

Mizoram Budget Analysis 2023-24

The Chief Minister of Mizoram, Mr. Pu Zoramthanga, presented the Budget for the state for the financial year 2023-24 on February 13, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Mizoram for 2023-24 (at current prices) is projected to be Rs 35,904 crore, amounting to growth of 19% over 2022-23.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 12,767 crore, a decrease of 12% from the revised estimates of 2022-23. In addition, debt of Rs 1,443 crore will be repaid by the state, 7% higher than the revised estimates for 2022-23.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 11,520 crore, a decrease of 7.7% as compared to the revised estimate of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to increase over the budget estimate by Rs 1,018 crore (increase of 9%).
- **Revenue surplus** in 2023-24 is estimated to be 1.2% of GSDP (Rs 418 crore), a decrease from the revised estimates for 2022-23 (2% of GSDP). In 2022-23, the revenue surplus at the revised stage is 57.5% lower than the budget estimate (3.6% of GSDP).
- **Fiscal deficit** for 2023-24 is estimated at 3.5% of GSDP (Rs 1,247 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 7% of GSDP, almost twice the budget estimate of 3.1%.

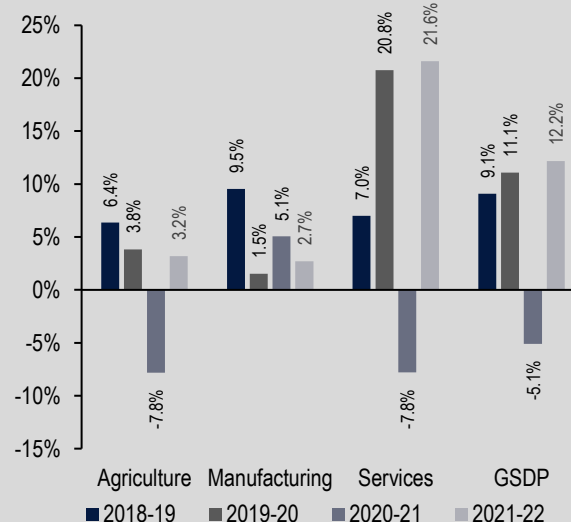
Policy Highlights

- **Power:** Rs 400 crore has been allocated towards the purchase of power for domestic and commercial use.
- **State Lottery:** In 2022-23, the state restarted its state lottery which had been paused due to COVID. Rs 10 crore from the estimated lottery earnings (Rs 36 crore) have been earmarked for the Mizoram Health Care Scheme.
- **Socio Economic Development Program (SEDP):** This scheme provides families with capital to support ongoing economic activities or start new ventures. The state has committed to distribute Rs 50,000 each to 60,000 families.
- **Samagra Shiksha Abhiyan:** This is a central scheme to increase the effectiveness of schooling programs from preschool to Grade XII. It has been allocated Rs 91 crore.

Mizoram's Economy

- **GSDP:** In 2021-22, Mizoram's GSDP (at constant prices) grew at 12.2%, over a low base of the previous year. In 2020-21, GSDP had contracted by 5.1%. In comparison, national GDP is estimated to grow at 8.7% in 2021-22, after a contraction of 6.6% in 2020-21.
- **Sectors:** Services and agriculture experienced a contraction in 2020-21 (Figure 1). Services experienced high growth in 2021-22 due to a low base in 2020-21. In 2021-22, agriculture, manufacturing, and services sectors are estimated to contribute 19%, 25%, and 56% of the economy, respectively (at constant prices).
- **Per capita GSDP:** The per capita GSDP of Mizoram in 2021-22 (at current prices) is estimated at Rs 1,75,896, an annualised increase of 16% over 2020-21.

Figure 1: Growth in GSDP and sectors in Mizoram at constant prices (2011-12)



Note: These numbers are as per constant prices (2011-12) which implies that the growth rate is adjusted for inflation.
Sources: Mizoram Economic Survey 2022-23; PRS.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 12,767 crore. This is a decrease of 12.4% from the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 11,520 crore, net borrowings of Rs 1,247 crore. Total receipts for 2023-24 (other than borrowings) are expected to register a decrease of 9.1% over the revised estimate of 2022-23.
- **Revenue surplus** in 2023-24 is estimated to be 1.2% of GSDP (Rs 418 crore), lower than the revised estimates for 2022-23 (2% of GSDP). **Fiscal deficit** for 2023-24 is targeted at 3.5% of GSDP (Rs 1,247 crore), lower than the revised estimates for 2022-23 (7% of GSDP).
- In 2022-23, fiscal deficit increased from 3.1% to 7% at the revised stage. This was due to a sharp reduction in GSDP from the budget estimate 2022-23 (Rs 39,459 crore) to the revised estimate (Rs 30,224 crore). GSDP was 23.4% lower than expected.

