

EVALUATION OF STATE FINANCES

With Reference to the State of Nagaland



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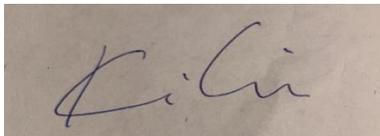
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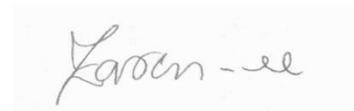
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EXECUTIVE SUMMARY

Introduction

In India the finance commission is set up every five years to define financial relation between the centre and the state. The key purpose of the Commission is to ensure a fair and equitable fiscal federal structure, helping balance the diverse economic needs and capacities of different states in the country. Continuing with the tradition, the sixteenth finance commission was set up to relook and revisit the financial relationship between the centre and state.

In the backdrop of 16th finance commission, this study seeks to evaluate the state of public finance in the state of Nagaland. The study seeks to comprehensively analyse the revenue structure, the expenditure front, the deficits, state debts, implementation of FRBM, its contingent liabilities, PSUs, Power, Decentralization, subsidies and capital deficit grants for a period of 12 years (2012-24). The study concludes by suggesting ways and means to overcome fiscal difficulties faced by the state and a way forward for utilization of Capital Deficit Grants to attain long term growth in Nagaland.

1. The State Economy at a Glance

The nominal GSDP increased from Rs. 14, 121 crores in 2012-13 to Rs. 40414 crores during 2023-24, with a compound annual growth rate of GSDP of 9.2%. Considering this CAGR of GSDP as the state's natural growth rate, the GSDP is projected to reach Rs. 74301.35 crores by 2030-31. The Per Capita Income of the state was Rs. 1, 60, 922 as on 2022-23 (CAG, 2023).

2. State Revenue

In the total revenue, the share of State's own revenue (own tax revenue + non-tax revenue) was increased from 8.8% in 2012-13 to 14.1% in 2023-24. At the same period, the share of state own tax revenue was increased from 5.5% to 9.9%, and the share of state own non-tax revenue increase from 3.3% to 4.2%. Meanwhile, the share of central transfer through tax devolution in State's total revenue receipt has increased from 14.8% in 2012-13 to 39.8% during 2023-24. However, the share of grants-in-aid from centre to the state in the total revenue receipts of the state declined significantly from 76.4% during 2012-13 to 46.1% during 2023-24 periods. Thus, it can be seen that the state's dependence on central aid is still large. The total revenue receipt of the State has increased from Rs. 6202.23 crore to Rs. 16155.14 crores during the same period. Taking the compound annual growth rate of 8.3% as the natural growth rate, the revenue of the state is expected to reach Rs. 28229.94 crores by 2030-31.

It is seen that own tax revenue and shared taxes are more responsive to GSDP than total own revenue of the state. This means a small increase in GSDP will lead to a more than proportionate increase in the own tax revenue and shared taxes than total own revenue. It is also observed that the buoyancy of total own tax revenue is mostly influenced by the buoyancy of taxes on goods and passengers, electricity, others and SGST. Own non-tax, grants from centre and total revenue are less than unitary indicating less proportionate to the changes in GSDP or less responsiveness to the change in GSDP. The study also reveals that own non-tax revenue is mostly influenced by general and economic services.

3. State Expenditure

The total state expenditure (excluding debt repayment) has increased from Rs. 6860.88 crores during 2012-13 to Rs. 17942.91 crores during 2023-24. The contribution of revenue expenditure to the total expenditure was 81.67% during 2012-13, which rose to 82.6% during 2023-24. The share of capital expenditure (capital outlay) has declined from 18.3% to 17.4% during the same period. The contribution of loans and advances in the total expenditure remains negligible, with less than 1%. The compound annual growth rate of total expenditure was 8.3%, total revenue expenditure was 8.4% and capital expenditure was 7.9% during the same period. Taking the annual average growth rate of 8.4% as the natural growth rate, the total expenditure is expected to reach Rs. 31, 353.94 crores during 2030-31.

The total expenditure as a proportion to GSDP decreased from 48.57% during 2012-13 to 44.40% during 2023-24. Like the total expenditure, revenue expenditure as a percentage to GSDP shows a decreasing trend from 39.67% to 36.6% during the same period. For total capital outlay it revolves between 4.95 to 8.89 per cent during the same period. Among the functional composition of total expenditure, it was found that expenditure on general services exceeds both social and economic service expenditures. The share of committed expenditure in revenue expenditure is about 69.7% for the study period. The expenditure on salary and wages decreased from 46.5% to 45% during the study period meeting the target of FRBM 2005. It means only about 30.3% of the state revenue expenditure are made on other developmental and non-developmental purpose.

4. Deficit

The revenue surplus grows from Rs. 600.95 crores during 2012-13 to Rs. 1335.45 crores during 2023-24. Its percentage to GSDP lies at the range of 0.72% to -5.06% during the entire period, with an average percentage share of 2.98%. Fiscal deficit shows an increasing trend for the whole period except for 2021-22 periods. The fiscal deficit increased from Rs. 657.71 crores (2012-13) to Rs. 1755.96 crores during 2023-24. The fiscal deficit as percentage to GSDP fluctuates around-0.16% to 4.84% during 2012-23 with an average of 3.01%. Primary deficit grows from Rs. 207 crores in 2012-13 to Rs. 687.53 crores

(2023-24). The primary deficit as a percentage of GSDP fluctuates around-3.04% to 2.1% during 2012-24 with an average of 0.12% for the entire period.

5. Debt

The total liabilities of the state increased from Rs. 7452.54 crores during 2012-13 to Rs. 18187.32 crores during 2023-24. The total public debt increased from Rs.5247.37 crores to Rs. 15944.06crores, while the public account increased from Rs. 2205.17 crores to Rs.2243.26 crores during the same period. The share of total liabilities in GSDP of the state decreased from 53% to 45% with an average share of 45% during the study period which is above 40% as targeted by FRBM. The percentage share of public debt to GSDP was 34% on an average during 2012-24 period, while the percentage share of public account decreased from 16% to 6% with an average of 11% during the same period. It is projected that total state liabilities will reach Rs, 25412 crores during 2030-31.

6. FRBM

It has been observed that the own non-tax revenue has been increasing over the years in terms of quantity, however, its percentage share to total own revenue has been decreasing over the years and its average percentage share was 3.1% for the whole period. The year-wise percentage contribution shows a declining trend which goes against the FRBM objective of raising non-tax revenue.

The revenue surplus as a percentage to GSDP remained positive for the whole period (2012-24) except for one year where it shows a deficit on revenue account with 0.7% during 2019-20. On the whole, the average revenue surplus exhibits a positive surplus of 3% for the whole period as targeted in FRBM 2005.

The fiscal deficit as a percentage to GSDP was 3.01% for the whole period which is 0.01% higher than the targeted FRBM of bringing down below 3%. The primary deficit as a percentage to GSDP was 0.12% on an average for the whole period.

The total committed expenditure including salary and wages, interest payment and pension were 69.7% on an average for the whole period. The total salary and wages as a percentage to total revenue was 47% on an average for the whole period meeting the target of FRBM 2005.

The total debt stock of the state was 45% of GSDP on an average during the whole period which is above 40% as targeted by FRBM.

It was found that annual incremental risk weighted guarantee was 1.35% of TRR and 0.5% of GSDP as targeted by FRMB.

7. Fund Transfer to Local Bodies

Transfer of fund under Centrally Sponsored Schemes to rural local bodies like NREGA, PMGSY, and NRLM have received substantial funding with higher average annual allocations, indicating increased focus on rural employment, infrastructure, and livelihoods. With an overall CAGR of 5%, the total allocation in rural programmes remained stable between 2014-15 and 2022-23, although the trend has fluctuated and shown a downturn in recent years. The same in urban area shows a positive growth rate of 2%, indicating growing investment, particularly in infrastructure, housing, and sanitation. Major programs like Smart Cities, AMRUT, PMAY, and Swachh Bharat Mission received significant emphasis.

The compound annual growth rate of Grants-in-Aid (GIA) to local bodies was modest at 1.78% from 2012-13 to 2022-23. Since 2020-21, revenue expenditure on urban development has shown positive trend. In contrast, revenue expenditure on rural development saw a sharp decline with a negative growth rate of 14.4%, indicating reduced overall funding. While central contributions remain dominant over the state's but decreasing, the share of state's funding increased between 2017-18 and 2022-23, reflecting policy shifts and rising fiscal pressures on states for rural development.

8. Financial Health of State Public Sector Undertakings

As on 31st March, 2023 in Nagaland, there were seven State PSUs, of which, one company was non-working and the other six working PSUs were insignificant in the State's economy. For those working PSUs, the percentage share of their turnover in the GSDP was not only insignificant (0.02%) but declined (-6.69%) during 2012-13 to 2021-22. Additionally, the PSUs reported an accumulated loss of ₹73.33 crore. The combined effect of rising debt and decreasing turnover has led to increase in accumulated losses.

The SPSUs mostly depend on State Government grants to meet the salary expenditure of its employees since they have minimum or no income from operation. In the total investment, the proportion of equity capital has consistently been lower than that of long-term loans (LTL). About 30% (₹35.15 crore) of the total investment (₹118.59 crore) in 2022 was contributed by the State Government, while the remaining 70% came from other sources, including the Central Government, holding companies, and banks. Significant portion of PSU investments is concentrated in the financial sector, representing almost 70% of its total investment. During the same period, guarantees issued to PSUs declined by 0.57%, whereas guarantee commitments increased by 2.61%.

The State Government's investment in the financial sector remained the highest in all the selected years as compared to other sectors, and grants or subsidies constituted more than 80% of the budgetary

outgo. The share of grants to Public Sector Undertakings (PSUs) in the State's total Grants-in-Aid (GIA) rose above 10 per cent with a compound annual growth rate of 5 per cent, highlighting the growing financial burden of State PSUs on the State's finances.

9. Power Sector on States' Financial Health

Power is a vital infrastructure component that plays a key role in development, thus requiring special attention. Nagaland has been facing the problems of energy shortages, inadequate power infrastructure, unreliable and poor supply of electricity, growing revenue deficit, inadequate revenue collection and the resultant negative impact on the State finances. The peak demand met has seen to increase but at a slower rate as compared to peak demand, highlighting the challenges faced by the state's power infrastructure in keeping up with the growing demand.

The underlying principle behind the introduction of communitization in this sector was to reduce the debt burden which the state government had been encountering as the state power department runs into losses. The SPM reform under of communitization did not help in reducing the deficit as was expected, even though the system has eased the financial burden through small rise in revenue. But this initiative has promoted better financial management and enhanced community participation, which collectively contributed to fiscal stability to a limited extent. Nevertheless, the effort to do away with SMP and introduce smart meters is necessary to address the challenges of high AT&C losses, ensure effective revenue collection and reduce non-technical losses in the State.

A wide gap between the availability and requirement of energy and huge transmission and distribution losses and growing demand underscore the need for structural reforms, including **unbundling of the power sector**. Effective tariff structures and reduced transmission and distribution (T&D) losses are crucial for balancing the rising electricity demand with financial sustainability, ensuring both economic stability and reliable power supply. This would help in reducing the volatility of the deficit and improving the fiscal health of the sector and ease the burden on State finance.

10. Contingent Liabilities

The annual incremental risk weighted guarantee stands at 0.5% of GSDP which is below the guarantee prescribed by FRMB 2005. This shows that contingent liabilities bear fewer burdens on the state financial health.

11. Outcome of the 14th and 15th FC Recommendation

The share of union taxes for the state has been increasing from Rs. 917.14 crores during 2012-13 to Rs. 6426.82 crores during 2023-24. Its share in the total state revenue also increases from 14.8% to 39.8%

during the same period. Thus, we can see that there is an increase in the flow of funds to the state from the shared taxes as per the recommendation of the 14th and 15th Finance Commission.

The 15th Finance Commission recommended grants of Rs. 4,36,361 crores to local government during 2021-26 period. The total amount recommended for the state of Nagaland was Rs. 303 crores for health, Rs. 486 crores for rural local bodies, Rs. 249 crores for urban local bodies and Rs. 228 crores for disaster management.

Like the 14th finance commission, the 15th finance commission also recommended a total revenue deficit grant of Rs. 2,94,514 lakh crores for the 17 states for five years (2021-26) to eliminate revenue deficit, of which Nagaland is one of them. The total amount recommended for the state of Nagaland was Rs. 21,249 crores during the same period. However, the analysis shows that, the state has received a total of Rs. 21,680 crores as grant in aid for the first three years, i.e., Rs. 6,971 crores in 2021-22, Rs. 6,758 crores in 2022-23 and Rs. 7,951 crores in 2023-24, which is higher than the total amount recommended for the state by 2%.

The compensation for GST as recommended by the commission for five years was 100% for the first year, 75% for the second year and 50% for the third year. The revenue collected under GST in the state grows from Rs. 526.21 crores in 2017-18 to Rs. 1,112.5 crores during 2023-24. It grows with an annual average growth rate of 11.29%.

To eliminate the fiscal deficit, the commission has recommended that fiscal deficit in the state should not be more than 3% of the GSDP. However, it was found that the state fiscal deficit was 3.01% on an average for 2012-24 period, which is above the recommended percentage by a margin of 0.01% while the primary deficit remains at 0.12% on an average during the same period.

The revenue burden from power purchase-sale shows a consistent growth of deficit, which grows by 19.84% from 2012-13 to 2022-23. The 2022-23 fiscal shows the department could recover only 'a less than half' of the purchase cost (53.06%). The cost of power purchases has significantly increased over the years, from Rs. 113.88 crore in 2012-13 to Rs. 553.95 crore in 2022-23. At the same time, the revenue receipts from the sale of electricity have increased but at a slower pace, from Rs. 78.39 crore in 2012-13 to Rs. 293.93 crore in 2022-23. Although the revenue has shown a steady increase (12.76%), it failed to keep pace with the rising expenditure on power purchase (15.46%), which has resulted in a persistent increase in deficit.

12. Subsidies and Centrally Sponsored Schemes

The state government has allotted a total of Rs. 211.52 crores during 2012-13 to 2023-24. Its percentage share to total revenue expenditure decreased from 1.1% during 2019-20 to 0.25% during 2022-23.

The total CSS expenditure increased from Rs. 424.3 crores during 2012-13 to Rs. 2430.91 crores during 2022-23. The expenditure on state schemes increased from Rs. 1854.93 crores to Rs. 13998.81 crores during the same period.

13. Debt-GSDP Ratio

The Debt-GSDP ratio shows that the ratio has been decreasing over the years. From 53% during 2012-13, the ratio decreased to 45% during 2023-24 with an average of 45% during the whole period.

14. Rationale for Capital Deficit Grants

Nagaland faces significant challenges in generating internal revenue due to its limited tax base and private sector. Nagaland's land ownership system is protected by **Article 371(A)** of the Indian Constitution, which grants absolute control over land and resources to its people, preventing the state from imposing taxes on them, limiting revenue generation capacity from land based activity. As a result, the state remains heavily reliant on central financial assistance for its developmental needs. To bridge the capital deficit, the state will continue to depend on capital deficit grants, which must be strategically utilized with accountability to effectively achieve its targeted goals. The rationale and suggestions for Capital Deficit Grants in Nagaland is given in chapter 15 of this report, a way forward for long term development. These are summarized as follows:

Way Forward for Long Term Development

(Details presented in chapter 15)

1. Infrastructure Development

- Roads, Water way, Air and Railway Connectivity: Upgrading state highways, district roads, and rural roads to enhance intra-state mobility and trade. Similarly, railways and air port expansion and upgrading. It also needs grants to developed inland waterway connecting Tizu to Chindwin river in Myanmar.
- Urban Infrastructure: Development of drainage systems, drinking water supply, waste management, and sustainable urban transport in key towns.
- Rural Infrastructure: Construction of rural roads and bridges, drinking water supply, marketing and transport infrastructure.
- International Border Trade Centre. The state also needs to *set up border haats* at these three (Avungkhu, Dan (Pangsha) and Longwa) border centre.
- Physical Infrastructure Development for Sports: Up-gradation of facilities in district headquarters, completion of *Multi Disciplinary Sports Complex* at Dimapur (19 years since initiated), and establishment of institute of Sports and Physical education.

2. Industrial Growth and Employment Generation

- Micro, Small, and Medium Enterprises (MSME): Support setting up industrial estates, common facility centers, and skill development programs in district headquarters.
- *Revamping of existing sick industries* like Tuli paper mill (Mokokchung district) and Mini Cement plant at Wazeho (Meluri).
- *Oil exploration and Oil refinery*
- Agro-Based Industries: Promotion of food processing units, cold storage facilities, and market linkages for farmers. Rubber processing and tea processing units.
- Handloom and Handicraft Sector: Strengthening cooperatives, marketing networks, up skilling and financial assistance for artisans.

3. Power and Renewable Energy

- Electricity Infrastructure: Strengthening power distribution networks and expanding rural electrification.
- Hydropower and Solar Energy Projects: Investment in small and medium hydropower projects and rooftop solar initiatives.
- Energy Efficiency Measures: Implementing smart grids and energy-saving technologies in public institutions. Replacement of SPM by Smart metering to reduce revenue lost

4. Tourism and Cultural Promotion

- Eco-Tourism Development: Establishing nature trails, adventure tourism hubs, and home stays.
- Heritage and Cultural Sites: Restoration of historical monuments, museums, and local festival promotion.
- Capacity Building: Training and financial support for local entrepreneurs in tourism-related businesses.

5. Strengthening Governance and Service Delivery

- E-Governance Initiatives: Expanding digital infrastructure for efficient public service delivery and transparency.
- Healthcare Infrastructure and man power: Upgrading district hospitals, PHCs, and procurement of medical equipment. Recruit more medical personals as per the standard norms.
- Education Infrastructure: Construction of model schools with vocational training centers. Establish institutions of higher education with wider streams of studies and technical education with improved quality. Up-gradation of three colleges namely – *Kohima Science College, Fazl Ali College Mokokchung and Dimapur Government College.*

6. Strengthening Local Bodies and Decentralized Planning.

- Capacity Building of Urban Local Bodies (ULBs) and Village Councils: Training programs and financial management support.
- Participatory Planning Mechanisms: Strengthening Village Councils and municipal planning for effective grassroots governance.

- Enhancing Own Revenue Generation: Developing sustainable revenue streams for ULBs and village councils through asset creation and service charges.
- Physical Infrastructure Development for Capital assets creation , Development of civic amenities and Disaster Preparedness for both rural and urban local bodies
- Creation of Integrated Waste Management Facilities

7. Disaster Management and Climate Resilience.

- Projects related to mitigation of land and mud slight, flood control, forest and soil conservation, and disaster mitigation to safeguard livelihoods and infrastructure.

Despite economic and infrastructural challenges, Nagaland state has made significant progress in human development, especially in literacy and health sectors. The state's economy has experienced fluctuating GSDP growth during 2012-13 and 2022-23, with the tertiary sector as the largest contributor. Fiscal management reflects a revenue surplus but with rising fiscal and primary deficits. However, capital expenditure remains low, and the financial health of state PSUs is weak due to declining turnover and rising debt. Local governance, through traditional village systems and recently reactivated Urban Local Bodies, plays a crucial role in rural and urban development but faces financial challenges. The power sector struggles with inadequate infrastructure, rising demand, high AT&C losses, and poor revenue collection with increasing deficit, affecting both service reliability and fiscal health. Implementing comprehensive economic strategies can lead to sustainable fiscal management and promote inclusive and sustainable growth in Nagaland.

CHAPTER 1

INTRODUCTION

1.1 PROFILE OF NAGALAND

Nagaland attained statehood on 1st December, 1963 as a special category state. It is one of the states in North Eastern region of India, bounded by three states viz. Assam in the North and West, Arunachal Pradesh in the East and Manipur in the South. The state shares international border with Myanmar in the East. The state's topography is mountainous and the altitude varies approximately between 194 meters and 3048 meters above sea level. The state has a geographical area of 16579 sq. kms (0.51% of the country's area). The State's capital is Kohima town and it has 16 districts as on January 2022, viz, Kohima, Mokokchung, Tuensang, Wokha, Phek, Dimapur, Peren, Longleng, Kiphire, Zunheboto, Mon, Noklak, Tseminyu, Nuland, Shamator and Chumoukedima. According to 2011 census, it has a total population of 19,78,502, out of which, 71.14% reside in rural areas and 28.86% in urban areas. The sex ratio is 943 females per '1000 male, with a density of 119 people per sq. km. The state's literacy rate is 79.55 per cent, out of which the male literacy is higher with 82.75 per cent against female rate of 76.11 per cent. Since its statehood, the state has made significant progress, especially in human development front, where the literacy rate are higher than national average and infant and maternal mortality rates are below the national average.

The state is inhabited mostly by tribals and it has 16 major tribes, viz., Angami, Ao, Lotha, Sumi, Konyak, Rengma, Chakesang, Khiamniungan, Chang, Sangtam, Phom, Yimchungru, Pochury, Zeliang and numerous other tribes and sub-tribes. Each tribe is unique in character with its own distinct customs, language and dresses.

For Local self-governance, Nagaland has institutionalised its traditional village administration system well ahead the commencement of the Panchayati Raj Act through the Nagaland Village and Tribal council Act, 1978. Each village has Village Council (VC) that looks after administration and under its ambit Village Development Board (VDB) looks after developmental activities in the village. Enactment of Communitization of Public Institutions and Services Policy, 2002 was an important step towards decentralization of the resource

management that opens avenue for community/stakeholders to directly get involved in planning, management, supply of basic services like education, health, electricity, water supply etc.

In urban areas, the Urban Local Body (ULBs) of the municipal councils and town councils, which were responsible for providing basic services and resource mobilization at the gross root level, remained inactive for nearly two decades due to the absence of election. However, on 26th June 2024, it was reactivated with the holding of election for ULBs and shifting of responsibilities to the elected members by the administration. These gross root institutions needs sufficient funds for more effective and inclusive growth. In recent years these Local bodies, especially, in the villages are assuming more active roles in carrying out a number of centrally sponsored programmes. Therefore, Finance Commission needs to evaluate the performances and allocate more funds for both the local bodies; otherwise it may hamper their activities.

1.2 THE STATE ECONOMY AT A GLANCE

The compound annual growth rate of GSDP shows that it grows at 9.2% on an average for 2012-13 to 2023-24 periods, with fluctuations in the year-wise growth rate.

Table no 1.1: **GSDP (Current Price) and percentage increase 2012 to 2023-24**

Years	GSDP (Rs. in crore)	% increase
2012-13	14121	16.0%
2013-14	16612	17.6%
2014-15	18401	10.8%
2015-16	19524	6.1%
2016-17	21722	11.3%
2017-18	24393	12.3%
2018-19	26527	8.7%
2019-20	29712	11.6%
2020-21	29832	-0.2%
2021-22	32265	9.8%
2022-23	35642	10.5%
2023-24	40414	13.4%
CAGR		9.2%

Sources: MOSPI.

The State's GSDP growth rate has fluctuated during the observed period (2012-13 to 2023-24). In 2012-13, it was 16% which decreased to at -0.2% in 2020-21, the lowest yearly growth

rate, while the highest was in 2013-14 at 17.6%. With a cumulative growth rate of 9.2% and considering it as the state's natural growth rate, the GSDP is projected to reach Rs. 74301.35 crores by 2030-31. The Per Capita Income of the state was Rs. 1,60,922 as on 2022-23 (CAG Report 2023).

1.3 STATE'S FISCAL POSITION

The evaluation of Nagaland's state finances provides insight into the fiscal trends, revenue composition, expenditure patterns, and overall financial health of the state. As a special category state, Nagaland relies heavily on central transfers, including tax devolution and grants-in-aid, to finance its developmental and administrative activities. Over the years, the state has witnessed fluctuations in its fiscal indicators, such as the primary deficit, revenue growth, and debt-to-GSDP ratio.

Revenue generation in Nagaland is primarily driven by central transfers, though there has been a gradual increase in the state's own revenue contribution. The state's tax revenue, particularly from Goods and Services Tax (SGST) and other indirect taxes, has shown responsiveness to GSDP growth. However, non-tax revenue remains relatively low, relying on economic and general services. On the expenditure side, a significant portion is allocated to salaries, pensions, and interest payments, leaving limited fiscal space for capital investments.

Debt sustainability is a key concern, as the state has experienced periods of both primary surplus and deficit, affecting its debt-to-GSDP ratio. While a positive rate spread (higher GSDP growth relative to interest rates) has helped stabilize debt in recent years, fiscal discipline remains crucial for long-term sustainability.

Overall, evaluating Nagaland's state finances highlights the need for enhancing revenue mobilization, optimizing expenditure, and ensuring sustainable debt management to achieve long-term fiscal stability and economic growth.

This study seeks to explore and analyze the finance of Nagaland, over a period of twelve years starting from 1st April 2012 to 2024 within the ambit of the following terms of reference:

(i) Revenue Capacities and Tax System

The compositions, growth trends of State's revenue receipts, and year wise revenue buoyancy in relation to GSDP were analysed. The actions undertaken over the previous years to increase its own-tax income and its buoyancy in relation to GSDP are critically evaluated. In light of the findings, explore the potential ways to raise the State's revenue productivity of the tax system.

(ii) State's Own Non-Tax Revenues

Here, evaluated the composition and growth trends of State's own Non-Tax Revenues and its buoyancy in relation to GSDP. Also, the sources of revenue from user charges of all services, profits from departmental enterprises and dividends from non-departmental commercial enterprises were examined.

(iii) Revenue and Capital Expenditures

The patterns and trends of Capital and Revenue expenditures, respectively, were evaluated and investigated into the components of expenditure there under. Further, examine the measures adopted during the last years to enhance allocative and technical efficiencies in expenditure. Subsequently, suggested recommendations on ways to increase public spending efficiency.

(iv) Analysis of Deficits depicted an in-depth analysis of State's fiscal and revenue deficits.

(v) Debt and Liabilities incorporated evaluation of compositions, levels and trends of debt in the State and debt to GSDP ratio. Components of liabilities in public account and borrowings from various sources were assessed.

(vi) Implementation of FRBM Act and Analysis of MTFP evaluated implementation of FRBM Act in Nagaland and its outcomes and also analysed MTFP of various departments and the State in general.

(vii) Transfer to Local Bodies and Decentralization Initiatives contents an indebt analyses on the local bodies and major decentralization initiatives in Nagaland. Moreover, the volume and patterns of resource transfers to these bodies under various schemes were analyzed.

(viii) Impact of State's Public Enterprises Finances on Financial Health dealt with the performance of PSUs in terms of financial status and its relation to GSDP, government's

investment trends, its adverse impact on the State's financial health, and measures to be undertaken for its correction.

(ix) Impact of Power Sector Reforms on States' Financial Health reviewed the status of power sector in the State, and major reforms adopted therein. Further critically review the impact on the States' fiscal health and suggested to reduce the pressure on state budget.

(X) Analysis of Contingent Liabilities. It discussed the accumulated contingent liabilities as a percentage of GSDP over a period of 12 years.

(xi) Evaluation of State's Subsidies (other than central subsidies) includes extent, targets and benefits in the state.

(xii) Outcome Evaluation of State Finances especially in the context of recommendations of 14th and 15th Finance Commission in terms of:

a). Resource flow from centre to state via schemes, state's share of expenditure in those schemes, and overall impact on development spending of the state.

b). State's own scheme for development objectives.

(xiii) Sustainable Debt Roadmap for 2026-31 based on the tax and non tax trend forecasts for Nagaland, determine a road map for 2026-31 is presented.

(ix) Rationale for Capital Deficit Grants and suggested for judicious utilization for creation of capital assets like infrastructure for development, capacity building, industrial and agricultural-based activities, strengthening delivery services and empowerment of local bodies. This will pave for a way forward to attain sustainable development and growth for Nagaland.

CHAPTER 2

REVENUE CAPACITY AND TAX SYSTEM

This chapter discusses the trends in revenue receipt, the proportion of revenue to GSDP and productivity of tax receipt for the state of Nagaland for a period of 12 years (i.e., 2012-24).

2.1: COMPOSITION, TRENDS AND GROWTH IN REVENUE RECEIPTS

Revenue Receipts of the State Government consist of own tax revenue, own non-tax revenue, central tax transfers and grants-in-aid from Government of India (GoI). Table no. 2.1 and table no. 2.2 shows the composition of revenue receipts and Gross State Domestic Product (GSDP) of the state government and the percentage share in total revenue receipt. It is seen that the share of state own tax revenue in the total revenue receipt rose from 5.5% in 2012-13 to 10.4% in 2022-23 and then decline to 9.9% during 2023-24. The share of state own non-tax revenue in the total revenue receipt shows a fluctuating trend on a yearly basis. Its share was 3.3% in 2012-13 which rose to 3.7% in 2016-17 and then decline to 2.1% in 2020-21 (the lowest for the study period) and finally rose to 4.2% in 2023-24. The table also shows an increasing trend of own revenue (own tax + own non-tax) share in total revenue during the same period. Its share rose from 8.8% to 14.1% during the same period touching a double digit. Thus, it can be seen that around 10% of revenue comes from state's own resources during 2012-13 to 2023-24. The remaining revenue comes from Government of India in the form of state's share of taxes and grants-in-aid. The share of central transfer through tax devolution in state's total revenue receipt has increased from 14.8% in 2012-13 to 39.8% in 2023-24, but the share of grants-in-aid from the central government to the state in the total revenue receipts of the state has declined significantly from 76.4% in 2012-13 to 46.1% in 2023-24. Thus, from the table it can be seen that the state dependence on central aid is still large.

Revenue Receipts' and GSDP:

The annual growth rate of state revenue and GSDP are shown in figure 2.1 and table no 2.1 and 2.3. Total revenue receipts of the State increase from Rs. 6202.33 crore in 2012-13 to Rs. 16155.14 crore in 2023-24 with an annual compound growth rate of 8.3% during the period. However, it can be seen that there is high fluctuation in year wise growth rate of revenue during this period ranging from 0.0001% in 2020-21 to 17.7% in 2014-15 and 2021-22. The growth rate for six years, viz, 2012-13, 2014-15, 2016-17, 2017-18, 2021-12 and 2023-24 remained higher

than the overall compound annual growth rate of the revenue receipts, whereas, the growth rate for the remaining six years remained below the overall growth of revenue receipts.

The projected growths of the total state revenue for 2024-25 to 2030-31 are shown in table no. 2.4. The expected state revenue for 2024-31 was calculated taking the compound annual growth rate for 12 years (CAGR 2012-24). Taking 8.3% as the natural growth rate, it is projected that the total revenue receipt will reach Rs. 17469.02 crores in 2024-25, Rs. 18948.19 crores in 2025-26, Rs. 20520.89 crores in 2026-27, Rs. 22224.12 crores in 2027-28, Rs. 24068.72 crores in 2028-29, Rs. 26066.42 crores in 2029-30 and to Rs. 28229.94 crores by 2030-31.

The overall growth rate of state's own tax revenue was 13.8% during 2012-2024 which is higher than state own non-tax revenue and the annual growth rate of the total state revenue. It shows high fluctuations in the yearly growth rate during this period from -1.9% in 2013-14 to 32.6% in 2018-19. The yearly growth rate of own tax revenue was higher than the overall growth rate except for 2012-13, 2013-14, 2015-16, 2019-20, 2020-21, 2022-23 and 2023-24. Taking the CAGR of 13.8% it is projected that state own tax revenue will grow from Rs. 18.18.64 crores in 2024-25 to Rs. 3950.02 crores in 2030-31. The overall growth rate of state's own non-tax revenue was 10.4% during 2012-2024. It also shows high fluctuations in the growth rate during the same period from -34.3% in 2018-19 to 57.6% in 2022-23. The annual growth rate for five years, viz, 2012-13, 2013-14, 2015-16, 2018-19 and 2020-21 remained lower than the overall growth of state own non-tax revenue receipts. It is also projected that state own non-tax revenue will grow from Rs. 748.35 crores in 2024-25 to Rs. 1354.93 crores in 2030-31. The overall growth rate of state own resources (own tax + own non-tax) exhibits a higher growth rate (12.6% for the same period) than grants from centre and the total revenue. This shows that there is room for improving revenue collection from own resources. It is projected that own state resources will grow from Rs. 2566.98 crores in 2024-25 to Rs. 5304.96 crores in 2030-31.

The overall growth rate of shared tax was 17.6% during 2012-2024 (see table no. 2.3) exhibiting highest growth rate among revenue receipts. However, it also shows high fluctuations in the growth rate during the same period from -13.9% in 2019-20 to 139.1% in 2015-16. Except for 2015-16, 2016-17, 2021-22 and 2023-24 all the other years growth rate are lower than the overall growth of the shared tax. The overall annual growth rate of grant in aid was 3.8% during 2012-2024. The data shows high fluctuations in the growth rate during the same period from -

18.7% in 2015-16 to 19.6% in 2017-18 as shown in table no. 2.3. Except for 2015-16, 2018-19, 2020-21, 2021-22 and 2022-23, the remaining year growth rate shows a higher growth higher than the overall growth rate of grant in aid from centre.

The overall growth rate of GSDP was 9.2% during 2012-24 period (table no 2.3). The analysis shows that there is not much fluctuation during the period. Except for 2015-16, 2018-19, 2020-21 and 2021-22, for all the other yearsthe growth rate arehigher than the overall growth rate of GSDP. Taking the compound annual growth rate (9.2%) as the natural growth rate, the GSDP for the state has been projected and is shown in table no. 2.4. From the table it can be seen that the GSDP of the state will grow to Rs. 44132.09 crores by 2024-25 and is expected to reach Rs. 74301.35 crores by 2030-31.

Table 2.1: Composition of Revenue Receipts and GSDP (Rs. Crores)

Year	Own Tax Revenue	Own Non-tax Revenue	Total Own Revenue	Shared tax	Grants from centre	Total Revenue Receipt	GSDP
2012-13	339.95	205.21	547.12	917.14	4740.03	6202.23	14121
2013-14	333.4	216.57	549.97	1001.27	4946.67	6497.91	16612
2014-15	388.62	270.62	659.24	1062.68	5929.04	7650.96	18401
2015-16	427.1	256.39	683.49	2540.72	4819.36	8043.57	19524
2016-17	510.76	345.52	856.28	3032.62	5553.37	9442.27	21722
2017-18	638.28	388.53	1026.81	3353.13	6639.27	11019.21	24393
2018-19	846.39	255.24	1101.63	3792.41	6543.32	11437.36	26527
2019-20	958.17	339.29	1297.46	3267.08	6858.69	11423.23	29712
2020-21	1021.8	242.60	1264.40	3409.25	6752.84	11426.49	29832
2021-22	1300.89	303.58	1604.47	4875.45	6971.21	13451.13	32265
2022-23	1461.86	478.39	1940.25	5400.19	6758.78	14099.22	35642
2023-24	1598.1	677.85	2275.95	6426.82	7452.37	16155.14	40414

Sources: CAG, Statistical and Economic Department and Nagaland State Budget.

Table 2.2: Component of Revenue as a Percentage to Total Revenue (%)

Year	Own Tax Revenue	Own Non Tax Revenue	Total Own Revenue	Share Tax	Grants from Centre	Total Revenue
2012-13	5.5%	3.3%	8.8%	14.8%	76.4%	100%
2012-13	5.5%	3.3%	8.8%	14.8%	76.4%	100%
2013-14	5.1%	3.3%	8.5%	15.4%	76.1%	100%

2014-15	5.1%	3.5%	8.6%	13.9%	77.5%	100%
2015-16	5.3%	3.2%	8.5%	31.6%	59.9%	100%
2016-17	5.4%	3.7%	9.1%	32.1%	58.8%	100%
2017-18	5.8%	3.5%	9.3%	30.4%	60.3%	100%
2018-19	7.4%	2.2%	9.6%	33.2%	57.2%	100%
2019-20	8.4%	3.0%	11.4%	28.6%	60.0%	100%
2020-21	8.9%	2.1%	11.1%	29.8%	59.1%	100%
2021-22	9.7%	2.3%	11.9%	36.2%	51.8%	100%
2022-23	10.4%	3.4%	13.8%	38.3%	47.9%	100%
2023-24	9.9%	4.2%	14.1%	39.8%	46.1%	100%

Sources: CAG, State Government Budget and Central Statistical Office.

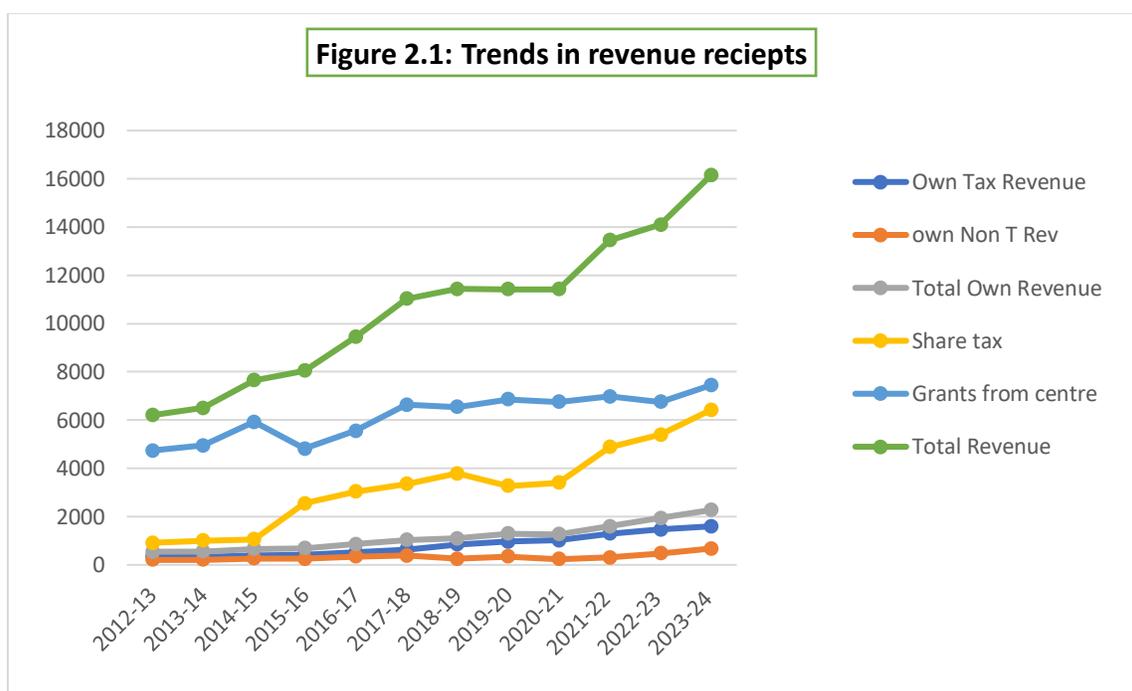


Table 2.3: Annual Growth of Revenue Receipts and GSDP (in %)

Year	Own Tax Revenue	Own Non Tax Revenue	Total Own Revenue	Shared ax	Grants from Centre	Total Revenue Receipt	GSDP
2012-13	11.9%	-11.1%	1.9%	14.2%	11.6%	11.1%	16.0%
2013-14	-1.9%	4.5%	0.5%	9.2%	4.4%	4.7%	17.6%
2014-15	16.6%	25.0%	19.9%	6.1%	19.9%	17.7%	10.8%
2015-16	9.9%	-5.3%	3.7%	139.1%	-18.7%	5.1%	6.1%
2016-17	19.6%	34.8%	25.3%	19.4%	15.2%	17.4%	11.3%
2017-18	25.0%	12.4%	19.9%	10.6%	19.6%	16.7%	12.3%
2018-19	32.6%	-34.3%	7.3%	13.1%	-1.4%	3.8%	8.7%
2019-20	13.2%	32.9%	17.8%	-13.9%	4.8%	-0.1%	12.0%

2020-21	6.6%	-28.5%	-2.5%	4.4%	-1.5%	0.0%	0.4%
2021-22	27.3%	25.1%	26.9%	43.0%	3.2%	17.7%	8.2%
2022-23	12.4%	57.6%	20.9%	10.8%	-3.0%	4.8%	10.5%
2023-24	9.3%	41.7%	17.3%	19.0%	10.3%	14.6%	13.4%
CAGR	13.8%	10.4%	12.6%	17.6%	3.8%	8.3%	9.20%

Sources: CAG, State Government Budget and Central Statistical Office.

The trends and composition of revenue receipt as a percentage of GSDP are shown in table no. 2.5. From the table it can be seen that own tax revenue as a percentage to GSDP grows from 2.4% during 2012-13 to 4.0% during 2023-24 with an average percentage of 3% to GSDP for 12 years. The own non-tax revenue as a percentage to GSDP has shown fluctuating trends ranging from 0.8% to 1.7%, with an average share of 1.3% during the same period. The total own revenue (own tax + own non-tax revenue) as a percentage to GSDP increases from 3.9% during 2012-13 to 5.6% during 2023-24 with an average percentage share of 4.3% for the same period. Thus, it can be seen total own revenue has been contributing positively to GSDP. The share of shared tax as a percentage of GSDP has been increasing from 6.5% during 2012-13 to 15.9% during 2023-24 with an average percentage of 11.8% to state GSDP. The share of Grants from centre as a percentage of GSDP shows a decreasing trend from 33.6% to 18.4% during the same period. However, its average percentage share in state GSDP was 25.2% during the same period. The share of total revenue as a percentage to GSDP shows a fluctuating trend from 38.3% to 45.2% during the same period. However, on an average the share of total revenue as a percentage to GSDP was 41.30% during the same period.

Table no.2.4: Projected Revenue Receipts and GSDP for 2025-31 (Rs. Crores)

Year	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Own Tax Revenue	1818.638	2069.61	2355.216	2680.236	3050.108	3471.023	3950.024
Own Non-Tax Revenue	748.3464	826.1744	912.0966	1006.955	1111.678	1227.292	1354.931
Total Own Revenue	2566.984	2895.784	3267.313	3687.19	4161.786	4698.316	5304.955
Total Revenue	17496.02	18948.19	20520.89	22224.12	24068.72	26066.42	28229.94
GSDP	44132.09	47850.18	52252.39	57059.61	62309.1	68041.53	74301.35

Sources: Author owns calculation basing on their Respective CAGR.

Table 2.5: Component of Revenue Receipts as a percentage of GSDP

Year	Own Tax Revenue	Own Non Tax Revenue	Total Own Revenue	Shared Tax	Grants from Centre	Total Revenue Receipt
2012-13	2.4%	1.5%	3.9%	6.5%	33.6%	43.9%
2013-14	2.0%	1.3%	3.3%	6.0%	29.8%	39.1%
2014-15	2.1%	1.5%	3.6%	5.8%	32.2%	41.6%
2015-16	2.2%	1.3%	3.5%	13.0%	24.7%	41.2%
2016-17	2.4%	1.6%	3.9%	14.0%	25.6%	43.5%
2017-18	2.6%	1.6%	4.2%	13.7%	27.2%	45.2%
2018-19	3.2%	1.0%	4.2%	14.3%	24.7%	43.1%
2019-20	3.2%	1.1%	4.4%	11.0%	23.1%	38.5%
2020-21	3.4%	0.8%	4.2%	11.4%	22.6%	38.3%
2021-22	4.0%	0.9%	5.0%	15.1%	21.6%	41.7%
2022-23	4.1%	1.3%	5.4%	15.2%	19.0%	39.6%
2023-24	4.0%	1.7%	5.6%	15.9%	18.4%	40.0%

Sources: CAG reports, State Government Budget and Central Statistical Office.

Revenue Buoyancy:

Tax (or revenue) buoyancy yearly is calculated using the following method:

$$\text{Tax Buoyancy} = \% \text{ change in revenue divided by } \% \text{ change in GSDP.}$$

However, measures of tax buoyancy from year to year vary a lot, which is not very helpful. Therefore, Tax buoyancy for a long period is estimated by Regression Analyses using ordinary least square method:

$$\text{Log (tax revenue)} = a + \text{Log (GSDP)} + e$$

The results of Tax or Revenue buoyancy with respect to GSDP are shown in Table 2.7. It shows that the buoyancy of own tax revenue, total own revenue and shared tax are more than unity for a period of 2012-13 to 2023-24. This indicates that own tax revenue, total own revenue and shared tax in the state grows more than proportionately to the growth of GSDP. It can also be seen that own tax revenue and shared taxes are more responsive to GSDP than total own revenue of the state. This means a small increase in GSDP will lead to a more than proportionate increase in the own tax revenue and shared taxes than total own revenue. In other words, own tax revenue and shared taxes are more productive than total own revenue. Own non-tax, grants from

centre and total revenue are less than unitary indicating less proportionate to the changes in GSDP or less responsiveness to the change in GSDP.

It can be seen from the table no. 2.6 that the year-wise revenue buoyancy shows a wide fluctuation during 2012-13 to 2023-24. The buoyancy of own tax revenue shows that it decreased from 0.7 in 2012-13 to -0.1 in 2013-14 and then increased to 3.7 during 2018-19 than decreased to 1.1 in 2019-20 and then increased to 16.4 during 2020-21. After 2020-21 period the buoyancy keeps decreasing and it was 0.7 in 2023-24. The own non tax revenue buoyancy exhibits the widest fluctuation from -70.6 during 2020-21 to 5.5 during 2022-23. The yearly buoyancy of total own revenue also fluctuates from -6.3 in 2020-21 to 3.3 during 2021-22. For the shared tax it fluctuates from -1.2 in 2019-20 to 22.8 in 2015-16. The grants from centre also show that the responsiveness to changes in GSDP was the lowest in 2020-21 and the highest was 1.8 in 2014-15. The year wise buoyancy of total revenue shows fluctuation every year. The highest buoyancy was shown during 2021-22 (2.2) while the lowest buoyancy was during 2019-21 with 0.001.

Table 2.6: Year wise Buoyancy of Revenue with respect to GSDP

Year	Own Tax Revenue	Own Non Tax Revenue	Total Own Revenue	Share Tax	Grants from Centre	Total Revenue
2012-13	0.7	-0.7	0.1	0.9	0.7	0.7
2013-14	-0.1	0.3	0.0	0.5	0.2	0.3
2014-15	1.5	2.3	1.8	0.6	1.8	1.6
2015-16	1.6	-0.9	0.6	22.8	-3.1	0.8
2016-17	1.7	3.1	2.2	1.7	1.4	1.5
2017-18	2.0	1.0	1.6	0.9	1.6	1.4
2018-19	3.7	-3.9	0.8	1.5	-0.2	0.4
2019-20	1.1	2.7	1.5	-1.2	0.4	0.0
2020-21	16.4	-70.6	-6.3	10.8	-3.8	0.0
2021-22	3.3	3.1	3.3	5.3	0.4	2.2
2022-23	1.2	5.5	2.0	1.0	-0.3	0.5
2023-24	0.7	3.1	1.3	1.4	0.8	1.1

Sources: Authors calculation.

Table 2.7: Buoyancy of State Revenue (2012 to 2024)

Revenue Heads	GSDP	R2	F- Test
Own Tax Revenue	1.75	.96	271*
Own Non Tax Revenue	0.81	.57	13.41*

Total Own Revenue	1.46	.96	378*
Shared Tax	1.92	.87	68*
Grants from Centre	0.44	.84	50*
Total Revenue	0.93	.97	357*

*indicates 5% level of significant.

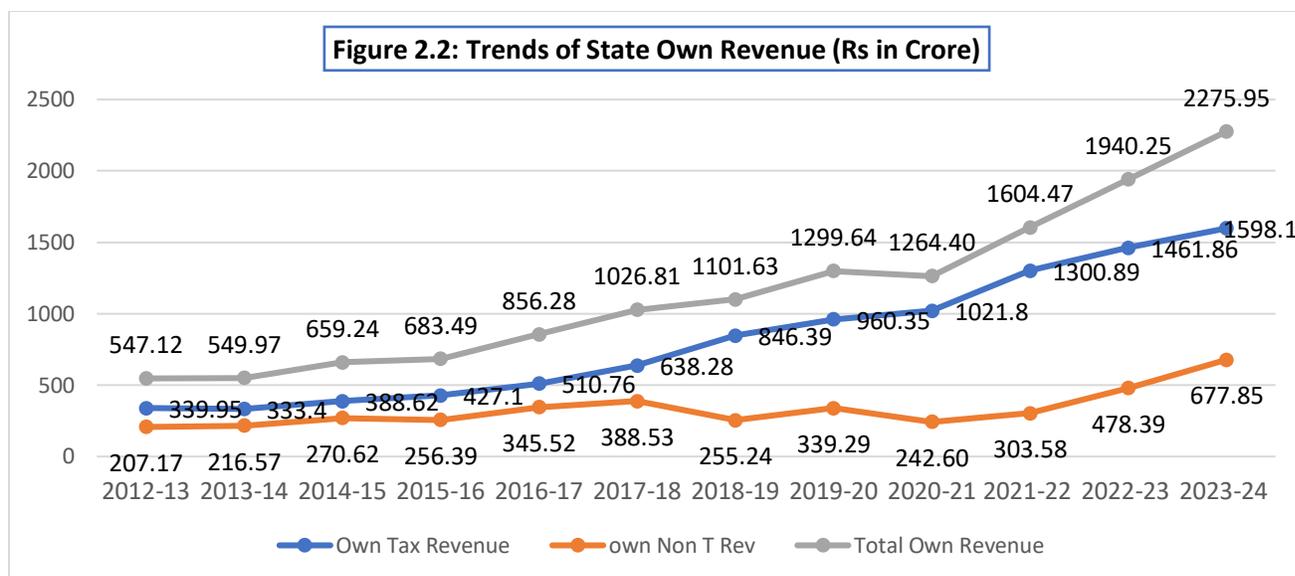
2.2: STATE'S OWN REVENUE

State's own revenue composed of state own tax revenue and state own non-tax revenue. The composition and trends of state own revenue are shown by table 2.8 and figure 2.2. From the table it is seen that the share of state own tax revenue to total own revenue has been increasing over the years. The share of own tax revenue to total own revenue was highest during 2021-22 with 81.1% and the lowest was in 2014-15 with 58.9%. The share of own non-tax revenue to total own revenue has also been decreasing over the years. The highest share was 41.1% in 2014-15 and the lowest was in the year 2021-22 with 18.9%.

Table 2.8: Composition of Own and Non-own Tax Revenue as a Percentage to Total Own Revenue (%)

Year	Own Tax Revenue	Own Non-Tax Revenue	Total Own Revenue
2012-13	62.1%	37.9%	100.0%
2013-14	60.6%	39.4%	100.0%
2014-15	58.9%	41.1%	100.0%
2015-16	62.5%	37.5%	100.0%
2016-17	59.6%	40.4%	100.0%
2017-18	62.2%	37.8%	100.0%
2018-19	76.8%	23.2%	100.0%
2019-20	73.9%	26.1%	100.0%
2020-21	80.8%	19.2%	100.0%
2021-22	81.1%	18.9%	100.0%
2022-23	75.3%	24.7%	100.0%
2023-24	70.2%	29.8%	100.0%

Sources: Authors calculation



2.3: OWN TAX REVENUE

Own tax revenue composed of land revenue, stamps and registration, sales/VAT, state excise, taxes on vehicle, taxes on goods and passengers, taxes and duties on electricity, SGST and others. The composition and trends in respect of state's own major taxes and duties during 2012-13 to 2023-24 are presented in table no. 2.9., table no 2.10 and figure 2.3. Sales Tax/VAT was the major source of own tax revenue for state government during till 2016-17. Its share increases from 75.66% in 2012-13 to 78.34% in 2016-17. But with the implementation of State Goods and Service Tax (SGST) the share of sales/VAT started declining and its share was 17.21% in 2023-24. With the implementation of SGST in 2017-18, its share in the own tax revenue has been rising. It rose from 53.86% in 2017-18 to 66.34% in 2023-24. As shown by figure no 2.3, with the implementation SGST, the trends in own tax revenue took a sharp turn. It has contributed increasing growth of own tax revenue. The other important source of own tax revenue was taxes on vehicles whose share remained above 10% for 2012-18 period but then it declines to 0.34% in 2019-20. After that it keeps increasing and it was 11.21% in 2023-24. The share of professional tax in own tax revenue has been declining over the years. From 8.01% in 2012-13 it keeps declining and its share was 1.96% in 2023-24. The share of land revenue remained below 1%, stamps and registration remained between 0 to 1 percent, state excise remains below 1% except for 2018-20 period whose share crossed 10% mark, taxes on goods and passengers also fluctuates between 1% to 4% and the share of electricity was very insignificant during the entire period.

Own Tax Revenue has made a progressive increase from 339.96 crores in 2012-13 to 1598.1 crores in 2023-24 as shown in table 2.9 with a compound annual growth rate of 13.8% during 2012-24. The taxes which have more than the compound annual growth rate of total own tax revenue as shown in table no. 11 are taxes and duties on electricity (52.67%) and other taxes (20.33%). Taxes that have less than the compound annual growth rate of total own tax revenue are professional taxes (1.6%), land revenue (4.7%), Stamps and registration (6.85%), sales/VAT (1.12%), state excise (1.56%), Taxes on vehicle (13.39%), taxes on goods and passengers (10.4%) and SGST (11.29%). The trends of different tax revenue over a period of 2012-2024 are shown in figure 2.3. It is seen from the figure that only SGST shows an increasing trend during the same period. The rest of the taxes show only a nominal increase during the same period.

The trends in the composition of own tax revenue as a percentage to GSDP is shown in table 2.12. The table shows that sales tax as a percentage with respect to GSDP was the highest among the own tax revenue before implementation of SGST. However, its share keeps declining after the implementation of SGST. Its percentage share with respect to GSDP fluctuates between 1.51% to 1.84% during 2012-18 after that it keeps declining and reached 0.71% during 2023-24. The other important tax is SGST whose percentage share to GSDP rose from 1.77% in 2018-19 to 2.63% during 2023-24. All other own tax revenue have a very low GSDP ratio, i.e., less than 1 percent as shown in table 2.12.

