POLITICAL ECONOMY IN MIZORAM: A STUDY OF PUBLIC FINANCE IN THE SIXTH AND SEVENTH LEGISLATIVE ASSEMBLIES

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

LALENGKIMA

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BY

Lalengkima

Department of Political Science

Name of Supervisor: Prof. Jangkhongam Doungel

Submitted

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MIZORAM UNIVERSITY
AIZAWL: MIZORAM
www.mzu.edu.in

Post Box No. 190
Gram : MZU
Phone : (0389) 2331610 / 2331609
Mobile: 09436148905/08119922353
Email:jdoungel@gmail.com
Fax : 0389 – 2331610

Prof. Jangkhongam Doungel
Fulbright Senior Research Fellow,
University of Cincinnati, USA,
Professor, Department of Political Science &
Director, IQAC, Mizoram University.

Dated 4th July, 2022

Certificate

This is to certify the thesis entitled "POLITICAL ECONOMY IN MIZORAM: A STUDY OF PUBLIC FINANCE IN THE SIXTH AND SEVENTH LEGISLATIVE ASSEMBLIES" submitted by Lalengkima for the award of the degree of DOCTOR OF PHILOSOPHY, is a research work, done under my supervision and guidance. The thesis, submitted by him has not formed the basis of the award to the scholar for any degree or any other similar title and it has not yet been submitted as a dissertation or thesis in any university. I also certify that the thesis represents objective study and independent work of the scholar.

(PROF. JANGKHONGAM DOUNGEL)

SUPERVISOR

Declaration

Mizoram University

July 2022

I Lalengkima, hereby declare that the subject matter of this thesis is the record of work done by me, that the contents of this thesis did not form basis of the award of any previous degree to me or to do the best of my knowledge to anybody else, and that the thesis has not been submitted by me for any research degree in any other University/Institute.

This is being submitted to the Mizoram University for the degree of Doctor of Philosophy in Political Science.

(LALENGKIMA)

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Table of Contents

List of Figures

List of Diagrams

List of Chart

List of Appendices

List of Tables

List of Abbreviations

AAP - Annual Action Plan

ACA - Additional Central Assistance

ACP - Agricultural Costs & Prices

ADB - Asian Development Bank

ADC - Autonomous District Council

AFS - Annual Financial Statement

AMC - Aizawl Municipal Corporation

BADP - Border Area Development Projects

BAFFACOS - Bamboo Flowering and Famine Combat Scheme

BDO - Block Development Officer

BE - Budget Estimate

CACP - Commission for Agricultural Costs & Prices

CADC - Chakma Autonomous District Council

CM - Chief Minister

CPO - Crude Palm Oil

CSS - Centrally Sponsored Scheme

DMU - Debt Management Unit

DoNER - Development of North Eastern Region

EAP - Externally Aided Project

ERR - Early Retirement Rules

FC - Finance Commission

FCI - Food Corporation of India

FFBs - Fresh Fruit Bunches

FRBM - Fiscal Responsibility and Budget Management

FY - Financial Year

GFD - Gross Fiscal Deficit

GoM - Government of Mizoram

GRF - Guarantee Redemption Fund

GST - Goods and Services Tax

Ha - Hectare

IAs - Implementing Agencies

IFMIS - Integrated Financial Management Information System

ILR - Inner Line Regulation

IWMP - Integrated Watershed Management Programme

JNNURM - Jawaharlal Nehru National Urban Renewal Mission

Kg - Kilogram

LADC - Lai Autonomous District Council

LIC - Life Insurance Corporation

M/DoNER - Ministry of DoNER

MADC - Mara Autonomous District Council

MAMCO - Mizoram Agricultural Marketing Corporation

MDC – Member of District Council

MGNREGS - Mahatma Gandhi National Rural Employment Guarantee Scheme

MIFCO - Mizoram Food and Allied Industries Corporation

MIP - Mizoram Intodelhna Project

MIS - Management Information System

MLA - Member of Legislative Assembly

MLPC - Mizoram Liquor Prohibition and Control

MNF - Mizo National Front

MoS - Memorandum of Settlement

MoU - Memorandum of Understanding

MP - Member of Parliament

MPCC - Mizoram Pradesh Congress Committee

MPRMP - Mizoram Public Resource Management Programme

MT - Metric Ton

MTEF - Medium Term Expenditure Frameworks

MTFF - Medium Term Fiscal Frameworks

MW - Mega Watts

NABARD - National Bank for Agriculture and Rural Development

NCA - Normal Central Assistance

NCDC - National Cooperative Development Corporation

NDA - National Democratic Alliances

NEARA - North Eastern Areas Reorganisation Act

NEC - North Eastern Council

NEDP - New Economic Development Policy

NER - North Eastern Region

NERCORMP - North East Regional Community Resource Management Projects

NERLP - North East Rural Livelihood Project

NESRIP - North Eastern State Roads Investment Programme

NLCPR - Non Lapsable Central Pool of Resources

NLUP - New Land Use Policy

NSSF - National Small Savings Fund

OER - Oil Extraction Ratio

PCI - Per capita income

PDRD Grant - Post-Devolution Revenue Deficit Grant

PERC - Public Expenditure Review Committee

PIA - Project Implementing Agency

PLRC - Pawi-Lakher Regional Council

PPP - Private Public Partnership

PRISM - People's Representation for Identity and Status of Mizoram

PSEs - Public Sector Enterprises

PSUs - Public Sector Undertakings

RBI - Reserve Bank of India

RC - Regional Council

RD - Rural Development

RDO - Rural Development Officer

RE - Revised Estimate

RKVY - Rashtriya Krishi Vikas Yojana

RTI - Right To Information

SAL - Structural Adjustment Loan

SAU - Social Audit Unit

SDRF - State Disaster Response Fund

SEDP - Socio-Economic Development Programme

SHG - Self-Help Group

SMS - State Matching Share

SOEs - State Owned Enterprises

SON-TR - State Own Non-Tax Revenue

SOR - State's Own Revenues

SOTR - State Own Tax Revenue

SPA - Special Plan Assistance

SRDC - Sialkal Range Development Council

STDB - Sialkal Tlangdung Development Board

ULB - Urban Local Bodies

UPA - United Progressive Alliances

VAT - Value Added Tax

VC - Village Council

VCP - Village Council President

VEC - Village Employment Council

VLAA - Village Level Administrative Assistant

VMC - Vigilance and Monitoring Committee

W&MA - Ways & Means Advances

WRC - Wet Rice Cultivation

ZENICS - Zoram Electronics Development Corporation

ZIDCO - Zoram Industrial Development Corporation

ZOHANCO – Zoram/Mizoram Handloom & Handicrafts Development Corporation

Chapter 1

Introduction

> "The concept of utility, wealth, value, commodity, labour, land, capital are the elements of the subject [political economy]; and whoever has a thorough understanding of their nature must possess or soon be able to acquire a knowledge of the whole science [political economy]"
>
> W. Stanley Jevons, 1970.

Introduction

Economic growth is the interest of every political system and systematic pattern of fiscal policy and planning happened to be the aims and objectives of every socialist-democratic country. Theorists, thinkers, social scientists and economists from classical to modern have been trying to set up the best-suited plans for the systematic procedure of human development in society. However, procedures of planning can be different in various political systems.

What type of planning can be best suitable for the nation? What kind of procedure must be followed to utilize available fund? How to chalk out the most feasible and relevant plans for the people? How to increase income and decrease expenditure? Which way is to be followed for financing government sectors and agencies? All these questions have been asked amongst the politicians and economists in modern society. However, a holistic approach is hardly produced due to the interactions amongst different politics, economics, social and cultural settings of different nations. The problem of framing a holistic approach lies in the question which one is prior – political or economy? All these questions are the core subject of this thesis, and all these questions are discussed throughout the chapters. Nevertheless, prominent modern thinkers began to conclude that economics and political science should be conceived as same subject having different branches. Michael Sandel, for example has given an explanation concerning the priority of politics and moral philosophy than economics –

> "Economists today often conceive their subject and teach it as if economics were a value neutral science of human behavior and social choice. But if money and market thinking and market values sometimes change the meaning of social practices when market enters social life and civic life….if economics is not a value neutral science of social choice, if it is unavoidably normative, than economics should not be conceived as a separate autonomous discipline. It should be re-connected as it once was with Adam Smith, John Stuart Mill, and Karl Marx despite their differences, economics should be seen as a sub-field, as a branch of moral and political philosophy, not as a value neutral science" (Sandel, 2015).

There were some controversies, in the 18th and 19th Century, regarding the state's economy between liberal and capitalist on the one hand, and socialist and welfare thought on the other. The debate between them centred around the intervention of the state in economy. During the end of the 18th and early days of the 19th century, it was widely believed that private sector was more efficient than public sector in which theory of *laissez-faire* became a core basis of the market economy. The market forces were believed to be guided not by the state direction but by what Adam Smith calls it as the 'invisible hand'.

But with the changes in time, private sector alone could not bear the burden of all economic issues. After the end of the World Wars (i.e., 1914-1945), and after the process of decolonization all over the world in the 1930s and 1940s, there was a general agreement among the newly independent countries that these countries somehow justified state intervention in economic spheres. As such, whether or not a state should intervene in the affairs of an individual was an important question. This issue will be discussed in chapter 3 on 'Sources of Income of the State Government'. Anyhow, it was mainly believed that private sector found itself unable to create and run social overheads or infrastructural facilities namely social security, healthcare, education etc., for reasons of their commercial non-viability. But private sectors were otherwise essential for efficient working of an economy, then, the state was to step forth and assume the responsibility of creation and maintenance of such social overheads. Thereby, a mixture of liberal-capitalist and social-welfare system of economy was adopted by some of the newly decolonized countries.

Furthermore, some classical thinkers on political economy saw the importance of state intervention in economy. For example, J.S. Mill in his *Principles of Political Economy* differentiated two types of state intervention, such as authoritative interference of government and non-authoritative intervention. The former type of intervention extends itself to controlling the free agency of individuals, direct control of the economy by the state and Mill also claimed that this type of intervention is evident that it has a much more limited sphere of legitimate action than the later (Mill, 1848/1970); the latter, however, is a liberal intervention of the government. According to a liberal sense of government intervention, there might be a national bank, or a government manufactory, without any monopoly against private banks or manufactories. There might be a post-office, without penalties against the conveyance of letters by any other means. There may be public hospitals, without any restriction on private clinic or hospitals.

Political Economy and Public Finance

The classical theory of political economy mainly dealt with the role of political factors in determining economic outcomes. The role of political factors means a role of politicians in restructuring state economy. Politics and economy in the past were not separated but amalgamated under one discipline. As time passes, political economy was said to be concerned with the interplay between politics, society and economics. Amongst modern theorists, Karl Marx and Friedrich Engels gave their own concept to define the meaning of political economy in which it is a relation between man and nature, and the relations of production (Ghosh, 1990).

The relation of man and nature was explained as a man through nature tries to fulfil the human needs and; the relations of production is the inter-connections with the contemporary development of productive forces, as dictated by history. Another classical thinker such as W. Stanley Jevons in his work *The Theory of Political Economy* (1871) argued that the science of political economy rests upon a few notions of an apparently simple character. The concept of utility, wealth, value, commodity, labour, land, capital are the elements of the subject; and whoever has a thorough understanding of their nature must possess or soon be able to acquire a knowledge of the whole science (Jevons, 1970).

Keeping in mind of Jevons' statement, the interactions and link between utility, wealth, value, commodity, labour, land, capital etc., seems to be the best comprehensive way to grasp the theory of classical political economy. As such, whether or not the statesman/politician inclusively draft and frame policy based on Jevons statement is to be analysed.

However, the idea of David Ricardo about the meaning and nature of Political Economy is somehow different from others in which Ricardo writes, in replying to Malthus in 1820 stated that –

> "Political Economy you think is an enquiry into the nature and causes of wealth – I think it should rather be called an enquiry into the laws which determine the division of the produce of industry amongst the classes who concur in its formation" (Howard & King, 1975).

The idea is still relevant today because the distribution of wealth and class structure of society are intertwined with each other, and thus a significant problem of its own. The laws amongst the classes of people effecting people's income and expenditure, the procedure amongst the classes of people, the system of financing amongst different classes of the people in the society are very important. Therefore, the system of financing which is likely to be benefited by the public who concur the formation of political economy must not be neglected by statesman/politician. Since the system of public financing can be made into laws by statesman/politician, their roles and responsibilities could not be kept at bay.

In modern times, the concept of political economy has shifted from politics to power and the meaning of political economy is now expressed as the power relation with respect to distribution problem (Ghosh, 1990). Modern thinkers realized a link between politics and economy in which some of them argued that in the real world, economics has always been a political economy (Lewis, 1999). The modern definitions of the political economy gradually differ from the classical view in which Adam Smith defines political economy as the actual working of the economy (positive aspect) and also the way the economy should work (normative aspect). But in modern concept politics and economy is regarded as an inseparable subject determining each other in all developmental issues.

Thereby, there is a close link between politics, economics, social norms and administration, public finance and public distribution. In the simplest way, Public finance implies all the revenue receipts of the Government and its expenditures. Some argued that public finance is the sociology of fiscal politics that traced the development of the financial economy through the lens of sociology (McLure, 2016). Accordingly, the economic growth of a country means that political actors or statesman shared the same principles and ideologies that enable them to determine the growth of human development in society. There was, therefore, a felt need for a comprehensive link between political science and economics to realize the features and activities of a country's growth and development. This research unravels the detailed processes involved in the entire gamut of budget preparation and its linkages with the politics of a state.

What makes it so public? The receipt and expenditure of the government make it a public matter. For instance, under Article 202(1) of the Constitution of India, statement of estimated receipts and expenditures of the State has to be laid before the Legislature in respect of every financial year (The Constitution of India, 2007: 99). This Statement is the main budget document and covers all the transactions of the State Government during the previous year and current year. The Annual Financial Statement is prepared in Major Head of Account-wise as prescribed by the Government of India (Explanatory Memorandum on the Budget 2010-2011: 1).

In other words, Public Finance includes two activities of the government, such as revenue receipt through different means, namely taxation, borrowings internally and externally; and spending through services. So, the simple expression of Public Finance includes public revenue, public expenditure and public debt. Hugh Dalton in his book *Principles of Public Finance* defines it as –

> Public finance "concerned with the income and expenditure of public authorities and with the adjustment of one to the other" (Manikar & Sarma, 2001).

This *adjustment of one to the other* is the sacred role or duty of government. The ways of 'adjustment' may be defined in terms of raising tax or expenditure; or in terms of 'adjusting' different services. An adjustment may also include increasing or decreasing services, downsizing or rightsizing administration, and emphasizing a particular sectors or services, and utilizing a particular schemes or programmes of government. However, the task of adjustment lies within the grasp of the statesman/politician again because they are the ones who make certain policies and laws, and without these policies and laws there can be no adjustment in the functions of government.

The ways of 'adjustment' in public finance gradually change and evolving due to the process of globalization. Now, scholars of different discipline do concern about the 'new public finance' which tend to express its influence beyond particular areas. The concept of new public finance in globalize world not only concern about receipt and expenditure of government, but also government policies in cooperating and competing with private actors. It accepts the interaction of markets and states and having private and public actors cooperating as well as competing (Kaul & Conceicao, 2006). Since the main objective of this research revolves around conception of public finance, it will not further locate the principles and applicability of 'new public finance'.

Anyhow, it is the task of government to find new sources of income (whether in old or new public finance) to formulate plans and policies, to initiate necessary steps for implementation of such plans and policies, to formulate rules and regulation for controlling public expenditure. Therefore, careful study of public financial system and its expenditure is vital for economic development and political stability. A classical liberal economist Jean-Baptiste Say (1767-1832) argued that –

> "the very best of all plans of finance is to spend little and the best of all taxes is that which is least in amount" (Singh, 1983).

The above argument is regarded as one of the most acceptable statements for financial system amongst modern economists. This statement may also be applicable not only in public finance but also in private sector financial system. Therefore, in order to make the best plans for spending little, increase income, and decrease taxes, one must take a closure look at the political system.

Now, it may be difficult to claim that whether or not modern nation-states agreed and followed J.B. Say's argument. But almost every democratic countries in the world have tried to advance their economy either by increasing income or spending little to accomplish the requirement of majority population in a given political system.

For instance, India after its independence has been pursuing its economic development either by taxation, or trade with other nations, or foreign aid through alliances or by manufacturing essential commodities. The income and expenditure of India have been carefully planned through Five Years Plan since the 1950s. However, there are certain interactions from within the social setting of the country which Ricardo termed it as classes who concur in the formation of political economy (Howard & King, 1975). Accordingly, taxation could not be implemented throughout the length and breadth of the nation as there are certain weaker sections of the society who cannot afford to pay a certain amount of taxes. As such, the concept of political inclusion, affirmative actions and positive discrimination or reverse discrimination has been carried out in India since India became a sovereign country in 1947.

Mizoram Political Economy

Like other countries which adopted certain fiscal plans for their economic development, India has been adopting the policy of Five Year Plans since the 1950s. Twelve Five Years Plans have been implemented up till now. These five-year plans are fundamental for the country's economic and fiscal development because socio-economic developmental strategies of different states are prepared from it. Moreover, states have their own strategies because norms are incorporated in the State List of the Seventh Schedule to the Constitution of India.

Among the 28 states of the Indian Union, Mizoram has its own separate budget since 1972 with the commencement of first Mizoram Legislative Assembly. Prior to 1972, Mizoram enjoyed the status of District Council as incorporated in the provision of the Sixth Schedule to the Constitution of India and it was under the administrative jurisdiction of the Government of Assam. During that period, a small amount of fund was spent for the development of Mizo District Council in which ₹ 63.02 Lakh was allotted from the First Five Year Plan (1951-1956). But during the Second and Third Five Year Plan, the outlays for Mizo District Council was raised up to ₹ 210.83 Lakh and ₹ 411.42 Lakh respectively (Department of Planning&Programme Implementation, 2016).

As already stated above, Mizoram attained the status of Union Territory (U.T) in 1972 which enabled the Union Territory (U.T) Government to formulate a separate budget of its own. The enhanced outlay for the first annual financial statement (1972-1973) for Mizoram was ₹ 437 Lakh and it raised up to ₹ 600 Lakh during the next year (1973-1974) (Department of Planning&Programme Implementation, 2016). All these financial development increased year by year and it increased further to ₹ 364.50 Crore after Mizoram attained statehood in 1986. Mizoram follow the pattern on Indian financial system.

In India, the Annual Financial Statement is sometimes simply known as 'budget' that contains information, plan, policy and program of sources of income and expenditure (Vanlalchhawna, 2001). There are different types of Fund that the Government maintain to uphold namely,

1. **Consolidated Fund:** All revenue receipts of the Government including direct and indirect taxes, money borrowed and receipts from loans given by the Government constitute the Consolidated Fund as incorporated in Article 266(1) of the Constitution of India (The Constitution of India, 2007). Almost all Government expenditure is made from this fund but no money from the Consolidated Fund can be withdrawn without the prior approval of the Parliament/State Legislative Assembly. The Consolidated Fund consists of two main Accounts, namely (1) Revenue Account, and (2) Capital Account. Both these Accounts are further divided into two parts, viz. (a) Receipts and (b) Expenditure/Disbursements.

2. **Contingency Fund:** This fund is sometimes known as Emergency Fund because it is an imprest account to meet some urgent or unforeseen expenditure

of the Government and it is enshrined in Article 267 (1) of the Constitution of India (The Constitution of India, 2007). It is created for making advances for urgent and unforeseen expenditure which are retrieved to the fund by debit to the Consolidated Fund, after obtaining Supplementary grants for such expenditure. Like the Consolidated Fund, it needs the approval of the Parliament/State Legislature and it is at the disposal of the President/Governor of the State.

3. **Public Account:** Unlike the other two forms of the fund, Public Account is the account of the people or customer and it is incorporated in Article 266 (2) of the Constitution of India (The Constitution of India, 2007). All public accounts of money received by or on behalf of the State Government which cannot be booked in the Consolidated Fund are credited to the Public Account of the State. In fact, the Government is not the owner of the fund but it is the mere holder or banker to that account. Sometimes, this fund is paid back to the rightful owner of the account in which the Government acts as the investor and actor of the transaction from this account. Provident Funds, Reserve Funds, Deposit & Advances, Suspense and Miscellaneous, and Remittances constitute this account. For payments out of the Public Account, no demand is required to be presented to the Legislature and the requirements are made from time to time as they arise. These demands are in the nature of banking transactions. However, approval of the Legislature is necessary for any appropriation from the Revenue to create a fund and similar approval is required for incurring subsequent expenditure from such funds. It means, approval of the Legislature is required when the need arises to transfer Public Account fund to revenue of the state government in the form of Consolidated Fund of Mizoram. When amounts are transferred to any such fund, it is shown as expenditure out of the Consolidated Fund in the estimates of the year in which it is incurred (Explanatory Memorandum on the Budget 2017-2018, 2017). On the other hand, necessary amounts are transferred from these funds to the Consolidated Fund for meeting expenditure for the purpose for which the Fund was created.

The amount of annual budget increases year by year, and the public expenditure estimates also increase to meet the expectation of the people. The Annual Financial Statement (AFS) is categorized into the above three major heads, namely, Consolidated Fund, Contingency Fund and Public Accounts. Furthermore, the Consolidated Fund is broadly divided into two category – Revenue Account and Capital Account. Some academicians and economist often used to classify it as Revenue Estimate and Capital Estimate because Revenue Account is further comprised of an estimated Receipts and Disbursement, likewise, Capital Account comprises of an estimated Receipts and Disbursement. Since the Consolidated Fund is the most important part of public finance, a special focus is given in this research which consists of Revenue and Capital Account. The other two types of Fund – Contingency Fund and Public Account will not be examined in details, but only discussed when and if it is deemed necessary.

The Revenue Account/Estimate comprises of Tax and Non-Tax revenue in which the tax revenue constitutes State's own tax revenue and Central own tax revenue shared between Central and the State. Grants – in – aid from the Central Government is also included in the Revenue Estimate. On the other hands, the Capital Estimate comprises of Internal Debt of the State Government, Loans & Advances from the Central Government, Recoveries of Loans & Advances. To realize the increase of budget, the year-wise Annual Financial Statement of Mizoram Government between 2013 to 2017 are given below as an example –

1. 2013 – 2014: 5452.44 Crore
2. 2014 – 2015: 6396.58 Crore
3. 2015 – 2016: 7605.34 Crore
4. 2016 – 2017: 8065.93 Crore

Research Problem

According to the 1996 United Nations Human Development Report, the total wealth of the world's 358 billionaires is equal to the combined incomes of the poorest 45 per cent of the world's population (Hobden & Jones, 2001: 203). This inequality in a global stage has been, as Marxist theorists put it as the results of the capitalist accumulation of wealth. Inequality of wealth leads to inequality of services which is being rendered by the society that creates an intensification of poverty. Similar problems have been happening not only in Europe after the end of the war, but also in Asia and several parts of the world. The triumph of Liberalism after the war and the succession of the capitalist mode of production throughout the world have proven the model of Marxism as a less relevant doctrine. However, inequality in several parts of human life cannot be neglected and the emancipation of the downtrodden cannot be ignored by any political system.

The same problem of inequality of wealth is also happening in Mizoram. The major problem of the Mizoram Economy is that roughly around 66 per cent of the state population has based their economy on agriculture, 5 per cent on small-scale industry and the rest 29 per cent on Government services. This data changes over time, however agriculture surely provides livelihood to around 60 per cent of the total population in the State (Government of Mizoram, 2016: 9). In fact, Agricultural labourers who happen to be the majority of the population are socially and economically the poorest section of the society. Further, various researches indicated that agricultural workers are basically unskilled; they may not also be skilled even in the art of profitable cultivation (Government of Mizoram, 2016: 9). Since majority of the population are mostly unskilled, depend upon agriculture, and since no immediate actions have been taken up to rectify this unbalanced growth, the share of Gross State Domestic Product (GSDP) could not be improved as anticipated. Details analysis of this unbalanced growth is made in chapter 3 on sources of income of the state government.

