

Nagaland Budget Analysis

2023-24

The Chief Minister of Nagaland, Mr. Neiphiu Rio, presented the Budget for the state for the financial year 2023-24 on March 27, 2023.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Nagaland for 2023-24 (at current prices) is projected to be Rs 37,300 crore, amounting to growth of 4.7% over 2022-23.
- **Expenditure (excluding debt repayment)** in 2023-24 is estimated to be Rs 16,904 crore, a decrease of 2% compared to the revised estimates of 2022-23. In addition, debt of Rs 6,182 crore will be repaid by the state.
- **Receipts (excluding borrowings)** for 2023-24 are estimated to be Rs 15,783 crore, an increase of 4% as compared to the revised estimate of 2022-23. In 2022-23, receipts (excluding borrowings) are estimated to fall short of the budget estimate by Rs 883 crore (decrease of 5%).
- **Revenue surplus** in 2023-24 is estimated to be 1.8% of GSDP (Rs 682 crore), lower than the revised estimates for 2022-23 (3% of GSDP). In 2022-23, the revenue surplus is expected to be lower than the budget estimate (4.3% of GSDP).
- **Fiscal deficit** for 2023-24 is targeted at 3% of GSDP (Rs 1,121 crore). In 2022-23, as per the revised estimates, fiscal deficit is expected to be 5.7% of GSDP, higher than the budget estimate of 3.5% of GSDP.

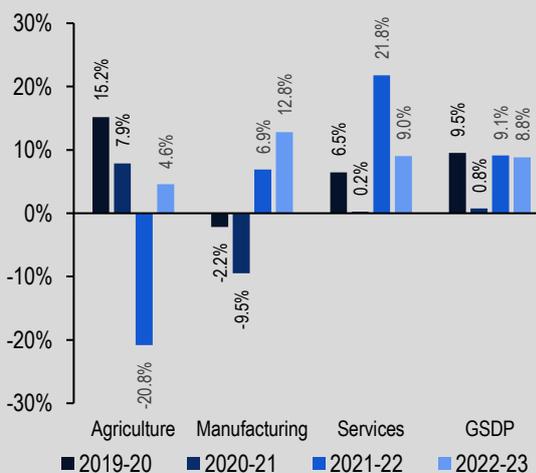
Policy Highlights

- **Revenue Augmentation:** The state will examine the possibility of the sale of liquor to foreign nationals and introduce the sale of state lotteries. It also aims to start oil exploration and extraction in the Disputed Area Belt after negotiations with Assam and the central government conclude.
- **Pensions:** The state is beginning to computerise the pension sector. This will help remove doubtful payments, reducing the expenditure on pensions.
- **Health Insurance:** The Chief Minister’s Health Insurance Scheme, launched in 2022, will provide a cover of Rs 5 lakh to less privileged families and a cover of Rs 20 lakh to government employees and pensioners.
- **Micro-Finance:** The Chief Minister’s Micro-Finance Scheme was launched in 2022, and provides subsidy and interest subvention. It seeks to provide affordable credit to entrepreneurs engaged in agriculture and allied sectors and micro enterprises.

Nagaland’s Economy

- **GSDP:** In 2022-23, Nagaland’s GSDP (at constant prices) is estimated to grow at 8.8%, over the previous year. In 2021-22, GSDP had grown by 9.1%. In comparison, national GDP is estimated to grow at 7.2% in 2022-23 and 8.7% in 2021-22.
- **Sectors:** Manufacturing and services are expected to see a high growth in 2022-23. Agriculture is expected to see a lower growth after contracting in 2021-22 (Figure 1). In 2022-23, agriculture, manufacturing, and services sectors are estimated to contribute 25%, 10%, and 65% of the economy, respectively (at current prices).
- **Per capita GSDP:** The per capita GSDP of Nagaland in 2022-23 (at current prices) is estimated at Rs 1,75,551, an annualised increase of 9.1% over 2018-19.

Figure 1: Growth in GSDP and sectors in Nagaland 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: Nagaland Economic Survey 2022-23; PRS.

