the Government accounts remains unaffected by end use.
- Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account, with the result that cumulative position of such surplus or deficit was not ascertainable. The balancing figure of Rs.127.72 crore as on 31 March 1983 was, therefore, treated as cumulative surplus for drawing up the first Statement of financial position for 1982-83 which took the place of balance sheet. The current figure

@ Information awaited from the Government (February 2003).

Note :

- RD—Revenue Deficit.
- RS—Revenue Surplus.
- Fiscal deficit has been calculated as : Revenue expenditure + Capital expenditure + Net loans and advances –Revenue receipts- Non-loan capital receipts.
- In the ratio Capital outlay vs. capital receipts, the denominator has been taken as net additions under internal loans & Loans and Advances from Government of India *plus* Net receipts from small savings, PF etc. *plus* Repayments received from loans advanced by the State Government *minus* Loans advanced by State Government *minus* Ways & Means Advances and Overdrafts under 6003 and 6004.

as on 31 March 2002 was Rs.31.71 crore after accounting for the revenue deficit of Rs.102.58 crore during 2001-02.

6. Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Governmental payments and other pending settlements.

7. The closing cash balance as reported by the Reserve Bank of India was Rs.163.49 crore (debit) against the general cash balance of Rs.30.34 crore (debit) shown in the accounts. The difference of Rs.133.15 crore (debit) as on 31 March 2002 is under reconciliation (February 2003).