Table 1: Budget 2023-24 - Key figures (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Total Expenditure	13,362	14,008	15,927	13.7%	14,210	-10.8%
(-) Repayment of debt	3,798	1,338	1,348	0.8%	1,443	7.0%
Net Expenditure (E)	9,564	12,670	14,579	15.1%	12,767	-12.4%
Total Receipts	13,752	14,008	15,638	11.6%	14,210	-9.1%
(-) Borrowings	4,560	2,548	3,161	24.0%	2,690	-14.9%
Net Receipts (R)	9,192	11,460	12,477	8.9%	11,520	-7.7%
Fiscal Deficit (E-R)	373	1,210	2,102	73.6%	1,247	-40.7%
<i>as % of GSDP</i>	1.4%	3.1%	7.0%		3.5%	
Revenue Surplus	602	1,420	603	-57.5%	418	-30.7%
<i>as % of GSDP</i>	2.3%	3.6%	2.0%		1.2%	
Primary Deficit	-78	748	1,531	104.5%	585	-61.8%
<i>as % of GSDP</i>	-0.3%	1.9%	5.1%		1.6%	

Note: BE is Budget Estimates; RE is Revised Estimates

Sources: Budget in Brief, Mizoram Budget 2023-24; Mizoram Economic Survey 2022; PRS.

Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 11,069 crore, a decrease of 7% from the revised estimate of 2022-23. This includes the expenditure on salaries, pensions, interest, grants, and subsidies.
- **Capital outlay** for 2023-24 is proposed to be Rs 1,697 crore, a decrease of 38% over the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets. Capital outlay towards roads and bridges is estimated at Rs 107 crore in 2022-23 at the revised stage. This has been reduced to nil in budgeted estimates for 2023-24.
- In 2022-23, loans and advances by the state are expected to be two crore rupees higher than budgeted (one crore rupees).

Rush of expenditure

Government funds must be evenly spent throughout the year, and rush of expenditure towards the end of the financial year is regarded as a breach of financial principles. The Comptroller and Auditor General (2022) noted that in 2020-21, for six out of 48 departments, 50% of the total allocation was spent in March 2021. For instance, Urban Development and Poverty Alleviation Department spent Rs 7.8 crore in the first quarter, and Rs 197 crore in the fourth quarter. Sports and Youth Services Department spent 90% of its total allocation for 2020-21 (Rs 133 crore) in March 2021.

Table 2: Expenditure budget 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Revenue Expenditure	8,557	10,007	11,841	18%	11,069	-7%
Capital Outlay	1,004	2,663	2,736	3%	1,697	-38%
Loans given by the state	3	1	3	365%	2	-28%
Net Expenditure	9,564	12,670	14,579	15%	12,767	-12%

Sources: Annual Financial Statement, Mizoram Budget 2023-24; PRS.

Committed expenditure: Committed expenditure of a state typically includes expenditure on payment of salaries, pensions, and interest. A larger proportion of budget allocated for committed expenditure items limits the state's flexibility to decide on other expenditure priorities such as capital outlay. In 2023-24, Mizoram is estimated to spend Rs 7,181 crore on committed expenditure, which is 63% of its estimated revenue receipts. This comprises spending on salaries (40% of revenue receipts), pension (16%), and interest payments (6%). Committed expenditure is expected to increase by 4% over the revised estimate of 2022-23. In 2022-23, expenditure towards salaries is estimated to be 32% higher than the budget estimate. In 2021-22, as per actuals, 64% of revenue receipts was spent towards committed expenditure.

