



GOVERNMENT OF SIKKIM FINANCE DEPARTMENT

HALF YEARLY REVIEW REPORT 2024-25

REVIEW OF THE TRENDS IN RECEIPT AND EXPENDITURE IN RELATION TO BUDGET 2024-25

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 2025

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 2024 is presented herewith.

TABLE OF CONTENTS

LIST OF TABLES	ii
LIST OF ABBREVIATIONS.....	iii
CHAPTER 1: FISCAL POLICY OVERVIEW.....	1
1.1 Introduction:	1
1.2 State of the Economy.....	2
1.3 Glacial Lake Outburst Flood (GLOF)	3
1.4 Organization of the Paper	4
CHAPTER 2: FISCAL PROFILE	5
2.1 Macro-economic Outlook	5
2.2 Fiscal Profile of Budget 2024-25.....	5
CHAPTER 3: TRENDS IN REVENUE.....	8
3.1 Revenue Profile	8
3.1.1 Own Tax Revenue and Central Transfer	8
3.1.2 Own Non-Tax Revenue	10
CHAPTER 4: TRENDS IN EXPENDITURE.....	14
4.1 Summary of Expenditure	14
4.1.1 Revenue Expenditure	15
4.1.2 Capital Expenditure	18
CHAPTER 5: FISCAL TARGETS, GUARANTEE & DEBT LEVELS	20
5.1 Fiscal Targets and Additional Borrowing	20
5.1.1 Fiscal Targets	20
5.1.2 Additional Borrowing and Amendment to the FRBM Act, 2010	20
5.2 Guarantees given by the State Government.....	21
5.3 Conclusion	22

LIST OF TABLES

Table 2.1: Budget Profile 2024-25.....	6
Table 3.1: Summary of Revenue Profile	8
Table 3.2: Summary of Own Tax Revenue and Central Transfers	10
Table 3.3: Summary of Non-Tax Revenue.....	11
Table 4.1: Summary of Expenditure.....	14
Table 4.2: Revenue Expenditure.....	15
Table 4.3: Capital Expenditure	18
Table 5.1: Public debt including Small Saving and Provident Fund	22

LIST OF ABBREVIATIONS

13 th FC	Thirteenth Finance Commission
14 th FC	Fourteenth Finance Commission
15 th FC	Fifteenth Finance Commission
CGST	Central Goods and Services Tax
CSO	Central Statistical Organization
CSS	Centrally Sponsored Schemes
FDI	Foreign Direct Investment
FRBM	Fiscal Responsibility and Budget Management
GDP	Gross Domestic Product
GLOF	Glacial Lake Outburst Flood
GREF	General Reserve Engineer Force
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
IGST	Integrated Goods and Services Tax
IMF	International Monetary Fund
INR	Indian National Rupees
LBs	Local Bodies
MTFP	Medium Term Fiscal Plan
NBC	Net Borrowing Ceiling
NEC	North Eastern Council
NHPC	National Hydro Power Corporation
NLCPR	Non-Lapsable Central Pool of Resources
NPS	National Pension Scheme
NSO	National Statistical Office
ONTR	Own Non-Tax Revenue
OTR	Own Tax Revenue
PPP	Purchasing Power Parity
RBI	Reserve Bank of India
SCA	Special Central Assistance
SDG	Sustainable Development Goals
SGST	State Goods and Services Tax

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, and 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 State of the Economy

India is one of the fastest growing economies of the world and is expected to continue on this path, with a vision of becoming a developed nation by 2047 as envisioned under ‘*Viksit Bharat*’ initiative of the Government of India, which lays emphasis on inclusive development, sustainable progress and effective governance. India, as highlighted in the Economic Survey 24-25, has displayed a steady economic growth amidst challenging global uncertainties, trade risks and ongoing global conflicts. The GDP of India is expected to grow by 6.4 per cent in fiscal year 2024-25.

‘Private consumption’ and ‘investment’ remain crucial drivers of economic growth. ‘Private consumption’ comprising of rural and urban demand, which has significantly increased in the country. The recovery in rural demand is supported by favorable agricultural output and government welfare measures and the urban demand is driven by a thriving services sector, increased disposable incomes and improved employment prospects. With regard to ‘investments’, the Economic Survey 24-25 indicates that the services sector still remains the largest recipient of FDI, accounting for about 19% of total equity inflows and despite market volatility India’s long term FDI outlook remains positive. This is owing to its capital market resilience. However, the manufacturing sector faces some set back due to weak global demand and seasonal disruptions.

Data released by National Statistical Office (NSO), estimates the Real GDP of 2024-25 at 6.4% as compared to 8.2% in 2023-24. Nominal GDP or GDP at Current Prices is estimated to attain a level of ₹324.11 lakh crore in the year 2024-25, against ₹295.36 lakh crore in 2023-24, showing a growth rate of 9.7%.

In January 2025, India recorded a growth in GST revenue across various segments. The Gross GST Revenue collected in January 2025 stands at ₹1.95 lakh crore, marking a 12% year-on-year growth compared to January 2024. This growth is

attributed to improved compliance, increased economic activity and the effective implementation of anti-evasion measures. Key revenue components of January 2025 include CGST at ₹36,077 crore, SGST at ₹44,942 crore, IGST at ₹1,01,075 crore, and cess at ₹13,412 crore.