The overall state domestic product is very low compare to other states in India in which 40 per cent are the product of agriculture, 15 per cent is generated from small-scale industries while the rest, majority 45 per cent is based on Government services (Vanlalchhawna, 2003). Due to this low level of income by majority of the population, a large amount of fund is always used for implementation of agricultural items, but still today the domestic product of agriculture hardly increases. In order to solve this phenomenon, an in-depth study is required to raise the state domestic product starting from shifting cultivation of the majority population.

Mizoram has been going through certain political problems, not only in the 1940s when the issue of merging with the then Burma or Indian became one of the most popular political upheavals in the history of Mizoram. But also such problems as insurgencies in the 1960s propagated by the Mizo National Front (MNF), and in the 1990s and 2000s by the Hmar movement and the Bru movement. The development of the political economy was severely overwhelmed by these political upheaval within the state.

Since leaders of Mizoram in the 1940s decided to merge with the Indian union, all plans, schemes, policies and programmes of the Union Government automatically applies to Mizoram. As such, the Centrally Sponsored Scheme (CSS) or any other scheme of the Central Government were believed to direct the state towards the path of political economy development. Moreover, a special department/agency for the North Eastern states known as Development of North Eastern Region (DoNER) was set up in 2001. Before the formation of DoNER, North Eastern Council (NEC) was established as a statutory body in 1971 during the time of Indira Gandhi. DoNER was later converted into a Ministry in 2004 by the Central Government. Since then, major infrastructure development has been build up in the North Eastern states through DoNER. The socio-economic development of the region has been largely determined by the DoNER in the whole region. However, in Mizoram, the impact of DoNER in social life of the people is too little that it is almost nowhere to be found. But through DoNER there are few changes in the state’s economy. The slow implementation of works which is likely to have a positive impact on the state economy has been a problem, not only amongst the people but also amongst the politicians.

Another problem of this study from the political perspective is that the annual budgeting pattern does not meet the requirement of the State. In fact, the state Legislative Assembly does not make plans based on statistical facts, but on consideration. Thereby, plans regarding finances hardly solve the state economic and fiscal problems as expected by academicians, journalists and researchers. The role of the state in budgeting is needed to be studied thoroughly in order to identify the actual hindrances of economic development. Issues may start from the plan itself or it may be initiated from the implementation of the plans but it may also begin from the insufficient allocation of funds or excessive allocation of funds to different departments.

Being a Special Category State, Mizoram at present enjoys a funding pattern in a blend of 90:10 in Plan Grants from the Central Government. This means that when it comes to Central Plan scheme, for instances, SSA or RMSA or RUSA, 90 per cent of the budget cost of the scheme is to be provided by the Central government whereas the rest 10 per cent is to be provided by the State Government. As the State has a resource-crunch, sometimes, it finds it difficult to meet even 10 per cent of the total cost due to which the whole 90 per cent of Central Grants could not be availed. It is one of the fiscal hiccups of State Government in the management of its finance. Therefore, 90 per cent of the budget cost of certain Plan grants were often lapsed due to the incapability of providing a 10 per cent share for the said scheme. This problem has been a common issue for the State Government in which restructuring of the state's finance through political economy development is mandatory. Moreover, several CSS has been facing difficulties in building socio-economic development of the state. The MGNREGS, for example, which is mandate to give 100 days work in every financial year to each rural household could not create substantial development. The problems behind this scheme are apparently its poor supervision and its permissible works.

The next problem is that the expenditure system of different departments is excessively raising. Meanwhile, the state generated fund or state income hardly increases to meet the people's expectation. The Department of Planning & Programme Implementation (Research and Development Branch) analyses the work of every department, gives an assessment, evaluates and audits financial expenditure by their report known as *Budget Performance*. But the plans formulated by the Government is not going well. As such, the performance budget is only about a historical analysis of the department and it only deals with a comparative study between the annual financial statement and department expenditure. It never comes up with any plans which would solve the department's burden as it supposed to be.

The incompatibility of income and expenditure could not be overlooked if one wishes to prepare healthy public finance. Too much fiscal deficit in Mizoram has been an ongoing issue for both the MNF and the Congress ministry. There has been an attempt to eliminate the fiscal deficit and turned it into a fiscal surplus; however, only revenue expenditure has been successfully converted into a revenue surplus. The overall Gross Fiscal Deficit could not be removed once and for all. Accordingly, the actions and measures taken up by the state government or a particular political parties, are vital for the development of public finance which will lead the state to the development of a political economy. But till today, no critical and essential measures against fiscal deficit has been taken up by any political parties. The serious challenge to the political parties, to the ruling ministry, and to the State remains to balance the receipts and expenditure.

In times of this turbulence and whirlpool, the role of the statesman/politicians were often neglected by the people. The role of the political actors, including the civil society groups in perpetuating the state's political economy is not to be kept at bay. On the contrary, the role of the politicians and all political actors within the state must be investigated to chalk out all available means for the development of the political economy. Therefore, these questions are important to ask amongst academicians - Which party/parties contribute best practicable ways for economic development? What kind of politician provides a feasible means for economic development without jeopardizing the state's interest? Which ministry or government took actions to minimize expenditure but maximize income? These levels of analysis are mandatory for improving the state's political economy. These questions are vital not only for economic development but also for political stability because parties often formulate policies in order to win elections rather than win elections in order to formulate policies.

Review of Literature

Following are the reviewed literature. Name of the books or titles of the reviewed article is italicized so that it may be easily identified and; name of the publisher, place of publication with publication year comes next. All the reviewed literature are organized in chronological order of the publication year.

The following reviewed of literature are collected both from English and Mizo by different authors; and in order to easily identify them on the basis of its nature, English books and articles, and non-local authors are put first in chronological order followed by Mizo books and articles, and local authors with the same order of preferences. Some limitations of these reviewed will be discussed at the end of this section.

Since the topic of this research possesses two main concepts, namely, political economy and public finance, the review of literature also consists of both political economies related literature as well as public finance-related literature. However, the name or title of the reviewed literature does not necessarily resemble the above mentioned two concepts. But, in one way or the other that the reviewed literature is linked with these two concepts.

The modern concept of political economy can be seen in *Political Economy* written by Oskar Lange first published by PNW-Polish Scientific Publishers. Since the book is written in polish in 1963, the translation version was published by Pergamon Press Ltd in 1974. From the very beginning of the book, the author gave the definition of political economy in which it is the study of social laws governing the production and distribution of the material means of satisfying human needs. This work traced the development of human needs and connected them with the social laws in which materialistic interpretation of history and the economic laws were the main concern of the study.

Another book with a foreign author on political economy is *A Short Course of Political Economy* written by L. Leontyev in Russian. It was published by Progress Publishers in Moscow, USSR in 1968 which was translated by Don Danemanis. Like another work on political economy, the author firstly tried to define the meaning and concept of political economy in which it is the science of laws governing the production and exchange of the material means of subsistence in human society at the various stages of its development. In other words, political economy studies the social structures of production.

A Japanese economist Takashi Negishi's work on *Dynamics of the Public Expenditure in a Two-Party System* is an interesting article based on the theory of Anthony Downs' *An Economic Theory of Democracy*. It was published on *Zeitschriftfür Nationalö konomie* or Journal of Economics in 1971 that analyzed the relationship between voting, budget policies and public expenditure. Unlike his/her sources of criticism, the author argued that in a two-party system (of course there is a multi-party system but at least most of the democratic countries enjoy ruling and opposition system) parties (ruling or opposition) try to win the majority so as to carry out its policy**.** However, most of the thinkers, researchers, as well as Downs himself, believed that parties formulate policies in order to win elections rather than win elections in order to formulate policies.

Public Expenditure and Income Distribution in India written by Mohammad Zahir in 1972 is an outstanding book containing information on income and wealth distribution. It was published in New Delhi by Associated Publishing House. The book studies the pattern of public expenditure in different countries and compares with India. The author intended to link the distributive system and public expenditure in a proper manner so that he gives a different wealth distributive system of several countries. The book also deals with a brief critical analysis of different states in India with their public expenditure and pattern of the income distribution.

A unique work on public finance of India can be seen from the writing of P.K. Bhargava *Essays on Indian Public Finances* published in 1978 by Chugh Publications, Allahabad. This work is a product of pure research done by the author that contains trends in the relation between Union and State in financial status, especially on the distribution of taxes. Further, the author deals with the process of Sales Tax in India and how it generates national income as well as state income. The impact of Sales Tax in States' economy is also explored in this book. In his critique on the fiscal system, the author claims that in the process of providing more assistance (as in funds) from the Centre to States we have created what Thomas Hobbes calls it as a *Leviathan* Centre with responsibility for providing finance but no responsibility for executing projects. The author also criticizes the unstable tax rate at the Centre as well as at the State level believing that it causes undesirable fluctuations in levels of income and unemployment.

To explore more about the Government expenditure system *Public Expenditure and Economic Development in India (1947-48 to 1979-80)* written by Dr Baidyanath Prasad Singh is an interesting book. It was published in 1983 by Capital Publishing House, Delhi that contains the nature, doctrine and theory of Public expenditure starting from some classical theorists. It further analyzes trends on development and non-development expenditure, growth and pattern in the Capital expenditure.

State Autonomy in Indian Federation: Emerging Trends written by Dr. Chandra Pal is a unique work on the research area. It was published in 1984 by Deep & Deep Publications, New Delhi that informs the readers about a detailed introduction about the nature of Indian Federalism, National power and State autonomy, relation and tension between Centre-State through the Governor. What makes this work unique is that it contains concepts on fiscal autonomy of both the Central Government and the State Government in which it not only deals with the financial or tax relation between the Central and State, but in fact, it also deals with the relation of the rich and poor state in terms of economy, fiscal policy and grants.

Political Economy Written by B.N. Ghosh is a collection of classical political economy thinkers. It was published in 1990 in Delhi by Macmillan India Limited. The introduction of the book began from the different definitions of political economy in which Adam Smith definition on political economy is described as the actual working of the economy (positive aspect) and also the way the economy should work (normative aspect). Later, the author also mentioned about the definitions given by Marx, Engels, Lenin and Ricardo. The introduction on the work of Adam Smith, Karl Marx, Ricardo, Malthus, J.B. Say and J.S. Mill are included in this book. Furthermore, this book deals with the Neo-classical economics theory with comparison of the classical theorists in political economy.

To know more about public finances and expenditure, one must read a divergent *Public Finance in Theory and Practice* written by Alan J. Auerbach. This article was published in National Tax Journal Vol. 46, No. 4 on December, 1993. The author of this article tries to illustrate the challenges facing economists involved in the tax policy process or simply in the budget policy. One of the interesting subtitles of this article is the 'Uncertainty' that reveals no matter how and why policymakers and legislators realized the limited information or data on budget and revenue estimates, yet, there is still some statistical uncertainty. Statistical uncertainty implies that if the legislators have information about the error on the past budget estimate and if legislators came out with a new estimate, it is still unclear how to generate and raise a new estimate on a particular policy.

Another distinctive article, written by Neera Chandhoke on the subject of political economy is *Marxian Political Economy as Method: How Political Is Political Economy.* The article was published in 1994 by Economic and Political Weekly Vol. 29, No. 5 (Jan. 29, 1994) and is retrievable from www.jstor.org/stable/4400722. Unlike other writers, the author of this article believed that political economy is not merely a perspective but it is a concept and a method as well. In fact, the author argued that political economy is an approach to the understanding of social phenomena such as the economy of the state, the relation between politics and economics.

The political economy of India is traced by John P. Lewis in his work *India's Political Economy: Governance and Reform* published in 1995 by Oxford University Press, New Delhi. In the first argument of his work, the author claimed that in the real world economy has always been 'political economy'. The book began from the historical analysis of the Indian Government since Independence with issues and challenges faced by the Government. The author's main objective was to find out how the reform movement in India contributed to the growth of economic development. So, reforms in the sixties in Agriculture, as well as land reform, are a major concern of this work.

Public Expenditure Decision Making: The Indian Experience written by Anuradha Basu published by Sage Publications, New Delhi in 1995 is an interesting work on public finance and its expenditure. Although the author's main concern is the Central Government in which there is much relevant information incorporated in this book, regarding the State Government financial system and expenditure. The author classified three basic expenditure – Government administrative department expenditure, Departmental commercial undertakings expenditure and, Non-departmental commercial undertakings expenditure. It contains a brief account on the growth and development of public expenditure in Central Government from the First Five Year Plan, 1950 till the Eight Five Year Plan in the 1990s. The book further mentions the influence of the public expenditure in the decision-making process, rationality in decision making, and the role of interest groups in decision outcomes with special reference to public expenditure.

A distinguished article on the public expenditure can be seen in *Management of Public Expenditure: A performance Orientation* written by Anjali A. Srivastava. It was published in R.K. Gupta and P.K. Saini work on *Financial Administration in India: Changing Contours and emerging Challenges* that contains collected articles written by different economists. This work was published by Deep & Deep Publications Pvt. Ltd., New Delhi in 2008. The article begins from a critical report of Comptroller and Auditor General of India during the Ninth Five Year Plan. Following the above report, the author argued that the present budgetary system allocated funds (plan and non-plan) without correlation to expected results. It further states that the governance systems lay emphasis on the observance of archaic rules and procedures and not on the delivery of services. In fact, the present system of Plan economy appears to be of no concern with actual output or performance. The author suggests that a careful understanding of the formal and informal systems and rules of the organization where the performance measurement systems are to be applied and an assessment of the capabilities of the organization should precede the introduction of performance budgeting systems. Lastly, it concludes that the General Financial Rules of the Central Government need to revise and the revised systems or programmes in the future must focus on the attainment of objectives (State and Central) and not on expenditure of funds only.

Another important work on the research area is written by H.L. Bhatia *Public Finance* published by Vikas Publishing House Pvt. Ltd. in 2008. The author defines the meaning and scope of public finance which is related to the financing of state activities, and can be narrowly defined as a subject which discusses financial operations of the public treasury. Later, the author also defines public expenditure as the expenses which a government incurs for – i) its own maintenance, (ii) the society and the economy, and (iii) helping other countries. But in the case of the State Government expenditure, the third definition may not be appropriate for defining public expenditure.

The above paragraphs are English books and articles. Since the topic of this research concerns with Mizoram political economy and public finance, English version or account is very limited in which they did not deal with the actual research problems of the study, i.e. Mizoram political economy and public finance. In that case, the topic related account mainly written by Mizo/local authors in Mizo language and published by local publishers are needed to review. The following paragraphs will discuss those account and review them accordingly in chronological order of the publication year.

Economic Development of Mizoram written by Lianzela is one of the foremost written accounts on the state economy. It was published in 1994 by Spectrum Publication, Guwahati that was written on the basis of the author's doctoral thesis and as claimed by the author that this work may be the first book on Mizoram ever written purely from an economic perspective. The author studied the economic development of Mizoram since the District Council era with special reference to the Plan and Objectives, their priority in the development of both the Central Government and State

Government respectively. As this work is based on a doctoral thesis, special emphases were given from the Fifth Five Year Plan to Seventh Five Year Plan. It also analyzes major resources of the State income with their expenditure, achievements and development during the prescribe Plan.

Four Decades of Planning in Mizoram written by Lianzela is also one of the most influential introductory parts of economic planning in Mizoram. It was published in 1995 by Khuangkungi, Aizawl that contains some experiences and recommendations of planning in Mizoram. This work is mainly based on secondary sources that reveal the achievement of Mizoram under the Plan Economy, especially during the Seventh Plan. In dealing with the State expenditure, the author made critical analysis on the expenditure with the amount from the First Plan till the Eight Plan. Further, the author investigated the objectives and legal achievements of the State Government in terms of different department viz. Agriculture, Horticulture, Soil & Water Conservation, Irrigation, Power, Transport and Communication, Social Services, Tourism and Sericulture etc.

A book written by Vanlalchhawna *Mizoram Sawrkar Sum Kalhmang (Finances of the Government of Mizoram)* is an interesting work that introduces brief criteria of the financial system maintained by the Government of Mizoram. It was published by Zamzo Publishing House, Chanmari, Aizawl in 2001. The author mentions financial relationship between the Central Government and the State Government, especially Mizoram Government in which special attention is given on the State List, Union List and Concurrent List. The financial status of the State Government and the Central Government is also mentioned in this book. Later, the author draws attention towards a brief introduction on the history of Mizoram financial status and condition. Further, it also mentions about the main sources of the state revenue and main sources of expenditure. However, the author does not talk about the criteria or proceeding of Department wise expenditure and a clear definition of the different sources of State income.

Another work by Vanlalchhawna on *Zofate Economy: Hmasawnna Ṭobul leh Hmalam Thlirna* published in 2003 by Zamzo Publishing House, Venghlui, Aizawl is one of the foremost books about the structure, functions and objectives of Mizoram State Planning Board. It contains relevant information regarding the history of Mizoram economy, economic development among the North East States, a brief account of development journalism. One of the related topics with this study area is that this book contains a critical review on Plan and Non-Plan system in Mizoram, criteria and sources of Plan Fund from the Central Government and State's own resources with its system of expenditure. Further, the author clarifies the plan and non-plan expenditure in which the plan expenditure deals with expenditure of the Government for a term of five years, whereas the non-plan expenditure indicates such kinds of expenditure that the Government used to continue the implementation of plan after the completion of five years term.

Lalsawta's article *Kan Ram tana Economic Policy ṭha ber tur* in an edited book prepared by H.T.C. Lalrinchhana *Zoram Nghahfak* is another important work on economic policy that viewed from the Mizoram perspective. It was published in 2004 by the Mizoram Public Administration Association (MIPAA). The author of this article compares the doctrine of socialism, communism and capitalism in which it is realized here that privatization seems to be the best-suited ideology for Mizoram. Further, the author also deals with some issues relating to privatization in which the State Government tried to privatize some of its agency but there were hindrances, obstacles from the people. These problems are only raised by a few selfish groups of people who never realize the meaning and ways of socialism or privatization. The author of this article served as Finance Minister of the Government of Mizoram in the Seventh Legislative Assembly.

Another article written by Vanlalchhawna *Mizoram Budget: Miretheite dawm kan na nge leiba siamna?* in H.T.C. Lalrinchhana *Zoram Nghahfak* published at Aizawl in 2004 by Mizoram Public Administration Association (MIPAA) is an interesting work on Mizoram public finance. In this article, the author identifies two important concept – development expenditure and non-development expenditure. The former represents Government expenditure, especially by different departments on social services, whereas the latter is identified as Department expenditure on general services. Later, the author also mentions two sources of Government income, namely, revenue receipt and capital receipt. In his concluding remark, the author claims that Mizoram Revenue Receipt is too meagre in which it could not meet the desire of the State day-to-day economic management.

The connection of public finance and corruption has been defined by Dr J.V. Nunchunga in his article *Hlemhletna (Corruption) leh Mizoram Economic Development* published in an edited book co-authored by Rev. Vanlalchhawna Khiangte, Rev. R. Zolawma & Rev. V.L. Hruaia Khiangte *Hlemhletna (Corruption) leh Mizo Kristiante.* The book was published by the Research & Development Programme, Academy of Integrated Christian Studies (AICS), Tanhril in 2011. The author of this article clarifies the meaning, forms and strategies of corruption in Mizoram as well as means and ways of the relationship between corruption and the fund from the Central Government. As far as the author claimed in this article, it seems that misuse of funds from the Central Government is one of the major hindrances of Mizoram Economic development.

State's Own Revenue: A Case Study of Mizoram by J.H. Biakdiktluanga is another interesting work on the revenue system of the Government of Mizoram. This work is an M.Phil dissertation submitted to the Department of Economics, Mizoram University in 2014. This study only deals with a period of 2001 – 2012 in which a comparison between the State's own revenue (tax) and State's own revenue (non-tax) is its main objective. The author classifies the state revenue that it consists of two types – Tax revenue and Non-Tax revenue. The former comprises of Taxes on Income & Expenditure, Taxes on Property & Capital Transaction, and Taxes on Commodities and Services. The Non-Tax revenue consists of General Services, Social Services and Economic Services. The major findings of this dissertation are that there has been a significant relationship between State's own tax revenue and Gross State Domestic Product; Value Added Tax (VAT) is the highest contributor of State's own tax revenue as well as the total own revenue of the State.

The above paragraphs are the reviewed literature which ranges from the meaning and doctrine of political economy, public finances as well as problems and prospects faced by Mizoram. All this review is limited from the viewpoint of this study that they do not trace the actual research problems of this study. In other words, literature regarding the research problems of the study is very limited either in print, or electronic sources, or in any form of published and unpublished works.

Therefore, it is vital for the researcher to investigate further for in-depth study based on field visit, analytical and quantitative method. It may also be necessary to look for new sources of secondary data, especially unpublished work which will prove and unprove the basic research questions and hypotheses of the study. In other words, the limitations of reviewed literature are likely to open a new way of thinking for a systematic analysis of this study.

Objectives of the study

1. To study the political economy of Mizoram with its relation to the historical development of the state.
2. To examine the sources of income of the state of Mizoram.
3. To analyze the role of DoNER in the socio-economic development of Mizoram.
4. To examine the process and effectiveness of Public Finance in Mizoram.
5. To study the role of political actors in the economy of the State.

Research Questions

1. Does the theory of political economy contribute to the development of the state of Mizoram?
2. What are the main sources of state income?
3. What are the roles of DoNER in the socio-economic development of Mizoram?

4. To what extent does Public Finance in Mizoram contribute to state development?
5. What are the relations between political actors and economic growth of Mizoram?

Methodology

Since the aim of almost every research in Social Sciences is to find out truth which is not yet revealed, the present study intents on finding truths about the study area. The nature of this study is Qualitative, Descriptive and Analytical. Quantitative technique is also used in some parts of the study for an in-depth analysis of the study. Since this research studies government policies and act using qualitative technique, it can be classified as qualitative research.

Classification of Data

This research is based on two types of data. These data are classified into Primary and Secondary in which the former consists of an interview and observations; whereas the latter consists of written records like published and unpublished books, articles, journals, RTI data, Assembly Proceedings, Government records, Statistical data published by the State Government, Government Archive, Gazette notifications, newspaper, magazines, television, pamphlets, relevant social networking sites and other media-related sources.

Sampling Procedure/Technique

In selecting the sample, Purposive and Judgement Sampling technique were used to draw the necessary sample. Accordingly, samples were selected from political leaders/politicians who acquired deep knowledge about public finance of Mizoram. Samples were also drawn using purposive sampling technique from academicians and distinctive persons who have experienced in the study area. Again, samples were also selected form government servants, especially amongst Secretary and Director of the different departments that linked with the study topic.

Technique and Tools of Data Collection

Interview method of data collection was used in which the raw data were analyzed and interpreted. When deemed necessary, the observation technique was also employed to evaluate expenditure of the State generate budget in which a *structured observation* method was used. The interview technique is more of a structured rather than an unstructured interview in which various samples have differently structured schedules based on their job or social quality.

Observation

The paragraphs on the present rural economic profile of Mizoram in the next Chapter is based on the researcher's observation in which the researcher conducted a field visit throughout the length and breadth of Mizoram in 2017 – 2020. During the field work, 10 villages in each RD Block of Mizoram which comprises of 231 villages were visited and prominent leaders of villages and leaders of civil society groups were interviewed. In total, 35 people from the visited 231 villages of Mizoram were interviewed from all walks of life. However, due to transportation issues, Chawngte RD Block was not visited during the field work. As already mentioned above, the purpose of observation is – i) to evaluate expenditure of the State generate budget throughout Mizoram, and ii) to assess present condition of the rural economy in Mizoram.

Importance of the Study

Government formulates policies and implements the same policies. No Government implement laws or policies framed by an alien institutions because social issues of one Government is not realized by other Governments. However, if the Government itself fails to rectify the errors in plans and policies, it must be reframed or restructured, as Rawls put it as –

> "A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust" (Rawls, 1971).

Accordingly, economic policies and fiscal plans are the evolving theory that is expected to solve the state's burden on developmental issues. But in many types of Government, especially in a democratic country like India, Public Budget system sometimes does not meet the requirement of the people. Thereby, it is necessary to critically analyze from every corner and every perspective to detect the errors for the best-suited system for the people. In fact, the study of public finance is a means to avoid all the unnecessary tools of the Government in the future and to reorganize a compatible budget for society.