Figure 2.3: Trends in Own Tax Revenue

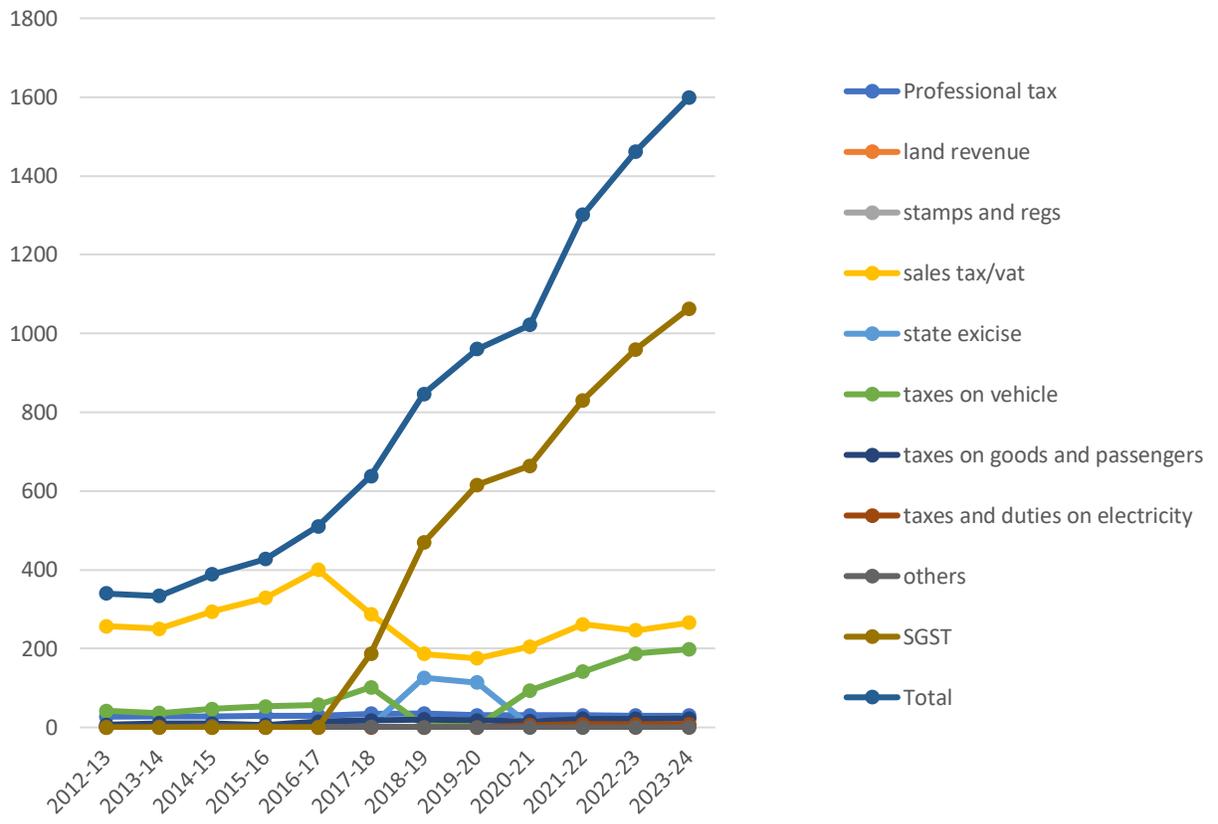


Table 2.9: Composition of Own Tax Revenue of the state government (Rs. in Crores)

Year	Professional Tax	Land Revenue	Stamps and Registration	Sales Tax/VAT	State Excise	taxes on vehicle	Taxes on Goods and Passengers	Taxes and Duties on Electricity	Others	SGST	Total Own Tax Revenue
2012-13	27.22	0.72	1.58	257.21	3.73	41.59	6.71	0.05	1.14	0	339.95
2013-14	28.3	0.7	1.77	250.21	4.86	36.15	10.79	0.04	0.58	0	333.4
2014-15	27.96	0.75	1.93	294.29	4.7	46.46	9.73	0.03	2.77	0	388.62
2015-16	29.65	0.75	2.04	328.58	5.12	53.08	5.88	0.06	1.94	0	427.1
2016-17	30.28	0.82	2.05	400.12	4.63	57.39	14.76	0.063	0.65	0	510.763
2017-18	34.88	0.9	2.62	287.54	4.2	101.53	17.59	0.06	1.4	187.56	638.28
2018-19	35.3	1.1	2.5	186.7	126.22	4.64	20.16	0.086	0	469.6	846.4
2019-20	30.64	1.04	2.79	175.14	113.93	3.24	18.09	0.08	0	615.4	960.4
2020-21	30.5	1.09	2.25	205.49	4.55	93.29	15.62	5.41	0	663.6	1,021.8
2021-22	30.5	1.23	3.39	261.86	3.32	141.04	21.43	7.78	0	830.34	1,300.9
2022-23	30.13	1.08	3.42	246.55	4.4	187.64	21.58	7.97	0	959.09	1,461.9
2023-24	29.98	1.34	4.22	265.97	4.55	198.48	22.62	7.9	0	1063	1,598.1

Sources: CAG and State Government Budget.

Table 2.10: Composition of Own Tax Revenue as a percentage to Total Own Tax revenue (%)

Year	Professional Tax	Land Revenue	Stamps and Registration	Sales Tax/VAT	State Excise	taxes on vehicle	Taxes on Goods and Passengers	Taxes and Duties on Electricity	Others	SGST
2012-13	8.01%	0.21%	0.46%	75.66%	1.10%	12.23%	1.97%	0.01%	0.34%	0.00%
2013-14	8.49%	0.21%	0.53%	75.05%	1.46%	10.84%	3.24%	0.01%	0.17%	0.00%
2014-15	7.19%	0.19%	0.50%	75.73%	1.21%	11.96%	2.50%	0.01%	0.71%	0.00%
2015-16	6.94%	0.18%	0.48%	76.93%	1.20%	12.43%	1.38%	0.01%	0.45%	0.00%
2016-17	5.93%	0.16%	0.40%	78.34%	0.91%	11.24%	2.89%	0.01%	0.13%	0.00%
2017-18	5.46%	0.14%	0.41%	45.05%	0.66%	15.91%	2.76%	0.01%	0.22%	29.39%
2018-19	4.17%	0.13%	0.30%	22.06%	14.91%	0.55%	2.38%	0.01%	0.00%	55.49%
2019-20	3.19%	0.11%	0.29%	18.24%	11.86%	0.34%	1.88%	0.01%	0.00%	64.08%

2020-21	2.98%	0.11%	0.22%	20.11%	0.45%	9.13%	1.53%	0.53%	0.00%	64.94%
2021-22	2.34%	0.09%	0.26%	20.13%	0.26%	10.84%	1.65%	0.60%	0.00%	63.83%
2022-23	2.06%	0.07%	0.23%	16.87%	0.30%	12.84%	1.48%	0.55%	0.00%	65.61%
2023-24	1.88%	0.08%	0.26%	16.64%	0.28%	12.42%	1.42%	0.49%	0.00%	66.52%

Table 2.11: Annual Growth Rate CAGR of Own Tax Revenue of the state government (in percentage)

Year	Professional Tax	Land Revenue	Stamps and Registrations	Sales Tax/Vat	State Excise	Taxes on Vehicle	Taxes on Goods and Passengers	Taxes and Duties on Electricity	Others	SGST
2012-13	0.74%	5.80%	-14.59%	11.28%	11.01%	20.27%	25.00%	38.35%	200.00%	0.00%
2013-14	3.97%	-2.78%	12.03%	-2.72%	30.29%	-13.08%	60.80%	-20.00%	-49.12%	0.00%
2014-15	-1.20%	7.14%	9.04%	17.62%	-3.29%	28.52%	-9.82%	-25.00%	377.59%	0.00%
2015-16	6.04%	0.00%	5.70%	11.65%	8.94%	14.25%	-39.57%	100.00%	-29.96%	0.00%
2016-17	2.12%	9.33%	0.49%	21.77%	-9.57%	8.12%	151.02%	5.00%	-66.49%	0.00%
2017-18	15.19%	9.76%	27.80%	-28.14%	-9.29%	76.91%	19.17%	-4.76%	115.38%	0.00%
2018-19	1.26%	25.56%	-3.82%	-35.08%	2905.24%	-95.43%	14.61%	43.33%	-100.00%	150.39%
2019-20	-13.25%	-7.96%	10.71%	-6.18%	-9.74%	-30.17%	-10.27%	-6.98%	0.00%	31.04%
2020-21	-0.46%	4.81%	-19.35%	17.33%	-96.01%	2779.32%	-13.65%	6662.50%	0.00%	7.83%
2021-22	0.00%	12.84%	50.67%	27.43%	-27.03%	51.18%	37.20%	43.81%	0.00%	25.13%
2022-23	-1.21%	-12.20%	0.88%	-5.85%	32.53%	33.04%	0.70%	2.44%	0.00%	15.51%
2023-24	-0.50%	24.07%	23.39%	7.88%	3.41%	5.78%	4.82%	-0.88%	0.00%	10.84%
CAGR	0.8%	5.3%	8.5%	0.3%	1.7%	13.9%	10.7%	52.56%	00%	28.1%

Table 2.12: Composition of Own Tax Revenue as a percentage of GSDP (in %)

Year	Professional Tax	Land Revenue	Stamps and Registrations	Sales Tax/Vat	State Excise	Taxes on Vehicle	Taxes on Goods and Passengers	Taxes and Duties on Electricity	Others	SGST
2012-13	0.19	0.01	0.01	1.82	0.03	0.29	0.05	0.00	0.01	0.00
2013-14	0.17	0.00	0.01	1.51	0.03	0.22	0.06	0.00	0.00	0.00
2014-15	0.15	0.00	0.01	1.60	0.03	0.25	0.05	0.00	0.02	0.00
2015-16	0.15	0.00	0.01	1.68	0.03	0.27	0.03	0.00	0.01	0.00
2016-17	0.14	0.00	0.01	1.84	0.02	0.26	0.07	0.00	0.00	0.00
2017-18	0.14	0.00	0.01	1.18	0.02	0.42	0.07	0.00	0.01	0.77
2018-19	0.13	0.00	0.01	0.70	0.48	0.02	0.08	0.00	0.00	1.77
2019-20	0.10	0.00	0.01	0.59	0.38	0.01	0.06	0.00	0.00	2.06
2020-21	0.10	0.00	0.01	0.69	0.02	0.31	0.05	0.02	0.00	2.22
2021-22	0.09	0.00	0.01	0.81	0.01	0.44	0.07	0.02	0.00	2.57
2022-23	0.08	0.00	0.01	0.69	0.01	0.53	0.06	0.02	0.00	2.69
2023-24	0.07	0.00	0.01	0.66	0.01	0.49	0.06	0.02	0.00	2.63

2.3.1: Productivity of Own Tax Revenue.

The relative composition of tax revenue has implication for revenue growth and stability when taxes are mobilized to finance government expenditures. High revenue productivity is usually considered as one of the good measures of good tax system. The revenue productivity in the state is measured by tax buoyancy and tax elasticity.

From table no. 2.6, we can see that the year wise buoyancy of own tax revenue was above unity, except for 2012-13, 2013-14 and 2020-21 period whose buoyancy were less than unity. This indicates that the total own tax revenue of the state responds more than proportionately to the growth of GSDP for the remaining nine years. From table no. 2.13, it can be seen that the year-wise buoyancy of professional tax was more than unity for only three years (2012-13, 2017-18 and 2020-21), land revenue buoyancy was more than unity for only 3 years (2018-19, 2021-22 and 2023-24), for stamps and registrations the year-wise buoyancy exhibits more than unity for 3 years (2017-18, 2020-21 and 2023-24). The buoyancy for sales tax/vat shows that for five years the buoyancy was more than unity (2014-17, 2021-22 and 2023-24).

State excise shows buoyancy more than unity for five years (2013-14, 2015-16, 2018-19, 2020-21 and 2022-23) but for the rest of the year, the buoyancy is less than unity. Taxes on vehicles also show a high productivity for six years except for 2012-13, 2014-16, 2017-18 and 2021-23 whose buoyancy is less than unity. Taxes on goods and passengers have buoyancy more than unity for 7 years and less than unity for 5 years. Taxes on electricity show buoyancy more than unity for four years (2012-13, 2015-16, 2018-19 and 2021-22). The buoyancy for SGST exhibits more than unity since its implementation except for 2020-21.

From table no. 2.7, it can be seen that the buoyancy of state's total own revenue has remained above unity for a period of 12 years (2012-2024). This indicates that the total own tax revenue responds proportionately to the growth of GSDP. From table no. 2.14, it is also observed that the buoyancy of total own tax revenue is mostly influenced by the buoyancy of taxes on goods and passengers, electricity and SGST. These three taxes have buoyancy more than unity indicating that they respond more than proportionately to the growth of GSDP during the same period. In other words, these three taxes are more productive than others and have high potentials for growth. The buoyancy of all other taxes was less than unity, indicating low productivity. Therefore, there is a need to concentrate more on these taxes in Nagaland. It is also observed that

more importance should be given on goods and passenger taxes, electricity taxes and SGST as their buoyancy exhibits more than 1 percent and for electricity and SGST it is very high with 6.26 and 9.83 respectively. Thus, it is suggested that the government should employ proper machinery in terms of technical and man power for timely collection of revenue.

2.3.2: Suggestion for improving Tax-GSDP ratio.

From the analysis, it is observed the tax-GSDP ratio of grants from the centre is still higher than any other components but shows a declining trend from the last 15 finance commission report. The ratio is still high (above 20% on an average) indicating that, financial dependence of Nagaland state on centre is still high. Within the tax revenue, the percentage share of own tax revenue is increasing over the years and it has reached 4.0% during 2023-24. However, the percentage share of own non-tax revenue shows a fluctuating trend and it is still below 2%. The tax-GSDP ratio for own revenue (own tax + own non-tax) rose from 3.9% in 2012-13 to 5.6% during 2023-24. These increasing trends of own tax-GSDP is encouraging. The buoyancy for own revenue with respect to GSDP also shows that it is 1.46 indicating high productivity. Thus, it is expected that as GSDP grows, the contribution of own revenue to the total revenue will continue grow more than proportionately and will continue to narrow own tax-GSDP ratio. For shared tax-GSDP ratio, we can see that it has been increasing over the years (from 6.5% in 2012-13 to 15.9% in 2023-24). This indicates that devolution of taxes to the state has been increasing over the years.

Among the own tax-GSDP ratio; sales/VAT and SGST shows higher percentage share to GSDP. Thus, it is suggested that the state should emphasis more on these taxes in order to raise own tax revenue and increase its share in GSDP.

Table 2.13: Year wise Buoyancy of Own Tax Revenue with respect to GSDP

Year	Professional Tax	Land Revenue	Stamps and Registrations	Sales Tax/Vat	State Excise	Taxes on Vehicle	Taxes on Goods and Passengers	Taxes and Duties on Electricity	Others	SGST
2012-13	4.64	0.36	-0.91	0.71	0.69	1.27	1.57	2.40	12.53	0.00
2013-14	0.22	-0.16	0.68	-0.15	1.72	-0.74	3.45	-1.13	-2.78	0.00
2014-15	-0.11	0.66	0.84	1.64	-0.31	2.65	-0.91	-2.32	35.06	0.00
2015-16	0.99	0.00	0.93	1.91	1.46	2.33	-6.48	16.39	-4.91	0.00
2016-17	0.19	0.83	0.04	1.93	-0.85	0.72	13.41	0.44	-5.91	0.00
2017-18	1.24	0.79	2.26	-2.29	-0.76	6.25	1.56	-0.39	9.38	0.00
2018-19	0.14	2.92	-0.44	-4.01	332.09	-10.91	1.67	4.95	-11.43	17.19
2019-20	-1.10	-0.66	0.89	-0.51	-0.81	-2.51	-0.86	-0.58	0.00	2.55
2020-21	-1.13	11.90	-47.92	42.91	-237.71	6881.60	-33.81	16496.35	0.00	20.34
2021-22	0.00	1.57	6.21	3.36	-3.31	6.28	4.56	5.37	0.00	3.08
2022-23	-0.12	-1.17	0.08	-0.56	3.11	3.16	0.07	0.23	0.00	1.48
2023-24	-0.04	1.80	1.75	0.59	0.25	0.43	0.36	-0.07	0.00	0.81

Table 2.14: Buoyancy of State Own Tax Revenue (2012 to 2024)

Revenue Heads	GSDP	R2	F- Test
Professional Tax	.11	.19	2.4
Land Revenue	.66	.89	82*
Stamps and Registration	.86	.89	86*
Sales Tax/VAT	-0.3	.12	1.3
State Excise	.81	.04	.33
Taxes on Vehicles	.9	.04	.47
Taxes on Goods and Passengers	1.23	.74	28*
Taxes and Duties on Electricity	6.25	.66	19*
Others	-.23	.03	.29
SGST	9.32	.82	46*

*Indicates at 5% level of significance.

CHAPTER 3

STATE OWN NON-TAX REVENUE

State own non-tax revenue composed of interest receipts, dividends and profits, general services, social services and economic services. General services consist of public service commission, police, jails, supplies and disposals, stationary and printing, public works, other administrative services, contribution and recoveries towards pension and other retirement benefits and other miscellaneous general service. Social service compose of education, sports, arts and culture, medical, public health and family welfare, water supply and sanitation, housing, urban development and other social services. Economic services compose of crop husbandry, animal husbandry, fisheries, forestry and wild life, co-operation, other agricultural and rural programmes, major and medium irrigation, minor irrigation, village and small scale industries, industries, plantations, power, petroleum, ports and light houses, road transport, tourism and others.

3.1: Composition and trends of state own non-tax revenue

The composition and trends of state own non-tax revenue is shown in table no. 3.1, 3.2 and figure 3.1. It can be seen that revenue from economic services constitute major part of the total own non-tax revenue. Its share in the total own tax revenue was 60% on an average for a period of 2012-24. However, there is fluctuation in its share to the total own non-tax revenue during the same period. Its share was 62.2% during 2012-13 which declined to 39.3% during 2017-18, the lowest during the entire period. After 2017-18 its share in the total own non-tax revenue rose to 74.4% during 2018-19, decline to 57.8% during 2019-20 and roe to reach 82.2% during 2021-22 and then declined to 49% during 2023-24.

The next important component of state own non-tax revenue was social services. Its share during 2012-13 was 25.8%%, which rose to 41.7%% during 2014-15. After 2014-15 it began to decline and reached 7.3% during 2018-19. In 2019-20 it increased to 21.2% after which its share keeps declining and it was only 3.3% during 2023-24.

The share of general services in the total own non-tax revenue has been fluctuating over the years. Firstly, its share started decreasing from 9.1% during 2012-13 to 7.2% in 2014-15, than it starts increasing to 22% during 2017-18. After 2017-18 it fluctuates but declined to 8.6%

in 2020-21 and then rose to 44.7% during 2023-24. The share of interest receipt revolves was 2.8 percent on an average during 2012-24.

It is seen from figure 3.1 that economic and general exhibits an upward trend with that of own non-tax revenue while interest receipt and social services have a downward trend with respect to total own non-tax revenue.

The growth rate of each components of state own non-tax revenue is shown in table no. 3.3. From the table, it can be seen that the compound annual growth rate of interest receipt was 11% for the whole period. Year wise growth rate shows a fluctuation trend, the highest growth rate being 2023-24 period and the lowest growth being 2016-17 with -33.6%. The growth rate of general services too exhibits a wide fluctuation like the interest receipt during the same period. Its growth rate was highest during 2022-23 (316.3%) while the lowest growth rate was shown during 2012-13. The compound annual growth rate was 26% which is higher than the average own non-tax rate and all other own non-tax variables. For social services, the growth rate was positive for most of the year except for 2015-16, 2018-19, 2020-21 and 2023-24. The highest growth rate was exhibited during 2012-13 while the lowest growth rate was shown during 2018-19. The annual average growth rate was -6.9% which is the lowest among the own non-tax growth rate. The growth rate of economic services also shows a wide fluctuation like interest receipt and social services. The highest growth rate was during 2022-23 (34.5%) while its lowest growth rate was during 2012-13. The annual average growth rate was 8% which is lower than the average own non-tax rate.

State own non-tax revenue as a percentage to GSDP as shown in table no. 2.5 exhibits that it fluctuates between 0.8% to 1.7% during the entire period (below 2%). The share of various components of own non-tax revenue to GSDP are shown in table no. 3.4. Among the components of state own non-tax revenue, economic services exhibit a higher percentage share to GSDP. It can be seen from the table that the percentage share of economic services with respect to GSDP was below 1% and vary between 0.63% and 0.94%, with an average percentage share of 0.75% for the entire period. For interest receipt its percentage share fluctuates between 0.02% to 0.05% with an average percentage share of 0.04% for the entire period, for general services its share fluctuates between 0.08% to 0.75% with an average percentage share of 0.21% for the entire period and social services the percentage with respect to GSDP fluctuates between

0.04% to 0.61% with an average percentage share of 0.21% for the entire period during the entire period. Thus, it can be observed that the contribution of own non tax revenue to GSDP is meagre which needs to be addressed by formulating proper policies.

Table No. 3.1: Composition and trends in State Own Non-Tax Revenue (Rs. Crore)

Year	Interest Receipt, Dividend and Profit	General Services	Social Services	Economic services	Total Own Non Tax Revenue
2012-13	5.9	18.85	53.52	126.94	205.21
2013-14	7.62	13.97	76.86	118.12	216.57
2014-15	7.23	19.61	112.92	130.86	270.62
2015-16	10.14	18.96	85.21	142.08	256.39
2016-17	6.73	49.199	130.67	158.92	345.519
2017-18	6.97	85.63	143.36	152.57	388.53
2018-19	12.71	33.93	18.72	189.88	255.24
2019-20	8.53	62.95	71.79	196.02	339.29
2020-21	7.02	26.44	13.16	195.98	242.6
2021-22	5.59	26.22	21.52	250.25	303.58
2022-23	9.59	109.16	23.05	336.59	478.39
2023-24	20.61	302.71	22.59	331.94	677.85

Sources: CAG and State Budget.

Table No. 3.2: Composition of Own Non-Tax Revenue as a percentage to Total Own Non-Tax Revenue (%)

Year	Interest Receipt, Dividend and Profit	General Services	Social Services	Economic services
2012-13	2.8%	9.1%	25.8%	62.2%
2013-14	3.5%	6.5%	35.5%	54.5%
2014-15	2.7%	7.2%	41.7%	48.4%
2015-16	4.0%	7.4%	33.2%	55.4%
2016-17	1.9%	14.2%	37.8%	46.0%
2017-18	1.8%	22.0%	36.9%	39.3%
2018-19	5.0%	13.3%	7.3%	74.4%
2019-20	2.5%	18.6%	21.2%	57.8%
2020-21	2.9%	10.9%	5.4%	80.8%
2021-22	1.8%	8.6%	7.1%	82.4%
2022-23	2.0%	22.8%	4.8%	70.4%
2023-24	3.0%	44.7%	3.3%	49.0%

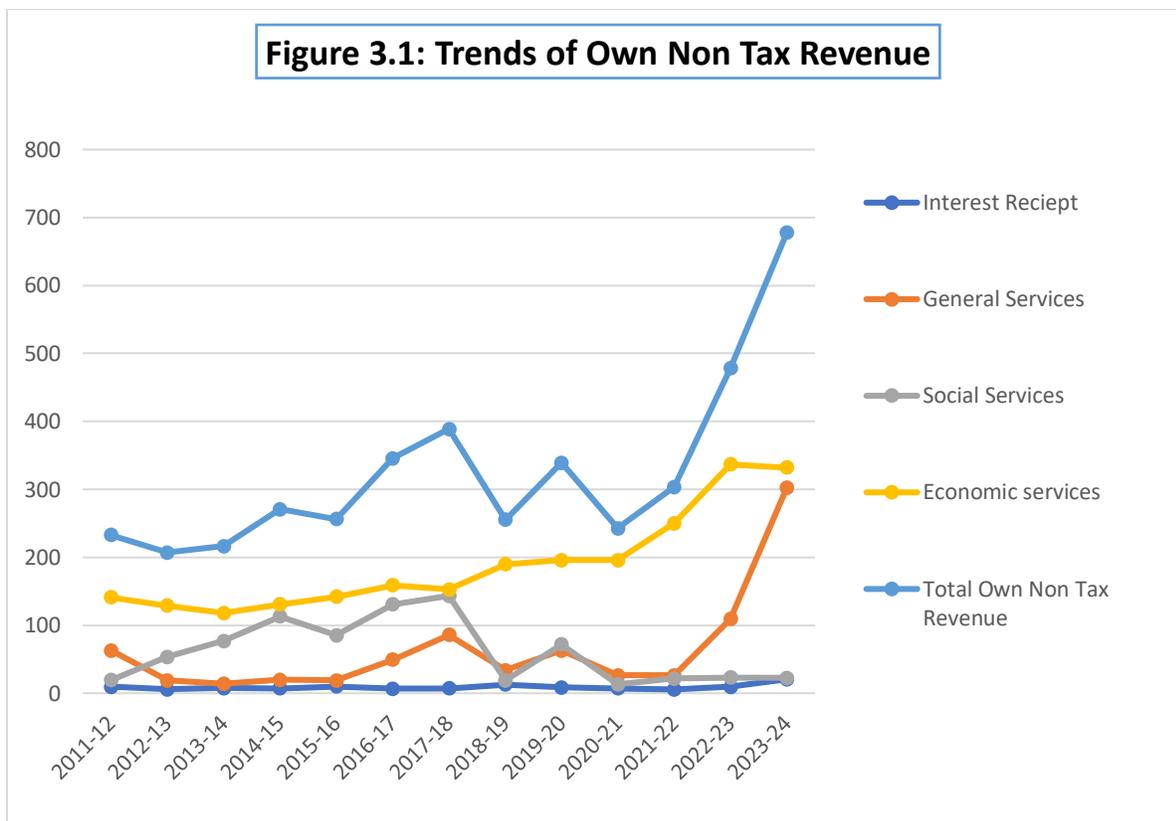


Figure 3.1: Trends of State Own Non-Tax Revenue.

Table No. 3.3: Growth rate in State Own Non-Tax Revenue

Year	Interest Receipt and Dividend and Profit	General Services	Social Services	Economic services
2012-13	-38.7%	-70.1%	178.8%	-8.6%
2013-14	29.2%	-25.9%	43.6%	-8.4%
2014-15	-5.1%	40.4%	46.9%	10.8%
2015-16	40.2%	-3.3%	-24.5%	8.6%
2016-17	-33.6%	159.5%	53.4%	11.9%
2017-18	3.6%	74.0%	9.7%	-4.0%
2018-19	82.4%	-60.4%	-86.9%	24.5%
2019-20	-32.9%	85.5%	283.5%	3.2%
2020-21	-17.7%	-58.0%	-81.7%	0.0%
2021-22	-20.4%	-0.8%	63.5%	27.7%
2022-23	71.6%	316.3%	7.1%	34.5%
2023-24	114.9%	177.3%	-2.0%	-1.4%
CAGR	11%	26%	-6.9%	8%

Table No. 3.4: Composition of State Own Non-Tax Revenue as a percentage of GSDP

Year	Interest Receipt, Dividend and Profit	General Services	Social Services	Economic services
2012-13	0.04%	0.13%	0.38%	0.91%
2013-14	0.05%	0.08%	0.46%	0.71%
2014-15	0.04%	0.11%	0.61%	0.71%
2015-16	0.05%	0.10%	0.44%	0.73%
2016-17	0.03%	0.23%	0.60%	0.73%
2017-18	0.03%	0.35%	0.59%	0.63%
2018-19	0.05%	0.13%	0.07%	0.72%
2019-20	0.03%	0.21%	0.24%	0.66%
2020-21	0.02%	0.09%	0.04%	0.66%
2021-22	0.02%	0.08%	0.07%	0.78%
2022-23	0.03%	0.31%	0.06%	0.94%
2023-24	0.05%	0.75%	0.06%	0.82%

3.2: RECOVERY

Although many of the goods and services provided by the state government are pure public goods, some of them may not be pure public goods. Thus, it is important to examine the recovery percentage of government expenditure from different services. From table 3.5, it is observed that the recovery percentage in economic services is higher than all other services. Its recovery rate was 5.6% during 2012-13 which rose to 5.8% during 2013-14; thereafter it decreases to 5.53% during 2014-15 and rose to 5.6% in the subsequent year. After 2015-16, it keeps declining and reached the lowest rate during 2017-18 (4%). For the rest of the years, the recovery rate keeps increasing and reached 8.4% during 2022-23 (the highest rate during the entire period) and falls to 6.6% during 2023-24.

The recovery rate of social services shows an encouraging trend for six years (2012-18). It increases from 3% during 2012-13 to 5.1% during 2014-15 and decreases to 3.6% during the next fiscal year. Then it rose to 4.8% and 4.7% during 2016-17 and 2017-18 respectively. For the rest of the years the recovery rate lies below 1% except for 2019-20 whose recovery rate was 2.1%.

For general services, the recovery rate was below 1% for seven years and above 1% for five years (2016-18, 2019-20 and 2022-24). The highest recovery was experienced in the year 2023-24 with 3.5% rate. The recovery rate of interest receipt lies between 1% and 2% for most of the years, except in 2020-22 the recovery rate fell below 1%. To increase the recovery rate of the services, it is suggested that the state should levy appropriate charges for all the services. The state should also make 15% as target to reach the recovery rate of each component by 2030-31.

Table No. 3.5: Recovery of expenditure from own non-tax revenue

Year	Interest Receipt, Dividends and Profit	General Services	Social Services	Economic Services
2012-13	1.3%	0.7%	3.0%	5.6%
2013-14	1.5%	0.5%	3.8%	5.8%
2014-15	1.3%	0.6%	5.1%	5.3%
2015-16	1.7%	0.5%	3.6%	5.6%
2016-17	1.1%	1.2%	4.8%	5.3%
2017-18	1.0%	1.9%	4.7%	4.0%
2018-19	1.6%	0.6%	0.5%	5.3%
2019-20	0.03%	0.21%	0.24%	0.66%
2020-21	0.02%	0.09%	0.04%	0.66%
2021-22	0.02%	0.08%	0.07%	0.78%
2022-23	0.03%	0.31%	0.06%	0.94%
2023-24	0.05%	0.75%	0.06%	0.82%

3.3: PRODUCTIVITY

The productivity of own non-tax revenue for Nagaland has been estimated by measuring the buoyancies for interest receipt, general services, social services and economic services. The buoyancy for 2012-24 (see table no. 2.7) shows that the total own non-tax revenue is below unity indicating that total own non-tax revenue responds less proportionately than the growth in GSDP. In other words, the productivity of own non-tax revenue is low. Among the services, General services and Economic services, as shown in table no. 3.7 has buoyancy more than unity with 2.11 and 1.02 during 2012-24 periods. The rest of the services have buoyancy less than unity. From the table it is also observed that social services have negative buoyant value. From this analysis, one can observed that the productivity of own non-tax revenue is mostly influenced by general and economic services and less by social services. The year-wise buoyancy of own

non-tax revenue (see table no. 3.6) shows high fluctuation in the level of buoyancy indicating that the level of growth for different own non-tax revenue is not consistent.

From the analysis of buoyancy, it is seen that interest receipt and social services are less productive than general and economic services. Therefore, it is suggested that the state government levy appropriate taxes for interest receipt and social services it provides. Moreover, the buoyancy also reveals that since own non-tax revenue is mostly influenced by general and economic services, it is suggested that priority be accorded to these components.

Table No. 3.6: Year wise Buoyancy of Own Non-Tax Revenue with respect to GSDP

Year	Interest Receipt, Dividend and Profit	General Services	Social Services	Economic services
2012-13	-2.4	-4.4	11.2	-0.5
2013-14	1.7	-1.5	2.5	-0.5
2014-15	-0.5	3.7	4.4	1.0
2015-16	6.6	-0.5	-4.0	1.4
2016-17	-3.0	14.2	4.7	1.1
2017-18	0.3	6.0	0.8	-0.3
2018-19	9.4	-6.9	-9.9	2.8
2019-20	-2.7	7.1	23.6	0.3
2020-21	-43.8	-143.6	-202.2	-0.1
2021-22	-2.5	-0.1	7.8	3.4
2022-23	6.8	30.2	0.7	3.3
2023-24	8.6	13.2	-0.1	-0.1

Table No. 3.7: Buoyancy of State Own Non-Tax Revenue (2012 to 2024)

Revenue Heads	GSDP	R2	F- Test
Interest Receipt, Dividend and Profit	.56	.25	3.28
General Services	2.11	.52	13.18*
Social Services	-1.62	.37	6.5*
Economic services	1.02	.87	68*

* indicates at 5% level of significant.

CHAPTER 4

REVENUE AND CAPITAL EXPENDITURE

This chapter shows the trend in Revenue and capital expenditure excluding debt repayment in the Nagaland state expenditure during 2012-14. It also shows the functional composition of revenue expenditure, committed expenditure and efficiency in public expenditure.

4.1: COMPOSITION OF EXPENDITURE IN TERMS OF ECONOMIC CLASSIFICATION

Total expenditure of the state includes revenue expenditure, capital outlay and loans and advances excluding debt repayment. Table no. 4.1, 4.2, 4.3 and figure 4.1 shows the broad composition, percentage share and annual growth rate of state expenditure. From the table we can see that the contribution of revenue expenditure to the total expenditure rose from 81.68% during 2012-13 to 90.5% during 2019-20. After 2019-20, it declined to 82.5% during 2023-24 but on an average its share remained above 80% for the whole period. The capital outlay declined from 18.3% to 9.38% during 2012-13 to 2019-20 and then rose to 17.4% during 2023-24. Its share in total expenditure remained above 12% on an average during the same period. The contribution of loans and advances in the total expenditure is negligible and is less than 1% for the whole period. From table no 4.1, it can be seen that the state expenditure has increased from Rs. 6860.88 crores to Rs. 17942.91 crores during the same period.

The annual average growth rate of total expenditure during 2012-24 was 8.3% with wide fluctuation ranging from -0.1 to 10.7% (shown in table no. 4.3). Among the components of total expenditure, the compound annual growth rate of revenue expenditure with 8.4% was higher than the compound annual growth rate total expenditure during the same period. The year-wise growth rate shows a similar fluctuating trend with that of the total expenditure as seen from figure 4.1. The compound annual growth rate of total capital outlay during 2012-24 was 7.9% with wide fluctuation in the year-wise growth rate. For loans and advances, the average annual growth rate was negative with -14.1% during same period.

Taking the annual average growth rate of 8.3% of total expenditure as the natural growth rate, the expected growth of total expenditure till 2030-31 are shown in table no. 4.4. It is

projected that the total expenditure will grow to Rs. 19432.17 crores in 2024-25, Rs. 21045.04 crores in 2025-26, Rs. 22791.76 crores in 2026-27, Rs. 24683.5 crores in 2027-28, Rs. 26732.23 crores in 2028-29, Rs. 28951 crores in 2029-30 and Rs. 31353.94 crores by 2030-31.

Taking the annual average growth rate of 8.4% of revenue expenditure as the natural growth rate, it is projected that the revenue expenditure will grow to Rs. 16064.54 crores in 2024-25, Rs. 17413.97 crores in 2025-26, Rs. 18876.74 crores in 2026-27, Rs. 20462.38 crores in 2027-28, Rs. 22181.23 crores in 2028-29, Rs. 24044.45 crores in 2029-30 and Rs. 26064.18 crores by 2030-31.

Taking the annual average growth rate of 7.9% of capital expenditure as the natural growth rate, it is projected that the total expenditure will grow to Rs. 3369.57 crores in 2024-25, Rs. 3635.77 crores in 2025-26, Rs. 3922.99 crores in 2026-27, Rs. 4232.92 crores in 2027-28, Rs. 4567.32 in 2028-29, Rs. 4928.14 crores in 2029-30 and Rs. 5417.46 crores by 2030-31.

The total expenditure as a proportion to GSDP shows a fluctuating trend as shown by table no. 4.5. Its percentage as a proportion to GSDP decreased from 48.57% during 2012-13 to 41.89% the next year and then rose to 47.20% during 2018-19 and then declined to 44.40% during 2023-24. The average percentage share of total expenditure to GSDP was 44.52% for the whole period. Like the total expenditure, revenue expenditure as a percentage to GSDP decreased from 39.67% in 2012-13 to 34.62% the next year and then rose to 41.17% during 2018-19 and then declined to 36.67% during 2023-24. Its average percentage share was 38.32% during the same period. For total capital outlay it revolves in between 4.95% to 8.89% with an average of 6.19% during the same period while loans and advances as a percentage to GSDP is negligible. The total loan and advances as a percentage of GSDP is negligible as its percentage share was 0.01% on an average for the entire period.

Table no. 4.1: Composition of Total Expenditure excluding Debt Repayment (Rs. Crores)

Year	Total Revenue Expenditure	Total Capital Expenditure (Outlay)	Total Loan	Total Expenditure (excluding debt repayment)
2012-13	5601.38	1257.34	2.16	6860.88
2013-14	5750.35	1207.99	0.92	6959.26
2014-15	6762.41	1023.35	0.19	7785.95
2015-16	7581.92	1059.42	0.19	8641.53
2016-17	8664.07	1074.66	0.19	9738.92

2017-18	10191.35	1276.725	1.87	11469.94
2018-19	10919.99	1600.823	5.27	12526.08
2019-20	11637.02	1215.6	9.27	12861.89
2020-21	11052.06	1677.554	5.62	12735.24
2022-23	11817.08	1896.454	2.61	13716.14
2022-23	13410.35	2704.57	0.35	16115.27
2023-24	14819.69	3122.87	0.35	17942.91

Sources: State Budget and CAG Nagaland.

Table no. 4.2: Percentage share to Total Expenditure (%)

Year	Total Revenue Expenditure	Total Capital Expenditure (Outlay)	Total Loan
2012-13	81.6%	18.3%	0.031%
2013-14	82.6%	17.4%	0.013%
2014-15	86.9%	13.1%	0.002%
2015-16	87.7%	12.3%	0.002%
2016-17	89.0%	11.0%	0.002%
2017-18	88.9%	11.1%	0.016%
2018-19	87.2%	12.8%	0.042%
2019-20	90.5%	9.5%	0.072%
2020-21	86.8%	13.2%	0.044%
2022-23	86.2%	13.8%	0.019%
2022-23	83.2%	16.8%	0.002%
2023-24	82.6%	17.4%	0.002%

Table no. 4.3: Annual Growth Rate of Total Expenditure excluding Debt Repayment

Year	Total Revenue Expenditure	Total Capital Expenditure (Outlay)	Total Loan	Total Expenditure (excluding debt repayment)
2012-13	14.9%	0.5%	-10.7%	5.8%
2013-14	2.7%	-3.8%	-57.4%	6.8%
2014-15	17.6%	0.2%	-79.3%	4.1%
2015-16	12.1%	-12.4%	0.0%	1.6%
2016-17	14.3%	1.4%	0.0%	7.0%
2017-18	17.6%	18.6%	884.2%	5.1%
2018-19	7.1%	25.2%	181.8%	6.2%
2019-20	6.6%	-24.4%	75.9%	5.3%
2020-21	-5.0%	38.6%	-39.4%	-0.1%
2022-23	6.9%	13.3%	-53.6%	10.7%
2022-23	13.5%	42.6%	-86.6%	7.2%
2023-24	10.5%	15.5%	0.0%	7.2%
CAGR	8.4%	7.9%	-14.1%	8.3%

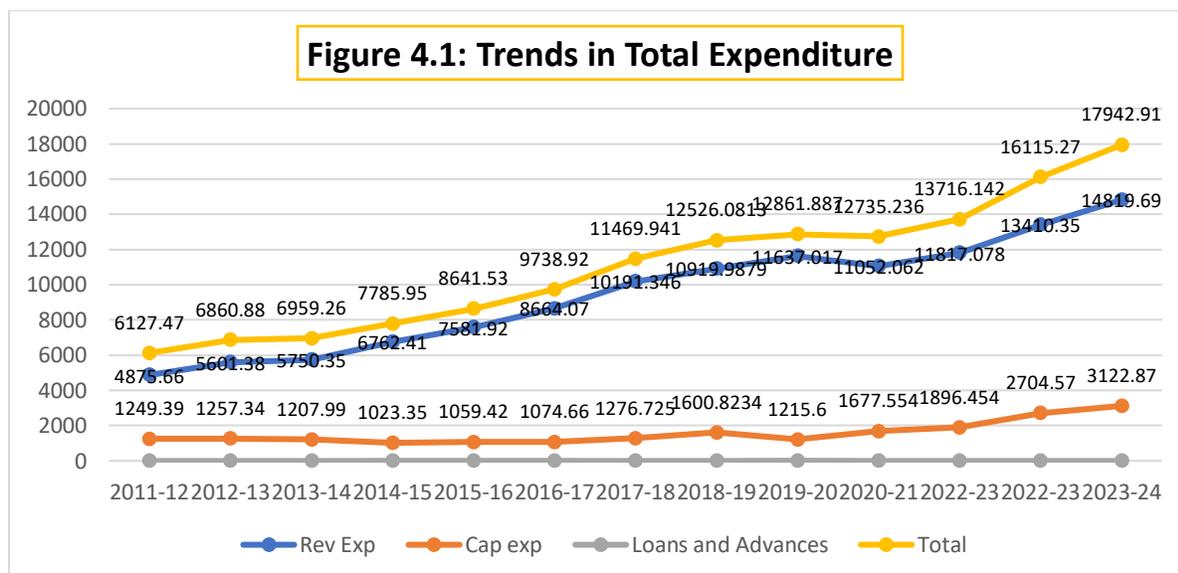


Figure 4.1: Trends in Composition of Total Expenditure (Rs. Crores)

Table No. 4.4: Projected Total Expenditure (2024-31)

Year	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Revenue Expenditure	16064.54	17413.97	18876.74	20462.38	22181.23	24044.45	26064.18
Capital Expenditure	3369.577	3635.773	3922.999	4232.916	4567.317	4928.135	5317.457
Total Expenditure	19432.17	21045.04	22791.78	24683.5	26732.23	28951	31353.94

Sources: Own calculation based on the respective CAGR.

Table no. 4.5: Total Expenditure excluding Debt Repayment as a proportion of GSDP (%)

Year	Total Revenue Expenditure	Total Capital Expenditure (Outlay)	Total Loan	Total Expenditure (excluding debt repayment)
2012-13	39.67%	8.89%	0.015%	48.57%
2013-14	34.62%	7.27%	0.006%	41.89%
2014-15	36.75%	6.57%	0.001%	43.32%
2015-16	38.83%	5.43%	0.001%	44.26%
2016-17	39.89%	4.95%	0.001%	44.83%
2017-18	41.78%	5.23%	0.008%	47.01%
2018-19	41.17%	6.01%	0.020%	47.20%
2019-20	39.17%	4.09%	0.031%	43.29%

2020-21	37.05%	5.62%	0.019%	42.69%
2022-23	36.63%	5.88%	0.008%	42.51%
2022-23	37.63%	7.59%	0.001%	45.21%
2023-24	36.67%	7.73%	0.001%	44.40%

4.2: FUNCTIONAL COMPOSITION OF TOTAL EXPENDITURE

Functional composition of total expenditure of the state consists of expenditure on general services including interest payments, social services (Education, Health, Housing, Urban Development, Welfare of SC, ST & OBC, Women & Child Development, Labour welfare etc.), economic services (Agriculture, Animal Husbandry, Forestry, Co-operation, Rural Development, Irrigation, Energy, Transport etc), and loans and advances. The relative share of each component in total expenditure is shown in Table no. 4.6 and 4.7.

The share of general services in total expenditure (including interest payment), also considered as non-developmental expenditure, has increased from 41.7%% during 2012-13 to 45.1% during 2023-24. Compared to other services, the share of general services in the total expenditure is the highest during the entire period. The combine shares of social and economic services which constitute developmental expenditure have decreased from 58.3% to 54.9% during the same period. The relative share of social services in the total expenditure increased from 24.4% to 30% during the same period while the share of economic services decreased from 33.9% during 2012-13 to 24.9% during 2023-24. It is also seen that the share of loans and advances in the total expenditure is insignificant during the same period.

The annual growth rate of the functional expenditure is shown in table no. 4.8. From the table it can be seen that the average annual growth rate for 2012-13 to 2023-24 of general services was 9.0% and social services was 9.5% which are higher than the total expenditure growth rate (8%). The average annual growth rate of economic services (6.4%) and loans and advances (-14.1%) exhibits a lower growth rate lower than the total expenditure during the same period. The year-wise growth rate shows that there is a fluctuation in the growth rate of general services ranging from the lowest with -1.5% (2021-22) to the highest 20.4% (2022-23). For social services the fluctuation ranges from the lowest with 0.001% (2019-20) to the highest 21.1% (2012-13). For economic services it is clearly seen that there is a wide fluctuation from -

12.2% (2013-14) to 29.0% (2023-24). The growth rate in loan and advances shows that for most of the years the growth rate was negative. The highest growth rate was in 2017-18 with 884.2%.

The trend and composition of functional expenditure is shown by figure 4.2. From the figure it can be seen that the trends in general services follow the same pattern with that of the total expenditure. The trends of social and economic services are almost the equal while loans and advances are almost negligible.

The percentage shares of the functional expenditure as a percentage to GSDP are presented in table no. 4.9. From the table it can be seen that the relative share of general services to GSDP shows a fluctuating trend, which ranges between 17.5% and 20.5%, with an average share of 19% during 2012-24 period. For social services, it increased from 12.8% to 13.3% with an average share of 12.6% during the same period while the relative share of economic services decreased from 16.3% to 11.9% with an average percentage share of 12.9% during the same period. The relative share of loans and advances as a percentage to GSDP remained insignificant during the same period.

Table no. 4.6: Functional Composition of Total Expenditure (Rs. Crore)

Year	General Services	Social Services	Economic Services	Loans and Advances	Total Expenditure
2012-13	2748.81	1808.59	2299.16	2.16	6858.72
2013-14	2912.07	2026.03	2019.32	0.92	6958.34
2014-15	3294.19	2206.16	2285.22	0.19	7785.76
2015-16	3729.03	2381.1	2531.02	0.19	8641.34
2016-17	4027.38	2736.93	2974.23	0.19	9738.73
2017-18	4586.504	3044.25	3835.447	1.87	11468.07
2018-19	5437.596	3488.48	3589.465	5.27	12520.81
2019-20	5594.535	3487.07	3761.742	9.27	12852.62
2020-21	5509.655	3646.72	3567.621	5.62	12729.62
2021-22	6036.984	4294.62	3379.318	2.61	13713.53
2022-23	7267.61	4840.21	4006.75	0.35	16114.92
2023-24	7746.38	5372.61	4823.22	0.35	17942.56

Sources: Nagaland Budget and CAG reports.

Table no. 4.7: Functional Composition of Total Expenditure (%)

Year	General Services	Social Services	Economic Services	Loans and Advances	Total Expenditure
2012-13	41.7%	24.4%	33.9%	0.039%	100%
2013-14	40.1%	26.4%	33.5%	0.031%	100%
2014-15	41.9%	29.1%	29.0%	0.013%	100%
2015-16	41.3%	27.7%	31.0%	0.002%	100%
2016-17	43.2%	27.6%	29.3%	0.002%	100%
2017-18	41.4%	28.1%	30.5%	0.002%	100%
2018-19	40.0%	26.5%	33.4%	0.016%	100%
2019-20	43.4%	27.9%	28.7%	0.042%	100%
2020-21	43.5%	27.1%	29.3%	0.072%	100%
2021-22	43.3%	28.6%	28.0%	0.044%	100%
2022-23	44.0%	31.3%	24.6%	0.019%	100%
2023-24	45.1%	30.0%	24.9%	0.002%	100%

Table no. 4.8: Annual growth rate of Functional Composition of Total Expenditure

Year	General Services	Social Services	Economic Services	Loans and Advances	Total Expenditure
2012-13	7.6%	21.1%	10.6%	-10.7%	11.9%
2013-14	5.9%	12.0%	-12.2%	-57.4%	1.5%
2014-15	13.1%	8.9%	13.2%	-79.3%	11.9%
2015-16	13.2%	7.9%	10.8%	0.0%	11.0%
2016-17	8.0%	14.9%	17.5%	0.0%	12.7%
2017-18	13.9%	11.2%	29.0%	884.2%	17.8%
2018-19	18.6%	14.6%	-6.4%	181.8%	9.2%
2019-20	2.9%	0.0%	4.8%	75.9%	2.7%
2020-21	-1.5%	4.6%	-5.2%	-39.4%	-1.0%
2021-22	9.6%	17.8%	-5.3%	-53.6%	7.7%
2022-23	20.4%	12.7%	18.6%	-86.6%	17.5%
2023-24	6.6%	11.0%	20.4%	0.0%	11.3%
CAGR	9.00%	9.50%	6.40%	-14.10%	8%

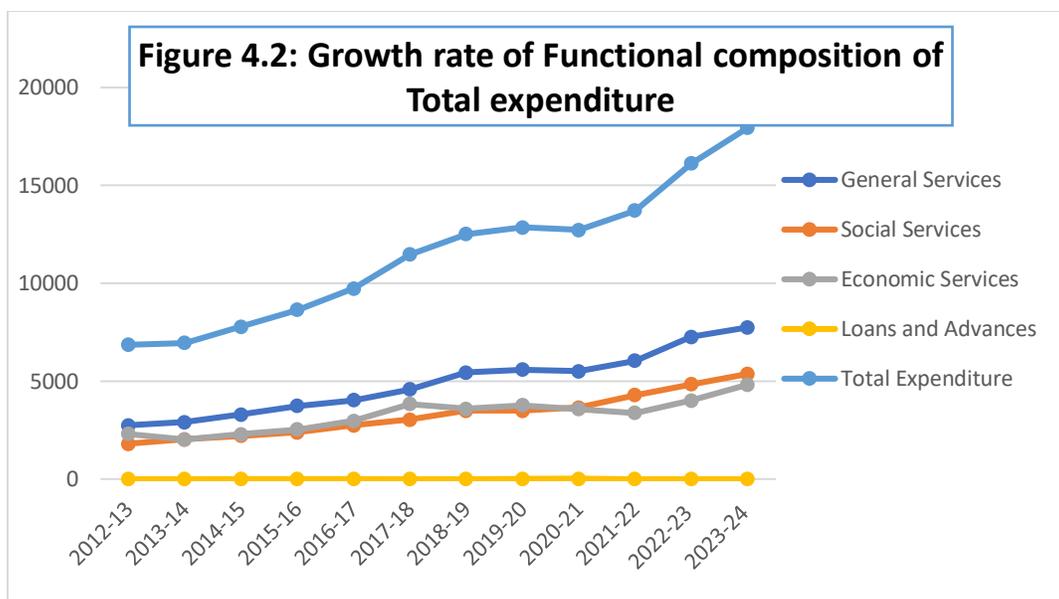


Figure 4.2: Functional Composition of Total Expenditure (Rs. Crores).

Table no. 4.9: Functional composition of expenditure as a percentage of GSDP

Year	General Services	Social Services	Economic Services	Loans and Advances	Total Expenditure
2012-13	19.5%	12.8%	16.3%	0.0%	48.6%
2013-14	17.5%	12.2%	12.2%	0.0%	41.9%
2014-15	17.9%	12.0%	12.4%	0.0%	42.3%
2015-16	19.1%	12.2%	13.0%	0.0%	44.3%
2016-17	18.5%	12.6%	13.7%	0.0%	44.8%
2017-18	18.8%	12.5%	15.7%	0.0%	47.0%
2018-19	20.5%	13.2%	13.5%	0.0%	47.2%
2019-20	18.8%	11.7%	12.7%	0.0%	43.3%
2020-21	18.5%	12.2%	12.0%	0.0%	42.7%
2021-22	18.7%	13.3%	10.5%	0.0%	42.5%
2022-23	20.4%	13.6%	11.2%	0.0%	45.2%
2023-24	19.2%	13.3%	11.9%	0.0%	44.4%

4.3: FUNCTIONAL COMPOSITION OF REVENUE EXPENDITURE

Functional composition of revenue expenditure of the state consists of expenditure on general services, social services and economic services. The relative share of each component in total revenue expenditure and the growth rate are shown in Table no. 4.10, 4.11 and 4.12.

The annual growth rate of the functional composition of revenue expenditure is shown in table no. 4.11. From the table it can be seen that the average annual growth rate for 2012-13 to

2023-24 of general services was 9.1% and social services was 9.4% which are higher than the total revenue expenditure growth rate of 8.4%. The average annual growth rate of economic services was 6.0% exhibiting a lower growth rate lower than the total revenue expenditure during the same period. The year-wise growth rate shows that there is a fluctuation in the growth rate of general services expenditure ranging from the lowest with -6.1% (2020-21) to the highest 18.8% (2022-23). For social services, the fluctuation ranges from the lowest with -4.1% (2019-20) to the highest 26.7% (2012-13). For economic services it is clearly seen that there is a wide fluctuation from -17.7% (2013-14) to 34.6% (2017-18). The growth rate of total revenue expenditure fluctuates from -5% in 2020-21 to 17.6% in 2017-18.

The trend and composition of functional expenditure in revenue expenditure are shown by table no. 4.10 and figure 4.3. From the figure it can be seen that the trends in general services follow the same pattern with that of the total revenue expenditure. While the trend line of social and economic services slopes upward and are almost the equal.

The share of general services in total revenue expenditure has increased from 45.3% during 2012-13 to 48.7% during 2023-24 as shown by table no. 4.12. The highest percentage share was exhibited during 2022-23 period with 50.9%. The share of social services has increased minimally from 26.1% to 29.1% during the same period. However, it can be seen that the share of economic services in total revenue expenditure has decreased from 28.6% during 2012-13 to 22.2% during 2023-24.

The percentage share of revenue expenditure to total revenue receipt is shown in table no. 4.13. From the table it can be seen that above 90% of the total revenue expenditure are met through total revenue receipt during the same period. General Service expenditure as a percentage of total revenue receipt shows that it has been increasing over the years. It rose from 40.9% in 2012-13 to 44.7% during 2023-24. The percentage share of social service expenditure to total revenue receipt has also seen an increasing trend from 23.6% to 26.7% during the same period. However, it has been observed that the percentage share of economic service has been slightly decreasing from 25.8% to 20.3% during the same period with little fluctuation.