So far in 2024-25, the total GST collection has been 9.4 per cent higher at ₹18.29 lakh crore, as against ₹16.71 lakh crore collected in the corresponding period of 2023-24. The highest GST collection of ₹2.10 lakh crore was reached in the month of April 2024. The growth in the monthly GST collections can be linked to higher consumer spending, particularly in sectors such as retail, automobiles, and construction around the end of 2024. The improved collection in GST has favorable outcome for the State of Sikkim as a major portion of the State Revenue depends on Central tax devolutions.

India's sustained GDP growth, which remains among the fastest in major economies, is due to its expanding industrial output, a thriving services sector and ongoing digital transformation. Meanwhile, government spending on social infrastructure, including healthcare and education, remains a priority to ensure inclusive and sustainable growth alongside measures to address existing challenges and leverage strategic opportunities for maintaining India's growth momentum and economic resilience.

1.3 Glacial Lake Outburst Flood (GLOF)

The GLOF of South Lhonak Lake on the night of 4th October 2023 caused extensive damage and destruction to its entire stretch. The flood destroyed the 1200MW Teesta-III hydropower dam at Chungthang, bridges along the Teesta River, tunnels, retaining walls, highways and other feeder roads. It carried away everything on its path—people, homes, bridges, livestock, vehicles, and construction equipment. Severe damage to life, property, infrastructure and washing away of livestock was reported in four districts of Sikkim and downstream areas of North Bengal.

While the economy of Sikkim was recuperating post the Pandemic, the devastating floods has affected the economic performance of the State adversely. There was huge damage of infrastructure in the Power Sector, amongst which includes the 1200 MW Teesta Stage-III HEP built at a cost of ₹13,965 crore, the dam of which was completely washed off. Power installations of two other major hydro projects Dikchu HEP and Teesta Stage-V HEP also sustained major damages. This has led to instant loss of generation capacity of 1806 MW from these three major hydro projects. One of the major impacts of the GLOF was its effect on road connectivity. Parts of National Highway 10, which had already been ravaged by monsoonal landslides were

damaged, disrupting economic and commercial activity and food supplies for almost two and a half months. The highway between Chungthang and Lachen too was completely washed away in several places. It also caused the destruction of numerous important bridges which resulted in smaller villages being entirely cut off. Tourism is still hampered due to bad road condition, and it may take couple of years to return to its initial position. The catastrophe will hugely impact the economy of Sikkim for a long time. It is also expected that there will be shortfall in revenues in the fiscal year 2024-25 and that would bring about a fiscal disbalance. The floods which caused wide ramifications to the State will cause huge emotional and economic impairment for the years to come.

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 2024-25;

Chapter 3 makes a study of trends in Revenue Receipt for the period April to September 2024 in relation to Budget 2024-25;

Chapter 4 makes a study of trends in Expenditure for the period April to September 2024 in relation to Budget 2024-25;

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

CHAPTER 2: FISCAL PROFILE

2.1 Macro-economic Outlook

Sikkim is primarily an agrarian state with more than 60% of the population depending on it for its livelihood. It is the first State in the Indian Union to have achieved a fully organic state status. The State has a rich biodiversity with a huge potential in terms of forest resources. The challenge for the State lies in balancing development and industrialization with its fragile environment. The State also has an abundant source of Hydro power potential of 8,000 MW. Besides this, tourism industry provides the main thrust to the economy with the State being the first to promote the concept of eco-tourism, village tourism and homestay tourism in the country. The State's high literacy rate combined with its vast untapped natural resources makes it an ideal environment for future economic growth.

For the year 2024-25, the Ministry of Finance, Government of India vide their letter no. 40(1)/PF-S/2024-25 dated 30th March 2024 had projected the GSDP of the State at ₹52,555 crore. This amount had been calculated as per the formula and methodology prescribed by the 15th Finance Commission. This shows an 11% growth in GSDP as compared to the estimate GSDP of 2023-24 which stood at ₹ 47,326 crore.

2.2 Fiscal Profile of Budget 2024-25

The fiscal profile of the Budget of Sikkim for 2024-25 has been outlined at Table 2.1. The Revenue Receipts for the State is 20.45 percent relative to GSDP, which is an increase from 19.78 percent of GSDP estimated last fiscal year. This is attributed to an increase in Sales Tax, SGST and Tax Devolution. The Own Tax Revenue GSDP Ratio and Own Non-Tax Revenue GSDP Ratio in the budget estimate for 2024-25 is projected at 4.12 percent and 1.76 percent respectively. This is an increase from 3.65 percent and decrease from 2.28 percent respectively compared to last fiscal year 23-24.

The Central Transfers for 2024-25 is projected at 14.57 percent of GSDP, which shows an increase from 13.85 percent compared to the last fiscal year. An increase in Tax devolution from 5.67 percent to 6.46 percent can also be noticed along with a decrease in Grants from the Centre from 5.48 percent to 5.36 percent of GSDP. There has been a steady decrease in Central Grants annually, which was 8.37 percent in 2021-22, 7.66 percent in 2022-23, 5.48 percent in 2023-24 to 5.36 percent in 2024-

25. The effect of decrease in Central transfers to the State economy is immense as Central transfers including Central Tax devolutions account for about 71.25 percent of total revenues of the State.