Table 3: Committed Expenditure in 2023-24 (in Rs crore)

Items	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
Salaries	4,077	3,516	4,638	32%	4,643	0%
Pensions	1,331	1,726	1,726	0%	1,876	9%
Interest Payment	451	462	571	24%	662	16%
Total Committed Expenditure	5,859	5,704	6,935	22%	7,181	4%

Sources: Budget in Brief and Annual Financial Statement, Mizoram Budget 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for 58% of the total expenditure on sectors by the state in 2023-24. A comparison of Mizoram's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Mizoram Budget 2023-24 (in Rs crore)

Sectors	2021-22 Actuals	2022-23 BE	2022-23 RE	2023-24 BE	% change from RE 22-23 to BE 23-24	Budget Provisions 2023-24 BE
Education, Sports, Arts, and Culture	1,545	1,795	2,018	1,872	-7%	<ul style="list-style-type: none"> Rs 1,521 crore has been budgeted towards school education. Under the Samagra Shiksha Abhiyan Rs 275 crore has been budgeted.
Energy	765	645	1,006	832	-17%	<ul style="list-style-type: none"> A subsidy of Rs 158 crore will be provided for distribution of power.
Agriculture and Allied Activities	690	873	1,095	793	-28%	<ul style="list-style-type: none"> Rs 30 crore has been allocated towards the Pradhan Mantri Krishi Sinchayee Yojana.
Health and Family Welfare	710	721	926	751	-19%	<ul style="list-style-type: none"> Rs 105 crore has been budgeted to build public health centres in rural areas.
Police	637	636	714	700	-2%	<ul style="list-style-type: none"> District police has been allocated Rs 153 crore.
Urban Development	288	708	740	595	-20%	<ul style="list-style-type: none"> Under the beneficiary led construction component of PMAY (Urban), central grants worth Rs 200 crore will be spent.
Transport	620	1,128	1,647	555	-66%	<ul style="list-style-type: none"> Rs 300 crore of central grants for creating capital assets under PMGSY, similar to PMAY-U.
Welfare of SC, ST, OBC, and Minorities	602	492	554	506	-9%	<ul style="list-style-type: none"> Rs 506 crore budgeted for three Autonomous District Councils.
Water Supply and Sanitation	424	471	787	481	-39%	<ul style="list-style-type: none"> Capital outlay of Rs 233 crore is estimated for the National Rural Drinking Water Program under Jal Jeevan Mission.
Rural Development	246	410	540	337	-38%	<ul style="list-style-type: none"> Rs 111 crore will be allocated towards rural employment.
% of total expenditure on all sectors	68%	62%	69%	58%	-	

Sources: Annual Financial Statement, Mizoram Budget 2023-24; PRS.

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 11,487 crore, a decrease of 8% from the revised estimate of 2022-23. Of this, Rs 1,981 crore (17%) will be raised by the state through its **own resources**, and Rs 9,505 crore (83%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (44% of revenue receipts) and grants (38% of revenue receipts).
- **Devolution:** In 2023-24, state's share in central taxes is estimated at Rs 5,107 crore, an increase of 8% over the revised estimate of 2022-23.
- **Grants from the centre** in 2023-24 is estimated at Rs 4,398 crore, a decrease of 25% from the revised estimates for 2022-23. This decline may be on account of: (i) discontinuation of GST compensation after June 2022, and (ii) a reduction in revenue deficit grants. The reduction in revenue deficit grants is as per the recommendations of the 15th Finance Commission
- **State's own tax revenue:** Mizoram's total own tax revenue is estimated to be Rs 1,084 crore in 2023-24, an increase of 12% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 3% in 2023-24. For 2022-23, the state had estimated this ratio at 2%, however, as per revised estimates, it is expected to be higher (3.2%).

Table 5: Break-up of the state government's receipts (in Rs crore)

Sources	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State's Own Tax	854	801	972	21%	1,084	12%
State's Own Non-Tax	622	836	855	2%	897	5%
Share in Central Taxes	4,223	4,083	4,745	16%	5,107	8%
Grants-in-aid from Centre	3,461	5,705	5,872	3%	4,398	-25%
Revenue Receipts	9,160	11,426	12,444	9%	11,487	-8%
Non-debt Capital Receipts	32	34	34	0%	34	0%
Net Receipts	9,192	11,460	12,477	9%	11,520	-8%

Note: BE is Budget Estimates; RE is Revised Estimates.

Sources: Annual Financial Statement, Mizoram Budget 2023-24; PRS.

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (80%). State GST revenue is estimated to increase by 12% over the revised estimates of 2022-23. In 2022-23, the receipt on this account is expected to be 29% higher than budgeted.
- Revenue from sales tax, which forms the second largest source of tax revenue, is expected to increase by 4% in 2023-24.