Budget Estimates for 2023-24

- **Total expenditure (excluding debt repayment)** in 2023-24 is targeted at Rs 16,904 crore. This is a decrease of 2% as compared to the revised estimate of 2022-23. This expenditure is proposed to be met through **receipts (excluding borrowings)** of Rs 15,783 crore and net borrowings of Rs 1,181 crore. Total receipts for 2023-24 (other than borrowings) are expected to register an increase of 4% over the revised estimate of 2022-23.
- **Revenue surplus** in 2023-24 is estimated to be 1.8% of GSDP (Rs 682 crore), lower than the revised estimates for 2022-23 (3% of GSDP). **Fiscal deficit** for 2023-24 is targeted at 3% of GSDP (Rs 1,121 crore), lower than the revised estimates for 2022-23 (5.7% of GSDP). Fiscal deficit in 2022-23 is projected to be higher than the maximum amount allowed by the central government (3.5% of GSDP).
- In 2022-23, the revenue surplus is expected to be 1.3 percentage points lower than the budget estimate while the fiscal deficit is expected to be 2.2 percentage points higher. This may be due to a 5.5% decrease in net receipts and a 7.7% downward revision in the GSDP at the revised stage.

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	21,664	24,239	23,536	-3%	23,086	-2%
(-) Repayment of debt	7,950	6,810	6,302	-7%	6,182	-2%
Net Expenditure (E)	13,714	17,429	17,234	-1%	16,904	-2%
Total Receipts	22,162	24,390	23,121	-5%	23,146	0%
(-) Borrowings	8,709	8,313	7,927	-5%	7,363	-7%
Net Receipts (R)	13,453	16,077	15,194	-5%	15,783	4%
Fiscal Deficit (E-R)	261	1,353	2,040	51%	1,121	-45%
as % of GSDP	0.7%	3.5%	5.7%		3.0%	
Revenue Surplus	1,634	1,676	1,067	-36%	682	-36%
as % of GSDP	4.6%	4.3%	3.0%		1.8%	
Primary Balance	-672	324	1,041	221%	-22	-102%
as % of GSDP	-1.9%	0.8%	2.9%		-0.1%	

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

Sources: Explanatory Memorandum, Annual Financial Statement, Nagaland Budget 2023-24; PRS.

Expenditure in 2023-24

- **Revenue expenditure** for 2023-24 is proposed to be Rs 15,100 crore, an increase of 7% over 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 1,803 crore, a decrease of 42% over the revised estimate of 2022-23. Capital outlay indicates the expenditure towards creation of assets.

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	11,817	14,399	14,125	-2%	15,100	7%
Capital Outlay	1,894	3,030	3,108	3%	1,803	-42%
Loans given by the state	3	1	1	0%	1	0%
Net Expenditure	13,714	17,429	17,234	-1%	16,904	-2%

Sources: Annual Financial Statement, Nagaland 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, Nagaland is estimated to spend Rs 11,412 crore on committed expenditure, which is 72% of its estimated revenue receipts. This comprises spending on salaries (46% of revenue receipts), pension (20%), and interest payments (7%). Committed expenditure is expected to increase by 15% over the revised estimate of 2022-23. In 2022-23, expenditure towards salaries is estimated to be 11% lower than the budget estimate. In 2021-22, as per actuals, 66% 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	5,727	7,090	6,280	-11%	7,187	14%
Pensions	2,159	2,588	2,659	3%	3,082	16%
Interest Payment	932	1,028	1,000	-3%	1,143	14%
Total Committed Expenditure	8,818	10,706	9,939	-7%	11,412	15%

Sources: Explanatory Memorandum and Annual Financial Statement, Nagaland Budget 2023-24; PRS.

Sector-wise expenditure: The sectors listed below account for 59% of the total expenditure on sectors by the state in 2023-24. A comparison of Nagaland's expenditure on key sectors with that by other states is shown in Annexure 1.

Table 4: Sector-wise expenditure under Nagaland 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
Education, Sports, Arts, and Culture	2,046	2,305	2,502	2,722	9%
Police	1,727	1,873	1,946	1,910	-2%
Agriculture and Allied Activities	692	1,045	925	1,108	20%
Health and Family Welfare	922	1,130	1,280	997	-22%
Rural Development	621	1,016	844	789	-7%
Energy	752	670	862	788	-8%
Roads and Bridges	685	871	1,256	738	-41%
Social Welfare and Nutrition	367	399	601	486	-19%
Urban Development	340	751	611	223	-64%
Water Supply and Sanitation	330	538	191	191	0%
% of total expenditure on all sectors	62%	61%	64%	59%	-8%

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

Receipts in 2023-24

- **Total revenue receipts** for 2023-24 are estimated to be Rs 15,781 crore, an increase of 4% over the revised estimate of 2022-23. Of this, Rs 1,951 crore (12%) will be raised by the state through its **own resources**, and Rs 13,831 crore (88%) will come **from the centre**. Resources from the centre will be in the form of state's share in central taxes (37% of revenue receipts) and grants (51% of revenue receipts).
- **Devolution:** In 2023-24, state's share in central taxes is estimated at Rs 5,812 crore, an increase of 8% over the revised estimate of 2022-23.
- **Grants from the centre** in 2023-24 is estimated at Rs 8,019 crore, an increase of 8% as compared to the revised estimates for 2022-23. This is largely due to increases in grants in aid for central sector and centrally sponsored schemes.
- **State's own tax revenue:** Nagaland's total own tax revenue is estimated to be Rs 1,570 crore in 2023-24, an increase of 8% over the revised estimate of 2022-23. Own tax revenue as a percentage of GSDP is estimated at 4.2% in 2023-24. For 2022-23, the state had estimated this ratio at 3.7%, however, as per revised estimates, it is expected to be higher (4.1%).