Table 2.1: Budget Profile 2024-25

Sl. No.	Particulars	Budget Estimate 2024-25 (₹ in Cr)	As % to GSDP
1	Revenue Receipts	10749.13	20.45
2	Own Tax Revenue	2163.54	4.12
3	Sales Tax + SGST	1515.00	2.88
4	Stamp Duty and Registration	27.97	0.05
5	State Excise Duty	450.00	0.86
6	Motor Vehicle Tax	73.00	0.14
7	Other Taxes	97.57	0.19
8	Own Non-Tax Revenue	926.97	1.76
9	Central Transfer	7658.62	14.57
10	Tax Devolution	3393.46	6.46
11	CGST	1445.71	2.75
12	Grants	2819.45	5.36
13	Revenue Expenditure	10249.79	19.50
14	General Services	4068.03	7.74
15	Interest Payment	918.34	1.75
16	Pension	1512.79	2.88
17	Other General Services	1636.90	3.11
18	Social Services	3490.35	6.64
19	Education	1583.74	3.01
20	Medical and Public Health	671.29	1.28
21	Other Social Services	1235.32	2.35
22	Economic Services	2545.18	4.84
23	Assignment to LBs	146.24	0.28
24	Capital Expenditure	3337.96	6.35
25	Capital Outlay	3337.96	6.35
26	Revenue Deficit	499.34	0.95
27	Fiscal Deficit	2839.65	5.40
28	Primary Deficit	1921.30	3.66
29	Outstanding Debt	18059.60	34.36

Source: State Budget document 2024-25& Medium-Term Fiscal Plan for Sikkim 2024-25

The Revenue Expenditure for 2024-25 is projected at 19.50 percent of GSDP, which is a decline from 19.69 percent of GSDP projected last fiscal. The primary reason for such decline is due to lesser expenditure under Social Services. However, Capital

allocation has been annually increasing from 4.17 percent in 2022-23 to 4.62 percent in 2023-24 and to 6.35 percent of GSDP in 2024-25.

The State Government over the years have adhered to the FRBM targets and has remained on the path of fiscal consolidation. For the fiscal year 2024-25, the fiscal deficit was fixed at 5.40 percent of GSDP, which consisted of Normal Borrowings, additional Power Sector borrowing allowed within the FRBM limits, as well as additional borrowing allowed by the Central government for Special Central Assistance (SCA) and National Pension Scheme (NPS) contribution. A total of ₹ 1026.41 crore, which works out to 1.95 percent of GSDP consisted of ₹ 526.41 crore under Special Central Assistance, a 50-year interest free loan given to States for Capital Investment and an amount of ₹500.00 crore to meet the requirements of infrastructure building affected by flood. The additional borrowing pertaining to power sector is projected at ₹156.00 crore for 2024-25 constituting about 0.30 percent of the GSDP. In addition, an amount of ₹237.26 crore loan has been allowed against NPS contribution by complying States, which amounts to 0.45 percent of GSDP. Thus, removing the additional borrowing of 2.40 percent of the GSDP, allowed by the Central Government over and above the FRBM limits, the State's fiscal deficit would sit within the prescribed limit of 3 percent of GSDP, as per the 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 revenue of the State during half yearly period ending September, 2024 is 38.89 percent, which comprises 40.38 percent of Tax revenue, 43.06 percent of Non-Tax Revenue and 37.96 percent of Central Transfers (Tax devolution including Grants-in-Aid). The summary of Revenue covering the first six months of the fiscal year 2024-25 is presented in Table 3.1.

Central Transfers which constitute a major portion of the revenue receipts largely affects the trend of not achieving the half yearly target due to delay in transfers. On the contrary, collection under the tax revenue and non-tax revenue have performed relatively better. This suggests that we are on track to meet the budgeted revenue for the year 2024-25, given timely release of central transfers.

Table 3.1: Summary of Revenue Profile

Sl. No.	Items	2024-25 (BE) (₹ in cr)	April - Sept 2024 (₹ in cr)	% to budget (April-Sept 2024)
A	REVENUE RECEIPTS	10749.13	4179.85	38.89
B	OWN TAX REVENUE	2163.54	873.69	40.38
C	CENTRAL TRANSFERS	7658.62	2906.97	37.96
D	NON-TAX REVENUE RECEIPTS	926.97	399.19	43.06

Source: Annual Financial Statement 2024-25 and Civil Accounts September 2024

3.1.1 Own Tax Revenue and Central Transfer

The State's Own Tax Revenue constitutes 20.13 percent relative to the total revenue estimate for the year 2024-25. The Revenue from SGST, State Excise Duties and Sales Tax are major sources of the Own Tax Revenue which compromises 90.82 percent of the total Own Tax Revenue. The realization of 40.38 percent of Own Tax Revenue in the first half year can be considered reasonably well. There are, however, concerns about the collection of SGST and Sales Tax which have below average performances.

The collection of taxes under SGST and Sales Tax upto the half yearly period was unsatisfactory, mainly due to decreased economic activities and closure of NH 10 for five months in the monsoon season, post the effect of GLOF, leading to decrease in supply of goods and services. As per the report from the Commercial Tax Division,

the closure of NH10 affected consumer demand, leading to many projects being halted, deferring private consumption. The uncertainty in connectivity of National Highway further impacted the inflow of tourists leading to significant shrinkage of demand of goods and services. The shortfall maybe substantial, and it is necessary to take up additional revenue mobilization to achieve the revenue targets by the end of the fiscal year.