Table 6: Major sources of state's own-tax revenue (in Rs crore)

Taxes	2021-22 Actuals	2022-23 BE	2022-23 RE	% change from BE 22-23 to RE 22-23	2023-24 BE	% change from RE 22-23 to BE 23-24
State GST	632	598	770	29%	865	12%
Sales Tax/ VAT	151	115	115	0%	120	4%
Stamps Duty and Registration Fees	7	11	11	0%	14	28%
Taxes on Vehicles	28	35	35	0%	43	22%
State Excise	2	1	2	50%	2	20%
Land Revenue	13	19	19	0%	20	3%
Taxes and Duties on Electricity	-	-	-	-	-	-
GST Compensation Grants	-	-	-	-	-	-
GST Compensation Loans	-	-	-	-	-	-

Sources: Annual Financial Statement, Revenue Budget, and Budget in Brief statements, Mizoram Budget 2023-24; PRS.

Deficits, Debt, and FRBM Targets for 2023-24

The Mizoram Fiscal Responsibility and Budget Management Act, 2006 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue surplus: It is the difference of revenue expenditure and revenue receipts. The budget estimates a revenue surplus of Rs 418 crore (or 1.2% of the GSDP) in 2023-24, where revenue receipts include post-devolution revenue deficit grant of Rs 1,474 crore. The revenue surplus in 2022-23 is expected to be Rs 603 crore (2% of GSDP) as per revised estimates, after accounting for revenue deficit grant of Rs 1,615 crore. As per the 15th Finance Commission recommendations, Mizoram will receive revenue deficit grants of Rs 1,079 crore in 2024-25 and Rs 586 crore in 2025-26. Revenue surplus is projected to decrease to 0.9% of GSDP by 2025-26.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government and leads to an increase in total liabilities. In 2023-24, the fiscal deficit is estimated to be 3.5% of GSDP. For 2023-24, the central government has permitted fiscal deficit of up to 3.5% of GSDP to states, of which 0.5% of GSDP will be available only upon carrying out certain power sector reforms. As per the revised estimates, in 2022-23, the fiscal deficit of the state is expected to be 7% of GSDP, which is much higher than the budget estimate of 3.1% of GSDP. This was due to GSDP being 23.4% lower at the revised stage, and expenditure being 18% higher. Fiscal deficit is projected to be lowered to 3% of GSDP by 2025-26.

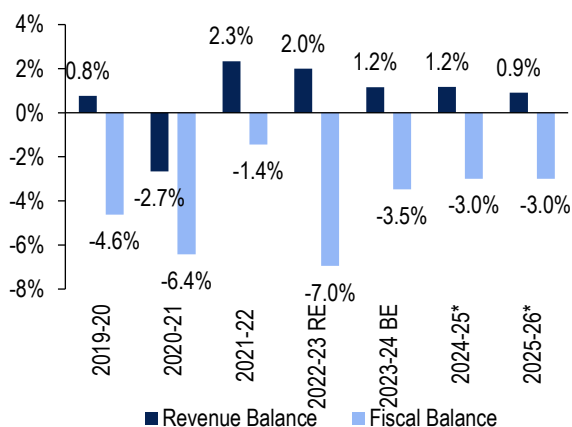
Outstanding liabilities: Outstanding liabilities is the accumulation of total borrowings at the end of a financial year, it also includes any liabilities on public account. At the end of 2023-24, the outstanding liabilities are estimated to be 37.8% of GSDP, lower than the revised estimate for 2022-23 (41.3% of GSDP). The outstanding liabilities have risen as compared to 2019-20 level (32.7% of GSDP).

Fiscal and Revenue Balance

Mizoram's fiscal deficit is expected to be 7% in 2022-23 as per the revised estimates, more than the budget estimates (3.1%) in 2022-23 and twice the norms set by the central government (3.5%). As per the state government, the fiscal deficit rose by such an amount at the revised stage due to a miscalculation of GSDP (due to COVID). GSDP for 2022-23 decreased by 23% at the revised stage. Along with this, expenditure also increased by 15%. A high fiscal deficit will limit the state's ability to borrow money to finance capital outlays.