The percentage shares of the components of revenue expenditure as a percentage to GSDP are shown table no. 4.14. From the table it can be seen that the share of total revenue expenditure to GSDP exhibits a fluctuating trend with an average percentage share of 38.3%

during 2012-24 period. The relative share of general services to GSDP follows the same pattern as that of total revenue expenditure with an average percentage share of 17.9%. For social services, it increased from 10.35% to 10.68% with an average percentage share of 10.6% for the whole period while the relative share of economic services decreased from 11.34% to 8.12% with an average percentage share of 9.9% during the same period.

Table no. 4.10: Functional Composition of Revenue Expenditure (Rs. Crores)

Year	General Services	Social Services	Economic Services	Total Revenue Expenditure	Total Revenue Receipt
2012-13	2537.8	1461.78	1601.8	5601.38	6202.33
2013-14	2730.88	1701.56	1317.91	5750.35	6497.91
2014-15	3133.24	1855.17	1774	6762.41	7650.96
2015-16	3623.25	2093.61	1865.06	7581.92	8043.57
2016-17	3896.45	2305.21	2462.41	8664.07	9442.269
2017-18	4319.404	2558.56	3313.382	10191.35	11019.21
2018-19	5018.116	3158.59	2743.2819	10919.99	11437.36
2019-20	5428.795	3030.05	3178.172	11637.02	11423.23
2020-21	5100.035	3138.51	2813.517	11052.06	11426.49
2021-22	5743.694	3378.12	2695.264	11817.08	13451.13
2022-23	6820.7	3746.12	2843.53	13410.35	14099.22
2023-24	7218.27	4317.93	3283.49	14819.69	16155.14

Sources: CAG and State budget

Table no. 4.11: Growth Rate of Functional Composition of Revenue Expenditure

Year	General Services	Social Services	Economic Services	Total Revenue Expenditure
2012-13	9.5%	26.7%	14.1%	14.9%
2013-14	7.6%	16.4%	-17.7%	2.7%
2014-15	14.7%	9.0%	34.6%	17.6%
2015-16	15.6%	12.9%	5.1%	12.1%
2016-17	7.5%	10.1%	32.0%	14.3%
2017-18	10.9%	11.0%	34.6%	17.6%
2018-19	16.2%	23.5%	-17.2%	7.1%
2019-20	8.2%	-4.1%	15.9%	6.6%
2020-21	-6.1%	3.6%	-11.5%	-5.0%
2021-22	12.6%	7.6%	-4.2%	6.9%
2022-23	18.8%	10.9%	5.5%	13.5%
2023-24	5.8%	15.3%	15.5%	10.5%
CAGR	9.10%	9.40%	6%	8.40%

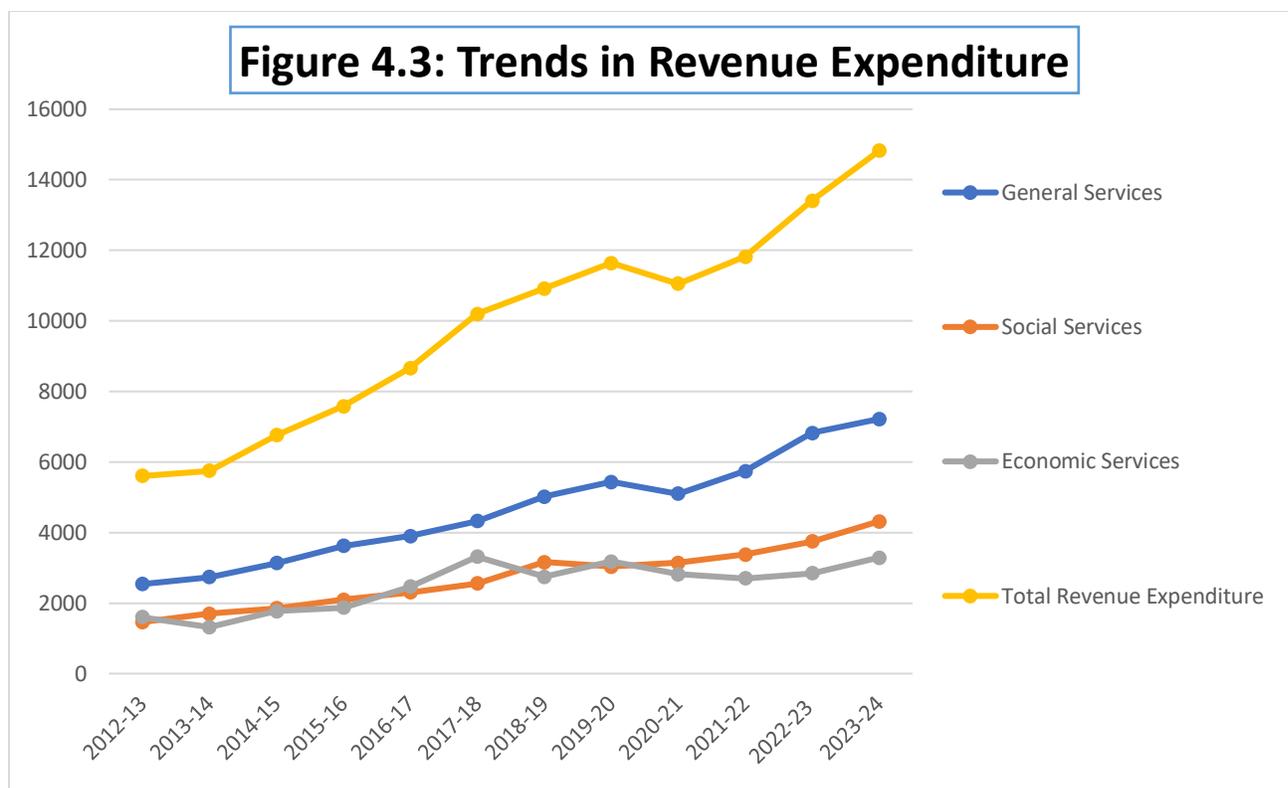


Figure 4.3: Functional composition of Revenue Expenditure (Rs. Crores).

Table no. 4.12: Functional Composition of Revenue Expenditure as a percentage to Total Revenue Expenditure.

Year	General Services	Social Services	Economic Services
2012-13	45.3%	26.1%	28.6%
2013-14	47.5%	29.6%	22.9%
2014-15	46.3%	27.4%	26.2%
2015-16	47.8%	27.6%	24.6%
2016-17	45.0%	26.6%	28.4%
2017-18	42.4%	25.1%	32.5%
2018-19	46.0%	28.9%	25.1%
2019-20	46.7%	26.0%	27.3%
2020-21	46.1%	28.4%	25.5%
2021-22	48.6%	28.6%	22.8%
2022-23	50.9%	27.9%	21.2%
2023-24	48.7%	29.1%	22.2%

Table no. 4.13. Functional Composition of Revenue Expenditure as a percentage to Total Revenue Receipt.

Year	General Services	Social Services	Economic Services	Total Revenue Expenditure
2012-13	40.9%	23.6%	25.8%	90.3%
2013-14	42.0%	26.2%	20.3%	88.5%
2014-15	41.0%	24.2%	23.2%	88.4%
2015-16	45.0%	26.0%	23.2%	94.3%
2016-17	41.3%	24.4%	26.1%	91.8%
2017-18	39.2%	23.2%	30.1%	92.5%
2018-19	43.9%	27.6%	24.0%	95.5%
2019-20	47.5%	26.5%	27.8%	101.9%
2020-21	44.6%	27.5%	24.6%	96.7%
2021-22	42.7%	25.1%	20.0%	87.9%
2022-23	48.4%	26.6%	20.2%	95.1%
2023-24	44.7%	26.7%	20.3%	91.7%

Table no.4.14: Functional composition of Revenue Expenditure as a Percentage to GSDP.

Year	General Services	Social Services	Economic Services	Total Revenue Expenditure
2012-13	17.97%	10.35%	11.34%	39.67%
2013-14	16.44%	10.24%	7.93%	34.62%
2014-15	17.03%	10.08%	9.64%	36.75%
2015-16	18.56%	10.72%	9.55%	38.83%
2016-17	17.94%	10.61%	11.34%	39.89%
2017-18	17.71%	10.49%	13.58%	41.78%
2018-19	18.92%	11.91%	10.34%	41.17%
2019-20	18.27%	10.20%	10.70%	39.17%
2020-21	17.10%	10.52%	9.43%	37.05%
2021-22	17.80%	10.47%	8.35%	36.63%
2022-23	19.14%	10.51%	7.98%	37.63%
2023-24	17.86%	10.68%	8.12%	36.67%

4.4: FUNCTIONAL COMPOSITION OF CAPITAL EXPENDITURE

Functional composition of capital expenditure of the state consists of expenditure on general services, social services, economic services and loans and advances. The relative share of each component in total capital expenditure and the growth rate are shown in Table no. 4.15, 4.16 and 4.17.

The annual growth rate of the functional composition of capital expenditure is shown in table no. 4.16. From the table it can be seen that the average annual growth rate for 2012-13 to 2023-24 of social services was 9.7% which is higher than the total capital expenditure growth rate of 7.9%. The average annual growth rate of general services (7.9%) exhibits the same growth rate as that of capital expenditure. The annual growth rate of economic services (6.8%) and loans and advances (-14.1%) shows a lower growth rate lower than the total capital expenditure during the same period. The year-wise growth rate shows that there is a high fluctuation in the growth rate of general services expenditure ranging from the lowest with -60.5% (2019-20) to the highest with 147.1% (2020-21). For social services, the fluctuation ranges from the lowest with -32.1% (2018-19) to the highest with 80.3% (2021-22). For economic services the fluctuation ranges from -31% (2019-21) to 70% (2022-23). For loans and advances its fluctuation ranges from -86.6% (2022-23) to the highest with 884.2% during 2017-18. The growth rate of the total capital expenditure fluctuates from -24.1% in 2019-20 to 42.6% in 2022-23.

The trend and composition of functional capital expenditure are shown in table no. 4.15 and figure 4.4. From the figure it can be seen that the trends in economic services follow the same pattern with that of the total capital expenditure. While the trend line of social and general services are seen taking an upward trends with some fluctuation in between. The trend line of loans and advances almost remain stagnant.

The share of general services (table no. 4.17) in total capital expenditure on an average has remained the same around 15% during 2012-24. Its share decreased from 16.8% (2012-13) to 10% during 2015-16. After 2015-16, it keeps increasing and reached its highest share during 2018-19 (26.2%). Then it started declining and was 16.9% in 2023-24. The share of social services has been increasing over the years. It rose from 27.6% to 33.8% during the same period. The highest percentage share in total capital expenditure was exhibited by economic services. Its share in total capital expenditure was above 50% on an average during the same period. However, the share of loans and advances in total capital expenditure remained below 1% during the same period.

The percentage shares of capital expenditure to total capital receipt are shown in table no. 4.18. From the table it can be seen that 34.8% of the total capital expenditure are meted out

through total capital receipt on an average during the same period. Its total share in total capital receipt was 146.0% during 2012-13 which increased to 61.1% the next year and then decreases over the following years and it was 24.8% during 2017-18. After 2017-18 its share increases with some fluctuation and its share was 51.3% during 2023-24. Among the components of capital expenditure, economic services have the highest percentage share to total capital receipt with 17.7% share on an average for the whole period. The second important component is social services whose percentage share to total capital receipt was 11.1% on an average during the same period. The share of general service expenditure as a percentage of total capital receipt was 6% on an average during the entire period. The share of loans and advances to total capital receipt was below 1% during the same period.

The functional components of capital expenditure as a percentage to GSDP are shown table no. 4.19. From the table it can be seen that the share of total capital expenditure to GSDP has been fluctuating over the years. Its share falls from 8.9% in 2012-13 to 7.7% during 2023-24 with an average percentage share of 6.2%. From the table it can be seen that economic service has the highest percentage share to GSDP ranging from 2% to 4.9% during the same period with an average share of 3.1%. The second important component is social service whose percentage share in GSDP shows a fluctuating trend with an average percentage share of 2.1% during 2012-13 to 2023-24 period. The relative share of general services to GSDP fluctuates from 0.5% to 1.6% with an average share of 1.1% during the same period. The percentage share of loans and advance to GSDP remained below 1% during the same period.

Table no. 4.15: Functional Composition of Capital Expenditure (Rs. Crores)

Year	General Service	Social Services	Economic Services	Loans and Advances	Total Capital Expenditure	Total Capital Receipt
2012-13	211.01	346.81	697.36	2.16	1257.34	2730.96
2013-14	181.19	324.47	701.41	0.92	1207.99	1977.42
2014-15	160.95	350.99	511.22	0.19	1023.35	2415.58
2015-16	105.78	287.49	665.96	0.19	1059.42	3546.44
2016-17	130.93	431.72	511.82	0.19	1074.66	5445.44
2017-18	267.10	485.69	522.07	1.87	1276.73	5142.12
2018-19	419.48	329.89	846.18	5.27	1600.82	2908.3
2019-20	165.74	457.02	583.57	9.27	1215.60	7870.91
2020-21	409.62	508.21	754.10	5.62	1677.55	11436.09
2021-22	293.29	916.50	684.05	2.61	1896.45	8710.43
2022-23	446.91	1094.09	1163.22	0.35	2704.57	7611.73

2023-24	528.11	1054.68	1539.73	0.35	3122.87	6081.77
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Sources: CAG and State Budget.

Table no. 4.16: Growth Rate of Functional Composition of Capital expenditure

Year	General Service	Social Services	Economic Services	Loans and Advances	Total Capital Expenditure	Total Capital Receipt
2012-13	-10.5%	2.4%	3.3%	-10.7%	0.4%	106.7%
2013-14	-14.1%	-6.4%	0.6%	-57.4%	-3.9%	-27.6%
2014-15	-11.2%	8.2%	-27.1%	-79.3%	-15.3%	22.2%
2015-16	-34.3%	-18.1%	30.3%	0.0%	3.5%	46.8%
2016-17	23.8%	50.2%	-23.1%	0.0%	1.4%	53.5%
2017-18	104.0%	12.5%	2.0%	884.2%	18.8%	-5.6%
2018-19	57.0%	-32.1%	62.1%	181.8%	25.4%	-43.4%
2019-20	-60.5%	38.5%	-31.0%	75.9%	-24.1%	170.6%
2020-21	147.1%	11.2%	29.2%	-39.4%	38.0%	45.3%
2021-22	-28.4%	80.3%	-9.3%	-53.6%	13.0%	-23.8%
2022-23	52.4%	19.4%	70.0%	-86.6%	42.6%	-12.6%
2023-24	18.2%	-3.6%	32.4%	0.0%	15.5%	-20.1%
CAGR	7.9%	9.7%	6.8%	-14.1%	7.9%	6.9%

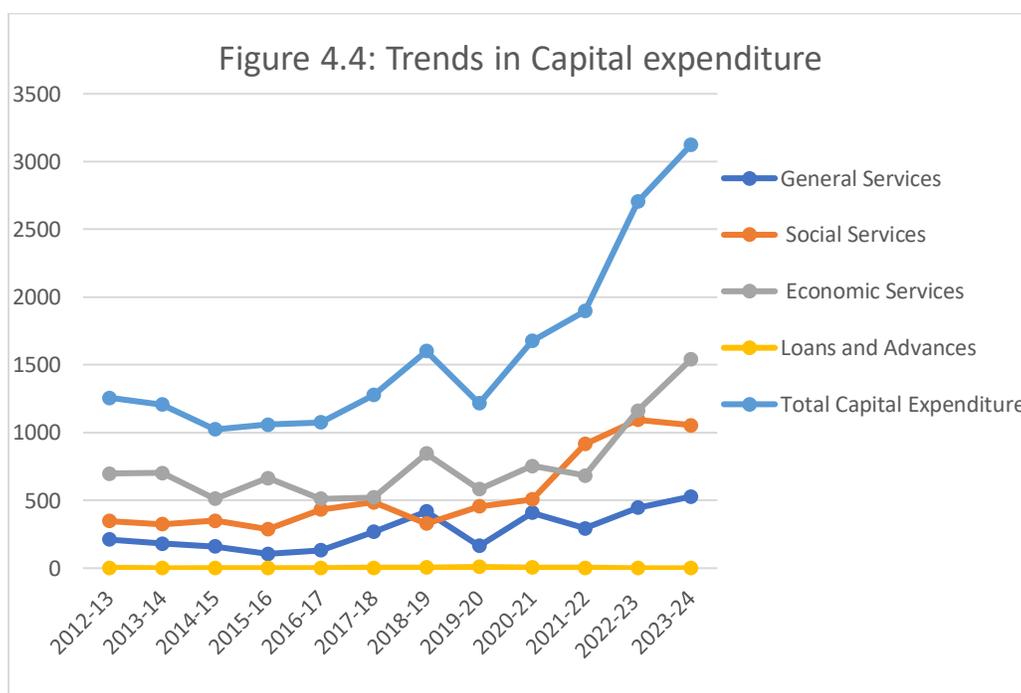


Figure 4.4: Trends in the functional composition of Capital Expenditure (Rs. Crores).

Table no. 4.17: Functional Composition of Capital Expenditure as a percentage to Total Capital Expenditure

Year	General Service	Social Services	Economic Services	Loans and Advances
2012-13	16.8%	27.6%	55.5%	0.2%
2013-14	15.0%	26.9%	58.1%	0.1%
2014-15	15.7%	34.3%	50.0%	0.0%
2015-16	10.0%	27.1%	62.9%	0.0%
2016-17	12.2%	40.2%	47.6%	0.0%
2017-18	20.9%	38.0%	40.9%	0.1%
2018-19	26.2%	20.6%	52.9%	0.3%
2019-20	13.6%	37.6%	48.0%	0.8%
2020-21	24.4%	30.3%	45.0%	0.3%
2021-22	15.5%	48.3%	36.1%	0.1%
2022-23	16.5%	40.5%	43.0%	0.0%
2023-24	16.9%	33.8%	49.3%	0.0%

Table no. 4.18: Functional Composition of Capital Expenditure as a percentage to Total Capital Receipt

Year	General Service	Social Services	Economic Services	Loans and Advances	Total Capital Expenditure
2012-13	7.7%	12.7%	25.5%	0.1%	46.0%
2013-14	9.2%	16.4%	35.5%	0.0%	61.1%
2014-15	6.7%	14.5%	21.2%	0.0%	42.4%
2015-16	3.0%	8.1%	18.8%	0.0%	29.9%
2016-17	2.4%	7.9%	9.4%	0.0%	19.7%
2017-18	5.2%	9.4%	10.2%	0.0%	24.8%
2018-19	14.4%	11.3%	29.1%	0.2%	55.0%
2019-20	2.1%	5.8%	7.4%	0.1%	15.4%
2020-21	3.6%	4.4%	6.6%	0.0%	14.7%
2021-22	3.4%	10.5%	7.9%	0.0%	21.8%
2022-23	5.9%	14.4%	15.3%	0.0%	35.5%
2023-24	8.7%	17.3%	25.3%	0.0%	51.3%

Table no. 4.19: Functional Composition of Capital Expenditure as a percentage to GSDP

Year	General Service	Social Services	Economic Services	Loans and Advances	Total Capital Expenditure
2012-13	1.5%	2.5%	4.9%	0.0%	8.9%
2013-14	1.1%	2.0%	4.2%	0.0%	7.3%
2014-15	0.9%	1.9%	2.8%	0.0%	5.6%

2015-16	0.5%	1.5%	3.4%	0.0%	5.4%
2016-17	0.6%	2.0%	2.4%	0.0%	4.9%
2017-18	1.1%	2.0%	2.1%	0.0%	5.2%
2018-19	1.6%	1.2%	3.2%	0.0%	6.0%
2019-20	0.6%	1.5%	2.0%	0.0%	4.1%
2020-21	1.4%	1.7%	2.5%	0.0%	5.6%
2021-22	0.9%	2.8%	2.1%	0.0%	5.9%
2022-23	1.3%	3.1%	3.3%	0.0%	7.6%
2023-24	1.3%	2.6%	3.8%	0.0%	7.7%

4.5: COMMITTED EXPENDITURE

Committed Expenditure of the State Government on revenue account mainly consists of interest payments and debt servicing, expenditure on salaries and wages and pensions. The composition of committed expenditure is given in table no. 4.20a and 4.20b. From the table it can be seen that the share of total committed expenditure to total revenue expenditure increased from 66.6% during 20012-13 to 73.2% during 2023-24. The average expenditure on total committed expenditure was 69.7% of the total revenue expenditure during 2012-24 period.

4.5.1: Salary and Wages

The expenditure for salaries and wages has increased from Rs. 2603.87 crores in 2012-13 to Rs. 6671.17 crores in 2023-24 as shown in table 3.20a. However, the percentage share of salary and wages in revenue expenditure shows a decreasing trend even though it increased in the first year. From 2013-14, its share as a percentage to total revenue expenditure keeps decreasing and it was 40.8% during 2017-18. After 2017-18, its share increased to 51.1% in 2019-20 but after that its share keeps declining and it was to 45% during 2023-24. The average expenditure on salary and wages was 47% of the total revenue expenditure during 2012-24 period. This increase in the share of revenue expenditure has lead to an increase in the expenditure on non-developmental expenditure. Thus, to increase the development expenditure, the state has to limit the expenditure on salary and wages. The annual average growth rate of salary and wages was 8.2% during 2012-24 lower than the total committed expenditure.

4.5.2: Interest Payment

The expenditure on interest repayment has increased from Rs. 450.64 crores in 2012-13 to Rs. 1068.43 crores in 2023-24. However, the share in revenue expenditure remains around

6.7% to 8.2% during the same period. The average expenditure on interest payment and debt servicing was 7.6% of the total revenue expenditure during 2012-24 period. The annual average growth rate of interest payment was 7.5% during 2012-24 lower than the total committed expenditure.

4.5.3: Pensions and Retirement

The expenditure on pensions and retirement has increased from Rs. 677.03 crores in 2012-13 to Rs. 3101.92 crores in 2023-24. The annual average growth rate of pension and retirement was 13.8% during 2012-24 which is higher than the revenue expenditure. The average expenditure on pension and retirement was 15.2% of the total revenue expenditure during 2012-24 period. Moreover, the share in revenue expenditure has increased from 12.1% during 2012-13 to 20.9% during 2023-24.

Table no. 4.20.a: Component of Committed expenditure (Rs. crore and %)

Year	Salary and Wages	Interest Payment and debt servicing	Pensions and Retirement	Total Committed Expenditure
2012-13	2603.87	450.64	677.03	3731.54
2013-14	2940.8	493.84	695.11	4129.75
2014-15	3274.16	555.34	905.15	4734.65
2015-16	3688.5	586.45	1028.8	5303.75
2016-17	3750.05	635.5	1093.47	5479.02
2017-18	4155.72	677.75	1264.09	6097.56
2018-19	4944.95	771.74	1552.79	7269.48
2019-20	5949.95	813.74	1810.91	8574.6
2020-21	5249.81	856.77	1752.47	7859.05
2021-22	5954.31	932.09	2158.67	9045.07
2022-23	6109.15	993.23	2819.16	9921.54
2023-24	6671.17	1068.43	3101.92	10841.52
CAGR	8.2%	8.5%	13.5%	9.3%

Sources: CAG and State Budget.

Table no. 4.20.b: Component of Committed expenditure (Rs. crore and %)

Year	Salary and Wages % to Revenue Expenditure	Interest Payment and debt servicing % to Revenue Expenditure	Pensions and Retirement % to Revenue Expenditure	Total Committed Expenditure % to Revenue Expenditure
2012-13	46.5%	8.0%	12.1%	66.6%
2013-14	51.1%	8.6%	12.1%	71.8%

2014-15	48.4%	8.2%	13.4%	70.0%
2015-16	48.6%	7.7%	13.6%	70.0%
2016-17	43.3%	7.3%	12.6%	63.2%
2017-18	40.8%	6.7%	12.4%	59.8%
2018-19	45.3%	7.1%	14.2%	66.6%
2019-20	51.1%	7.0%	15.6%	73.7%
2020-21	47.5%	7.8%	15.9%	71.1%
2021-22	50.4%	7.9%	18.3%	76.5%
2022-23	45.6%	7.4%	21.0%	74.0%
2023-24	45.0%	7.2%	20.9%	73.2%

4.6: EFFICIENCY OF PUBLIC SPENDING

The analysis of public expenditure efficiency is divided into two parts: the efficiency of resource allocation and technical efficiency.

4.6.1: Measures for Allocative Efficiency:

The efficiency of resource allocation among different activities can be observed through the share of general services, social services and economic services expenditure with respect to total public spending.

4.6.1.1: General Services

It can be seen from Table 4.21 that the share of general services shows a slight increase from 40.8% in 2012-13 to 41.8% during 2023-24. The major component of general services is administrative services which accounts for more than 15% share in the total expenditure. Its share was 18.28% during 2012-13 which fluctuates little during the year and increased to 19% during 2019-20. After 2019-20, it shows a declining trend and decreased to 14.68%. The percentage share of pensions has been rising over the years. Its share to total expenditure rose from 9.87% during 2012-13 to 16.51% during 2023-24. The third important component is interest payment and debt servicing. Its share increased from 7.02% during 2012-13 to 9.11% during 2015-16. However, its share started declining after 2015-16 and reached 6.61% during 2023-24. On an average the share of interest payment to total expenditure revolve around 7% during the whole period, the next component is expenditure on organs of state whose percentage share lies between 2% to 5% during the same period. The percentage share of fiscal services and others to the total expenditure are insignificant and remain below 1% during the same period.

The percentage share of general services to GSDP is shown in table no. 4.22. It can be seen that its share in total expenditure rose from 19.47% to 20.02% during 12 years period. Its average percentage share to GSDP was 19.2% during the same period. The administrative services constitute a major component of general services and its average percentage share to GSDP was 8.03% during the same period. The average percentage share of pension to GSDP 5.81%, the average percentage share of interest payment and debt servicing was 3.34%, the average percentage share of organs of state was 1.53%, for fiscal services and others its average percentage share was 0.29% and 0.92% during 2012-24 period.

Table no. 4.21: Composition of General Services to Total Expenditure (%)

Year	General Service	Organs of State	Fiscal Services	Interest Payments and Servicing of Debt	Administrative Services	Pensions	Others
2012-13	40.08%	4.19%	0.67%	7.02%	18.28%	9.87%	0.05%
2013-14	41.85%	3.80%	0.82%	7.27%	19.91%	9.99%	0.05%
2014-15	41.32%	2.92%	0.68%	7.48%	18.85%	11.35%	0.04%
2015-16	43.15%	2.14%	0.69%	9.11%	19.25%	11.91%	0.05%
2016-17	41.35%	2.30%	0.67%	8.84%	18.27%	11.23%	0.05%
2017-18	39.99%	3.61%	0.60%	7.87%	16.85%	11.02%	0.04%
2018-19	43.43%	4.85%	0.61%	7.96%	17.57%	12.40%	0.05%
2019-20	43.53%	2.25%	0.65%	7.50%	19.00%	14.09%	0.05%
2020-21	43.28%	4.12%	0.63%	6.73%	17.99%	13.77%	0.04%
2021-22	44.02%	3.04%	0.66%	6.80%	17.75%	15.74%	0.04%
2022-23	45.13%	3.98%	0.58%	6.16%	16.82%	17.53%	0.05%
2023-24 (RE)	41.80%	3.43%	0.51%	6.61%	14.68%	16.51%	0.06%

Sources: CAG and State Budget.

Table no. 4.22: Composition of General Services to GSDP (%)

Year	General Service	Organs of State	Fiscal Services	Interest Payments and Servicing of Debt	Administrative Services	Pensions	Miscellaneous
2012-13	19.47%	2.04%	0.32%	3.41%	8.88%	4.79%	0.02%
2013-14	17.53%	1.59%	0.34%	3.05%	8.34%	4.18%	0.02%

2014-15	17.90%	1.27%	0.29%	3.24%	8.16%	4.92%	0.02%
2015-16	19.10%	0.95%	0.31%	4.03%	8.52%	5.27%	0.02%
2016-17	18.54%	1.03%	0.30%	3.96%	8.19%	5.03%	0.02%
2017-18	18.80%	1.70%	0.28%	3.70%	7.92%	5.18%	0.02%
2018-19	20.50%	2.29%	0.29%	3.76%	8.29%	5.85%	0.02%
2019-20	18.83%	0.97%	0.28%	3.24%	8.22%	6.09%	0.02%
2020-21	18.47%	1.76%	0.27%	2.87%	7.68%	5.87%	0.02%
2021-22	18.71%	1.29%	0.28%	2.89%	7.54%	6.69%	0.02%
2022-23	20.41%	1.80%	0.26%	2.79%	7.61%	7.93%	0.02%
2023-24	20.02%	1.64%	0.25%	3.16%	7.03%	7.91%	0.03%

4.6.1.2: Social Services

It can be seen from Table 4.23 that the share of social services shows an increasing from 26.37% in 2012-13 to 31.94% during 2023-24. The major component of social services is expenditure on education which accounts for 14% share in the total expenditure on an average during 2012-24 periods. Its percentage share increased from 13.87% during 2012-13 to 14.40% during 2022-23 and declined to 13.2% during 2023-24. The next important component of social service expenditure is medical and public health accounting for about 4% on an average during the same period. Its share to total expenditure rose from 3.93% during 2012-13 to 7.37% during 2022-23 and fall to 4.45% during 2023-24. The third important component of social service expenditure is water supply. However, its share in total expenditure was around 1% to 2.5% during the entire period. The percentage share of urban development in total expenditure shows an increasing trend; from 1.09% during 2012-13 its share rose to 3.47% during 2023-24. The share of social security and welfare in total expenditure ranges 1% to 2% during the entire period. The share of rest of the components, viz., family welfare, welfare for SC and ST, relief for national calamities and others, in total expenditure remain below 1% during 2012-24.

The percentage share of social services to GSDP is shown in table no. 4.24. It can be seen that its average share in GSDP was 12.6% during 12 years period. The average share education expenditure and public health to GSDP was 6.3% and 2.3% respectively while the average share of water supply, urban development and social security and welfare, family welfare, welfare for SC and ST, relief for national calamities and others to GSDP remain below 1% during 2012-24.

Table no. 4.23: Composition of Social Services to Total Expenditure

Year	Social Services	Education, Sports, Art and Culture	Medical and Public Health	Family Welfare	Water Supply and Sanitation	Housing	Urban Development	Welfare of SC, ST and OBC	Labour and Labour Welfare	Social Security and Welfare	Nutrition	Relief for Natural Calamities	Others
2012-13	26.37%	13.87%	3.93%	0.33%	1.28%	1.84%	1.09%	0.41%	0.38%	1.79%	0.77%	0.16%	0.54%
2013-14	29.12%	15.90%	3.95%	0.37%	1.12%	1.29%	1.94%	0.32%	0.37%	1.74%	1.01%	0.61%	0.50%
2014-15	27.67%	13.94%	4.86%	0.36%	2.06%	1.48%	1.33%	0.32%	0.42%	1.67%	0.41%	0.36%	0.46%
2015-16	27.55%	14.79%	5.10%	0.28%	2.11%	0.91%	0.81%	0.31%	0.49%	1.69%	0.44%	0.12%	0.50%
2016-17	28.10%	13.54%	4.82%	0.27%	2.46%	1.12%	1.97%	0.28%	0.32%	1.20%	1.28%	0.38%	0.45%
2017-18	26.55%	13.19%	5.06%	0.24%	1.84%	0.55%	2.11%	0.40%	0.31%	1.54%	0.57%	0.32%	0.42%
2018-19	27.86%	14.76%	4.70%	0.28%	1.62%	0.44%	1.21%	0.40%	0.33%	1.36%	0.57%	1.66%	0.54%
2019-20	27.13%	12.92%	4.92%	0.28%	1.39%	0.44%	1.77%	0.51%	0.38%	1.70%	0.81%	1.60%	0.40%
2020-21	28.65%	13.97%	5.27%	0.31%	1.96%	0.74%	2.17%	0.74%	0.37%	1.52%	0.73%	0.38%	0.49%
2021-22	31.32%	14.92%	6.42%	0.30%	2.41%	0.40%	2.48%	0.75%	0.44%	1.37%	0.93%	0.37%	0.52%
2022-23	30.02%	14.40%	7.37%	0.26%	1.16%	0.63%	2.36%	0.42%	0.27%	1.12%	0.74%	0.95%	0.34%
2023-24	31.94%	14.4%	4.45%	0.21%	1.07%	3.04%	3.47%	0.42%	0.29%	1.93%	0.82%	0.35%	0.40%

Sources: CAG and State Budget.

Table no. 4.24: Composition of Social Services as a percentage of GSDP

Year	Social Services	Education, Sports, Art and Culture	Medical and Public Health	Family Welfare	Water Supply and Sanitation	Housing	Urban Development	Welfare of SC, ST and OBC	Labour and Labour Welfare	Social Security and Welfare	Nutrition	Relief for Natural Calamities	Others
2012-13	12.81%	6.73%	1.91%	0.16%	0.62%	0.89%	0.53%	0.20%	0.19%	0.87%	0.37%	0.08%	0.26%
2013-14	12.20%	6.66%	1.66%	0.16%	0.47%	0.54%	0.81%	0.13%	0.15%	0.73%	0.42%	0.25%	0.21%
2014-15	11.99%	6.04%	2.10%	0.15%	0.89%	0.64%	0.58%	0.14%	0.18%	0.72%	0.18%	0.15%	0.20%
2015-16	12.20%	6.55%	2.26%	0.12%	0.93%	0.40%	0.36%	0.14%	0.21%	0.75%	0.19%	0.05%	0.22%
2016-17	12.60%	6.07%	2.16%	0.12%	1.10%	0.50%	0.88%	0.13%	0.15%	0.54%	0.57%	0.17%	0.20%
2017-18	12.48%	6.20%	2.38%	0.11%	0.87%	0.26%	0.99%	0.19%	0.14%	0.72%	0.27%	0.15%	0.20%
2018-19	13.15%	6.97%	2.22%	0.13%	0.76%	0.21%	0.57%	0.19%	0.16%	0.64%	0.27%	0.78%	0.25%

2019-20	11.74%	5.59%	2.13%	0.12%	0.60%	0.19%	0.77%	0.22%	0.16%	0.74%	0.35%	0.69%	0.18%
2020-21	12.22%	5.96%	2.25%	0.13%	0.84%	0.31%	0.92%	0.32%	0.16%	0.65%	0.31%	0.16%	0.21%
2021-22	13.31%	6.34%	2.73%	0.13%	1.02%	0.17%	1.06%	0.32%	0.19%	0.58%	0.40%	0.16%	0.22%
2022-23	13.58%	6.52%	3.33%	0.12%	0.53%	0.28%	1.07%	0.19%	0.12%	0.51%	0.33%	0.43%	0.15%
2023-24	13.3%	6.32%	2.13%	0.10%	0.51%	1.46%	1.66%	0.20%	0.14%	0.92%	0.39%	0.17%	0.19%

4.6.1.3: Economic Services

The relative share of economic service in total expenditure is shown in table no. 4.25. It can be seen that its share in total expenditure shows a decreasing trend from 33.52% in 2012-13 to 28.54% during 2023-24. Transport and communication constitute an important component of economic service expenditure. Its share to total expenditure remains around 6% during the entire period. Its share increased from 5.23% during 2012-13 to 6.96% during 2023-24 with some fluctuation in between. The second important component of economic services is expenditure on agriculture which accounts for about 5% share in the total expenditure on an average during 2012-24 periods. Its percentage share increased from 6.17% during 2012-13 to 7.23% during 2014-15 and declined to 5.68% during 2018-19 and then increased to 6.37% during 2023-24. The next important component of economic service expenditure is energy. Its share in total expenditure decreased from 5.15% in 2012-13 to 4.97% in 2019-20, then rose to 5.11% in 2022-23, before falling to 4.79% in 2023-24. The fourth important component of economic service expenditure is rural development which shows an increasing trend during the first 6 years and then follows a declining trend. Its share rose from 2.75% during 2012-13 to 11.83% during 2017-18 and then decline to 3.41% during 2022-23 and then increase again to 6.11% during 2023-24. The share of special area development programme in total expenditure shows a declining trend. Its share decreased from 2.98% during 2012-13 to 0.88% during 2023-24. Like special area development programme, the share of irrigation and flood control shows a declining trend from 5.255 to 0.82% during the same period. The share of industry and mineral in total expenditure remains around 1% to 2% during the same period. The share of science, technology and environment in total expenditure remain below 1% during the same period. The share of general economic service to total expenditure decreases from 2.25% to 1.61% during 2012-24.

The percentage of economic service expenditure to GSDP is shown in Table no. 4.26. From the table we can see that its share decreased from 16.28% to 11.9% during 2012-24. The average percentage share of transport and communication, Agriculture and allied activities, rural development and energy to GSDP was 2.29%, 2.61%, 2.56% and 2.25% respectively. The average share of special area programme, general economic service, irrigation, industry and science and technology to GSDP were below 1% during the same period.

Table no.4.25: Composition of Economic Services to Total Expenditure

Year	Economic Services	Agriculture and Allied Activities	Rural Development	Special Area Programmes	Irrigation and Flood Control	Energy	Industry and Minerals	Transport and Communications	Science, Technology and Environment	General Economic Services
2012-13	33.52%	6.17%	2.75%	2.98%	5.25%	5.15%	1.54%	5.23%	0.43%	2.25%
2013-14	29.02%	6.20%	1.24%	3.09%	1.22%	5.56%	1.62%	7.72%	0.23%	2.13%
2014-15	31.00%	7.23%	3.50%	2.63%	0.79%	5.46%	1.40%	7.76%	0.13%	2.10%
2015-16	29.29%	5.20%	3.74%	2.66%	1.46%	5.04%	1.41%	7.70%	0.12%	1.96%
2016-17	30.54%	5.10%	8.33%	2.63%	0.68%	4.47%	1.19%	5.89%	0.11%	2.14%
2017-18	33.44%	5.71%	11.83%	2.28%	0.40%	4.12%	1.21%	5.89%	0.09%	1.92%
2018-19	28.67%	5.68%	4.97%	1.84%	0.53%	4.68%	1.12%	7.38%	0.13%	2.34%
2019-20	29.27%	6.29%	6.34%	1.70%	0.48%	4.97%	1.14%	5.64%	0.13%	2.59%
2020-21	28.03%	5.40%	5.78%	1.53%	0.67%	5.56%	1.19%	6.49%	0.13%	1.28%
2021-22	24.64%	5.04%	4.53%	0.73%	0.58%	5.49%	1.12%	5.78%	0.14%	1.22%
2022-23	24.85%	5.42%	3.41%	0.84%	0.31%	5.11%	1.16%	7.49%	0.11%	1.00%
2023-24	30.79%	6.87%	6.59%	0.95%	0.88%	5.17%	1.00%	7.50%	0.09%	1.74%

Sources: CAG and State Budget.

Table no. 4.26: Composition of Economic Services to GSDP

Year	Economic Services	Agriculture and Allied Activities	Rural Development	Special Area Programmes	Irrigation and Flood Control	Energy	Industry and Minerals	Transport and Communications	Science, Technology and Environment	General Economic Services
2012-13	16.28%	3.00%	1.33%	1.45%	2.55%	2.50%	0.75%	2.54%	0.21%	1.09%
2013-14	12.16%	2.60%	0.52%	1.30%	0.51%	2.33%	0.68%	3.24%	0.10%	0.89%
2014-15	13.43%	3.13%	1.52%	1.14%	0.34%	2.37%	0.61%	3.36%	0.06%	0.91%
2015-16	12.96%	2.30%	1.66%	1.18%	0.64%	2.23%	0.62%	3.41%	0.05%	0.87%
2016-17	13.69%	2.29%	3.73%	1.18%	0.31%	2.00%	0.54%	2.64%	0.05%	0.96%
2017-18	15.72%	2.69%	5.56%	1.07%	0.19%	1.94%	0.57%	2.77%	0.04%	0.90%
2018-19	13.53%	2.68%	2.35%	0.87%	0.25%	2.21%	0.53%	3.48%	0.06%	1.10%
2019-20	12.66%	2.72%	2.74%	0.74%	0.21%	2.15%	0.49%	2.44%	0.06%	1.12%
2020-21	11.96%	2.31%	2.46%	0.65%	0.29%	2.37%	0.51%	2.77%	0.06%	0.55%
2021-22	10.47%	2.14%	1.92%	0.31%	0.25%	2.33%	0.48%	2.46%	0.06%	0.52%
2022-23	11.24%	2.45%	1.54%	0.38%	0.14%	2.31%	0.53%	3.39%	0.05%	0.45%
2023-24	11.9%	3.05%	2.93%	0.42%	0.39%	2.29%	0.44%	3.33%	0.04%	0.77%

The above analysis shows that there is an increasing allocation of expenditure on general services and social services and decreasing allocation of expenditure on economic services. Thus, there is a need to increase allocation of expenditure on economic services as this will bring long term growth of state economy and higher human development.

4.6.2: Measures of Technical Efficiency

The other aspect of measuring efficiency of public spending is to examine the recovery rate in the public provision of various goods and services. The result of the analysis is depicted in table no. 4.27. The table shows that the recovery rate for interest was ranged 1% to 2% for 8 years and was below 1% for 4 years (2019-23). For general services, the recovery rate were below 1% for 7 years and for 5 years (i.e., 2016-18, 2019-20 and 2022-24), its recovery rate is above 1% but less than 3.49%. The recovery rate of social services shows an increasing trend from 2.96% in 2012-13 to 4.71% during 2017-18. After 2017-18, the recovery rate starts decreasing and was 0.36% during 2023-24. For economic service, the recovery rate shows an impressive increasing trend; from 5.61% in 2012-13 to 8.4% during 2022-23 and then falls to 6.6% the following years. An overall assessment shows that the recovery rate of economic service is better than all other component.

The recovery rate for some selected services in social and economic services are depicted in table no. 4.28. The recovery rate in the social sector, viz., education, health, water supply and housing are low and they are below 15% for the entire period. The year-wise recovery rate in education sector shows a fluctuating rate. The recovery rate was 4.79% during 2012-13 which increased to 9.05% during 2016-17 but it falls to 8.78% the next year and to 0.08% during 2023-24. The recovery rate in health sector was below 1 percent for the entire period. The recovery rate in water supply was 5.82% which rose to 6.58% in 2013-14 and then keeps decreasing over the years and was 1.51% during 2023-24. The recovery rate of housing increased from 1.38% during 2012-13 to 14.19% during 2021-22 and then falls to 13.24% the next year and then to 2.48% during 2023-24. This low rate of recovery results in an increase in the amount of subsidies.

Among the economic services, the recovery rate of energy is commendable. Its recovery rate increased from 29.12% to 33.99% during the entire period. The recovery rate of industries shows a fluctuating trend. Its rate was 0.82% in 2012-13 which increased to 1.46% during 2015-16 and

then falls to 0.61% during 2019-20. After that its trend keeps increasing and reached 5.6% during 2023-24. The recovery rate in transport decreases from 3.17% during 2012-13 to 0, 61% during 2023-24.

Table no.4.27: Recovery Rate

Year	Interest	General	Social Services	Economic services
2012-13	1.31%	0.69%	2.96%	5.61%
2013-14	1.54%	0.48%	3.79%	5.85%
2014-15	1.30%	0.60%	5.12%	5.30%
2015-16	1.73%	0.51%	3.58%	5.61%
2016-17	1.06%	1.22%	4.77%	5.34%
2017-18	1.03%	1.87%	4.71%	3.98%
2018-19	1.56%	0.62%	0.54%	5.29%
2019-20	0.70%	1.13%	2.06%	5.21%
2020-21	0.53%	0.48%	0.36%	5.49%
2021-22	0.55%	0.43%	0.50%	7.41%
2022-23	0.97%	1.50%	0.48%	8.40%
2023-24	1.39%	3.49%	0.36%	6.60%

Sources: CAG and State Budget.

Table no. 4.28: Recovery Rate of Selected Services

Year	Social Services				Economic Services		
	Education	Medical	Water Supply	Housing	Energy	Industry	Transport
2012-13	4.79%	0.13%	5.82%	1.38%	29.12%	0.82%	3.17%
2013-14	6.13%	0.20%	6.58%	2.18%	22.82%	1.11%	2.26%
2014-15	9.32%	0.13%	3.05%	1.65%	22.72%	1.26%	2.10%
2015-16	5.99%	0.13%	2.94%	3.09%	25.50%	1.46%	0.17%
2016-17	9.05%	0.10%	2.17%	2.43%	26.32%	0.63%	1.57%
2017-18	8.78%	0.10%	2.97%	5.12%	27.08%	0.69%	1.09%
2018-19	0.23%	0.13%	3.34%	5.19%	25.26%	0.88%	0.95%
2019-20	3.73%	0.05%	3.57%	4.94%	24.94%	0.61%	1.16%
2020-21	0.11%	0.08%	1.11%	7.59%	24.23%	1.52%	0.39%
2021-22	0.16%	0.16%	0.79%	14.19%	28.17%	1.26%	0.69%
2022-23	0.16%	0.18%	1.59%	13.24%	34.76%	5.35%	0.66%
2023-24	0.08%	0.06%	1.51%	2.48%	33.99%	5.60%	0.61%

Sources: CAG and State Budget.

4.7: SUGGESTIONS FOR IMPROVING EFFICIENCY IN PUBLIC SPENDING

The above analysis reveals that there is a declining allocation of expenditure in economic services and increasing allocation of expenditure in general services and social services. It is also been observed that allocation in general services (more than 40% on an average) which are termed and non-developmental expenditure are more than developmental expenditure. Thus, the government needs to enhance more allocation to social and economic sectors (developmental expenditure). The government also needs to enhance more expenditure on education, health, water supply, housing, agriculture, irrigation energy, industry, transport (including road and bridge) and science and technology.

From the analysis, it is seen that the recovery rate of education which has been decreasing over the years. Thus, it needs to revisit its charges and fees. Moreover, it should have a target of recovering at least 10% of its expenditure in the coming 10 years. For health there is a need to increase the recovery cost since its recovery rate is below 1 percent for the entire period. The recovery rate of water supply needs to be relooked and a target of recovering 5% of its cost needs to be given priority. The recovery rate of housing needs to be maintained as it has been increasing over the years and a minimum target of 10% recovery rate on an average for the next 10 years should be set. The recovery rate in energy sector should be encouraged so as to maintain stability and a target of 40% recovery rate on an average for the next 10 years should be set. For industries and transport, the targeted recovery rate should be 5% on an average for the next 10 years.

CHAPTER 5

ANALYSIS OF DEFICIT

The overall deficit shows the gap between the revenues of the government and its total expenditure (including net lending to others). It indicates the borrowing requirements of the government to be met through domestic and external sources. It is a useful measure from the view point of macro- economic balance of the economy. The extent of overall fiscal position in the finances of state government can be indicated by three key parameters- revenue, fiscal and primary deficit. Table no. 5.1 and figure 5.1 show the trends of revenue, fiscal and primary deficits of the state for a period of 12 years (2012-24) period.

5.1: REVENUE DEFICIT

Revenue deficit or surplus is defined as the difference between the total revenue receipts and total revenue expenditure; surplus (if the revenue receipts are more than the revenue expenditure) and deficit (if the revenue expenditure is more than revenue receipts). The years wise trends in revenue deficit are shown in table no. 5.1 and figure 5.1. It shows that state has been having revenue surplus for all the year except during 2019-20 period where it runs to deficit of Rs. 213 crores. Its surplus grows from Rs. 600.95 crores during 2012-13 to Rs. 1634.05 crores during 2021-22 with some fluctuation in between. After that its surplus declined for the next years and it rose again to Rs. 1335.45 crores during 2023-24. The compound annual growth rate for revenue deficit was 6.9% for 2012-13 to 2023-24. Revenue deficit as percentage of GSDP are depicted by table no. 5.2. From the table it can be seen that the percentage share of revenue deficit to GSDP lies from 0.7% to -5.06% during the entire period of 2012-24 with an average percentage share of -2.98%.

5.2: FISCAL DEFICIT

Fiscal deficit is defined as difference between total expenditure and total revenue (it includes revenue receipts and capital receipts) excluding borrowings and other liabilities. Table no. 5.1 and figure 5.1 show an increasing deficit for the whole period except for 2021-22 periods. In the beginning, the fiscal deficit decreased from Rs. 657.71 crores (2012-13) to Rs. 134.28 crores during 2014-15. After 2014-15, the fiscal deficit takes an upswing reaching Rs. 1437.64 crores during 2019-20 but then it declined to Rs. 1307.52 crores the following year and enjoys a surplus of Rs. 50.2 crores during 2021-22. After 2021-22, the fiscal deficit starts increasing and

it was Rs. 1755.96 crores during 2023-24. The compound annual growth rate of fiscal deficit was 8.5% for the whole period higher than revenue deficit. The fiscal deficit as percentage to GSDP fluctuates between -0.16% and 4.84% during 2012-23 with an average of 3.01%.

5.3: PRIMARY DEFICIT

Primary deficit is defined as the difference between total revenue and total expenditure less borrowings, liabilities and interest payment. In other words, it is the difference between fiscal deficit and interest payment. The data in table no. 5.1 and figure 5.1 shows that the state faces a primary deficit of Rs. 207.07 crores in 2012-13, but the next two years experiences a surplus of Rs. 33.5 crores and Rs, 421.06 crores. In 2014-15, it faces a deficit of Rs. 11 crores, however, it enjoys a surplus for the next two years. Thus, from the table it can be seen that the state faces a primary deficit for seven years (2012-13, 2015-16, 2018-21 and 2022-24) and a surplus for five years. Its compound annual growth rate was 10.5% higher than revenue deficit and fiscal deficit. The primary deficit as a percentage of GSDP fluctuates between 0.06% to -3.04% during 2012-24 (see table no. 5.2) with an average of 0.12% for the entire period.

Table no. 5.1: Deficits of the State (in Rs. crores)

Year	Revenue Deficit(+) /surplus(-)	Fiscal Deficit(+) /surplus(-)	Primary Deficit(+) /surplus(-)
2012-13	-600.95	657.71	207.07
2013-14	-747.56	460.34	-33.50
2014-15	-888.55	134.28	-421.06
2015-16	-461.65	597.46	11.01
2016-17	-778.20	295.56	-339.94
2017-18	-827.86	449.65	-228.10
2018-19	-517.37	1087.64	315.90
2019-20	213.79	1437.56	623.82
2020-21	-374.43	1307.52	450.75
2021-22	-1634.05	-50.20	-982.29
2022-23	-688.87	1496.67	503.44
2023-24	-1335.45	1755.96	687.53
CAGR	6.9%	8.5%	10.5%

Source: CAG and Nagaland Budget.

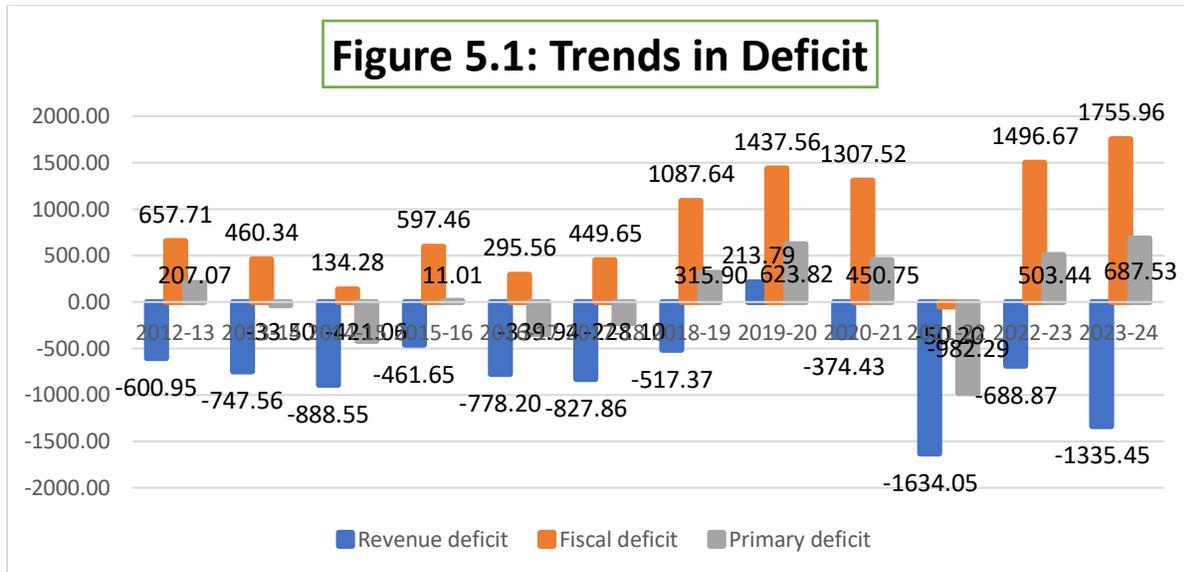


Figure 5.1: Trends in deficit (Rs. Crores).

Table 5.2: Deficit/surplus as percentage of GSDP

Year	Revenue Deficit (+)/ surplus (-)	Fiscal Deficit (+)/ surplus (-)	Primary Deficit (+)/ surplus (-)
2012-13	-4.26%	4.66%	1.47%
2013-14	-4.50%	2.77%	-0.20%
2014-15	-4.83%	0.73%	-2.29%
2015-16	-2.36%	3.06%	0.06%
2016-17	-3.58%	1.36%	-1.56%
2017-18	-3.39%	1.84%	-0.94%
2018-19	-1.95%	4.10%	0.19%
2019-20	0.72%	4.84%	2.10%
2020-21	-1.26%	4.38%	1.51%
2021-22	-5.06%	-0.16%	-3.04%
2022-23	-1.93%	4.20%	1.41%
2023-24	-3.30%	4.34%	1.70%
Average	-2.98%	3.01%	0.12%

CHAPTER 6

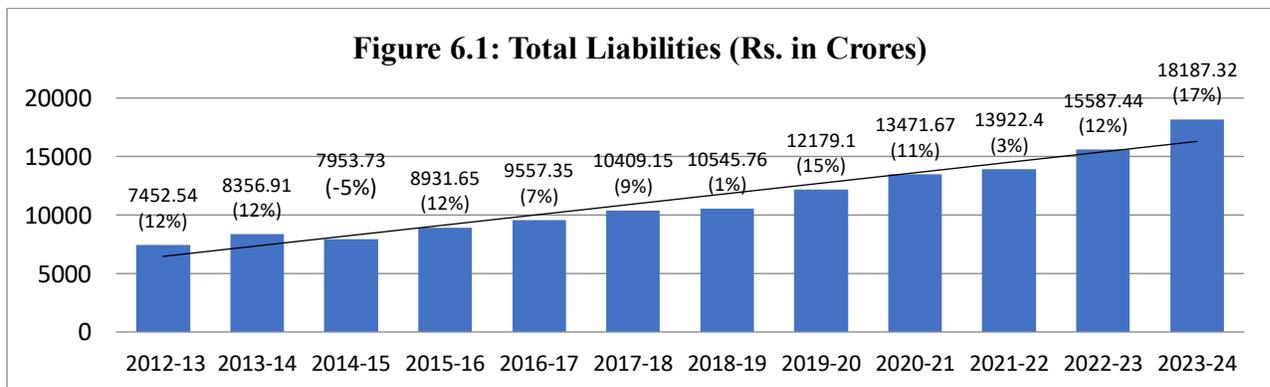
DEBT AND LIABILITIES

This chapter discusses the trends and compositions of public debt, liabilities and Debt and Liabilities-GSDP ratio. The trend of debt to GSDP ratio is of great significance in determining the financial health of an economy, in the same way, it is important to look at the sources of financing of public debt of the state. Identification of sources of finance is indispensable to frame the developmental plan of the state because the state cannot make developmental plans without certainty about availability of fund. As seen in the previous chapter that the total revenue could not match the total expenditure of the state and the fiscal deficit has been rising over the years. Therefore, it is imperative to look at the other sources that have covered the deficit in revenue-expenditure of the State, i.e., the State's public debt.

