



GOVERNMENT OF MIZORAM

BUDGET SPEECH

of

**PU H.LIANSAILOVA
HON'BLE FINANCE MINISTER**

for

**2012-13
(For Vote on Account)**

in the

MIZORAM LEGISLATIVE ASSEMBLY

on

Thursday, the 22nd March, 2012

Mr. Speaker Sir,

With your permission, I rise to present before this august House **the Supplementary Demands for Grants 2011-12 and Budget Estimates for the year 2012-13** for seeking **Vote-on-Account** to meet the essential expenditure for the first four months till the Regular Budget is passed by the House later.

I. OVERVIEW OF THE ECONOMY

1. Sir, as I have outlined in my Budget speech last year, the fiscal management of the State has been undertaken with due prudence under strict and stringent guidance of the successive fiscal reforms programme designed by the successive Finance Commissions. As such, utmost efforts have been put in place to keep the State fiscal position to remain within the Target set by the Thirteenth Finance Commission in respect of various fiscal indicators like Revenue Deficit or Surplus, Outstanding debt, Fiscal deficit etc. However, it may be mentioned time and again that the fiscal maneuverability of the State depends to a large extent on the volume of resources transfer from Central Government.

2. The Economic Survey 2010-11 tabled in Parliament in February 2011 projected Indian economy to grow at the rate of 9 *per cent* during 2011-12 against the growth rate of 8.6 *per cent* during 2010-11. Besides, the growth rate in agricultural sector, manufacturing sector and industrial sector are also anticipated to increase considerably during the financial year 2011-12. Unfortunately, Indian economy experienced unexpected decline in key macroeconomic indicators during the fiscal 2011-12 due to various exogenous and endogenous factors which include economic slowdown in United States, sovereign debt crisis in the Eurozone area and unanticipated upsurge of domestic inflation. However, strong economic fundamentals of the Nation including diversifications in the export baskets and export destinations are helping to manage these global consequences and internal economic uncertainties.

3. In the meantime, State Government also embarked on intensive fiscal reforms programme as well as massive socio-economic development programme to drive the State's fiscal wheel in the direction of putting the economy on a better growth trajectory than the Sovereign's growth rate and in the direction of creating conducive environment for

the establishment of sustainable on-farm and off-farm economic activities by introducing commercial farming and value addition. As a result of the series of these reforms programme, the GSDP growth rate of the State during 2011-12 accelerated to 10.09 *per cent*, as per the Economic Survey Report 2011-12 of Government of Mizoram, which is impressive in view of the National growth rate of 6.9 *per cent* during the same fiscal. Besides, as per the new roadmaps for fiscal consolidation introduced by the Thirteenth Finance Commission, the projected growth rate of State's GSDP during 2010-11 is 9.7 *per cent*, 10 *per cent* in 2011-12, and 10.3 *per cent* growth rate of GSDP during the next successive three years. Even from the viewpoint of Thirteenth Finance Commission's report, an achievement of 10.09 *per cent* growth is considered normal and acceptable especially for Special Category State with limited tax base like us in spite of minuscule shortfall. Even the Economic Survey of the Nation 2011-12 testified to the facts of the notable progress of the State Economy under Service Sector. The accomplishment of this economic stride could be mainly attributed to intense austerity measures undertaken by the State Government which surfaced in the performance of the State Economy and at the same time, to the implementation of our flagship programme New Land Use Policy (NLUP) throughout the State which invigorates the productive capacity of the rural areas enormously.

4. Notwithstanding appreciable achievement in the current fiscal year, the challenges ahead in the fiscal correction path within the foreseeable future is still full of obstacle and hardship which require tough political will and robust dedication for its persistent and macro-economic solution. In particular, the State's fiscal reforms program needs to be aligned with the structure of reforms introduced by the Thirteenth Finance Commission within which the fiscal deficit, Revenue deficit or surplus and the outstanding debt of the State has to be curbed at pre-determined levels. On the other hand, it can be deduced that the State Government cannot rely on borrowings alone to finance its developmental expenditures. As the main sources of revenue and resources of the State Government are various grants and subventions coming from Central Government, the State fiscal could be in a hazardous situation at any time when resources transferred from the Centre falls short of the State's requirement at a certain magnitude. Therefore, the issue of prime concern in the present context is the need to generate own revenue surplus for capital investment. It will, therefore, be the continued endeavor of the State Government to take steps to improve and augment any available State's own Tax and Non-Tax

Revenue through any possible means and at the same time, to reduce non-plan revenue expenditure wherever possible.

II. REVIEW OF THE YEAR 2011-12

5. Mr. Speaker Sir, I may present a brief review of the fiscal position of the Year 2011-12 as shown in the revised estimates.

