



GOVERNMENT OF SIKKIM
FINANCE DEPARTMENT
GANGTOK

Half Yearly Review Report: 2022-23

Review of Trends in Receipt and Expenditure in relation to Budget 2022-23

**Presented before the Sikkim Legislative Assembly as required under Sub
section (2) of section 7 of the Sikkim Fiscal Responsibility and Budget
Management Act 2010**

March 2023

STATUTORY PROVISIONS CALLING FOR REVIEW

As a measure to enforce compliance to The Sikkim Fiscal Responsibility and Budget Management (FRBM), Act 2010, Section 7(2) of the Act, envisages the requirement of six-monthly reviews. The provision of the said Act is reproduced below:

Section 7(2)

The Minister-in-charge of the Department of Finance shall review every quarter, the trends in receipts and expenditure in relation to the budget, remedial measures to be taken to achieve the budget targets and every half year place before the Legislative Assembly the outcome of such reviews while placing a statement: -

- (a) any deviation in meeting the obligations cast on the Government under this Act,
- (b) whether such deviation is substantial and relates to the actual or the potential budgetary outcomes; and
- (c) the remedial measures the Government proposes to take.

Review document for the six-month period April-September 2022 is presented herewith.

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LIST OF ABBREVIATIONS

MTFP	Medium Term Fiscal Plan
13 th FC	Thirteenth Finance Commission
14 th FC	Fourteenth Finance Commission
15 th FC	Fifteenth Finance Commission
FRBM	Fiscal Responsibility and Budget Management
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
SGST	State Goods and Services Tax
CGST	Central Goods and Services Tax
INR	Indian National Rupees
RBI	Reserve Bank of India
CSO	Central Statistical Organization
CSS	Centrally Sponsored Schemes
NEC	North Eastern Council
NLCPR	Non-Lapsable Central Pool of Resources
VAT	Value Added Tax
GeM	Government E- Marketplace
GREF	General Reserve Engineer Force

CHAPTER 1: FISCAL POLICY OVERVIEW

1.1 Introduction:

Based on the recommendations of the 11th Finance Commission, the State of Sikkim adopted Fiscal Responsibility and Budget Management (FRBM) in the year 2010. The FRBM Act aims to bring fiscal discipline, macroeconomic stability, transparency in the government fiscal operations, and efficient management of funds. The fiscal management revolves around the benchmarks and fiscal indicators provided under the FRBM Act and ensure a defined time path for achieving deficit and debt targets to achieve fiscal stability. To ensure the fiscal stability and sustainability while providing efficient public service is the key feature of a growth oriented fiscal policy.

The FRBM Act stipulates presenting a Medium-Term Fiscal Plan (MTFP) along with the State Budget with an objective to give the detailed fiscal stance of the Government as envisioned in the budget in a transparent manner. The Medium-Term Fiscal Plan statement presented in the Legislature along with the budget documents 2022-23 has clearly stipulated the fiscal management principles, policy choices and fiscal stand enshrined in the Act.

As a measure to enforce compliance to the Sikkim Fiscal Responsibility and Budget Management, Act 2010, the Minister-in-charge of the Department of Finance shall review every quarter, the trends in receipt and expenditure and achievements of targets in relation to the budget and every half year place before the Legislative Assembly the outcome of such reviews.

The fiscal path chalked out by the Fourteenth Finance Commission (14thFC) ended in 2019-20; and from the fiscal year 2020-21 to financial year 2025-26, the recommendations as stipulated by the Fifteenth Finance Commission (15thFC) has taken effect. The FRBM Act of the State will take into account the recommendations made by the 15thFC starting the fiscal year 2020-21.

The 15th Finance Commission has suggested measures to maintain a stable and sustainable fiscal environment consistent with equitable growth. The 15th Finance Commission in its report has recommended maintaining fiscal deficit to maximum of 4% of Gross State Domestic Product (GSDP) in 2021-22, 3.5% of Gross State

Domestic Product (GSDP) in 2022-23 and maintain it at 3% of Gross State Domestic Product (GSDP) in 2023-24 and thereafter.

Further, they have also recommended an annual fiscal deficit space of 0.5% of Gross State Domestic Product (GSDP) for the period 2021-22 to 2025-26 based on certain performance criteria in the power sector. It has also recommended the option of availing this entire or part of unutilized borrowing amount of the years from 2021-22 to 2024-25 to subsequently borrow within 2021-22 to 2025-26. It has also recommended to maintain a declining trend of the debt to GSDP ratio starting 2022-23. Necessary amendments to the State FRBM Act to reflect the statutory flexible limits on fiscal deficit and debt levels have been carried out.

1.2 Post COVID-19 Pandemic

In the last two and half years, the world has witnessed two major shocks – the COVID-19 pandemic and the conflict in Ukraine. These shocks have produced profound impact on the both the national and global economy. Now we are in the midst of a third major shock arising out of aggressive monetary policy actions across the world with an aim to control unprecedented rise in inflation. There is nervousness in financial markets with potential consequences for the real economy and financial stability.

Despite this unsettling global environment, the Indian economy continues to be resilient. The macroeconomic stability and the financial system remains intact, with improved performance parameters. The country has withstood the shocks from COVID-19 and the conflict in Ukraine and has comfortably dealt with the new storm that the country was confronted with.

Sikkim though did not face direct impact due to global uncertainties, but the effect of COVID-19 pandemic was immense with nationwide-wide lockdown resulting in closure of economic activities. The State had wide ramifications on revenue collections with lot of activities linked to tourism and hospitality industry being stunted. The State is now recuperating the economic downturn and is treading the normal trajectory path of growth post the pandemic and the global economic downturn.