Total liabilities of the state consist of Public Debt (internal debt and loans & advances from Central government) and Public Account (Small savings & Provident Funds, Reserve Funds, Deposit and Advances). The growth rates and percentage shares with respect to Total Liabilities (TL) and the GSDP from 2012-13 to 2023-24 are shown in table no. 6.1 and figures 6.1, 6.2, 6.3 and 6.4 are drawn from the table. The compositions of the Public Debt and Public Accounts are also incorporated in the subsequent sections of the chapter.

6.1: TREND AND COMPOSITION OF TOTAL LIABILITIES

Figure 6.1 depicts a significant rise in the State's total liabilities that increased from Rs. 7452.54 crores to Rs.18187.32 crores during 2012-13 to 2023-24, respectively.



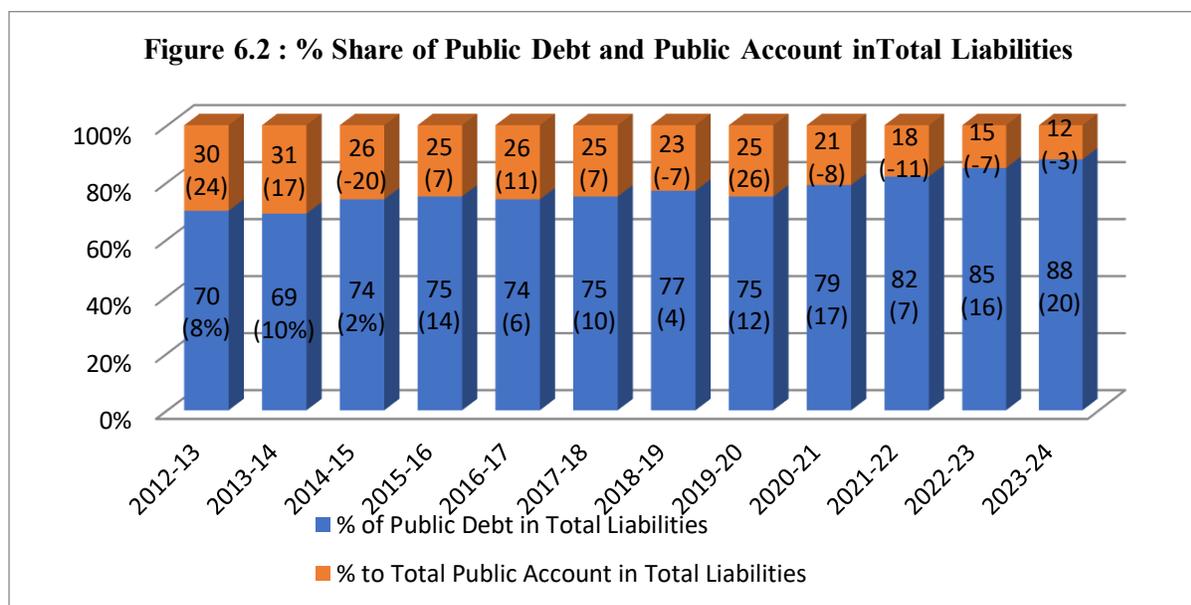
Note: Figures in the brackets represent annual increase (in percentage)

Its annual percentage growth rate has fluctuated between -5% in 2014-15 to 17% in 2023-24, with Compound Annual Growth Rate of 8.44% for the period.

6.1.1 Composition of Total Liabilities

Over the period from 2012-13 to 2023-24, figure 6.2 depicts a shift in the composition of Total Liabilities (TL). While the Total Public Account (TPA) has increased modestly from Rs. 2205.17 crores to Rs. 2,243.26 crores, its proportion in TL has significantly declined from 30% to 12%. This suggests that public account liabilities have grown at a much slower pace than other components, with a highly fluctuating annual growth rate between -20% and 26%, ultimately resulting in a Compound Annual Growth Rate (CAGR) of just 0.15%.

In contrast, the Total Public Debt (TPD) has surged from Rs. 5247.37 crores to Rs. 15,944.06 crores over the same period. Its share in TL has increased from 70% to 88%, signifying a growing dependence on debt financing. The annual growth rate of TPD has fluctuated between 2% in 2014-15 and 20% in 2023-24, and its overall growth trajectory points to a much stronger CAGR of 10.63%.

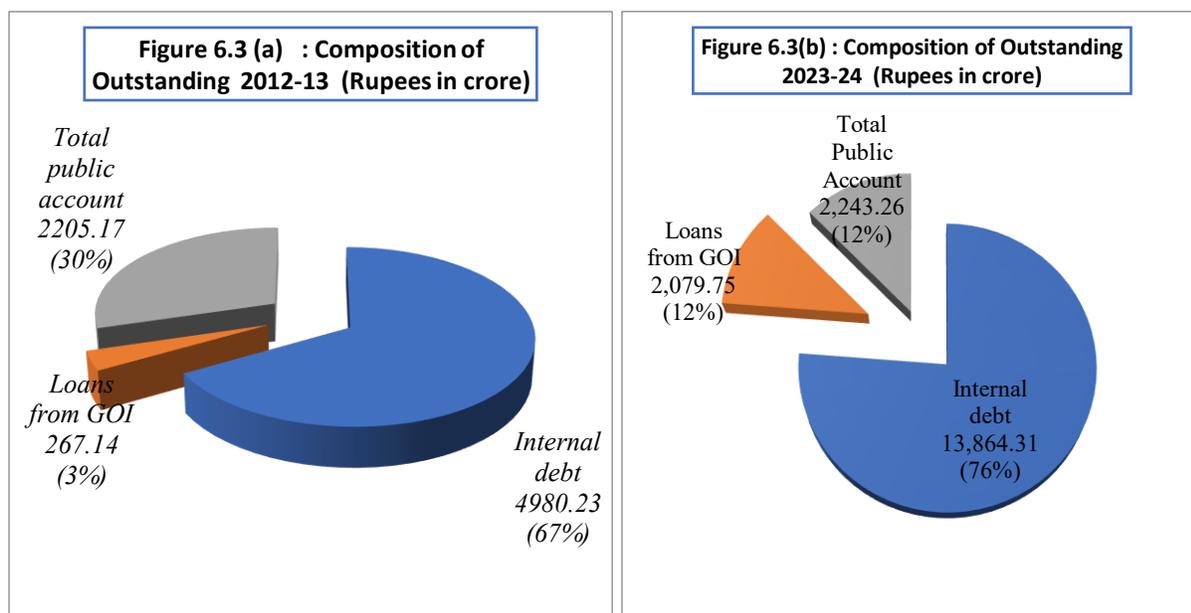


Note: Figures in the brackets represent annual increase (in percentage)

This reveals that as the total liabilities grow, the government's reliance on direct internal debt has become more pronounced, while the declining share of TPA suggests that alternative

funding sources have not expanded proportionally, and thus favours borrowing over other liabilities. This trend warrants close monitoring, as increased public debt may have long-term implications for fiscal stability and financial sustainability.

Figure 6.3 (a & b) also show that in total liabilities, the share of public debt has increased (increased in the share of internal debt was from 67% to 76% and the loans from GoI from 3% to 12%), while total Public Account has reduced from 30% to 12% during 2012-13 to 2023-24.



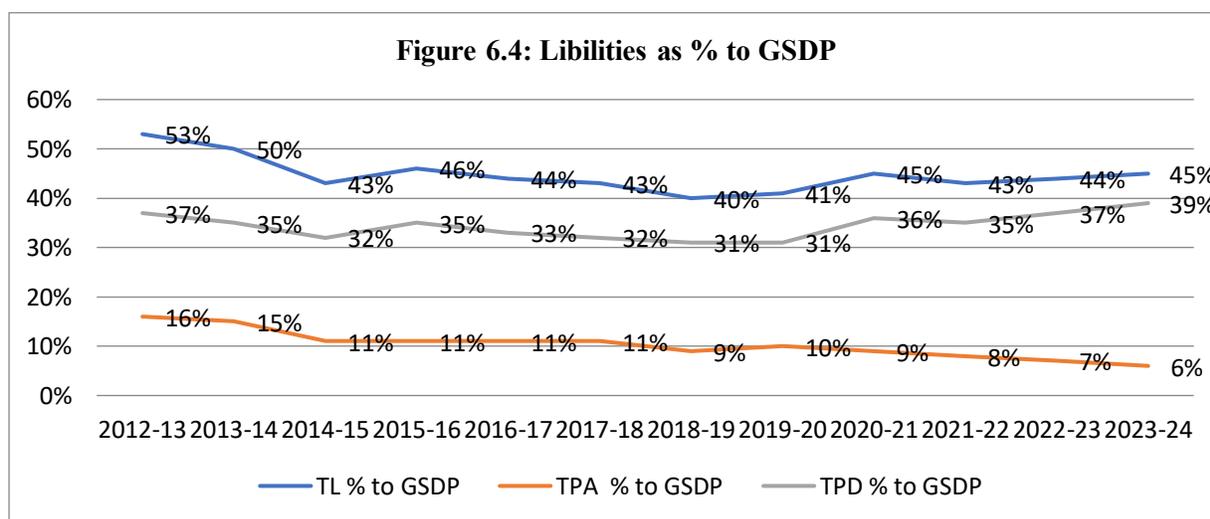
Figures in the brackets represent share of components in Total Liabilities (in %)

The growing reliance on internal debt indicates a shift towards financing through market borrowings and securities against small savings etc., a preference for more stable and predictable funding mechanisms. However, it also implies a higher interest burden, as market borrowings often come with higher interest rates compared to concessional loans. The decline in public account liabilities from 30% to 12% between 2012-13 and 2023-24 reflects reduced reliance on stable, low-cost funds like provident and small savings. This shift may lead to higher borrowing costs and increased fiscal vulnerability. Between 2012-13 and 2023-24, loans from the central government have increased from 3% to 12% of total liabilities, primarily aimed at boosting capital expenditure. While this initiative supports infrastructure development, it also necessitates careful fiscal planning to ensure long-term debt sustainability.

6.1.2 Total Liabilities in GSDP

Table 6.1 and Figure 6.4 depicts the proportions of three financial indicators such as, Total Liabilities (TL), Total Public Debt (TPD), and Total Public Account (TPA) as a percentage of Gross State Domestic Product (GSDP) for Nagaland, over the period 2012-13 to 2023-24.

The overall fiscal position indicates that while Total Liabilities remain high as a percentage of GSDP (in the 40% -53% range), there has been a modest improvement compared to 2012-13. Its percentage share in GSDP has declined from 53% to 45% during 2012-13 to 2023-24, respectively, with an average share of 45% for the entire period. Nevertheless, it is still above the 15th Finance Commission’s recommended rate. The drop in the total liabilities-to-GSDP ratio may be an indicator of improvement in fiscal management and faster economic growth. However, for the improvement to be meaningful and sustainable, the state must continue focusing on building internal revenue capacity, prudent spending, and transparent fiscal practices.



Total Public Debt (TPD) as percentage of GSDP line shows a relatively stable burden that stayed close around 34% in average, although a recent rise suggests increased borrowings. Total Public Account is shrinking relative to GSDP (from 16% in 2012-13 to 6% in 2023-24), which may be due to a shift in borrowing patterns.

Table no. 6.1: Composition and Trends of Total Liabilities (Rs. in crores) in Nagaland

	Internal debt	Loans from GOI	Total Public Debt	% GR	% to Total Liabilities	% to GSDP	Total Public Account	% GR	% to Total Liabilities	% to GSDP	Total Liabilities	% GR	% to GSDP	GSDP*
2012-13	4980.23	267.14	5247.37	8	70	37	2205.17	24	30	16	7452.54	12	53	14121
2013-14	5542.22	244.63	5786.85	10	69	35	2570.06	17	31	15	8356.91	12	50	16612
2014-15	5667.32	228.33	5895.65	2	74	32	2058.08	-20	26	11	7953.73	-5	43	18401
2015-16	6529.46	206.78	6736.24	14	75	35	2195.41	7	25	11	8931.65	12	46	19524
2016-17	6930.06	185.5	7115.56	6	74	33	2441.79	11	26	11	9557.35	7	44	21722
2017-18	7640.46	164.11	7804.57	10	75	32	2604.58	7	25	11	10409.15	9	43	24393
2018-19	7969.15	146.37	8115.52	4	77	31	2430.24	-7	23	9	10545.76	1	40	26527
2019-20	8986.93	131.16	9118.09	12	75	31	3061.01	26	25	10	12179.1	15	41	29712
2020-21	10331.14	317.89	10649.03	17	79	36	2822.64	-8	21	9	13471.67	11	45	29832
2021-22	10794.87	612.54	11407.41	7	82	35	2514.99	-11	18	8	13922.4	3	43	32265
2022-23	12133.46	1108.35	13241.81	16	85	37	2345.63	-7	15	7	15587.44	12	44	35642
2023-24	13864.31	2079.75	15944.06	20	88	39	2243.26	-3	12	6	18187.32	17	45	40414
CAGR (in%)	9.75	20.51	10.63				0.15				8.44			

Source: Finance Accounts, GoN (various issues) and *Ministry of Statistics and Programme Implementation, GoI

6.2.1 COMPOSITION OF TOTAL PUBLIC DEBT

Total Public Debt, comprised of internal debt and loans and advances from the government of India, has risen from ₹5,247.37 Crore to ₹15,944.06 Crore during 2012-13 to 2023-24, with a CAGR of 10.63%. Table no. 6.2 (a) provides absolute values for each component of public debt in Nagaland for the period 2012-13 to 2023-24. Internal Debt is the most significant component in total liabilities in Nagaland, which includes market loans, loans from financial institutions and banks such as LIC, General Insurance Corporation of India, NBARD, NCDC and other Institutions. Besides, it includes Ways and Means Advances from the Reserve Bank of India and Special Securities issued to National Small Savings Fund of the Central Government. Other component of the public debt is loans and advances received from the GoI that has witnessed rise in recent years.

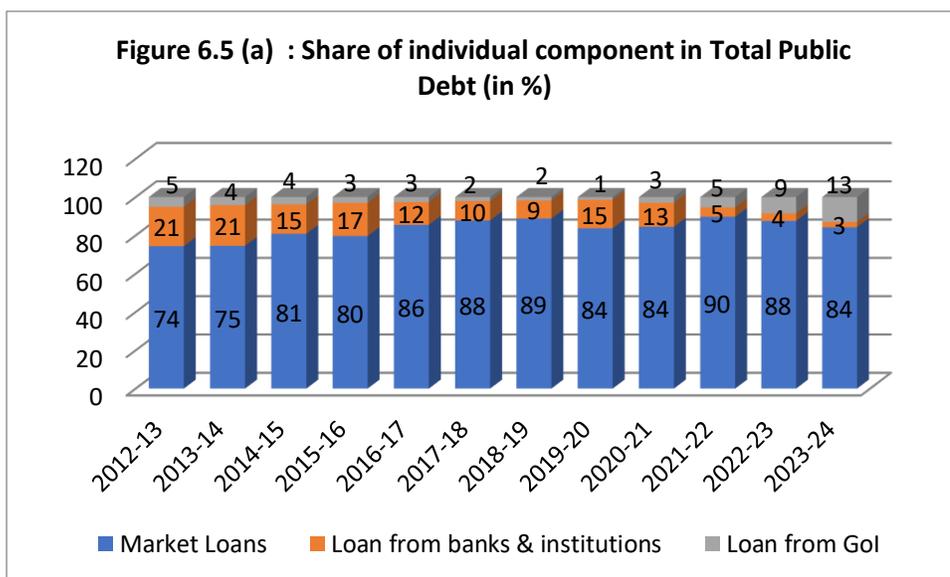
Table 6.2 (a, b and c) and Figures 6.5 (a, b & c) show that Market Loans have been the key component across all years that increased from ₹3,901.41 Crore in 2012-13 to ₹13,430.32 Crore in 2023-24. Its share in total public debt has increased steadily from 74.52% in 2013-14 to a peak of 89.69% in 2021-22, before slightly declining to 84% in 2023-24. The annual growth rate has shown steady positive growth each year, except 2018-19 (5%), with an average growth rate of 13.27% per annum. The CAGR is estimated at 11.89%, higher than the total public debt CAGR (10.63%), implies market loans have increasingly contributed to the growth in public debt.

Loans from institutions like LIC, NABARD, NSSF and other institutional sources have steadily declined, both in value and percentage contributions. LIC fell from ₹1,078.82 Crore in 2012-13 to just ₹0.89 Crore in 2023-24. NABARD dropped from over ₹200 Crore to ₹116.28 Crore. Whereas, Ways and Means Advances (temporary borrowings) from RBI has been sporadic, where there had been large entries in 2018-20 (₹663.33 Crore and ₹691.9 Crore) but otherwise remained negligible.

Over the period, the share of other banks and institutions has declined from 21% in 2012-13 to 3% in 2023-24, where as the share of market loans have become the major component. Consequently, total public debt has been mainly dominated by internal debt which share has

increased from 94.91% in 2012-13 to 98.56 in 2019-20, thereafter declined to 91.50% in 2022-23 and to 86.96% in 2023-24 [table 6.2(b)].

Figure 6.5(a) further depicts that Loan from GoI remained relatively modest until 2019-20, after which it was increased significantly (from ₹317.89 Crore to ₹2,079.75 Crore by 2023-24). This component remained relatively low and stable initially, but increased noticeably in the last three years (from 3% in 2020-21, it rose to 5% in 2021-22, 9% in 2022-23 and 13% in 2023-24). The CAGR is estimated at 20.51% during the period.



The key observations are, the data confirms a policy and structural shift toward market-based borrowing, reducing dependence on institutional and central government loans (including WMA/NSSF). Loans from the Government of India have grown recently, indicating a possible policy shift or increased central assistance/ fiscal stress. These trends have implications for fiscal sustainability, debt servicing costs, and autonomy in fiscal policy.

Table no.6.2 (a) Composition of Total Public Debt (Rs. in Crores)														
Sl no	Components	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
1	Market loans	3901.41	4,312.62	4,764.66	5362.39	6,083.81	6,849.76	7,204.80	7,627.39	8,993.03	10,215.03	11414.03	13,430.32	11.89
2	Loan from LIC	1078.82	36.05	28.23	20.76	15.67	12.02	8.87	6.07	3.6	1.8	0.97	0.89	-30.93
3	Gen. Insurance Corporation of India		23.21	22.54	21.87	21.21	20.68	20.15	19.71	19.38	10.31	19.14	18.82	-0.2
4	NBARD		247.13	234.29	208.31	176.01	147.09	125.76	113.32	105.98	103.42	100.48	116.28	-7.26
5	NCDC		19.14	14	8.57	14.75	14.75	31.19	31.62	39.95	36.76	29.49	22.34	1.55
6	Other Insttn.		468.5	472.41	459.67	473.24	463.45	458.49	418.73	383.67	329.05	279.95	221.41	-7.22
7	WMA from RBI		315.48	0	290.03	0	0	0	663.33	691.9	0	22.03	0	-23.36
8	Special Security to NSSF		120.07	131.19	157.66	145.37	132.71	119.89	106.76	93.63	80.5	67.37	54.25	-7.63
Loans from market and institutions (sl no. 1 to 8)			4980.23	5,542.20	5,667.32	6529.26	6,930.06	7,640.46	7,969.15	8,986.93	10,331.14	10,776.87	11933.46	13,864.31
9	Loan from GoI	267.14	244.65	228.33	206.98	185.5	164.11	146.37	131.16	317.89	612.54	1108.35	2,079.75	20.51
TOTAL		5247.37	5786.85	5895.65	6736.24	7115.56	7804.57	8115.52	9118.09	10649.03	11,389.41	13041.81	15,944.06	10.63

Note: For 2012-13, the break up data on the loans from banks and financial institutions are not available.

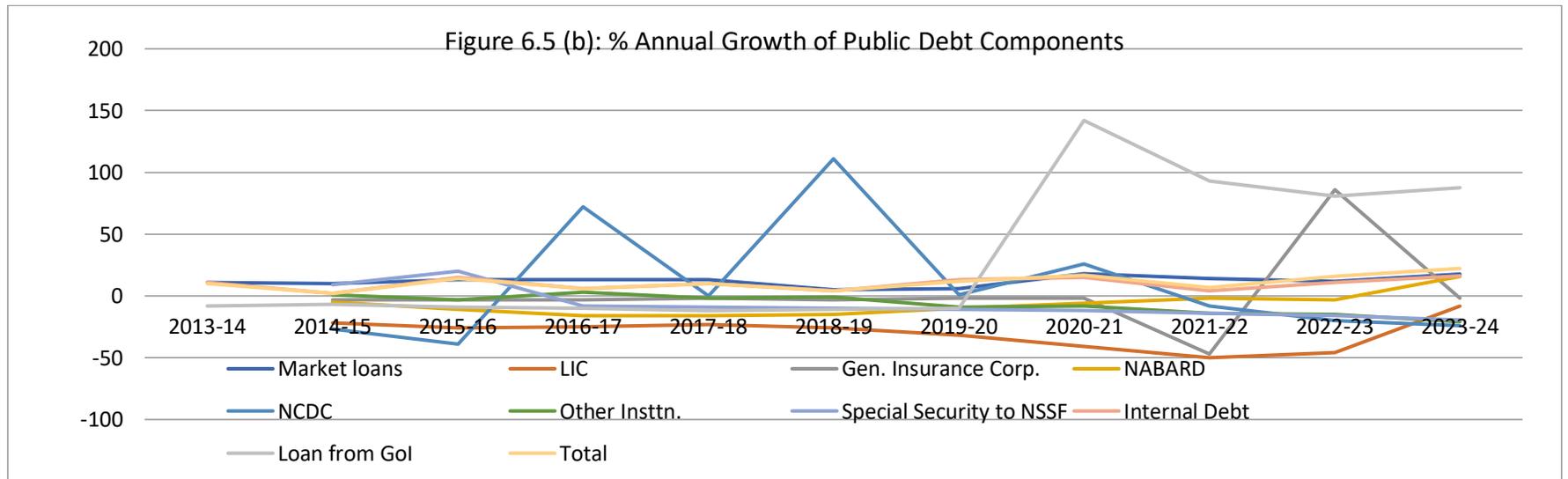
Source: Finance Accounts, GoN (various issues)

Table no.6.2 (b) Share of individual component in Total Public Debt (in %)													
SL NO	Components	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	Market Loans	74.35	74.52	80.82	79.61	85.5	87.77	88.78	83.65	84.45	89.69	87.52	84.23
2	Loan from LIC	20.56	0.62	0.48	0.31	0.22	0.15	0.11	0.07	0.03	0.02	0.01	0.01
3	Gen. Insurance Corporation of India		0.4	0.38	0.32	0.3	0.26	0.25	0.22	0.18	0.09	0.15	0.12
4	NBARD		4.27	3.97	3.09	2.47	1.88	1.55	1.24	1	0.91	0.77	0.73
5	NCDC		0.33	0.24	0.13	0.21	0.19	0.38	0.35	0.38	0.32	0.23	0.14
6	Other Insttn.		8.1	8.01	6.82	6.65	5.94	5.65	4.59	3.6	2.89	2.15	1.39
7	WMA from RBI		5.45	0	4.31	0	0	0	7.27	6.5	0	0.17	0.00
8	Special Security to NSSF		2.07	2.23	2.34	2.04	1.7	1.48	1.17	0.88	0.71	0.52	0.34
Total Internal Debt			94.91	95.77	96.13	96.93	97.39	97.9	98.2	98.56	97.01	94.62	91.5
9	Loan from GoI	5.09	4.23	3.87	3.07	2.61	2.1	1.8	1.44	2.99	5.38	8.5	13.04
TOTAL		100	100.00										

Source: Calculated from Finance Accounts, GoN (various issues)

Table no.6.2 (c) % growth trends of components of Total Public Debt in Nagaland													Average
Sl no	Components	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2014-2023
1	Market loans	11	10	13	13	13	5	6	18	14	12	17.67	13.27
2	LIC		-22	-26	-25	-23	-26	-32	-41	-50	-46	-8.25	-29.92
3	Gen. Insurance Corporation of India		-3	-3	-3	-2	-3	-2	-2	-47	86	-1.67	1.93
4	NBARD		-5	-11	-16	-16	-15	-10	-6	-2	-3	15.72	-6.83
5	NCDC		-27	-39	72	0	111	1	26	-8	-20	-24.25	9.18
6	Other Insttn.		1	-3	3	-2	-1	-9	-8	-14	-15	-20.91	-6.89
7	WMA from RBI												
8	Special Security to NSSF		9	20	-8	-9	-10	-11	-12	-14	-16	-19.47	-7.05
	Internal Debt(1 To 8)	11	2	15	6	10	4	13	15	4	11	16.18	10.72
9	Loan from Gol	-8	-7	-9	-10	-12	-11	-10	142	93	81	87.64	33.66
	TOTAL	10	2	14	6	10	4	12	17	7	16	22.25	12.03

Source: Calculated from Finance Accounts, GoN (various issues)



6.2.2 COMPOSITION OF TOTAL PUBLIC ACCOUNT

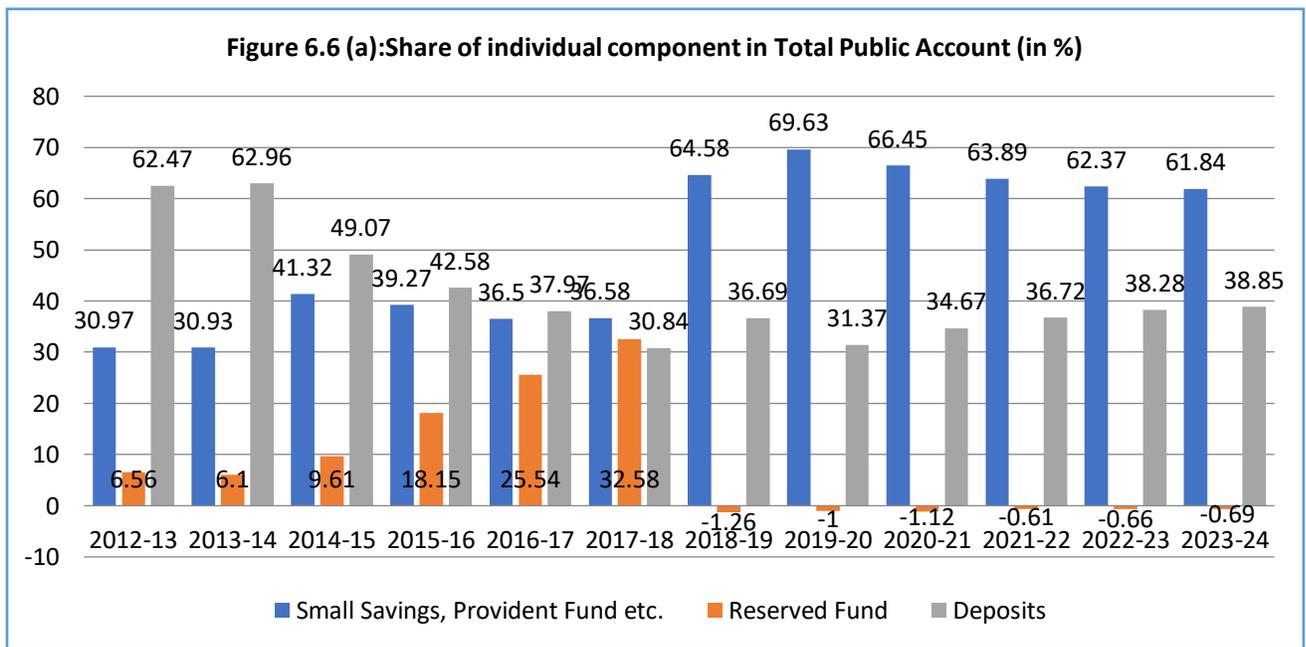
Total Public Account grew from Rs.2, 205.18 crore in 2012-13 to a peak of ₹3,061.01 crore in 2019-20, then declined to Rs. 2,243.26 crore in 2023-24. The CAGR is only 0.16%, showing slow overall growth. Its share in total liabilities has therefore fallen from 30% to 12% and in GSDP as well decline from 16% to 6% during the same period. The slowdown in recent years may reflect the declining feature of its components such as small savings, reserve fund and deposits.

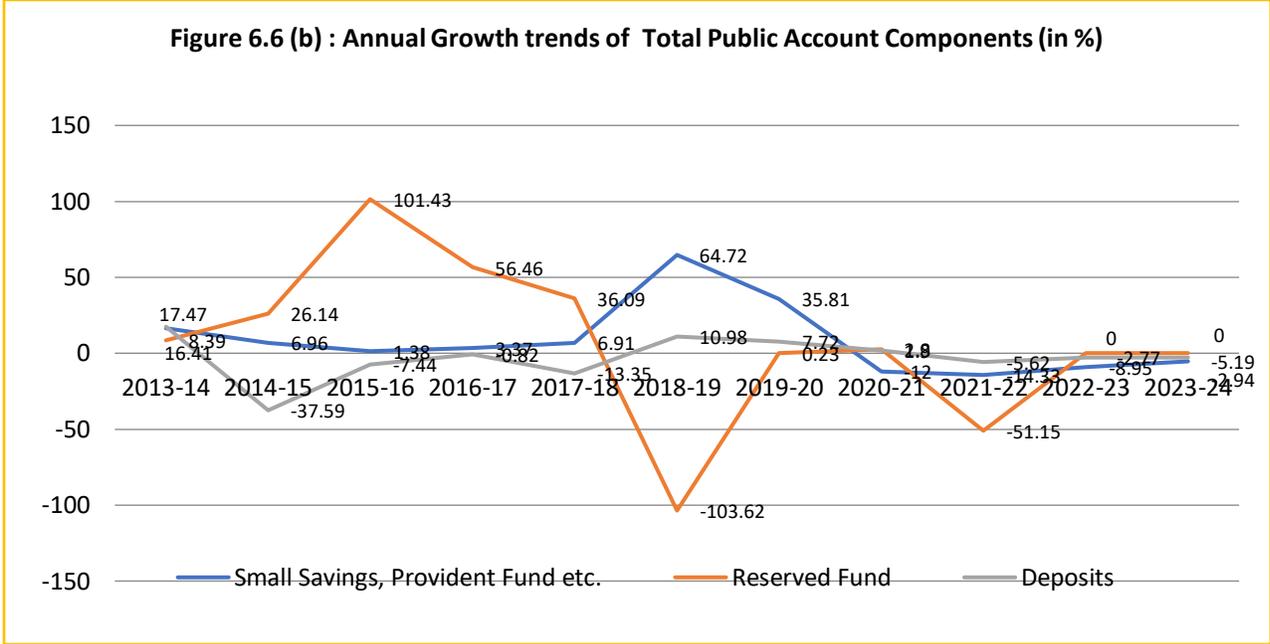
Table 6.3 (a, b, & c) and figure 6.6 (a & b) present the data on absolute value, percentage share and growth trends on components of Public Account from 2012-13 to 2023-24, which is an essential part of the state's Total Liabilities. These components are non-debt liabilities hold by the government in trust and are obligated to return them. The main components are Small Savings, Provident Fund etc., Reserved Fund, and Deposits.

Savings, Provident Fund, etc. mostly comes from government employees and the public savings, which forms the leading component in total public account liabilities. The amount has consistently increased from Rs.682.92 crores in 2012-13, it peaked in 2019-20 at Rs.2, 131.38 crore, then declined to Rs. 1,387.12 crore in 2023-24. Initially its share in Total Public Account was below 35%, but rises sharply from 2017-18 onwards peaks at 69.63% in 2019-20. Thereafter, it remains the largest component from 2017-18 to 2023-24 (Figure 6.6). The amount has consistently increased, with a Compound Annual Growth Rate (CAGR) of 6.65%.

Reserved Fund are special-purpose funds (like for disasters, development, etc.). The trend is unusual, that grew steadily till 2017-18 (Rs.848.52 crore). From 2018-19 onwards, shows negative values (around Rs.-30 crore to Rs.-15 crore). The CAGR is negative with -1.82%, showing an overall decline. Its shares in Total Public Account in early years were negligible with less than 10% till 2014-15. However, in 2017-18 it was increased to 32.58%, but becomes negative in 2023-24 with -0.69%. Negative shares may suggest overdraw or deficit in fund balances. The wild fluctuations in growth trend may imply poor fund stability and possible overuse or mismanagement.

Deposits has shown a fluctuating trend over the years, with high deposits in 2013-14 (Rs.1,618.23 crore), then dips in 2014-16 and stabilizes around ₹900 crore afterward, which fell to Rs. 871.58 in 2023-24. Deposits has dominated the Public Account in early years with a share of above 60% in 2012-13 to 2014-15, but sharply decline over time that fell to 30.84% in 2017-18 and shown a rise to 38.85% in 2023-24. This indicates a reduced role of deposits in state liabilities. Its CAGR is estimated at 4.07%, indicating a moderate growth rate. The growth trend has been fluctuating moderately in the early years but moving in downward direction, showing an average of -2.95%.





The key observation on the components of Public Account is that over the years the Small Savings has emerged as the most dominant, stable and growing component post 2017-18, while the Deposits are weakening, contributing less to the Public Account each year. Correspondingly, Reserved Funds are fiscally vulnerable, with wild swings and negative growth.

The growth in small savings indicates rising obligations to employees and public, while the negative reserve fund balances are a red flag, which suggests resource stress and the deposits' instability shows liquidity and liability management issues. While overall Public Account liabilities have grown marginally, the composition has shifted, with more pressure on the state to manage non-debt liabilities prudently.

Sl no.	Table 6.3 (a): Composition of Public Account (Rs. in Crore)														
	Components	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR	
1	Small Savings, Provident Fund etc.	682.92	794.98	850.33	862.09	891.18	952.72	1,569.34	2,131.38	1,875.68	1,606.84	1463.08	1,387.12	6.65	
2	Reserved Fund	144.71	156.85	197.85	398.52	623.52	848.52	-30.68	-30.75	-31.61	-15.44	-15.44	-15.44	-1.82	
3	Deposits	1377.55	1618.23	1009.9	934.8	927.09	803.34	891.58	960.38	978.62	923.59	897.99	871.58	4.07	
	Total	2205.18	2570.06	2058.08	2195.41	2441.79	2604.58	2430.24	3061.01	2822.69	2514.99	2345.63	2,243.26	0.16	

Source: Finance Accounts, GoN (various issues)

Sl no	Table 6.3 (b): Share of individual component in total Public Account (in %)												
	Components	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	Small Savings, Provident Fund etc.	30.97	30.93	41.32	39.27	36.50	36.58	64.58	69.63	66.45	63.89	62.37	61.84
2	Reserved Fund	6.56	6.10	9.61	18.15	25.54	32.58	-1.26	-1.00	-1.12	-0.61	-0.66	-0.69
3	Deposits	62.47	62.96	49.07	42.58	37.97	30.84	36.69	31.37	34.67	36.72	38.28	38.85

Source: Finance Accounts, GoN (various issues)

Table 6.3 (c): Growth trends of components of Total Public Account in Nagaland (in %)														
Sl no	Components	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Average	
1	Small Savings, Provident Fund etc.	16.41	6.96	1.38	3.37	6.91	64.72	35.81	-12.00	-14.33	-8.95	-5.19	10.03	
2	Reserved Fund	8.39	26.14	101.43	56.46	36.09	-103.62	0.23	2.80	-51.15	0.00	0.00	7.68	
3	Deposits	17.47	-37.59	-7.44	-0.82	-13.35	10.98	7.72	1.90	-5.62	-2.77	-2.94	-2.95	
	Total	16.55	-19.92	6.67	11.22	6.67	-6.69	25.96	-7.79	-10.90	-6.73	-4.36	1.50	

Source: Finance Accounts, GoN (various issues)

6.3 CONCLUSION

Between 2012-13 and 2023-24, Nagaland's total liabilities has grown more than doubled (from ₹7,452.54 crore to ₹18,187.32 crore), with a CAGR of 8.44%. This growth was largely driven by Total Public Debt (TPD), which increased at a CAGR of 10.63%, increasing its share in total liabilities from 70% to 88%, indicating a shift toward market-based borrowing. In contrast, Total Public Account (TPA) liabilities grew marginally (CAGR: 0.15%) and declined in share from 30% to 12%, reflecting reduced reliance on traditional, low-cost sources like deposits and provident funds.

Over the period, Nagaland's public debt has grown more than doubled, driven mainly by a sharp rise in market loans (CAGR: 11.89%), which now dominate the debt structure. Institutional borrowings (LIC, NABARD, etc.) declined sharply, while loans from the GoI have increased recently (CAGR: 20.51%), suggesting rising fiscal pressure or policy shifts. The state's growing reliance on market-based borrowing signals increased debt servicing costs and potential fiscal vulnerability.

Within TPA, Small Savings became the dominant and most stable component post 2017-18, while Reserved Funds displayed volatility and negative balances, raising concerns about fiscal discipline. Deposits, once the largest share, declined sharply, indicating weakening public participation.

Despite high liabilities, the liabilities-to-GSDP ratio improved modestly (from 53% to 45%) owing to faster GSDP growth. However, increasing dependence on internal and market debt heightens the state's interest burden and fiscal vulnerability. Careful management of debt servicing, non-debt obligations and internal revenue generation is essential to ensure long-term fiscal sustainability. In other words, the evolving debt composition underscores the need for prudent fiscal management. While leveraging internal debt can provide stability, it is essential to monitor interest obligations and ensure that borrowed funds are utilized effectively to generate economic growth. Diversifying funding sources and maintaining a balanced debt portfolio can help mitigate risks associated with over-reliance on any single source.

CHAPTER 7

IMPLEMENTATION OF FRBM AND ANALYSIS OF MTFP

This chapter discusses the implementation of the objectives and target set by the Nagaland Fiscal Responsibility and Budget Management Bill 2005 and the analysis of Mid-Term Fiscal Policy.

7.1. NFRBM OBJECTIVES AND TARGETS

The Nagaland Fiscal Responsibility and Budget Management Bill 2005 was passed on 11 August 2005. The objective of the bill was to ensure prudent fiscal management and fiscal stability by achieving revenue surplus, reduction in fiscal deficit, debt management consistent with fiscal sustainability, raising of non-tax revenue, laying down norms for prioritizing expenditure that would provide impetus for economic growth, poverty reduction and improving the welfare of the people.

7.1.1: Targets

Under section 9 of this act the state had set the following targets:

- (1) The State Government may prescribe such targets as may be deemed necessary for giving effect to the fiscal management objectives.
- (2) In particular, and without prejudice to the generality of the foregoing provisions, the State Government shall –
 - i) Strive to remain revenue surplus by making a balance in revenue receipts and expenditure and build up further surplus;
 - ii) Strive to bring down fiscal deficit to 3% of projected Gross State Domestic Product (GSDP) by the year ending 31st March 2009. However, the subsequent amendment on the fiscal responsibility and budget management act 2009 brings down the fiscal deficit to 3.5% of the GSDP.
 - iii) ensure within a period of 5 years, beginning from the initial financial year on the 1st day of April 2005, and ending on the 31st day of March 2010, that the total debt stock do not exceed 40 per cent of the estimated GSDP for that year;
 - iv) Limit the amount of annual incremental risk weighted guarantees to 1% of the Total Revenue Receipt (TRR) or 1% of the estimated GSDP in the year preceding the current year, whichever is lower;
 - v) Follow recruitment and wage policy, in a manner such that the total salary bill relative to revenue expenditure net of interest payments and pensions does not exceed 61% in any financial year.

7.2: IMPLEMENTATION OF FRBM AND ANALYSIS OF MID TERM FISCAL POLICY (MTFP)

The analyses of MTFP in line with the FRBM act 2005 are shown in table 7.1.

- i) It has been observed that the own non-tax revenue has been increasing over the years in terms of quantity, from Rs. 205.21 crores during 2012-13 it increased to Rs. 677.85 crores during 2023-24. However, its percentage share to total own revenue has been decreasing over the years and its average percentage share was 31% for the whole period. The year-wise percentage contribution shows a declining trend which goes against the FRBM objective of raising non-tax revenue.
- ii) The revenue surplus as a percentage to GSDP remained positive for the whole period (2012-24) except for one year where it shows a deficit on revenue account with 0.72% during 2019-20. On the whole, the average revenue surplus exhibits a positive surplus of 2.98% for the whole period as targeted in FRBM 2005. The revenue surplus was 4.26% of the GSDP in 2012-13 which rose to 4.83% of GSDP during 2014-15. After 2014-15, it shows a declining trend reaching a deficit of 0.72% during 2019-20. Then the trend starts increasing and it was 5.06% during 2021-22 the highest surplus for the whole period. However, its surplus decreases the following year and it was 3.3% during 2023-24.
- iii) The fiscal deficit as a percentage to GSDP was 3.01% for the whole period which is 0.01% higher than the targeted FRBM of bringing down below 3% by 2009. The fiscal deficit as a percentage to GSDP was positive for the whole period except during 2021-22 period where it experienced a surplus of 0.2%. The year-wise percentage share to GSDP shows a fluctuating trend. The table shows that during 2013-14, 2014-15, 2016-17, 2017-18 and 2021-22, fiscal deficit was below 3% as targeted in FRBM. However, for the remaining 7 years, the target of achieving fiscal deficit of 3% and below as a percentage to GSDP could be met. The highest fiscal deficit as a percentage of GSDP was during 2019-20 with 4.84% and the lowest was during 2014-15 with 0.73%.
- iv) The primary deficit as a percentage to GSDP was 0.12% on an average for the whole period. The year-wise percentage share to GSDP shows that for 5 years it exhibited a surplus with 0.2% in 2013-14, 2.29% in 2014-15, 1.56% in 2016-17, 0.94% in 2017-18 and 3.04% in 2021-22. For the remaining 7 years, the state faces deficit in its primary account.

- v) The total committed expenditure including salary and wages, interest payment and pension was 69.7% on an average for the whole period. The total salary and wages as a percentage to total revenue was 47% on an average for the whole period meeting the target of FRBM 2005. The lowest percentage expenditure to total revenue expenditure was during 2017-18 with 40.8% and the highest was during 2013-14 with 51.1%. For interest payment and pension the average percentage share to revenue expenditure was 7.6% and 15.2% respectively for the whole period.
- vi) The limit amount of Annual incremental risk weighted guarantees as prescribed by FRMB 2005 for 1% of TRR or 1% of GSDP could be maintained in the state as its Annual incremental risk weighted guarantees was 1% of TRR and 0.5% of GSDP.
- vii) The total debt stock of the state was 45% of GSDP on an average during the whole period which is above 40% as targeted by FRBM.

CHAPTER 8

DECENTRALIZATION INITIATIVES AND TRANSFER OF FINANCIAL RESOURCES TO LOCAL BODIES

8.1 INTRODUCTION

Decentralization involves transferring of power, resources, and decision-making authority from central institutions to local governing bodies like municipalities and Village Councils. This approach enhances democratic participation, improves service delivery, fosters local development, and ensures efficient resource allocation. By empowering local institutions and decentralization promotes accountability, responsiveness, and innovation in governance. Successful implementation requires careful planning, institutional reforms, stakeholder engagement, and robust monitoring to ensure transparency. Overall, decentralization aims to create more inclusive and effective public administration, driving sustainable development and improving quality of life at the grassroots level.

This section of the report analyzes major decentralization initiatives at the grassroots level in the state and examines the transfer of finances to urban and rural local bodies over recent years.

8.2 RURAL LOCAL BODIES IN NAGALAND

In Nagaland rural local self-governance operates through the Village Council system, which differs from the conventional three-tier Panchayati Raj model due to the special constitutional provisions of Article 371(A). Despite these structural differences, the system has effectively functioned as a self-governing institution for decades. To strengthen its efficiency, targeted grants and frameworks are essential, particularly in the form of capital asset creation funds, flexible funding mechanisms, and capacity-building initiatives to improve governance and service delivery.

Decentralization of Local Governance in Nagaland

The Village Council in Nagaland was granted legal status in 1968, and the Village and Area Council Act of 1978 further institutionalized traditional local governance. As a result, Nagaland is exempt from the 73rd Constitutional Amendment Act, 1992.

In its Annual Administrative Report, the Department of Rural Development, Nagaland reports that the state has 74 rural development blocks, 1,285 recognized villages, and 250,315 rural households in 2023-24. With 71.14% of its population residing in rural areas (Census 2011), every village has a

Village Council, under its armpit functions Village Development Board (VDB). The Village Council handles administrative and judicial duties, while the VDB focuses on financial and development tasks. These grass root institutions are further empowered through Communitization system in the state.

(1) The Village Council

The Village Council in Nagaland, led by its Chairman and supported by the Gaonburas and Councillors, plays a central role in village administration. Members are democratically elected for five-year terms, with Gaonburas serving as ex-officio members and agents to the government. Under the Nagaland Village and Area Council Act, 1978, every village must have a Village Council with full authority over internal administration, including civil, criminal, and traditional matters. The Village Council also forms the Village Development Board (VDB) to oversee local development projects. It is responsible for maintaining law and order, enforcing regulations, and upholding the village's legal framework, making it the core of grassroots governance in Nagaland. The Village Council performs similar functions and responsibilities as the gram panchayats. Thus, the Village Councils have the basic features of a Panchayat and are deemed to be Panchayats.

(2) Village Development Board (VDB)

The Village Development Board (VDB) in Nagaland is a statutory body operating under the Village Council, representing grassroots-level planning. First established in 1976 in Ketsapomi village, Phek District, the success of this model led to its expansion across the state by 1980. The VDB concept was formalized with the VDB Model Rules, 1980. VDBs empower local communities by involving them in decision-making for development projects and resource management, making them a key element of decentralized governance in Nagaland.

The VDB in Nagaland includes all permanent residents of the village, with a management committee led by a democratically elected Secretary serving a three-year term. The committee ensures that women make up 25% of its members and includes youth representation. Moreover, 25% and 20% of funds are earmarked for women and youth programmes, respectively. This structure allows locals to better identify and implement development activities. The Department of Rural Development works through VDBs to execute various government programs aimed at improving

rural living standards, focusing on employment generation and infrastructure development. The VDBs have been the backbone of grassroots development in Nagaland since their inception in 1980.

The VDB performs vital roles in ensuring overall economic development, including infrastructural development, social capital growth etc. in every village. Its duties are as follows:

1. Identify and select priority-based schemes through general consensus in the village
2. Ensure ground implementation of government programmes through community participation
3. Ensure transparency and proper utilization of funds
4. Maintain Accounts, records etc.
5. Financial intermediaries for micro-financing activities

Each Village Development Board (VDB) maintains a separate bank account to manage funds allocated by the State Government under the grant-in-aid scheme, as well as various Centrally Sponsored Schemes. These accounts are jointly operated by the VDB Secretary and the Chairman of the Village Council. Additionally, VDBs are permitted to hold fixed deposits in National Banks, with a maximum limit of Rs.5 lakh per village, of which 50% (Rs.2.50 lakh) is provided by the State Government as a matching share.

VDBs can also access micro-finance by depositing a corpus fund of approximately Rs.2.40 lakh, enabling them to secure bank loans up to four times this amount for developmental activities. Banks typically extend loans under this scheme to well-performing VDBs, as repayment is considered secure. In case of default, the loan amount is recovered from the corpus fund and fixed deposit of the respective VDB.

(3). Nagaland Commoditization of Public Institution and Services Act, 2002

To enhance public service delivery, the government of Nagaland introduced the concept of Commoditization in 2002 under the "Nagaland Commoditization of Public Institution and Services Act, 2002." Following the enactment, the government gradually transferred the management of sectors like education, healthcare, water supply, electricity, tourism, and biodiversity conservation to local communities, empowering them to manage these services directly.

Communitisation scheme establishes a distinctive partnership between the government and local communities that involves transferring management and supervisory responsibilities of public resources and assets, as well as control over service delivery. This initiative empowers communities

by decentralizing funds, and building capacity to enhance public utility delivery. Under this framework, committees operate under the Village Council, as outlined by the Act.

Communitisation programme is an innovative approach to use rich social capital with the following salient features:

1. Committees are constituted under the aegis of Village Council to own and manage the communitised institutions.
2. The members of the committees are from the users' community, thus they represent the community.
3. Management of employees, maintenance of buildings and asset etc. are the responsibility of the committees
4. The government is responsible for deployment of workers, provision of funds, grants and technical support
5. Government to play assistive, monitoring and regulatory roles.

Every village has committees for all the functions under communitisation, viz.; village Education Committee, Electricity committee, Village health committee, water and sanitation committee and managing board committee etc. Such committees are in placed in the urban towns also, where the respective ward/colony has its Committees that manages and monitor electricity, Educational institutions etc. The outcome of this policy is evident in improvement in delivery of basic services such as electricity, school management system, health services etc. in recent years.

8.3 URBAN LOCAL BODIES

Urban Local Bodies (ULBs) are the principal catalysts for guiding urbanization in the country. Thus, fiscal empowerment of ULBs is not only a matter of choice but a necessity for providing social services and poverty reduction in all the states/union territories. The 74th Amendment is an important step for improving municipal governments. Further, insertion of 3(c) into Article 280 recognizes that ULBs are not just the responsibility of state governments. The Central government has an important stake in financing their activities and ULBs have a claim in the divisible pool of the Central government resources with many of their functions enumerated in schedule 12 having been drawn from concurrent list of the constitution. Successive Finance Commissions have made recommendations for improving the finances and functions of the ULBs. The grant-in-aid is to bridge

the vertical fiscal gap of the municipalities needs to deliver services and what they are able to generate after accounting for the share of revenue.

In Nagaland urban population comprised of 28.86% of the total population (Census, 2011), concentrated in 39 statutory towns (comprising of 3 Municipal Councils viz., Dimapur, Kohima and Mokokchung and 36 Town Councils) and also there are 6 census towns in the state (Annual report of Municipal Affairs, GON, 2023-24). ULB election was held in 21 town councils and 3 municipal councils on June 26, 2024 in Nagaland after a gap of two decades, a historic event as this was the first-ever municipal elections held with 33 per cent reservation for women.

The Town Planning Department, looks after the affairs of urban development, was bifurcated from Planning & Coordination Department in 2008, with a nomenclature of the Department of Urban Development Department. Later, with the expansion of its functionaries and activities requiring a full-fledged directorate, the Municipal Affairs Cell was created with the responsibility to look after the affairs of Urban Local Bodies and to implement various central developmental programmes, which was upgraded to a full-fledged Directorate in 2015.

Under the State schemes, the department is facilitating the Urban Local Bodies through Grant-In-Aid for various works as prioritized by the Urban Local Bodies which covers construction of protected walls, drainages, sewages, sanitation works etc. as required in the wards of the respective urban areas.

8.4 GRANTS-IN-AIDS TO LOCAL BODIES

Grants to local bodies are financial transfers from the central or state government to local governing institutions at urban and rural areas such as, municipalities, Village Councils (or Panchayats) and VDBs. These grants aim to empower local bodies by providing the resources needed to deliver public services, develop infrastructure, and implement development projects at the grassroots level. This enables to decentralized governance by enabling local bodies to address the specific needs of their communities, thus enhancing local development, service delivery, and overall governance.

Over the 2021-26 periods, the 15th Finance Commission has recommended the grants from the centre's resources to the states in the North Eastern Region of India as shown in Table 8.1 with

certain prescribed conditions¹. Grants to local bodies (other than health grants) were distributed among states based on population and area, with 90% and 10% weight-age, respectively. The grants are to be made available to all three tiers of Panchayat-village, block, and district.