RECEIPTS

Revenue Receipts (Tax and Non-Tax)

6. Own Tax Revenue of the State mainly comprises Value Added Tax (VAT), Sales Tax, State excise, stamp duty and registration, motor vehicles and passenger tax. Owing to serious efforts rendered by the State government, collection of Tax revenue improves during this financial year under review. The figure of Own Tax Revenue improves from **₹ 173.17 crore** in the Budget Estimate to **₹ 180.31 crore** in the Revised Estimates. The Revised Estimate under Non-Tax Revenue also increased from the Budget Estimates of **₹ 237.57 crore** to **₹ 241.17 crore** in the Revised Estimates. Grants-in-Aid from Central Government is also expected to increase to **₹ 2996.50 crore** in the Revised Estimates against the Budget Estimates of **₹ 2627.82 crore**. On account of these substantial increase, the total Revenue Receipt in the Revised Estimates for 2011-12 stood at **₹ 4127.72 crore** against the Budget Estimates of **₹ 3478.30 crore** which is an increase of 18.66 *per cent*.

Capital Receipts

7. Main sources of Capital Receipts are recoveries of Loans & Advances and Borrowings from various sources. During 2011-12, the Revised Estimates of Capital Receipts is **₹ 492.42 crore** against the Budget Estimates of **₹ 493.39 crore**. This includes net Public Debt of **₹ 455.66 crore** and recoveries of Loans & Advances of **₹ 36.76 crore**.

EXPENDITURE

Revenue Expenditure

8. In the revenue account for the Revised Estimates 2011-12, the gross revenue expenditure was estimated at **₹ 3935.31 crore** against the

budget estimate of ₹ **3427.51 crore**. Out of this Revised Estimate, the expenditure for General Services, Social Services and Economic Services were pegged at ₹ **1286.62 crore**, ₹ **1427.35 crore** and ₹ **1221.34 crore** respectively.

Capital Expenditure

9. Capital Expenditure includes expenditure on capital outlay, disbursement of loans and advances and repayment of loans. Revised net Capital expenditure during 2011-12 was estimated at ₹ **1063.99 crore**. Out of which, net Capital Outlay was estimated at ₹ **686.22 crore**, disbursement of Loans & Advances at ₹ **35.06 crore** and Public Debt at ₹ **342.71 crore**.

Fiscal Indicators

10. The gross fiscal deficit during 2011-12 was estimated at ₹ **490.86 crore**, which is 7.02 per cent of the State's GSDP of ₹ **6991.40 crore**.

Revenue Surplus

11. The revenue surplus in the revised estimates for 2011-12 was estimated to be ₹ **193.67 crore** which is higher to the figure of ₹ **14.15 crore** in the Revised Estimates 2010-11. Better figure of Revenue Surplus in 2011-12 indicates the improvement of State fiscal position in spite of heavy fiscal shock as a result of implementation of Pay Revision in 2010 for the State Government's employees.

III. BUDGET 2012 -13

Mr. Speaker Sir, I may now turn to the Budget Estimates for 2012-13.

12. As hon'ble Members are aware, the State Annual Plan for 2012 -13 has not yet been finalized till today. Therefore, I am not in a position to present a regular Budget but to seek **Vote-on-Account** for the first four months and I will lay a regular budget in due course.

Receipts

Revenue Receipts

13. Revenue Receipts mainly comprise State's Own Tax and Non-Tax Revenue, Share in Taxes and Grants-in-aid devolved from Central Government. During fiscal 2012-13, Revenue Receipt is estimated at **₹ 4029.41 crore**. Out of this, the State's Own Tax revenue is estimated to contribute **₹ 190.42 crore** and the State Own Non-Tax revenue is estimated at **₹ 229.34 crore**. Share in Taxes is also estimated to be **₹ 851.68 crore** and Grants in aid from Central Government is estimated at **₹ 2757.97 crore**.

Capital Receipts

14. Capital Receipt is estimated at **₹ 383.44 crore**. Out of which, Net Public Debt is estimated at **₹ 356.89 crore** and the recoveries of Loans & Advances is estimated at **₹ 26.55 crore**.

Expenditure

Revenue Expenditure

15. Gross Revenue Expenditure is estimated at **₹ 3847.73 crore** whereas Net Revenue Expenditure is estimated at **₹ 3846.73 crore**. Out of this net Revenue accounts, Non-Plan expenditure, Plan expenditure and CSS,NEA and NLCPR are estimated to be **₹ 2580.91 crore**, **₹ 1265.70 crore** and **₹ 11.90 lakhs** respectively.

Capital Expenditure

16. Gross Capital Expenditure is estimated at **₹ 727.71 crore** whereas Net Capital Expenditure is estimated at **₹ 577.71 crore** net of deduct recoveries. Out of net Capital Expenditure, Capital Outlay, Public Debt and Loans & Advances are estimated at **₹ 456.07 crore**, **₹ 86.84 crore** and **₹ 34.80 crore** respectively.