1.3 State of the Economy

The geopolitical developments globally have been weighing heavily on the domestic inflation trajectory. The inflation has moderated by 90 basis points to 5.9 per cent in November due to fall in vegetables prices and the core inflation rate has remained steady at 6 per cent. The consumer price inflation remains elevated and above the upper tolerance band of the target due to large adverse supply shocks. The recent correction in global commodity prices including crude oil, if sustained, may ease cost pressures in the coming months.

The real GDP in India grew by 13.5 per cent (y-o-y) in Q1:2022- 23, surpassing the pre-pandemic level by 3.8 per cent. This was led by robust growth in private consumption and investment demand. As per Economic Survey 2021-22; with the vaccination programme having covered the bulk of the population, economic momentum building back and the likely long-term benefits of supply-side reforms in the pipeline, the Indian economy is in a good position to witness a GDP growth of 8.0-8.5 per cent in 2022-23.

As per the December 2022 RBI bulletin, the balance of risks is increasingly tilted towards a darkening global outlook, and the Emerging Market Economies (EMEs) appear to be more vulnerable, even though incoming data suggest that global inflation may have peaked. The near-term growth outlook for the Indian economy is supported by domestic drivers as reflected in trends in high frequency indicators. Declining input cost pressures, still buoyant corporate sales and turn-up in investments in fixed assets are heralding the beginning of an upturn in the capex cycle in India, which will contribute to a speeding up of growth momentum in the Indian economy.

With the revival of GDP, the public finance in the country and states in particular will see positive impact. The collection in GST seems to have improved and this has wide ramifications for the State of Sikkim as the major portion of the State Revenue depends on Central tax devolutions.

The future prospect of India seems bright with India taking centre stage by setting out its priorities and deliverables under its G20 Presidency. As the third largest economy in PPP (Purchasing Power Parity) terms, and the 5th largest in terms of market exchange rates, India accounts for 3.6 % of G20 GDP while its share in real (PPP) terms is much higher at 8.2 %. In 2023, India is projected to be among the fastest

growing economies within G20. India's priorities under the G20 Presidency encapsulate a vision of unity and interconnectedness. They will also reflect the priorities of the global South: One Earth, One Family, One Future.

1.4 Organization of the Paper

The remaining section of this paper is structured as follows:

Chapter 2 highlights the significant Fiscal Profile of the Budget 2022-23;

Chapter 3 makes a study of trends in Revenue Receipt for the period April to September 2022 in relation to Budget 2022-23;

Chapter 4 makes a study of trends in Expenditure for the period April to September 2022 in relation to Budget 2022-23;

Chapter 5 focuses on Fiscal targets, Guarantees and debt levels.

CHAPTER 2: FISCAL PROFILE

2.1 Fiscal Profile of Budget 2022-23

Based on the methodology prescribed by the 15th Finance Commission, the GSDP for 2022-23 in nominal terms is projected at Rs. 38,182.00 crore. Based on the stipulated calculations, an average growth rate of 7.07 percent has been applied to GSDP of last three fiscal years and thus the GSDP figure arrived at. The State GSDP at current prices grew at the rate of 10.70 percent in 2019-20 and 1.14 percent in 2020-21. For the State of Sikkim, a large part of the GSDP is derived from manufacturing and power generation. However, these sources do not result in a corresponding increase in local consumption and consequently revenue. The generation of hydroelectricity, though adds to the GSDP numbers, remain outside the State tax system. Similarly, the pharmaceutical companies do not contribute to the revenue receipts of the State, as they send their products out of the State through consignment transfer and also partly due to the fact that the taxes are consumption based under the GST regime.

Table 2.1: Budget Profile 2022-23

Sl. No.	Particulars	Budget Estimate 2022-23 (Rs. in Cr)	Budget Estimate 2022-23 (As % to GSDP)
1	Revenue Receipts	8420.60	22.05
2	Own Tax Revenue	1336.42	3.50
3	Sales Tax + SGST	919.82	2.41
4	Stamp Duty and Registration	14.33	0.04
5	State Excise Duty	297.00	0.78
6	Motor Vehicle Tax	46.00	0.12
7	Other Taxes	59.27	0.16
8	Own Non Tax Revenue	990.09	2.59
9	Central Transfer	6094.09	15.96
10	Tax Devolution	2128.18	5.57
11	CGST	1040.41	2.72
12	Grants	2925.50	7.66
13	Revenue Expenditure	8354.32	21.88
14	General Services	3042.74	7.97
15	Interest Payment	732.45	1.92
16	Pension	1119.97	2.93
17	Other General Services	1190.33	3.12
18	Social Services	3207.54	8.40

19	Education	1369.43	3.59
20	Medical and Public Health	561.93	1.47
21	Other Social Services	1276.18	3.34
22	Economic Services	1976.15	5.18
23	Assignment to LBs	127.88	0.33
24	Capital Expenditure	1527.28	4.17
25	Capital Outlay	1527.28	4.17
26	Net Lending	0.00	0.00
27	Revenue Deficit	-66.28	-0.17
28	Fiscal Deficit	1527.28	4.00
29	Primary Deficit	-798.73	-2.09
30	Outstanding Debt	12411.12	32.51

The fiscal profile of the Budget for 2022-23 has been outlined at Table 2.1. From the Table, it is seen that the Revenue Receipts for the State is 22.05 percent relative to GSDP. This is an increase from 20.31 percent of GSDP estimated last fiscal year. This was mainly due to increase in sales tax, SGST and tax devolution. Similarly, the Own Tax Revenue-GSDP Ratio and Own Non-Tax Revenue-GSDP Ratio in the budget estimate for 2022-23 were projected at 3.50 percent and 2.59 percent respectively and is an increase from 3.14 percent and 2.03 percent respectively compared to last fiscal year.