Scope of the Study

The scope of this study ranges from the formation of policy and programmes by the State Government till the implementation of such programmes. However, it is also necessary to include the study of Centrally Sponsored Scheme (CSS) because most of the funds that the State Government executes for socio-economic development are generated from it. In other words, this study analyzes role of the State Government in formation of policies and programmes. It also analyzes the implementation and execution of finances which are generated inside and outside the State.

The study mainly deals with the Sixth and Seventh Mizoram State Legislative Assemblies (a period of 2008 – 2018) because it is the targeted period. No other period was studied unless it deems important to determine the present study area. The Government policy, plan, programme, budgeting and pattern of the public expenditure, sources of revenue, and rules and regulations for the implementation of such policies during the said period were included in the study.

The main intention of this research is that the readers, particularly politicians and academician may find a small gist of major political economy hindrances of Mizoram and its solution to those issues. Accordingly, some introduction to political economy is added here in the following chapters, such as some grounded theory on political economy; the process of public finance including budgetary system – both at the Central and State level. A critical analysis of administrative setting; and plans and programmes carried out both by the Central and State including CSS were also added.

Based on all these introductory parts, the scope of this research has been arbitrarily extended from political economy to the political development of Mizoram in line with the economic development of the state.

Through this research, one may find a link between political economy and public finance which is hardly discussed together by academicians as well as some other writers including a group of journalists. A dissection of each other in a separate form has been a common issue not only in Mizoram but also in some other parts of India. Accordingly, this research attempts to link them together, discusses them together, and compromises them together so that a better view at the state's economy may be chalked out in the future.

The question regarding the topic of this research has been a critical issue among researchers and academicians in which people have claimed that the main intention of the study could easily be found from budget documents. Budget documents including a budget speech by the Finance Minister, Annual Financial Statement, Explanatory Memorandum, Supplementary Demand for Grants, Economic Survey, Fiscal Statement and Salary Statement etc. The researcher does not intend to argue against those who claim that the research area is already dealt with by the government in which there is no need to do further study on this topic. Moreover, the researcher does not wish to make a statement on the discipline of the study in which most people contended that the research area is too economic centric.

It is right, the State Government has been from time to time dealt with public finance to chalk out the most comprehensive, feasible and holistic approach. It is also right that the discipline is a part and parcel of economic. But still, there are ongoing issues regarding debt and fiscal deficit in Mizoram public finance. There are underlying link between economy and polity on the one hand, and there are also link between public finance and politics of the state on the other. This is the scope of this research.

How the politicians, statesman, political actors, legislators and civil society groups played roles for the economic development of the state? What kind of measures were taken by a particular ministry to handle burden on fiscal policy? These questions are nowhere to be found neither in any single budget documents nor in any single study under the discipline of economics.

Limitations of the Study

Since this research has been done for acquiring knowledge about a collision as well as a compromise between Politics and Economy in Mizoram, it does not dwell too much on some important topics which are relevant today, such as, unemployment issues, border issues, ethnic issues and electoral issues etc. These issues are in one way or the other intertwined with politics and economics. As such, this study may or may not find its relevancy in today's scenario of Mizoram political economy. However, its concentration on the theory of political economy and its application and its critical analysis to the public financial system during the Congress regime (Seventh Legislative Assembly) must be noted.

Chapterization

First Chapter : **Chapter 1 – Introduction**

This chapter is an introductory part of the study including the research problems, the importance of the study, the scope of the study, reviewed of related literature, research objectives, research questions, research methodology, and limitation of the study. First Chapter is concerning the theoretical foundation of political economy. It also contains the objectives, research questions and research problem of the study. Since it is an introductory part of the thesis, it deals with several issues relating to political economy.

Second Chapter : **Chapter 2 – Political Economy of Mizoram**

This chapter studies the effectiveness, applicability and relevancy of political economy in Mizoram. It gives a glimpse of brief information about the present economic condition of the state. It also traces the socio-economic growth of the state through the lens of political economy. This chapter also discusses major terminology in the discipline of political economy as well as in public finance. Chapter 2 discusses a brief observation of the present economic condition of Mizoram. Since the topic of this study contains several terminology which are not very popular in social sciences, there terms are explain in this chapter.

Third Chapter : Chapter 3 – Sources of State Income

This chapter deals with different sources of income of the Government of Mizoram during the Sixth and Seventh State Legislative Assemblies. It also contains the average amount with sources of State's own revenue or the State's own generated revenue. Chapter 3 concerns with the sources of income of the state government. This chapter traces several sources of the state government either in the form of tax revenue or non-tax revenue. This chapter also examines issues regarding taxation which are trace from the classical political thinkers on whether or not tax is to be paid.

Fourth Chapter : Chapter 4 – Role of DoNER in Socio-Economic Development

The fourth chapter deals with a brief history of Development of North Eastern Region (DoNER) with reference to the Non-Lapsable Central Pool of

Resources (NLCPR) and the utilization of project funds from DoNER, NLCPR. It mainly discusses the contribution of DoNER for the development of the state.

Fifth Chapter **:** **Chapter 5 – Public Finance in Mizoram**

This chapter mainly deals with the effectiveness of public finance in Mizoram. The utilization of grants from Central, Centrally Sponsored Scheme, receipts of state revenue is also included in this chapter.

Sixth Chapter **:** **Chapter 6 –Role of Government of Mizoram in Budgeting**

The relations between politicians and Mizoram economic growth is discussed in this chapter. This chapter analyzes the role of State Government in preparation of Annual Financial Statement, allocation of funds to various departments by the State Government and the criteria of expenditure pattern of different public enterprises. It ranges from the role of the Government in budgeting till the systems of its expenditure by its various agencies.

Seventh Chapter **:** **Chapter 7 – Conclusion**

The last chapter mentions the concluding remarks of all the chapters in which major findings of the study, summary and suggestions to the research problem is included.

Appendices

Bibliography

Conclusion

Planning happened to be the main objective of every socialist democratic country for progress of its political economy. Politicians and economists are mainly concerned with the increase of income and decrease of expenditure but the problem lies in framing a holistic approach. Politics and economics in the past were amalgamated in one discipline known as Political Economy. However, the approach of political economy by the classical thinkers and socialist thinkers was different. Classical thinkers, such as Adam Smith, David Ricardo, J.S. Mill, etc., advocated free competition but socialist thinkers like Karl Marx and Friedrich Engels advocated state intervention in the economy. India adopted Soviet pattern of economy after independence but socialist principle began to be discouraged with the adoption of economic liberalization since 1991. India implemented 12 Five Year Plan but Five Year Plan was discontinues after the Twelve Five Year Plan. Mizoram was a District Council since independence till 1971, Union Territory from 1972 to 1986 and State from 1987. The pattern and amount of fund, received by Mizoram is also different under political status. The different types of funds, Government of Mizoram has now are Consolidated Fund, Contingency Fund, and Public Accounts.

Mizoram also faces the problem which other states and political systems usually face, that is, inequality of wealth. Around 66 per cent of the population of Mizoram depend on agriculture, 5 per cent on small-scale industry, and 29 per cent on public and private services. However, the overall State domestic product is very low in Mizoram. The Centrally Sponsored Scheme and development activities of DoNER are expected to usher Mizoram in the path of economic development, yet, the impact of DoNER is still insignificant and the contribution of Centrally Sponsored Scheme is also not up to the expected level up till now. As Mizoram is still a Special Category State which share of 90 per cent of the budget from the Central Government but the state still faces problem even in meeting even 10 per cent share. The main problem of Mizoram political economy is lack of resources and it is also the dilemma of all the ruling parties. The study focuses upon political economy in Mizoram by specifying public finance on the Sixth and Seventh State Legislative Assembly election period.

The thesis is divided into seven chapters and it follows specific objectives, Research questions, methodology, and scope but it also has its own limitation.

Chapter 2

Political Economy of Mizoram

"The ore lying in the mine, the diamond escaping the eye of the searcher, the wheat lying unreaped, the fruit ungathered for want of consumers, have no utility at all"

W. Stanley Jevons, 1970.

Introduction

This chapter discusses the effectiveness, applicability and relevancy of political economy in Mizoram. It also traces the socio-economic growth of the state through the lens of political economy. The main theme, however, of this chapter is to study the political economy of Mizoram with its relation to historical development of the state. Therefore, it is necessary to trace the political development of Mizoram.

Moreover, this chapter deals with the background of political history and financial status of Mizoram. It contains questions such as, how the state economy has been upgraded, how the state budget has been improved, how the political transformation compromised with the state's political economy. It also discusses the significance of budget and some popular concept and nomenclature of the budget as well as documents such as Annual Financial Statements, Receipts Budgets, Economic Survey, and Performance Budget etc., with their relevancy and application to Mizoram Political Economy. Therefore, in order to understand political economy of the state, one must first understand development of political history of the State. Accordingly, it is imperative to briefly discuss the political development of Mizoram since District Council era.

Brief Profile of Mizoram

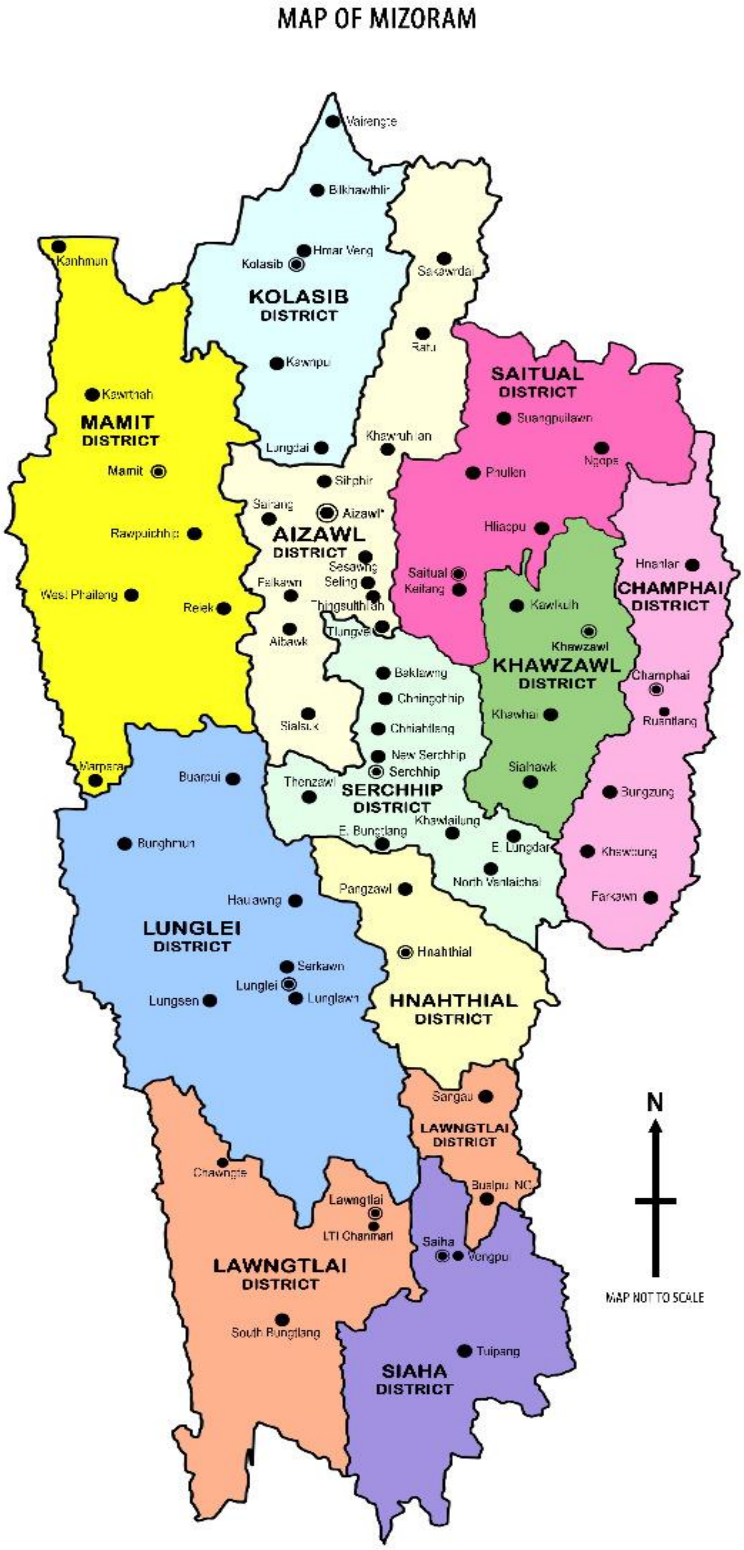
The State of Mizoram lies in the north-eastern part of India and is situated between 92^{o}.15 East to 93^{o}.29' East longitude and 21^{o}.58' North and 24^{o}.35' North latitude. It is a landlocked state in India. Mizoram is bounded in the north by the states of Assam and Manipur and Tripura in north west, and the length of its borders with these states extends over 123 Km, 95 Km and 66 km, respectively. On the west side, it is bounded by the Chittagong Hill Tracts of Bangladesh, spanning a distance of 318 km, while on the east and south side, its borders with Myanmar extend to a distance of 404 km. The state covers a total area of 21,087 sq. km and has a very difficult terrain; over 80 per cent of the total geographical area is hilly and is separated by rivers flowing from the north and south. The average height of hills is 1000 metres in the west and about 1300 metres in the east. The state has various rivers and streams. The rivers and water resources of the state have huge potential but are largely unutilised and unexploited. The hydro potential of rivers of the state has been marginally utilised for the generation of energy. The banks of 16 major rivers in the state are recorded as riverine reserves, that is, the area cannot be utilised for agricultural production. The total population of Mizoram is 10,97,206 as per 2011 census with the total decadal growth rate of 23.48 per cent (Statistical Handbook Mizoram 2020, 2021). It is anticipated that in the next Census the population may reach nearly 14 Lakh. Paddy continues to remain the principal food crop and the staple food of the people of Mizoram. Whereas the minimum rice requirement of the state per year is estimated to be about 1,80,000 Metric Ton (MT), the present rice production is only 58,994 MT per year which could meet only 32 per cent of its rice requirement. The remaining 68 per cent has to be imported from outside the state. Increasing rice production and diversification of agriculture farming would, therefore, enhance rural livelihood and reduce poverty in villages and is imperative for food security of the state.

The entire state is hilly terrain and is a part of the western extension of the system that links up with the ranges of Nagaland & Manipur in the north and Chin Hills of Myanmar in the east and ramifies from the sub-Himalayan Patkoi-Arakan Ranges. The terrains are crisscrossed by valleys and deep gorges where the rivers journey their ways to constitute its river system. Tlawng, Langkaih, Chhimtuipui (Kalodyne), Tuirial, Tuikum, and Mat are some of the most popular rivers within the state. The river Tlawng joins the river Barak in Assam and this is navigable up to Sairang during a certain season of the year. The temperature varies between 10 degrees to 36 degrees Celsius in winter and summer. The State receives abundant annual normal rainfall with an average of 2323.73 mm (Statistical Handbook of Mizoram 2018, 2019). It is heaviest during June, July & August. The winter is normally cold and dry.

Within the state, there are various civil societies, such as Mizo Zirlai Pawl (student group), Mizo Students' Union (MSU – faction of MZP), Young Mizo Association (YMA), Mizoram Upa Pawl (elder citizen group), Mizo Hmeichhie Insuihkhawm Pawl (women group) etc. Various organizations and groups play an important role as interest and pressure groups in the society. The main task of these organizations is to uphold and ensure peace and security in the society, to checkout strategy for containing crime rate inside the state, to eliminate all threat for the people, to cooperate with Government in various governmental policies or programmes and to deal with any social issues if and when necessary.

Initially, the whole state was divided into three districts – Aizawl, Lunglei and Chhimtuipui district. Later, the numbers of the district increased to eight, namely – 1) Aizawl, 2) Lunglei, 3) Kolasib, 4) Serchhip, 5) Lawngtlai, 6) Siaha, 7) Champhai, and 8) Mamit. At present, three more districts, namely Hnahthial, Saitual and Khawzawl began to function since 2019; but these newly created districts are not yet fully functional and adequate steps are being taken up for full-fledged functioning of the new districts. As such, at present, there are eleven districts in Mizoram, they are – 1) Aizawl district, 2) Lunglei district, 3) Kolasib district, 4) Serchhip district, 5) Lawngtlai district, 6) Siaha district, 7) Champhai district, 8) Mamit district, 9) Hnahthial district, 10) Saitual district, and 11) Khawzawl district (see *Figure 1* below). The Deputy Commissioner maintains administration within these eleven districts.

Figure 1 - Mizoram New Districts Map



The whole districts are further divided into Sub-Divisional and Rural Development (RD) Block. The Rural Development Officer (RDO) or Block Development Officer (BDO) takes control of their respective Block. In each block, there are villages in which the administration of each and every villages are run both by the BDO and the Village Council (VC) of each village. The following table reveals the list of districts and RD blocks in which the newly formed three districts are excluded due to its partial functioning.

Table 1 - List of RD blocks in Mizoram

Sl. No.	Name of District	Name of RD Block
1	Aizawl	Aibawk
		Thingsulthliah
		Tlangnuam
		Darlawn
		Phullen
2	Lunglei	Bunghmun
		Bungtlang South
		Hnahthial
		Lunglei
		Lungsen
3	Champhai	Champhai
		Khawbung
		Khawzawl
		Ngopa
4	Serchhip	East Lungdar
		Serchhip
5	Lawngtlai	Lawngtlai
		Sangau
		Chawngte
6	Siaha	Siaha
		Tuipang
7	Mamit	West Phaileng
		Zawlnuam
		Reiek
8	Kolasib	Bilkhawthlir
		Thingdawl

At present, there are 40 Legislative Assembly constituencies in the state which means that there are 40 members in the State Legislative Assembly. There are three Autonomous District Councils (ADC) within the state, namely, the Lai Autonomous District Council (LADC), the Mara Autonomous District Council (MADC), and the

Chakma Autonomous District Council (CADC) under the provision of the Sixth Schedule to the Constitution of India as enshrined in Article 244(2) and Article 275(1) of the Constitution of India. The state also has one member each in the Lok Sabha and the Rajya Sabha respectively.

Industrial Development in Mizoram could be considered to have started late in the 1990s after attaining statehood. Micro and Small Industries are the only industries in the state. Entrepreneurs in Mizoram are of first-generation and the state could be still described as 'No Industry Zone' due to the absence of large or medium scale industries. Up to 2010-11, there are 8,088 small scale industries registered (Economic Survey, Mizoram, 2012-2013). As such the state economy depends mainly upon the agriculture and service sector.

Brief Political History of Mizoram

The political history of Mizoram can be traced back to the British colonial period. Mizoram was earlier known as Lushai Hills and it was independent from outside and foreign control in pre-British period. However, the British Empire demanded it in its created province of Assam and became part of Assam by default. Initially, the British authority introduced modern administration in the Lushai Hills, Chin Hills and Chittagong Hills Tracts like other hill districts of undivided Assam (North East India) and Lushai Hills remained under Assam till independence, however, there was not much improvement in the political administration of these hill areas. Although the Government of India Act 1919 and 1935 declared Lushai Hills (Mizoram) as Backward Tracts and Eexcluded Area respectively, there was some improvement with regard to education, administration and local self-government with the help of the Christian missionaries.

In fact, the introduction of western education to the newly converted Mizo Christians inculcated political knowledge and consciousness among them. After the Independence of India, Luhsai Hills remained as a separate district within the administrative jurisdiction of Assam in 1952 and constitutionally accorded with Autonomous District Council for self-government, but the traditional administration of chieftainship still continued in the region only to run a little administration of their respective villages. Thus, chieftainship was abolished in Lushai Hills after the proper functioning of the Lushai Hills District Council in 1954 with the enactment of Lushai Hills District (Acquisition of Chiefs Rights) Act, 1954 both by Assam Legislative Assembly and Indian Parliament. The Lushai Hills Autonomous District Council was later changed into the Mizo District Council with amendment of Sixth Schedule by Parliament. Thereby, Lushai Hills District came to be known as Mizo District (Doungel, 2015: 194).

In the 1960s, there was an armed uprising in Mizo District known as insurgency. The causes of this uprising have been mentioned by different writers and scholars in different ways. However, the argument regarding the causes of insurgency in Mizo District revolved around the bamboo flowering which left the whole district (Mizo District) in a situation of unforgotten famine. The flowering of bamboo, as claimed by witnessed during that period, alarming increased the rat population beyond measure which in turn put the crops in high risk of survival. Since major crops and staple food, particularly rice, could not be harvested due to the increase of rat in the agricultural field, famine roamed the land (Doungel J. , 2015). Devastated and overwhelmed by this incident that the Mizo people feel neglected and marginalised by the government. The intensification of famine somehow motivated the Mizo youth to fight against the uncertainty of their survival. As such, youth movements rose up in order to inform the Assam Government for its negligence of the Mizo District. Some writers also claimed that youth movement was initiated to find all available solutions to suppress and mitigate the famine.

Anyhow, the movement turned into an armed movement in 1966 and insurgency spearheaded by the Mizo National Front (MNF) and counter operation by Indian army began to disturb the whole district. Overwhelmed by the then militant/insurgent activities, there were chaos and anarchy in the whole district. There have been many military responses and operation in the districts to block the activities of the militant group. The grouping of villages in 1967 and 1968 was the most infamous actions taken by the Indian army to block and retard the insurgent movements (Lalthangkhuma, 2018).

After years of military operation, the Government of India in the 1970s intended to reorganize not only Mizo District but also the whole North East region. The North Eastern Areas Reorganisation Act, 1971 (NEARA, 1971) was passed by the Parliament and came into effect in 1972. Under NEARA, the whole North East states were restructured to form a separate administration, mostly in creating a new administrative setup. By the same Act, Mizo Hills District was cast aside from the state of Assam and converted into a separate Union Territory under a new name 'Mizoram' (Venkata Rao, 1972). Surprisingly, by the same Act, the erstwhile Regional Council (RC) of Mizo District i.e., the Pawi-Lakher Regional Council (PLRC) was trifurcated into three regional councils, namely, the Chakma Regional Council with headquarter at Borapansury later shifted to Chawngte (C) (Kamalanagar), the Lakher Regional Council with headquarter at Saiha, and the Pawi Regional Council with headquarter at Lawngtlai on 2nd April, 1972; and the three regional councils were subsequently upgraded to the status of full-fledged Autonomous District Council on 29th April, 1972. However, Mizo District Council was abolished on 29th April, 1972. Later on, the Pawi Autonomous District Council was changed into the Lai Autonomous District Council, and the Lakher Autonomous District Council was changed into the Mara Autonomous District Council by amendment of the Sixth Schedule to the Constitution of India by the Parliament in 1988 but it was effective from 1989. Thus, Sixth Schedule continue to function in Lawngtlai and Saiha districts of Mizoram which came to be known as Sixth Schedule Area and rest of the districts are now known as Non-Sixth Schedule Area. Autonomous District Councils (ADCs) under Sixth Schedule have separate allocation of budget from the Consolidated Fund of India as enshrined in Article 275(1) of the Constitution of India but it is channelized only through the State Government. Therefore, there are a little bit of difference in the public finance of the Sixth Schedule Area and Non-Sixth Schedule Area (Doungel J., 2010: 68-71). However, the political upliftment of Mizo District into Mizoram did not necessarily break the chain of insurgent activities. It was only in 1986 that the status of Union

Territory was upgraded to the status of full-fledged statehood by the signing of a Memorandum of Understanding (MoU) between the insurgent group, i.e., the MNF, the Government of India and the Government of Mizoram (Ragagopalan, 2008: 22).

As stated in the above paragraph, Mizoram, the 23rd state of the Indian Union became a full-fledged state as a result of memorandum of understanding signed in 1986. But the Act which made Mizoram into a full-fledged statehood was the Constitution Fifty-Third Amendment Act, 1986 and it became effective in the next year, i.e., on 20th February, 1987. Therefore, one may state that the Mizoram State Act was passed in the Parliament in 1986 and become effective in 1987. The date of giving assent to the Bill by the President of India or the date of publication in the Official Gazette of India may be referred to as the exact date and year of upliftment of Mizoram into a full-fledged statehood.