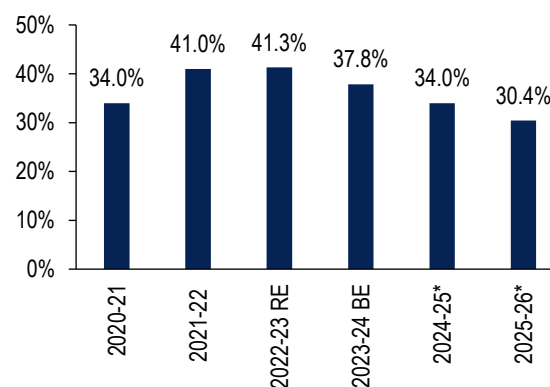
The state's revenue surplus is also expected to decline from 2% in 2023-24 to 0.9% in 2025-26. This may be because the revenue deficit grants, as recommended by the 15th Finance Commission, will be decreasing for all states. The grant will reduce from Rs 1,474 crore in 2023-24 to Rs 586 crore in 2025-26.

Figure 2: Revenue and Fiscal Balance (% of GSDP)



Note: *Figures for 2024-25 and 2025-26 are projections; RE is Revised Estimates; BE is budget estimates.
Sources: Medium Term Fiscal Policy, Mizoram Budget 2023-24; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



Note: *Figures for 2024-25 and 2025-26 are projections; RE: Revised Estimates; BE: Budget Estimates.
Sources: Medium Term Fiscal Policy, Mizoram Budget 2023-24; PRS.

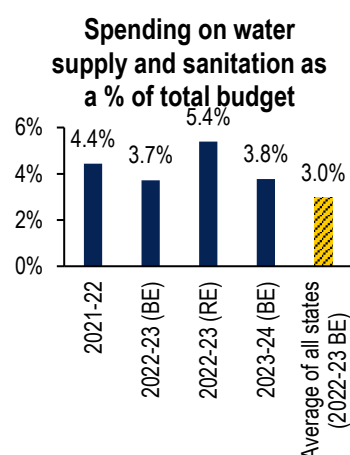
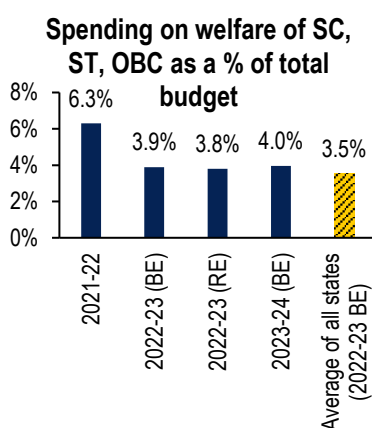
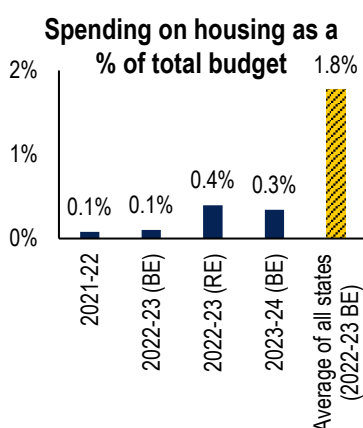
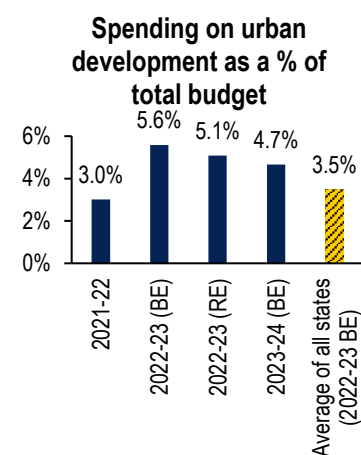
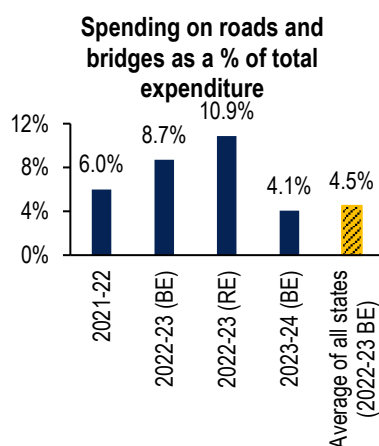
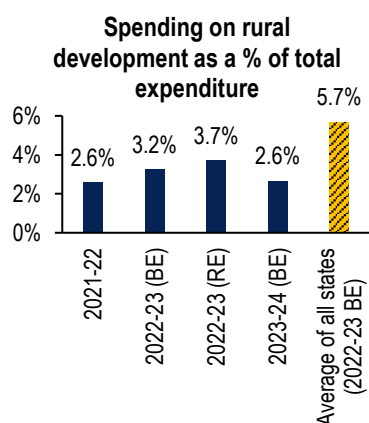
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. Outstanding guarantees of Mizoram is expected to increase sharply, from 0.3% of GSDP in 2019-20 to 7.2% of GSDP in 2021-22.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Mizoram/s expenditure in 2023-24 on six key sectors as a proportion of its total expenditure on all sectors. The average for a sector indicates the average expenditure in that sector by 31 states (including Mizoram) as per their budget estimates of 2022-23.¹