Table 8.1: North Eastern State-wise details of grants-in-aid (₹ in crore)

States	Grants-in-aids to Local Bodies							
	14 th FC				15 th FC (2021-26)*			
	Rural Local Bodies		Urban Local Bodies		Rural Local Bodies		Urban Local Bodies	
	₹ in crore	% in NER	₹ in crore	% in NER	₹ in crore	% in NER	₹ in crore	% in NER
Arunachal Pradesh	819.92	11.84	244.03	12.58	900	8.73	459	8.71
Assam	5416.58	78.20	970.54	50.04	6,253	60.63	3,197	60.65
Manipur	206.04	2.97	172.7	8.90	690	6.69	353	6.70
Meghalaya	0.00	0.00	31.52	1.63	711	6.89	363	6.89
Mizoram	0.00	0.00	120.21	6.20	362	3.51	185	3.51
Nagaland	0.00	0.00	127.48	6.57	486	4.71	249	4.72
Sikkim	148.49	2.14	49.9	2.57	165	1.60	84	1.59
Tripura	335.68	4.85	223.1	11.50	746	7.23	381	7.23
NER	6926.71	100.00	1939.48	100.00	10313	100.00	5271	100.00
NER % in All India	3.46%		2.23%		4.36%		4.35%	
All India	2,00,292.2		87,143.8		2,36,805		1,21,055	

Note: year wise Break-up of following grants is not available

Sources: Report of the 15th Finance Commission for 2021-26

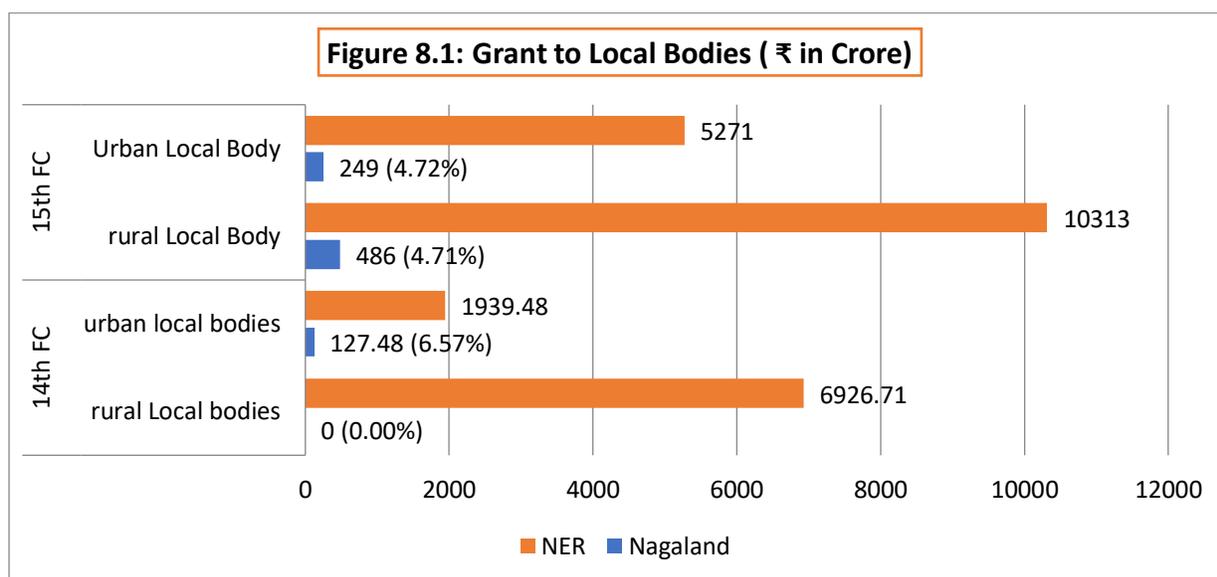
Table 8.1 show data on the allocation of Grants-in-aids funds to Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs) by 15th Finance Commission for the period 2021-26 on states in the North Eastern Region (NER) of India. **Nagaland** received relatively lower allocation of Rs.486 crore (4.71% in NER total) for RLBs and Rs.249 crore (4.72% in NER total) for ULBs. Smaller states like **Sikkim, Mizoram and Nagaland** have the lowest allocations in both rural and urban categories, reflecting lesser population and smaller area or different developmental priorities. The NER's share of funds relative to the national level is also relatively small, highlighting that the region's need for focused efforts to improve local governance and infrastructure development.

¹Criteria include: (i) publishing provisional and audited accounts in the public domain and (ii) fixation of minimum floor rates for property taxes by states and improvement in the collection of property taxes (an additional requirement after 2021-22 for urban bodies). No grants will be released to local bodies of a state after March 2024 if the state does not constitute State Finance Commission and act upon its recommendations by then.

8.4.1 Changes in Grants-in-aids allocation between the 14th and 15th Finance Commissions:

The percentage share of NER in total funding for grant-in-aid had decreased from 4.36% to 4.35% under the 14th FC to the 15th FC, implying the region's share in the national allocation has not changed extensively. Nagaland was not allocated Grants-in-aids funds for RLBs under the 14th FC but received 4.71% of the region's total allocation under 15 FC. However, for ULBs, it has experienced a decrease from 6.57% to 4.72% in the regional total allocations under the 15th FC. Smaller states like Nagaland, Mizoram, and Sikkim have seen positive increases in their share of funds for RLBs under the 15th FC as compared to the 14th FC.

Figure no. 8.1: Grants-in-aid to Local Bodies in Nagaland and North Eastern states total (14th& 15th FCs)



Figures in the brackets represent percentage share of Nagaland in NER total allocations.

8.4.2 Central and State share in Grants-in-Aids to Local Bodies in Nagaland

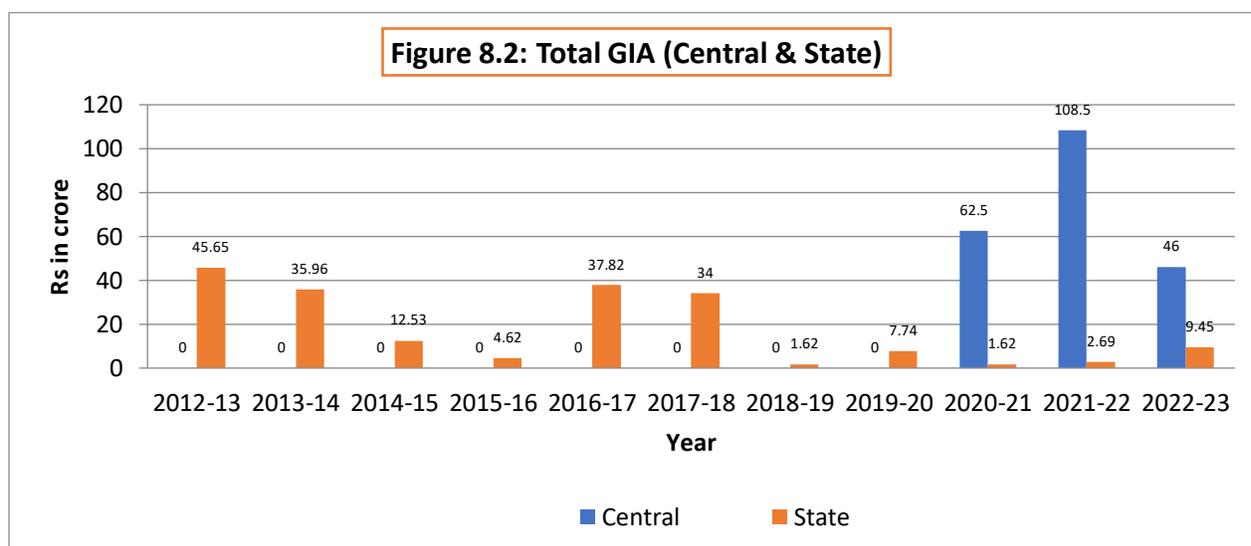
The data in table 8.2 and figure 8.2 represent the contributions made by the Central and State governments to Rural Local Bodies (RLBs) and Urban Local Bodies (ULBs) over the period 2012-13 to 2022-23 in Nagaland.

Table no 8. 2: Statement of fund transfer (GIA) to Rural and Urban Bodies (₹. in crores)

Year	Rural Local Bodies			Urban Local Bodies			Total		
	Central	State	Total	Central	State	Total	Central	State	Total
2012-13	0	45.65	45.65	0	0	0	0	45.65	45.65
2013-14	0	29.98	29.98	0	5.98	5.98	0	35.96	35.96

2014-15	0	6.19	6.19	0	6.34	6.34	0	12.53	12.53
2015-16	0	3	3	0	1.62	1.62	0	4.62	4.62
2016-17	0	36	36	0	1.82	1.82	0	37.82	37.82
2017-18	0	32	32	0	2	2	0	34	34
2018-19	0	0	0	0	1.62	1.62	0	1.62	1.62
2019-20	0	0	0	0	7.74	7.74	0	7.74	7.74
2020-21	62.5	0	62.5	0	1.62	1.62	62.5	1.62	64.12
2021-22	108.5	1.07	109.57	0	1.62	1.62	108.5	2.69	111.19
2022-23	46	0	46	0	9.45	9.45	46	9.45	55.45
CAGR			0.06					4.68	1.78

Sources: Finance Account, Government of Nagaland (2012-2023)



Rural Local Bodies (RLBs):

From 2012-13 to 2019-20, there were no direct contributions from the Central government towards GIA to RLBs. Only State governments contributed during this period, with varying amounts. The Central government started to contribute in 2020-21 with ₹62.5 crores, which continued in the following years. The data shows a positive trend in the allocation to RLBs although insignificant (0.06%), with State government's contributions remains relatively consistent, and Central funding being a recent development.

Urban Local Bodies (ULBs):

The GIA contribution to ULBs was primarily made by the State government, where a small amount was allocated each year. The highest amount contributed by the State during this period was

₹9.45 crores in 2022-23. The CAGR was 4.68 %, indicating growing attention towards urban development in the state.

The State government's contributions have been more consistent over the years to both RLBs and ULBs. The total GIA contributions to the local bodies have fluctuated, peaking significantly in 2021-22 with a total allocation of ₹111.19 crores, primarily due to increased contributions from the Central government to RLBs, a prioritization in development strategy towards rural areas. The compound annual growth rate (CAGR) of 1.78 % reflects a steady but slow increase in overall contributions of GIA to local bodies.

8.5 REVENUE EXPENDITURE ON URBAN & RURAL DEVELOPMENT

This section examines revenue expenditures on urban and rural development in Nagaland over the five-year period from 2017-18 to 2022-23. It focuses on the allocation of state funding (both development and non-development) and central assistance across key categories. The analysis begins from 2017-18 due to non-availability of segregated data (state and central) for the earlier periods from the same source.

8.5.1 Revenue Expenditure on Urban Development

The data in table 8.3 shows the revenue expenditure on urban development in Nagaland over five years (2017-18 to 2022-23), highlighting how state funding expenditure and central assistance have been allocated across three main categories: Direction & Administration, Assistance to Local Bodies, and Other Expenditures.

Table 8.3: Revenue Expenditure on Urban Development, Assistance to Urban Local Bodies and other related expenditure (Rs. in Lakhs)

Sl no	Urban Development	2017-18			2018-19#	2019-20			2020-21		
		State Fund	Css/Cs	Total	Total	State Fund	Css/Cs	Total	State Fund	Css/Cs	Total
1	Direction & Administration	1358.59	0.00	1358.59	1,585.03	1,865.65	0.00	1,865.65	1,369.63	0.00	1,369.63
2	@Assistance to Local Bodies	264.00	0.00	264.00	162.00	773.50	0.00	773.50	162.00	11,085.50	11,247.50
3	Other expenditures	503.28	0.00	503.28	637.79	786.69	0.00	786.69	884.67	0.00	884.67
	Total	2125.87	0.00	2125.87	2,384.82	3,425.84	0.00	3,425.84	2,416.30	11085.5	13,501.80

Cont.:

Sl no	Urban Development	2021-22			2022-23			CAGR
		State funded	Css/cs	Total	State funded	Css/Cs	Total	
1	Direction & Administration	2,876.56	0.00	2,876.56	5,661.24	0.00	5,661.24	26.85

2	@Assistance to Local Bodies	234.30	3,755.00	3,989.30	2,444.68	0.00	2,444.68	44.91
3	Other expenditures	1,140.76	0.00	1,140.76	0.00	0.00	0.00	
	Total	4,251.62	3755	8,006.62	8,105.92	0.00	8,105.92	24.99

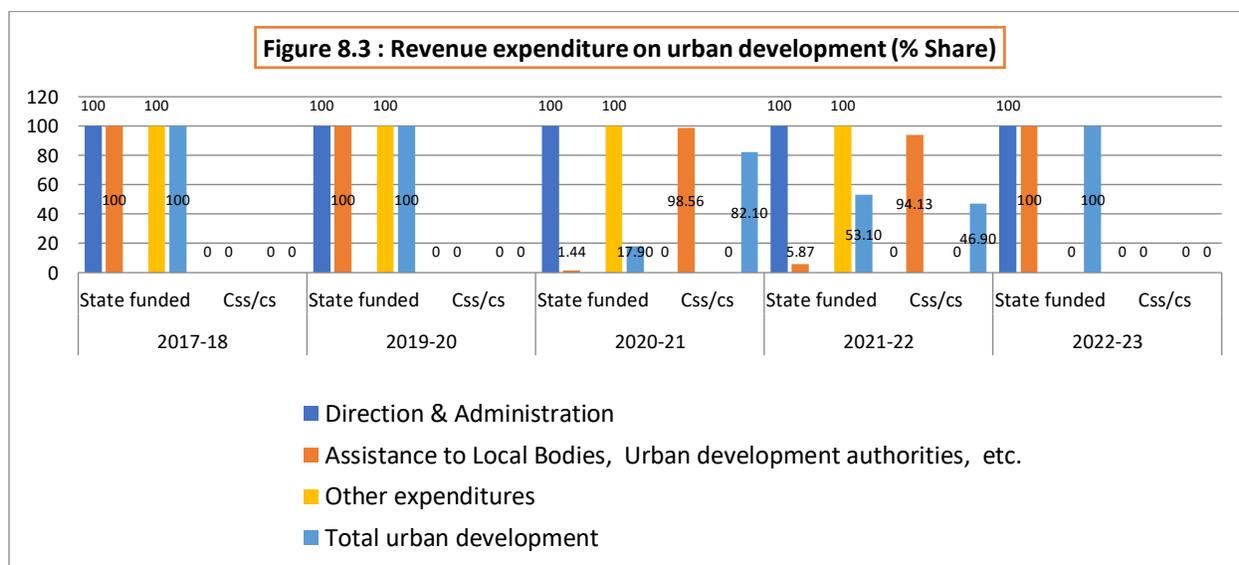
#segrated data for 2018-19 is not available

Css/cs= Central Assistance (including central sponsored schemes/ Central Schemes)

State Fund Expenditure: (included Non-Development& Development)

@Assistance to Local Bodies: Assistance to Local Bodies, Corporations, Urban development authorities, town improvement authorities etc.

Sources: Finance Account, Government of Nagaland (2017-18 to 2022-23)



From 2017-18 to 2019-20, revenue expenditure towards *Direction and Administration* remained relatively stable with no contribution from central schemes (Ccss/Cs). Thereafter, witnessed a sharp increase in 2021-22 and 2022-23, which more than doubled to ₹5,661.24 lakhs, indicating significant growth in this segment, with Compound Annual Growth Rate (CAGR) of 26.85%, suggesting a focused increase in administrative expenditure over the years.

The increasing focus on *Local Bodies* is evident through the raise in assistance to local bodies, which increased from Rs. 264.00 lakhs in 2017-18 to Rs. 773.50 lakhs in 2019-20 and again in 2020 to 2022 with central contributions (Rs. 11,085.50 & Rs. 3,755.00 lakhs, respectively) pointing towards a strategic attention on local governance and development authorities. This category has the highest CAGR at 44.91%, indicating substantial growth in revenue expenditure to support local urban bodies. Consistent growth in state funding for *Other Expenditures* category was seen, rising from ₹503.28 lakhs in 2017-18 reaching ₹1,140.76 lakhs in 2021-22. However, there was

a dramatic drop to zero in 2022-23, suggesting a funding policy of focused towards administration and local bodies.

The *overall revenue expenditure* on urban development has increased gradually from ₹2,125.87 lakhs in 2017-18 to ₹3,425.84 lakhs in 2019-20. In 2020-21, total expenditure jumped to ₹13,501.80 lakhs, driven by a notable increase in assistance to Local Bodies from central scheme. By 2022-23, total expenditure slightly decline to ₹8,105.92 lakhs, with zero allocation under "Other Expenditures." The overall CAGR from 2017-18 to 2022-23 is 24.99%, indicating a substantial rise in revenue expenditure on urban development over the period.

There has been a shift in attention towards Local Bodies, especially with central contributions in 2020-21 and 2021-22, stressing on local governance. The overall trend indicates a strategic emphasis on strengthening urban governance and infrastructure in Nagaland. In this sector increased funding will be required to carrying out the activities of newly elected ULBs in the state.

8.5.2 Revenue Expenditure on Rural Development

The data in table 8.4 and figure 8.4 show the revenue expenditure on rural development in Nagaland over five years (2017-18 to 2022-23), highlighting how state funding expenditure (development and non-development) and central assistance have been allocated across three main categories: Special Programmes for Rural Development, Rural Employment, and Other Rural Development Programmes.

The revenue expenditure on *Special Programs for Rural Development* encompasses expenditure on Waste Land Development and Self Employment Programmes. The expenditure increased significantly from ₹9,746.92 lakh in 2017-18 to ₹27,485.89 lakh in 2019-20, followed by fluctuations and a decline to ₹11,450.07 lakh in 2022-23. The Compound Annual Growth Rate (CAGR) for this segment stands at 2.72%. The share of state-fund expenditure increased from 36.51% in 2017-18 to 40.58% in 2022-23. This indicates a gradual increase in State involvement in special rural development programs, nevertheless more than half of the funding comes from the central schemes.

The funding for rural employment (*National Rural Employment Guarantee Scheme*) peaked at ₹101,274.4 lakh in 2017-18, then declined to ₹28,553.45 lakh in 2022-23, with a negative CAGR

of -19.02%. The central government's share remained high for most of the years, with 100% funding in 2020-21 and a decreasing but dominant share of 75.54% in 2022-23.

Funding for *Other Rural Development Programs* category (includes Training, Panchayati Raj, Community Development and Other Expenditure including DRDA Admn.) fluctuated, starting at Rs. 24,625.83 lakh in 2017-18 and peaking at Rs.21,772.34 lakh in 2021-22. By 2022-23, funding dropped to Rs.13,344.73 lakh, with a negative CAGR of -9.7%. Initially, central funding was the dominant contributor, but by 2022-23, state funding accounted for the entire amount.

The revenue expenditure on *Overall Rural Development* observed a significant decline from ₹135,647.11 lakh in 2017-18 to ₹53,348.25 lakh in 2022-23. The negative CAGR of -14.4% indicates a reduction in overall funding for rural development initiatives. State-fund shares gradually increased from 10.39% in 2017-18 to 46.64% in 2022-23. This suggests a trend of increasing state participation over the years.

A consistent decline in central contributions leads to increased financial responsibility for the state government. Rural employment programs have seen the most significant reduction in funding, raising concerns about the sustainability of employment initiatives. The rising share of state-fund suggests a structural shift, with states taking on a significant role in financing rural development. This change in the dynamics between state and central funding signals evolving policy priorities affecting rural development efforts.

Table 8.4: Revenue Expenditure on Rural Development (Rs. in Lakhs)

Sl no	Rural Development (RD)	2017-18			2018-19#	2019-20			2020-21		
		State fund	Css/cs	total	Total	State fund	Css/cs	total	State fund	Css/cs	total
A	Special Programmes for RD	3,558.92	6,188.00	9,746.92	13,765.65	3,709.43	23,776.46	27,485.89	2,026.77	9479.13	11,505.90
1	Waste Land Development	3,405.59	3,208.00	6,613.59	5,981.83	3,201.08	13,755.00	16,956.08	1,729.64	353.07	2,082.71
3	Self Employment Programmes	153.33	2,980.00	3,133.33	7,783.82	508.35	10,021.46	10,529.81	297.13	9,126.06	9,423.19
B	Rural Employment	5,268.00	96,006.36	101,274.36	34,789.25	3,921.14	33,112.95	37,034.09	0.00	48,472.71	48,472.71
1	National Rural Employment Guarantee Scheme	5,268.00	96,006.36	101,274.36	34,789.25	3,921.14	33,112.95	37,034.09	0.00	48,472.71	48,472.71
C	Other Rural Development Programmes	5,268.75	19,357.08	24,625.83	13625.07	7957.35	8858.84	16816.19	6,341.46	7,114.43	13,455.89
1	Training	450.90	0.00	450.90	504.04	583.95	0.00	583.95	546.18	0.00	546.18
2	Panchayati Raj	-	-	-	788.00	43.78	394.00	437.78	372.17	372.17	372.17
3	Community Development	4,817.85	408.08	5,225.93	5,665.15	5,534.62	1,440.84	6,975.46	5,795.28	492.26	6,287.54
4	Other Expenditure (including DRDA Admn.)	0.00	18949	18949	6,667.88	1795	7024	8819	0.00	6,250.00	6,250.00
D	Total Rural Development	14,095.67	1,21,551.44	1,35,647.11	62,179.97	15,587.92	65,748.25	81,336.17	8,368.23	65,066.27	73,434.50

Cont.:

Sl no	Rural Development	2021-22			2022-23			CAGR
		State fund	Css/cs	total	State fund	Css/cs	total	
A	Special Programmes for Rural Development	2,792.72	6,588.98	9,381.70	4,646.33	6,803.74	11,450.07	2.72
1	Waste Land Development	1,781.71	315.00	2,096.71	2,387.20	2,181.40	4,568.60	
2	Self Employment Programmes	1,011.01	6,273.98	7,284.99	2,259.13	4,622.34	6,881.47	
B	Rural Employment	4,357.28	26,430.68	30,787.96	6,984.23	21,569.22	28,553.45	-19.02
1	National Rural Employment Guarantee Scheme	4,357.28	26,430.68	30,787.96	6,984.23	21,569.22	28,553.45	
C	Other Rural Development Programmes	7688.6	14083.74	21772.34	13,344.73	0.00	13,344.73	-9.7
1	Training	603.49	0.00	603.49	802.50	0.00	802.50	
2	Panchayati Raj	92.29	458.46	550.75	0.00	0.00	0.00	
3	Community Development	6,886.07	364.28	7,250.35	11,810.21	0.00	11,810.21	
4	Other Expenditure (including DRDA Admn.)	106.75	13,261.00	13,367.75	736.76	0.00	736.76	
D	Total Rural Development	14,838.60	47,103.40	61,942.00	24,975.29	28,372.96	53,348.25	-14.4

#segregated data for 2018-19 is not available

Css/cs= **Central Assistance** (including central sponsored schemes/ Central Schemes)**State Fund Expenditure:** (included **Non-Development&Development**)**Other Rural Development Programmes:** trainings, Panchayati Raj, community development and others

Sources: Finance Account, Government of Nagaland (2017-18 to 2022-23)

Table 8.4.1: Revenue Expenditure on Rural Development and Percentage Share of State and Centre (Rs. in Lakhs)

Year	Special Programmes for Rural Development			Rural Employment			Other Rural Development Programmes			Total Rural Development		
	Total (Rs. in Lakh)	% share of State fund	% share of Css/cs	Total (Rs. in Lakh)	% share of State fund	% share of Css/cs	Total (Rs. in Lakh)	% share of State fund	% share of Css/cs	Total (Rs. in Lakh)	% share of State fund	% share of Css/cs
2017-18	9746.92	36.51	63.49	101274.36	5.20	94.80	24625.83	21.40	78.60	135647.11	10.39	89.61
2018-19	13765.65	-	-	34789.25	-	-	13,625.07	-	-	62,179.97		
2019-20	27485.89	13.50	86.50	37034.09	10.59	89.41	16816.19	47.32	52.68	81336.17	19.16	80.84
2020-21	11505.9	17.62	82.38	48472.71	0	100	13455.89	47.13	52.87	73434.5	11.36	88.64
2021-22	9381.7	29.77	70.23	30787.96	14.15	85.85	21772.34	35.31	64.69	61942	23.88	76.12
2022-23	11450.07	40.58	59.42	28553.45	24.46	75.54	13344.73	100	0.00	53348.25	46.64	53.36
CAGR	2.72			-19.02			-9.7			-14.4		

#segrageted data for 2018-19 is not available

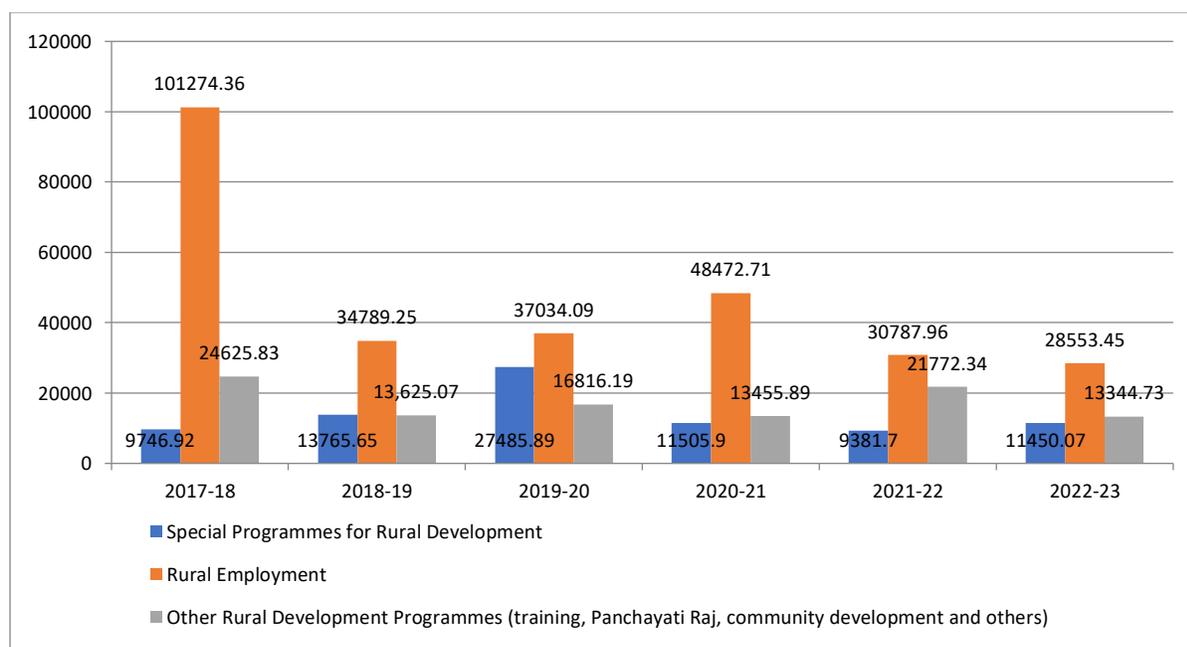
Css/cs= **Central Assistance** (including central sponsored schemes/ Central Schemes)

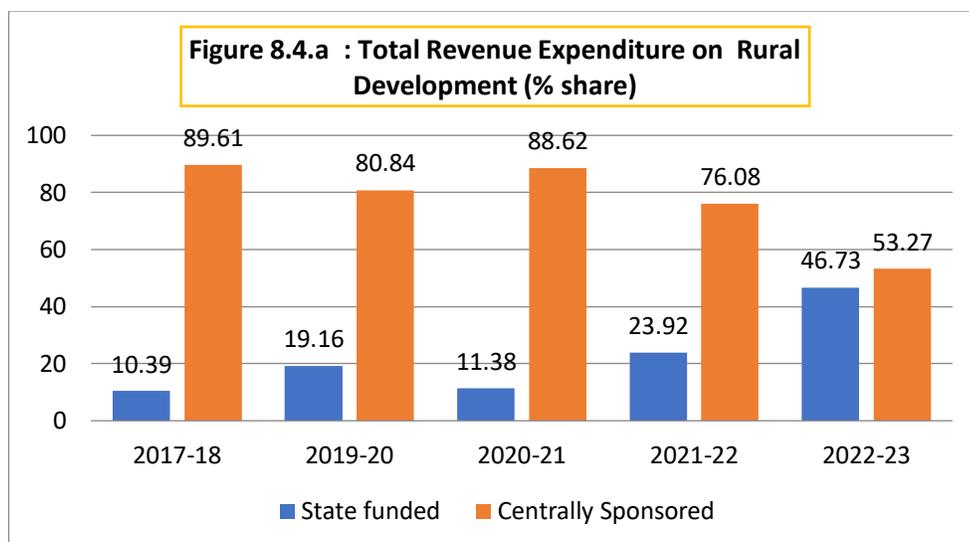
State Fund Expenditure: (included **Non-Development**& Development)

Other Rural Development Programmes: trainings, Panchayati Raj, community development and others

Sources: % calculated from Finance Account, Government of Nagaland (2017-18 to 2022-23)

Figure 8.4: Revenue expenditure on Rural Development (Rs. in Lakhs)





8.6 TRANSFER OF FUNDS TO LOCAL BODIES UNDER CENTRALLY SPONSORED SCHEMES

Nagaland, being a special category state, enjoys a 90:10 funding pattern in most of the Central schemes, which significantly reduces the state's financial burden. It facilitates greater investment in priority areas like infrastructure development, rural livelihoods, social welfare, and local governance. The funding pattern of Centrally Sponsored Schemes (CSS) plays a critical role in ensuring equitable resource distribution among states based on their needs and challenges and thus enables states to leverage central support to achieve targeted development outcomes.

Centrally Sponsored Schemes to Rural Local Bodies

The data in table 8.5 represents the transfer of funds under various CSS in rural areas in Nagaland from **2014-15 to 2022-23**, with their respective Compound Annual Growth Rates (CAGR). This overview helps to understand the flow and trends in the allocation of central funds over these years to RLBs in the state.

Table 8. 5: Revenue and Capital Receipts under Centrally Sponsored Schemes (Rural).

(Rs. in Crores)

Schemes	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
1. Swachh Bharat Abhiyan	20.87	10.83	64.12	71.41	59.93	39.49	22.17	9.01	19.72	-1%
2. National Rural Livelihood Mission (NRLM)	5.38	7.49	33.06	16.00.63	82.07	107.54	114.07	48.23	88.97	37%
3. National Rural Employment Guarantee Act	113.05	266.66	501.53	1106.06	195.60	331.13	484.73	264.86	266.45	10%
4. National Rural Drinking Water	101.44	38.51	36.84	17.88	17.36	56.49	85.57	111.20	0.00	1%

Programme										
5. Integrated Watershed Management Programme	96.80	10.68	0.00	32.08	0.00	39.85	4.07	3.50	0.30	-47%
6. Indira Awas Yojana (IAY)	4,5.75	10.68	Discontinued							
7. Pradhan Mantri AWAAS Yojana			46.76	8.33	14.18	15.55	17.40	17.41	52.50	2%
8. National Social Assistance Programme	13.61	15.72	11.67	11.08	25.05	20.93	15.94	26.23	22.56	6%
9. Pradhan Mantri Krishi Sinchai Yojana			60.84	32.08	38.51	97.70	3.53	13.63	12.88	-20%
10. Shyama Prasad Mukerjee Ruban Mission			4.40	4.40	0	4.05	Discontinued			
11. Pradhan Matri Gramin Sarak Yajona (PMGSY)	58.99	Na	8.05	8.80	149.63	88.89	72.89	145.31	183.15	13%
12. Rashtriya Gram Swaraj Abhiyan (RGSA)				Na.	1.62	8.87	8.32	18.90	Na.	
TOTAL	410.14	360.57	767.27	292.12	583.95	810.49	828.69	658.28	646.53	5%

Source: Finance Account, Government of Nagaland (2014-15 to 2022-23)

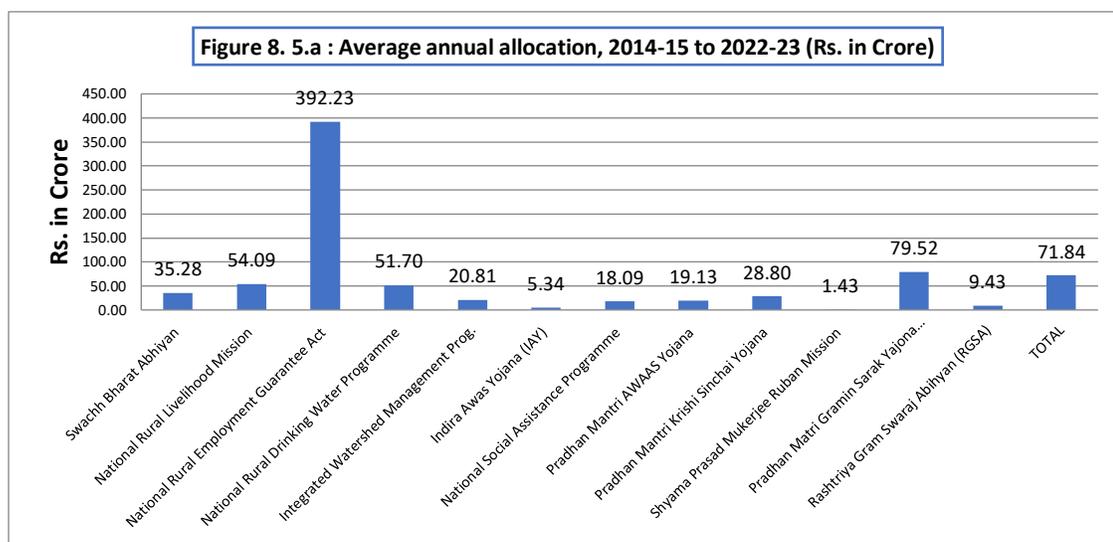
The total transfer of funds under Centrally Sponsored Schemes to rural local bodies increased from ₹410.14 crores in 2014-15 to ₹646.53 crores in 2022-23, with a CAGR of 5%. This indicates a moderate increase in central allocations over the years.

Of the schemes listed in the table 8.5, three have witnessed significant growth in fund allocations. *National Rural Livelihood Mission (NRLM)* has witnessed a substantial increase from ₹5.38 crores in 2014-15 to ₹114.07 crores in 2020-21, which declined thereafter. The CAGR of 37% reflects rising focus on rural livelihoods. *Pradhan Mantri Gram Sadak Yojana (PMGSY)* allocations has also increased from ₹58.99 crores in 2014-15 to ₹183.15 crores in 2022-23, with a 13% CAGR, reflecting growing emphasis on rural road and infrastructure. *National Rural Employment Guarantee Act (NREGA)* too shows a significant leap in allocations from 2014-15 (₹113.05 crores) to 2017-18 (₹1,106.06 crores), then fluctuated and decline. However, the CAGR of 10% indicates steady growth in funding for employment and related activities over the entire period.

Other schemes like, National Social Assistance Programme (6%), Pradhan Mantri AWAAS Yojana (2%) and National Rural Drinking Water Programme (1%) have shown moderate growth in fund allocation. On the other hand, there were decline and negative growth for Integrated Watershed Management Programme (-47%), Pradhan Mantri Krishi Sinchai Yojana (-20%) and Swachh Bharat Abhiyan (-1%).

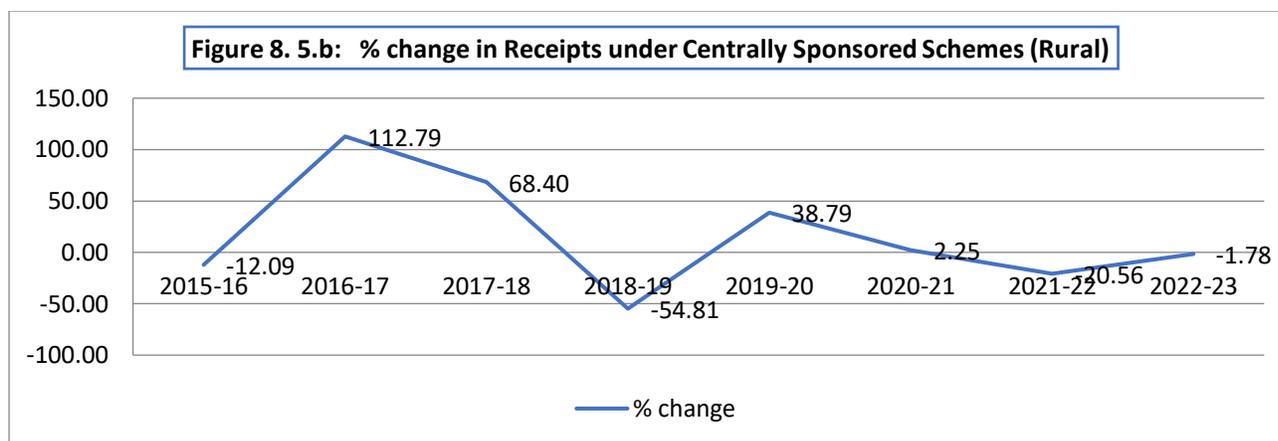
Other programme, Rashtriya Gram Swaraj Abhiyan (RGSA) initiated in 2017-18 with major objectives of capacity building and training of the elected representatives of the Panchayati Raj Institutions and provide infrastructure for the Panchayats.

The *Indira Awaas Yojana (IAY)* was discontinued in **2016** and replaced by the *Pradhan Mantri Awaas Yojana - Gramin (PMAY-G)*, aiming to provide pucca (permanent) houses with basic amenities to the rural poor so as to achieve the goal of "Housing for All".



Some schemes like NREGA, PMGSY and NRLM not only saw substantial growth in funding but significantly higher average annual allocation as well (Rs. 392.23, Rs. 79.52 and Rs. 54.09 crores, respectively as shown in figure 8.5.a). These indicate increased emphasis on rural employment, livelihoods, and rural infrastructure and road connectivity. Besides, *National Rural Drinking Water Programme* and *Swachh Bharat Abhiyan* have also seen high average annual allocations (Rs.51.70 crores and Rs.35.28 crores, respectively).

The overall CAGR of 5% suggests a relatively stable but moderate increase in total fund allocation under these Centrally Sponsored Schemes in rural area. This analysis highlights the shifting priorities and focus areas of central funding in Nagaland from 2014-15 to 2022-23, reflecting the government's growing interest towards rural development, infrastructure, and social welfare. The overall trend has fluctuated over the years taking a down turn with negative annual percentage change as shown in figure 8.5.b.



Centrally Sponsored Schemes to Urban Local Bodies

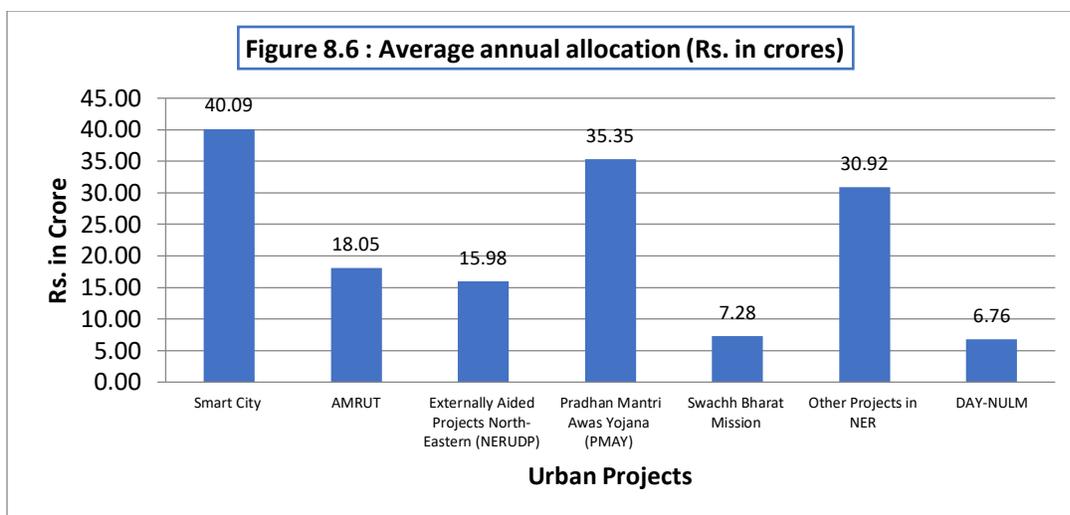
Table 8.6 represents the fund allocation data on various urban development schemes in Nagaland during 2014-15 to 2022-23, with their respective Compound Annual Growth Rates (CAGR).

Table 8.6: Revenue and Capital Receipts under major Centrally Sponsored Schemes (Urban)

(Rs. in Crores)

Sl no.	Schemes	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
3	Smart City		2.00	0.00	109.00	6.00	79.00	2.22	0.00	122.50	67.25
4	Atal Mission for Rejuvenation of Urban Transformation (AMRUT)		28.67	9.08	36.48	9.51	12.71	0.00	47.96		7.62
5	Sardar Patal Urban Housing Scheme		0.95	0	0.00						
6	Externally Aided Projects North-Eastern (NERUDP)	16.55	18.23	25.49	33.25	13.83	17.64	1.23	1.60	0.7	-25.32
7	Rajiv Awas Yojana (RAY) Capacity	15									
8	Rajiv Awas Yojana (including JNNURM)	27.61	0	8.45							
9	Development of Socio Eco Infrastructure in N.E	0	0	1.04							
10	Pradhan Mantri Awas Yojana (PMAY)	0	0	60.96	8.75	14.18	15.55	108.16	36.98	2.87	-35.37
11	Swachh Bharat Mission	10.52	3.20	0.99	0.00	17.72	9.89	6.27	2.34	90	27
12	Other Projects in NER	0	0	44.31	18.52	36.05	24.81	0.00	0.00	0.00	
13	Jawaharlala Nehru National Urban Renewal Mission (JNNURM)	11.37									
14	Lumpsum Provision for NER & Sikkim	21.75									
15	Deen Dayal Antyodaya Yojana - National Urban Livelihood Mission (DAY-NULM)	5.32	0.00	0.00	12.56	8.87	7.83	5.98	4.92	1.83	-11.18
	Total	108.12	53.05	150.32	218.56	106.16	167.43	123.86	93.8	127.2	2

Source: CAG report on Nagaland Finance, GoN



In the early years, fund allocations under some schemes were minimal and later discontinued, while newer schemes took over, indicating policy transitions and the government’s evolving focus on urban development needs. Such discontinued/ merged schemes are National Urban Information System & Urban Statistics for HR and Assessment (USHA), Sardar Patal Urban Housing Scheme, Rajiv Awas Yojana (RAY) Capacity, Rajiv Awas Yojana (including JNNURM), Development of Socio Eco Infrastructure in N.E, Jawaharlala Nehru National Urban Renewal Mission (JNNURM) and Lumpsum Provision for NER & Sikkim.

Major ongoing flagship urban programmes are as follows:

The *Smart City Mission* was launched by the Government of India on **June 25, 2015**. Kohima, the capital city of Nagaland, was selected as one of the 100 smart cities in India, and the mission started with fund allocation of Rs. 2.00 crores in 2015-16, with a peak in funding in 2022-23 with Rs. 122.50 crore, with highest compound annual growth rate of 67.25 %. This shows a continued focus on enhancing urban infrastructure and services, despite many challenges.

Swachh Bharat Mission (Urban) launched in 2nd October, 2014 with an aim to improve toilets, solid waste management, waste water management etc., funding allocations varied significantly, with a peak in 2022-23 (Rs.90 crores) and a sharp increase of 27% (CAGR).

Other programmes have been either minimal or declined substantially. *Atal Mission for Rejuvenation and Urban Transformation (AMRUT)* emphasis on improving water supply, sewage management,

another essential urban services was launched in 2015-16 with Rs. 28.67 crore, which increased to Rs. 47.96 crore in 2021-22. The trend in fund allocation fluctuated but was generally positive with CAGR of 7% indicating a focus on urban renewal; however in 2023 there was no allocation.

For *Externally Aided Projects for NER*, the fund allocation peaked between 2014 and 2017, but decrease in recent years (Rs.0.7 crore in 2022-23), with a negative CAGR of -25.32. *Pradhan Mantri Awas Yojana (PMAY)* gained prominence since 2016-17 with allocations increasing substantially till 2020-21 with Rs.108.16 crores, and then it sharply declined with negative growth rate of -35.37. Funding under *Other Projects in NER* was gradually reduced over time.

Deen Dayal Antyodaya Yojana - National Urban Livelihood Mission (DAY-NULM) one of the major flagship programme aiming to reduce poverty and vulnerability of the urban poor households by enabling them self employment and skilled wage employment was launched in 2014-15 with allocations of Rs. 5.32 crore, which peaked with Rs.12.56 crore in 2016-17, but the trend shows a decline in the following years, with negative compound annual growth rate of -11.18.

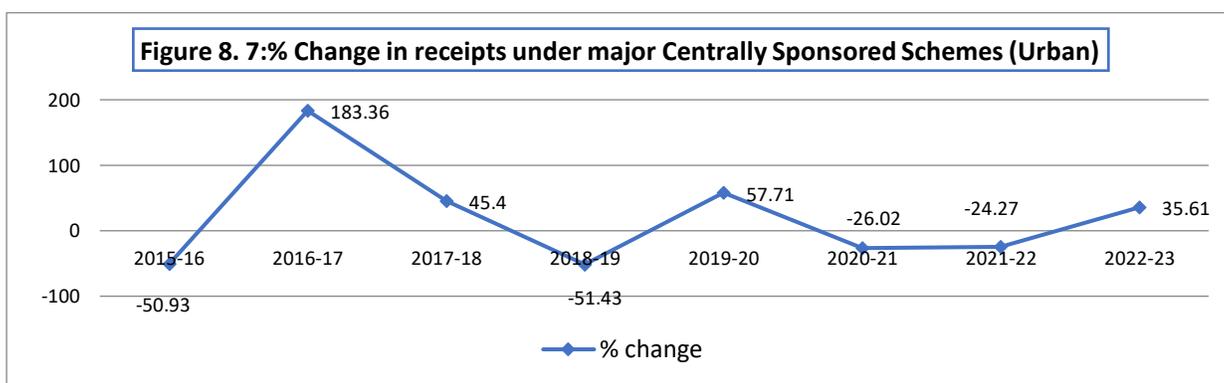


Figure 8.7 shows a fluctuating trend (yearly % change) of overall funding for urban schemes with a Compound Annual Growth Rate (CAGR) of 2%. This indicates a growing focus on urban infrastructure, housing, and sanitation projects. A key pattern in the funding is that major programmes like Smart Cities, AMRUT, *PMAY* and *Swachh Bharat Mission (Urban)* saw significant emphasis in the years of observed period, which aligns with central government initiatives during these years. While some older programs have phased out, newer schemes took over; indicating policy transitions and the government’s evolving focus on urban development needs. Overall, the data highlights the evolving priorities in urban schemes in Nagaland, with substantial investments in housing, smart city projects, and sanitation.

8.7 CONCLUSION

In Nagaland the local institutions at grassroots, the Village Councils and the VDBs in rural villages (well founded in traditional village institution system), the municipal and town councils in urban areas are empowered by the Central and State governments through various initiatives of transferring funds for development in the form of Grants-in-aids, centrally funded schemes etc. Further, through Communitization system empowered these institutions in the state.

The relatively lower allocation of Grants-in-aids to Nagaland and other small states in the North Eastern Region (NER) reflects the need for targeted development efforts, ensuring more balanced support amongst the states within the region. Moreover, the compound annual growth rate of GIA at 1.78 % reflects a steady but slow increase in overall contributions of GIA to the local bodies.

The increasing trends of revenue expenditure on urban development shows a shift in focus since 2020-21, on strengthening Urban Local Bodies' governance and infrastructure. The revenue expenditure on rural development saw a significant decline with a negative CAGR of 14.4%, indicating reduced overall funding. While central contributions remains dominant but decreasing, the state-fund share rose between 2017-18 and 2022-23, reflecting evolving policies and fiscal pressures shifting the financial burden towards states for rural development.

Transfer of fund under Centrally Sponsored Schemes in rural area like NREGA, PMGSY, and NRLM received substantial funding with higher average annual allocations, indicating increased focus on rural employment, infrastructure, and livelihoods. In contrast, allocation under programs like IWMP and Swachh Bharat Abhiyan decline. With an overall CAGR of 5%, the total allocation under Centrally Sponsored Schemes remained stable but moderate, highlighting evolving central funding strategies for rural development and social welfare in Nagaland between 2014-15 and 2022-23, though the trend has fluctuated and shown a downturn in recent years.

The funding for Centrally Sponsored Schemes in urban area in Nagaland shows a positive growth rate of 2%, indicating growing investment, particularly in infrastructure, housing, and sanitation. Major programs like Smart Cities, AMRUT, PMAY, and Swachh Bharat Mission received significant emphasis. The transition from older to newer schemes highlights evolving policy priorities focused on urban development and reflecting alignment with central government initiatives.

CHAPTER 9

FINANCIAL HEALTH OF STATE PUBLIC SECTOR UNDERTAKINGS IN NAGALAND

9.1 INTRODUCTION

Government interference in the state economic system for inclusiveness for socio-political and economic reasons is now clearly accepted in the process to strengthen the state development through creating new skills and competence, employment potentials, meeting social obligations, developing backward regions and promoting deprived communities, securing economic self-sufficiency etc. and have gone far beyond the indicative planning and other controls in state enterprises. Public enterprise or government company can be defined according to the section 2(45) of the Companies Act, 2013 as a company in which “not less than fifty-one 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. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy.

9.2. PERFORMANCE OF STATE PSUs IN NAGALAND

As on 31st March, 2023 in Nagaland, there were seven State PSUs (all Government companies) of which, one Government company was non-working. The six working PSUs occupy insignificant place in the State’s economy.

Table 9.1: Status of financial statements of State PSUs.

Sl. No.	Name of State PSUs	Status	Year up to which Financial Statement have been received	Period for which Financial Statements are pending	Number of Financial Statements pending
1	Nagaland Industrial Development Corporation Ltd., Dimapur (NIDC)	Working PSUs	2021-22	2022-23	1
2	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur (NHHDC)	Working PSUs	2019-20	2020-21 to 2022-23	3
3	Nagaland Hotels Ltd.	Working	2017-18	2018-19 to 2022-23	5

	Dimapur (NHL)	PSUs			
4	Nagaland State Mineral Development Corporation Ltd., Kohima (NSMDC)	Working PSUs	2020-21	2021-22 & 2022-23	2
5	Kohima Smart City Development Corporation Ltd. Kohima, Nagaland	Working PSUs	Accounts not submitted since inception	2017-18 to 2022-23	6
6	Nagaland Industrial Raw Material & Supply Corporation Ltd., Dimapur (NIRMSC)	Working PSUs	2018-19	2019-20 to 2022-23	4
7	Nagaland Sugar Mills Company Ltd., (NSMCL)	Non-working PSUs	2001-02	2002-03 to 2022-23	21

Source: <https://cag.gov.in/uploads/media/Nagaland-Sept-23>

Note: Audited under section 19 (1) of the CAG's (DPC) Act, 1971) as on 30 September 2023.

Out of 7 State PSUs, one PSU i.e. *Nagaland Sugar Mills Company Limited* with an investment of Rs.5.89 crore was not working and its financial statements were pending for the last 21 years. However, none of these companies was listed on the stock exchange. The 6 working State PSUs are comprised of Nagaland Industrial Development Corporation (NIDC), Nagaland Handloom and Handicraft Development Corporation (NHHDC), Nagaland Industrial Raw Material and Supply(NIRM&S), Nagaland Hotels Limited (NHL) , Nagaland State Minerals Development Corporation (NSMDC) and Kohima Smart City Development Corporation Ltd. Kohima. Interestingly, in 2017-18 Kohima Smart City Development Corporation Ltd. was added to the State's PSU list but not included in the analysis due to non submission of accounts. No existing PSUs have been closed down in recent years.

Table 9.2 below shows the details of working PSUs turnover and State GDP for the period from 2012-13 to 2021-22.

Table: 9.2: Financial Position and Financial Results of State PSUs in Nagaland.

(₹. in crores)

Year	Turnover*	State GDP	Percentage of turnover to State GDP (%)
2012-13	6.75	14121	0.05%
2013-14	5.98	16612	0.04%
2014-15	6.26	18401	0.03%
2015-16	6.23	19524	0.03%
2016-17	6.61	21722	0.03%

2017-18	6.48	24393	0.03%
2018-19	6.7	26527	0.03%
2019-20	6.78	29612	0.02%
2020-21	6.52	29541	0.02%
2021-22*	6.05	32424	0.02%
CAGR (%)	-1.08	7.2	

Source: CAG Audit Reports Various Issues.

*Data for 2022-23 and beyond are not available.

The proportion of PSUs turnover relative to the State's GDP highlights the role of PSUs in the State's economy. According to the data in Table 9.2, the turnover from working PSUs has declined from ₹6.75 crore in 2012-13 to ₹6.05 crore in 2021-22. This resulted in a negative compound annual growth rate of -1.08%, in contrast to the State's Gross Domestic Product (GDP), which grew positively at a rate of 7.2%. Consequently, the percentage share of the turnover from working PSUs in the State's GDP was insignificant with an average of 0.02%. Additionally, the working State PSUs reported an accumulated loss of ₹73.33 crore, based on their latest finalized accounts.

9.3 KEY PARAMETERS PERTAINING TO STATE PSUS IN NAGALAND

Table 9.3 Key Parameters pertaining to SPSUs in Nagaland (₹. in Crores).

Year	Debt	Turnover	Debt-Turnover ratio	Accumulated loses	Interest Payment
2012-13	61.46	6.75	9.11:1	51.38	-
2013-14	61.66	5.98	10.31:1	49.35	-
2014-15	65.26	6.26	10.42:1	51.84	-
2015-16	70.12	6.23	11.26:1	49.28	1.97
2016-17	70.96	6.61	10.74:1	73.80	2.38
2017-18	67.20	6.48	10.37:1	78.50	2.68
2018-19	70.05	6.70	10.46:1	66.38	2.08
2019-20	73.72	6.78	10.78:1	68.62	2.06
2020-21	71.63	6.52	10.99:1	67.75	1.61
2021-22	71.85	6.05	11.88:1	73.33	1.09
CAGR (%)	1.57	-1.08	2.69	3.62	-8.1

Source: CAG Audit Reports (2012-13 to 2022-23).