The half yearly targets achieved under State Excise Duties is 51.21 percent of the estimated revenue. This achievement is due to collection of additional taxes by the concerned Department for all liquor and beer products in lieu of Sales Tax, renewal and issue of new license through online e-abkari portal and strict enforcement of Excise Acts by the Department. Revenue is also realised through fines and confiscation with the aid of an active flying squad who conducts raids throughout the State for illicit cases.

While most of the sectors have achieved the half yearly targets, there have been shortfall under few sectors like Land Revenue, Professional tax and Motor Vehicles. The underperformance could be seen as a result of general elections held in the State in the month of April 2024 and also due to slowdown in economy. Underperformance by Land Revenue sector in the first half of the fiscal year is stated to be due to enhanced projection of revenue receipts taking into account the envisioned revision of rate of taxes. The revision of rates, however, could not be materialized resulting in shortfall in achieving revenue targets.

The major chunk of the total revenue of the State Government comes from the Central transfers which helps to stabilize fiscal imbalance and to address regional disparities. The figures of Central Transfer given in Table 3.2 shows that it comprises 71.25 percent relative to the total revenue of the State and 77.97 percent relative to the total Tax Revenues. The Central Transfers including the grants and contributions in the current financial year under review is 37.96 percent only, which is below the half yearly expectation. The shortfall, however, has marginal effect on the fiscal imbalances of the State Revenue as it pertains to schemes, yet, the decreasing trends of Central Transfers is not a favourable sign for revitalization of State's economy.

The overall achievement of targets envisaged in the budget estimate for the Own Tax Revenues is expected to fall short of the estimated targets post the effect of the floods. The shortfall may need to be exactly estimated and necessary steps be taken to overcome the losses so as to not affect the overall fiscal balances of the State Government.

Table 3.2: Summary of Own Tax Revenue and Central Transfers

Sl. No.	Items	2024-25 (BE) (₹ in cr)	April - Sept 2024 (₹ in cr)	% to budget (April-Sept 2024)
A	TAX REVENUE RECEIPTS & CENTRAL TRANSFERS	9822.16	3780.66	38.49
B	OWN TAX REVENUE	2163.54	873.69	40.38
0006	SGST	1265.00	475.09	37.56
0028	Other Taxes on Income and Expenditure	20.00	7.85	39.24
0029	Land revenue	26.54	5.56	20.95
0030	Stamp Duty and registration Fees	27.97	20.05	71.70
0039	State Excise Duties	450.00	230.45	51.21
0040	Sales Tax	250.00	70.95	28.38
0041	Motor vehicle Tax	73.00	33.05	45.28
0045	Other Taxes	51.03	30.68	60.11
C	CENTRAL TRANSFERS	7658.62	2906.97	37.96
0005	Central GST (CGST)	1445.71	735.22	50.86
0020	Corporation Tax	1453.11	622.78	42.86
0021	Taxes on Income other than Corporation Tax	1673.56	754.88	45.11
0037	Customs	213.65	66.40	31.08
0038	Union Excise Duties	45.03	27.61	61.31
0044	Service Tax	0.16	0.13	81.25
0045	Other Taxes & Duties on Commodities& Services	7.95	-	-
1601	Grants in Aid and Contributions	2819.45	699.95	24.83

Source: Annual Financial Statement 2024-25 and Civil Accounts September 2024

3.1.2 Own Non-Tax Revenue

The profile of the Non-Tax Revenue in the first six months of the current financial year 2024-25 is presented in the Table 3.3. The State Own Non-Tax Revenue constitutes 8.63 percent relative to total budgeted Revenue Receipt 2024-25 and 1.76 percent relative to GSDP. There is a decrease of 2.89 percent and 0.52 percent respectively as compared to the last fiscal year.

The total non-tax revenue collected in the first half of 2024-25 is about 43% of the total projected revenue for the fiscal year, indicating that the receipts are progressing at a reasonable rate, though typically, there could be more collection in the second half of the year. The progress under non-tax revenue is satisfactory, especially in interest receipts and State Lottery, though some services and sectors like Public Works, Water Supply and Crop Husbandry need closer attention.