The Central Transfers for 2022-23 is projected at 15.96 percent of GSDP, which is increase by 0.82 percent compared to last fiscal year. This is due to increase in Central Tax Devolution from 4.59 percent to 5.57 percent of GSDP. However, there has been a steady decrease in Central Grants from 8.54 percent in 2020-21 to 8.37 percent in 2021-22 to 7.66 percent of GSDP in 2022-23. The effect of decrease in Central transfers to the State economy is immense as the Central transfers including Central Tax devolutions account for 82.01 percent of total revenues of the State.

The Revenue Expenditure for 2022-23 is projected at 21.88 percent of GSDP which is an increase from 19.40 percent of GSDP projected last fiscal. The increased allocations under Social and Economic sectors are a priority of the State Government and there has also been expansion of spending due to COVID related activities. The allocations under the Capital Expenditure have decreased to 4.17 percent of GSDP from 4.93 percent of GSDP projected last fiscal year.

The State Government over the years have adhered to the FRBM targets and remained on the path of fiscal consolidation. The fiscal data shown in Table 1.1 indicates that the State has been maintaining surplus in the revenue account and

limited the fiscal deficit to the level prescribed by the State FRBM Act. The revenue surplus was projected at 0.17 percent relative to GSDP in 2022-23, which is a decrease from 0.92 percent in the last fiscal. The revenue surplus depends upon the central grants and own revenue, which contracted to a large extent. The fiscal deficit relative to GSDP at 4.00 percent is within the management principle enshrined in the Sikkim Fiscal Responsibility and Budget Management Act, 2010.

CHAPTER 3: TRENDS IN REVENUE

3.1 Revenue Profile

The overall achievement under revenues of the State during the half yearly period ending September 2022 is 41.84 percent, which comprises of Tax Revenue of 53.02 percent, Non-Tax Revenue of 39.56 percent and Central Transfers (Tax Devolution including Grants-in-Aid) of 39.76 percent. The Summary of Revenue covering the first six months of the fiscal year 2022-23 is presented in Table 3.1.

The trend of not achieving the half yearly targets of Revenue is quite normal keeping in view that the Central transfers which constitute major portion of the revenue receipts are delayed and are not received to the extent projected. The targets achieved under the Own Tax and Non-tax Revenues, however, are much higher than expected.

Table 3.1: Summary of Revenue Profile

Sl. No.	Items	2022-23 (BE) (Rs. in cr)	Receipt April - Sept 2022 (Rs. in cr)	% to budget (April - Sept 2022)
A	REVENUE RECEIPTS	8420.60	3523.36	41.84
B	OWN TAX REVENUE	1336.42	708.57	53.02
C	CENTRAL TRANSFERS	6094.09	2423.11	39.76
D	NON-TAX REVENUE RECEIPTS	990.09	391.67	39.56

Source: Annual Financial Statement 2022-23 and Civil Accounts September 2022

3.1.1 Own Tax Revenue and Central Transfer

The State's Own Tax Revenue constitutes 15.87 percent relative to the total Revenue for 2022-23 and 3.50 percent relative to GSDP. The revenue from SGST, State Excise Duties and Sales Tax are the major sources of Own Tax Revenue, which comprises of 91.05 percent of the total own Tax revenue. The realization of 53.02 percent of Own Tax Revenue in the first half year may be due to enhanced economic activities post the COVID-19 pandemic. The achievement has exceeded the expected half yearly target by 3.02 percent. The profile of Tax Revenue and Central Transfers covering the first six months of the current financial year is presented in Table 3.2.

The receipt under SGST and Sales tax is 55.49 percent and 45.96 percent of the estimated target respectively. The target under SGST has exceeded the half yearly

expectation due to increase in GST rates w.e.f. January and July 2022 and better revenue mobilization and monitoring. The targets have however fallen short under Sales Tax and same could be due to reduction of base prices due to reduction in Central excise duties and also due to lesser transport activities due to odd even rule imposed in private vehicles in and around Gangtok. Though the shortfall is not substantial, it is necessary to take up additional revenue mobilization to achieve the revenue targets by the end of the fiscal year; as the collections on SGST and Sales tax is quite significant which is 17.83 percent of Own Tax revenues and 0.61 percent relative to GSDP. Shortfall in collections under Sales Tax could disbalance the overall fiscal position of the State.

Table 3.2: Summary of Own Tax Revenue and Central Transfers

Sl. No.	Items	2022-23 (BE) (Rs. in cr)	April - Sept 2022 (Rs. in cr)	% to budget (April-Sept 2022)
A	TAX REVENUE RECEIPTS & CENTRAL TRANSFERS	7430.51	3131.68	42.15
B	OWN TAX REVENUE	1336.42	708.57	53.02
0006	SGST	686.82	381.14	55.49
0009	Goods and Service Taxes Compensation Cess	0.00	0.00	0.00
0028	Other Taxes on Income and Expenditure	16.00	9.05	56.57
0029	Land revenue	8.60	3.41	39.67
0030	Stamp Duty and registration Fees	14.33	19.07	133.10
0039	State Excise Duties	297.00	142.86	48.10
0040	Sales Tax	233.00	107.09	45.96
0041	Motor vehicle Tax	46.00	24.40	53.05
0045	Other Taxes	34.67	21.55	62.14
C	CENTRAL TRANSFERS	6094.09	2423.11	39.76
0005	Central GST (CGST)	1040.41	579.84	55.73
0008	Integrated GST (IGST)	0.00	0.00	0.00
0020	Corporation Tax	989.36	484.76	49.00
0021	Taxes on Income other than Corporation Tax	955.51	470.88	49.28
0032	Taxes on Wealth	-0.04	0.00	0.00
0037	Customs	137.38	79.82	58.10
0038	Union Excise Duties	42.79	26.82	62.68
0044	Service Tax	3.18	1.72	54.09
1601	Grants in Aid and Contributions	2925.50	779.27	26.64