- **Rural development:** Mizoram has allocated 2.6% of its expenditure on rural development in 2023-24. This is less than half the average allocation for rural development by states in 2022-23 (5.7%).
- **Roads and bridges:** Mizoram has allocated 4.1% of its total expenditure towards roads and bridges, which is less than the average allocation for roads and bridges by states (4.5%). Expenditure towards roads and bridges is estimated to reduce from 10.9% in 2022-23 (at the revised stage) to 4.1% in 2023-24.
- **Urban development:** Mizoram has allocated 4.7% of its expenditure on urban development. This is higher than the average allocation for urban development by states (5.7%).
- **Housing:** Mizoram has allocated 0.3% of its expenditure towards housing. This is less than half the average allocation towards housing by states (1.8%).
- **Welfare of SC, ST, OBC:** Mizoram has allocated 4% of its total expenditure towards welfare of SC, ST and OBCs, which is higher than the average expenditure on welfare of SC, ST and OBCs by states (3.5%).
- **Water supply and sanitation:** Mizoram has allocated 3.8% of its total expenditure towards water supply and sanitation, which is higher than the average allocation by states (3%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Mizoram.
Sources: Annual Financial Statement, Mizoram Budget 2023-24; various state budgets; PRS.

¹ The 31 states include the Union Territories of Delhi, Jammu and Kashmir, and Puducherry.

Annexure 2: Comparison of 2021-22 Budget Estimates and Actuals

The following tables compare the actuals of 2021-22 with budget estimates for that year.

Table 7: Overview of Receipts and Expenditure (in Rs crore)

Particular	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Net Receipts (1+2)	9,823	9,192	-6%
1. Revenue Receipts (a+b+c+d)	9,796	9,160	-6%
a. Own Tax Revenue	720	854	19%
b. Own Non-Tax Revenue	852	622	-27%
c. Share in central taxes	3,328	4,223	27%
d. Grants-in-aid from the Centre	4,896	3,461	-29%
Of which GST compensation grants	0	0	-
2. Non-Debt Capital Receipts	28	32	17%
3. Borrowings	1,326	4,560	244%
Of which GST compensation loan	0	0	-
Net Expenditure (4+5+6)	10,634	9,564	-10%
4. Revenue Expenditure	9,216	8,557	-7%
5. Capital Outlay	1,417	1,004	-29%
6. Loans and Advances	1	3	329%
7. Debt Repayment	514	3,798	638%
Revenue Deficit	579	602	4%
Revenue Deficit (as % of GSDP) *	1.5%	2.3%	-
Fiscal Deficit	-811	373	-146%
Fiscal Deficit (as % of GSDP)	2.1%	1.4%	-

Note: BE: Budget Estimates.

Sources: Mizoram Budget Documents of various years; PRS.

Table 8: Key Components of State's Own Tax Revenue (in Rs crore)

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
State Excise	1	2	79%
Sales Tax/ VAT	95	151	59%
Stamps Duty and Registration Fees	11	7	-33%
Land Revenue	18	13	-28%
Taxes on Vehicles	34	28	-19%
State GST	538	632	18%
Taxes and Duties on Electricity	-	-	-

Sources: Mizoram Budget Documents of various years; PRS.

Table 9: Allocation towards Key Sectors (in Rs crore)

Sector	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
Irrigation and Flood Control	58	21	-65%
Housing	13	8	-40%
Rural Development	391	246	-37%
Urban Development	430	288	-33%
Welfare of SC, ST, OBC, and Minorities	451	602	33%
Social Welfare and Nutrition	222	292	31%
Agriculture and Allied Activities	866	690	-20%
of which Roads and Bridges	487	574	18%
Transport	530	620	17%
Education, Sports, Arts, and Culture	1,828	1,545	-15%
Health and Family Welfare	624	710	14%
Energy	695	765	10%
Water Supply and Sanitation	464	424	-9%
Police	673	637	-5%

Sources: Mizoram Budget Documents of various years; PRS.