Table 3.3: Summary of Non-Tax Revenue

Heads of Accounts	Items	2024-25 (BE) (₹ in cr)	April - Sept 2024 (₹ in cr)	% to budget (April-Sept 2024)
	NON-TAX REVENUE RECEIPTS	926.97	399.19	43.06
A	INTEREST RECEIPTS, DIVIDENDS AND PROFITS	74.00	53.59	72.42
0049	Interest Receipts	70.00	51.78	73.98
0050	Dividends and profits	4.00	1.81	45.16
B	GENERAL SERVICES	194.65	102.59	52.71
0051	Public Service Commission	0.50	0.02	3.54
0055	Police	80.10	34.59	43.19
0058	Stationery and Printing	5.00	0.88	17.53
0059	Public Works	17.60	1.64	9.29
0070	Other Administrative Services	18.45	13.31	72.13
0071	Contributions and Recoveries towards Pension and Other Retirement Benefits	25.00	15.88	63.53
0075	Misc. General Services	48.00	36.28	75.58
C	SOCIAL SERVICES	42.75	18.01	42.13
0202	Education, Sports, Art & Culture	17.33	7.97	45.98
0210	Medical and Public Health	6.02	2.54	42.19
0215	Water Supply and Sanitation	10.86	3.58	32.97
0216	Housing	0.60	0.30	50.19
0217	Urban Development	4.53	1.51	33.33
0220	Information and Publicity	0.25	0.06	22.46
0230	Labour and Employment	2.50	1.83	73.15
0235	Social Security & Welfare	0.59	0.13	21.84
0250	Other Social Services	0.06	0.09	151.18
D	ECONOMIC SERVICES	615.58	225.00	36.55
0401	Crop Husbandry	1.00	0.13	12.90
0403	Animal Husbandry	2.45	0.72	29.62
0405	Fisheries	0.15	0.05	33.17
0406	Forestry and Wild Life	39.90	13.45	33.72
0408	Food Storage and Ware Housing	0.30	0.16	54.71
0425	Co-operation	0.10	0.06	56.73
0515	Other Rural Development Programme	2.20	0.35	16.06
0702	Minor Irrigation	0.50	0.29	58.95
0801	Power	460.00	169.73	36.90
0851	Village and Small Industries	0.30	0.10	33.29
0852	Industries	3.88	3.22	83.04
0853	Non-Ferrous Mining & Metallurgical Industries	0.30	0.11	37.00
1055	Road Transport	92.00	30.33	32.97
1452	Tourism	12.00	6.14	51.20
1475	Other General Economic Services	0.50	0.14	27.88
GRAND TOTAL		926.97	399.19	43.06

Source: Annual Financial Statement 2024-25 and Civil Accounts September 2024

Interest Receipts, Dividends, and Profits:

The collection under this head is relatively high, as 72.42% of the annual estimate is already realized by September due to leveraging of funds received from the Government of India. The higher revenue is achieved especially due to better mobilization of Cash balances of the State Government.

General Services:

This category is performing reasonably well, with over 52% of the expected revenue being collected by September. The major components are Police, Public Works and State Lotteries. Receipt under Police mainly comprises of reimbursement of Salaries of Indian Reserve Battalion and other Government Agencies. The Police Department reports that shortfall in the first half of the year is mainly due to non-realization of reimbursements from the Central agencies.

Revenue collection under the Public Works majorly comes from Hire Charges of Machinery and Equipment, Receipts from Tenders and Reimbursement from Highways. The Public Works Department states that resulting shortfall is mainly due to possession of machinery by the contractors leading to low usage of machinery of the department. Further, floating of lesser number of tenders for new works and discontinuation of some of the schemes by the MoRTH, Government of India is another reason for shortfall of revenue.

The better revenue realization under State lottery is mainly due to re-start of paper lotteries, better revenue realization in online gaming and casinos, and also enhancing of license fee for new casinos as well as online gaming operators. Efforts are being made to start operations in States like Kerala & Tamil Nadu for paper lotteries network, which could lead to increase of revenue substantially.

Social Services:

The relative share of Non-Tax Revenue under Social Services is 4.61 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 36.55 percent of the total estimated outlay.

Economic Services:

The largest category in terms of budget estimates, Economic Services has only achieved 36.55% of the target. This suggests that while this category is vital, the realization of revenue here is slow in the first half of the fiscal year. The Table 3.3

indicates that the sectors like Tourism, Industries etc. are performing decently. However, the Power and Road Sector have low realizations.

The underperformance in the power sector is mainly due to revenue being realized from free share of power and revenue from industrial units were adversely affected due to Glacial Lake Outburst Flood with complete stoppage of power generation from Dikchu Hydro Electric Power and Teesta Stage-V Hydro Electric Power. This resulted in a loss of 12% of free power entitled to the State. Moreover, evacuation of Mini & Micro Hydel Power Projects was disrupted due to complete loss of transmission line.

The shortfall in revenue from the Road Transport is due to floating of lesser number of tenders and the discontinuation of some of the schemes by the MoRTH, Government of India.

Forest Department had from the fiscal year 2022-23 been a significant contributor to the State Exchequer contributing almost 20 percent to the non-tax revenue. This was mainly due to the imposition of natural water user charges under the Ecosystem services. However, after the filing of case in the Hon'ble High court by NHPC, the collection of water user charges has been stayed and is presently being collected only from pharmaceutical companies. As reported, sale of timber from felling of trees under diversion of forests lands for non-forestry purposes is low. Further, due to the aftermath of GLOF, out of 216 quarry sites auctioned by the department, only 59 sites are tendered and operational.

Other than Tourism, Power, Industries, the other general economic sectors have a small contribution and may have to ensure achievement of their annual target in the later part of the year.

Overall, the adverse effect of GLOF and slowdown in the economy could severely impact revenue realization of the State for the fiscal year 2024-25. It is estimated that there could be overall shortfall of about ₹180 crore under Tax-revenue realization especially due to shortfall in collections under SGST and Sales tax, and about ₹70.00 crore under non-tax revenue realization especially due to shortfall from Power, SNT and Forest sector. It is expected that shortfall to some extent would be met up from better revenue realized in other sectors. However, there would be overall shortfall in overall revenue realization and certain remedial measures may have to be undertaken in this regard.

CHAPTER 4: TRENDS IN EXPENDITURE

4.1 Summary of Expenditure

As it can be inferred from the Summary of Expenditure as tabulated below, the overall achievement of expenditure in the first half of the fiscal year 2024-25 is 33.32 percent with 40.90 percent expenditure under Revenue Sector and 10.04 percent expenditure under Capital Sector as compared to their respective budget estimates.