Source: Annual Financial Statement 2022-23 and Civil Accounts September 2022

The achievement of revenue collection under Stamp Duties & Registration Fee was 133.10 percent of estimated revenue and could be mainly on account of enhanced activities post the pandemic. The achievement under Other Taxes was 62.14 percent of estimated revenue which resulted mainly due to enhanced collections under Transport Infrastructure Development Fund and Education Cess.

The collection of taxes and registration charges under Land Revenue Taxes is 39.67 percent and the reason for shortfall is stated to be due to non-finalisation of acquisition of land by various agencies. With the finalization of the same, the estimate is likely to be achieved by the end of the fiscal year.

The achievement under Motor Vehicles is 53.05 of the estimated revenue. The new rule to tax heavy earth moving vehicles and construction equipment has added up to the revenue enhancements under Motor vehicles.

The overall achievement of targets envisaged in the budget estimate for the Own Tax Revenues is expected to grow in the second half of the fiscal year as per trends in the past, especially under SGST and Excise duties, wherein the revenues tend to pick up with start of festive season from October 2022 onwards.

The major chunk of the total revenue of the State Government comes from the Central Transfers, which comprises of 72.37 percent relative to the total revenue of the State and 82.01 percent relative to the total Tax Revenues. The Central transfers including the Grants in the current financial year review period is 39.76 percent, which is below the half yearly expected figure. The muted release of Central transfers in the first half of the fiscal year is a normal trend.

The Share of Central Taxes for the half year period is 52.49 percent, an increase of 8.82 percent compared to release made in the last fiscal year. The gross All India GST collections for October 2022 have crossed ₹1.50 lakh crore mark for the second time after April 2022. It is also the ninth time in a row that the monthly gross GST revenues have been more than the ₹ 1.40 lakh crore mark. The recovery of Indian economy after number of global uncertainties is also a good sign for Sikkim, as these results in a better devolution of taxes to the State.

With economy getting back to normal, it is expected that the short releases would be compensated in the second half of the fiscal year, thereby not impacting the overall

fiscal position of the State. The release of funds under Grants-in-Aid and Contributions is at 26.64 percent of budgeted outlay which is an increase of 2.91 percent from last fiscal year. Since the release of grants under the Central schemes is tied to the particular scheme, the expenditure would also be muted to that extent and thus would not disturb the overall fiscal balances of the State.

3.1.2 Own Non-Tax Revenue

The profile of the Non-Tax Revenue in the first six months of the current financial year 2022-23 is presented in Table 3.3. The State's Own Non-Tax Revenue constitutes 11.76 percent relative to the total Revenue Receipt for 2021-22 and 2.59 percent relative to GSDP. This is an increase from 10.01 and 2.03 percent respectively in the last fiscal year.

The relative share of Non-Tax Revenue under Interest Receipts, Dividends and Profit is 6.03 percent. The major component under this is from Interest Receipts from Investment of Cash Balances. The receipt under Interest Receipts, Dividends and Profit is 55.94 percent of budgeted outlay and has achieved the half yearly target.

The relative share of Non-Tax Revenue under General Services is 17.43 percent. The overall receipt under General Services for the half year review period is 30.37 percent. The major component under this is from Police, Public Works and State Lotteries which stands at 42.60, 21.91 and 18.51 percentages respectively.

Receipt under Police mainly comprises of reimbursement of Salaries of Police supplied to Indian Reserve Battalion and other Government Agencies. These reimbursements, however, do not contribute to the actual cash inflow. The receipt under this is mere 9.69 percent for the half yearly period and is mainly due to non-realization of re-imbursements from the Central agencies. The total amount due up to June 2022 from various agencies is estimated at ₹ 67.01 cr. The amount is quite substantial and it is necessary to augment realization of dues, as this could seriously hamper fiscal balances of the State. This also tantamount to loss of revenue due to capital being invested elsewhere.

The receipt under State Lotteries has majorly fallen short of half yearly target. The total achievement is 6.57 percent only during the half year period. The reason for shortfall is due to cancellation of draw of paper lotteries w.e.f. the end of March 2022 till date and also due to non-transfer of revenues from online gaming and casinos to Government account, but instead being kept under special development fund. It is

learnt that with the necessary amendments being made to the Sikkim Online Gaming and Sports Gaming Act, the revenues will now be transferred to the account of State Government. The revenue under the State Lotteries is expected to fall short of target this fiscal year.

The relative share of Non-Tax Revenue under Social Services is 3.15 percent. The receipts under these sectors hardly contribute to the overall revenue to the State exchequer. Overall, the Non-Tax Revenue Receipt under Social Services is at 33.30 percent of the total estimated outlay.

Non-tax Revenue under Economic Services is 73.38 percent and the major contributors are Forest and Wildlife, Power and Road Transport. The other sectors do not contribute much to the overall size under the Economic Services and most of them have, however, achieved their half yearly targets.