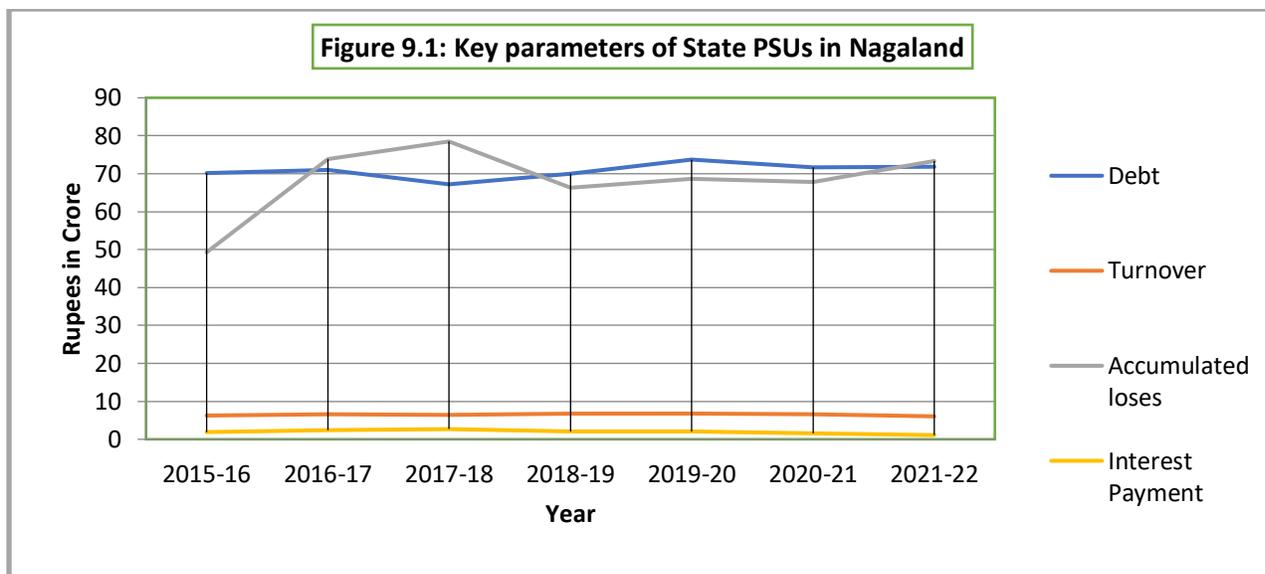


Table 9.3 highlights the key parameters of State PSUs in Nagaland. Over the ten-year period from 2012-13 to 2021-22, the debt levels of these PSUs consistently exceeded their turnover by more than ten times, indicating significant challenges in debt repayment and servicing. The debt-to-turnover (DTR) ratio of State PSUs steadily increased from 9.11:1 in 2012-13 to 11.88:1 in 2021-22, reflecting a compound annual growth rate of 2.69%, primarily driven by an increase in the long-term borrowings of the State PSUs.

The debt levels of working State PSUs increased from ₹61.46 crore in 2012-13 to ₹71.85 crore in 2021-22, reflecting a compound annual growth rate of 1.57%. In contrast, the turnover of these PSUs remained low, declining from ₹6.75 crore to ₹6.05 crore over the same period, with a negative compound annual growth rate of -1.08%. A high debt-to-turnover (DTR) ratio indicates that the PSUs have taken on excessive debt relative to their income from core activities, which is a concerning sign for their financial health. Additionally, as shown in the table 9.3, the combined effect of rising debt and decreasing turnover has led to an increase in accumulated losses, which grew from ₹51.38 crore to ₹73.33 crore correspondingly, registering a growth rate of 3.62%. Amidst

these challenges, interest payments remained low and even declined at a rate of -8.1% during the period adding financial burden to the PSUs.

9.4: PROFIT AND LOSSES OF STATE PSUs IN NAGALAND

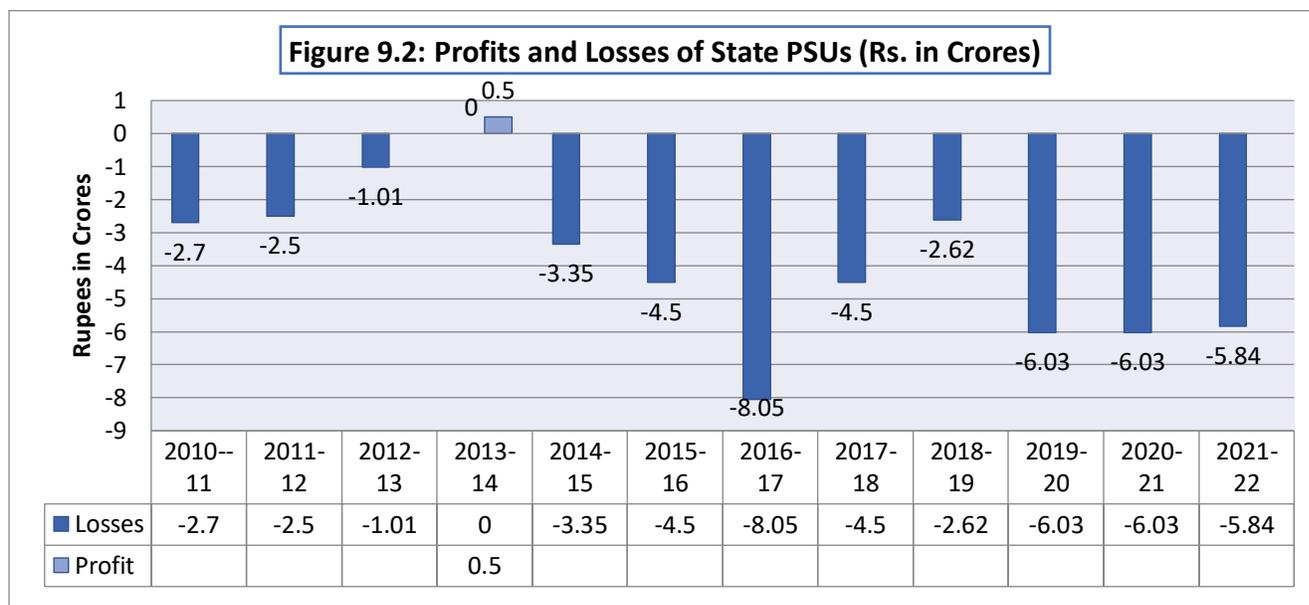


Figure 9.2 shows that the overall losses incurred by the working State PSUs increased from ₹2.70 crore in 2010-11 to ₹5.84 crore in 2021-22, with the exception of a minor rise in profits of ₹0.50 crore in 2013-14. In 2021-22, out of the five working PSUs, only Nagaland State Mineral Development Corporation Limited reported a profit of ₹2.50 crore. The losses of these PSUs are generally attributed to shortcomings in management, planning, operations, and monitoring resulting in reduction of turnover from its operation. The SPSUs mostly depend on State Government grants to meet the salary expenditure of its employees since they have less or no income from operation.

To address the ongoing decline in their financial performance, it is essential to implement measures for improved management, operation, and monitoring of the activities of the working State PSUs, as recommended by the CAG report.

9.5. INVESTMENT IN STATE PSUs

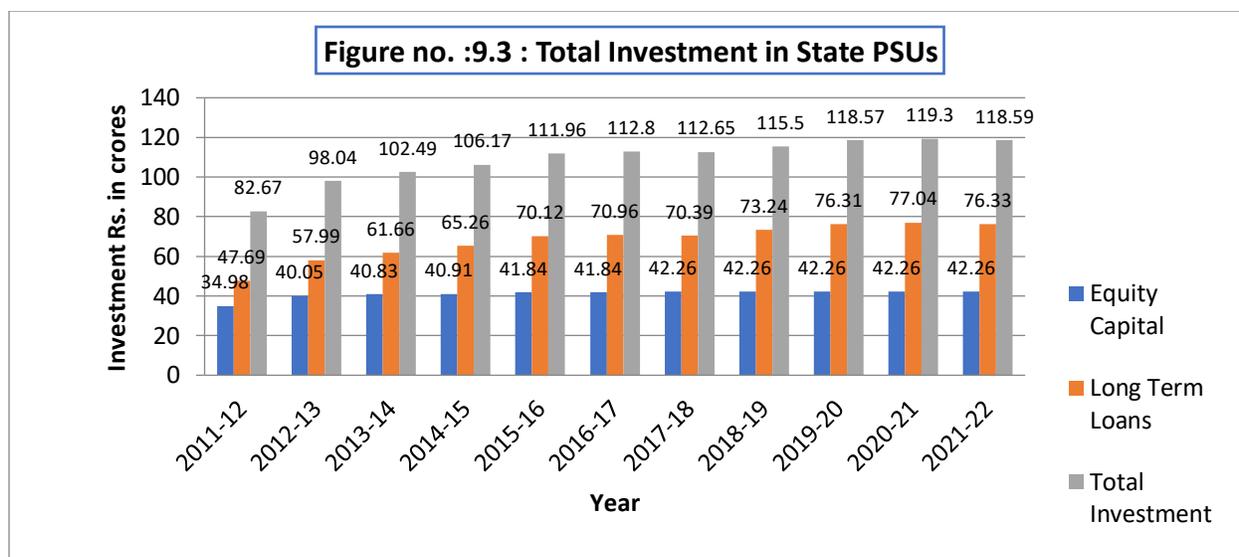
Investments in PSUs comprise contributions from the State Government as well as from other entities, including the Central Government, holding companies, banks, and financial institutions. The State Government's involvement in these PSUs generally takes three forms: share capital and loans, special financial support in the form of grants and subsidies when needed, and guarantees for the repayment of loans with interest taken by the PSUs from financial institutions.

Table 9.4 here below reveals the investment (equity capital and long term loans) in State PSUs in Nagaland for the period 2011-12 to 2022-23.

Table 9.4: Investment in Governments SPSUs in Nagaland (Rs. in Crore)

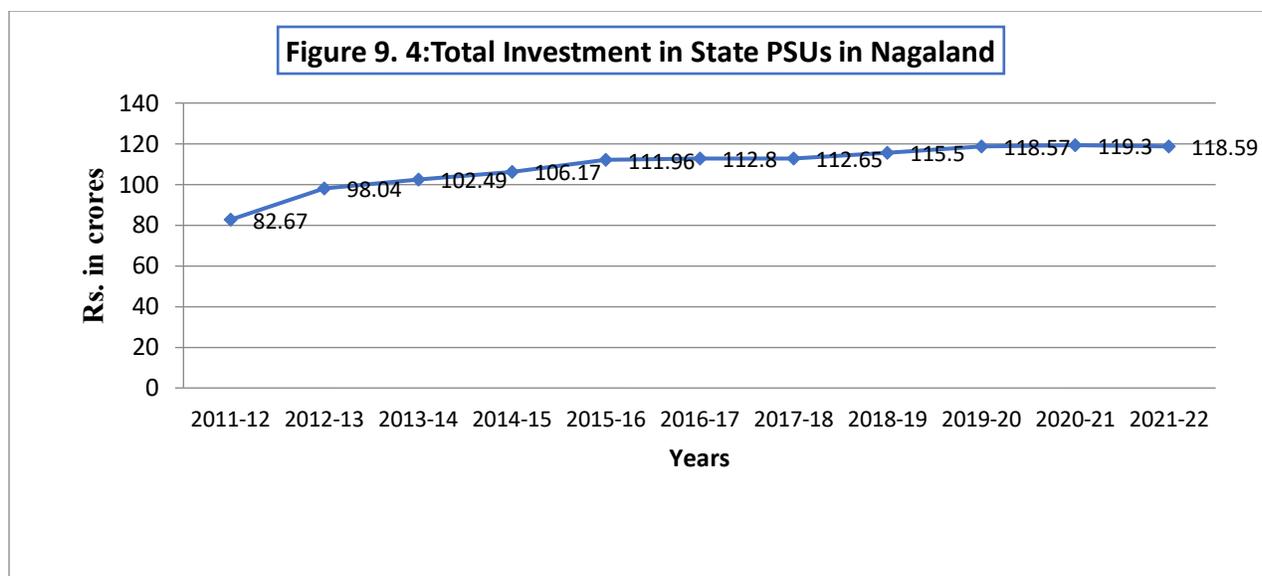
Year	Total Investment					
	Equity Capital	Long Term Loans	Total	% change	% in total Investment	
					Equity Capital	Long Term Loans
2011-12	34.98	47.69	82.67	-	42.31	57.69
2012-13	40.05	57.99	98.04	18.59	40.85	59.15
2013-14	40.83	61.66	102.49	4.54	39.84	60.16
2014-15	40.91	65.26	106.17	3.59	38.53	61.47
2015-16	41.84	70.12	111.96	5.45	37.37	62.63
2016-17	41.84	70.96	112.80	0.75	37.09	62.91
2017-18	42.26	70.39	112.65	-0.13	37.51	62.49
2018-19	42.26	73.24	115.50	2.53	36.59	63.41
2019-20	42.26	76.31	118.57	2.66	35.64	64.36
2020-21	42.26	77.04	119.30	0.62	35.42	64.58
2021-22	42.26	76.33	118.59	-0.60	35.64	64.36
CAGR	1.73	4.36	3.33		-1.54	1

Source: CAG reports, Govt. of Nagaland (Various Issues).



As shown in Table 9.4 and Figure 9.3, the total investment by the State Government and other entities in six State PSUs increased from ₹82.67 crore (including both capital and long-term loans) in 2011-12 to ₹118.59 crore in 2021-22. This represents a compound annual growth rate of 3.33% over the period. During the same time, equity capital grew by only 1.73%, while long-term loans (LTL) increased by 4.36%.

In the total investment, the proportion of equity capital has consistently been lower than that of long-term loans (LTL). In 2021-22, the total investment consisted of 64.36% of long-term loans (₹76.33 crore), with the remaining 35.64% (₹42.26 crore) representing equity capital. Over the observed period, the percentage share of equity capital in total investment declined by -1.54%, while the percentage share of LTL increased by 1%, as shown in Table 9.4.



According to the CAG Report No. 2 of 2023, about 30% (₹35.15 crore) of the total investment (₹118.59 crore) in 2022 was contributed by the State Government, while the remaining 70% came from other sources, including the Central Government, holding companies, and banks. Table 9.4 indicates that the total investment generally increased throughout the period under review, with the exception of 2018-19 (-0.13%) and 2021-22 (-0.60%). The decline in investment by ₹0.71 crore in 2022 was primarily due to loan repayment. Overall, the total investment recorded a compound annual growth rate of 3.33% during the period.

9.5.1: Sector wise Investment in SPSUs in Nagaland

The investment in Public Sector Undertakings (PSUs) includes contributions made by the State Government and Others across various sectors, including finance, manufacturing, services, and miscellaneous.

Table.9.5: Investment in SPSUs in Nagaland.

Year	Financial Investment		Others*		Total Investment (Rs. in crore)
	Rs. in crore	% in total	Rs. in crore	% in total	
2011-12	55.41	67.03	27.26	32.97	82.67
2012-13	58.74	59.91	39.3	40.09	98.04
2013-14	63.34	61.80	39.15	38.20	102.49
2014-15	67.54	63.61	38.63	36.39	106.17
2015-16	70.60	63.06	41.36	36.94	111.96
2016-17	72.15	63.96	40.65	36.04	112.8
2017-18	71.79	63.73	40.86	36.27	112.65

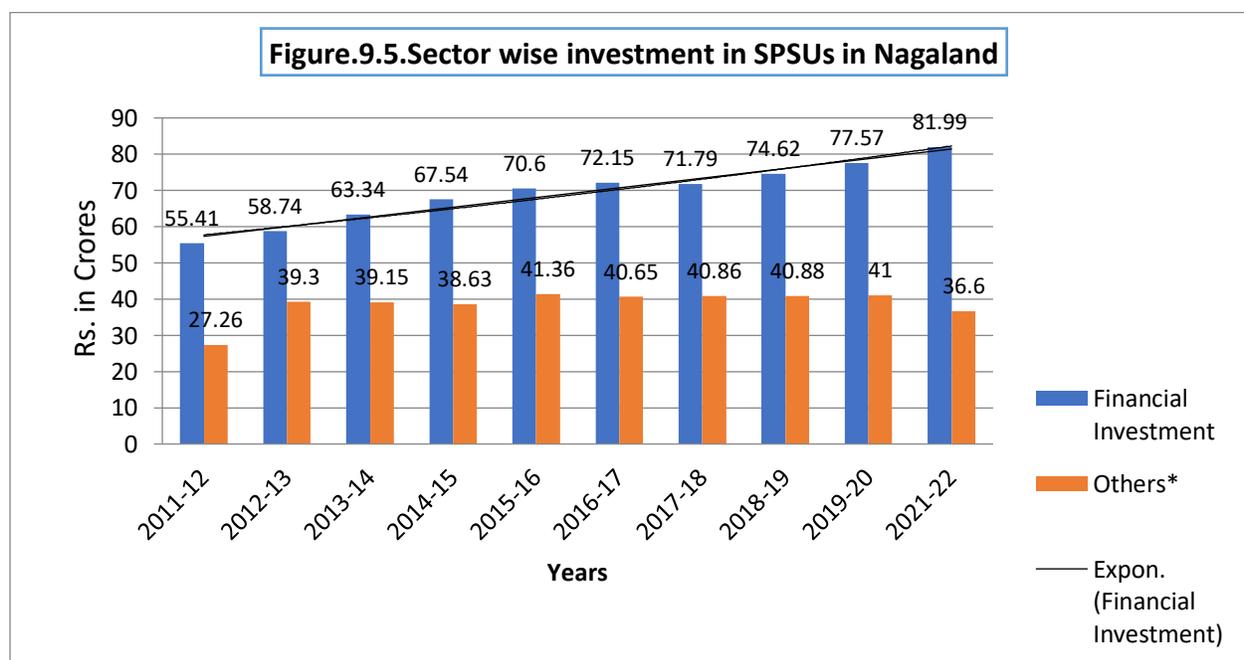
2018-19	74.62	64.61	40.88	35.39	115.50
2019-20	77.57	65.42	41.00	34.58	118.57
2021-22	81.99	69.14	36.6	30.86	118.59
CAGR	4	0.31	2.99	-0.66	3.67

Source: CAG reports (Various Issues)

*Note: Other Investment includes manufacturing, services and miscellaneous

Table 9.5 and Figure 9.5 present the investments in two major sectors: financial and other sectors (including manufacturing, services, and miscellaneous), as well as their respective percentages from March 31, 2011-12, to March 31, 2021-22. It is evident that the State Government's investment in the financial sector remained higher throughout the selected years, achieving a compound annual growth rate (CAGR) of 4 per cent, increasing from ₹55.41 crore in 2011-12 to ₹81.99 crore in 2021-22. In contrast, the investment in the other sectors consistently remained lower than the financial sector, rising from ₹27.26 crore in 2011-12 to ₹41.00 crore in 2019-20, before declining to ₹36.6 crore in 2021-22, with a CAGR of 2.99 per cent.

A significant portion of PSU investments is concentrated in the financial sector, representing almost 70% of the total investment and achieving a growth rate of 0.31 per cent between 2011-12 and 2021-22. In contrast, investments in other sectors have been relatively lower, with their share of the total investment decreasing from 32.97 per cent in 2011-12 to 30.86 percent in 2021-22, with a negative growth rate of -0.66 per cent during the same period.



9.6. SPECIAL SUPPORT AND GUARANTEES TO PSUs

The summarized details of budgetary outgo towards equity, loans, grants/ subsidies, guarantees issues and guarantees commitment in respect of SPSUs are given below for ten years ended 2012-13 to 2021-22.

Table.9.6: Details of budgetary outgo towards equity, loans, grants/subsidies, and share of SPSUs in total GIA (Rs. in crore)

Years	Equity Capital outgo from budget	Loans given from budget	Grants/Subsidy from budget		Total Outgo (2+3+4)	% share of Grants to PSUs in total GIA	Guarantees issued	Guarantee Commitment
			Amount	% in total outgo				
1	2	3	4	5	6	7	8	9
2012-13	2.40	6.59	14.25	60.79	23.44	7.75	--	11.59
2013-14	4.25	--	16.00	79.01	20.25	8.43	--	6.55
2014-15	--	8.68	10.66	55.12	19.34	4.55	4.48	8.68
2015-16	--	5.64	16.25	74.23	21.89	13.53	5.64	15.00
2016-17	--	2.98	18.90	86.38	21.88	9.32	2.98	15
2017-18	0.42	2.08	24.41	90.71	26.91	14.53	2.08	2.25
2018-19	--	3.85	25.04	86.67	28.89	14.99	3.85	15
2019-20	--	3.41	24.49	87.78	27.90	15.24	3.41	15
2020-21	--	0.62	26.76	97.74	27.38	13.73	0.62	15
2021-22	--	4.28	28.30	86.86	32.58	13.07	4.28	15
CAGR	--	-4.22	7.1	3.63	3.35	5.00	-0.57	2.61

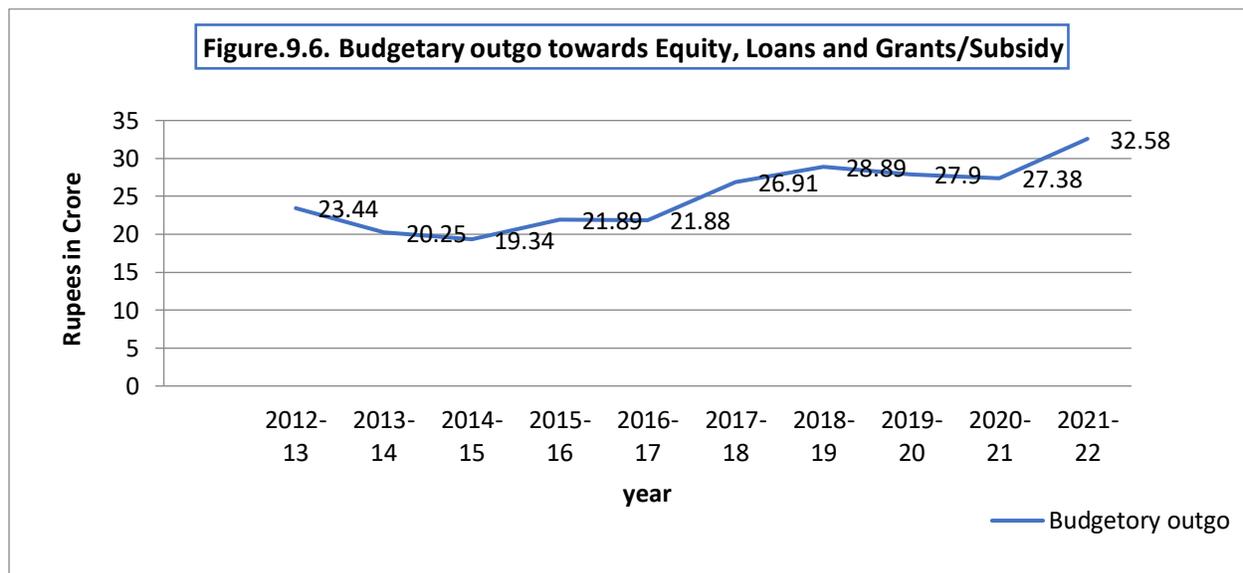
Source: CAG reports (Various Issues).

Table 9.6 and figure 9.6 illustrate the year-wise budgetary outgo of the State Government towards equity, loans, and grants, which rose from ₹23.44 crore in 2012-13 to ₹32.58 crore in 2021-22, reflecting a compound annual growth rate (CAGR) of 3.35%. However, the total budgetary outgo exhibited a fluctuating trend, decreasing to ₹19.34 crore in 2014-15 then gradually increased to ₹28.89 crore in 2018-19 and reached ₹32.58 crore in 2021-22.

In the total budgetary outgo, loans from the budget decreased by 4.22%, while grants and subsidies increased by 7.1% during the period under review. Notably, the majority of budgetary support was in the form of grants and subsidies, which increased from 60.79% in 2012-13 to 97.74% in 2020-21 but decreased to 86.86% in 2021-22, exhibiting a compound annual growth rate of 3.63% over the period. Additionally, the proportion of grants to Public Sector Undertakings (PSUs) in the State's total Grants-in-Aid (GIA) increased from 7.75% to 13.07% over the review period, with a compound annual growth rate of 5%. This indicates the growing financial burden of state PSUs on

the State's finances each year. During the same period, guarantees issued to PSUs declined by 0.57%, whereas guarantee commitments increased by 2.61%.

The details regarding total budgetary outgo towards equity, loans and grants/subsidies for past ten years (2012-13 to 2021-22) are given below in figure 9.6. with an increasing trend.



9.7. ARREARS IN FINALIZATION OF ACCOUNTS

Table: 9.7: Distribution of Arrears in Finalization of Accounts

Year	Number of Working PSUs/other companies	Number of accounts finalised during the year	Number of accounts in arrears	Number of Working PSUs with arrears in accounts	Extent of arrears (numbers in years)
2012-13	5	21	30	5	1 to 9
2013-14	5	17	18	5	1 to 5
2014-15	5	6	17	5	1 to 5
2015-16	5	2	20	5	1 to 6
2016-17	5	3	22	5	1 to 7
2017-18	5	6	21	5	1 to 8
2018-19	5	8	17	5	1 to 9
2019-20	5	2	21	5	1 to 10
2020-21	4	14	9	4	1 to 3
2021-22	5	3	15	5	1 to 5
2022-23					

Source: CAG Reports, Government of Nagaland (Various Issues).

According to Sections 166, 210, 240, 619, and 19-B of the Companies Act, 1956, companies are required to finalize their accounts within six months of the close of the relevant financial year. Delays in finalizing accounts can lead to risks such as fraud and the misappropriation of public funds, in addition to violating legal requirements. Furthermore, timely finalization of accounts is crucial for the State Government to accurately assess the financial health of PSUs and to prevent financial mismanagement and misuse of funds.

Table 9.7 shows that the number of accounts in arrears per working PSU declined from 30 in 2012-13 to 17 in 2014-15 and gradually increased to 21 in 2019-20, but declined to 15 in 2021-22.

The increase in arrears has primarily been attributed to the non-submission of accounts by Kohima Smart City Development Limited (KSCDL) since its establishment on March 24, 2017. As shown in Table 9.1, other PSUs have also pending financial statements. Nagaland Industrial Development Corporation Limited (NIDC) has not submitted its accounts for one year (2022-23), Nagaland State Mineral Development Corporation Limited (NSMDC) has a backlog of two years (2021-22 and 2022-23), Nagaland Hotels Limited (NHL) has not submitted its accounts for five years (2017-18 to 2022-23), Nagaland Industrial Raw Material and Supply Corporation Limited (NIRMSC) is pending for four years (2019-20 to 2022-23), and Nagaland Handloom and Handicrafts Development Corporation Limited (NHHDC) has accounts pending for three years (2020-21 to 2022-23).

In addition to the above, Nagaland Sugar Mills Company Ltd. (NSMCL), a non-working State PSU, finalized its accounts for the years 1977-78 to 2001-02. However, it still has 21 years of pending accounts, covering the period from 2002-03 to 2022-23.

The administrative departments have the responsibility to oversee the activities of these entities and ensure that the accounts are finalized and adopted by these SPSUs within the prescribed period. In view of above state of affairs, it is recommended that the Government should monitor and ensure timely finalization of accounts in conformity with the provisions of the Companies Act, 1956 and orders of the Ministry of Corporate Affairs from time to time. To overcome the long run pending (backlog) on arrears of accounts all the SPSUs need to take effective measures for early clearance of the backlog and make their accounts up-to-date. SPSUs should ensure finalization of at least one-year accounts by 30th September each year so as to restrict further accumulation of accounts backlog.

9.8. RECOMMENDATIONS

- ✓ The Government needs to take effective measures for early clearance of backlog account arrears and make the accounts up to date.
- ✓ The accounts of non-working PSU in the State should be withdrawn and Government needs to expedite closing down the company to reduce the burden of maintenance.
- ✓ The administrative department prerequisite the accountability to direct the activities for strengthen the working PSUs in the State.
- ✓ The Government should come forward to set up a monitoring/ regulatory cell to the clearance of arrears and set the targets for individual companies.
- ✓ The Government needs to take an action plan for outsourcing the work relating to preparation wherever the staff is inadequate or lacks expertise.

9.9. CONCLUSION

The primary objective of establishing State PSUs in Nagaland was to promote economic growth and improve social welfare. These enterprises were intended to engage in commercial activities while focusing on the welfare of the people, playing a crucial role in the State's economy. As of 2023, Nagaland had six working State PSUs and one non-working PSU. Over the ten-year period from 2012-13 to 2021-22, the turnover from the working PSUs declined by 1.08%, dropping from ₹6.75 crore to ₹6.05 crore. The share of this turnover in the State's GDP remained minimal and decreased by 6.69% during the same period. Accumulated losses for these PSUs consistently grew, and their debt levels surpassed their turnover by more than tenfold, highlighting significant challenges in debt repayment and servicing. The debt-to-turnover (DTR) ratio of State PSUs increased to 11.88:1 in 2021-22, with a compound annual growth rate of 2.69%, largely due to a rise in long-term borrowings.

The State Government's investment in the financial sector remained the highest in all the selected years as compared to other sectors, and grants or subsidies constituted more than 80% of the budgetary outgo. The share of grants to Public Sector Undertakings (PSUs) in the State's total Grants-in-Aid (GIA) rose above ten per cent with a compound annual growth rate of 5 per cent, highlighting the growing financial burden of state PSUs on the State's finances. Additionally, the number of accounts in arrears for working PSUs has noticeable decline in recent years.

CHAPTER 10

IMPACT OF POWER SECTOR ON STATES' FINANCIAL HEALTH

10.1. INTRODUCTION

In Nagaland, the Department of Power was established in 1964 to provide power supply to public, industry and agriculture sectors in the State. It is the sole agency responsible for Generation, Transmission & Distribution of Power throughout the State. Like many other states, Nagaland has also been facing the problems of energy shortages, inadequate power infrastructure, unreliable and poor supply of electricity, growing revenue deficit, inadequate revenue collection and the resultant negative impact on the State finances.

The State is power-starved despite having substantial Hydro potential and thus, depends on the power allocation from the Central Public Sector Units (CPSUs) which barely meets the demand during the lean season. The energy shortages in peak seasons are due to poor supply, poor infrastructural capacity, and ineffective hierarchical organizational structure. The state per capita energy consumption is very low when compared to other states as well as the national average. The state per capita consumption is around 445 kWh against the national average of 1331kWh during the year 2022-23. Poor operational and financial performance in the state has been reflecting in the rating of the State's progress in power sector. Nagaland has a total installed capacity of 35.71 MW in 2022-23, which comprised of 32.67 MW of small hydro power and 3.04MW of solar power, as against country's total capacity of 125159.81 MW. In 2023, the state accounted for about 0.02% of the total installed capacity in the country.

As part of the reform process the Government of Nagaland have initiated the Communitization² programme in the power sector during 2002-2003 implementing the Single Point Metering (SPM) system for billing and collection of revenue, under the Nagaland Communitization Act of Public Institutions and Services Act, 2002. Under the system, the Village Electricity Monitoring Board (VEMB) collects fixed monthly electricity charges from households, irrespective of the units consumed and deposits to the government after deducting a service charge. However, in

²Communitization is a unique way of decentralization of electricity management through community empowerment. It consists of a unique partnership between the government and the community involving transfer of and sharing responsibility of management of the government institutions with the community; all with the aim of improving the delivery of public utility systems.

urban area SPM is not being strictly followed. The main objective of the programme is to improve the delivery of public utility systems by decentralization and delegation of responsibilities, community empowerment, augmenting synergistic relationship between government and the community for fast-tracking the institutions in their service delivery.

The state Government initiated restructuring process of power sector in Nagaland by signing of Memorandum of Understanding (MOU) with the Central Government in order to realize the dream for its citizens to provide 24x7 power supply and propel the State to launch the scheme of ‘**24x7 power for all**’ in 2016. The main objective of this scheme is to connect the unconnected in phased manner by 2018-19 and provide quality, reliable and affordable power for all the citizens of state on 24x7x365 basis by strengthening smart power purchase mechanism and revamping of transmission and distribution network, encouraging renewable energy, demand side management & energy efficiency measures, undertaking customer centric initiatives, reduction of AT & C losses, bridging the gap between ACS & ARR etc.(GoN report on 24x7 power for all, 2016).

Electrification efforts are underway with government schemes like the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA). These initiatives aim to provide universal household electrification, not only in rural but also in urban areas. Under this scheme, both rural and urban households that were previously un-electrified have been connected to the power supply.

As of 2023, Nagaland has 1,326 villages, of which 1,325 have been electrified, indicating a near-complete electrification rate of 99.92%. Only Aboiri village in Longleng district remains without electricity (Annual report, DoP). Most districts in Nagaland have achieved 100% electrification of their villages, reflecting significant progress in providing power to rural areas. Similarly, all the urban towns have been electrified in the state.

10.2. POWER SUPPLY SCENARIO

The State’s electricity supply from the central grid tends to be the major source which varies in different seasons (peak to slack). The state’s own total installed capacity is meagre of 35.71 MW in 2022-23. The data in table 10.2 and figure 10.1 show that the State has a limited installed capacity of power generation from its own facility and the shares from the Central Sector Utilities added up to 208.20MW in 2023-24. During the 12 (twelve) years of observation, it exhibited a compound annual growth rate of 6%. During 2015-16 to 2023-24, Coal was increased from 10.70 Mw to 32.10 MW.

During 2012-13 to 2023-24, thermal increased from 21.19 MW to 73.93 MW and total renewable energy from 81.99 MW to 102.17 MW. The CAGRs are estimated at 12.98 %, 10.97% and 1.85%, respectively.

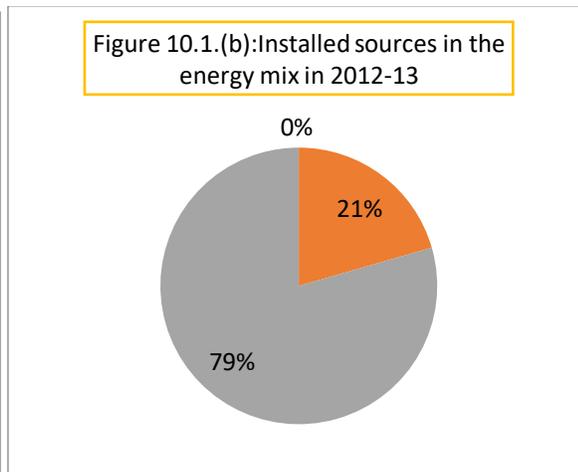
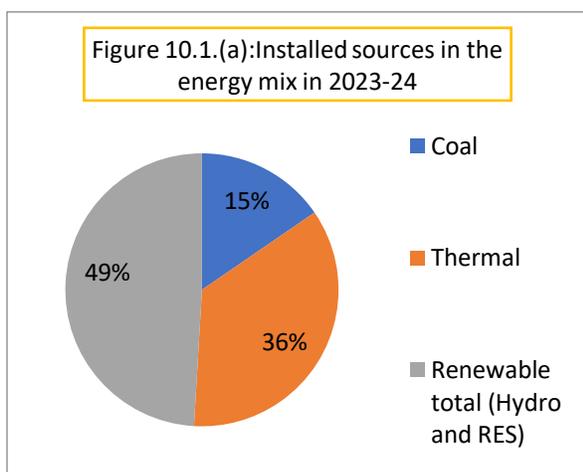
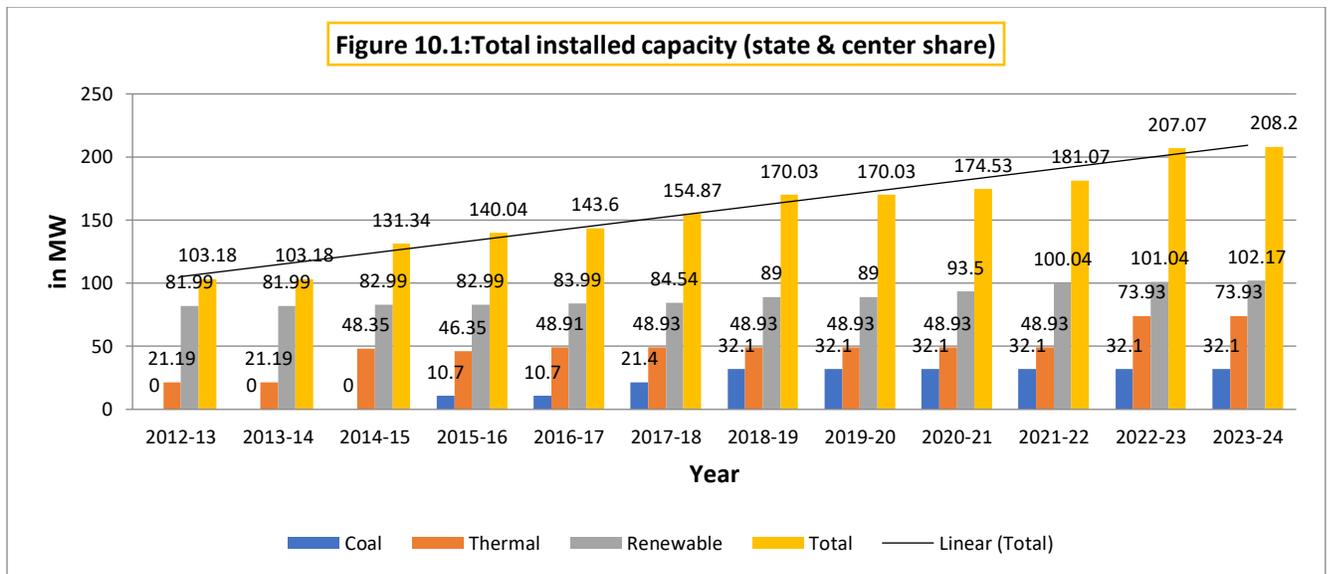
Table no.10.2: Installed Capacity of Power Utilities including allocated shares in Central Sector Utilities (in Mw).

Year	Mode wise breakup										
	Coal	Thermal				Nuclear	Renewable			Grand Total	% share of renewable in total
		Lignite	Gas	Diesel	Total		Hydro	RES*	Total		
2012-13	0.00	0.00	19.19	2.00	21.19	0.00	53.32	28.67	81.99	103.18	79.46
2013-14	0.00	0.00	19.19	2.00	21.19	0.00	53.32	28.67	81.99	103.18	79.46
2014-15	0.00	0.00	46.35	2.00	48.35	0.00	53.32	29.67	82.99	131.34	63.19
2015-16	10.70	0.00	46.35	0.00	46.35	0.00	53.32	29.67	82.99	140.04	59.26
2016-17	10.70	0.00	48.91	0.00	48.91	0.00	53.32	30.67	83.99	143.6	58.49
2017-18	21.40	0.00	48.93	0.00	48.93	0.00	53.37	31.17	84.54	154.87	54.59
2018-19	32.10	0.00	48.93	0.00	48.93	0.00	57.33	31.67	89.00	170.03	52.34
2019-20	32.10	0.00	48.93	0.00	48.93	0.00	57.33	31.67	89.00	170.03	52.34
2020-21	32.10	0.00	48.93	0.00	48.93	0.00	61.83	31.67	93.50	174.53	53.57
2021-22	32.10	0.00	48.93	0.00	48.93	0.00	66.33	33.71	100.04	181.07	55.25
2022-23	32.10	0.00	73.93	0.00	73.93	0.00	66.33	34.71	101.04	207.07	48.80
2023-24	32.10	0.00	73.93	0.00	73.93	0.00	66.33	35.84	102.17	208.20	49.07
CAGR (%)	12.98				10.97				1.85	6.02	-4.00

Source: Annual Reports, Central Electricity Authority, Ministry of Power, Government of India

*RES=Renewable Energy Sources

In 2023-24, the installed power capacity shows coal and thermal sources contributed 15.42% and 35.51%, respectively. Renewable resources accounted for the largest share, although it decreased from 79.46% in 2012-13 to 49.07%, with a negative CAGR of -4%. Meanwhile, the share of coal and thermal energy grew with CAGRs of 8% and 5%, respectively, indicating a gradual shift toward these sources in the energy mix.



10. 3. GENERATION AND PURCHASED OF ELECTRICITY

Generally the of energy requirements in Nagaland are met through purchased from the Central Public Sector Units (CPSUs) like NEEPCO, NHPC, and PGCIL. Power purchases increased significantly from 481.35 MW in 2012-13 to 930.38 MW in 2023-24, with a compound annual growth rate (CAGR) of 5.65%. The state's own generation remains low, which declined from 95.76MW to 74.7MW, exhibiting a dropped of -2.05 %.

Further, table 10.3 reveals that the state's own generation contributes only 7.43% of total power, while 92.57% is purchased from CPSUs in 2023-24. The trend shows that the share of own

generation in total power available has declined by -6.47%, while the share of purchased has increased by 0.87% during the period.

Table no.10.3: Generation and Purchased of Electricity (MW) in Nagaland.

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Generation Hydro	95.76	104.12	84.14	85	92.97	85.93	89.09	NA	58	62.07	102.7	74.7
Energy Purchased	481.35	536.64	684.82	774.76	805.67	794.68	837.86	869.22	905.54	907.8	949.45	930.38
Total availability	577.11	640.76	768.96	859.76	898.64	880.61	926.95	895.22	963.54	969.87	1052.15	1005.08
% of generation	16.59	16.25	10.94	9.89	10.35	9.76	9.61	2.90	6.02	6.40	9.76	7.43
% of purchase	83.41	83.75	89.06	90.11	89.65	90.24	90.39	97.10	93.98	93.60	90.24	92.57

Source: Annual Reports, Department of Power and Statistical Hand Books, GON (various issues)

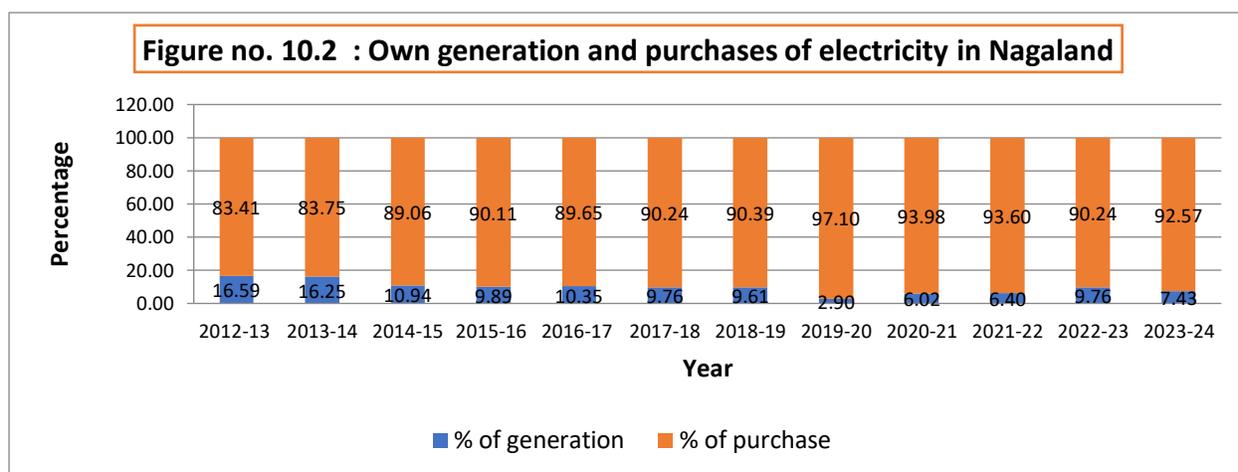


Figure 10.2 shows that in total available energy, the share of energy purchased has increased from 83.41% in 2012-13 to 92.57% in 2023-24, while the state's own generation has declined from 16.59% to 7.43% over the same period. This trend indicates a widening gap between the state's own power generation and the energy purchased from other sources. The meagre generation is due to limited facilities and capacity in the state.³These facilities together with the state's share in central units constitutes about only 7% of the total power requirements, where about 93% is meet through purchase from others sources in 2023. With negligible generation of its own, the state depends mostly on the central sector allocation (about 202 MW) and the rest purchase from the market.

³The three commissioned hydro electric projects has a total capacity of 26 MW only, these are Likimro in Kiphire district (24 MW), Lang at Noklak district (1 MW) and Tehok in Mon district (1 MW).

10.4. ENERGY CONSUMPTION AND DEMAND

Energy consumption refers to the amount of energy used by individuals, industries, and entire economies to power various activities and processes. The demand for energy is driven by factors such as population growth, industrialization, urbanization, technological development, and lifestyle changes.

Table 10.4 represent the data on per capita electricity consumption from 2011-12 to 2022-23 in Nagaland and India.

Table no.10.4: Per capita Electricity consumption (in kWh) in Nagaland and India.

State/UTs	2011-12	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR (%)
Nagaland	257	311	346	345	348	356	367	421	433	445	5.64
All India	884	1010	1075	1122	1149	1181	1208	1161	1255	1331	4.17

Source: Annual Report, 2023, Central Electricity Authority Ministry of Power, Government of India.

Per capita electricity consumption in Nagaland remained considerably lower than the national average throughout the period. For instance, in 2022-23, while Nagaland recorded 445 kWh, the national average was almost three times higher at 1,331 kWh. However, Nagaland exhibits a higher compound annual growth rate (CAGR) than all-India average (5.64% and 4.17 %, respectively). The disparity in per capita consumption indicates that Nagaland, like many other north-eastern states, faces unique challenges in electricity infrastructure, distribution, and consumption compared to more industrialized regions of India. This underlines the importance of continued investments in energy infrastructure and policies aimed at enhancing electricity accessibility and efficiency in the state.

On the other hand, the national growth was relatively consistent, with a minor dip in 2020-21, which may be due to the COVID-19 pandemic's impact on industrial and commercial activities. The rebound in 2021-22, with a jump to 1,255 kWh, highlights the recovery of energy demand post-pandemic.

10.5. ENERGY CONSUMPTION BY SECTORS

Energy consumption and demand vary significantly across different sectors of an economy. Understanding how energy is utilized in each sector is crucial for developing strategies to optimize

energy use, improve efficiency, and reduce environmental impact. For the purpose of estimation, power consumers have been broadly classified into the domestic consumer, commercial, industrial, agriculture, public light etc.

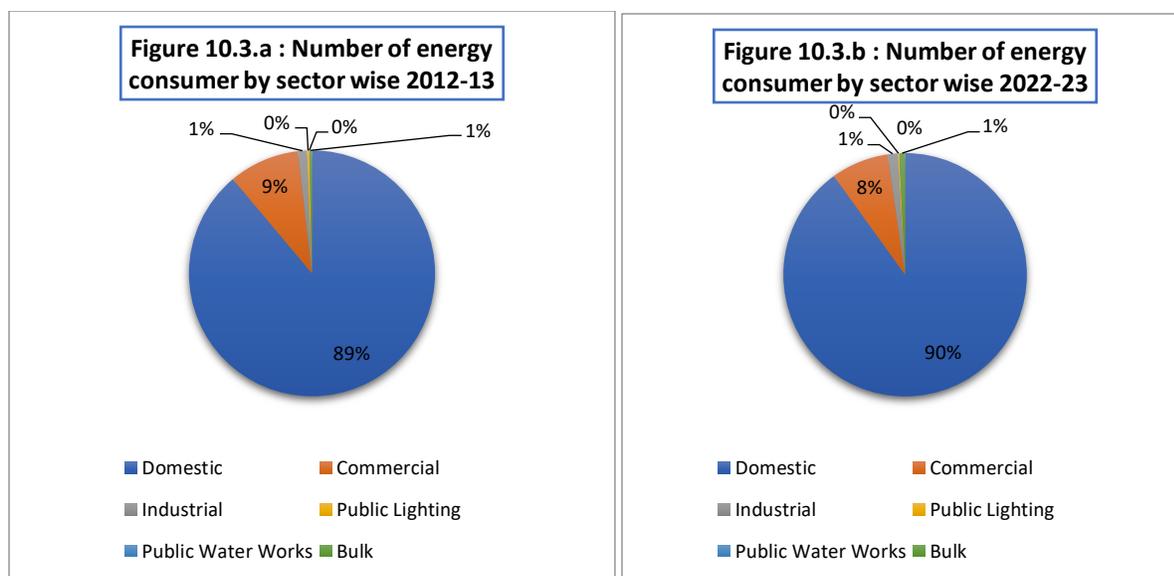
10. 5 (a) Number of Consumers by Sector-wise:

Table 10.5 indicates that the energy demand has been grown significantly with the increased in the number of consumers from 2,02,533 in 2012-13 to 3,17,210 in 2022-23, with a compound annual growth rate of 5.11 per cent. Figure no. 10.3 shows that out of the total consumers in 2022-23, about 90 per cent were of domestic house hold consumers, followed by commercial (8%) and industrial and public lighting consumers (1% each) in 2022-23. The proportion of energy consumers by different economic sectors shows no significant changes during the period under observation.

Table.10.5. Distribution of electricity consumers under different category (in Nos.)

year	Domestic	Commercial	Industrial	Public Lighting	Public Water Works	Bulk	Sale to other State	Agri. Power	Total	% change
2012-13	180000	18800	2400	600	30	700	1	2	202533	---
2013-14	193672	18836	2426	600	30	718	1	0	216283	6.79
2014-15	209019	19181	2604	600	30	775	1	1	232211	7.36
2015-16	235692	20962	2974	600	39	1087		1	261355	12.55
2016-17	248412	17364	4048	611	39	1522		1	271997	4.07
2017-18	263833	17937	3972	0	24	1499	1	6	287272	5.62
2018-19	258429	22071	4690	621	38	1522	0.00	1	287372	5.35
2020-21	271802	24212	4342	621	38	2424	0.00	1	303440	5.63
2022-23	285653	24212	4254	621	38	2424	0.00	0.00	317210	9.83
CAGR	5.26	2.85	6.56	0.38	2.66	14.79			5.11	

Source: Department of Power, Govt. of Nagaland



10. 5 (b) Energy Consumption Trends in Nagaland (2012-13 to 2022-23) by sector wise

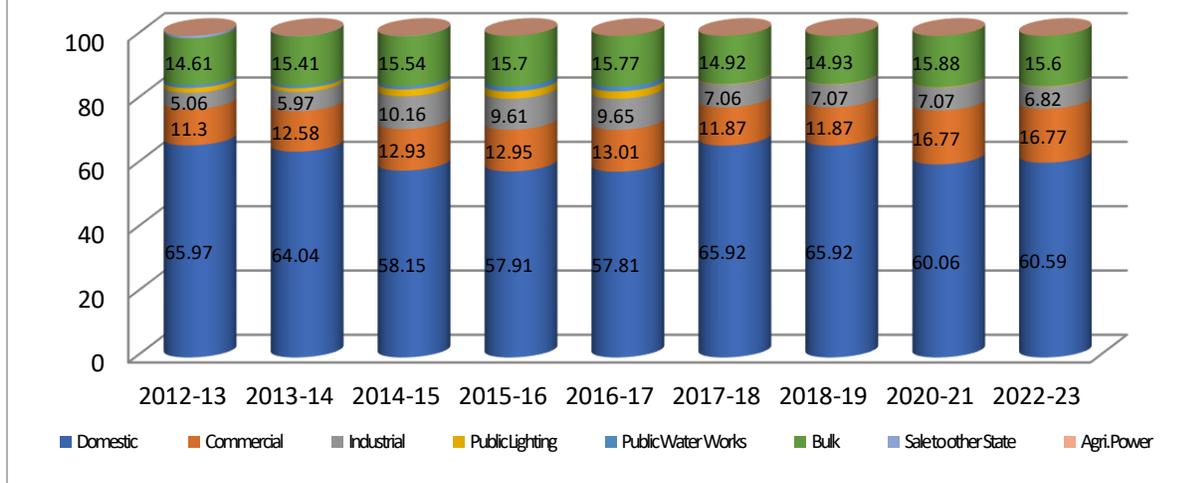
For further understanding the distribution of energy consumption by various sectors in Nagaland, the percentage share of sector wise data from 2012-13 to 2022-23 are depicted in table no. 10.6 and figure 10.4.

Table no. 10.6: Percentage of Energy Consumption by sectors/categories in Nagaland.

	Domestic	Commercial	Industrial	Public Lighting	Public Water Works	Bulk	Sale to other State	Agri. Power	Total
2012-13	65.97	11.30	5.06	1.50	0.87	14.61	0.68	0.01	100.00
2013-14	64.04	12.58	5.97	1.16	0.74	15.41	0.10	0.00	100.00
2014-15	58.15	12.93	10.16	2.13	0.99	15.54	0.10	0.00	100.00
2015-16	57.91	12.95	9.61	2.29	1.54	15.70	0.00	0.00	100.00
2016-17	57.81	13.01	9.65	2.30	1.46	15.77	0.00	0.00	100.00
2017-18	65.92	11.87	7.06	0.17	0.06	14.92	0.00	0.00	100.00
2018-19	65.92	11.87	7.07	0.15	0.06	14.93	0.00	0.00	100.00
2020-21	60.06	16.77	7.07	0.16	0.06	15.88	0.00	0.00	100.00
2022-23	60.59	16.77	6.82	0.16	0.06	15.60	0.00	0.00	100.00
CAGR	-0.94	4.47	3.37	-22.01	-25.7	0.93			

Sources: Statistical Handbooks, GoN.

Figure 10.4: Energy consumption by sector wise (in %)



The energy consumption data for Nagaland from 2012-13 to 2022-23 reveals several key trends as follows:

For *Domestic Sector*, despite a decline (-0.94) in its share from 65.97% to 60.59%, it continues to be the largest consumer of energy with consistent demand for household electricity uses. At the same time, *Commercial sector* has seen steady increase from 11.30% to 16.77%, while the *Industrial sector* showed variability, peaking at 10.16% in 2014-15 before stabilizing at 6.82% in 2022-23, with compound annual growth rates (CAGR) of 4.47% and 3.37%, respectively. This may suggest a shift towards commercial and industrial development in Nagaland in recent years.

On the other hand, the *Public Services* has seen a sharp decline in energy consumption, with public lighting dropping to 0.16% and water works to 0.06%. While, the *Bulk Energy Consumption* category remained relatively stable, slightly increasing from 14.61% to 15.60%, indicating consistent demand from bulk scale energy users.

Energy sales to other states and agricultural power consumption have become negligible, showing no impact on the state's overall energy consumption as agriculture in Nagaland is dominated by Jhum farming with limited scope for energy use.

While domestic consumption remains the largest energy user in Nagaland, there is an evident increase in demand from commercial and industrial sectors, along with a significant decline in public

services like lighting and water works. These trends may be taken as an indicator of gradual shift towards increased commercial activities in the state.

10. 5 (c). Peak Electricity Demand and Projection in Nagaland

Table 10.7 shows the peak electricity demand, peak demand met, and unmet demand in Nagaland from 2012-13 to 2023-24.

Table no 10.9: Peak Electricity Demand and peak Met in Nagaland (in MW).

Year	Peak Demand	Peak Met Demand	Not Met	% of not met in total peak demand
2012-13	110	109	1	0.91
2013-14	120	109	11	9.17
2014-15	145	110	35	24.14
2015-16	156	120	36	23.08
2016-17	140	145	5	3.57
2017-18	155	146	9	5.81
2020-21	160	155	5	3.13
2021-22	173	153	20	11.56
2022-23	168	167	1	0.60
2023-24	180	138	42	23.33

Source: Annual Report- 2023, Central Electricity Authority Ministry of Power, Government of India,

The rise in peak demand indicates a growing need for electricity, possibly due to increased population and economic activities in the region. In Nagaland, a general upward trend in peak electricity demand is observed, increasing from 110 MW in 2012-13 to 180 MW in 2023-24. Correspondingly, peak demand met has also seen to increase but at a slower rate compared to peak demand, highlighting the challenges faced by the state's power infrastructure in keeping up with the growing demand.