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	1,301	1,417	1,448	2%	1,570	8%
State's Own Non-Tax	304	291	887	205%	381	-57%
Share in Central Taxes	4,875	4,647	5,400	16%	5,812	8%
Grants-in-aid from Centre	6,971	9,720	7,458	-23%	8,019	8%
Revenue Receipts	13,451	16,075	15,192	-5%	15,781	4%
Non-debt Capital Receipts	1.9	2	2	0%	2	0%
Net Receipts	13,453	16,077	15,194	-5%	15,783	4%

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

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

- In 2023-24, State GST is estimated to be the largest source of own tax revenue (68% share). State GST revenue is estimated to increase by 10% over the revised estimates of 2022-23. In 2022-23, the receipt on this account is expected to be 2% higher than budgeted.
- Revenue from sales tax / VAT in 2023-24 is expected to see an increase of 5% as compared to the revised estimates for 2022-23. In 2022-23, revenue from the same head is expected to reduce by 2% as compared to budget estimates.

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	830	958	975	2%	1,075	10%
Sales Tax/ VAT	262	280	275	-2%	290	5%
Taxes on Vehicles	141	115	130	13%	135	4%
Taxes and Duties on Electricity	8	5	7	37%	7	8%
State Excise	3	3	3	0%	3	2%
Stamps Duty and Registration Fees	3	3	3	0%	3	2%
Land Revenue	1	1	1	47%	1	10%
GST Compensation Grants	-	-	-	-	-	-
GST Compensation Loans	-	-	-	-	-	-

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

Deficits, Debt, and FRBM Targets for 2023-24

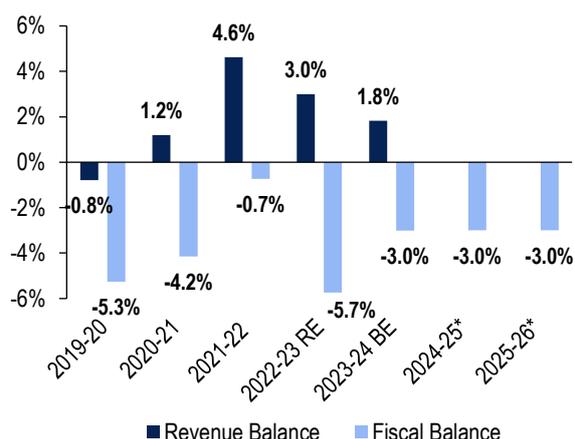
The Nagaland Fiscal Responsibility and Budget Management Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit and fiscal deficit of the state government.

Revenue balance: It is the difference of revenue expenditure and revenue receipts. A revenue surplus implies that the government can finance its revenue expenditure (those than do no increase assets or reduce liabilities) through its revenue receipts, i.e., it does not need to borrow for such expenses. The Budget estimates a revenue surplus of Rs 682 crore (or 1.8% of the GSDP) in 2023-24, where revenue receipts include a post-devolution revenue deficit grant of Rs 4,447 crore. In 2022-23, the revenue deficit is expected to be Rs 1,067 crore (3% of GSDP) as per revised estimates, after accounting for the revenue deficit grant of Rs 4,530 crore. As per the 15th Finance Commission's recommendations, Nagaland will receive revenue deficit grants of Rs 4,068 crore and Rs 3,647 crore in 2024-25 and 2025-26, respectively.

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% 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 5.7% of GSDP, which is higher than the budget estimate of 3.5% of GSDP. 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 41.6% of GSDP, marginally higher than the revised estimate for 2022-23 (41.3% of GSDP). The outstanding liabilities have been lower as compared to 2019-20 level (42.5% of GSDP).