The Forestry and Wildlife sector has, from the fiscal year 2022-23 been a significant contributor to the State revenue exchequer contributing 23.42 percent to the Non-Tax Revenue pool and 9.97 percent to both Own Tax and Non-Tax revenue. The revenue provision has increased from ₹ 19.00 cr in 2021-22 to ₹ 231.94 cr in 2022-23. The increase in provision is mainly due to imposition of natural water user charges under the Ecosystem services amounting to ₹ 209.94 cr from the current fiscal; and notified for collection from 15th July 2023. The total realization up to the review period is 31.88 percent. The shortfall is mainly on account of delayed notification; and that the levy of taxes started only from the second quarter of the fiscal year. The revenue collection in the short span of time is commendable and it is that expected revenue targets would be near achieved and may fall short by small margin.

Table 3.3: Summary of Non-Tax Revenue

Heads of Accounts	Items	2022-23 (BE) (Rs. in cr)	April - Sept 2022 (Rs. in cr)	% to budget (April - Sept 2022)
	NON-TAX REVENUE RECEIPTS	990.09	391.67	39.56
A	INTEREST RECEIPTS, DIVIDENDS AND PROFITS	59.70	33.40	55.94
0049	Interest Receipts	58.30	31.95	54.80
0050	Dividends and profits	1.40	1.45	103.53
B	GENERAL SERVICES	172.64	52.43	30.37
0051	Public Service Commission	0.07	0.74	1060.52
0055	Police	70.00	6.78	9.69
0056	Jails	0.01	0.00	0.00
0058	Stationery and Printing	3.52	0.94	26.87

0059	Public Works	36.00	10.76	29.89
0070	Other Administrative Services	9.29	12.73	137.03
0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	15.00	13.64	90.95
0075	Misc. General Services	38.76	6.83	17.63
C	SOCIAL SERVICES	31.24	10.40	33.30
0202	Education, Sports, Art & Culture	12.64	1.85	14.62
0210	Medical and Public Health	7.08	1.83	25.89
0215	Water Supply and Sanitation	6.40	2.60	40.55
0216	Housing	0.60	0.31	52.49
0217	Urban Development	2.86	1.96	68.38
0220	Information and Publicity	0.25	0.04	16.49
0230	Labour and Employment	0.83	1.75	212.69
0235	Social Security & Welfare	0.53	0.06	10.84
0250	Other Social Services	0.06	0.00	3.83
D	ECONOMIC SERVICES	726.50	295.44	40.67
0401	Crop Husbandry	0.75	0.04	5.27
0403	Animal Husbandry	1.38	1.06	77.29
0405	Fisheries	0.08	0.03	37.36
0406	Forestry and Wild Life	231.94	73.94	31.88
0407	Plantation	3.00	1.00	33.33
0408	Food Storage and Ware Housing	0.20	0.16	80.11
0425	Co-operation	0.09	0.05	57.13
0515	Other Rural Development Programme	1.83	1.41	77.08
0702	Minor Irrigation	0.10	0.33	331.82
0801	Power	394.44	179.26	45.45
0851	Village and Small Industries	0.25	0.07	28.22
0852	Industries	2.75	2.34	85.06
0853	Non-Ferrous Mining & Metallurgical Industries	0.20	0.16	79.13
1055	Road Transport	84.88	31.01	36.53
1452	Tourism	4.40	4.50	102.35
1475	Other General Economic Services	0.22	0.08	34.58
GRAND TOTAL		990.09	391.67	39.56

Source: Annual Financial Statement 2022-23 and Civil Accounts September 2022

The revenue achieved during the half year period under Tourism sector is 102.35 percent which indicates revival of tourism related economic activities due to increased flow of domestic and foreign tourists coming to Sikkim.

The revenue from the Power sector is quite significant in terms of constitution of Non-Tax Revenue pool, which is 39.83 percent and 16.95 percent in terms of constitution of both Own Tax and Non-Tax revenue in the current fiscal year. The total realization up to the review period is 45.45 percent, which is 11.90 percent higher than in the same period last fiscal year. The shortfall though not significant, has resulted due to online billing issues and conversion to pre-paid metering, and also delay in receipt from Independent power producers. The target for the year is however expected to be met by the end of the fiscal year.

The revenue from the Road Transport during the half yearly review period, which constitutes 8.57 percent of the Non tax revenue, is 36.53 percent. The reason is also stated to be due to bills pending with Army and also state to be due to the fact that GREF, one of the major contributors have been executing business through GeM portal. The revenue target, however, for the year is expected to be achieved by end of the fiscal year.

Compared to last fiscal year, wherein the revenue had been dampened due to reduced economic activity in the first quarter of the fiscal year on account of closures due to COVID-19 pandemic; herein in the current fiscal, most of the sectors have achieved their revenue targets. The achievement of targets which have underperformed is expected to grow in the second half of the year as has been the trend in the past.

The sectors which have underperformed may have to ensure that the estimated targets at the end of this fiscal year are near achieved. It is required to maintain the revenue account balance and build up a revenue surplus for use in capital formation and productive expenditure that are the pillars of the Fiscal Management Principles and the targets adopted by the Government in FRBM Act, 2010.

CHAPTER 4: TRENDS IN EXPENDITURE

4.1 Summary of Expenditure

The total expenditure of the State Government comprises of 26.82 percent relative to GSDP as detailed out at Table 1.1; which is an increase from 23.78 percent relative to GSDP in the previous financial year. The overall achievement of expenditure under the period of review this fiscal year is 46.68 percent with 50.53 percent expenditure under Revenue Sector and 26.51 percent expenditure under Capital Sector as compared to their respective budget estimates.