The amount of unmet demand has varied significantly over the years; notable years with significant unmet demand include 2014-15, 2015-16, and 2023-24, where the percentage of unmet demand was 24.14%, 23.08%, and 23.33%, respectively.

10. 5 (d). Future Demand Projections

Table 10. 8: Future Demand Projections (in MW).

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Energy Demand projection	997	1041	1088	1134	1182	1228	1272	1299
Yearly Growth (%)	4.62	4.41	4.51	4.23	4.23	3.89	3.58	2.12
Peak Demand Projections	180	187	195	204	213	221	230	235
Yearly Growth (%)	4.68	4.47	4.28	4.62	4.41	3.76	4.07	2.17

Source: Report on Resource Adequacy Plan for the State of Nagaland (2024-25 to 2031-32), Ministry of Power Central Electricity Authority, Government of India.

Table 10.8 provides projections for future energy demand and peak electricity demand in Nagaland from 2024-25 to 2031-32 (Ministry of Power Central Electricity Authority, GoI). The energy demand is expected to rise from 997 MW in 2024-25 to 1,299 MW by 2031-32 and the Peak demand is projected to grow from 180 MW in 2024-25 to 235 MW in 2031-32. Growth rates for both overall energy demand and peak demand show gradual slowing trends.

Nagaland's electricity demand has been steadily increasing over the years, with the state struggling to meet this demand. Future projections suggest continued growth in both overall energy and peak demand, although at a slightly slowing pace. Addressing the challenges in power supply will require strategic investments in infrastructure, upgrading the existing infrastructure and efficiency improvements to ensure reliable electricity access in the future.

10. 6. TRANSMISSION AND DISTRIBUTION LOSSES

The Transmission and Distribution (T&D) losses represent the difference between the energy available and the energy that is actually delivered to end-users. This enables the utility service providers to assess the efficiency of their transmission and distribution networks and identify areas that require improvements to minimize energy losses.

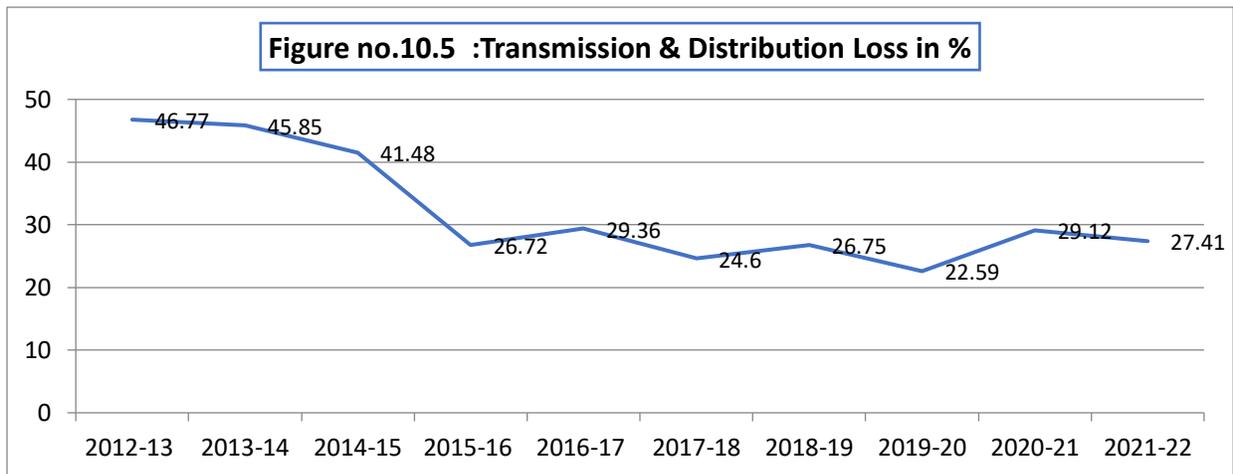
Table 10.9 and Figure 10.5 presents data and illustration on Transmission and Distribution (T&D) losses in Nagaland from 2012-13 to 2021-22, both in terms of Million Units (MU) and percentage.

Table10.9: Trends on Transmission and Distribution losses in Nagaland.

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
T&D Loss in MU	199.16	215.5	185.28	200.18	263.81	216.61	247.95	202.22	280.54	265.87
T&D Loss in %	46.77	45.85	41.48	26.72	29.36	24.60	26.75	22.59	29.12	27.41

Source: Annual Reports, Department of Power, Nagaland.

$T\&D \text{ losses in \%} = \{(Energy \text{ Input to the System}) - (Energy \text{ Billed to Consumers}) / (Energy \text{ Input to the System})\} * 100$



The trends observed over the period reveals that T&D losses in Nagaland have fluctuated significantly over the years, the highest was in 2020-21 at 280.54 MU and slightly decreased to 265.87 MU in 2021-22. The percentage of T&D losses generally shows a downward trend, falling from 46.77% in 2012-13 to 27.41% in 2021-22. The data on T&D losses in Nagaland thus shows a complex trend where, despite the fluctuating absolute losses in terms of Million Units, the overall percentage of losses has decreased over the past decade. This indicates some progress has been made in addressing inefficiencies in the power grid, although there remains a need for continued efforts to further reduce these losses and improve the reliability and efficiency of electricity supply in the state. These losses must have occurred due to technical factors (like resistance in wires and equipment losses etc.) and non-technical factors (such as electricity theft, faulty meters, or data inaccuracies).

10.7. REVENUE AND EXPENDITURE

10.7.(a) Expenditure on Power Purchase - Sales Revenue gap

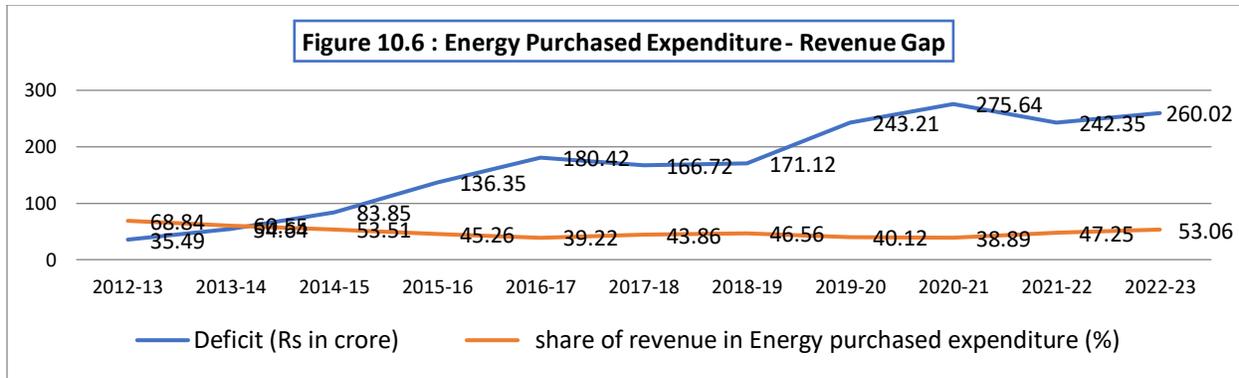
Expenditure on power purchases and revenue from sales are key components of a state's electricity supply chain and financial health, impacting both the availability of power to consumers and the financial sustainability of electricity boards or utilities.

Nagaland relies heavily on power purchased from CPSUs (more than 92%), due to limited capacity of internal power generation. This dependency affects the state's ability to control power costs. Revenue from sales trends shows increasing deficit as the dominant sector is domestic sector, which generally contribute less despite consuming a significant share of the energy as compared to commercial and industrial sectors.

Table no.10.10: Power Purchases and Revenue Gap.

Year	Power purchased (MU)	Power purchased (Rs. in crore)	Revenue Receipt from power sale		Deficit/ Surplus (3-4) (Rs. in crore)
			Amount (Rs. in crore)	% share in purchased	
1	2	3	4	5	6
2012-13	548.54	113.88	78.39	68.84	-35.49
2013-14	609.12	138.52	83.88	60.55	-54.64
2014-15	684.82	180.35	96.5	53.51	-83.85
2015-16	773.77	249.08	112.73	45.26	-136.35
2016-17	805.67	296.84	116.42	39.22	-180.42
2017-18	794.68	296.97	130.25	43.86	-166.72
2018-19	837.86	320.18	149.06	46.56	-171.12
2019-20	869.22	406.13	162.92	40.12	-243.21
2020-21	905.54	451.02	175.38	38.89	-275.64
2021-22	907.8	459.47	217.12	47.25	-242.35
2022-23	949.45	553.95	293.93	53.06	-260.02
CAGR	-	15.46	12.76	-2.33	19.84

Source: Department of Power, GoN, Annual reports, 2014, 2015-16, 2021-22, and 2023-24.



On the revenue side, the Department of Power in the State is not faring well. In 2022-23, the department recovered only ‘a less than half’ of the purchase cost (53.06%). The cost of power purchases has significantly increased over the years, from Rs. 113.88 crore in 2012-13 to Rs. 553.95 crore in 2022-23. At the same time, the revenue receipts from the sale of electricity have also increased but at a slower pace, growing from Rs. 78.39 crore in 2012-13 to Rs. 293.93 crore in 2022-23. Although the revenue has shown a steady increase (12.76%), it failed to keep pace with the rising expenditure on power purchase (15.46%), which has resulted in a persistent increase in deficit.

A significant challenge for Nagaland is the gap between the cost of power purchases and the revenue collected from power sales. This gap leads the power sector to an increasing trend of deficits (compound annual growth rate of 19.84%) and financial stress, which has become remarkable since 2015-16. Figure 10.6 reveals the increased in deficit from Rs. 35.49 crore in 2012-13 to a peak of Rs. 275.64 crore in 2020-21, before it slightly reduced to Rs. 260.02 crore in 2022-23. The proportion of revenue in the total power purchased expenditure has decreased from 68.84% to 38.89 % during 2012-13 to 2020-21, thereafter increased to 53.06% in 2022-23. On average, the share of revenue in total power purchased expenditure has been decreasing at a rate of 2.33% per year over the period. This negative recovery rate confirms the growing deficit trend, despite the fluctuations in individual years. The growing deficit suggests a need for strategic interventions to improve revenue collection, reduce transmission and distribution (T&D) losses, and possibly to manage costs better.

10.7. (b). Total Power Revenue and Expenditure in Nagaland

Nagaland depends on the central budgetary support, loans from North Eastern Council and Financial Institutions for power infrastructure development and also relies on subsidies or financial support from the government to bridge the gap between power purchase costs and sale revenue, ensuring that electricity remains affordable for consumers.

The data in the table 10.11 and figure 10.6 reflects the revenue and expenditure trends of the power sector and its share in State's Total Non Tax Revenue (TNTR) and Total Expenditure on Economic Service (TEES) over 12 years (2012-13 to 2023-24).

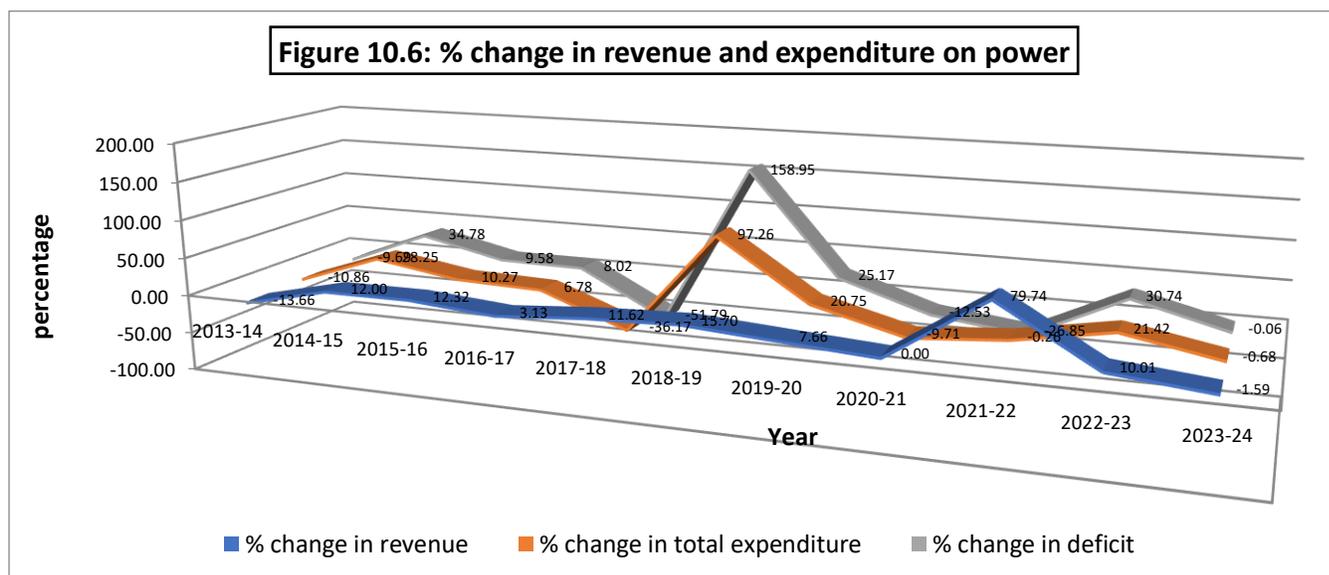
Table no.10.11: Power Sector Revenue and Expenditure and its share (%) in total.

year	Revenue (Rs. in Crore)			Expenditure (consolidated) in Rs. Crore			Deficit (Revenue-Expd.) Rs. in crore
	Total Revenue from Power	TNTR	% of revenue from power in TNTR	Expenditure on power	TEES	% of power expenditure in TEES	
2012-13	102.28	205.21	49.84	345.67	1601.8	21.58	-243.39
2013-14	88.31	216.57	40.78	308.12	2017.7	15.27	-219.81
2014-15	98.91	268.34	36.86	395.17	2285.23	17.29	-296.26
2015-16	111.1	253.61	43.81	435.74	2531.02	17.22	-324.64
2016-17	114.58	343.03	33.40	465.27	2972.1	15.65	-350.69
2017-18	127.89	388.53	32.92	296.97	3313.38	8.96	-169.08
2018-19	147.97	255.24	57.97	585.81	3581.35	16.36	-437.84
2019-20	159.31	339.29	46.95	707.35	3572.85	19.80	-548.04
2020-21	159.31	339.29	46.95	638.7	3770.65	16.94	-479.39
2021-22	286.35	478.4	59.86	637.02	2683.57	23.74	-350.67
2022-23	315.00	684.91	45.99	773.45	3269.16	23.66	-458.45
2023-24	310.00	463.51	66.88	768.16	3456.41	22.22	-458.16
CAGR (%)	9.68	7.03	2.48	6.88	6.62	0.24	5.41

Source: CAG reports on Nagaland Finances, GoN and Annual reports, Department of power, GoN

TNTR: Total Non-tax revenue

TEES: Total Expenditure on Economic service



The revenue from the power sector (includes power sale and other income) has shown a consistent increase from 2012-13 (₹102.28 crore) to 2023-24 (₹310.00 crore), with a compound annual growth rate of 9.68%, indicating a healthy upward trend. The share of revenue from power in State's Total Non-Tax Revenue (TNTR) varied over the years, with the lowest share in 2017-18 (32.92%) and the highest in 2023-24 (66.88%) with relatively modest increase (2.48%) in the importance of power sector in total non tax revenue over time. The figure 10.6 illustrates the trend of percentage increase in revenue from power, which has been lower than that of expenditure for most of the years.

The expenditure on power has also generally increased from ₹345.67 crore in 2012-13 to ₹768.16 crore in 2023-24 with a CAGR of 6.88%, showing a steady rise in power sector spending. The percentage share of power expenditure in Total Expenditure on Economic Services (TEES) showed fluctuations over the years, with the lowest in 2017-18 (8.96%) and the highest in 2022-23 (23.66%) with a CAGR of only 0.24%, a little change in the relative share of power expenditure in TEES over time.

The expenditure on power purchase has been consistently higher than the total revenue it generated. Thus the deficit increased substantially over the years with CAGR of 5.41%, indicating the gap between revenue and expenditure is growing at a significant rate. However, the increased in the share of revenue from power highlights the increasing role of the power sector in contributing to the state's non-tax revenue. Despite the rise in expenditure, its share in TEES has remained relatively stable, showing that other sectors might also have increased expenditures. The deficit remains a major challenge, as the revenue growth is not sufficient to cover the rising costs in the power sector. This suggests a need for measures to boost revenue collection from the power sector.

10.8. SOME INITIATIVES IN THE REVENUE GENERATION

The Power Department has undertaken some initiatives to improve the sector in terms of revenue collection and to reduce to AT & C losses.

Prepaid/ Smart Metering:

Shortfall of power supply and poor revenue has almost become a social issue in Nagaland, a place where the consumers are hesitant for transitioning to pre-paid metering, which is expected to improve the revenue burden. According to the department of power, in their annual reports stated that to reduce AT & C losses, improve revenue and energy conservation, installation of prepaid

meters had been one of the key focus areas of the department as mandated by the Ministry of Power, GoI. In the State, a total of 3,23,878 numbers consumers, distribution transformer and fitter meters are to be installed by March, 2026 in Dimapur and Kohima towns. So far, 20,025 numbers has been installed in Dimapur and Kohima towns in 2022-23, and it is expected that more shall be installed covering other districts. However, consumers are sceptical to go for the prepaid metering system.

Digital Payment Systems:

The implementation of digital payment systems, UPI-based payments and mobile banking facilities, is progressing steadily in urban areas like Dimapur and Kohima, but faces challenges primarily due to connectivity issues and the need for increased digital literacy. This system makes bill payments more accessible and convenient for consumers, reducing delays and defaults. The e-billing system will enhance operational efficiency and cost-effectiveness within the Department of Power.

Communitisation of Power Sector:

The communitisation of the power sector in Nagaland involves the Village Electricity Management Boards (VEMB) and Urban Electricity Management Boards (UEMB), began in 2002. The approach aimed to empower local communities to take part in the management and operation of electricity distribution, with the goal of improving efficiency, reducing losses, and enhancing service delivery.

According to the Department of Power (2018-19), implementing the Single Point Metering (SPM) model in urban areas faces challenges, particularly in electrically isolating specific areas for single-point metering. In 2018-19, there were 1,378 SPMs serving 1,11,226 consumers under VEMB and 23 SPMs serving 10,469 consumers under UEMB. By 2023, the number of consumers under SPM had decreased to 1,10,831.

Although revenue has improved and the yearly T&D losses percentage show declining trend over the years, but the revenue-expenditure gap continues to widen and deficit remain high and raising over the years. This may imply that the SPM reform did not help in reducing the deficit as was expected, even though the system has ease the financial burden through small rise in revenue. But the initiative has promoted better financial management and enhanced community participation, which collectively contributed to fiscal stability to a limited extent. Nevertheless, the efforts to do

away with SMP are necessary to address the challenges of high AT& C losses and ensure effective revenue collection in the State.

10.9. RECOMMENDATIONS

For Strengthening and Accumulation of Power Capacity:

- a) **Unbundling power sector:** The Electricity Act, 2003 laid the legal foundation for unbundling power sector operations by structurally separating generation, transmission, and distribution. The Act aimed to promote efficiency, competition, attract private investment and improved service delivery. Many states have implemented this reform in the country. As of now, Nagaland has not fully unbundled its power sector, which continues to function as a vertically integrated utility.

Under the Revamped Distribution Sector Scheme (RDSS), Nagaland is receiving funds helping to improve metering and reduce AT&C losses. However, inefficiencies in revenue generation, significant transmission and distribution losses, and growing demand underscore the need for structural reforms, including unbundling. Unbundling the electricity department in Nagaland must be in phased and state-specific approach, that is adaptive and inclusive, rather than a one-size-fits-all approach.

(b)The Department of power, government of Nagaland should make efforts to increase its own generation capacities by developing the ongoing and identified potential areas, so as to minimize dependency on outside purchase of power.

- i) The ongoing project Duilumroi with a capacity of 2.4 MW, a small Hydro Project needs to be completed within the stipulated time so that the state can reduce the expenditure on power purchase by about Rs.6 crores annually.
- ii) Develop all the potential areas⁴from around the state with a total capacity of 298 Mw.

(c) Strengthen the Transmission and Distribution network infrastructure and system to cater to the expected growth in demand, as well as timely commissioning of various generating plants and effectively reduce AT&C losses and optimize energy supply.

(d) Replace Single Point Metering (SPM) with Smart Meters to improve billing accuracy, detect power theft, and reduce non-technical losses.

⁴Lower Tizu Hydro Electric Project (42MW) at Kiphire and Phek districts, Zunki Hydro Electric Project (24MW) at Kiphire district, Tizu Valley Hydro Electric Project (24MW) at Phek district and Dikhu Hydro Electric Project (186MW) at Longleng, Mon and Mokokchung districts.

- e) Implement sub-station automation, communication infrastructure, GIS, SAP-driven ERP, DMS, and OMS systems, and establish smart grids for real-time monitoring. Moreover, utilize data analytics to predict consumption patterns, identify loss-prone areas, and target revenue improvements.
- f) Conduct regular energy audits and empower VEMB and UEMB in monitoring and reporting power theft to improve accountability and reduce illegal activities with strict penalties for defaulters.
- g) Avoid revenue losses due to blanket subsidies.
- h) Promote renewable energy integration for energy mix optimization and energy efficiency awareness programs for households and businesses.
- i) Update and streamline the regulatory framework to create a more competitive market environment that encourages private investment and innovation in the power sector.
- j) The targets of ongoing schemes such as DDUGJY and Saubhagya remain unfulfilled with critical gap in sub-transmission and distribution infrastructure, shortfall of supply against demand with increasing deficit and delay in completion of the objectives of the schemes. The State government need to ensure effective and timely implementation of these schemes and expedite all necessary measures so as to provide 24x7 powers to all in Nagaland.

10.10. CONCLUSION

Power is a vital infrastructure component that plays a key role in regional development, thus requiring special attention. The underlying principle behind the introduction of communitization in this sector was to reduce the debt burden which the state government had been encountering as the state power department runs into losses. The demand and supply position in the state shows a wide gap between the availability and requirement, and huge transmission and distribution losses. These problems highlight the need for a comprehensive strategy in the power sector to stabilize revenue growth, enhancing efficiency, strengthening policies, and engaging consumers. Addressing these challenges requires optimizing power procurement and improving revenue collection. Effective tariff structures and reduced transmission and distribution (T&D) losses are also crucial for balancing the rising electricity demand with financial sustainability, ensuring both economic stability and reliable power supply. This would help in reducing the volatility of the deficit and improving the fiscal health of the sector.

CHAPTER 11

ANALYSIS OF CONTINGENT LIABILITIES OF NAGALAND STATE

Contingent Liabilities are possible obligations that may arise in the future on the occurrence/non-occurrence of some events. The challenge is that Contingent Liabilities (CLs) unless prudently issued and managed, can devolve onto the issuer's budget, causing significant fiscal burden, large unanticipated cash outflows and higher debt levels (15th FC: Contingent Liability Framework Management). The contingent liabilities of the state includes guarantees given by the state government on behalf of Nagaland Sugar mill Company Ltd, Dimapur, Nagaland state Cooperative Bank Ltd, Dimapur, Nagaland plantation crops development corporation Ltd, Kohima and Other institutions to different public and private financial institutions and societies. The different public and private financial institutions and societies from whom gaurantees were given for the loans obtained includes, Industrial financial Corporation of India, Nagaland State Cooperative Bank Ltd, Hornbill finance limited, Nagaland State Social Welfare Board, Nagaland Industrial Development Corporation, Development Authority of Nagaland (DAN), Nagaland Handloom and Handicraft Development Cooperation, . Nagaland Forest Product Ltd, Nagaland Tea and Industrial Pvt. Ltd Agri Finance Coffee Plantation, Toka Multipurpose Cooperative Society Ltd, Echahaba Tea Growers Society Ltd and Eden Welfare Cooperative Society Ltd.

11.1. DETAILS OF NAGALAND STATE CONTINGENT LIABILITIES

The detail analyses of contingent liabilities of the state are shown by table no. 11.1, 11.2 and 11.3. From table no 11.1, it can be seen that the guarantee given by state government for loans is highest in other institutions with 71.6% of the total contingent liabilities of the state. The guarantee given on behalf of Nagaland State Cooperative Banks follows next with 23.8% while the liabilities in Nagaland Sugar Mill Ltd followed with 4.6%. The percentage share of liabilities for each class in total internal debt of the state shows that Nagaland Sugar Mill Ltd shares .012%, Nagaland state cooperative bank shares 0.61% and the share of other institutions in total internal debt was 1.84%. The percentage share of total contingent liabilities to internal debt was 2.56%.

Among the four classes, it was found that there was no guarantee on behalf of Nagaland plantation crops development corporation ltd. From table no 11.2, it can be seen that the government guarantee on behalf of Nagaland sugar mill was given to IFCI and NSCB. The outstanding amount

for IFCI as on 2022-23 was 8.7 crores. The outstanding amount for NSCB was 20.24 crores during 2018-19; however, after 2018-19 there was no information available. But the outstanding amount seemed to be merged in Nagaland State Cooperative bank class from 2019-20 where it was found that the outstanding amount at the beginning of 2019-20 was 20.24 crores. The total outstanding amount for Nagaland state cooperative bank was 45.23 crores higher than its maximum amount guarantee of Rs. 26.5 crores during 2022-23 period. The contingent liabilities of other institutions consist of 11 public and private institutions. Among the institutions, the guarantee given to Nagaland industrial development corporation was the highest. Their outstanding liability was 33.93 crores for 2012-13 to 2016-17 but it decreased to 33.74 crores the next year. Then its outstanding amount increased to 44.24 the next year and it remained the same for the remaining period at 44.24 crores as on 2022-23. The second highest contingent liability among other institutions was Echahaba tea grower's society with an amount of Rs. 29 crores as on 2022-23. The liabilities of Toka multipurpose cooperative society amounted Rs. 20.25 crores during 2022-23 which is less than the maximum amount guarantee of Rs. 25 crores. The liabilities from Hornbill Finance was Rs.1.44 crores till 2020-21 but than its liabilities increased to 16.44 crores during 2021-22 and remained the same during 2022-23 period. The maximum amount guarantee for Nagaland handloom and handicraft development cooperation was Rs. 5 crores, but its outstanding liabilities was 15.04 crores till 2016-17 and decreased to Rs. 14.79 crores the next year and remained the same for the rest of the period. The liabilities from Nagaland state social welfare board was Rs. 2 crores during 2012-13 but decreased to Rs.1.65 crores in the next year and the liabilities remained at Rs.1.65 crores for the rest of the year. The liabilities of Nagaland industrial development corporation, development authority of Nagaland, Nagaland forest product, Agri finance coffee plantation and Echahaba tea grower society remains the same at Rs. 0.33 crores, Rs. 3.55 crores, Rs. 0.16 crores and Rs. 2.02 crores , respectively for the whole period. The total liabilities for class-wise guarantee given by the state government grow from Rs. 92.81 crores to Rs. 189.9 during 2012-23 periods.

The Sector-wise contingent liabilities of the state are given in table no. 11.3. From the table it can be seen that the percentage share to total contingent liabilities of the state by IFCI was 4.6%, NSCB was 23.8%, Hornbill finance ltd was 8.7%, Nagaland state social welfare board was 0.9%, NIDC was 23.3%, DAN was 0.2%, Nagaland Handloom and Handicraft Development Copreation was 7.8%, Nagaland forest product was 1.7%, Nagaland Tea and Industrial pvt. was 1.9%, Agri finance was 0.1%, Toka multipurpose cooperative society ltd was 10.8%, Echahaba tea growers

society was 1.1% and Eden welfare cooperative society Ltd was 15.3%. Their percentage contribution to total internal debt of the state are as follows; IFCI 0.12%, NSCB 0.16%, Hornbill Finance Ltd 0.22%, Nagaland state social welfare board was 0.02%, NIDC 0.63%, DAN 0.001%, Nagaland Handloom and Handicraft Development Cooperation 0.2%, Nagaland forest product 0.04%, Nagaland Tea and Industrial pvt 0.05%, Agri Finance 0.001%, Toka multipurpose cooperative society ltd 0.28%, Echahaba tea growers society 0.03% and Eden welfare cooperative society Ltd 0.39%.

The limit amount of Annual incremental risk weighted guarantees as prescribed by FRMB 2005 was 1% of TRR or 1% of GSDP. However, it was found that Annual incremental risk weighted guarantees was 1.35% of TRR and 1% of GSDP. The class-wise incremental risk weighted guarantee shows that it was 1.5% of TRR during 2012-13 which decreased to 1% of TRR during 2017-18 but rose again to 1.35% of TRR during 2022-23. For GSDP, its risk rose from .8% during 2012-13 to 0.5% during 2023-24 fulfilling the targets of FRMB.

Table No. 11.1: Class-wise Guarantee (%).

Class-wise guarantee as on 2022-23	% to total contingent liabilities	% to total internal debt	% to total Revenue Reciept	% to GSDP
1. Nagaland Sugar Mill Company Ltd, Dimapur	4.6%	0.12%		
2. Nagaland State Cooperative Bank Limited, Dimapur	23.8%	0.61%		
3. Nagaland Plantation Crops Development Corporation ltd, Kohima	0%	0%		
4. Other Institutions	71.6%	1.84%		
Total 189.95	100.0%	2.56%	1.3%	0.5%

Table No. 11.2: Class-wise Gaurantees (RS. Crores).

Class-Wise Gaurantee	Ma x	2012 -13	2013 -14	2014 -15	2015 -16	2016- 17	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22	2022- 23
1. Nagaland Sugar Mill Company Ltd, Dimapur												8.78
IFCI	0	8.78	8.78	8.78	8.78	8.78	8.78	8.78	8.78	8.78	8.78	8.78
Nagaland State Co-operative Bank Ltd. (NSCB)	0	1.8	1.8	1.8	1.8	12.77	20.24	20.24	na	na	na	na
2. Nagaland State Cooperative Bank Limited, Dimapur												45.23
NSCB	26.5	0	0	0	0	0	0	0	45.23	45.23	45.23	45.23
3. Nagaland Plantation Crops Development Corporation ltd, Kohima												0
4. Other Institutions												135.94
1. Hornbill Finance Ltd.	0	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	16.44	16.44
2. Nagaland State Social Welfare Board	0	2	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65
3. Nagaland Industrial Development Corporation	0	33.93	33.93	33.93	33.93	33.93	33.74	44.24	44.24	44.24	44.24	44.24
4. Development Authority of Nagaland (DAN).	0	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33
5. Nagaland Handloom and Handicraft Development Cooperation	5	15.04	15.04	15.04	15.04	15.04	14.79	14.79	14.79	14.79	14.79	14.79
6. Nagaland Forest Product Ltd.	0	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21	3.21
7. Tea and industries	0	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55
8. Agri Finance Coffee Plantation	0	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16	0.16
9. Toka Multipurpose Cooperative Society Ltd	25	20.55	20.55	20.55	20.55	20.55	20.55	20.55	20.55	20.55	20.55	20.55
10. Echahaba Tea Growers Society Ltd.	0	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02	2.02
11. Eden Welfare Cooperative Society Ltd	0	0	0	0	0	0	0	0	29	29	29	29
Total	56.5	92.81	92.46	92.46	92.46	103.43	110.46	120.96	174.95	174.95	189.95	189.95
% to total revenue receipt		1.5%	1.4%	1.2%	1.1%	1.1%	1.0%	1.1%	1.5%	1.5%	1.4%	1.3%
% to GSDP		0.7%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.5%

Sources: CAG Report Nagaland.

Table. No. 11.3: Sector-wise Gaurantee (in Rs. Crores and %).

Sector-Wise Gaurantee	(IFCI)	(NSCB)	Hornbill Finance Ltd.	Nagal and State Social Welfare Board	Nagaland Industrial Development Corporation	Development Authority of Nagaland (DAN)	Nagaland Handloom and Handicraft Development Cooperation	Nagal and Forest Product Ltd.	Nagal and Tea and Industrial Pvt. Ltd.	Agri Finance Coffee Plantation.	Toka Multipurpose Cooperative Society Ltd	Echahaba Tea Growers Society Ltd.	Eden Welfare Cooperative Society Ltd.
Maximum Amount Gaurantee	0	26.5	0	0	0	0	5	0	0	0	25	0	0
2012-13	8.78	1.8	1.44	2	33.93	0.33	15.04	3.21	3.55	0.16	20.55	2.02	0
2013-14	8.78	1.8	1.44	1.65	33.93	0.33	15.04	3.21	3.55	0.16	20.55	2.02	0
2014-15	8.78	1.8	1.44	1.65	33.93	0.33	15.04	3.21	3.55	0.16	20.55	2.02	0
2015-16	8.78	1.8	1.44	1.65	33.93	0.33	15.04	3.21	3.55	0.16	20.55	2.02	0
2016-17	8.78	12.77	1.44	1.65	33.93	0.33	15.04	3.21	3.55	0.16	20.55	2.02	0
2017-18	8.78	20.24	1.44	1.65	33.74	0.33	14.79	3.21	3.55	0.16	20.55	2.02	0
2018-19	8.78	20.24	1.44	1.65	44.24	0.33	14.79	3.21	3.55	0.16	20.55	2.02	0
2019-20	8.78	45.23	1.44	1.65	44.24	0.33	14.79	3.21	3.55	0.16	20.55	2.02	29
2020-21	8.78	45.23	1.44	1.65	44.24	0.33	14.79	3.21	3.55	0.16	20.55	2.02	29
2021-22	8.78	45.23	16.44	1.65	44.24	0.33	14.79	3.21	3.55	0.16	20.55	2.02	29
2022-23	8.78	45.23	16.44	1.65	44.24	0.33	14.79	3.21	3.55	0.16	20.55	2.02	29
% to total contingent liabilities	4.6%	23.8%	8.7%	0.9%	23.3%	0.2%	7.8%	1.7%	1.9%	0.1%	10.8%	1.1%	15.3%
% to total internal debt	0.12%	0.61%	0.22%	0.02%	0.60%	0.00%	0.20%	0.04%	0.05%	0.00%	0.28%	0.03%	0.39%

Sources: CAG Report Nagaland.

CHAPTER 12

ANALYSIS OF SUBSIDY

Subsidy is an incentive that comes in the form of financial assistance from the government with an aim to promote social and economic policy. It is usually used to help out industries, or encourage business activities or to offer a safety net to the vulnerable in the societies. In India, the government has subsidized many commodities to help the manufactures, producers, consumers and farmers. Major form of subsidy in India includes fertilizer, food, petroleum, LPG, other fuels, education subsidy, electricity subsidy etc.

For Nagaland, separate data on the budget allocation or expenditure on subsidized services or commodities are not available. However, the CAG report and RBI data on subsidies shows the following result:

Table. No. 12.1: Distribution of Subsidies in Nagaland (Rs. in crore)

Items/Heads	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
1. NA								128.2			
2. Food and Civil Supplies	0	0	0	0	0	0	0	0	25.12	25.12	25,12
3. Chief Minister Micro Financing Initiative	0	0	0	0	0	0	0	0	0	0	8
% to total revenue expenditure								1.1%	0.23%	0.21%	0.25%

Source: CAG report on State Finance and RBI.

Note: NA- Not available

From the table it can be seen that the state government has allotted a total of Rs. 211.52 crores as a subsidy during 2012-23 period. However, it can be seen that there was no subsidy for the first 7 years of the study period (2012-19). It was only in 2019-20 that the government subsidy was reflected in the expenditure statement of the budget. The total subsidy allotted from revenue expenditure during 2019-20 was Rs. 128.2 crores, however, there was no information under which heads the subsidy were given. The share of subsidy as a percentage to total revenue expenditure during 2019-20 was 1.1%. The subsidy granted to food and civil supplies during 2020-21 and 2021-22 was Rs. 25.12 crores each. Their shares as percentage to total revenue expenditure were 0.23% and 0.21% respectively during the same period. The subsidy during 2022-23 was Rs. 33.12 crores

with subsidies on food and civil supply sharing Rs. 25.12 crores and Chief Minister Micro financing initiatives sharing Rs. 8 crores. Its share as a percentage to total revenue expenditure during 2022-23 was 0.25%.

To make a more transparent budget, the government needs to clearly specify the details of subsidies being allotted to each social and economic activity in the state. Efforts should also be made to highlight the targeted subsidy amount, the actual amount subsidised and the returned from the target in the budget statement.

CHAPTER 13

OUTCOME OF THE STATE FINANCES IN THE CONTEXT OF RECOMMENDATION OF THE 14TH AND 15TH FINANCE COMMISSION

13.1 OUTCOME OF 14TH AND 15TH FINANCE COMMISSION RECOMMENDATION

The 14th finance commission report 2015 has highlighted some of the recommendation for the states to be followed. It recommends for increasing the state share in the net proceeds of union tax to 42%, distribution of grants to states for local bodies based on 2011 population data (90% weight) and area (10% weight), grant in aid for 11 states and revenue compensation under GST for five years. Moreover, it also recommends that the fiscal deficit should be 3% of GDP from the year 2016-17.

The 15th finance commission 2015 recommended that the state share in the net proceeds of union tax to 41%, state share in state disaster and relief fund and state disaster mitigation fund was recommended at 25% and the rest as same as that of the 14th FC recommendations.

1. Sharing of Union Taxes

The share of union taxes for the state has been increasing from Rs. 917.14 crores during 2012-13 to Rs. 6426.82 crores during 2023-24. Its share in the total state revenue also increases from 14.8% to 39.8% during the same period. The compound annual growth rate during the same period was 17.4%. Thus, we can see that there is an increase in the flow of funds to the state from the shared taxes as per the recommendation of the 14th and 15th finance commission.

2. Local Government

The 15th finance commission recommended grants of Rs. 4,36,361 crores to local government during the period 2021-26. The total amount recommended for the state of Nagaland was Rs. 303 crores for health, Rs. 486 crores for rural local bodies, Rs. 249 crores for urban local bodies and Rs. 228 crores for disaster management.

3. Grant-in-Aid

Like the 14th finance commission, the 15th finance commission also recommended a total revenue deficit grant of Rs. 2,94,514 lakh crores for the 17 states for five years (2021-26) to eliminate revenue deficit, of which Nagaland is one of them. The total amount recommended

for the state of Nagaland was Rs. 21, 249 crores during the same period. However, the analysis shows that, the state has received a total of Rs. 21,680 crores as grant in aid for the first three years, ie, Rs. 6971 crores in 2021-22 Rs. 6758 crores in 2022-23 and Rs. 7951 crores in 2023-24, which is higher than the total amount recommended for the state by 2%.

4. GST

The compensation for GST as recommended by the commission for five years was 100% for the first year, 75% for the second year and 50% for the third year. The revenue collected under GST in the state grows from Rs. 187.56 crores in 2016-17 to Rs. 1063 crores during 2023-24. It grows with an annual average growth rate of 28.1%.

5. Fiscal Deficit

To eliminate the fiscal deficit, the commission has recommended that fiscal deficit in the state should not be more than 3% of the GSDP. However, it was found that the state fiscal deficit was 3.01% on an average for 2012-24 period which is above the recommended percentage by a margin of 0.01% while the primary deficit remains at 0.12% on an average during the same period.

6. Power sector

The revenue burden from power purchase-sale shows a consistent growth of deficit, which grows by 19.84% from 2012-13 to 2022-23. The 2022-23 fiscal shows the department could recover only ‘a less than half’ of the purchase cost (53.06%). The cost of power purchases has significantly increased over the years, from Rs. 113.88 crore in 2012-13 to Rs. 553.95 crore in 2022-23. At the same time, the revenue receipts from the sale of electricity have increased but at a slower pace, from Rs. 78.39 crore in 2012-13 to Rs. 293.93 crore in 2022-23. Although the revenue has shown a steady increase (12.76%), it failed to keep pace with the rising expenditure on power purchase (15.46%), which has resulted in a persistent increase in deficit.

The total expenditure on power has increased from ₹345.67 crore in 2012-13 to ₹768.16 crore in 2023-24 with a CAGR of 6.88%, showing a steady rise in power sector spending. The overall expenditure has been consistently higher than the total revenue it generated. Thus the deficit increased substantially over the years (Rs.243.39 to Rs.458.16 for 2012-13 to 2023-24) with CAGR of 5.41%, indicating the gap between revenue and expenditure is growing at a significant rate.

Although the deficit has been increased, the revenue from the power sector (includes power sale and other income) has also shown a consistent increase from 2012-13 (₹102.28 crore) to 2023-24 (₹310.00 crore), with a compound annual growth rate of 9.68%, indicating a healthy upward trend. The share of revenue from power in State's Total Non-Tax Revenue (TNTR) varied over the years, with the lowest share in 2017-18 (32.92%) and the highest in 2023-24 (66.88%) with relatively modest increase (2.48%), indicating the importance of power sector in total non tax revenue over time.

13.2. ANALYSIS OF CENTRAL SPONSORED SCHEME (CSS)

The analyses of central sponsored scheme are shown in table no. 13.1 and 13.2. From the table it can be seen that the share of government of India in the total CSS expenditure was 53.5% on an average while that of state share was 45.9% on an average for 2012-23 period. The total CSS expenditure in the state grows from Rs. 424.3 crores during 2012-13 to Rs. 2430.91 crores during 2022-23 period. The share of state in the total CSS expenditure grows from Rs. 348.92 crores during 2012-13 to Rs. 1316.36 crores during 2022-23 period. During the same period the share of GOI in total central sponsored scheme expenditure grows from Rs. 75.38 crores to Rs. 1114. Crores.

However, from table no. 13.2, it can be seen that money released by the GOI for different centrally sponsored scheme is more than the cumulated expenditure for centrally sponsored scheme. The cumulated figures in the table shows that the total money released by the GOI grows from Rs. 483.26 crores to Rs. 28672.98 crores during 2012-23 period while the expenditure for various scheme grows from 424.3 crores to Rs. 22041.65 crores during the same period. Thus, the figures in the table show that Nagaland has an unutilised amount of Rs. 6631.33 crores for centrally sponsored scheme.

Table no. 13.3 explains the percentage share of GOI share and state share in TRR and GSDP. The GOI share in total CSS as a percentage of total revenue receipt (TRR) rose from 1% during 2012-13 to 22% during 2020-21 but then falls to 8% in the next two years. Its share in GSDP increased from 1% to 9% during 2020-21 and then falls to 3% during 2021-22 and 2022-23. The state share in total CSS expenditure as a percentage of TRR shows that it grows from 6% to 11% during 2012-19 period with some fluctuation in the year wise share. After 2018-19 its percentage share in TRR decreases and remains at 9% till 2022-23. Its percentage share in GSDP follows the

same pattern as that of TRR share but its share remain below 5% for the whole period as shown in table no. 13.3.

Table no. 13.1: GOI share and State share in total CSS expenditure.

Year	GOI share	% to total CSS expenditure	State Share	% to total CSS expenditure	Total CSS expenditure
2012-13	75.38	17.8%	348.92	82.2%	424.3
2013-14	376.28	79.6%	96.61	20.4%	472.88
2014-15	412.45	32.4%	859.89	67.6%	1272.34
2015-16	569.73	43.8%	731.44	56.2%	1300.88
2016-17	1322.05	70.5%	553.71	29.5%	1875.75
2017-18	1568.34	58.1%	1130.33	41.9%	2698.67
2018-19	1500.12	54.6%	1247.96	45.4%	2748.07
2019-20	2014.17	68.0%	762.68	25.8%	2961.83
2020-21	2559.26	70.8%	1053.13	29.2%	3612.39
2021-22	1063.49	47.4%	1180.13	52.6%	2243.63
2022-23	1114.55	45.8%	1316.36	54.2%	2430.91
Average		53.5%		45.9%	

Sources: CAG Report

Table no. 13.2: Actual Money released from GOI and the total expenditure.

Year	GOI Released	Cumulated Money Released from GOI	Total expenditure	Cumulated expenditure
2012-13	483.26	483.26	424.3	424.3
2013-14	298.48	781.74	472.88	897.18
2014-15	1044.39	1826.13	1272.34	2169.52
2015-16	868.69	2694.82	1300.88	3470.4
2016-17	1322.45	4017.27	1875.75	5346.15
2017-18	1905.45	5922.72	2698.67	8044.82
2018-19	1610.16	7532.88	2748.07	10792.89
2019-20	651.27	8184.15	2961.83	13754.72
2020-21	6758.84	14942.99	3612.39	17367.11
2021-22	6971.21	21914.2	2243.63	19610.74
2022-23	6758.78	28672.98	2430.91	22041.65

Sources: CAG Reports.

Table no. 13.3: Percentage share to total revenue receipt (TRR) and GSDP.

Year	% of GOI share to TRR	% of GOI share to GSDP	% State share to TRR	% State share to GSDP
2012-13	1%	1%	6%	2%
2013-14	6%	2%	1%	1%
2014-15	5%	2%	11%	5%
2015-16	7%	3%	9%	4%
2016-17	14%	6%	6%	3%
2017-18	14%	6%	10%	5%
2018-19	13%	6%	11%	5%
2019-20	18%	7%	7%	3%
2020-21	22%	9%	9%	4%
2021-22	8%	3%	9%	4%
2022-23	8%	3%	9%	4%

Sources: Own calculation from CAG Reports.

13.3. ANALYSIS OF STATE SCHEME

The expenditure on various state scheme grows (Cumulative) from Rs. 1854.93 crores to Rs. 13998.81 crores during 2012 to 2023 period and are shown in table no. 13.4. Its percentage share to total revenue receipt (TRR) was 30% during 2012-13 but declines the next year to 26%. The share in TRR keeps a declining trend till 2020-21 where its share was just 9%. After which, its share in TRR takes an increasing turn and it was 14% in 2022-23. On an average the share of state scheme in total revenue receipt was 13.8% during the same period, which is higher than its share in the expenditure on centrally sponsored scheme. The share of state scheme as a percentage of GSDP shows a similar trend. From 13% share in GSDP during 2012-13, it declines and reached 3% in 2019-20. There after it was increased to 5% in 2022-23. The average share of state scheme as a percentage to GSDP was 5.7% for the entire period.

Table no. 13.4: Expenditure on state schemes (Rs. Crores and Percentage).

Year	State Scheme	Cumulative	% to TRR	% to GSDP
2012-13	1854.93	1854.93	30%	13%
2013-14	1688.03	3542.96	26%	10%
2014-15	979.92	4522.88	13%	5%
2015-16	881.02	5403.9	11%	5%
2016-17	931.97	6335.87	10%	4%
2017-18	1165.3	7501.17	11%	5%

2018-19	1106.01	8607.18	10%	4%
2019-20	1025.52	9632.7	9%	3%
2020-21	1053.13	10685.83	9%	4%
2021-22	1398.66	12084.49	10%	4%
2022-23	1914.32	13998.81	14%	5%

Sources: CAG Report.

CHAPTER 14

SUSTAINABLE DEBT ROADMAP FOR 2025-31

14.1: INTRODUCTION

Debt sustainability is defined as the ability to maintain the constant debt-GSDP ratio over a period of time (Rajaraman et al., 2005). In simple terms, public debt is considered to be sustainable as long as the growth of income exceeds the interest rate or cost of public borrowings subject to the condition that the primary balance is either positive or zero. A zero primary deficit is required for stabilization of debt as percent of GSDP, if the nominal rate of growth of GSDP is equal to the interest rate on inherited debt. Given the rate spread (GSDP growth rate - interest rate) and quantum spread, debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if the primary deficit along with quantum spread is negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling (Rath, 2005; Domar, 1944). If there is a primary deficit, it is likely that the debt-GSDP ratio will be higher at the close of the fiscal year, unless the growth rate of GSDP during the year is higher than the nominal rate of interest on the inherited debt stock. Additionally, the quantum spread and debt stabilization index are computed to know the impact of the primary deficit and public debt on debt-GSDP ratio of the state. The quantum spread is calculated by multiplying the rate spread with outstanding stock of debt. The effective interest rate used here is calculated as follows:

EIR = Interest Payments divided by (Amount of previous year's fiscal liabilities + current year's fiscal liabilities)/2 multiplied by 100.

Table. No. 14.1. Debt sustainability in terms of Quantum Spread and primary deficit (in crore).

year	GSDP (Growth Rate)	EIR	RS	QS (Dt* RS)	PD	DSI (QS+PD)	Debt-GSDP ratio
2012-13	16.0%	0.0%	16.0%		-207.1	-207.1	53%
2013-14	17.6%	1.6%	16.1%	130.52	33.5	164.0	50%
2014-15	10.8%	1.7%	9.1%	135.40	421.1	556.5	43%
2015-16	6.1%	1.7%	4.4%	155.10	-11.0	144.1	46%
2016-17	11.3%	1.7%	9.5%	164.25	339.9	504.2	44%
2017-18	12.3%	1.7%	10.6%	176.67	228.1	404.8	43%
2018-19	8.7%	1.8%	6.9%	194.19	-315.9	-121.7	40%

2019-20	12.0%	1.8%	10.2%	218.06	-623.8	-405.8	41%
2020-21	0.4%	1.7%	-1.3%	224.99	-450.7	-225.8	45%
2021-22	8.2%	1.7%	6.5%	236.86	982.3	1219.1	43%
2022-23	10.5%	1.7%	8.8%	262.32	-503.4	-241.1	44%

EIR-Effective Interest Rate; RS-Rate Spread; QS-Quantum Spread; PD- Primary Deficit; DSI-Debt Stabilisation Index; Dt – Total Debt.

14.2: DEBT-GSDP RATIO

The Debt-GSDP ratio as shown in table no. 14.1, the ratio has been decreasing over the years with some fluctuation. From 53% during 2012-13 the ratio decreased to 44% during 2022-23. As the state GSDP increased from Rs. 14121 crore during 2012-13 to Rs. 35642 crores during 2022-23, the total outstanding liabilities too increases from Rs. 7452.54 crores to Rs. 15587.44 crores during the same period. The compound annual growth rate of GSDP during 2012-13 to 2023-24 was 9.2% while the compound annual growth rate of total liabilities was 6.9%. Since the average growth rate of GSDP over the period was 10.3% which is higher than the effective interest rate of 1.6% percent, these rate spread has helped in reducing the Debt-GSDP ratio over the years.

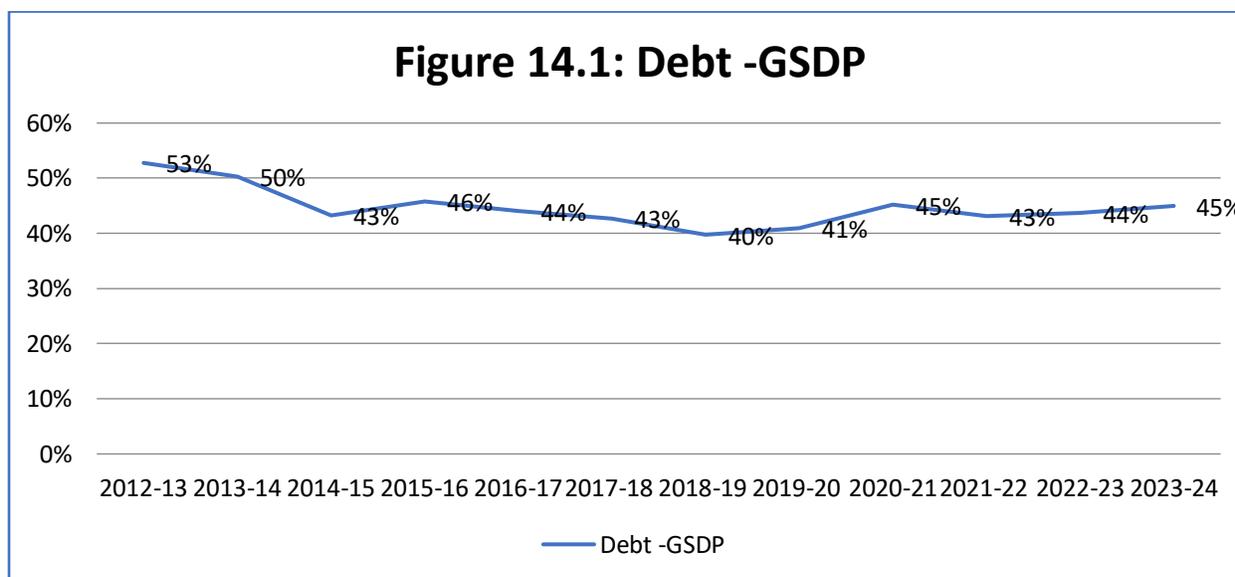


Figure 14.1: Debt-GSDP Ratio

14.3: PRIMARY DEFICIT AND STABILIZATION INDEX

Between 2012 and 2024, the state's primary deficit has exhibited a fluctuating trend. In 2012-13, it recorded a deficit of ₹207.1 crore, but this shifted to a surplus of ₹33.5 crore in 2013-14 and ₹421.06 crore in 2014-15. However, the state dropped back into a deficit of ₹11.01 crore in the following year. This was followed by consecutive surpluses of ₹339.94 crore and ₹228.1 crore over the next two years. During the 2018-2021 period, the state experienced consistent primary deficits of ₹315.9 crore, ₹623.82 crore, and ₹450.75 crore, respectively. Though the state returned to a surplus in the subsequent year, it again recorded deficits in the following two years. Overall, the state witnessed a primary account deficit in 7 out of the 12 years, while it achieved a surplus in the remaining 5 years, reflecting a mixed fiscal performance over the period.

The periods of primary deficit have negatively impacted the debt-to-GSDP ratio, while the years of primary surplus have contributed to its reduction. The state's stable debt-to-GSDP ratio in recent years can be attributed to a positive rate spread, where GSDP growth has outpaced the effective interest rate on public debt. The debt stabilization index reflects this pattern, showing negative values in 2012-13, 2018-21 and 2022-23, indicating a widening debt-to-GSDP ratio. However, for the remaining years, the index recorded positive values, suggesting that it played a role in reducing the debt burden relative to GSDP.