Annual Plan 2012 –13

17. Respected Sir, as I have mentioned before, the Annual Plan size for 2012-13 has not been finalized till date on account of which I am not in a position to present Regular Budget incorporating the Annual Plan. Therefore, it is not possible to highlight the plan commitments and developmental initiatives of the Government for the time being as I simply propose to maintain the level of 2011-12 Annual Plan size of **₹ 1700.00 crore** for 2012-13. However, I would like to highlight the achievement of this Ministry through the implementation of our flagship program NLUP *en route* to strengthening our macroeconomic environment and improving economic status of the State.

New Land Use Policy

18. Respected Sir, as hon'ble Members are aware, a comprehensive project for inclusive and equitable growth called New Land Use Policy (NLUP) has been successfully implemented in the State with the approval and active participation of Planning Commission, Government of India since January, 2011. The main objective of this noble project is major overhauling of the State economy through structural replacement of devastating shifting cultivation by introducing systematic method of occupation based on local resources and ingenuity of the local people. Some of the important features of achievement under NLUP are:

1) A total of **₹ 468.82 crore** has so far been released by the Government of India for NLUP since its inception in 2010-11. The outcome of the Project started surfacing in the economic activities of the State which is evidenced by the existence of significant improvement in the agriculture sector this fiscal. The gradual reduction of land for jhum cultivation in the last few years also bears *ipso facto* testimony. Moreover, the success story of this gigantic scheme is also compounded by the recent flourish of Broom cultivation and fruitful utilization of Bamboo resources throughout the State.

2) The marketing prospect of commodity produced from the implementation of this scheme has also been successfully explored and in particular, palatable arrangement has been made for the marketing of Bamboo and Broom finished-product. Reliable local firms have been officially appointed market traders in respect of Broom from the beneficiaries and also formally to handle Agarbati sticks produced from

Bamboo by the beneficiaries. Other Trades of NLUP shall also be taken care of in phase-wise in a year to come.

3) It may not be out of place to bring to the knowledge of hon'ble Members of this august House that the performance of State Government in the implementation of NLUP is found to be very successful and commendable. Many distinguished dignitaries from Planning Commission, Government of India have come and visited the ground implementation of the scheme on the spot and their observation on the achievement of the Scheme is very satisfactory.

4) As NLUP is the only systematic and planned project that has ever been carried out in the State, I would like to stress once again the importance of inclusive and active circumspsect-participation of all stakeholders like Policy makers, media persons, invigilating officials, Church Leaders, Non-Government Organizations and the major partakers- beneficiaries towards achievement of its ultimate goal.

Fiscal Indicators

19. One of the fortunate features in the State finances is the continued existence of Revenue Surplus since fiscal 2003-04. Even for the fiscal 2012-13, Revenue Surplus is estimated at **₹ 182.69 crore** and the Gross Fiscal Deficit is estimated at **₹ 281.63 crore**. Hence, the gross fiscal deficit during 2012-13 as a percentage of projected GSDP (current prices) which stood at **₹ 7945.96 crore** is estimated to be 3.54 *per cent*.

Outstanding Public Debt

20. Outstanding public debt which was as high as **₹ 3259.81 crore** at the end of 2008-09 fiscal was reduced to **₹ 3163.94 crore** during 2009-10 fiscal. However, it went up to **₹ 3410.21 crore** during 2010-11. As the current financial year 2011-12 is not yet over, outstanding debt figure is not reported for the time being. Nevertheless, it may be noteworthy to mention that the outstanding debt of the state during 2010-11 as a percentage of corresponding GSDP is 54.16 *per cent* only which is well acceptable in view of the targeted percentage of 87.3 *per cent* as per the Thirteenth Finance Commission Report.

V. CONCLUSION

21. Mr. Speaker Sir, I would like to share with hon'ble Members of this august house that Mizoram State has been witnessing considerable performance under various fiscal indicators during the regime of the current ministry in spite of room for improvement in many sectors. At the same time, it may also be pertinent to mention that the commendable achievement of the State is always negatively impacted by the incessant provision of mass subsidy on the purchase of food grains and power. Besides, any endeavor of State Government towards generation of Own revenue in terms of Tax and Non-Tax has not received support from the public which has opposed it on account of dependency syndrome. It is a high time that the necessity of generating resources for the government is inculcated in the popular mindset as the government resources are restricted and subject to ever multiplying demands. It will therefore be the unrelenting efforts of the Government to constantly working hard towards mobilization of own resources by tapping all available means and sources.

22. Mr. Speaker Sir, I would like to thank all the hon'ble Members of this august House for giving me a patient hearing.

23. With these words, I commend the **Supplementary Demand for Grants 2011-12, Budget Estimates for the year 2012-13** and **Vote on Account** for the first four months from **April 2012** to **July 2012** for consideration and approval of this august House.

Thank You, Sir