Again, when India got her independence from the British on 15th August 1947, the whole North Eastern part of India was under the administrative jurisdiction of Assam. There were several districts and Autonomous District Councils under the Assam Government, Mizo Hills District (former Lushai Hills District) was one of them. As already stated in Chapter 1, during these periods a small amount of fund was spent for the development of Mizo District Council in which ₹ 63.02 Lakh was allotted from the First Five Year Plan (1951-1956). But during the Second and Third Five Year Plan, outlays for the Mizo District Council was raised up to ₹ 210.83 Lakh and ₹ 411.42 Lakh respectively (Department of Planning&Programme Implementation, 2016).

Prior to 1986, the state was divided into three districts, such as Aizawl, Lunglei and Chhimtupui districts, which were reorganized into eight districts in 1998. As already stated above, eight districts are Mamit, Kolasib, Aizawl, Champhai, Serchhip, Lunglei, Lawngtlai and Siaha. Moreover, Mizoram also has three Autonomous District Councils (ADCs), such as Lai Autonomous District Council (LADC), Mara Autonomous District Council (MADC) and Chakma Autonomous District Council (CADC). Out of these three Autonomous District Councils, the Lai Autonomous

District Council is located under Lawngtlai District and it headquarters is located at Lawngtlai town. The Mara Autonomous District Council is located under Siaha District, and its headquarters is located at Siaha Town. The Chakma Autonomous District Council is also part of Lawngtlai district which Headquarter is located at Chawngte (c) (Kamalanagar).

After Mizoram attained the status of Union Territory (UT) in 1972, the new Union Territory (UT) Government was enabled to formulate a separate budget of its own. The enhanced outlay for the first annual financial statement (1972-1973) for Mizoram was ₹ 437 Lakh and it raised up to ₹ 600 Lakh during the next year (1973-1974) (Department of Planning&Programme Implementation, 2016). All these financial enhancement increased year by year and it increased further to ₹ 364.50 Crore after Mizoram attained statehood in 1986. These increment in the financial budget and its impact on the social, political and economic condition of Mizoram will be examined in Chapter 5 on ‘Public Finance in Mizoram’.

Enough has been said regarding the political development and political history of Mizoram. In order to gain in-depth knowledge about the political economy of Mizoram, it is now time to discuss the present condition of Mizoram regarding how the people manage to get along with their economy in modern times. In the preceding chapter, one can see that majority of the population in Mizoram still depends on agriculture. To be exact, around 66 per cent of the population has based their economy on agriculture and agriculture allied sectors in one way or the other. The following table reveals the agriculture-related workers and other workers which are based on 2011 census.

Table 2 - Workers by Sector Categories - 2011 Census

Particulars	**Rural**	**Urban**	**Total**
Main Workers	*217824*	*197206*	*415030*
Cultivators	170274	32240	202514
Agricultural Labourers	12448	14016	26464
Household Industry Workers	1556	3903	5459
Other Workers	33546	147047	180593
Marginal Workers	*34558*	*37117*	*71675*
Cultivators	21920	5169	27089
Agricultural Labourers	6637	8686	15323
Household Industry Workers	946	1447	2393
Other Workers	5055	21815	26870

(Parent source: Directorate of Census Operation, Mizoram; retrieved from Statistical Handbook of Mizoram 2018, 2019: 11)

There is a clash in the data mentioned in the above paragraph and data revealed by the Census Operation of Mizoram. The former data claims that 66 per cent of the population depends on agriculture-related works whereas the above table reveals differently. However, it must be noted that the above Table 2 is based on the 2011 Census, nine years have passed since then. Therefore, data variations are likely to happen. As such, according to Statistical Handbook published by the Government of Mizoram (see Table 2), around 24 per cent of the population directly link their economy on agriculture (Statistical Handbook of Mizoram 2018, 2019: 11). Again, this is calculated on the basis of 2011 Census in which the number of the population stands at 1097206 in Mizoram, thereby, the percentage of agricultural-related workers (main workers + marginal workers, see Table 2) may be increased or decreased based on the next census.

Anyhow, it is imperative to examine how the majority of the population has based their economy. As such, the following paragraph discusses brief information regarding the present condition of Mizoram. The following paragraphs on the present rural economic profile of Mizoram are based on the researcher's observation in which the researcher did a field visit throughout the length and breadth of Mizoram in 2017 – 2020.

Rural Economic Profile of Mizoram

The rural economy of Mizoram has been largely determined by agriculture. By agriculture, it means shifting cultivation or *jhumming* cultivation in which rice, maize, ginger, cabbage and mustard, etc., are the main crop of the state. Amongst them, ginger and chilli have been exported outside the state. Till today, no agricultural products (except ginger and chilli) of Mizoram meet the desire or necessary demand of the state. Rice, for instance, became insufficient since the time of Union Territory which is the staple food of the people. Since there is no sufficient product to meet the requirement of the people, imported commodity on agricultural products is imperative for the state which is one way to drain the state economy. The cost of import of rice from other states will be discussed in the next chapter as well as in the 'Conclusion' chapter. Anyhow, the importance of the rural economy in Mizoram must not be neglected if one wanted to study the whole state economy. Therefore, it is necessary to discuss the rural economy in brief.

The researcher has observed the rural economy by visiting all the Rural Development (RD) Blocks. Based on observation of the researcher, the following are the rural economy of the state which are mainly concentrated around agriculture and its allied sectors. However, it must be noted that this observation does not reflect all the economy of the state but it only reflects the basic sustainable agriculture and its allied sector of the rural people. In fact, there are many important sectors which contribute a large part of the state economy, namely, income from public sector enterprises, service sector and government job holders/servants.

As stated in the above paragraph, agriculture has been the most common source of income and occupation of the majority of people. Agriculture works include all kinds of agriculture-related works in which shifting cultivation is the most popular system of occupation. Agriculture-related works may be divided into two main categories – *Shifting Cultivation* and *Permanent Farming*. Amongst these two categories, shifting cultivation is more emphasized in the whole state whereas permanent farming began to occupy an important place in the field of Mizoram economy. Examples of permanent farming may include Orange cultivation, Betel nut plantation, Oil Palm cultivation and so on.

West

The main economy of the western part of Mizoram is largely dominated by Oil Palm cultivation. Apart from the normal shifting cultivation, the people of the western part of Mizoram tend to think in term of permanent farming in which Oil Palm cultivation is compatible with the weather and climate of the region. Roughly speaking, around 10 per cent of the population of each village in Mamit and Kolasib district and some part of Lunglei district cultivated Oil Palm since 2006.

Till 2019, around 10 per cent of the population of each village of the said three districts harvest their Oil Palm. Approximately, if a villager cultivated 150 Oil Palm trees he could reap around 120 Quintals every year and thereby making a profit of around ₹ 66000 every year. The more a cultivator planted Oil Palm trees, the wealthier he became by gaining profit from it. This rate of profit is calculated based on 1 kg of Oil Palm cost ₹ 5.5. Therefore, 120 Quintals equals to 12000 Kgs; if we multiple 12000 Kgs into ₹ 5.5 the profit is ₹ 66000. This profit may differ every year based on the weather, pest and insects, climate, and other natural calamities. Anyhow, this is how Oil Palm cultivators make profit within one year and this is one of the most profitable rural economies in agriculture in the western part of Mizoram. This is how their economy was built up, this is how they make a profit, and this is how they contributed to the state economy.

The main problem of the western rural economy is that only around 10 per cent of the population is the benefactor of Oil Palm cultivation, the rest 90 per cent people based their family economy on other agriculture, horticulture and even sericulture sector. But no critical development has been made on other trade aspects. Moreover, these 10 per cent population who cultivated Oil Palm is facing their own specific problems which are revolved around the low price of the commodity, poor condition of roads, lack of fertile soils or fertilizers, and weeding and cutting the unnecessary branches of their full-grown Oil Palm.

Figure 2 - Picture of Oil Palm taken by the researcher by Samsung Galaxy J7 Prime on 11 November, 2019 at Nalzawl, Mamit District.

As stated above, Fresh Fruit Bunches (FFBs) which is the unrefined and unprocessed raw commodity of Oil Palm is sold at ₹ 5.5 per kilogram (kg). It is calculated that Mizoram produced around 3,753 Metric tons of Oil Palm Fresh Fruit Bunches (FFBs) per year since 2015-16 (National Mission on Oilseeds and Oil Palm (NMOOP), 2019). If the current total production of 3,753 Metric tons is converted to the current price of FFBs, the total profit that the Oil Palm cultivators generate income in Mizoram stands at around ₹ 20,641,500 or ₹ 2 Crore.

Since there are no specific records on the total production value of Mizoram Oil Palm, it should be assumed for the time being that Mizoram generates an income of approximately ₹ 3 Crore per year form Oil Palm. This is an assumption on the basis of an increase in its cultivators as well as in its production till date. Then, the total contribution of Oil Palm to the state income stands at around 0.03 per cent from the total receipts of the state government in 2018-2019. This is calculated from the Annual Financial Statement (AFS) of the State Government of the year 2018 in which the total receipts of the state government is ₹ 13014.883 Crore (Finance Department, Annual Financial Statement (Budget) 2018 - 2019, 2018). Thereby, the approximate ₹ 3 Crore per year of FFBs value in Mizoram equals to around 0.03 per cent of the total receipts in 2018-2019.

The above calculation is only based on the 2018-2019 financial year of Mizoram. The contribution of Oil Palm in Mizoram budget receipt may be increased or decreased depending upon the based year. However, it is likely that Oil Palm contribution will decrease if the based year is pre-dated because in the early 2000s most of the crops were not fully grown, and some of the cultivators only began Oil Palm cultivation in the late 2000s. As such, it is fair to say that the Oil Palm contribution in the state income may still rise up to 5 per cent in future.

If observe closely, the Oil Palm contribution to the state economy is very poor. This is due to the low prices of FFBs in Mizoram. According to the general calculation laid down by the Central Government, the prices of Oil Palm FFBs are being paid to farmers by the private Oil Palm Developer Companies based on the Commission for Agricultural Costs & Prices (CACP) on the recommended formula i.e., 13.54 per cent of net Crude Palm Oil (CPO) weighted average price, based upon 18 per cent Oil Extraction Ratio (OER), plus 75.25 per cent on 9 per cent recovery of palm kernel nuts weighted average price. This is based on the estimated cost of cultivation at 75.25 per cent of the total cost of production of CPO from farm level to factory level (National Mission on Oilseeds and Oil Palm (NMOOP), 2019).

It seems that this formula for fixing the price of a commodity may be a little problematic for the farmers. Sometimes, the prices of FFB have reached ₹ 8,000-9,000 per ton in several states which is equal to ₹ 8-9 per kilogram (Verma, 2019). The value of a commodity (per kg price in this case) has been criticized by almost all the Oil Palm cultivators in Mizoram in which it is not worthy of their labour forces.

As stated above, the major economy of the western part of Mizoram is based on Agriculture and its allied activities. Paddy which is the staple food of the State is the main crop. *Jhum* or shifting type cultivation is the most popular type of cultivation that comprises the main source of agricultural products. However, not only *Jhum* and Oil Palm are the main sources of income of the people in the western region of Mizoram but also there are many other types of cultivation.

Apart from Oil Palm cultivation, another permanent farming in the western region of Mizoram is Orange and Hatkora fruits plantation. In fact, some villages namely, Hortoki in particular is very popular with Hatkora fruit. Thereby, some families make use of it as their main sources of income. In some lower altitude of the state, for instance, villages like Zamuang, Rengdil, Zawlnuam, Bungthuam and Kanhmun etc., betel nut plantation is very common in which the harvest is sold to outsider, particularly to Tripura and Assam people.

Bengali from neighbouring state of Tripura and Assam often buy betel nut from Mamit District. Since betel nut cultivation is a good source of income in the western villages, it generates an average of at least 30 per cent of their total annual income. Moreover, the major agriculture and allied activity in the western part of Mizoram is Animal Husbandry (Piggery and Poultry). In the agricultural field, majority of the population which is Mizo sometime makes use of other tribe labour forces to carry heavy agricultural products. In this way, some Bru tribe used to sell their labour to Mizo farmers/cultivators and work in the field to earn their livelihood.

Unlike Oil Palm cultivation, the betel nut cultivators hardly criticized the price of their commodity. A businessman from Assam and Tripura used to buy their betel nut product while they are still unreaped in the field. In other words, betel nut was often sold while they were not yet ripen for the reaper; businessman from other states used to negotiate its price with the cultivators before the crops are ripe. This is due to strong demand from outside the state. In view of this situation, one may conclude that the statement made by Adam Smith regarding the interaction between demand and supply as the 'invisible hand' may be true. As such, it might be the right approach for government to pursue development of the political economy. But it must be remembered that Smith's claim is for the sake of state intervention in economic affairs in which it was widely believed that the private sector was more efficient than the public sector. Accordingly, the theory of *laissez-faire* became a core basis of the market economy. The market forces were believed to be guided not by the state direction but by what Adam Smith calls it as the 'invisible hand' (Smith, 1776/2012).

Anyhow, the labour force is another issue in the western part of Mizoram. *Zamindari* System which was introduced in India by Lord Cornwallis in 1793, commonly also known as Permanent Settlement (Bandyopadhyay, 1993), is still very common in western part of Mizoram, especially in Mamit District. However, there is a slight difference that all the *Zamindars* (owner of the land) in Mizoram do not have to share their products with any other superior powers as practised in real *Zamindari* System of 1793. In fact, there are no higher authorities in which the *Zamindar* (owner of the land) has to answer or accountable to any other power. Most of the farmer in the district owned a vast land for cultivation and these farmers used to employ the Tripura Bengali and the Bru tribe of Mizoram for cultivation purposes.

The simple practice which is prevalent is that when a cultivator cultivated paddy or any cultivable crops in the field owned by others, the harvest is shared between the owner of the land and the cultivator. These cases are very common in these areas because all the fertile land and cultivable land is now owned by Mizo, there is not enough free land for other tribe to meet their satisfaction for the *jhum* products. Prior to ethnic tension between Mizo and Bru in the late 1990s, many Bru farmers owned land for cultivation. But due to ethnic tension and conflict in 1997 and 2009 between them, most of the Bru families who own land for cultivation fled to Tripura due to fear of ethnic clash with the Mizo people. Therefore, some Bru sold their land, property and all sellable assets to the highest bidder. Therefore, as a result of ethnic tension, almost all the fertile lands now belong to the Mizo people. Therefore, the rural economy of the western part of Mizoram has been largely determined by ethnic relation between the Mizo and the Bru.

South

The southern part of Mizoram comprises of the Sixth Schedule Area where the three Autonomous District Councils (ADCs), namely, the Mara Autonomous District Council (MADC), the Lai Autonomous District Council (LADC), and the Chakma Autonomous District Council (CADC) function which trace their orgin to the Pawi-Lakher Regional Council (PLRC) in the 1970s. Similar to other parts of Mizoram, the southern region of Mizoram is also dominated by agricultural activities; but unlike other areas, there are not much of permanent farming. Some parts of Lunglei district cultivated Oil Palm but not much as it is done in the western and northern part of the state. Beyond Lunglei district, there are no critical permanent farming being carried out to boost the southern economy.

However, having shared a joint international border with Myanmar and Bangladesh, the area has a large forest reserve area potential for livestock rearing. Therefore, it is not surprising to see that Mithun or Gayal rearing is a common practice of the villagers in the south. Not only Mithun but also Buffalo and Cow are also reared in the region which gives people some satisfaction to meet their requirement for meat and milk. For instance, Lungzarhṭum village in Lawngtlai district and Chhuarlung (*Chhaolo* in Mara dialect), Niawhtlang (*Noaotlah* in Lai dialect), Siata, Chheihlu, Siasi and Chakhei village in Siaha district might have the highest number of Mithun rearing in Mizoram – Myanmar border region in the south. In fact, in these villages, one household can manage to rear as much as 20 to 50 Mithun comprising of 5 to 10 Mithun families. This can be done only due to the deep jungle and forest covers of the area, no other region or part of Mizoram can rear Mithun as much as the southerner does. This border region ranges from the most southern tip of Mizoram till the eastern region follow-through of Champhai district possessing a large forest area covers which is a perfect place or area for livestock rearing.

Moreover, some southern villages are interested in minor agricultural products. For example, Bualpui ‘NG’ village along with its adjacent villages produce cabbage and mustard sufficient for the whole Siaha district. These agricultural products are now the main sources of essential food commodities in Siaha market. But it must be noted that farmers of the south face more problems in their crops than other parts of Mizoram.

For example, due to some pest problems, insect and agricultural diseases, the region could not produce their anticipated crops. For instances, Saikah ‘U’, Rulkual, Paithar, and Sihtlangpui villages in Lawngtlai district cultivated orange since the 2000s but due to insect and some other orange diseases, the crops often failed to ripe. Thereby, crops slowly die after 10 years of its cultivation or after 5 years of its full grown. In Kawlchaw village of Lawngtlai and Siaha district along with Zero point village in Siaha district, mango cultivation has been a huge success for farmers. But similar to orange cultivators, mango cultivators also faces the same problem of pest and insect but not of mango disease. The mango cultivators claimed that their crops during its blooming or flowering season are often used by butterfly insects to lay their eggs inside the flower; when the flower or blossom turned into a ripe mango, the egg also become fully grown thereby eating the crops from inside.

If crops problems such as pest, insect and crops disease could be checked and controlled by the cultivators it could have been a huge powerhouse for the rural economy of the south. But still, research has not yet been done in this field and there is no intention from the government and private agencies to tackle these issues. In fact, no research on agricultural field, at least any critical research, has been done in Mizoram and that the farmers without any substantial vision used to grow crops and often lead them to total failure. It is like a blind leading a blind.

However, one important development in the economy has been made at a small village called Sentetfiang at the base of Phawngpui Mountain (the Blue Mountain, the highest peak in Mizoram). In this village, bee farming or beekeeping has been an important activity to generate income of 20 – 40 families. The honey production at Sentetfiang village is right now in its initial stage of development, it is neither sufficient enough to meet the demand of the whole state, nor the demand of one district. One may ask, why this particular village?

Figure 3 - Sentetfiang Raw Honey, picture taken by the researcher at Sentetfiang village on 24th September, 2019 by Samsung Galaxy J7 Prime

The whole Mizoram has different weather and climate due to its hilly terrain. What is good in the west may not be practicable in the South; what is flourishing in the South could neither flourish in the East nor feasible in the North. Likewise, beekeeping may not be achieved arbitrarily at anywhere and any place as one likes; on the contrary, it has to be done at a particular place having a particular condition. Sentetfiang village possesses a unique condition and status in the southern part of Mizoram. Being established at the base of Phawngpui Mountain, the village is covered with particular flowers the likes of which could never be found in any other parts of Mizoram. These particular flowers attract bees to make honey and it is much easier for a farmer to tame these bees. One farmer told the researcher that these bees produced unique honey which is distinguished from any other honey of Mizoram due to particular flowers found in the brethren of Phawngphui Mountain areas. In shorts, honey produced in this region is of high quality compared to others.

The bees, however, could not rapidly procreate as anticipated by its beekeepers. If beekeeping could be extended not only in Sentetfiang village but also to its neighbouring villages like Sangau, Rawlbuk, Vawmbuk, Cheural, Thaltlang, Lungpher, and Siachangkawn, the honey production could be tripled or quadrupled or maybe more to sustain the demand of the whole state. If administered carefully with the initiative of the State Government, beekeeping may act as an important sources of the southern rural economy.

East

Like the southern part, the East has a border with Myanmar covering with deep and dense jungle. But unlike the south, the east has a huge potential for rice cultivation of what they called it as Wet Rice Cultivation (WRC) area. The district headquarters of Champhai is surrounded with potential plain areas which are being utilized by cultivators to cultivate paddy along with some other crops cultivable in the field. But still, no sufficient production could be made. In fact, rice production of Champhai district could not only sustain the whole state but unable to meet the demand of

Champhai district alone. It might, however, be able to meet the necessary demand of Champhai town area.

The researcher was told by the people of east villages that they have potential areas which could be converted to rice paddy field but could not be implemented due to insufficient fund and resources of the villagers. For instances, Mimbung, Hrianghmun and Teikhang villages may be the best potential areas which are yet to be utilized for paddy field; in which if utilized, and converted into the field capable of producing paddy, it might sustain the whole Champhai district. In other words, if these potential areas are converted into a live paddy field, the whole Champhai district may able to depend on it and import on rice will no longer be needed in the future (Dampau, 2019). Meanwhile, Pu Dampau of the Village Council President (VCP) of Mimbung said that these potential areas had been surveyed by the late Chief Minister (CM) of Mizoram Pu Laldenga, and the CM intended to utilize it so that the eastern region of the state could be self-sufficient in paddy without importing from outside. But due to certain difficulties of the then Mizoram politics, those intentions and proposals could never be fulfilled.

Anyhow, today's political set up has now changed in favour of the east. In fact, similar to other political development of Mizoram, the east now possesses a development council known as the Sialkal Range Development Council (SRDC). But it must be noted that this council is not within the ambit of Sixth Schedule to the Constitution of India. The council consists of six villages, namely, Mimbung, Hrianghmun, Teikhang, Kawlbêm, Selâm and Vaikhawtlang (Vanglaini, 2016). The council was converted from the Sialkal Tlangdung Development Board (STDB) which was set up in 2012 and later christened into its present name as Sialkal Range Development Council (SRDC); and Pu Lal Thanhawla, the then Chief Minister of the state inaugurated it on 20th January 2015 (Lalmalsawma & Patnaik).

Since its inception, the new council has been given ₹ 50 Lakh per one financial year during the Congress regime (Vanglaini, 2016); and increased up to ₹ 200 Lakh from the new Mizo National Front (MNF) ministry since 2019 (Dampau, 2019). Due to raise in the budget, it is expected that the potential WRC areas could be converted into a paddy producing field and the district might be self-sufficient in rice production without the help of other district or states. But the political setting within the council shall determine whether or not it is to be implemented. Therefore, in order to develop the economy, and to have a decent livelihood or the good life, one must remember that it is politics which must come first before development. In such a way, no economic development could be achieved without the prior development in political decision making and it is safer to say that economy is within the ambit of political economy.

One thing that must not be neglected in the rural economy of eastern Mizoram is poor transportation. The researcher has experienced that it took two days to visit the six villages of the Sialkal Range Development Council (SRDC) which is within a radius of 30 sq.km. Due to poor transportation not only within the SRDC area but also within all eastern part of Mizoram, trade and agricultural development hardly improved.

Anyhow, to make the east economy sound and clear, one must not neglect the border trade between Mizoram and Myanmar in almost all commodities which ranges from gold bars to human hair for wig; heroin to fertilizers; betel nut/areca nut to watermelon; illegal weapons to duplicate electronic and machinery tools. This trading route has been implemented in legal and illegal ways. Several researches have been done on Indo-Myanmar border trade in Zokhawthar of Champhai district. These studies are both in terms of private as well as government funded researches to find out certain solutions to several trade problems. These several researches include applied and action type of research which sought to fix certain problems; and fundamental research which tries to find new thought and knowledge to improve the border trade. Despite many attempts to improve the trade, no critical economic outburst for Mizoram has been made. In fact, the only beneficiaries of the border trade may be some farmers who illegally imported Chinese-Myanmar motorcycle (known locally as ‘model 125’ or just ‘125’) which seems to be very useful at slippery road during rainy season. The said motorcycle is also known as Kenbo or 125.

This motorcycle is very cheap and affordable to rural people. Accordingly, it is very common in the border area of Farkawn, Vaphai, Dungtlang, Vangchhia, Zokhawthar, Khuangleng, Melbuk, Khawbung villages and Champhai town area. In fact, though illegal it may be, the increase of this motorcycle could not be stopped and in Farkawn village that the Village Council (VC) even registered it within their village (Rinthanga, 2019). At Sangau village in the south, the Police had to register illegally these motorcycle for safety reason, and of course due to its usefulness in the rural economy. This technique of registration may be a bold move against the Government of India on the one hand and against the Government of Mizoram on the other, but it is an ingenious way to generate income of the Village Council (Remmuana, 2019).