Table 4.1: Summary of Expenditure

Sl. No.	Items	2024-25 (BE) (₹ in cr)	Expdt April - Sept 2024 (₹ in cr)	% to budget
A	REVENUE ACCOUNT	10249.79	4191.95	40.90
1	GENERAL SERVICES	4068.03	1682.89	41.37
2	SOCIAL SERVICES	3490.35	1533.37	43.93
3	ECONOMIC SERVICES	2545.18	946.21	37.18
4	GRANTS IN AID & CONTRIBUTION	146.24	29.48	-
B	CAPITAL ACCOUNT	3337.96	335.24	10.04
1	GENERAL SERVICES	964.95	97.66	10.12
2	SOCIAL SERVICES	1338.61	66.75	4.99
3	ECONOMIC SERVICES	1034.40	170.82	16.51
C	GRAND TOTAL	13587.75	4527.19	33.32

Source: Annual Financial Statement 2024-25 and Civil Accounts September 2024

The slow trend of the expenditure, in the first part of the financial year seems to be 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.

In addition to this, the State Assembly Elections were held on 19/04/24 and the results were declared on 2/06/24, due to which, there was a delay in passing of the Annual Budget for 2024-25. The budget was placed and passed in the State legislative Assembly only in the month of August 2024. Hence, the slow trend of the expenditure

especially in Capital Sector in the first half of the fiscal year may be attributed to the above said factors.

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 40.90 percent, which is an increase from 40.80 percent in the last fiscal year.

Out of the total expenditure under revenue account, expenditure under General services, Social services, Economic services and Grant in Aid and Contribution comprises of 41.37 percent, 43.93, 37.18 and 20.16 percent respectively.

The estimated expenditure on Salaries, Interest Payments and Pensions for the fiscal year 2024-25, which is ₹6084.75 crore and accounts for 65 percent of total revenue expenditure of ₹9321.81 cr. The expenditure on these could be the major part of revenue expenditure during the half year period.

Almost all the sectors except for Governor, Taxes on Vehicles, Appropriation for reduction or avoidance of debt, District Administration, Police, Vigilance, Relief on account of natural calamities, Nutrition and Power have not met with their half yearly targets. Interest payments, Police Services, and Education are major expenditure areas, showing a good pace. However, slower spending in areas like Art and Culture and Social Welfare could point to inefficiencies or delays in fund allocation.

Revenue expenditure is on track with around 40.90 percent of the budget spent by September, indicating a steady rate of expenditure. The overall expenditure, therefore, under Revenue Account has thus been 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	2024-25 (BE) (₹ in cr)	Expdt April - Sept 2024 (₹ in cr)	% to budget
	REVENUE ACCOUNT	10249.79	4191.95	40.90
A	GENERAL SERVICES	4068.03	1682.89	41.37
2011	Parliament/State/Union Territory Legislature	28.93	12.59	43.52
2012	President, Vice President/Governor	11.74	6.15	52.34
2013	Council of Ministers	28.66	6.61	23.05
2014	Administration of Justice	91.28	40.44	44.30
2015	Elections	23.24	6.92	29.76

Heads of Accounts	Items	2024-25 (BE) (₹ in cr)	Expdt April - Sept 2024 (₹ in cr)	% to budget
2020	Collection of Taxes on Income & Expenditure	3.56	1.56	43.73
2029	Land Revenue	26.94	8.12	30.13
2030	Stamps & Registration	0.22	-	-
2039	State Excise	11.17	4.26	38.18
2041	Taxes on Vehicles	15.65	7.76	49.59
2043	Collection charges under state goods & services Tax	11.84	5.52	46.62
2045	Other Taxes & Duties on Commodities & Services	44.85	1.43	3.19
2047	Other Fiscal Services	0.24	-	-
2048	Appropriation for reduction or avoidance of debt	20.00	20.00	100.00
2049	Interest Payments	918.34	420.69	45.81
2051	Public Services Commission	8.21	3.45	42.02
2052	Secretariat -General Services	102.80	41.70	40.56
2053	District Administration	48.58	24.26	49.94
2054	Treasury and Accounts Administration.	31.68	14.70	46.41
2055	Police	610.20	305.71	50.10
2056	Jails	14.89	6.42	43.14
2058	Stationery and Printing	17.47	7.88	45.11
2059	Public Works	60.53	22.45	37.09
2062	Vigilance	16.26	8.34	51.28
2070	Other Administrative Services	89.33	26.97	30.19
2071	Pensions and Other Retirement Benefits	1512.79	675.75	44.67
2075	Misc.. General Services	318.61	3.21	1.01
B	SOCIAL SERVICES	3490.35	1533.37	43.93
2202	General Education	1553.63	677.46	43.60
2203	Technical Education	30.10	1.40	4.64
2204	Sports and Youth Services	32.15	13.82	43.00
2205	Art and Culture	38.13	9.74	25.54
2210	Medical and Public Health	671.29	276.70	41.22
2211	Family Welfare	23.06	10.72	46.48
2215	Water Supply & Sanitation	119.76	39.70	33.14
2216	Housing	130.26	58.69	45.06
2217	Urban Development	109.17	24.01	21.99
2220	Information and Publicity	18.03	6.91	38.35
2225	Welfare of S/C, S/T and Other Backward classes	96.48	47.26	48.99