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

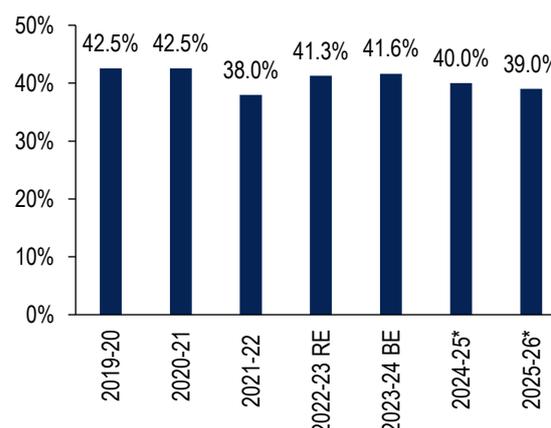


Note: Positive (+) figures indicate a surplus, negative (-) figures indicate a deficit. For 2024-25 and 2025-26 the FRBM statement projects no revenue deficit.

*Figures for 2024-25 and 2025-26 are projections; RE is Revised Estimates; BE is budget estimates.

Sources: Medium Term Fiscal Policy, Nagaland Budget 2023-24; PRS.

Figure 3: Outstanding Liabilities (% of GSDP)



Note: *Figures for 2024-25 and 2025-26 are projections; Above figures do not include GST compensation loan as liabilities as it is to be serviced by the central government. RE: Revised Estimates; BE: Budget Estimates.

Sources: Medium Term Fiscal Policy, Nagaland Budget 2023-24; PRS.

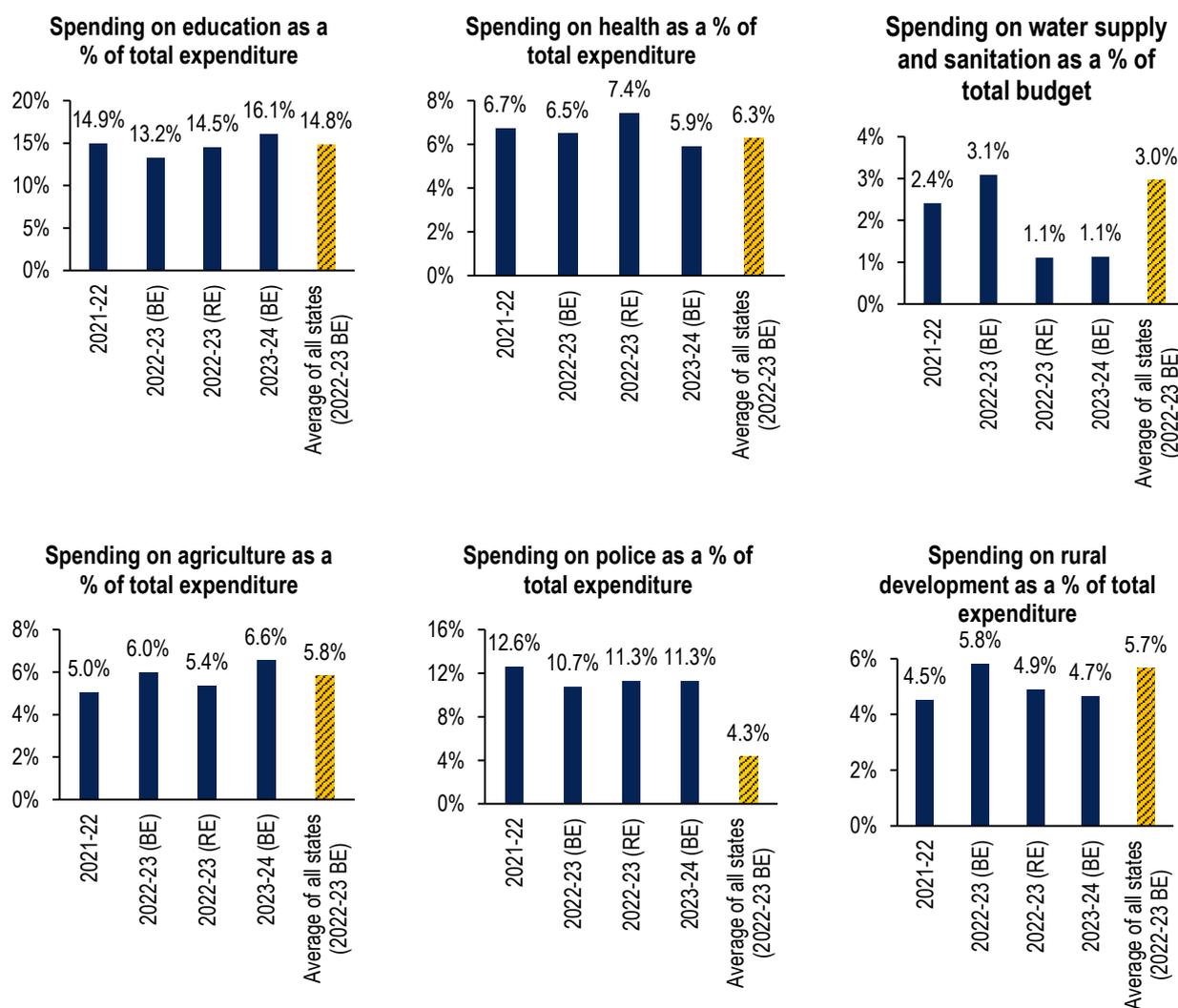
Outstanding Government Guarantees: Outstanding liabilities of states do not include a few other liabilities that are contingent in nature, which states may have to honour in certain cases. State governments guarantee the borrowings of State Public Sector Enterprises (SPSEs) from financial institutions. Outstanding guarantees of Nagaland is expected to decrease, from 0.9% of GSDP in 2019-20 to 0.4% of GSDP in 2023-24.