14.4: DEBT ROAD MAP OF 2026-31

The projected own tax revenue, own non-tax revenue, total own revenue (own tax + non-own tax), total revenue, GSDP and Debt (public debt including loans from central government) calculated taking their respective CAGR as the natural growth rate for 2025 to 2031 are shown in table no. 14.2. From the table it can be seen that total own tax and own non-tax revenue are far below the projected public debt of the state. It is expected that own tax revenue will increase from Rs. 1819 crore to Rs. 3950 crores, own non-tax from Rs 748 crores to 1355 crores and for total own revenue from Rs. 17496 crores to Rs. 28230 crores during the same period. However, the total outstanding liability of the State is expected to grow to Rs. 25412 crores by 2031.

Table no. 14.3 shows the own tax revenue, own non-tax revenue and total own revenue as a percentage to total outstanding liabilities, where from it can be seen that own tax revenue as a percentage to total outstanding liabilities will increase from 10% to 16% during 2025-31 period. Its

percentage share in total outstanding liabilities will be 13% on an average for the same period. This highlights that only 13% of the total outstanding liabilities will be covered by own tax revenue during 2025-31 period. For own non-tax revenue, total outstanding liabilities coverage will increase from 4% to 5% during the same period. On an average, state own non-tax revenue can only cover 5% of state total liabilities. The total own revenue as a percentage to public debt will increase from 15% to 21% covering 18% of the total liabilities during the same period.

The total outstanding liabilities as a percentage to total revenue receipt was projected to decrease from 102% to 90% during 2025 to 2031 period, with an average of 95%. At the same time the total outstanding liabilities as a percentage to GSDP is projected to decline from 40% to 34%, with an average growth rate of 37%. From the analysis, it can be seen that the state dependence on public debt remains very high for total revenue receipt and nominal for GSDP, which is not healthy for the state economy. Thus, if the current trend of revenue generation is continued, it is expected that; the debt of the state will increase and will have numerous unfavourable impacts on State's economy. Thus, to increase state total own revenue and reduce public debt, few points are suggested here:

- a) The state should explore and tapped the rich oil reserves and other mineral resources for revenue generation. The utilization of these resources will not only generate revenue but will have multiplier effects on income and employment thereby raising the standard of living of the people.
- b) The analysis also shows that recovery rate from the industries was 1.77% on an average during the entire period. Therefore, it is suggested that the State should revive the sick industries like paper mill industry at Tuli, Mokokchung and Wuzuho cement industry at Meluri, Phek for more income and employment generation.
- c) The accounts of non-working PSU (*Nagaland Sugar Mills Company Limited*) in the State should be withdrawn and Government needs to expedite to reduce the financial burden of maintenance.
- d) Lifting of Nagaland liquor total prohibition act, 1989 (NLTPA) in the state may help to generate more state own revenue. It will not only stop financial drain of the state to other state and increase state revenue but will also help in curb black marketing and the consumption of spurious liquor by the consumer.

- e) The recovery rate of energy including power was 27.8% during 2012-13 to 2023-24 period. Thus, replace Single Point Metering (SPM) with smart metering to improve billing accuracy, detect power theft, and reduce non-technical losses. Moreover, the Department of Power, government of Nagaland should make efforts to increase its own generation capacities by completing the ongoing projects and develop the identified potential areas, so as to minimize dependency on outside purchase of power. This underlines the need for structural reform including unbundling of the sector.
- f) The recovery rate of water supply shows only 2.95% of its total expenditure. Thus, the state should strengthen the supply system of safe drinking water by providing better service to the people. It will not only increase the recovery rate but will increase the welfare of the people.
- g) Efforts should be made to strengthen public transport system in the state as this sector is also becoming a liability like industries, water supply, energy and industries to the state exchequer with an average recovery rate of 1.24% only during the same period.
- h) The state could not utilize its lush and verdant flora and fauna, cliff, waterfall, forest, mountains, etc., to its advantage of harvesting the fruit of tourism. Therefore, it is suggested for proper mapping and development of potential areas for eco-tourism activities, which will attract more tourists from home and abroad to generate more revenue. Moreover, proper connectivity and facilities to all districts and tourist spots should be given priority by the government.
- i) Need institutional support to strengthen law and order situation, especially to curb the unabated tax collections by numerous factions, hence create an environment where commerce and industries prosper and will be a source of revenue for the State.

Table no. 14.2: Projected Revenue Receipts, GSDP and Public Debt for 2025-31 (Rs. Crores)

Year	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Own Tax Revenue	1819	2070	2355	2680	3050	3471	3950
Own Non-Tax Revenue	748	826	912	1007	1112	1227	1355
Total Revenue	17496	18948	20521	22224	24069	26066	28230
GSDP	44132	47850	52252	57060	62309	68042	74301
Total liabilities	17613	18723	19903	21156	22489	23906	25412

Sources: Author owns calculation basing on their Respective CAGR.

Table 14.3: Projected Percentage share of Own Revenue in Public Debt and Public Debt in Total Revenue Receipts and GSDP for 2025-31 (in %)

Year	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Own Tax Revenue as a % to Total liabilities	10%	11%	12%	13%	14%	15%	16%
Own Non-Tax Revenue as a % to Total liabilities	4%	4%	5%	5%	5%	5%	5%
Total Own Revenue as a % to Total liabilities	15%	15%	16%	17%	19%	20%	21%
Total Liabilities as a % to GSDP	40%	39%	38%	37%	36%	35%	34%
Total Liabilities % to Total Revenue	101%	99%	97%	95%	93%	92%	90%

CHAPTER 15

RATIONALE FOR CAPITAL DEFICIT GRANTS

Introduction

Nagaland, being a small state with a low tax base and limited private sector, faces significant challenges in generating internal revenue. The state's economic structure is primarily agrarian, around 60% of Nagaland's workforce engaged in subsistence farming (shifting cultivation and terrace farming), and a relatively small scale and cottage industries and service sectors. Due to these constraints, the state has limited capacity to mobilize financial resources through direct and indirect taxes, making it heavily dependent on central financial assistance to meet its developmental needs.

Moreover, Nagaland's land ownership system is protected by **Article 371(A)** of the Indian Constitution, which grants absolute control over land and resources to its people, preventing the state from imposing taxes on them. Unlike other states, where the government levies land and mineral taxes, Nagaland's governance structure keeps land under tribal, clan, and individual ownership. This limits revenue generation from land-based activities like real estate, forestry, and mining, etc. Land acquisition for infrastructure development requires negotiations with local communities and often leading to prolonged discussions and compensatory agreements. Consequently, the state faces cost disadvantages and delays in completion of projects.

Although the Village Councils and VDBs are empowered to manage village administration and implement development activities, they lack mechanism and limited capacity for generating their own revenue and thus remain reliant on government funding in the form of grants-in-aid under various developmental projects. To enhance economic sustainability, Nagaland must explore alternative revenue models such as service taxes, excise duties, and public-private partnerships. However, fiscal dependence of the State on Central assistance for developmental projects, infrastructure expansion, and public welfare schemes remains a key feature due to the structural constraints and limited capacity for resource generation.

In this context, capital deficit grants from the central government play a crucial role in bridging the financial gap required for infrastructure development, industrial growth, strengthening

of public facilities, capacity building etc., which are critical for improving the quality of life and enabling economic activities. Capital deficit grants are essential financial support required by states like Nagaland, which have limited revenue-generating capacity. The Capital deficit grants are primarily required for the followings:

1. **Infrastructure Development** – Funding the construction and maintenance of roads, bridges, power generation and supply systems, water supply projects, and telecommunications to enhance connectivity and basic services.
2. **Industrial Growth and Economic Development** – Supporting the establishment of small and medium enterprises (SMEs), agro-based industries, and skill development programs to boost employment and economic diversification.
3. **Public Service Expansion** – Strengthening healthcare facilities, educational institutions, and rural development programs to improve the overall standard of living.
4. **Capacity Building and Governance** – Enhancing administrative efficiency, digital governance initiatives, and community-based projects for better public service delivery.
5. **Support for Local Self-Governance** – Providing financial aid to Village Development Boards (VDBs) and Village Councils (VCs) to implement developmental activities at the grassroots level.
6. **Disaster Management and Climate Resilience** – Funding projects related to flood control, soil conservation, and disaster mitigation to safeguard livelihoods and infrastructure.

A brief summary of suggested ways to utilize capital deficit grants in Nagaland is as follows:

1. Infrastructure Development

The grants from the centre can help in developing roads, railways, waterways and airports in the state.

a). Road: Nagaland has a total road length of 11,944.97 km, comprising 830 km of national highways, 1,206 km of state highways, and 1,727.6 km of major district roads, of which 1,439 km (83%) are surfaced. Additionally, 3,689.2 km of other district roads exist, but only 1,790 km (46%) are surfaced, while village roads cover 4,491.4 km, with just 1,385.7 km (31%) surfaced. Overall, 44% of the state's roads remain un-surfaced, highlighting significant gaps in road infrastructure. This underdevelopment in road connectivity hampers economic growth and development, putting

Nagaland at a disadvantage compared to other states. Therefore, the state needs grants for development of the roads for accelerating its economic growth.

- a) **Foothills Road (Trans-Nagaland Highway)** along its border with Assam, with a length of 364 km. will connect seven districts of Nagaland, improving intra-state travel and boosting economic activities. It will also provide access to 3,000 sq. km of agriculturally rich land, benefiting farmers of cash crops like bamboo, rubber, tea, coffee, vegetables etc. Thus, this road construction should received outmost importance and complete at the earliest without further delay.
- b) Connect all district headquarters with four-lane roads to the state capital (Kohima) and the commercial hub (Dimapur) to enhance mobility and better economic integration.
- c) Develop four-lane roads connecting to the key international border trade centers viz. **Avungkhu (Meluri District), Dan-Pangsha (Noklak District), and Longwa (Mon District)**. This will strengthen national security and boost cross-border trade.
- d) Developed two-lane roads connecting all potential tourist destinations, facilitating greater tourist inflow and promoting the state's tourism industry.
- e) 69% of village roads are un-surfaced in the state, which implies many villages lack all-weather connectivity to urban centers and markets. Therefore, upgrading these roads is essential to improve economic linkages and accessibility.
- f) All potential industrial areas should be connected by four-lane roads to ensure faster production, efficient transportation, and better market access.
- g) To improve access to mineral exploration areas in the state, a 132.43 kms road connecting coalfields in Wokha, Mokokchung and Mon districts and a 297.81 kms road from Akash Bridge at NH-202 to Choklangan in Phek, Kiphire and Noklak districts, to access resources like multi-metal magnetite, chromite and limestone deposits is the need of the hour.

b). **Railways:** As the most cost-effective mode of transport, railway expansion is essential for Nagaland. The state should develop railway connectivity from **Dimapur to Tizit** (linking via **Niuland, Ralan, Bhandari, Champang (oil field of the state), Longtho, Tuli, Namsang, and Tizit**). This expansion is crucial not only for improving transportation and communication but also for facilitating the extraction and efficient transportation of the state's untapped natural resources.

c). Airports: Currently, **Dimapur Airport** is the only airport in Nagaland. However, with the growing population and economic activities, the state needs to improve air connectivity to boost economic growth, tourism and trade. For which potential locations must be identified especially in the eastern-central part of the state and developed at priority basis. In this regard, the only central university in the state “**Nagaland University**” **headquarters** located at Lumami, is devoid of basic connectivity, thus focus need to be made to develop air connectivity in the close proximity to such premier institution in the state.

Besides, the existing Airport at Dimapur needs up-gradation, and the proposed airport at Ciethu near Kohima (1013.72 acres) needs to be developed at the earliest.

d). Helicopter (chopper) services: Nagaland operates helicopter (chopper) services to improve connectivity, especially in remote and hilly regions, connecting Dimapur and Kohima to other places such as Mokokchung, Wokha, Zunheboto, Aghunato, Tuensang, Phek, Kiphire, Longleng, Mon, Tobu, Tizit, Noklak, Peren, Meluri, Shamator and Tseminyu. Helicopter services provide faster transport to districts with difficult terrain, reducing travel time, significantly critical for medical emergencies, disaster relief operation, tourists and business travellers.

This service needs strengthening by increasing its frequencies and area coverage. Expanding chopper services can improve connectivity in remote border areas, enhance trade, and provide better access to essential services in the state.

e). Waterways: The state has the potential for developing inland waterways from **Tizu river in Meluri District connecting Chindwin river in Myanmar**. The development of this inland waterway will boost the state as well as the national economy connecting to Myanmar.

f). Telecommunication Infrastructure: Connectivity is one of the basic services in modern era. As of February 2025, approximately 397 villages in Nagaland lack mobile phone tower coverage. This indicates that about 27% are without mobile tower coverage (out of total 1,466 villages- recognized and unrecognized). Efforts should be made to improve connectivity in these underserved areas.

2. Industry

According to the state data, the state has small, tiny and medium industries in the state. However, there is zero or absence of large-scale industries even though the state has the potential and resources for establishing industries. The potential areas for developing industries in the state are as follows:

a). **Rubber Industry:** The Department of Land Resources, Nagaland in October 2024 stated that the total area under rubber plantation in Nagaland stands at 19132.5 Hectares with 14100 Hectares already under tapping producing 20,000 metric tons of rubber annually. Thus, there is a need to establish rubber processing industry, instead of exporting the raw material outside the state. This will help generate more revenue to the state government.

b). **Micro, Small, and Medium Enterprises (MSME) Support** by setting up industrial estates, common facility centres, and skill development programs in district headquarters.

c). **Revamping of existing Industries:** The state also needs to revamp the existing sick industries like **Tuli paper mill (Mokokchung district)** and mini Cement plant at **Wazeho (Meluri)** for better utilization of the state rich resources and generate more revenue and employment.

c). **Oil exploration and Oil refinery:** There is also a need to utilize the state rich oil reserve by exploring and setting up oil refinery in the state, from where state government can generate revenue.

d). **Agro and forest resource based activities and processing industries:** The state needs to support small farmers through improved processing facilities and local nurseries, while generating employment for local youth. With a focus on area expansion, farm connectivity, establishment of collection centers, post-harvest processing, and marketing facilities at strategic locations would enhance farmer livelihoods and promote sustainable agro-based enterprises (coffee, tea, spices, vegetables, bamboo etc.).

e) **Sustainable Piggery:** The significant gap in demand for pork (most preferred choice) in the state is met through importing from outside. Although almost every rural household rears pig, but there are very few commercial piggery farms. So the State government may take initiative to undertake piggery at commercial scale through people participation. This will improve the livelihood security of the rural people and generate revenue.

f). **Handloom and Handicraft**: Nagaland's rich tradition of handloom weaving and handicrafts, including intricate shawls, bamboo crafts, wood carving, and beadwork, requires strategic interventions to sustain and expand the sector through policy & institutional credit support.

(i) Create dedicated **handloom and handicraft clusters** in each district with necessary infrastructure and provide artisans with access to modern weaving tools and eco-friendly production techniques.

(ii) Expand financial incentives such as **subsidies on raw materials, tax exemptions, and direct grants** for artisans.

(iii) Conduct regular **skill enhancement workshops** in traditional and modern techniques and also provide training in entrepreneurship and business management for artisans to expand their market reach.

(iv) Promote marketing by developing local artisan hubs and markets in major towns and tourist destinations and promote e-commerce platforms and establish exclusive digital platform for Nagaland's handloom and handicraft products. Moreover, establish exclusive Nagaland handicraft emporiums in more metro cities in the country

(v) For branding and awareness, obtain Geographical Indication (GI) tags for specific products like Naga shawls and bamboo crafts.

This structured approach can ensure long-term sustainability and growth for Nagaland's handloom and handicraft sector while boosting local employment and income generation.

3. Electricity

The data in the study shows that Nagaland generate 208.2 MW, whereas, the required power supply of the state was 1005.08 MW as on 2023-24. The result shows that only 20.7% of the power requirement in the state is met by own production giving the state a power deficit of 79.3%. To fill the deficit in the power sector the state needs to develop those potentials areas which the state government has already identified for generation of hydro power. Nagaland has an estimated hydroelectric power potential of 1,500 MW and a solar power potential of 1,000 MW. Strategic investments in those identified potential renewable energy infrastructure should be made, which can ensure energy security and enhance economic growth. In addition, effort should be made to harness solar energy.

Although revenue has improved and the yearly T&D losses percentage show declining trend over the years, but the revenue-expenditure gap continues to widen and deficit remain high. This may imply that the Single Point Metering under communitization reform did not help in reducing the deficit as was expected, even though the system has eased the financial burden through small rise in revenue. Thus, the efforts *to do away with SPM are necessary* to address the challenges of high AT&C losses and ensure effective revenue collection in the State. To ensure 100 % *smart metering* in all urban areas, needs to draw back the Nagaland Communitization of Electricity Management in Urban Areas (by Urban Electricity Management Board) Rules, 2004 and amend the Nagaland Communitization of Electricity Management in Villages by Village Councils Rules, 2002, so as to facilitate 100% smart metering of rural consumers. The inefficiencies in revenue generation, significant transmission and distribution losses, and growing demand underscore the need for structural reforms, including **unbundling** of the power sector.

4. Tourism: The state is blessed with exquisitely picturesque landscapes, lush and verdant flora and fauna, cliff, waterfalls, spring, virgin forest, lakes, rivers and mountains and the vibrantly colourful sunrise and sunset can also be seen in many parts of the state. Apart from this rich biodiversity, there are sixteen different tribes in the state having diverse language and culture. Festival is celebrated by each tribe at different dates all throughout the year and the state government has correctly named it as the land of festivals. Thus, the state is endowed with rich potentials for ecotourism and cultural tourism. So far, the government has identified 30 tourist villages and 33 tourist spots in the state. The data on tourist shows that a total of 3, 66, 722 tourists visited the state during 2019-23 with an average of 73, 344.4 per year, majority were of domestic tourists. Domestic tourist in the state accounted for 3, 53, 113 during 2019-23 period with an average inflow of 70, 622.6 per year. Thus, 96.3% of the tourists in the state are of domestic, while 3.7% are of foreign tourists. A total of 13, 209 foreign tourists visited the state during the same period with an average of 2, 721.8 per year. Thus, to boost this smokeless industry in the state, the role of the state are needed for the following:

- a). Needs proper *identification of tourist potential areas* based on natural beauty and activities related. Also, proper advertisement needs to be done through electronic media, print media and pamphlet advertisement through travel agents.
- b). Nagaland is a land of villages and all the cultural heritage of the people are rooted in the villages. This opens opportunity for ecotourism, rural tourism, cultural tourism, agricultural tourism.

However, due to lack of infrastructure it remains untapped. Therefore, the state needs to develop *basic infrastructure in the villages like four or five rooms tourist lodge with proper sanitation, water supply and other basic requirements*. Proper transportation and connectivity are also equally essential.

c). In Nagaland, most of the travel agents and hotels are less aware of their role and importance in tourism sector. Therefore, there is a need for the state government to invest in *capacity building for travel agents and hospitality sector in each district of the state*. Further, the Village Council and the people in the villages should also be educated through proper training in hospitality, so as to improve and diversify their livelihood.

5. International Border Trade Centre

The state also needs to *set up border haats* at these three (**Avungkhu, Dan (Pangsha) and Longwa**) border centre. These haats will not only meet the needs of the people living in border land but will boost India's international trade and fulfil a part of India's Act East Policy.

6. Public Service Expansion

- i. ***Strengthening Healthcare Facilities:*** Lack of adequate medical facilities, especially in remote districts, has led to loss of lives and increased financial hardship for the people. *Strengthening this basic facility in all the districts headquarters in terms of medical equipments and machineries and manpower like doctors and nurses* is paramount importance. As of November 2024, Nagaland's doctor-to-population ratio stands at **1:4,056**, (one doctor for every 4,056 residents). This is significantly below the World Health Organization's (WHO) recommended ratio of 1:1,000. While the national average is approximately **1:836**, which highlight a significant disparity between Nagaland and the national average, underscoring the need for targeted healthcare interventions in the state.
- ii. ***Educational Institutions:*** There is an urgent need for investing in higher education institutions to transform them to intuitions of national standards (center for excellence), introducing wide range of disciplines including technical streams and skill development programs while addressing quality concerns. Access to quality education at their home state may reduce the outmigration of youths for higher education and ease the financial burden of the poor

- households. In this regard, the government may focus on up-gradation of three colleges namely *Kohima Science College, Fazl Ali College Mokokchung and Dimapur Government College*.
- iii. **Drinking Water Supply:** Nagaland faces significant challenges in ensuring a reliable and safe drinking water supply, particularly in hilly areas of both urban and rural areas, especially during the dry months. Inadequate water supply systems, poor maintenance, and old pipelines result in water losses, thus most of the households depend on rain water during summer months and in the dry season purchased from private water tankers. Insufficient funding, poor management and slow/improper implementation of water supply projects may be attributed for the cause of this problem. To mitigate the problem government may focus on the followings actions: *Rainwater harvesting, spring and river conservation through afforestation and watershed management, improved infrastructure for tap connectivity, exploring groundwater potential*. Ensure Community Participation in managing and maintaining water sources. Government initiatives and stringent monitoring is required for effective implementation of schemes like Jal Jeevan Mission and Atal Mission for Rejuvenation and Urban Transformation, which aim at universal coverage of tap water supply in all villages and urban local bodies, respectively.
- iv. **Capacity Building and Governance:** Enhancing administrative efficiency, digital governance initiatives, and community-based projects for better public service delivery is required.

7. Empowering Local Bodies

a). Rural Local Bodies:

The Village Councils and VDBs, although burdened with a number of administrative and development functions and responsibilities, they are faced with paucity of resources to fulfill them effectively. These grass root institutions in rural areas are neither empowered to collect taxes, nor has strong tax based. To transform Village Councils into dynamic organization of local self-governing bodies, they need to be equipped with consistent and adequate income sources. Given the State Government's limited capacity to finance these local bodies, the Finance Commission may award additional funds for targeted Infrastructure & Basic amenities development programmes, maintenance of assets, and capacity building at the village level.

i). **Creation of Capital Assets:** The programs should prioritize the creation of capital assets such as proper storage facilities for the farming community, marketplaces, and improved transportation

linking to urban markets. Additionally, maintaining public utilities and infrastructure—such as water supply, village roads, agri-link roads, and education and health facilities are crucial.

ii). *Capacity-building initiatives* : (1) To enhance efficiency of Village Council and VDB members in governance and program execution, as well as equip the farmers with skills and basic resources to attain sustainable livelihood.

(2) Building local capacity and initiative is required to enhance disaster risk reduction, by reactivate the Village Disaster Management Committees and develop village-level disaster risk reduction and climate risk management action plan using a village/cluster-based method, based on Local indigenous knowledge. Also incorporate the best practices and take up an intensive capacity building exercise for drawing up disaster resilient policies and practices. These measures will help communities mitigate risks and respond effectively to disasters.

(b). Urban Local Bodies:

It is important to mention that elections to local bodies were held in 2024, after a gap of 20 years on account of opposition to women reservation and property tax. However, this is a sensitive issue given the constitutional provisions of Article 371A and will draw widespread opposition from the public if implemented. Thus under the Nagaland Municipal Act of 2023, property tax is not included as one of the taxable item for Urban Local Bodies. Thus, the levy of property tax as a mandatory condition for grants to ULBs should be waived. Under the unique situation, the urban local bodies need to empower to improve their revenue sources to enable self-sustenance in the long term.

(i) *Capital Assets Creation and Development of Civic Amenities:* By creating and leveraging capital assets in various sectors can strengthen the revenue sources for ULBs. In Nagaland, the sources of revenue for the ULBs are currently restricted to trade license fees, rents from limited assets, utility service charges, etc.

Thus, a key measure to empower the ULBs lies in aiding in the creation of capital assets such as *market and shopping complexes, commercial spaces, guest houses, ward-level multipurpose halls, libraries, cold storage, waste recycling plants, park and recreational spaces, etc.*, where from generate revenue through rental.

Creation of *public transport and mobility* solutions like developing *multi-level parking* and charging parking fees can be a steady income source. Moreover, revenue from *city bus services*, and public transport hubs through fares and advertisements.

Utility Services and infrastructure/facilities need to be created, such as *waste management and supply of safe drinking water to households and other civic amenities*, from where the ULBs can generate revenue, at the same time enhancing the quality of life of the people.

By strategically investing in these capital assets, urban bodies can enhance self-sustainability, minimize dependency on external funding, and improve service delivery for citizens.

(ii) Capacity Building: There is also urgent need to focus on building up the capacity and effectiveness of the ULBs by providing training programs and workshops at regular intervals to the ULB staff as well as Councilors, for which adequate funds are required.

(iii) Physical Infrastructure Development for Disaster Preparedness: Nagaland being geographically located in a disaster-prone zone, experiences frequent landslides during monsoon season. To mitigate the impact of such destructive events, ULBs require funding to take up specific projects for storm water drainage, retaining walls for protection and up-gradation of roads to ensure safety of its residents.

(iv) Integrated Waste Management Facilities: Inadequate waste segregation and treatment in urban areas, along with open dumping and burning, have led to environmental pollution and health hazards. Additionally, low public awareness has resulted in poor participation in waste segregation and recycling. In response to strict directives from the National Green Tribunal, Urban Local Bodies must now meet mandatory waste management targets, therefore required funding for meeting the detailed Action Plan as follows: Waste Segregation at Source, effective waste collection system, establish treatment plants for Waste Processing and train officials to implement sustainable waste management practices.

8. Physical Infrastructure Development for Sports

(a) Multi-Disciplinary Sports Complex at Dimapur, which work has initiated in 2006, yet the infrastructure remains incomplete for nearly 19 years. Considering the significant investments already made (more than Rs. 50 crores) and the potential benefits of the project, it is economically and socially justifiable to allocate funds for its completion. Ensuring the proper utilization of

public resources will benefit sports, the economy, and community development in Nagaland. Completing this infrastructure will mitigate further degradation and cost escalation, boost sports development and youth engagement; generate employment opportunity, both directly and indirectly, promote health and community well-being.

- v. ***Sports Institute***: Nagaland has immense sports potential, but without structured training and proper infrastructure, talented athletes struggle to reach their full potential. A **dedicated Institute for Sports** will serve as a *hub for talent identification, training, and competitive development*, ensuring that Nagaland becomes a source of power in Indian sports. The establishment of such an institute will not only elevate sports in the state but also contribute to youth development, employment generation, and economic growth.

9. Disaster Management and Climate Resilience

Nagaland, situated in the highly vulnerable V-Seismic Zone, is prone to various natural disasters, including earthquakes, landslides, flash floods, hailstorms, cloudbursts, droughts, forest fires etc. Climate change exacerbates these hazards, leading to erratic weather patterns that impact people, infrastructure, housing, agriculture, and livestock, further intensifying the region's environmental and socio-economic challenges.

Nagaland's vulnerability is evident in frequent and severe landslides and mudslides, driven by its unique geomorphology and monsoon patterns. These events can cut off entire regions, as seen in recent past years. Climate change has further intensified the state's challenges, with recurring droughts threatening farmers' livelihoods. Therefore, the Finance Commission need to recognize the vulnerability of the poor traditional farmers in the state by *classifying Nagaland under drought-prone areas*. Between 2018 and 2021, drought affected 1.04 lakh hectares of cultivated land, 28.7% of the state's net sown area, posing a significant threat to agriculture, particularly given the traditional practices of jhum cultivation and limited arable land.

The previous Finance Commissions have acknowledged Nagaland's vulnerability to natural disasters and provided disaster management funds, which are crucial in mitigating the impact of frequent landslides, floods and other natural calamities. Similarly, under the 16th FC, the allocation of funds is needed for disaster management is particularly crucial for a State like Nagaland prone to

natural calamities, funding projects related to land and mud slide, flood control, forest and soil conservation, and disaster mitigation investments to safeguard livelihoods and infrastructure.

Capacity Building: Establishing institutions and infrastructure for disaster management is one of the critical sectors to ensure sustainable framework for growth. Reactivate the Village Disaster Management Committees and develop village-level disaster risk reduction and climate risk management action plan using a village/cluster-based method, which action fulfills the SDG 11 and National Agenda for Disaster Risk Reduction relating to building local capacity and initiative to enhance disaster risk reduction. Further empower ULBs with adequate funds to take up disaster mitigation investments in urban areas.

Effective utilization of capital deficit grants in Nagaland requires a multi-sectoral approach, focusing on sustainable development, employment generation, and improved public service delivery. A well-structured implementation plan based on the above mention areas, with stringent monitoring mechanisms can ensure optimal results and long-term development for the state.

CHAPTER 16

CONCLUSION

The findings of the study on evaluation of state finances with respect to the state of Nagaland are discussed below.

16.1. REVENUE

The trend of total own revenue (own tax + own non-tax) share in total revenue increased from 8.8% to 14.1% during 2012-13 to 2023-24 period. The share of central transfer through tax devolution in state's total revenue receipt has increased from 14.8% in 2012-13 to 39.8% percent in 2023-24, but the share of grants-in-aid from the centre to the state in the total revenue receipts of the state has declined significantly from 76.4% in 2012-13 to 46.1% percent in 2023-24. Thus, it can be inferred that the state dependence on central aid is still large. Taking 8.3% as the natural growth rate, it is projected that the total revenue will reach Rs. 28229.94 crores by 2030-31.

The trends and composition of revenue receipt as a percentage of GSDP shows that own tax revenue as a percentage to GSDP grows from 2.4% during 2012-13 to 4.0% during 2023-24, whereas, own non-tax revenue as a percentage to GSDP shows a fluctuating trend ranging from 0.8% to 1.7% during the same period. The total own revenue (own tax + own non-tax revenue) as a percentage to GSDP increases from 3.9% during 2012-13 to 5.6% during 2023-24 with little fluctuation during 2017-19 period. The share of shared tax as a percentage of GSDP has been increasing from 6.5% during 2012-13 to 15.9% during 2023-24. The share of Grants from centre as a percentage of GSDP shows a declining trend, decreasing from 33.6 to 18.8% during the same period. The share of total revenue as a percentage to GSDP remains stagnant around 43%.

The result of Tax or Revenue buoyancy with respect to GSDP shows that the buoyancy of own tax revenue, total own revenue, shared tax and total revenue are more than unity for a period of 2012-13 to 2023-24. This indicates that revenue in the state grows more than proportionately to the growth of GSDP.

The composition and trends in respect of state's own major taxes and duties shows that Sales Tax/VAT was the major source of own tax revenue for state government during till 2016-17. Its share increases from 75.66% in 2012-13 to 78.34% in 2016-17. But with the implementation of State Goods and Service Tax (SGST) the share of sales/VAT started declining and its share was 16.64% in

2023-24. With the implementation of SGST in 2017-18, its share in the own tax revenue rose from 29.39% to 66.52% in 2023-24. The other important source of own tax revenue was taxes on vehicles whose share remained above 10% on an average for 2012-13 to 2023-24 period except for two years (2018-20). The share of professional tax in own tax revenue declined from 8.01% in 2012-13 to 1.88% in 2023-24. The share of land revenue remained below 1%, stamps and registration remained between 0 to 1 percent, state excise remains below 1% except for 2018-20 period whose share crossed 10% mark, taxes on goods and passengers also fluctuates between 1% to 4% and the share of electricity was very insignificant during the entire period.

The buoyancy of total own tax revenue is mostly influenced by the buoyancy of taxes on goods and passengers, electricity and SGST. These three taxes are more productive than others and have a high potential for growth. Therefore, there is a need to concentrate more on these taxes in Nagaland.

16.2. STATE OWN NON-TAX REVENUE

The composition and trends of state own non-tax revenue shows that revenue from economic services constitute major part of the total own non-tax revenue. Its share in the total own tax revenue was 60% on an average for a period of 2012-24. The next important component of state own non-tax revenue was social services. Its share was 21.7% on an average during the same period. The share of general services in the total own non-tax revenue was 15.4% on an average while the share of interest receipt was 2.8% on an average during 2012-24 period.

The recovery percentage in economic services is higher than all other services. Its recovery rate was 5.8% on an average for the entire period while the recovery rate of social services was 2.5% on an average during the same period. For general services, the recovery rate was 1.08% for the whole period. Thus, the state should make 15% as target to reach the recovery rate of each component by 2030-31.

The buoyancy for 2012-24 shows that the total own non-tax revenue is less than unity indicating low productivity. Among the services, General services and Economic services has buoyancy more than unity with 2.11 and 1.02 during 2012-24.

16.3. REVENUE AND CAPITAL EXPENDITURE

The total state expenditure has increased from Rs. 6860.88 crores to Rs. 17942.91 crores during 2012-13 to 2023-24 period. The contribution of revenue expenditure to the total expenditure rose from 81.6% during 2012-13 to 82.6% during 2023-24 and on an average its share remained above 80% for the whole period. The capital outlay declined from 18.3% to 17.4% during 2023-24. Its share in total expenditure remained above 12% on an average during the same period. The contribution of loans and advances in the total expenditure is negligible and is less than 1% for the whole period.

The total expenditure as a proportion to GSDP decreased from 48.57% during 2012-13 to 44.4% during 2023-24. Like the total expenditure, revenue expenditure as a percentage to GSDP slightly increased from 39.67% to 39.67% during the same period. For total capital outlay it decreased from 8.89% to 7.73% during the same period while loans and advances as a percentage to GSDP is negligible. The total loan and advances as a percentage of GSDP is negligible as it lies below 1% for the entire period.

Functional composition of total expenditure shows that the share of general services in total expenditure (including interest payment), also considered as non-developmental expenditure, has increased from 41.7% during 2012-13 to 45.1% during 2023-24. Compared to other services, the share of general services in the total expenditure is the highest during the entire period. The combine shares of social and economic services which constitute developmental expenditure have decreased from 58.3% to 54.9% during the same period. The relative share of social services in the total expenditure increased from 24.4% to 30% during the same period while the share of economic services decreased from 33.9% during 2012-13 to 24.9% during 2023-24. It is also seen that the share of loans and advances in the total expenditure is insignificant during the same period.

Committed Expenditure of the State Government on revenue account shows that the share of total committed expenditure to total revenue expenditure increased from 66.6% during 2012-13 to 73.2% during 2023-24. The expenditure for salaries and wages has increased from Rs. 2603.87 crores in 2012-13 to Rs. 6671.17 crores in 2023-24. The percentage share in revenue expenditure decreased from 46.5% during 2012-13 to 45% during 2023-24. The expenditure on interest repayment has increased from Rs. 450.64 crores in 2012-13 to Rs. 1068.43 crores in 2023-24. However, the share in revenue expenditure remains around 6% to 9% during the same period. The

expenditure on pensions and retirement has increased from Rs. 677.03 crores in 2012-13 to Rs. 3101.92 crores in 2023-24. The share in revenue expenditure has increased from 12.1% during 2012-13 to 20.9% during 2023-24.

The recovery rate for interest ranges from 1% to 2% for 8 years and were below 1% for 4 years (2019-23). For general services, the recovery rate were below 1% for 7 years and for 5 years (ie, 2016-18, 2019-20 and 2022-24), its recovery rate is above 1% but less than 3.49%. The recovery rate of social services shows an increasing trend from 2.96% in 2012-13 to 4.71% during 2017-18. After 2017-18, the recovery rate starts decreasing and was 0.36% during 2023-24. For economic service, the recovery rate shows an impressive increasing trend; from 5.61% in 2012-13 to 8.4% during 2022-23 and then falls to 6.6% the following years. An overall assessment shows that the recovery rate of economic service is better than all other component.

16.4. DEFICIT

The analysis of deficit shows that state has been having revenue surplus for all the year except during 2019-20 period where it runs to deficit of Rs. 213 crores. The fiscal deficit of the state has increased from Rs. 657.71 crores during 2012-13 to Rs. 1755.96 crores during 2023-24. The state primary deficit increased from Rs. 207.07 crores in 2012-13 to Rs. 687.53 crores during 2023-24.

16.5. DEBT AND LIABILITIES

The total liabilities of the state increased from Rs. 7452.54 crores during 2012-13 to Rs. 18187.32 crores during 2023-24. The total public debt increased from Rs.5247.37 crores to Rs. 15944.06crores, while the public account increased from Rs. 2205.17 crores to Rs.2243.26 crores during the same period. The share of total liabilities in GSDP of the state decreased from 53% to 45% with an average share of 45% during the study period which is above 40% as targeted by FRBM. The percentage share of public debt to GSDP was 34% on an average during 2012-24 period, while the percentage share of public account decreased from 16% to 6% with an average of 11% during the same period. It is projected that total state liabilities will reach Rs, 25412 crores during 2030-31.

16.6. Analysis of MTFP

The analysis of MTFP in line with the FRBM act 2005 shows that the own non-tax revenue has been increasing over the years in terms of quantity, from Rs. 205.21 crores during 2012-13 it increased to Rs. 677.85 crores during 2023-24. However, its percentage share to total own revenue

has been decreasing over the years from 37.9% during 2012-13, it declined to 29.8% during 2023-24 with an average percentage share of 31% which goes against the FRBM objective of raising non-tax revenue. The average revenue surplus exhibits a positive of 2.98% surplus for the whole period as targeted in FRBM 2005. The fiscal deficit as a percentage to GSDP was 3.01% for the whole period which is 0.01% higher than the targeted FRBM of bringing down below 3% by 2009. The fiscal deficit as a percentage to GSDP was below 3% for five years only, but for 7 years, the target could not be met. The primary deficit as a percentage to GSDP was 0.12% on an average for the whole period. The total committed expenditure including salary and wages, interest payment and pension was 69.7% on an average for the whole period. The total salary and wages as a percentage to total revenue was 47% on an average for the whole period meeting the target of FRBM 2005. The limit amount of Annual incremental risk weighted guarantees as prescribed by FRMB 2005 for 1% of TRR or 1% of GSDP could be maintained in the state as its Annual incremental risk weighted guarantees was 1.35% of TRR and 0.5% of GSDP. The total debt stock of the state was 45% of GSDP on an average during the whole period which is above the FRBM target of 40%.

16.7. CONTINGENT LIABILITIES

The total liabilities for class-wise guarantee given by the state government grow from Rs. 92.81 crores to Rs. 189.9 during 2012-23 periods.

16.8. SUBSIDIES

The state government has allotted a total of Rs. 211.52 crores as a subsidy during 2012-23 period. However, it can be seen that there was no subsidy for the first 7 years of the study period (2012-19). It was only in 2019-20 that the government subsidy was reflected in the expenditure statement of the budget. The total subsidy allotted from revenue expenditure during 2019-20 was Rs. 128.2 crores, however, there was no information under which heads the subsidy were given. The share of subsidy as a percentage to total revenue expenditure during 2019-20 was 1.1%. The subsidy granted to food and civil supplies during 2020-21 and 2021-22 was Rs. 25.12 crores each. The shares as percentage to total revenue expenditure were 0.23% and 0.21% respectively during the same period.

16.9. OUTCOME OF EVALUATION OF STATE

There is an increase in the flow of funds to the state from the shared taxes as per the recommendation of the 14th and 15th finance commission. The share of union taxes for the state has been increasing from Rs. 917.14 crores during 2012-13 to Rs. 6426.82 crores during 2023-24. Its

share in the total state revenue also increases from 14.8% to 39.8% during the same period. The 15th finance commission recommended grants of Rs. 4,36,361 crores to local government during 2021-26 period. The total amount recommended for the state of Nagaland was Rs. 303 crores for health, Rs. 486 crores for rural local bodies, Rs. 249 crores for urban local bodies and Rs. 228 crores for disaster management. Like the 14th finance commission, the 15th finance commission also recommended a total revenue deficit grant of Rs. 2,94,514 lakh crores for the 17 states for five years (2021-26) to eliminate revenue deficit, of which Nagaland is one of them. The total amount recommended for the state of Nagaland was Rs. 21,249 crores during the same period. However, the analysis shows that, the state has received a total of Rs. 21,680 crores as grant in aid for the first three years, ie, Rs. 6,971 crores in 2021-22 Rs. 6,758 crores in 2022-23 and Rs. 7,951 crores in 2023-24, which is higher than the total amount recommended for the state by 2%. The compensation for GST as recommended by the commission for five years was 100% for the first year, 75% for the second year and 50% for the third year. The revenue collected under GST in the state grows from Rs. 526.21 crores in 2017-18 to Rs. 1,112.5 crores during 2023-24. It grows with an annual average growth rate of 11.29%. To eliminate the fiscal deficit, the commission has recommended that fiscal deficit in the state should not be more than 3% of the GSDP. However, it was found that the state fiscal health is not so impressive. The state fiscal deficit was 5.7% on an average for 2012-24 period which is above the recommended percentage while the primary deficit remains at 2.9% on an average during the same period.

16.10. POWER SECTOR

The state's own generation remains low, which declined from 95.76MW to 74.7MW, exhibiting a dropped of -2.05 % thus, depends on the power allocation from the Central Public Sector Units (CPSUs) which barely meets the demand during the lean season. Generally the of energy requirements in Nagaland are met through purchased from the Central Public Sector Units (CPSUs) like NEEPCO, NHPC, and PGCIL. Power purchases increased significantly from 481.35 MW in 2012-13 to 930.38 MW in 2023-24, with a compound annual growth rate (CAGR) of 5.65%. In total energy available, the share of energy purchased has increased to 92.57% in 2023-24, while the state's own generation has declined to 7.43% over the same period. Moreover, T&D losses in Nagaland have fluctuated significantly over the years; the highest was in 2020-21 at 280.54 MU and slightly

decreased to 265.87 MU in 2021-22. The percentage of T&D losses generally shows a downward trend, falling from 46.77% to 27.41% in 2012-13 and 2021-22, respectively.

The energy demand has been grown significantly with the increased in the number of consumers which was 3,17,210 in 2022-23, with a compound annual growth rate of 5.11 per cent. About 90 per cent were of domestic consumers, followed by commercial (8%) and industrial and public lighting consumers (1% each) in 2022-23. While domestic consumption remains the largest energy user in Nagaland, there is an evident of increase in demand from commercial and industrial sectors, with a significant decline in public services like lighting and water works. These trends may be taken as an indicator of gradual shift towards increased commercial activities in the state

Per capita electricity consumption in Nagaland remained considerably lower than the national average throughout the period. For instance, in 2022-23, while Nagaland recorded 445 kWh, the national average was almost three times higher at 1,331 kWh. The energy demand is expected to rise from 997 MW in 2024-25 to 1,299 MW by 2031-32 and the Peak demand is projected to grow from 180 MW in 2024-25 to 235 MW in 2031-32.

During 2012-13 to 2022-23, the cost of power purchases rose sharply from ₹113.88 crore to ₹553.95 crore, while revenue from electricity sales grew modestly from ₹78.39 crore to ₹293.93 crore. Despite a steady increase in revenue at a compound annual growth rate of 12.76%, the expenditure on power purchases raise faster at 15.46%. This mismatch has led to a persistent and growing deficit of ₹260.02 crore in 2022-23. The proportion of revenue to expenditure on power purchase decreased significantly from 68.84% in 2012-13 to 38.89% in 2020-21, then increase to 53.06% in 2022-23. The declining recovery rate underscores the financial stress and widening deficit trend which increased substantially by 5.41% over the years.

Under the Communitization programme in the power sector, initiated the Single Point Metering (SPM) system for billing and collection of revenue, the Village Electricity Monitoring Board (VEMB) empowered to fixed electricity charges from households, irrespective of the units consumed and deposits to the government after deducting a service charge. However, in urban area SPM is not being strictly followed. The main objective of the programme was to improve the delivery of public utility systems by decentralization and delegation of responsibilities, community empowerment, augmenting synergistic relationship between government and the community for fast-

tracking the institutions in their service delivery, nevertheless it could not do much to reduce the deficit in revenue collection.

Nagaland has been facing problems of energy shortages, inadequate power infrastructure, unreliable and poor supply of electricity, growing revenue deficit, inadequate revenue collection and the resultant negative impact on the State finances. The situation highlights the need for strategic measures such as developing all the potential resources, enhancing revenue collection, reducing transmission and distribution losses, and better cost management to stabilize the sector's financial health. For which, the sector needs structural reorganization including **unbundling** of the sector.

16.11. CENTRALLY SPONSORED SCHEMES

The analysis of central sponsored scheme shows that the share of government of India in the total CSS expenditure was 53.5% on an average while that of state share was 45.9% on an average for 2012-23 period. The total CSS expenditure in the state grows from Rs. 424.3 crores during 2012-13 to Rs. 2430.91 crores during 2022-23 periods. The share of state in the total CSS expenditure grows from Rs. 348.92 crores during 2012-13 to Rs. 1316.36 crores during 2022-23 periods. During the same period the share of GOI in total central sponsored scheme expenditure grows from Rs. 75.38 crores to Rs. 1114. Crores.

The amount released by the GOI for different centrally sponsored scheme is more than the cumulated expenditure for centrally sponsored scheme. The cumulated figures in the table shows that the total money released by the GOI grows from Rs. 483.26 crores to Rs. 28672.98 crores during 2012-23 period while the expenditure for various scheme grows from 424.3 crores to Rs. 22041.65 crores during the same period. Thus, Nagaland has an unutilised amount of Rs. 6631.33 crores for centrally sponsored scheme. The expenditure on various state schemes (Cumulative) grows from Rs. 1854.93 crores to Rs. 13998.81 crores during 2012 to 2023 period. On an average the share of state scheme in total revenue receipt was 13.9% during the same period.

16.12 FUND TRANSFER TO LOCAL BODIES

Village Council (VC) that looks after village administration and under its ambit, Village Development Board looks after developmental activities in the village and in urban areas, the municipal and town councils are the local bodies at the grass root level which institutions are empowered through transfer of resources and responsibilities for management of resources and

service delivery. Enactment of Communitization of Public Institutions and Services Policy, 2002 was an important step towards decentralization of the resource management.

Transfer of fund under Centrally Sponsored Schemes to rural local bodies like NREGA, PMGSY, and NRLM have received substantial funding with higher average annual allocations, indicating increased focus on rural employment, infrastructure, and livelihoods. With an overall CAGR of 5%, the total allocation in rural programmes remained stable between 2014-15 and 2022-23, although the trend has fluctuated and shown a downturn in recent years. The same in *urban area* shows a positive growth rate of 2%, indicating growing investment, particularly in infrastructure, housing, and sanitation. Major programs like Smart Cities, AMRUT, PMAY, and Swachh Bharat Mission received significant emphasis.

The compound annual growth rate of Grants-in-Aid (GIA) to local bodies was modest at 1.78% from 2012-13 to 2022-23. The relatively lower allocation of Grants-in-aids to Nagaland and other small states in the North Eastern Region (NER) reflects the need for targeted development efforts, ensuring more balanced support amongst the states within the region. Moreover, the compound annual growth rate of GIA at 1.78 % reflects a steady but slow increase in overall contributions of GIA to the local bodies.

Since 2020-21, revenue expenditure on urban development has shown positive trend. In contrast, on rural development saw a sharp decline in revenue expenditure with a negative growth rate of 14.4%, indicating reduced overall funding. While central contributions remain dominant over the state's but decreasing, while the share of state's funding increased between 2017-18 and 2022-23, reflecting policy shifts and rising fiscal pressures on states for rural development. The transition from older to newer schemes highlights evolving policy priorities focused on urban development and reflecting alignment with central government initiatives.

A consistent decline in central contributions leads to increased financial responsibility for the state government. Rural employment programs have seen significant reduction in funding, raising concerns about the sustainability of employment initiatives. The rising share of state-fund suggests a structural shift, with states taking on a significant role in financing rural development. This change in

the dynamics between state and central funding signals evolving policy priorities affecting rural development efforts.

Nevertheless, there has been a shift in attention towards Local Bodies, especially with central contributions in 2020-21 and 2021-22, stressing on local governance. The overall trend indicates a strategic emphasis on strengthening urban governance and infrastructure in Nagaland. In this sector increased funding will be required to carrying out the activities of newly elected ULBs in the state.

16.13. FINANCIAL HEALTH OF STATE PUBLIC SECTOR UNDERTAKINGS

As on 31st March, 2023 in Nagaland, there were seven State PSUs, of which, one company was non-working and the other six working PSUs were insignificant in the State's economy. For those working PSUs, the percentage share of their turnover in the GSDP was not only insignificant (0.02%) but declined (-6.69%) during 2012-13 to 2021-22. Additionally, the PSUs reported an accumulated loss of ₹73.33 crore. The combined effect of rising debt and decreasing turnover has led to increase in accumulated losses. While accumulated losses consistently grew, their debt levels surpassed their turnover by more than tenfold, highlighting significant challenges in debt repayment and servicing. The debt-to-turnover (DTR) ratio of State PSUs increased to 11.88:1 in 2021-22, with a compound annual growth rate of 2.69%, largely due to a rise in long-term borrowings.

The SPSUs mostly depend on State Government grants to meet the salary expenditure of its employees since they have minimum or no income from operation. In the total investment, the proportion of equity capital has consistently been lower than that of long-term loans (LTL). About 30% (₹35.15 crore) of the total investment (₹118.59 crore) in 2022 was contributed by the State Government, while the remaining 70% came from other sources, including the Central Government, holding companies, and banks. Significant portion of PSU investments is concentrated in the financial sector, representing almost 70% of the total investment. During the same period, guarantees issued to PSUs declined by 0.57%, whereas guarantee commitments increased by 2.61%.

The State Government's investment in the financial sector remained the highest in all the selected years as compared to other sectors, and grants or subsidies constituted more than 80% of the budgetary outgo. The share of grants to Public Sector Undertakings (PSUs) in the State's total Grants-in-Aid (GIA) rose above ten per cent with a compound annual growth rate of 5 per cent,

highlighting the growing financial burden of State PSUs on the State's finances. Additionally, the number of accounts in arrears for working PSUs has noticeable decline in recent years. The Government needs to take effective measures for early clearance of backlog account arrears and make the accounts up to date. The accounts of non-working PSU in the State should be withdrawn and Government needs to expedite closing down the company to reduce the burden of maintenance. Moreover, the Government should come forward to set up a monitoring/ regulatory cell to the clearance of arrears and set the targets for individual companies.

CONCLUSION

Nagaland's economy has seen fluctuating GSDP growth, averaging 7.2% between 2012-13 and 2023-24, with the tertiary sector emerging as the largest contributor. While the state maintains a revenue surplus, it faces rising fiscal and primary deficits alongside persistently low capital expenditure. The financial health of the state PSUs is concerning due to declining turnover and increasing debt. Local governance, through the traditional village systems and the recently reactivated Urban Local Bodies, are pivotal for rural and urban development but encounters funding challenges. The power sector is hampered by inadequate infrastructure, growing demand, high AT&C losses, and poor revenue collection, leading to a widening deficit that affects both service reliability and fiscal stability. Addressing these challenges with comprehensive economic strategies can enhance fiscal management and foster inclusive and sustainable growth in the state.

Nagaland faces significant challenges in generating internal revenue due to its limited tax base and insignificant private sector. As a result, the state remains heavily reliant on central financial assistance for its developmental needs. To bridge the capital deficit, the state will continue to depend on capital deficit grants, which must be strategically utilized with accountability to effectively achieve its targeted goals. The suggestions for utilization of Capital Deficit Grants in Nagaland given in the previous chapter 15 give a way forward for attaining long term development.

WAY FORWARD FOR ATTAINING LONG TERM DEVELOPMENT

1. Infrastructure Development

- Roads, Water way, Air and Railway Connectivity: Upgrading state highways, district roads, and rural roads to enhance intra-state mobility and trade. Similarly, railways and air port expansion

and upgrading. It also needs grants to developed inland waterway connecting Tizu to Chindwin river in Myanmar.

- Urban Infrastructure: Development of drainage systems, drinking water supply, waste management, and sustainable urban transport in key towns.
- Rural Infrastructure: Construction of rural roads and bridges, drinking water supply, marketing and transport infrastructure.
- International Border Trade Centre. The state also needs to *set up border haats* at these three (Avungkhu, Dan (Pangsha) and Longwa) border centre.
- Physical Infrastructure Development for Sports: Up-gradation of facilities in district headquarters, completion of *Multi Disciplinary Sports Complex* at Dimapur (19 years since initiated), and establishment of institute of Sports and Physical education.

2. Industrial Growth and Employment Generation

- Micro, Small, and Medium Enterprises (MSME): Support setting up industrial estates, common facility centers, and skill development programs in district headquarters.
- *Revamping of existing* sick industries like Tuli paper mill (Mokokchung district) and Mini Cement plant at Wazeho (Meluri).
- *Oil exploration and Oil refinery*
- Agro-Based Industries: Promotion of food processing units, cold storage facilities, and market linkages for farmers. Rubber processing and tea processing units.
- Handloom and Handicraft Sector: Strengthening cooperatives, marketing networks, up skilling and financial assistance for artisans.

3. Power and Renewable Energy

- Electricity Infrastructure: Strengthening power distribution networks and expanding rural electrification.
- Hydropower and Solar Energy Projects: Investment in small and medium hydropower projects and rooftop solar initiatives.
- Energy Efficiency Measures: Implementing smart grids and energy-saving technologies in public institutions. Replacement of SPM by smart metering to reduce revenue lost.
- Unbundling of the sector.

4. Tourism and Cultural Promotion

- Eco-Tourism Development: Establishing nature trails, adventure tourism hubs, and home stays.
- Heritage and Cultural Sites: Restoration of historical monuments, museums, and local festival promotion.
- Capacity Building: Training and financial support for local entrepreneurs in tourism-related businesses.

5. Strengthening Governance and Service Delivery

- E-Governance Initiatives: Expanding digital infrastructure for efficient public service delivery and transparency.
- Healthcare Infrastructure and man power: Upgrading district hospitals, PHCs, and procurement of medical equipment. Recruit more medical personals as per the standard norms.
- Education Infrastructure: Construction of model schools with vocational training centers. Establish institutions of higher education with wider streams of studies and technical education with improved quality. Up-gradation of three colleges namely – *Kohima Science College, Fazl Ali College Mokokchung and Dimapur Government College.*

6. Strengthening Local Bodies and Decentralized Planning

- Capacity Building of Urban Local Bodies (ULBs) and Village Councils: Training programs and financial management support.
- Participatory Planning Mechanisms: Strengthening Village Councils and municipal planning for effective grassroots governance.
- Enhancing Own Revenue Generation: Developing sustainable revenue streams for ULBs and village councils through asset creation and service charges.
- Physical Infrastructure Development for Capital assets creation , Development of civic amenities and Disaster Preparedness for both rural and urban local bodies
- Creation of Integrated Waste Management Facilities

7. Disaster Management and Climate Resilience

- Projects related to mitigation of land and mud slight, flood control, forest and soil conservation, and disaster mitigation to safeguard livelihoods and infrastructure.