This illegal registration or covert registration may be justified in the sense that it brings about great help to farmers, cultivators, labourers and especially to traders. Due to its cheapness in its spare parts and due to its easy accessibility that almost all rural household in the east possess at leat one. Therefore, it has contributed critical usefulness to the people. As such, it might be suggestible that the government through the VC of each village should do the needful for local registration of the said two wheelers for generating income of the rural but yet international border area.

Anyhow, moving back to the statement of political economy – illegal trade, motorcycle import along with its illegal registration, border security, check on heroin and intoxicating drinks and drugs – all these issues could not only be solved from economic level alone, but it is futile to try to solve it. As such, not only economic but also political decision is important in solving social issues and raising the economic standard.

To improve border trade, it is politics which needs to deal with the border people, not the economical aspect. To check illegal import and export, it is political authority which must come first before involvement of economics. To improve border trade; to improve the rural economy of the east using border trade, political involvement is imperative and mandatory. Economical development will come later.

This is how and why economics should be within the realm of politics, and this is how economy of the state is to be referred to as a ‘political economy’.

North

Like other parts of Mizoram, the northern rural economy is also mainly based on agriculture and its allied sector. However, unlike other parts of Mizoram, northern people tend to think their economy in terms of durable assets measured in permanent farming. Amongst them, broom cultivation and betel nut cultivation are the most popular practices of the people. Some farmers also cultivated Oil Palm but none of them emphasized it as it is done in the western villages. Instead, broom cultivation has been largely popular in the northern areas in which it is more cultivated within Pullen and Darlawn RD block.

Broom, when harvested are sold outside the state in which it has contributed good financial resources of the people. Since it requires some process before it becomes an exportable commodity, some farmers are reluctant to increase its cultivation. Its processing time and labour seem to drain the resources of farmers, thereby making the commodity less profitable than others. However, demand of broom product from neighbouring states, especially from Assam has been increasing year by year.

One of the most important occupations in the northern part of Mizoram is betel nut plantation. The name of the crop is also known as Areca nut. Betel nut plantation covers almost all Kolasib district in the north and some parts of Aizawl district in the north. Amongst the two districts, Bilkhawthlir RD block possesses the best fertile land and a perfect climate for betel nut plantation in the state. It seems, as the people claim, that the weather and climate are perfect for betel nut plantation. In the 1990s and early 2000s, only Bilkhawthlir village in the north and Zamuang village in the west were able to grow them. But as time passes, maybe due to global warming, the whole northern part of Mizoram can now grow as much as they like.

So profitable and easy to manage it is that almost all household in the northern part of Mizoram are in one way or the other connected their occupation with betel nut. It is very likely that in the next 10 to 20 years, the economy of the whole northern part of Mizoram will solely be determined by betel nut plantation. This will happen not just because the price of a commodity is higher and more profitable than others, but also its management is easier than other crops. For instance, weeding and grass cutting of betel nut field is much easier than Oil Palm field.

However, it took around seven years for a single betel nut tree to produce edible nut and reliable commodity. Therefore, it takes time for its full-grown, as such during its nursery periods most of the cultivators have to conduct full weeding and grass cutting of their field at least twice (some do thrice) a year. In such a way, some cultivators could not afford huge plantation to raise their economy. In this situation, rich capitalist class/people from the state capital and district capitals began to buy vast land for betel nut plantation in the northern part of Mizoram. Amongst these rich classes, there are people from Siaha, Lawngtlai, and Lunglei; in fact, there are people from all district capitals who invest their money in buying land for betel nut plantation in the north.

The system of land management technique by these rich capitalist class/people is somehow similar to that of the *Zamindari* System of 1793 that is already discussed in the above paragraph. These rich people act as the *Zamindars* (owner of the land) in which they hire household workers to manage their betel nut field. Of course, all the processing cost – weeding charge, plantation cost, labour fee etc., are all paid from the pocket of the *Zamindars* (owner of the land).

The normal price of raw betel nut in Mizoram, at present in 2019 - 2020, is one piece of betel nut cost ₹ 1 – ₹ 1.5. The price tag of one betel nut tree (fully-grown) is normally calculated as ₹ 100 – ₹ 200. As such 1000 fully-grown betel nut tree cost up to ₹ 1 lakh. In simple words, the average value of betel nut at present (in the year 2019 - 2020) in Mizoram is around 1000 betel nut trees equal to ₹ 1 Lakh per year. This means that if a farmer possesses 1000 betel nut trees in his field, he is likely to generate a revenue of ₹ 1 Lakh every year. This value is calculated before excluding its maintenance cost. However, the cost of its maintenance is decreased when the crop is fully grown because weeding and grass cutting are usually done one time in a year. Besides weeding and grass cutting, there is no need for any other activities for its maintenance. The fully-grown means less activity for its maintenance that further means making more profit. The older the crop is, the easier it is to maintain and the more profit it makes.

However, the price of a commodity is also largely determined by its quality and its transportation. How far is the field located from the road? What is the average quality of the product? These questions are critical in determining the price of a commodity but the average price does not far from 1000 betel nut trees equal to ₹ 1 Lakh per year. In any case, demand and supply; labour cost for its maintenance; quality of the product which is pre-determined by weather and climate all determines the final value and price of a commodity. As far as quality of the product is concerned, it is claimed by most of the cultivators and exporters outside the state that Bilkhawthlir product is best in Mizoram in which the price of Bilkhawthlir product is highest all over Mizoram. In such case, Marx's idea of surplus value in which labour determines value may be questionable because labour alone is not important but the weather, road condition and location of a commodity determine the value of certain commodities.

Since the 2000s in Bilkhawthlir town, the people began to cultivate betel nut and after seven years around in 2007 – 2010, the people began to make a profit from their crop. There are, at present around 1200 households in Bilkhawthlir town, and these households made a profit of ₹ 470 Lakh income from betel nut in 2019 alone (Lallawmawma, 2020). This means that every year the town generate a revenue of ₹ 470 Lakh. The number of income is likely to increase in future.

As the crop gets older year by year, the product also increased year by year making the profit increase automatically. Bilkhawthlir town makes so much profit that most of vehicles in the town that includes Two Wheeler to Heavy vehicles are bought without loans from banks. Payment in cash is very common amongst the owner of a vehicle in Bilkhawtlir town. Not only vehicle is bought without loan, but most of the newly constructed house is also built without loans from banks. If this will continue in future, the whole northern part of Mizoram economy will depend on betel nut plantation.

The Village Employment Council (VEC) at Bilkhawthlir South established a farm called 'Areca nut NR Plantation' or 'Betel nut NR Plantation' in which 3500 betel nut is grown in the farm. This is established to help the poor and helpless at Bilkhawthlir South village. The local elders and VEC members put forth this idea. The main intention is that these Betel nuts will raise an amount of ₹ 3 – 4 Lakh per year. The amount, of course, will be used for the public to help the poor whose family or families could not afford minimum livelihood in the village.

With regard to its market, connection between cultivator and buyer is the same as it is done in the western part of Mizoram. Businessmen from Assam and Tripura used to buy their betel nut product while they are still unreaped in the field. In other words, betel nut was often sold while they are not yet ripe for the reaper; businessman from other states used to negotiate the price with cultivators before the crops are ripen. This is due to strong demand from outside the state.

The price of betel nut commodity could have been higher if the cultivator possesses the 'technical-know-how' in his town. The raw commodity was sold to buyers and the buyers with their 'technical-know-how' in their states, especially in Assam, process raw commodity and the same is sold back to Mizoram vendor with a higher rate of price than it is bought in the first place (Thianlala, 2020). The normal price of raw betel nut in Mizoram, at present in 2019 - 2020, is one piece of betel nut cost ₹ 1 – ₹ 1.5 which is normally sold to neighbouring state buyers. After its process, it is sold back to Mizoram with one piece of betel nut cost up to ₹ 2 – ₹ 5.5.

Since the price of one betel nut piece is tripled after it's gone through certain processes, one must be able to see that if the cultivators possess the 'technical-know-how' more profit could be made. Thereby, it is the task of the government again, but not of the economist and not of the traders to lay some ground techniques in order to produce the ‘technical-know-how’ in the state. Interesting thing is that Women Self-Help Group (SHG) in the northern part of Mizoram having the ‘technical-know-how’ are investing their money on making ‘disposable cup and disposable plate’ from betel nut tree. As such, if the State Government intervene in procuring the ‘technical-know-how’ there may be a more suitable and more reliable economy for the northern part of Mizoram.

During field visit, villagers in the north told the researcher that most of their *jhum* land is converted into a permanent field in which broom or betel nut are the main crops. While the whole state depends on normal agriculture system in which shifting or *jhuming* cultivation are still carried out, the northern part of Mizoram began to convert their *jhum* field into a more permanent field. As such, numbers of people depend on *jhum* are declining year by year.

However, betel nut and broom are not only emphasized in the north but there are some villages which began to grow Sandalwood in their village. Amongst these villages are Saihapui ‘V’ and Phainuam villages in which villagers told the researcher that betel nut and broom cultivation are not favourable with their village weather and climate condition. Instead, Sandalwood seems favourable with their villages in which the crop still need around seven to ten years to produce reliable fragrance. Anyhow, interesting thing is that these villages whether or not they cultivated broom or betel nut or sandalwood, they seem to shift their economy from *jhuming* to permanent farming.

Exploring Potential for Mizoram Political Economy

Despite the fact that agriculture and its allied sectors possess important place in Mizoram economy, there are more ways to enhance the state economy. Allied sectors may include Horticulture and Sericulture that are implemented with close interaction with agriculture sector. Staple food of the state is still imported from neighbouring states, most of the essential commodities which are consumed in everyday life are also imported. About 32 per cent of the cultivated area is under *Jhum* cultivation. Only 20 per cent of the demand for rice could be met within the State

(Economic Survey, Mizoram, 2012-2013). Meanwhile, the state possesses great potential for enhancing agriculture and its allied sector for making the state an independent economy.

Table 3 - Area, Production and Yield of Rice cultivation in Mizoram

Year	2016-2017			2017-2018		
Name of Crop	**Area (Ha.)**	**Production (MT)**	**Yield (Kg/Ha)**	**Area (Ha.)**	**Production (MT)**	**Yield (Kg/Ha)**
1. Jhum	19602	23665	1.21	19587.5	23580.2	1.2
2. WRC-Kharif	16862	36979	2.19	16039.7	35027.4	2.19
3. WRC-Rabi	394	872	2.21	487	998.1	2.05
Total of WRC	*17256*	*37851*	*2.19*	*16526.7*	*36025.5*	*2.18*
Grand Total of Rice (1+2)	36858	61516	1.67	36114.2	59605.6	1.65

Parent source: Directorate of Agriculture, Mizoram; retrieved from Statistical Handbook of Mizoram 2018, 2019: 54.

The above Table 3 reveals rice production in Mizoram in which the production is very low in comparison to the population ratio. Moreover, the area which is being utilized for producing rice is also very low compare to the potential areas all over Mizoram. *Jhum* occupies the maximum number in areas, no surprise that most people, in fact, majority of the population still depends on *jhum* cultivation. In the above Table 3, WRC-Kharif and WRC-Rabi stand for Wet Rice Cultivation (WRC) – Kharif type and Rabi type. Kharif type is popular cultivation type which is normally cultivated in June (summer) or rainy season and usually harvest in autumn or November and December. Rabi, which is less popular in Mizoram is cultivated in autumn and usually harvest in February and March. Rabi type cultivation is usually known as winter crops. The above table is retrieve from Statistical Handbook published by the Government of Mizoram. Latest data revealing rice production and area in hectare was retrieved by the researcher using Right To Information (RTI) (see Appendix 7). This data shows that Mizoram do not produce sufficient paddy compare to availability of land resources measure in hectare.

The potential area may be measured in terms of paddy, but it is prudent to know that there are various potential areas in Agriculture & Allied sector. For example, the fish production by the end of 2010-11 was 5200 Metric Ton (MT). While the potential culture fisheries resources in the State is estimated to be 24,0000 Hectare (Ha), only 12 per cent of the available resource (2900 Ha) has been developed and utilized for fish farming which could offer only 36 per cent of the fish requirement leaving a gap of 64 per cent potential areas (Economic Survey, Mizoram, 2012-2013). These unutilized and undeveloped potential areas, not just in rice and fish production but also in almost all Agriculture & Allied sector areas resulted in a low contribution to the GSDP by Primary sector. Details regarding sectoral contribution to GSDP will be found in the next chapter.

The potential that the state possesses must be explored and utilized at all cost. This is why the role played by the statesman/politicians are crucial in development of the political economy. Huge cultivable and fertile land has to be utilized; one will not know whether or not there are potential areas in the field if one did not explore them. The value of a commodity is realized only when they are utilized and only when they serve their purposes. For example, livestock rearing in the east and south having deep forest cover areas must be emphasized; Oil palm cultivation must also be emphasized in the east and in the north; and betel nut plantation must also be systematically emphasized. Broom cultivation, betel nut processing system to increase its value; beekeeping in the south etc., are all needed to be explored thoroughly to realize their full potential to enhance the state political economy. If not utilized, these potential has no value. W. Stanley Jevons rightly observes that –

> "The ore lying in the mine, the diamond escaping the eye of the searcher, the wheat lying unreaped, the fruit ungathered for want of consumers, have no utility at all" (Jevons, 1970: 105-106).

Mizoram political scene has been largely determined by what is known as 'party politics' in which the statesman/politicians had no time to explore these potential areas of Mizoram. Just as the Post-Behaviouralist in the late 1960s in America began to concentrate on social values and justice (Varma, 1975: 31-37), the government of Mizoram should also focus on social values and justice. Based on the government's decisions, intellectuals and researchers should measure and analyze the development of the political economy. It is not only important to trace where the government took actions, but it is also important where the government does not take actions.

Enough has been said regarding rural political economy of Mizoram, what is equally important with the political economy of Mizoram is that of different terminology and concept in public finance. Therefore, it is mandatory to discuss these concepts and terminologies. These concepts and terminologies are also termed together as 'Budget Documents' in which a separate explanation is given by the Finance Department. However, the application of these concepts and terminologies will only be made in the next chapter on 'Sources of State Income' and chapter 5 on 'Public Finance in Mizoram'. However, since the title of this chapter focuses on the Political Economy of Mizoram, it is profoundly important to discuss them properly. Accordingly, the following paragraphs briefly discuss some of the most popular, useful concepts and terminologies in political economy and public finance of Mizoram. The following paragraphs are an introductory part on common terminology to the public finance, a more inclusive analysis will be found in later chapters.

Accounting Year or Financial Year

The official terminology of Financial Year is Accounting Year in which the government made a specific start day and end day for a financial year. It is stated that the annual accounts of the Central, State and Union Territory Governments shall record transactions which take place during a financial year running from 1st April to 31st March (Government Accounting Rules, 1990 (Revised Edition), 1990: 18). The period of the financial year is from April to March was introduced in India since 1867. Before that, the financial year in India used to commence on 1st May and ended on 30th April (Budget Manual, 2010: 4).

The estimate of budget (overall India) is prepared for a 12 – monthly period commonly known as Accounting Year or Financial Year. The term 'Financial Year' is more popular in Mizoram. A financial year for Union and State Governments in India is usually from April to March that spreads over two normal/Julian calendar years. For example, the financial year of 2020-2021 will commence from 1st April 2020 and will end on March 31st 2021. During this fixed period, the government must prepare all its revenue sources of income and all its expenditure which is to be laid before the Legislature known as the 'Budget'.

There has been an attempt by the Central Government to change the present duration of financial year. A Committee has been formed by the Government in May 1984 which is known as L.K. Jha Committee. The main task of the Committee was to look into the issue of financial year. The Committee recommended commencement of financial year from January mainly concerning the impact of South-West monsoon on the economy. However, a changeover to the calendar year is not acceptable despite its many advantages. As such, it might be best to live with the existing financial year and avoid the problems of transition.

The Government of India did not favour any change in financial year for some of the reasons. The Government felt that the cost and benefit of changing the financial year are innumerable in which the benefits part is innumerable and not worthy of change compare to the cost. Moreover, change in financial year would upset the collection of data and it might take a long time to return to normalcy in this regard.

To be specific, repercussion of change in financial year would likely be loss in revenue receipt of the government. The change would create a large number of problems, as extensive amendments to tax laws and systems, financial procedures relating to expenditure authorization, other matters would become necessary, and in that process, the administrative machinery would be diverted to problems of transition instead of concentrating on improving the tax collection machinery.

As already stated that the Government of India intended to change the commencing month i.e., April-March period to January-December by forming a special ‘Committee on Change in Financial Year’. However, it was decided that change would create large numbers of problems regarding extensive amendments to tax laws and rules and that those amendments or process in administrative machinery would get diverted the problems of transition instead of creating improvements. In other words, the cost of changing the period from April-March to January-December is likely higher than the benefit of changing it. Thereby, the *status-quo* was maintained till date.

Similar to other states, Mizoram also follows the same Financial Year which begins from 1st April and ends on 31st March every year. As such, before commencement of every new financial year, Budget session is convened every year in Mizoram Legislative Assembly. Usually in Mizoram Budget Sessions were held in February and March; in some cases, this session was often late due to unforeseen circumstances leading to delay in the implementation of new financial year. Therefore, every year, Budget session is likely to complete before commencement of a new financial year, i.e., before 1st April of every year.

Budget Speech

Usually, budget speech happens during budget session that often convene before the end of the current financial year. The incumbent Finance Minister normally presents budget speech, if not possible by the Chief Minister of State. Budget speech normally contains plans and programme of a government to collect revenue sources of during one financial year. It also contains all plans and schemes for expenditure. As such, one can easily find a government’s intention to achieve its particular goals, priority, and programmes through this speech.

During this speech, Finance Minister presents his budget proposal known as Annual Financial Statement to approve by the Legislature. During the speech, the Minister usually expresses and highlights government priorities for giving a large amount of funds to particular sectors, departments, agencies and projects. Since there are guidelines to be followed by State Government in presenting a budget, a Minister also further explains how the government intended to tackle too much public debt and liabilities, as well as how to reduce or increase loans from financial institutions. All these are usually contained in budget speech.

Annual Financial Statement

India is a Union of States, a federal country having the principle of federalism in its system of administration. However, there is no mention of the word ‘federal’ in the Constitution of India, not even once. Similarly, the word ‘budget’ is nowhere to be found in the Constitution of India and yet the word ‘budget’ has always been used in administrative system of the government, both at the Union and State Government. Instead, the phrase ‘Annual Financial Statement’ has been commonly used in the Constitution which has the same meaning with ‘budget’.

Article 112 of the Indian Constitution states that –

> ‘The President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, in this Part referred to as the “annual financial statement” (The Constitution of India, 2007).

Similarly, Article 202 of the Indian Constitution also states that –

> “The Governor shall in respect of every financial year cause to be laid before the House or Houses of the Legislature of the State a statement of the estimated receipts and expenditure of the State for that year, in this Part referred to as the "annual financial statement” (The Constitution of India, 2007).

Therefore, this Financial Statement (both Article 112 & 202) is what people refer to as ‘Budget’.

The Annual Financial Statement or simply ‘Budget’ mainly comprises of the sums required to meet the expenditure described in the Constitution of India as expenditure charged upon the Consolidated Fund of India or the State, as the case may be.

Receipts Budgets

Receipts Budgets falls within Financial Statement. It is a further or detail analysis of Government Receipt of funds or revenue during one Financial Year. Normally, Receipt Budget has two main parts, they are – Revenue Receipts and Capital Receipts. Details will be given in the next chapter. Tax and Non-tax Revenue receipts are explained in the former category and; the latter explains details of capital receipts which include market loans, external assistance, small savings, Government Provident Funds etc., are given in this category.

In short, the estimates of receipts included in Annual Financial Statement are further analyzed in a document known as 'Receipts Budget'. The document gives details of revenue receipts and capital receipts and explains the estimates. The trend of receipts over the years and details of External Assistance received are also included (Ganguly, 2000). This is an important indicator of the good or bad of a budget because the higher the income the higher quality the budget is.

Economic Survey

Economic Survey is a statement about the position of budgetary transactions of the Central and State Governments, which shows the overall surplus/deficit of the Central Government and State Governments of the current year along with the same for a few past years. This document gives a detailed analysis of the economic situation of the country and is presented to Parliament a few days before the presentation of the annual budget of the ensuing year.

In economic survey, along with an analysis of the economic situation of the country, details analysis is given regarding trends of the current year, in agriculture, industry, infrastructure, employment, money supply, imports, exports etc., as compared to preceding year. This is why this document for current year is presented to the Parliament ahead of the budget for the ensuing year.

This document may be called a research-oriented document regarding the budgetary system. In Mizoram, the task of reviewing faults in budget lies within Planning & Programme Implementation Department. It is meant to give directions for ensuing budget, it is meant to avoid certain issues and difficulties for next financial year, and again it is meant to abolish unnecessary planning and to improve the overall political economy of the state.

Performance Budget

Budget prepared by government is uncertain whether it is a successful or not. In fact, budget does not indicate on what ground it is sought to achieve a particular goals by application of these resources. Budget is a simple allocation of funds to achieve certain goals. The need for showing on what ground budget is sought to achieve concerning the money provided in the budget was being increasingly felt as the developmental activities were gradually gaining momentum. The idea was to ensure that value of the money was being utilized. This led to the introduction of Performance Budget in the Center, and some states applied the same. Performance budget set out what is being done and what is supposed to be achieved correlating them to the financial outlays so that it can be found out whether the desired results have been obtained commensurate with the money spent. But still, some states do not yet prepare performance budget.

Medium Term Fiscal Policy Statement

This statement presents an assessment of sustainability relating to the balance between revenue receipts and revenue expenditure, use of capital receipts including borrowings for generating productive assets and the estimated yearly pension liabilities for the next ten years. In Mizoram, this statement is prepared as required under Section 6(6) of The Mizoram Fiscal Responsibility and Budget Management Act, 2006. Funds receive from Finance Commission and its proper utilization plans for the future may be found in this statement.

Fiscal Policy Strategy Statement

This is an overview of the fiscal policy of the State Government. This policy began to appear as a budget document in Mizoram public finance since the enactment of Mizoram Fiscal Responsibility in 2006. As such, it is prepared as required under Section 6(6) of The Mizoram Fiscal Responsibility and Budget Management Act, 2006. The major focus of the State's fiscal policy strategy is to generate revenue surplus and make rooms for capital investments from all available resources. However, this focus was hardly achieved by previous ministries or governments. The act insisted that Fiscal deficit has to be brought down to the targeted level to reduce deficit financing which will in turn help reduce the debt stock. This can be achieved by adopting a policy of reduction of expenditure and contain within the optimum level of resources to minimize the fiscal gap, and this is why it is known as 'fiscal strategy'. A strategy was laid down in this document for maintaining a healthy public finance for the State Government. This statement presents an overview of the fiscal policy of current year and the policy of the ensuing year concerning taxation, expenditure, borrowings and investments of the State Government in the instruments like Sinking Fund and Guarantee Redemption Fund. However, the Government will continue in its effort towards finding alternative resources to increase expenditure on infrastructure and other developmental needs. The problem of balancing revenue and expenditure or problem of surplus budget is the main reason for the existence of Fiscal Policy Strategy Statement.

Demand for Grants

The estimates of expenditure from the Consolidated Fund included in the Budget Statements and required to be voted by the State Legislative Assembly are submitted in the form of Demand for Grants. Normally a separate demand is required to be presented for each Department or the major services under the control of a department. Each demand normally includes the total provisions required for a service, i.e. provisions on account of revenue expenditure, capital expenditure, loans and advances relating to that service. Estimates of expenditure included in the Demands for Grants are for gross amounts.