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Annexure 1: Comparison of states' expenditure on key sectors

The graphs below compare Nagaland'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 Nagaland) as per their budget estimates of 2022-23.¹

- **Education:** Nagaland has allocated 16.1% of its expenditure on education in 2023-24. This is higher than the average allocation for education by states in 2022-23 (14.8%).
- **Health:** Nagaland has allocated 5.9% of its total expenditure towards health, which is less than the average allocation for health by states (6.3%).
- **Water Supply and Sanitation:** Nagaland has allocated 1.1% of its expenditure on water supply and sanitation. This is lower than the average allocation for water supply and sanitation by states (3%).
- **Agriculture:** Nagaland has allocated 6.6% of its expenditure towards agriculture. This is higher than the average allocation towards agriculture by states (5.8%).
- **Police:** Nagaland has allocated 11.3% of its total expenditure towards police, which is much higher than the average expenditure on police by states (4.3%).
- **Rural Development:** Nagaland has allocated 4.7% of its total expenditure towards rural development, which is lower than the average allocation by states (5.7%).



Note: 2021-22, 2022-23 (BE), 2022-23 (RE), and 2023-24 (BE) figures are for Nagaland.
Sources: Annual Financial Statement, Nagaland 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)	14,658	13,453	-8%
1. Revenue Receipts (a+b+c+d)	14,657	13,451	-8%
a. Own Tax Revenue	1,269	1,301	2%
b. Own Non-Tax Revenue	283	304	7%
c. Share in central taxes	3,787	4,875	29%
d. Grants-in-aid from the Centre	9,317	6,971	-25%
Of which GST compensation grants	-	-	-
2. Non-Debt Capital Receipts	1.5	1.9	25%
3. Borrowings	7,793	8,709	12%
Of which GST compensation loan	-	-	-
Net Expenditure (4+5+6)	16,058	13,714	-15%
4. Revenue Expenditure	13,695	11,817	-14%
5. Capital Outlay	2,361	1,894	-20%
6. Loans and Advances	2.7	2.6	-3%
7. Debt Repayment	6,758	7,950	18%
Revenue Surplus	962	1,634	70%
Revenue Surplus (as % of GSDP)*	2.7%	4.6%	-
Fiscal Deficit	1,400	261	-81%
Fiscal Deficit (as % of GSDP)	4.0%	0.7%	-

Note: BE: Budget Estimates. For calculating deficits, GST compensation loan not treated as grants.

Sources: Nagaland Budget Documents of various years; PRS.

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

Tax Head	2021-22 BE	2021-22 Actuals	% change from BE to Actuals
State Excise	5.5	3.3	-40%
Sales Tax/ VAT	325	262	-19%
Taxes on Vehicles	145	141	-3%
Land Revenue	1.3	1.2	-2%
Stamps Duty and Registration Fees	3.1	3.4	9%
State GST	727	830	14%
Taxes and Duties on Electricity	0.1	8	7675%

Sources: Nagaland 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	221	80	-64%
Rural Development	1,274	621	-51%
Social Welfare and Nutrition	679	367	-46%
Welfare of SC, ST, OBC, and Minorities	139	103	-26%
Agriculture and Allied Activities	910	692	-24%
Housing	66	54	-18%
Health and Family Welfare	1,043	922	-12%
Urban Development	361	340	-6%
Education, Sports, Arts, and Culture	2,131	2,046	-4%
Police	1,652	1,727	5%
Energy	643	752	17%
Water Supply and Sanitation	271	330	22%
Transport	648	793	22%
of which Roads and Bridges	538	685	27%

Sources: Nagaland Budget Documents of various years; PRS.