Table 4.1: Summary of Expenditure

Sl. No.	Items	2022-23 (BE) (Rs. in cr)	Expdt April - Sept 2022 (Rs. in cr)	% to budget
A	REVENUE ACCOUNT	8354.32	4221.37	50.53
1	GENERAL SERVICES	3042.74	1500.11	49.30
2	SOCIAL SERVICES	3207.54	1673.13	52.16
3	ECONOMIC SERVICES	1976.15	1021.43	51.69
4	GRANTS IN AID & CONTRIBUTION	127.88	26.70	20.88
B	CAPITAL ACCOUNT	1592.29	422.15	26.51
1	GENERAL SERVICES	108.68	19.54	17.98
2	SOCIAL SERVICES	506.98	148.74	29.34
3	ECONOMIC SERVICES	976.63	253.87	25.99
C	GRAND TOTAL	9946.60	4643.52	46.68

Source: Annual Financial Statement 2022-23 and Civil Accounts September 2022

The slow trend of the expenditure, in the first part of the financial year is a regular trend as this is reflective in the past years data, as huge chunk of the expenditure is dependent on the grants provided by the Central Government and also due to time taken for preparation of Action Plan for Operation (APOs) in first quarter of fiscal year. Substantial amount of time is required for preparation of the detailed estimates, designs and specifications; clearance of Finance and Planning & Development Departments and finally obtaining the approvals of the Government. This obviously deters the timely execution of the Government Plans. The delay in execution of the schemes in the first half of the financial year and resultant slow trend of the expenditure especially in Capital Sector is a logical sequence. The Summary of Expenditure under both Revenue and Capital Account is depicted in Table 4.1.

4.1.1 Revenue Expenditure

The Summary of Revenue Expenditure has been depicted in Table 4.2. The overall achievement of expenditure under Revenue Account during the first half of the fiscal year is 50.53 percent, which is an increase from 41.01 percent last financial year.

The estimated expenditure on Salaries, Interest Payments and Pensions for the half yearly period of fiscal year 2021-22, which accounts for 60.91 percent of total revenue expenditure is ₹ 2544.35 cr; and the expenditure on these could be the major part of revenue expenditure of ₹ 4221.37 cr for the half year period. The expenditure on Salaries and Pensions is accounted for 7 months and not 6 months under period of review and thus the higher revenue expenditure. The enhanced expenditure under the Power sector has been due to full payment against allocation of ₹ 160.00 cr for purchase of power from NTPC, NHPC, etc. The overall expenditure, therefore, under Revenue Account has been thus as expected up to the review period and thus should not put on extra burden on the State exchequer.

Table 4.2: Revenue Expenditure

Heads of Accounts	Items	2022-23 (BE) (Rs. in cr)	April - Sept 2022 (Rs. in cr)	% to budget (April - Sept 2022)
	REVENUE ACCOUNT	8354.32	4221.37	50.53
A	GENERAL SERVICES	3042.74	1500.11	49.30
2011	Parliament/State/Union Territory Legislature	25.31	13.27	52.44
2012	President, Vice President/Governor	10.21	6.88	67.38
2013	Council of Ministers	22.02	15.11	68.62
2014	Administration of Justice	69.47	33.04	47.57
2015	Elections	18.38	4.54	24.71
2020	Collection of Taxes on Income & Expenditure	2.79	1.39	49.65
2029	Land Revenue	14.03	8.29	59.07
2030	Stamps & Registration	0.22	0.05	21.44
2039	State Excise	10.15	5.08	50.06
2041	Taxes on Vehicles	12.74	6.53	51.24
2043	Collection charges under state goods & services Tax	10.55	5.18	49.08
2045	Other Taxes & Duties on Commodities & Services	28.75	1.35	4.69
2048	Appropriation for reduction or avoidance of debt	15.00	15.00	100.00
2049	Interest Payments	732.45	308.68	42.14
2051	Public Services Commission	7.31	3.00	41.11
2052	Secretariat -General Services	105.48	40.99	38.86
2053	District Administration	41.19	22.91	55.62

2054	Treasury and Accounts Administration.	27.66	13.78	49.82
2055	Police	547.46	290.96	53.15
2056	Jails	12.88	6.78	52.63
2058	Stationery and Printing	14.77	8.92	60.42
2059	Public Works	47.62	25.47	53.49
2062	Vigilance	16.01	8.71	54.39
2070	Other Administrative Services	66.62	24.23	36.37
2071	Pensions and Other Retirement Benefits	1119.97	624.39	55.75
2075	Miscell. General Services	63.72	5.59	8.78
B	SOCIAL SERVICES	3207.54	1673.13	52.16
2202	General Education	1342.66	727.66	54.20
2203	Technical Education	26.77	11.04	41.24
2204	Sports and Youth Services	26.93	13.26	49.23
2205	Art and Culture	26.55	11.21	42.24
2210	Medical and Public Health	561.93	295.69	52.62
2211	Family Welfare	21.12	13.77	65.22
2215	Water Supply & Sanitation	89.41	36.01	40.28
2216	Housing	116.30	64.45	55.42
2217	Urban Development	78.36	18.25	23.30
2220	Information and Publicity	17.49	8.40	48.01
2225	Welfare of S/C, S/T and Other Backward classes	464.53	200.46	43.15
2230	Labour & Employment	15.01	7.12	47.44
2235	Social Security & Welfare	193.84	98.68	50.91
2236	Nutrition	42.71	15.66	36.67
2245	Relief on Account of Natural Calamities	146.14	139.09	95.18
2250	Other Social Services	37.03	11.95	32.28
2251	Secretariat- Social Services	0.76	0.41	54.46
C	ECONOMIC SERVICES	1976.15	1021.43	51.69
2401	Crop Husbandry	308.04	131.28	42.62
2402	Soil & Water Conservation	38.51	18.64	48.41
2403	Animal Husbandry	71.92	34.80	48.38
2404	Dairy Development	10.57	9.57	90.54
2405	Fisheries	39.33	3.56	9.06
2406	Forestry & Wild Life	170.57	97.84	57.36
2407	Plantations	8.02	4.00	49.91
2408	Food, Storage & Warehousing	29.08	14.53	49.96
2425	Co-operation	21.73	10.39	47.84
2435	Other Agricultural Programmes	29.40	1.19	4.03
2501	Special Programmes for Rural Development	91.59	48.67	53.14
2505	Rural Employment	68.76	39.75	57.82
2506	Land Reforms	0.96	0.00	0.00
2515	Other Rural Development Programmes	93.20	50.87	54.58
2575	Other Special Area Programmes	2.21	0.00	0.00
2702	Minor Irrigation	28.46	14.29	50.21
2711	Flood Control & Drainage	5.00	0.00	0.00
2801	Power	395.48	284.83	72.02