Heads of Accounts	Items	2024-25 (BE) (₹ in cr)	Expdt April - Sept 2024 (₹ in cr)	% to budget
2230	Labour & Employment	20.16	7.98	39.60
2235	Social Security & Welfare	290.60	64.41	22.17
2236	Nutrition	22.00	12.59	57.23
2245	Relief on Account of Natural Calamities	298.85	273.46	91.50
2250	Other Social Services	36.11	8.23	22.78
2251	Secretariat- Social Services	0.57	0.30	53.00
C	ECONOMIC SERVICES	2545.18	946.21	37.18
2401	Crop Husbandry	423.86	139.08	32.81
2402	Soil & Water Conservation	54.61	22.41	41.04
2403	Animal Husbandry	92.97	34.93	37.58
2404	Dairy Development	9.00	-	-
2405	Fisheries	35.93	5.38	14.96
2406	Forestry & Wild Life	177.61	81.18	45.71
2407	Plantations	8.02	0.01	0.09
2408	Food, Storage & Warehousing	43.39	16.31	37.58
2425	Co-operation	37.19	11.32	30.42
2501	Special Programmes for Rural Development	140.88	68.06	48.31
2505	Rural Employment	142.22	24.66	17.34
2515	Other Rural Development Programmes	122.73	40.54	33.03
2575	Other Special Area Programmes	41.10	-	-
2702	Minor Irrigation	38.84	16.80	43.25
2711	Flood Control & Drainage	-	-	-
2801	Power	454.02	253.87	55.91
2810	Non-Conventional Sources of Energy	2.56	-	-
2851	Village and Small Industries	82.76	19.63	23.71
2852	Industries	26.01	2.97	11.42
2853	Non-ferrous Mining & Metallurgical Industries	8.45	3.79	44.81
3054	Roads and Bridges	329.17	131.93	40.08
3055	Road Transport	93.04	38.45	41.33
3425	Other Scientific Research	12.43	3.42	27.53
3435	Ecology and Environment	10.40	1.37	13.15
3451	Secretariat-Economic Services	67.50	4.89	7.24
3452	Tourism	67.66	16.15	23.87
3454	Census Surveys & Statistics	13.53	5.88	43.44
3456	Civil Supplies	3.62	1.61	44.45

Heads of Accounts	Items	2024-25 (BE) (₹ in cr)	Expdt April - Sept 2024 (₹ in cr)	% to budget
3475	Other General Economic Services	5.68	1.60	28.18
D	GRANTS IN AID & CONTRIBUTION	146.24	29.48	20.16
3604	Compensation and Assignments to LBs and PRIs	146.24	29.48	20.16

Source: Annual Financial Statement 2024-25 and Civil Accounts September 2024

4.1.2 Capital Expenditure

The detailed expenditure profile under Capital Sector for 2023-24 is presented in Table 4.3. Against the total outlay of capital expenditure, which is 6.35 percent of GSDP, the overall expenditure is 10.04 percent of the total estimated outlay which is a decrease from the expenditure incurred of 37.94 percent in the last financial year.

Almost all the sectors have not met the half yearly targets. This may be attributed to untimely or transfer of lesser funds under the central schemes and the initial time required for the projects in pipe-line to get kick-started. Besides due to the State Assembly Elections held in April 2024, Vote on Account for six months was passed in the month of March 2024. The Model Code of Conduct was also in place during the election period which deterred expenditure under the capital sector. The funds received in the month of May 2024 under Special Central Assistance (SCA) could not be utilized under Vote on Account leading to lesser expenditure under the Capital Head. Low spending in Social Services and General Services calls for a review, while sectors like Economic Services are progressing well in capital projects.

Table 4.3: Capital Expenditure

Heads of Accounts	Items	2024-25 (BE) (₹ in cr)	Expdt April - Sept 2024 (₹ in cr)	% to budget
	CAPITAL ACCOUNT	3337.96	335.24	10.04
A	GENERAL SERVICES	964.95	97.66	10.12
4055	Capital Outlay of Police	8.27	-	-
4058	Capital Outlay on Stationery and Printing	4.05	-	-
4059	Capital Outlay on Public Works	923.45	90.20	9.77
4070	Capital Outlay on other Administrative Services	29.18	7.47	25.59
B	SOCIAL SERVICES	1338.61	66.75	4.99
4202	Capital Outlay on Education, Sports, Art and Culture	339.57	30.83	9.08
4210	Capital Outlay on Medical and Public Health	110.90	21.06	18.99