The estimates of expenditure in the Demand for Grants contain those amounts for which the vote of State Legislative Assembly is required separately, and is called *'voted'* expenditure. The estimate for *'charged'* expenditure under any head for which vote of the State Legislative Assembly is not required, is also indicated in the Demand for Grants. Therefore, there are two kinds of Demand for Grants, they are *'voted'* and *'charged'*. When there is no estimate for expenditure under any head requiring a vote of State Legislative Assembly, then it is not called a Demand, but it is called 'Appropriation' and included as such in the list of Demands.

The Ministry of Finance in the Budget Division decides keeping in view the need for clarity, the serial number of Demand for Grants and their coverage. The estimates in Demand for Grants are shown by Major Heads, and the break-up under each Major Head shows the estimates under 'charged' and 'voted', 'Revenue' and 'Capital' and 'Plan' and 'Non-Plan'. Demand for Grants are submitted to the State Legislative Assembly along with the Annual Financial Statement.

Article 202(2) of the Constitution of India lays down that the estimates of expenditure embodied in the Annual Financial Statement shall be shown separately: -

a) The sums required to meet expenditure described by this Constitution as expenditure charged upon the Consolidated Fund of the State, and

b) The sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State.

And, Article 202(3) of the Indian Constitution also lays down that the following expenditure shall be expenditure charged on the Consolidated Fund of the State:

a) the emoluments and allowances of Governor and other expenditure relating to his office;

b) the salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly;

c) debt charges for which the State is liable including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the services and redemption of debt;

d) expenditure in respect of the salaries and allowances of judges of the High Court;

e) any sums required to satisfy any judgement, decree or award any court or arbitral tribunal;

f) any other expenditure of the State by the Constitution, or by the Legislature of the State by law, to be so charged.

Under Article 203 of the Constitution of India, so much of the estimates as relates to the expenditure other than ‘charged’ upon the Consolidated Fund of the State is required to be submitted in the form of Demand for Grants to the Legislative Assembly which has power to assent, or to refuse to assent, to any demand, or assent to any demand subject to a reduction of the amount specified therein. The estimates as relates to expenditure charged upon the Consolidated Fund of a State shall not be submitted to the vote of the Legislative Assembly, but nothing in this clause shall be construed as preventing the discussion in the Legislature of any of these estimates.

In simple terms, Article 203 of the Constitution of India is Demand for Grants which states that –

1) So much of the estimates as relates to expenditure charged upon the Consolidated Fund of a State shall not be submitted to the vote of the Legislative Assembly, but nothing in this clause shall be construed as preventing the discussion in the Legislature of any of those estimates.

2) So much of the said estimates as relates to other expenditure shall be submitted in the form of demands for grants to the Legislative Assembly, and the Legislative Assembly shall have power to assent, or to refuse to assent, to any

demand, or to assent to any demand subject to a reduction of the amount specified therein.

3) No demand for a grant shall be made except on the recommendation of the Governor" (The Constitution of India, 2007: 100-101).

Article 113 further provides that estimates relating to expenditure charged upon the Consolidated Fund of India shall not be submitted to the vote of Parliament, even though these can be discussed in either House of Parliament. The estimates relating to the 'voted' portion shall be submitted in the form of demands for grants, and the House of the People shall have power to assent, refuse or reduce the amount specified therein.

Supplementary Demand for Grants

When an expenditure is needed which is beyond or outside budget estimate of the current year, a re-estimatisation is made which is called Supplementary Demand for Grants. This Supplementary Demand for Grants is usually laid before the House in the budget session along with the next Financial Year Budget Estimate. For instance, normally in Mizoram, if there are unforeseen circumstances arise in receipt and expenditure of 2021-2022 financial year, a re-estimisation of fund is require which is to be laid before Legislative Assembly during February/March 2022 budget session.

There are three Parliament session in each financial year viz., Monsoon Session, Winter Session and Budget Session. Supplementary Demands for Grants is normally presented in each session of the Parliament, largely owing to the following circumstances-

1. When the amount authorized during the Current Financial Year is insufficient;

2. The need has arisen during Current Financial Year for additional expenditure on existing service or expenditure on a new service not contemplated in the Annual Financial Statement for that year;

3. For recouping Contingency Fund Advance.

Supplementary Demand for Grants means the statement of supplementary demands laid before the Legislature, showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Financial Statement for that year. Therefore, Supplementary Demand for Grants simple means additional demand for grants which arises due to unforeseen circumstances but to be implemented without fail. When such need arises, the government prepares Supplementary Demand for Grants. The Constitution of India under Article 205 has provided a special provision for such demands –

1. The Governor shall—

    a) if the amount authorised by any law made in accordance with the provision of Article 204 to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, or

    b) if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, cause to be laid before the House or the Houses of the Legislature of the State another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the State a demand for such excess, as the case may be" (The Constitution of India, 2007: 101-102).

Explanatory Memorandum of the Budget

Explanatory memorandum simple means an explanatory note on the present budget of the state. It discusses the nature of the present budget as well as give directions and clarifications regarding the complex budget documents. It is a simplification of the budget.

The Finance Minister often explains most of the complicated terms during budget speech. However, there are certain things which are inappropriate to include during the budget speech, such terms are usually mentioned and explained in Explanatory Memorandum of the Budget.

What is Budget?

A long discussion has been made regarding several budget documents. However, what is the budget? one may ask. It is already discussed in the above paragraph that the Annual Financial Statement is also known as budget, but what makes the statement 'budget' is another question. Within the Annual Financial Statement, there are receipt/income and disburse/expenditure part. The receipt/income is usually termed as the real budget for which it shows the budgetary situation of the current financial year of a government.

As discussed earlier, the Annual Financial Statement of a particular state is simply called 'Budget' which contains a blueprint for expenditure and receipt of government for a particular financial year. The Constitution of India does not mention the word 'Budget' but the Annual Financial Statement implies the condition of budget at both the Central and the State. This procedure is enshrined in Article 202 of the Indian Constitution which contains a detail guidelines for laying expenditure and receipts of the government. Accordingly, Annual Financial Statement or Budget often contains guidelines of disbursement for expenditure and receipts which are divided into Consolidated Fund, Contingency Fund, and Public Accounts.

The expenditures of government may be divided based on their nature of disbursement and based on the department which is classified into – *development expenditure* and *non-development expenditure*. Moreover, different departments of government are further classified based on the nature of their work into – General Services, Social Services, and Economic Services. General services include such services like administration of Governor, Council of Ministers, interest payment, pension, administration of justice and Election etc. All the expenditure disbursed for General services is labelled under *non-development expenditure*.

Under Social services, there are several works, namely, education, health, family welfare, housing, water supply & sanitation, social security, and Labour & employment etc. Economic services have more services than social and general. Under Economic services road, agriculture, power, tourism and land reforms etc., are some of the most popular services. Social services and Economic services come under *development expenditure* for which this expenditure is not for administration but for direct development of the society.

In early days, during the time of the United Progressive Alliances (UPA) Government in the Central, expenditures of state government are categorized based on the nature of disbursement to different departments. These categorizations are known as *Plan Expenditure* and *Non-plan Expenditure*. All expenditures, which are under a new plan or projects of government are labelled as *Plan Expenditure* whereas expenditure for maintaining the existing plan or projects are labelled as *Non-plan Expenditure*. The *Non-plan Expenditure* are often insufficient and too meagre, as such, state governments have to borrow money from the *Plan Expenditure* which creates hindrances to state economic development and thereby becoming a burden to state economy. However, these categorizations of Budget into Plan and Non-plan expenditure has been scrap-off by the new National Democratic Alliances (NDA) Government since 1st January 2015.

Moreover, budget, based on its actual expenditure is further classified into a *revenue* and *capital* expenditure. Government servant salaries, its administrative cost falls under *revenue expenditure* whereas investment, and expenditure for long term development of the society falls under *capital expenditure*. *Capital expenditure*, in the end, is sometimes a government's hope for generating new revenue.

Much has been said about expenditure. It is time to move towards income. State receipts are broadly divided into – *revenue receipts* and *capital receipts* in which income from tax, revenue and others which are not from loan and interest are put under *revenue receipts*. Under *revenue receipts,* professional tax, land revenue, sale tax, state excise, vehicle tax, passenger & goods tax etc., are some of the most popular income of state government. But these system has been changed by the NDA Government since 1st July 2017 into Goods and Services Tax (GST) with enforcement of the Constitution One Hundred and First Amendment Act, 2016. However, *capital receipts* include all receipts or income of state government from different Loans, banking, etc.

In Mizoram, almost all revenue is comes from the Central Government. The state generated revenue or budget are very small that it might only reach around 10 to 8 per cent of the total budget receipts during one financial year; the rest comes from the Central. This revenue/budget from the Central are usually disbursed under the guidelines of Planning Commission and Finance Commission. These disbursements are further divided into – *plan grant* and *non-plan grant*. The *plan grant* is received from the Planning Commission and Central Ministry through several Centrally Sponsored Scheme (CSS). The *plan grant* also includes state plan assistance, externally aided projects and central sector scheme – like Border Area Development Projects (BADP) etc., several CSS, receive from North Eastern Council (NEC) and Non-Lapsable Central Pool of Resources (NLCPR). Budget receive from Finance Commission comes under *non-plan grant* and it often includes the share tax of state from the Central, non-plan revenue deficit grant, upgradation grant & special problem grant, grant for local body (both rural and urban), and calamity relief.

Budget is a government's current year financial plan and articulates how government will pay for its programs and ongoing operations (Government of Mizoram, 2016: 29-30). Therefore, budget is determined by programmes, projects, and schemes that the government pursue during the current financial year. Regardless of its amount and sources, a good budget should clearly depict a government's plans to spend its resources during a given year. Since it is a blueprint of government concerning finances of a state, it should contain detail schemes and plans highlighting sources and expenditure. For instance, the New Economic Development Policy (NEDP) guideline highlights that a good budget should describe how a government will: (i) Generate the needed funds through revenues, borrowing, or user fees; (ii) Serve its citizens and contribute to a better future; and (ii) Support Government priorities, policies, and objectives through its expenditures (Government of Mizoram, 2016: 30).

Budget presented in Annual Financial Statement usually comprises of three major column, namely, Budget Estimate (BE), Revised Estimate (RE), and Actuals. Budget Estimates (BEs) are estimates put forth by government for any department or scheme under various major heads for the upcoming financial year. During the year, based on an estimation of expenditures, states compute Revised Estimates (REs). These REs can be either lower than the BEs if actual expenditure till October or anticipated expenditure till March is expected to be less than originally budgeted or higher if the grants budgeted at the start of the year fall short of expenditure requirements. In the latter case, demands for additional grants are placed in front of the Parliament or State Assembly which are then looked into and passed by the same during the financial year itself. Actuals represent the actual expenditures by government in a given financial year. Since actual expenditures can be assessed only after the financial year is over and are audited by the Comptroller and Auditor General (CAG), these figures are released by government with a time lag of two years.

Public Debt

Public Debt in short consists of all kinds of borrowings of government to finance its expenditure. The accumulation of borrowings of State Government for creation of capital assets to generate own revenues and financial returns to the State Exchequer and its repayment schedule forms Public Debt. However, these receipts are to be paid back as such it also forms an Outstanding Liabilities of the State (Economic Survey, Mizoram, 2012-2013: 14). In short, Public Debt and Outstanding Liabilities are almost the same as far as its disbursement are concerned. In other words, money received by State Government in the form of various loans from various financial institutions are to be paid back in the form of Public Debt under Capital disbursement/expenditure of Annual Financial Statement. Thereby, Public Debt can be either in the form of receipt and expenditure; whereas Outstanding Liabilities can only be in the form of expenditure which is being used for repayment of Loans from financial institutions.

Mizoram has recorded an impressive fiscal consolidation without compromising its GSDP growth during the last 7 years since 2009, i.e., since the Congress ministry. The ratio of public debt to GSDP in Mizoram used to remain exorbitantly and persistently high at above 100 per cent during 2004 to 2008 (it was 102.6 per cent in 2004, 108.9 per cent in 2005, 106.2 per cent in 2006, 101.0 per cent in 2007, and 103.5 per cent in 2008). There was a turnaround in 2009 with a sharp decline in the ratio of public debt to GSDP at 90.6 per cent, and it has declined continuously since then and it is estimated at 44.07 per cent only in the BE of 2015-16 (Economic Survey, 2015-16: 1). This decline in the ratio of debt to GSDP is mainly the role of politicians which will be discussed in details in chapter 6 on 'Role of Government in Budgeting'.

The main reason for state debt or liability is due to the incompatibility of state own revenue receipt (excluding loans) and state total expenditure. This means that the State Government spent more money than what it generates on its own, which leads to borrowing of loans from banks, which further increase in deficit of the state budget, thereby, slowly entering a status of insolvency. Another reason for Public Debt is that government is spending too much on capital formation by way of borrowings from several sources. These sources may include financial institutions, Market Loans, Loans from Public Account, Loans and Advances from the Government of India etc.

As per the Thirteenth Finance Commission Report, State Government is required to bring down the debt stock/outstanding liabilities to 74.8 per cent of its GSDP by the end of the award period, i.e., 2014-15 (Fiscal Policy Strategy Statement, 2013-2014: 11). Whether the State Government is able to achieve or not as per the direction of the Thirteenth Finance Commission is to be discussed in chapter 6 on 'Role of Government of Mizoram in Budgeting'. Anyhow, due to insufficiency of funds, government has no other choice but to borrow from several financial institutions. However, these borrowings sometimes could not save government from entering into a deficit position. Normally, there are three kinds of deficits, namely, *revenue deficit*, *fiscal deficit* and *budget deficit*.

Revenue deficit

Revenue Deficit means a gap of government's total revenue receipts to its total revenue expenditure. It shows the degree to which government will need to borrow to finance its revenue expenditure. In other words, revenue deficit happens when revenue expenditure is higher than revenue receipt – when expenditure is higher than income, it is often termed as deficit. When there is a shortage of money from all *revenue receipts* (excluding loans) to be spent for Government administration, such as salaries and administrative cost, but not for *capital expenditure*; and when revenue expenditure is higher than revenue receipt, the condition is called *revenue deficit*.

Revenue account is an account of state government with a credit balance. It includes all the *revenue receipts* and *revenue expenditure* of government. These receipts include tax revenues and other revenues of government. In simple terms, state government generate money from its own resources, like, taxes and those accumulate revenues are supposed to meet the necessary administrative cost of state government; but in reality, it is sometimes difficult that *revenue receipts* meet the actual necessities of administrative cost, namely, salaries. State own *revenue receipts* often too meagre, perhaps insufficient. It hardly exceeds 10 per cent of the total receipts budget in Mizoram; more than 80 per cent often comes from the Central government in the form of Grants and some other sources. As such, there is a condition or a situation where *revenue receipts* could not meet the state administrative cost, there is shortage or deficit of budget from the *revenue receipts* and that situation or condition is called *revenue deficit.*

Due to persistent revenue deficit, that government has to borrow money from financial institutions. The Bible says "Do not owe anyone anything, except to love one another……" (Romans 13:8) but in reality, increasing high rate of debt is the present condition. Of course, the Congress ministry in Mizoram has set back some of the exclusive high debt rates to a minimum level, but still, debt position is still huge. The intensive growth of Public Debt or Outstanding Liabilities has now become an important indicator of fiscal condition. How the statesman/politicians played role to minimize Public Debt or Outstanding Liabilities? How political parties contributed towards redemption from Public Debt or Outstanding Liabilities? All these questions are discuss in Chapter 6 on the ‘Role of Government of Mizoram in Budgeting’.

Anyhow, public debt must be hectic in the old days believing that it might lead to degeneration of personality and quality of human being in the society. William Shakespeare in his famous play *The Tragedy of Hamlet* via Lord Polonius states that “Neither a borrower nor a lender be, For loan oft loses both itself and friend, And borrowing dulls the edge of husbandry” (Shakespeare, 1992). Having too much debt can be a burden for society for which one must seek redemption from this insolvency.

Fiscal Deficit

Whenever there is a shortage of fund or money from the *revenue account* to spend for infrastructure development and long-term development of state, a situation of fiscal deficit arises. When a shortage of fund occurs, state government deliberately borrow money from the central government, financial institutions (banks) to meet the necessary expenditure. However, borrowing from financial institutions to meet the necessary expenditure are exclude in *fiscal deficit*. The accumulated amount of this shortage or deficit of fund is called a *fiscal deficit*. Fiscal deficit contains not only expenditure purposes for revenue account, but also capital account. As such, the difference between Revenue Deficit and Fiscal Deficit lies within its purposes of usage. Revenue Deficit happens only within Revenue Account, whereas Fiscal Deficit happens within a combination of both Revenue and Capital Account.

In other words, Fiscal Deficit is the gap between total expenditure requirements and total receipts, excluding borrowings. It shows the amount considered necessary for a government to meet its expenses which is to borrow from financial institutions. A large fiscal deficit means a large amount of borrowings.

Fiscal deficit tends to increase every financial year, this is again due to the low or poor income generation of government from its own resources. In short, *fiscal deficit* consists of both revenue deficit and capital deficit but excluding market borrowing and other liabilities. It is the accumulated deficit of Consolidated Fund. In other words, Fiscal Deficit means an excess of total disbursement from Consolidated Fund of the state (excluding repayment of debt) over the sum of revenue receipts, recovery of loans and non-debt capital receipts (Economic Survey, Mizoram, 2012-2013: 15). There are rules regarding the limitation and reduction of fiscal deficit which is to be followed by State Government. Whether the State Government followed the rules or not, is to be discussed in chapter 6 on 'Role of Government of Mizoram in Budgeting'. Fiscal deficit, on the other hand, can be defined as the excess of total disbursements from the consolidated fund of the State (excluding repayment of debt) over the sum of revenue receipts, recovery of loans and non-debt capital receipts into the fund during a financial year.

Budget deficit

Another type of deficit is called *budget deficit* which occurs regardless of all money borrowed by the state to meet several necessities of state government, there are still shortages and deficit to run government and administration. Budget deficit happens when spending exceeds income. This is one of the most popular deficits of government. Budget deficit normally contains both last financial year deficit (opening balance) and the current financial year deficit (net deficit). This deficit occurs normally when there are borrowed directly from the Reserve Bank of India (RBI) and Mizoram cannot exceed it borrows beyond ₹ 25 Crore (Vanlalchhawna, 2004: 169). There is another type of deficit called primary deficit. Primary deficit is the difference between fiscal deficit and interest payment on previous borrowings (L.T. Thanga, 2018: 56).

Conclusion

India is a Union of States, a federal country having the principle of federalism in its system of administration. However, there is no mention of the word 'federal' in the Constitution of India, not even once. Similarly, the word 'budget' is nowhere to be found in the Constitution of India and yet the word 'budget' has always been used in administrative system of government, both at the Union and State level.

The researcher has observed the rural economy by visiting all Rural Development (RD) Blocks in 2019. One major observation is that majority of the population in Mizoram are mainly depending on Agriculture and allied sector. Shifting/Jhuming cultivation is still at large and permanent farming based economy is still need to be introduced. There are several problems faced by the farmers in rural areas, amongst them are poor transportation, infrastructure problem and low market prices.

Trade with Myanmar and other East Asian nations have been going on through Zokhawthar-Rih border in the eastern part of Mizoram. There are several agriculture potential areas in the South, East, West and Northern parts of Mizoram which are not yet fully utilized. The product of Jhum, especially in paddy have been increasing, but production in large quantity could not be made and that paddy is still imported from other states.

To improve border trade, it is politics which needs to deal with the border people, not the economists. To check illegal import and export, it is the political decision which must come first before the involvement of economists. To improve border trade; to improve the rural economy of the east using border trade, political involvement is imperative and mandatory. However, economic development will come later. This is how and why economics should be within the realm of politics, and this is how economics is to be referred to as a 'political economy'.

Mizoram has recorded an impressive fiscal consolidation without compromising its GSDP growth during the last 7 years since 2009, i.e., since the Congress ministry. The ratio of public debt to GSDP has remain exorbitantly and persistently high at above 100 per cent during 2004 to 2008 (it was 102.6 per cent in 2004, 108.9 per cent in 2005, 106.2 per cent in 2006, 101.0 per cent in 2007, and 103.5 per cent in 2008). There was a turnaround in 2009 with a sharp decline in the ratio of public debt to GSDP at 90.6 per cent, and it has declined continuously since then and it is estimated at 44.07 per cent only at BE 2015-16 (Economic Survey, 2015-16: 1).

Chapter 3

Sources of State Income

> "If during any period agricultural improvement advances faster than population, rent and money wages during that period will tend downward, and profits upward. If population advances more rapidly than agricultural improvement, either the labourers will submit to a reduction in the quantity or quality of their food, or if not, rent and money wages will progressively rise, and profits will fall"
>
> John Stuart Mill, 1848.

Introduction

This chapter deals with different sources of income of the Government of Mizoram during the Sixth and Seventh Legislative Assemblies. This chapter is about the sources of state income, not the sources of state revenue. Revenue and income are almost the same, yet, there are certain differences. State revenue only depicts an official income of the State Government but state income reveals both official and non-official income of the government and of the people. However, it might be necessary to trace the history of political economy of Mizoram since the 1950s (Lushai Hills era) for comparison purposes. It also contains the average amount with sources of State's own revenue or the State's own generated revenue. This chapter deals with the classical theoretical foundation in which the popular principle of laissez-faire and social welfarism is being tested within the parameter of Mizoram political economy. This chapter also discusses some contending theories regarding taxation and intervention of government in individual affairs of the society. The principle of laissez-faire recognizes liberty of every soul who is participating in the economy of society. It also locates individual freedom in trade and commerce. On the other hand, the principle of social welfarism focuses on emancipation of the poor in society through re-appropriation of wealth.

Since the subject of this study is political, an in-depth dissection and analysis on sources of income will not be done for which it is the task of an economists and financial analysts. However, how politics determines and affects budget? How politicians take care of financial issues? How government or a particular Ministry generates revenue and disburses such revenue to various government departments and agencies? How government or a particular Ministry utilized revenue to enhance state's political economy? These questions are the main intention of this whole thesis. Therefore, it is rather an issue on political financing than economics financing. Political financing means, in this thesis, is the determination of politics in the state finance and fiscal policies.

There are two broad sources of income of the State Government, namely Revenue Receipt and Capital Receipt. Revenue Receipt is further divided into two categories - they are Tax Revenue and Non-Tax Revenue. Non-Tax Revenue has been one of the most important sources of income for Mizoram, it is the grants made by the Central Government in different forms of funds. The capital receipt is also divided into three categories, namely Receipts on account of Public Debt, Deficit Financing, and Recoveries of Loans and Advances. Public debt mainly consists of Borrowing from Financial Institutions (see Diagram 2). Therefore, one can say that there are three main sources of State Income, namely Tax revenue, Grants from Central, and Loan from Financial Institutions. Tax revenue is further classified into State Own Tax Revenue (SOTR) and Share of Central Taxes. Grants-in-aid from the Central are free of cost, the State Government do not need to repay it to the Central, they are usually in the form of Plan Grants and Non-Plan Grants (see any Annual Financial Statement). Further analysis of these will be made later in this chapter.

Grants from the Central always form majority of the State Income of Mizoram. Grants from the Central are also known as Grants-in-aid from the Central in which the provision for this grants has been enshrined in Article 275 (1) of the Constitution of India. Grants from the Central are highlighted in Revenue Account of Annual Financial Statement in the form of Plan Grants and Non-Plan Grants.