2810	Non-Conventional Sources of Energy	2.40	0.00	0.00
2851	Village and Small Industries	53.36	24.88	46.62
2852	Industries	18.22	5.62	30.82
2853	Non-ferrous Mining & Metallurgical Industries	8.21	3.42	41.67
3054	Roads and Bridges	299.56	137.72	45.97
3055	Road Transport	78.83	46.22	58.63
3425	Other Scientific Research	8.62	3.51	40.70
3435	Ecology and Environment	9.84	1.59	16.11
3451	Secretariat-Economic Services	7.63	4.26	55.76
3452	Tourism	54.98	19.40	35.28
3454	Census Surveys & Statistics	13.80	7.74	56.10
3456	Civil Supplies	2.93	1.35	46.10
3475	Other General Economic Services	4.95	1.54	31.05
D	GRANTS IN AID & CONTRIBUTION	127.88	26.70	20.88
3604	Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	127.88	26.70	20.88

Source: Annual Financial Statement 2022-23 and Civil Accounts September 2022

4.1.2 Capital Expenditure

The detailed expenditure profile under Capital Sector for 2022-23 is presented in Table 4.3 below. Against the total outlay of capital expenditure, which is 4.17 percent of GSDP, the overall expenditure is 26.51 percent of the total estimated outlay. Last fiscal year, the achievement under the Capital account was only 12.00 percent mainly due the lesser trend in expenditure was more aggravated by the second wave of COVID-19 pandemic.

Table 4.3: Capital Expenditure

Heads of Accounts	Items	2022-23 (BE) (Rs. in cr)	April - Sept 2022 (Rs. in cr)	% to budget (April - Sept 2022)
	CAPITAL ACCOUNT	1592.28	422.15	26.51
A	GENERAL SERVICES	108.68	19.54	17.98
4055	Capital Outlay of Police	2.92	1.09	37.30
4059	Capital Outlay on Public Works	105.76	18.45	17.45
B	SOCIAL SERVICES	506.98	148.74	29.34
4202	Capital Outlay on Education, Sports, Art and Culture	212.34	68.35	32.19
4210	Capital Outlay on Medical and Public Health	27.79	6.85	24.65
4215	Capital Outlay on Water Supply and Sanitation	110.60	24.24	21.92
4216	Capital Outlay on Housing	3.00	0.00	0.00

4217	Capital Outlay on Urban Development	124.95	43.95	35.18
4225	Capital Outlay on Welfare of SC, ST & OBC	22.00	5.34	24.29
4235	Capital Outlay on Social Security & Welfare	6.30	0.00	0.00
C	ECONOMIC SERVICES	976.63	253.87	25.99
4401	Capital Outlay on Crop Husbandry	2.69	0.07	2.68
4403	Capital Outlay on Animal Husbandry	1.94	0.26	13.48
4405	Capital Outlay on Fisheries	0.30	0.00	0.00
4406	Capital Outlay on Forestry and Wildlife	2.15	0.00	0.00
4408	Capital Outlay on Food storage & warehousing	4.25	1.10	25.97
4425	Capital Outlay on Cooperation	0.90	0.68	75.56
4515	Capital Outlay on other Rural Development Programmes	26.15	5.80	22.19
4575	Capital Outlay on other Special Areas Programmes	44.00	0.89	2.02
4702	Capital Outlay on Minor Irrigation	53.02	0.88	1.65
4711	Capital Outlay on Flood Control Projects	50.50	0.00	0.00
4801	Capital Outlay on Power Projects	95.08	80.25	84.39
4860	Capital Outlay on Consumer Industries	0.50	0.25	50.00
5054	Capital Outlay on Roads and Bridges	456.43	142.31	31.18
5055	Capital Outlay on Road Transport	0.00	4.94	0.00
5452	Capital Outlay on Tourism	237.52	16.45	6.92
5475	Capital Outlay on other general economic services	1.20	0.00	0.00

Source: Annual Financial Statement 2022-23 and Civil Accounts September 2022

Almost all the sectors except for outlay on Co-operation, Power and Consumer Industries have not met the half yearly targets. This has been a normal trend of not achieving targets especially in the half yearly period, and the primary reason is mainly on account of lesser transfer of funds under the central schemes and the initial time required for the projects in pipe-line to get kick-started.