Heads of Accounts	Items	2024-25 (BE) (₹ in cr)	Expdt April - Sept 2024 (₹ in cr)	% to budget
4215	Capital Outlay on Water Supply and Sanitation	120.65	11.33	9.39
4216	Capital Outlay on Housing	260.87	-	-
4217	Capital Outlay on Urban Development	136.64	2.04	1.49
4220	Capital Outlay on Information and Publicity	0.79	-	-
4225	Capital Outlay on Welfare of SC, ST & OBC	329.09	1.00	0.30
4235	Capital Outlay on Social Security & Welfare	39.45	0.49	1.24
4250	Capital Outlay on Other Social Services	0.65	-	-
C	ECONOMIC SERVICES	1034.40	170.82	65.48
4401	Capital Outlay on Crop Husbandry	2.33	-	-
4403	Capital Outlay on Animal Husbandry	2.98	-	-
4405	Capital Outlay on Fisheries	0.86	-	-
4406	Capital Outlay on Forestry and Wildlife	14.98	-	-
4408	Capital Outlay on Food storage & warehousing	1.56	-	-
4425	Capital Outlay on Cooperation	1.21	-	-
4515	Capital Outlay on other Rural Development Programmes	11.74	-	-
4575	Capital Outlay on other Special Areas Programmes	126.12	24.37	19.32
4702	Capital Outlay on Minor Irrigation	93.64	-	-
4711	Capital Outlay on Flood Control Projects	4.65	-	-
4801	Capital Outlay on Power Projects	162.89	28.24	17.34
4851	Capital Outlay on Village and Small Industries	2.02	-	-
4853	Capital Outlay on Non-ferrous Mining and Metallurgical Industries	0.88	-	-
4859	Capital Outlay on Telecommunication and Electronic Industries	11.07	-	-
5054	Capital Outlay on Roads and Bridges	509.24	118.21	23.21
5055	Capital Outlay on Road Transport	1.03	-	-
5425	Capital Outlay on Other Scientific and Environmental Research	0.47	-	-
5452	Capital Outlay on Tourism	85.29	-	-
5475	Capital Outlay on other general economic services	1.45	-	-

Source: Annual Financial Statement 2024-25 and Civil Accounts September 2024

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) for the three-year period from the FY:2023-24 to 2025-26.

The fiscal deficit is budgeted at 5.40 percent of GSDP in 2024-25, which includes utilization of additional borrowing allowed by the Central government available for capital investment, power sector and pension fund. Over and above the FRBM limits, an amount of ₹526.41 crore of Special Central Assistance (SCA), which is a 50-year Interest free loan given to States for Capital Investment has been allowed, and in addition an extra amount of ₹500.00 crore was also allowed to borrow in order to meet the requirements of infrastructure building affected by flood which altogether works out to 1.95 percent of GSDP. The additional borrowing pertaining to power sector is projected at ₹156.00 crore for 2024-25 constituting about 0.30 percent of the GSDP. In addition, an amount of ₹237.26 crore loan has been allowed against National

Pension Scheme (NPS) contribution by complying States, which amounts to 0.45 percent of GSDP. Thus, removing the additional borrowing which works out to 2.40 percent (1.95 percent on SCA and 0.45 percent on NPS) that has been allowed by the Central Government over and above the FRBM limits, the fiscal deficit works out to be at 3 percent of GSDP. This level of fiscal deficit remains within the FRBM Act limits.

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

The Debt to GSDP for the current fiscal is 34.36 percent. The increase in Debt is mainly due to Additional borrowings allowed by the Central Government. Removing the additional borrowings allowed, the State Government would be within the debt indicative path prescribed by the 15th FC.

With the revival of GDP, the public finance in the country and states in particular will see positive impact. The finances of the State is set to improve considerably with effective resource mobilization and expenditure rationalization coupled with enhanced flow of resources from the Union government. The 15th FC has provided a fiscal consolidation roadmap until 2025-26, which will be instrumental for the state to get back to long term fiscal consolidation path.

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 State Government is also considering the State share of taxes to the State to consider the total tax receipts. The

outstanding sums guaranteed by the State Government as on 31st March 2024 as such is ₹4443.72 crore, and thus within the permissible limit prescribed by the Sikkim Government Guarantee Act, 2000.

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 2024 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	218.35	159.76	58.59
6003	Internal Debt of the State Government	-	154.81	154.81
6004	Loans and Advance from the Central Government	218.35	4.95	213.40
B	LOANS AND ADVANCES	0.22	-	0.22
6210	Loans for Medical and Public Health	-	-	-
6425	Loans for Co-Operation	-	-	-
7475	Loans for other General Economic Services	-	-	-
7610	Loans to the Government Servants etc.	0.22	-	0.22

Source: Civil Accounts Sept 2024

5.3 Conclusion

Despite the various challenges owing to the landslides causing blockage of National Highway 10 and Glacial Lake Outburst Flood, which caused extensive damages to public infrastructure, private properties and had an adverse economic impact on the power sector, Sikkim is on the path of normal growth trajectory and has shown progress through enhanced economic activities. It has emerged as one of the top gainers in the latest NITI Aayog Sustainable Development Goals (SDGs) assessment.

Its remarkable progress underscores its unwavering commitment to sustainable development and equitable growth.

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. The drive for growth is such that, India is likely to be the third largest economy and is also moving towards a “Viksit Bharat 2047” (meaning Developed India). Sikkim would also tend to gain out of this growth momentum with enhanced central transfers and funding under various central schemes. Sikkim, often hailed as a model state for its progressive policies, has the potential to overcome challenges through better investment and policy decision, such that, it is able to take advantage of the growth impetus provided by the rising national economy. The State needs to ensure enhancement of capital expenditure so as to generate demand in the economy and to ensure 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 showed better prospects of revenue receipts with only some the sectors not achieving its revenue targets. Post the effect of landslide during the monsoon season and the aftermath of the GLOF, the revenue targets envisaged in the budget estimate is expected to fall short. The pool of resources, though small, could cause fiscal imbalances and thereby put the finances of the State Government under strain. The overall finances of the State needs to reviewed and steps need to be taken to overcome the losses, so as to not affect the overall fiscal balances of the State Government.