Loans from Financial Institutions are often borrowed from Banks and other financial institutions, and comes under Capital Account of Annual Financial Statement. These loans are the main causes of Public Debt, Debt Stock and Outstanding Liabilities because contrary to Grants from the Central government, these

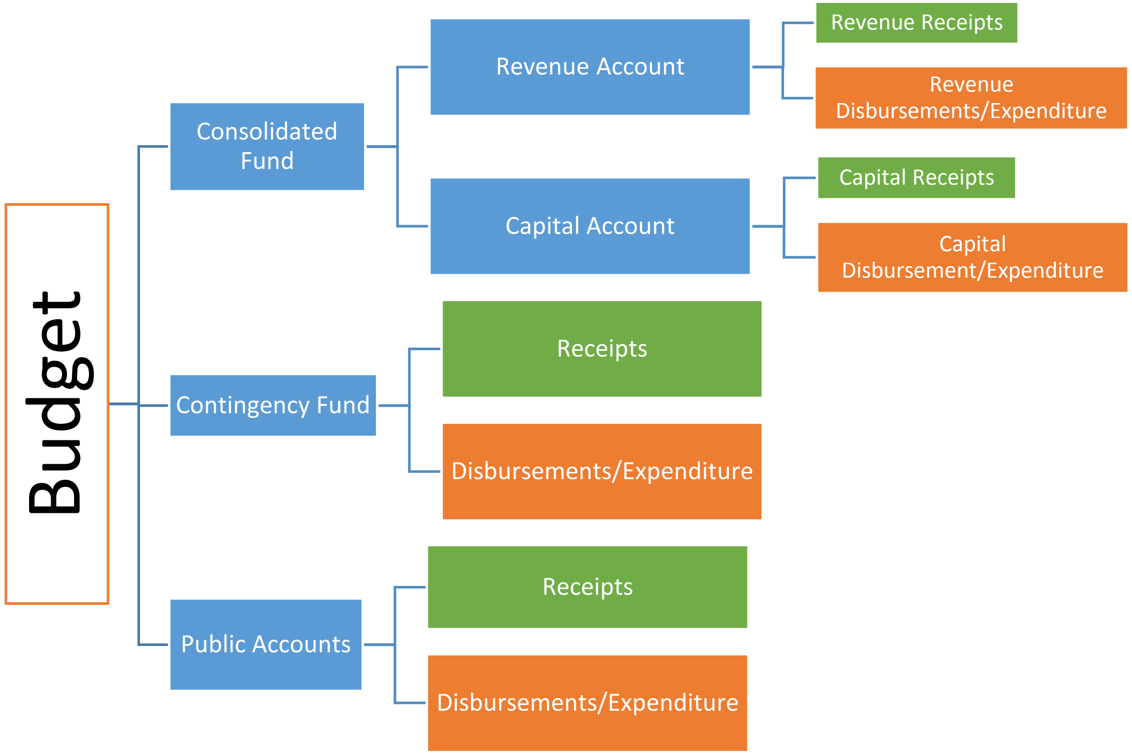
Loans and borrowings must be paid back to the Financial Institutions. The repayment to these Loans and borrowings thus constitute Public Debt, Debt Stock and Outstanding Liabilities. So much of these Loans and borrowings are usually spent for creation of capital assets, durable assets, and sometimes they are used for Public resource management. Capital assets and durable assets are one of the most important factors that are responsible for voting behaviour of the people. The people blindly measured the good and bad of a particular government, of the politicians and of a particular ministry based on creation of durable assets. Therefore, every politician and political parties in Mizoram have been trying to utilize funds for creation of capital assets and durable assets which is likely to make them win elections. Accordingly, funds borrowing from financial institutions have vital importance for ruling political parties. Sometimes these funds are also known for creation of outstanding assets in which the revenue from assets creation are not yet collected but are to be collected in the next financial year.

Furthermore, Capital Account can have two broad receipts, they are Loan from Financial Institutions and Recoveries from Loan and Advances. The State Government give out loans and such recoveries from Loan and Advances is a part of important receipt. In short, Loan and Advances are such loans debited by the State Government in order to create a profit of interest in the form of recoveries. In this way, the State Government act as a mere Bank giving Loans and Advances to the people.

The general procedure of the flow of funds and resources of the Government of Mizoram may be observed from the following Diagram 1. Some of the most popular sources of funds for Mizoram consist primarily of Share of Taxes and Post-Devolution Revenue Deficit Grant (PDRD Grant), and grants for Urban Local Bodies (ULB) and State Disaster Response Fund (SDRF). These grants fall under *Grants-in-aid & Contributions* from the Central Government. This chapter analyses these sources of income of Mizoram.

How do sources of income increase? How to measure the wealth of a state? Does the state follow a positive growth? Do different theories of political economy have anything to do with the growth and development of the state? All these underlying questions are hardly raised not only among the people but also among academicians and intellectuals. Whether the growth increased in number or not was the only concern of the politicians. Perhaps quantity rather than quality in terms of development and growth is the only thing that politicians really care in the state. Regarding this argument, a more logical explanation will be found later in this chapter.

Diagram 1 - Flow of Public Finance in Mizoram



Revenue Receipt

Of all receipt of the Government of Mizoram, revenue receipt is one of the most important component of public finance. Perhaps without it the government cannot run its administration because it forms the largest sources of income. Revenue receipt consists of State Own Tax Revenue (SOTR), State Own Non-Tax Revenue (SON-TR), Share of Central Taxes and Grants-in-Aid from the Central Government which is free of cost. Grants from the Central government include Grants under the proviso to Article 275(I) of the Constitution of India. Although detail analysis will be made later, the general procedure of income of the State Government is discussed in the following points.

a) **Tax revenue:** Tax revenue has never been one of the most important income of the state due to its complicated procedures. However, during 2007-08 there has been considerable improvement in the revenue receipts of the State Government. This improvement was mainly caused by Value Added Tax (VAT) implementation in the State on 1st April 2005. There were three kinds of Tax in Mizoram, they are - Profession Tax, Sales Tax/VAT, Entertainment Tax and Passenger & Good Tax. Amongst them, Sales Tax/VAT is the biggest revenue sources of the government. In the same year, the State's Own Tax Revenue (SOTR) was estimated at ₹ 118.26 crore in the Budget Estimates and it improved at ₹ 124.15 crore in the Revised Estimates. Better performance than expected is mainly due to higher collection of revenues in respect of Land Revenue and VAT. Since the implementation of Goods and Services Tax (GST), the revenue of the State Government has been increased enormously due to its bypassing of complicated procedure that was practiced in the erstwhile taxation system. This improvement has made the Congress government to take up several initiatives that the former government failed to do so.

State's Own Tax Revenue also includes some of the popular taxes and duties paid by the people and these taxes are popular to them. They are - Taxes on Sales/Trades, Taxes on State Excise, Stamps & Registration Fees and Land Reforms under Revenue Department, Taxes on Income & Expenditure, Taxes on Vehicles and Other Taxes on Goods & Passengers.

Since the inception of the Mizoram Motor Vehicles Taxation (Amendment) Act, 2015, collection of revenues under the Transport Department has progressively increased. The Mizoram Water Supplies (Control) (Amendment) Rules, 2011 which came into force since 21st November, 2014 had made tremendous increases on water revenue. With the implementation of the Mizoram Water Supplies Rules, revenue generated through water tariff has shown a gradual increase. For example, during 2016-17 a total of ₹ 37.51 crore had been collected on account of water tariff which has almost equal to tax collected from excise duty. During Financial Year of 2017-2018, a total amount of ₹ 51.50 crore was estimated to be collected from excise duty.

If this continues in future, the negative achievement of Irrigation and water supply may be checked/tackled and abolished for good. However, some of the best sources of revenue of the State Government are now abolished by the new MNF ministry, namely the excise duty. This development in revenue leads the state towards uncertainty. Further analysis will be made in the later chapter on the 'Role of Government in Budgeting'. Yet, one must remember that revenue generated from power and water comes under the State's Own Non-Tax Revenue.

b) **Non-tax revenue:** Own non-tax revenues of the State consists of receipt from interest on loans by the State Government, royalty from minerals, forestry and wildlife, User charges from irrigation, power, transport and other services. Unfortunately, the Own Non-Tax revenue figure in the State Annual Plan is always minus because of the negative achievement of Power, Irrigation &

Transport Department. Negative achievement means the recovery from User charges of the service rendered by these Departments do not cover the maintenance cost/non-Plan expenditure of that Department. It is, therefore, absolutely required to overhaul and renovate non-tax administration throughout the State. As such, the government must follow strict guidelines, make a new policy if necessary, to increase state income from these departments. Impact of these negative achievements towards state revenue due to Power, Irrigation & Transport Department will be discussed later in chapter 5 on 'Public Finance in Mizoram'.

c) **State's share of Central Taxes:** This income is credited from the share of Central taxes. The increase and decrease of this share fall upon the decision made by the Central Government. For example, due to prevailing buoyant economic situation of the country, the State's share in central taxes and duties in absolute amount has gone up from ₹ 288.05 crore in 2006-07 to ₹ 340.89 crore in 2007-08, and further to ₹ 427.81 crore in 2008-09 as per the Union Budget 2008-09. The increase of this share of taxes and its utilization by the state government will be highlighted in chapter 6 on 'Role of Government of Mizoram in Budgeting'.

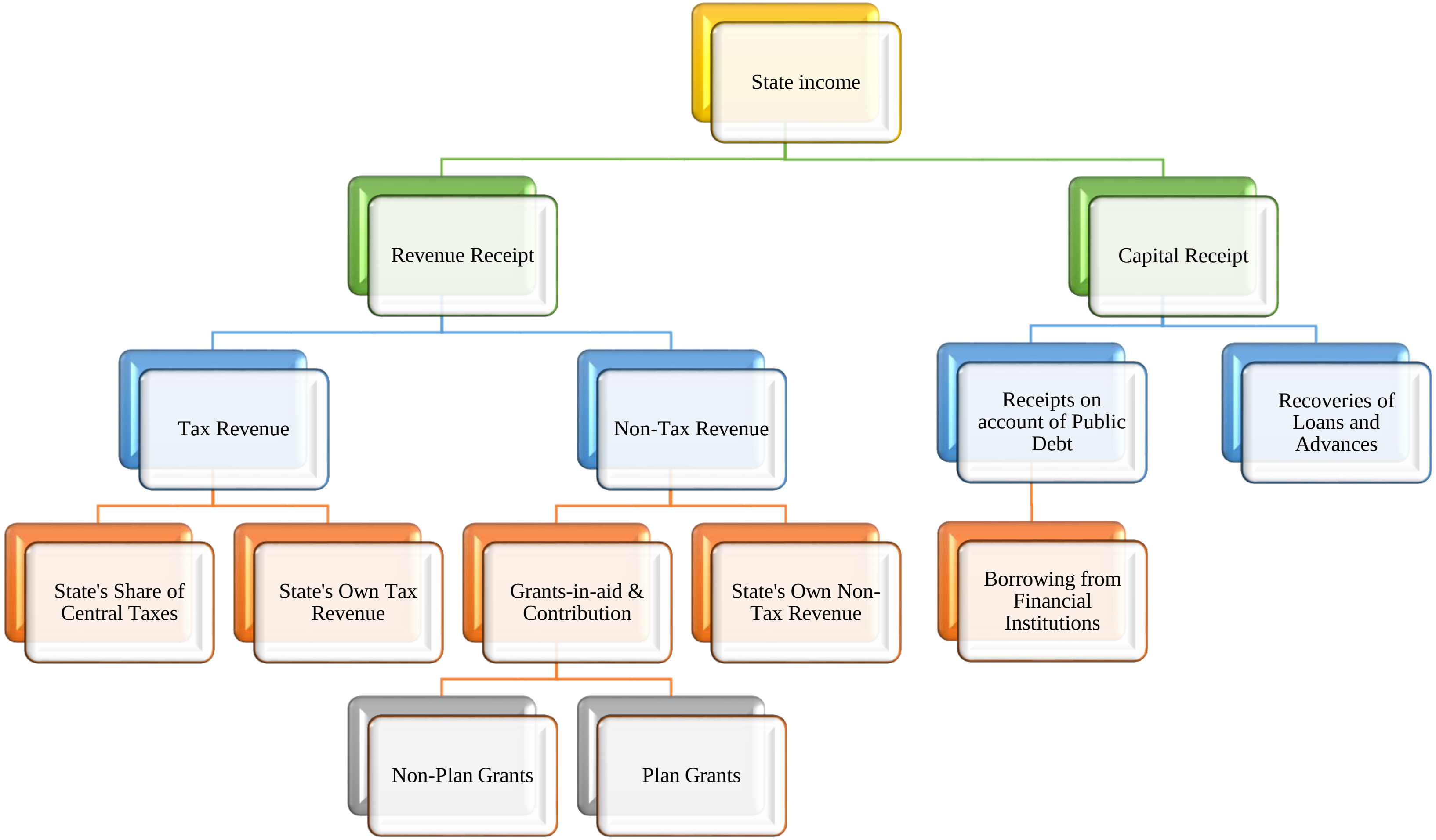
d) **Grants from the Central Government:** These grants are further divided into – Plants and Non-Plan Grants. The State Government has been receiving grants on non-plan and plan accounts. Non-plan grants as a result of the recommendations of the Twelfth Finance Commission covering non-plan revenue gap grant and other maintenance grants are of great help to the State Government to meet its non-plan commitments. The amount estimated as grants from the Central Government for 2008-09 is ₹ 2026.04 crore. Since the State Government is in a position of revenue deficit, not revenue surplus for far too long that grants from the central have been one of the most important determinants of development in Mizoram. These grants constitute approximately 50 per cent of the total receipt of the State Government. As stated above, these grants are popularly in the form of Post-Devolution

Revenue Deficit Grant (PDRD Grant), and grants for local bodies - Urban Local Bodies (ULB) and Rural Local Bodies (RLB), and State Disaster Response Fund (SDRF), etc.

Flow of income of the Government of Mizoram may be understood from the following Diagram 2. Revenue is divided into Tax and Non-Tax revenue, some of which are discussed above. In later part of this chapter, Revenue Receipt and Capital Receipt will be analysed differently in which further analysis on revenue receipt will be made. Anyhow, the following Diagram 2 does not contain receipt from Public Account which is an important source of income of the government. The reason is that Public Account money is to be disbursed again on its sources of revenue in terms of Provident Funds, Reserve Funds, Deposit & Advances, Suspense and Miscellaneous, and Remittances etc. As such, all money received through Public Account is disbursed again without utilizing for creation of capital assets. Sometimes, more than what it generates have to be disbursed to Public Account. Therefore, the following diagram is only income sources of the Consolidated Fund of Mizoram.

All public amounts of money received by or on behalf of the State Government which cannot be booked in the Consolidated Fund are credited to the Public Account of the State. In fact, the Government is not the owner of the fund but it is the mere holder or act as a banker to that account. Sometimes, this fund is paid back to the rightful owner of the account in which the Government acts as an investor and actor of the transaction from this account. Provident Funds, Reserve Funds, Deposit & Advances, Suspense and Miscellaneous, and Remittances constitute this account. The following paragraphs will discuss revenue sources of income in which details of Tax Revenue will come first and later moved on to Non-Tax Revenue.

Diagram 2 - Sources of Income under Consolidated Fund of Mizoram



Resources from Value Added Tax (VAT)

As discussed earlier, this source of income falls under Tax Revenue of Revenue Receipt. In fact, Value Added Tax (VAT) falls within the State's Own Tax Revenue (see Diagram 2). This has been a part of an important revenue receipt as discussed earlier. However, due to complicated procedures that were not pre-fixed in the former ministries, tax collection through State's Own Tax Revenue (SOTR) hardly improves as anticipated. As such, tax reform came into being in the form of VAT (Liansailova H., Budget Speech, 2012-2013).

While sales tax had been levied in the State since 1990, it was not until November 1999 that tax collection started to be carried out in a more systematic manner. Then, on 1st April 2005, the VAT Act was introduced and consequently implemented in the state. The VAT system is said to be the single most significant tax reform for the last 50 years. In the course of implementing the VAT Act over the last four years, a tremendous increase in revenue collection has been recorded (Economic Survey, Mizoram, 2012-2013).

Subsequently, tax revenue of the State improves over the year. Before the congress regime and former MNF regime in 2004-05, the gross tax collection was ₹ 39.56 crores only, which is 1.61 per cent of the GSDP. Introduction of Value Added Tax (VAT) on 1st April 2005 has brought about substantial improvements in tax collection and the growth of tax relative to GSDP continuously increases. Gross collection of State's Own Tax in 2005-06, 2006-07, 2007-08 were ₹ 55.06 crore, ₹ 67.62 crore and ₹ 77.52 crore respectively. It further stood at ₹ 94.62 crore in 2008-09 (see Annual Financial Statement 2005-2012).

Resources from Road Tax and Liquor

Similar to the above tax resources, Road tax and Liquor tax are also included under SOTR (see Diagram 2). Resources from Road Tax and Liquor which dramatically increase revenue receipt of the state since 2015-2016 has been one of the most important sources of income of the state. Amid strong criticism from the people and from the civil society, particularly from local Church groups, no doubt that liquor and road tax have become important revenue generator of the state. In fact, this may be one of the most important sources of income of the state during the Congress regime. However, new MNF ministry in 2018 has decided a war on liquor and re-initiate the erstwhile Total Prohibition Act against liquor. Unfortunately, the global pandemic of Covid-19 hits the world and its impact is no less in Mizoram than any other parts of the world. As such, the new ministry has faced certain difficulties in public financing not only due to global pandemic of Covid-19, but also due to the loss of around ₹ 50 – 60 crore of liquor tax every year.

The 2017-2018 Annual Financial Statement shows that the actual collection of revenue from State Excise duty in 2015-2016 is ₹ 60 crore. In other words, during the financial year 2015-16 up to an amount of ₹ 60.60 crore was collected as Excise Duties from the sales of liquor against the Budget Estimate of ₹ 35.68 crore. Estimate budget on State Excise in 2016-2017 is ₹ 43 crore and it was revised and re-estimated to ₹ 54 crore. When the state budget for 2017-2018 was laid before the Legislative Assembly by the then Finance Minister, the estimated revenue receipt under State Excise is marked at ₹ 51 crore (Lalsawta, Budget Speech 2017-2018, 2017).

To suppress the growing tension between the government and the people, the MNF ministry has decided to request contribution of salaries from all its employees/government servants. Meanwhile, there was strong criticism not only from the opposition parties but also from the general public. However, the government continues to take contribution from all government servants (Vanglaini, Sorkarin a hnathawkte hlawh July thla a pûksak leh dawn, 2020). Perhaps this decision was made to improve fiscal condition of the state during the pandemic. Anyhow, there will be a time and there will be a ministry when the ruling party is compelled to revoke total prohibition/*bandh* on liquor in the state because the present revenue receipt is too less and that the state must seek all help from all available sources.

Whatever the cost may be, the ruling party must have the courage to generate income at all cost. Although it is against the teaching of religion, a prudent ruler must think in terms of gaining more power which is measured in revenue receipt (in this case). Machiavelli teaches that it is not necessary for a prince to have the qualities of merciful, faithful, humane, trustworthy, religious, and having them and practising them at all times is harmful; and appearing to have them is useful (Machiavelli, 1532/1984: 59). However, the main reason for the Congress defeat in 2018 election has been said to be a bold move against the will of Churches in revoking the prohibition on liquor. Therefore, whether or not Machiavelli theory of ruler morality is true; and whether or not Locke theory of consent (Locke, 1689/2016) is true in the context of the character of a political leader, one needs to rethink. However, the surging revenue expenditure, in general, may pose a threat to the Government's ability to maintain a revenue surplus and that building up of revenue surplus for financing the capital investment will be at stake. To match the incremental revenue expenditure, the Government has to find resources to meet the expenditure. Though there has been a gradual increase in the collection of tax revenues in recent years, total tax revenue of the State has minimal impact on total revenue receipts.

State's Own Tax Revenue (SOTR)

The sources of Own Tax Revenue (OTR) of the state government are classified into three broad categories as follows:

i) Taxes on Income & Expenditure – Profession tax, this tax is levied under *The Mizoram Professions, Trades, Callings and Employment Taxation Act 1995.*

ii) Taxes on Property & Capital Transaction – Land revenue, and Stamp & Registration, and

iii) Taxes on Commodities & Services – State Excise, Sales Tax, Taxes on Vehicles, Other taxes on Goods & Passengers, other taxes & duties (taxes on petroleum products, etc.)

From the above taxes, taxes on Excise and VAT (GST) are the most frequent changes, others remain untouched more or less.

As discussed earlier, State Own Tax Revenue (SOTR) is divided into State's Share of Central Taxes and State's Own Tax Revenue. In simple words, there are two kinds of income of the State Government through tax revenue, they are state own generate of taxes and the state's share of taxes with the central. Details are the following –

a) **State's Share of Central Taxes:** State's Share of Central Taxes is also known as Devolution of Central Taxes & Duties. These taxes consist of Corporation Tax, Taxes on Income Other than Corporation Tax, Taxes on Wealth, Customs duties, Union Excise Duties, Service Tax, and Central GST. These share of taxes are important sources of income of the state in which it forms majority income within Tax Revenue Receipt of the state. In simple words, income from these taxes is more than the State's Own Tax Revenue. However, one interesting finding to note here is that although the share of central taxes is larger than state's own taxes, its value in determinants of voting behaviour is less important than State's Own Tax Revenue. Since the increase and decrease of these share of taxes mainly depend upon the Central Government, the state ruling party has not much of a say regarding these taxes.

b) **State's Own Tax Revenue:** As mentioned earlier, the State's Own Tax Revenue consists of some of the most popular taxes and duties paid by the people and these taxes are popular to them. They are - Taxes on Sales/Trades, Taxes on State Excise, Stamps & Registration Fees and Land Reforms under Revenue Department/Land Revenue, Taxes on Income & Expenditure, Taxes on Vehicles and Other Taxes on Goods & Passengers, water tariff, and power and electric tariff. Amongst them, water, and power and electric taxes are usually in the form of user charge taxes. Since these state own taxes are very popular to the people, the good and bad work of government is usually measured by services rendered to the people through these taxes. As such, though its numbers are less in amount compared to other sources of income of the state, politicians need to be very careful in dealing with these taxes. Perhaps win or lose in a particular elections is largely determine by these taxes. For example, people wish to pay fewer taxes in the form of Road tax or user charge on water bill or electric bill, and yet people still wish to receive best available services given by these departments. These services cannot be neglected because they are regarded as basic needs of the people. Therefore, less tax but excellent services is the general will of the people.

State Own Non-Tax Revenue (SON-TR)

In 2007-2008 financial year, grants from the Central are divided into – Plan and Non-Plan Grants. All expenditure incurred from Plan Grants are called Plan Expenditure. Likewise, all expenditure incurred from Non-Plan Grants are called Non-Plan Expenditure. Plan expenditure will include many other plan expenditure like Centrally Sponsored Schemes (CSS), Central Plan Schemes (CPS), Special Schemes (North Eastern Council, Non-Lapsable Central Pool of Resources etc.) which are outside the State's Annual Plan. Amongst them, CSS will be discussed in chapter 5 on 'Public Finance in Mizoram' and Special Schemes such as DoNER – NLCPS and NEC will be discussed in the next chapter 4 on 'Role of DoNER in Socio-Economic Development'.

a) **State's Own Non-Tax Revenue:** These revenues are broadly categorized as – General services, Social Services and Economic services. Interest Receipt, user charges and service fees on General Services namely Public Service Commission, Police, and Stationery & Printing etc. This non-tax also include Social Services and under this service Water Supply & Sanitation and Education, Sports, Art & Culture creates major contribution. Under Economic Services Power cost, Land Reforms, Forestry & Wildlife, Civil Aviation, Roads & Bridges, Tourism etc., creates major contribution.

These taxes of the State's Own sources of income are one of the most complicated but yet prove to be very useful for various departments and agencies. A negative achievement during the Congress government, which made the ministry so worried about, can easily be realized from these taxes. One can found whether some departments who are expected to run itself from its own taxes and duties collected from services rendered to the people by themselves are capable or not. Some departments are making poor contribution to state revenue and this achievement is known as negative achievement.

b) **Grants-in-aid & Contribution:** These grants are known as Grants-in-aid from the Central Government. These Grants are design to promote welfare of the Scheduled Tribes. This is enshrined in the Constitution of India Article 275 (1) which reads that –

> "Such sums as Parliament may by law provide shall be charged on the Consolidated Fund of India in each year as grants-in-aid of the revenues of such States as Parliament may determine to be in need of assistance, and different sums may be fixed for different States" (The Constitution of India, 2007: 165).