The Capital expenditure is usually met from Central Grants and borrowed sources and meant for capital formation for sustainable development of the State. It is expected that by the end of the fiscal year, some amount of expenditure on Capital account would be made so as to continue with the economic growth path.

CHAPTER 5: FISCAL TARGETS, GUARANTEE & DEBT LEVELS

5.1 Fiscal Targets and Additional Borrowing

5.1.1 Fiscal Targets

The Government of Sikkim, as per the FRBM Act 2010, is required to achieve the following mandatory fiscal targets:

1. Maintain revenue account balance beginning from the year 2011-12;
2. Reduce the fiscal deficit to 3.5 percent of the estimated Gross State Domestic Product in each of the financial year starting from 2011-12 and reduce the fiscal deficit to not more than 3.0 percent of the estimated GSDP at the end of 31st March 2014 and adhere to it thereafter;
3. Cap the total outstanding guarantees within the specified limit under the Sikkim Ceiling on Government Guarantees Act, 2000 (21 of 2000);
4. Ensure that the outstanding debt-GSDP ratio follows a sustainable path emanating from the above targets of the deficit as specified by the Government beginning from the fiscal year 2011-12.

5.1.2 Additional Borrowing and Amendment to the FRBM Act, 2010

The 15th Finance Commission in its report vide Para 12.61 to 12.63 has recommended that the State Governments shall adhere to maximum fiscal deficit of 4% of Gross State Domestic Product (GSDP) in 2021-22, 3.5% of Gross State Domestic Product (GSDP) in 2022-23 and maintain it at 3% of Gross State Domestic Product (GSDP) in 2023-24 and thereafter.

In addition, it has also recommended vide Para 12.66 to 12.69 of the Report that an annual additional borrowing space of 0.5% of Gross State Domestic Product (GSDP) would be allowed for the period 2021-22 to 2024-25 based on certain performance criteria in the power sector.

Further, it has also recommended in Para 12.64 of the Report that if the State Government is not able to fully utilize its sanctioned borrowing limit, as specified above, in any particular year during the years from 2021-22 to 2024-25, it will have the option of availing this unutilized borrowing amount in any of the subsequent years within 2021-22 to 2025-26.

The 15th Finance Commission vide Para 12.65 of its Report has also recommended the State Government to maintain a declining trend of Debt to Gross State Domestic Product (GSDP) after financial year 2022-23. The indicative debt path as indicated in Annex 12.1 (Volume II of the 15th FC Report) shall be as under:

Financial Year	Debt to GSDP
2021-22	27.5
2022-23	28.1
2023-24	28.1
2024-25	28.0
2025-26	27.9

Necessary amendments in the FRBM Act, 2010 based on the recommendations of the 15th Finance Commission has been made.

5.2 Guarantees given by the State Government

One of the fiscal management principles envisaged in the Sikkim Fiscal Responsibility and Budget Management Act 2010 is to manage the guarantees at sustainable level. As per the Sikkim Government Guarantee Act 2000, the ceiling on total outstanding Government guarantee in a year is restricted to three times of the State's Tax Revenue receipts of the second preceding year. The outstanding sums guaranteed by the State Government as on the date of review is within the permissible limit prescribed by the Sikkim Government Guarantee Act, 2000.

5.3 Public Debt and Small Savings

As per the Sikkim Fiscal Responsibility and Budget Management Act, 2010, read with Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2011, Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2016 and Sikkim Fiscal Responsibility and Budget Management (Amendment) Act, 2020 the prudent and the sustainable debt management consistent with the fiscal stability and sustainability through limits on State Government's borrowings, including off budget borrowings is one of the fiscal management principles to be adopted by the State Government.

The details of Public Debt including Small Saving and Provident Fund for current fiscal year upto September 2022 is detailed at Table 5.1.

Table 5.1: Public debt including Small Saving and Provident Fund

Head of Accounts	Particulars	Receipt (₹ in cr)	Payment (₹ in cr)	Balance (₹ in cr)
A	PUBLIC DEBT	416.83	64.97	351.87
6003	Internal Debt of the State Government	415.28	59.96	355.32
6004	Loans and Advance from the Central Government	1.56	5.01	-3.45
B	LOANS AND ADVANCES	0.25	0.13	0.13
7610	Loans to the Government Servants etc.	0.25	0.13	0.13

Source: Civil Accounts Sept 2022

5.4 Conclusion

The slowdown in economic activity and sharp increase in inflation higher than that seen in several decades, post the pandemic and the geo-political uncertainties, the State is now recuperating the economic downturn and is treading the normal trajectory path of growth. There has been an upward trend in revenue collection and mobilisation; though the fiscal strain on account of revenue expenses is rising.

Being part of the fifth largest and fastest growing economy in the world and with India taking centre stage by setting out its priorities and deliverables under its G20 Presidency, the future of the country seems bright. Sikkim would also tend to gain out of this growth momentum with enhanced central transfers and funding under various central schemes. The core areas of concern, however, would be on better utilization of resources for a stable and sustainable fiscal environment consistent with equitable growth.

The half yearly review of the finances of the State shows better prospects of revenue receipts with only some the sectors not achieving its revenue targets. The pool of resources, though small, could cause fiscal imbalances and thereby put the finances of the State Government under strain. The expenditure under the capital sector needs to be enhanced so as to generate demand in the economy and maintain sustainable economic growth. The overall finances of the State needs to reviewed in the second half of the fiscal year based on the likely generation of revenues including central transfers and available fiscal space.