However, grants are further divided into – Plan and Non-Plan Grants. The former grants mainly comprise Block Grants, Normal Central Assistance (NCA), Special Plan Assistance (SPA), Additional Central Assistance (ACA), Central Road Fund (R&B), RKVY, CSS, etc. Non-Plan Grants from Central Government mainly comprises Deficit Grant/PDRD Grants, Central share of Calamity Relief Fund, Grants for Local Bodies and others, State Disaster Response Fund (SDRF) etc. The state share of these non-plan Grants is usually worked out based on the Finance Commission's award (Medium Term Fiscal Policy Statement, 2013-2014: 6). It means that the Finance Commission has final authority to determine the exact amount of these Non-Plan Grants to the states.

Therefore, it is a vital importance for the state politicians that they have maximum support from the Union Government. As such, during the UPA – II government in the Center, the Congress Party in Mizoram had claimed that they have strong confidence that they will succeed in implementing the NLUP without jeopardizing the state's fund and resources.

Fourteenth Finance Commission did not make any distinction between Plan and Non-Plan funds thereby combining Plan and Non-Plan Revenue Deficit Grants into simply Post Devolution Revenue Deficit Grant. As such, the division of grants into Plan and Non-Plan are now abolished from the new MNF ministry. However, since the study area of this research is during the Congress party regime since 2008 till 2018, one cannot simply neglect the importance of Plan and Non-Plan grants.

The overall State Own Revenue receipt of Government of Mizoram hardly exceeds 10 per cent of the total revenue receipt. This is due to poor performance of the State Government in State own Tax Revenue and Non-Tax Revenue. In fact, since 2006-2007 till 2015-2016 financial year, State Own Revenue (including tax and non-tax) could not exceed 10 per cent from the total revenue receipt; 90 per cent of the receipt were obtained in the form of Grants-in-aid and Devolution of Central Taxes (L.T. Thanga, 2018: 11). However, this thesis will not make any further analysis in terms of percentage of income of Mizoram from Tax and Non-Tax revenue.

Global Economic Recession and Impact on Devolution of Central Grants

Due to the effect of global economic slowdown, the State's share of Central Taxes went down in 2008-09 much below estimated at the beginning of the year. This economic recession has made the Congress regime from its beginning of tenure run slowly. The estimated State's share of Central Taxes was ₹ 427.81 crore in 2008-09, however, ₹ 383.39 crore only actually devolved. In 2009-10 also, due to the recurrent effect in the economy and the continued commitment of the Government of India in offsetting the recessionary effects resulting in economic stimulus packages, the State's share in Central taxes has been estimated at ₹ 393.40 crore.

This proves that there can be no economic independent even if the socialist pattern of planning and welfare system was implemented in the country. Since majority of Mizoram state budget depends on devolution of central taxes and grants, it is likely that the Union Budget will automatically have a deep impact on the State Government.

Capital Receipt

Enough has been said regarding Revenue Receipt of the government. It is time now to discuss another type of receipt which is known as Capital Receipt (see Diagram 2). Capital Receipt is mainly resources raised by the Government in form of borrowings from various sources with the exception of non-debt capital receipts. Receipt on capital account comprises of Public Debt, and Loans and Advances. The following explains the contents of Capital Receipt of the state government -

a) ***Receipts on account of Public Debt:*** This includes receipt on Internal Debt and account of Loans and Advances from Central Government. The main sources of receipt under Public Debt are Market Loans, Loans from National Bank For Agriculture & Rural Development (NABARD), Ways & Means Advances (W&MA) from the Reserve Bank of India, Block Loans and some other loans as the State Government from time to time borrowed from financial institutions. The government must be very careful in borrowing these loans because too much borrowing can lead to a debt trap situation. In the earlier days when Mizoram attain full-fledged statehood in the late 1980s, borrowing from financial institutions by the State Government has never made any critical issues among the public.

As the political culture of the people of Mizoram developed slowly with passage of time, the public now began to aware of borrowings from financial institutions which could lead the state to a serious of economic problem. Accordingly, similar to the State's Own Tax Revenue which is least in amount when compare to other sources and yet an important determinants of voting behaviour, borrowing from financial institutions has now become determinants of voting behaviour. In almost every general election, issues often arise from the public regarding borrowing, liabilities, and debt of the State Government. Perhaps it is best that the state move slowly away from these liabilities which is a negative indication of economic development.

How to remove excessive public debt? How to reduce fiscal deficit? How to increase fiscal surplus? All these questions have now an important issue during elections in which no parties are in a position to neglect them. Whether or not deficit financing is to be emphasized is another issue raised by the public. Deficit financing means slowly reducing fiscal deficit position of the state government and move onto fiscal surplus position. This is a mechanism to avoid debt trap position. Anyhow, by law made by the Central Government that borrowing of the State Government are now fixed at a certain amount which is to be completed within a fixed period of time. These laws will be discussed in chapter 6 on the 'Role of Government in Budgeting'.

b) ***Recoveries of Loans and Advances:*** This is a return of money to the government from investment of fund towards loans and advances. The receipts on account of loans and advances are build up on account of recoveries of various advances made by the Government and falls under the category of non-debt capital receipts. As mentioned in the above, receipts on account of public debt are mainly in the form of long term and short term borrowing instruments of the State Government from the Government of India, Reserve Bank of India, and various Central Financial Institutions.

With regard to the Capital Account, the receipts booked thereunder consist of loans received from the Government of India or raised from various other sources (like market, financial institutions etc.), ways & means advances from the Reserve Bank of India, cash credit accommodation from the State Bank of India, or any other Bank, and all sums of money received by the State Government by way of recovery of loans and advances made to various parties. The disbursements or expenditure on the capital account, on the other hand, include outlays which go in for the creation of assets, loans and advances made to various parties and repayment of loans obtained. These expenditure or disbursement parts will be analysed later in chapter 5 on 'Public Finance in Mizoram'.

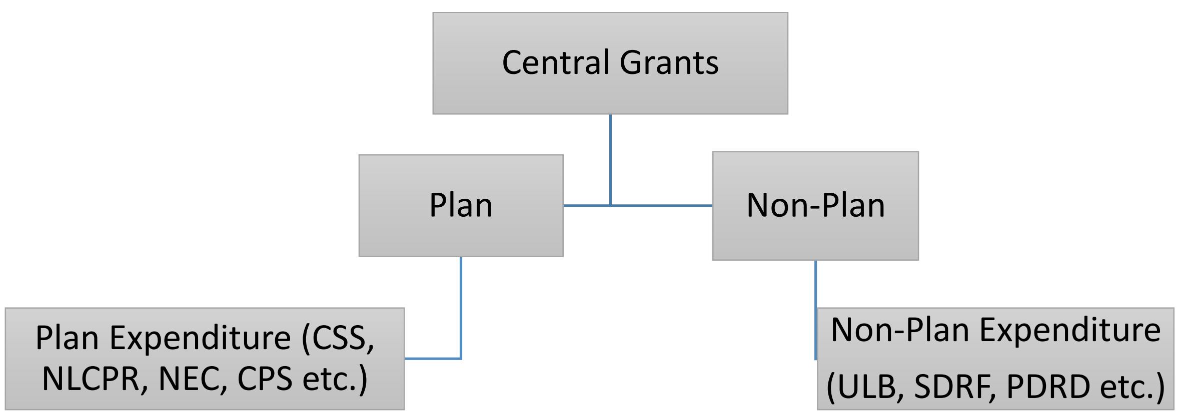
Again, the difference between receipt from Public Debt and Loans and Advances is that Public Debt is to be paid back to financial institutions whereas Loans and Advances are not because they are in the forms of Recoveries. In other words, Capital Receipts comprises of Internal Debt of the State Government, Loans & Advances from the Central Government and Recoveries of Loans & Advances. Internal Debt of the State Government comprises of money borrowed from Financial Institutions by the State Government. Loans & Advances from the Central Government comprises of money borrowed from Central Government by the State Government. Recoveries of Loans & Advances comprises of money receive back from Loan recoveries which were disbursed by the State Government in order to make a profit of interest. All these receipts constitute receipt of Capital Account from Public Debt. Since money borrowed from Internal Debt of the State Government and Advances from the Central Government are to be paid back in future, it constitutes expenditure on Public Debt.

With a view to continuously keep the borrowings of the State Governments within the prudential norms, the Government of India, Ministry of Finance has been putting restrictions on the level of budgetary borrowings of the States in conformity with the recommendations of the Finance Commission. Again, these issues will be dealt with in the later chapters. However, one must remember that a prudent ruler will limit himself in borrowing more money from the Central Government and other Financial Institutions; wiser ruler will utilize available resources to reduce its debt by means of deficit financing which came out from borrowing.

Mizoram Annual Plan Size and Planning Commission

Before replacement of Planning Commission by the National Institution for Transforming India also known as NITI Aayog since 1st January 2015, there has been several Annual Plans in which amount of funds has been increased or decrease by the Planning Commission from time to time. These Annual Plans are an important sources of income of the State Government and it must be remembered that it is not a separate fund but already link to Grants for State/Union Territory Plan Schemes through different schemes and projects (see Diagram 3). For example, Grants for Non-Lapsable Central Pool of Resources (NLCPR), Grants for Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Rashtriya Krishi Vikas Yojana (RKVY), Special Plan Assistance, Grants for Externally Aided Projects (EAP) and Normal Central Assistance (NCA) etc., are some of the most popular plan funds. Since all these Annual Plan funds are meant for specific plan schemes and projects, its expenditure is called Planned Expenditure against Non-Plan Expenditure.

Diagram 3 - Plan and Non-Plan Fund



As already stated in chapter 1, Mizoram has been following the Annual Plan scheme since Independence. Prior to 1972, Mizoram was one of the districts of Assam known as Lushai Hills District which later in 1954 was changed into Mizo Hills District. During that period, a very small amount was spent on the development of Mizoram and the outlays for the first three Five Year Plans were as given below (Economic Survey, Mizoram, 2012-2013) –

1st Five Year Plan (1952-56) - ₹ 63.02 Lakh

2nd Five Year Plan (1956-61) - ₹ 210.83 Lakh

3rd Five Year Plan (1961-66) - ₹ 411.42 Lakh

The Fourth Plan was increased to ₹ 483.21 lakh. During the first three years of the Fourth Five Year Plan (1962-72), the following were the Plan expenditure in Mizoram:

1969 – 1970 - ₹ 101.61 Lakh

1970 – 1971 - ₹ 176.42 Lakh

1971 – 1972 - ₹ 205.18 Lakh

As stated above, with the Reorganization of North East India, Mizoram attained the status of Union Territory (UT) on 21st January, 1972. Since then, Planning Commission approved an outlay of ₹ 275.00 lakh for the Annual Plan 1972-73. This outlay was enhanced to ₹ 437.00 lakh in the latter part of the year. Out of this provision, only ₹ 355.23 lakh was spent (Economic Survey, Mizoram, 2012-2013). During 1973-74, ₹ 600.00 lakh was allocated for Mizoram out of which only ₹ 573.73 lakh was spent.

During the Fifth Five Year Plan (1974-79) ₹ 46.59 crore was allotted for Mizoram against the total Plan size of ₹ 39,300.24 crore for the country as a whole. This is 0.12 per cent of Annual Plan calculated from the whole country.

In the Sixth Five Year Plan, ₹ 128.47 crore was the outlay for Mizoram whereas the total Plan size was ₹ 71,000.00 crore which is 0.18 per cent calculated from the total plan of the whole country. However, the 6th Annual Plan was not completed due to political instability at the Union Government. Before the commencement of the new 6th

Five Year Plan (1980-85), there were two Rolling Annual Plans for 1978-79 and 1979-80. During these two years, the outlays for Mizoram Annual Plans were ₹ 16.64 crore and ₹ 17.72 crore and the actual expenditure were ₹ 14.62 and ₹ 16.11 crore respectively (Economic Survey, Mizoram, 2012-2013). During the 6th Five year Plan (1980-85), ₹ 130.00 crore was originally allotted for Mizoram. The actual expenditure during the Plan period amounted to ₹ 150.09 crore.

The original outlay for the 7th Five Year Plan (1985-90) in respect of Mizoram was ₹ 260.00 crore. However, the actual release of Plan fund during the period by way of Annual Plan was ₹ 364.50 crore, out of which the actual expenditure was ₹ 363.56 crore.

Before the launching of 8th Five Year Plan in 1992-93, there were two Annual Plans for 1990-91 and 1991-92, for which the actual expenditure was ₹ 125.35 crore and ₹ 152.28 crore respectively against the outlays of ₹ 125.00 crore and ₹ 152.00 crore. The originally approved outlay for the 8th Five Year Plan was ₹ 763.00 crore. However, the total approved outlays for the five annual plans during the period was ₹ 1064.60 crore against which the total expenditure was ₹ 1064.45 crore.

The originally approved outlay for the 9th Five Year Plan (1997-2002) was ₹ 1618.51 crore. However, the total approved outlays for the five successive Annual Plans during the period was ₹ 1794.26 crore and the total actual expenditure was ₹ 1719.96 crore.

While the originally agreed outlay for the 10th Five Year Plan (2002-2007) was ₹ 2300.01 crore, a total of successive Annual Plan approved outlays was ₹ 2969.52 crore and a total of the successive Revised Annual Plan outlays was ₹ 3154.99 crore. The total actual expenditure during the 10th Five Year Plan was ₹ 2941.48 crore which was 127.88 per cent of the original agreed total outlay of ₹ 2300.01 crore for the 10th Five Year Plan. This means that Actual expenditure exceed approved amount of plan.

The originally approved outlay for the 11th Five Year Plan (2007-2012) was ₹ 5534.00 crore. However, the actual allocated outlay was ₹ 6300.00 crore. From this, the study year of the Congress regime was started, i.e., the Sixth and Seventh Legislative Assemblies (2008-2018). In other words, the study area of this research involves two Annual Plans, namely the 11th Five Year Plan (2007-2012) and the 12th Five Year Plan (2012-2017).

During the 12th Five Year Plan, the total plan outlay is ₹ 12,160.00 crore. The approved outlay for the 1st Annual Plan (2012-13) is ₹ 2300.00 crore and the proposed revised outlay is ₹ 2361.62 crore which is 19.42 per cent of the outlay for 12th Five Year Plan. Details of Annual Plan size during the Sixth and Seventh Legislative Assemblies (2008-2018) may be seen from the following table –

Table 4 - Annual Plan size of Mizoram Sixth and Seventh Legislative Assemblies (2008-2018).

Financial Year	Annual Plan in crore (approved)	Annual Plan in crore (revised)
2007-2008	850.00	
2008-2009	1000.00	
2009-2010	1250.00	
2010-2011	1500.00	1547.32
2011-2012	1700.00	
2012-2013	2300.00	2361.62
2013-2014	2500.00	
2014-2015	3140.00	
2015-2016	3097.78	

Source: Economic Survey Mizoram 2014-15 and Various Budget Speech made by the then Finance Minister.

Since 2017-2018, the erstwhile budget system of Plan and Non-Plan in India was abolished (mainly due to the termination of the Planning Commission) and the fund are consolidated into a single unit. Therefore, budget is largely categorized into Revenue and Capital budget (Lalsawta, Budget Speech 2017-2018, 2017).

In the Indian fiscal federalism, the levels of devolution of resources from the national entity determine the financial position of the Sub-national entities. Being a resource deficit State, the Government of Mizoram also is depending to a large extent on the levels of devolution of resources from the Finance Commissions on Non-Plan Account and the Planning Commission on Plan Account.

On the recommendation of the Thirteenth Finance Commission (FC-XIII), the overall devolution for the State of Mizoram for the entire period of 2010-11 to 2014-15 is ₹ 8805.30 crore while the recommended amount of the Twelve Finance Commission (FC-XII) was ₹ 4660.91 crore registering an increase of 88.92 per cent. With this increase, the Government of Mizoram was able to tide over its financial position and meet the various expenditure requirements from the available resources. As such, it is important for the state government to have a supporter of the Union Government.

In the last days of the MNF ministry in 2007-2008 or the advent of the Sixth Legislative Assembly, grants from Planning Commission has been an important source of income of the state of Mizoram which has been utilized by the state government in the form of Annual Plan. Annual Plan is very crucial these days because it reflects most of the government's action for the development of the state, especially in the development of the state's political economy. What is the ministry's top priority? What are the intentions of a particular ministry to achieve its goals? How much money was allocated to the top priority sector/sectors? All these questions are answered by looking at the Annual Plan.

For instances, the proposed annual plan expenditure of Congress ministry in 2009-2010 contains priority sectors of the said ministry. On the expenditure side, the amount within the approved Annual Plan outlay was allocated to different sectors for utilization. Sector-wise allocations of outlays in 2009-2010 are: (i) Agriculture & Allied Activities – ₹ 161.97 crore, (ii) Rural Development – ₹ 48.80 crore, (iii) Special Areas Programme – ₹ 71.25 crore, (iv) Irrigation and Flood Control – ₹ 58.21 crore, (v) Energy – ₹ 69.11 crore,

(vi) Industries and Minerals – ₹ 17.60 crore, (vii) Transport – ₹ 66.22 crore, (viii) Communications – ₹ 5.40 crore, (ix) Science, Technology & Environment – ₹ 2.04 crore, (x) General Economic Services – ₹ 64.44 crore, (xi) Social Services – ₹ 553.32 crore and (xii) General Services – ₹ 131.64 crore.

From the above proposed allocation of Annual Plan in 2009-2010, Agriculture & Allied Activities, Social Services, Rural Development and Energy are in top priority list which receives a large amount of funds. No doubt, the election manifesto of the Congress Party was the immediate implementation of the NLUP which is likely to be benefitted by the farmers, especially those people engage in Agriculture & Allied Activities.

The MNF ministry in 2007-2008 has allocated ₹ 35.00 crores for Bamboo Flowering and Famine Combat Scheme (BAFFACOS) and ₹ 20.00 crores for the implementation of Mizoram Intodelhna Project (MIP). The MIP was later converted into – Socio-Economic Development Programme (SEDP). This two scheme was the most popular programme of the MNF ministry to enhance and develop the political economy of Mizoram. However, since the MNF was defeated by the Congress in the 2008 election, neither BAFFACOS nor MIP continued to be implemented in the next financial year.

Anyhow, the MNF, after 10 years in opposition to the Congress ministry in 2008-2018, came back to power in 2018 election. Since the MNF returned to power, its flagship programme SEDP will continue to be the top priority for the next two-three years of its tenure. The erstwhile MIP was enhanced and converted into the Socio-Economic Development Programme (SEDP). Though the name may change, the objective remains the same. Whether the political economy of Mizoram is going to uplift or will remain in the status quo through the SEDP is profoundly an important question.

Funds include under Finance Commission Recommendations

Funds receive from the Union Government are categorized into two categories known as Plan and Non-Plan fund. The Plan Fund is split into the Annual Plan and the amount of Plan Fund for a specific Five Year Plan is determined by the Planning Commission. Contrary to the Plan Fund, the Non-Plan Fund are also grants from the Union Government but the amount of these non-plan funds are determined not by the Planning Commission but by the Finance Commission.

In other words, funds receive according to the recommendation of the Finance Commission comes under Revenue Receipt of Grants-in-Aid under Non-Plan Grants. Under Finance Commission, Mizoram usually obtains such funds as Share of Central Taxes, Post Devolution Revenue Deficit (PDRD) Grant, Urban Local Bodies (ULB) Grant, and State Disaster Response Fund (SDRF). Share of Taxes and PDRD Grant are untied funds which are the main sources of dependence for almost all purposes, whereas, the ULB Grant and SDRF are tied funds meant for specific purposes, that cannot be utilized for any other purposes other than what they are meant for. As such, untied funds are very important for the ruling party because since there are no specific directions for its expenditure parts, the utilization of the said funds depends only upon the ruling party. However, tied funds cannot be utilized upon the wills of the ruling parties because there are strict directions and guidelines to be followed by the government in which if not done according to rules, some of these funds could cease to exist.

One important point of funds from the Finance Commission is that the increase and decrease of the funds are determined by the performance of the State Government. For instance, amongst out of ₹ 20.68 crore estimated to be available under Urban Local Bodies (ULB) Grant, ₹ 15.97 crore is for Basic Grant and ₹ 4.71 crore is for Performance Grant of the Urban Local Bodies. This means that based on the performance of Mizoram Urban Local Bodies, Grants from Central can be improved and increased. This is why the role of government is critical in making use or utilizing all available grants from the

Central Government. Therefore, if the ULB of the State Government performed well in a specific time period, the continuation of the balanced funds can be easily received from the Finance Commission. If not, the balanced fund is ceased and there shall be no continuation of funds from the Finance Commission. Since, ULB fund is explicitly for Municipal Corporations, this fund is to be utilized by the Aizawl Municipal Corporation (AMC).

Grants for Local Bodies are divided into Urban Local Bodies and Rural Local Bodies. Based on the performance of the State Government in these grants additional *Spl. Area Basic Grant* and *Spl. Area Performance Grant* can be issued by the Finance Commission. As such, the good and bad performance of a particular ministry in Local Bodies can be measured by using *Spl. Area Basic Grant* and *Spl. Area Performance Grant.* If there are no *Spl. Area Basic Grant* and *Spl. Area Performance Grant* in the Annual Financial Statement (AFS) which means that the present ministry does not perform well in Local Bodies. This analysis part is not popular to the people of Mizoram because of *Spl. Area Basic Grant* and *Spl. Area Performance Grant* is hardly found in the budget/AFS. This further means that the State Government is not performing well in terms of developing Local Bodies.

In fact, since 2007-2011, there has never been a single Budget Estimate (BE) on *Spl. Area Basic Grant* and *Spl. Area Performance Grant.* When the Congress ministry began to be stable in 2011-2012, they proposed it and contained in BE and implemented it. Moreover, during 2012-2015 the Congress ministry was able to perform well with regard to Local Bodies Fund and special grants to these sectors were allocated to them. However, since 2015-2016 till 2019-2020 budget, there are no proposed funds or estimated funds from *Spl. Area Basic Grant* and *Spl. Area Performance Grant.* It is doubtful that the new MNF ministry will be able to restore these special grants.

Besides the above Plan and Non-Plan schemes, there are other kinds of sources of income of the State Government. These sources are mainly in the form of North Eastern Council (NEC), Non-Lapsable Central Pool of Resources (NLCPR), Centrally Sponsored Schemes (CSS) and financial assistance from DoNER. For example, the estimated amount of fund received from NEC during 2007-'08 as per the revised estimate is ₹ 53.16 crore. The estimated amount of receipt under NLCPR during 2007-'08 as per the revised estimate is ₹ 57.98 crore. The next chapter will focus on revenue from DoNER and its utilization by various departments of Mizoram. Therefore, income sources from DoNER, NEC, and NLCPR will be analysed in the next chapter and income sources from CSS and its utilization will also be discussed in chapter 5.

Grants-in-Aid (GIA) have emerged as a substantial mode of spending for the Union Government for the provision of public goods. GIA from the Union is the amount of money disbursed by the Union Government to State governments under three components: (i) Grants as determined by the Finance Commission, (ii) Grants under CSSs, and (iii) Other transfers to meet operational expenses, generate capital assets and devote to delivery of public services.

Finance Commission (FC) is a constitutionally mandated body set up for every five years under Article 280 of the Constitution of India by the President of India. Its main mandate is to evaluate the finances of the Union government and State government, and make recommendations to remedy the horizontal fiscal imbalance through the distribution of tax revenues between Union and State governments, and further among the States. In addition to tax devolution, the FC also provides GIA to augment the Consolidated Fund of a State including ways to supplement the resources of Panchayati Raj Institutions (PRI), such as Rural Local Bodies (RLBs), and Urban Local Bodies (ULB). Moreover, Article 275 of the Constitution of India enables the FC to give grants to offset gaps between normatively assessed revenues and expenditures. Before the removal of the Plan and Non-Plan distinction, FC Grants (FCGs) were a part of Non-Plan grants.

Other grants and transfers to States include all other transfers made under National Disaster Response Fund (NDRF), assistance to schemes under proviso (i) to Article 275(1) of the Constitution of India, and compensation for loss of revenue arising out of implementation of GST and compensation of Union levied Central Sales Tax. Therefore, grants are divided into three parts, Grants under Finance Commission, Grants under CSS and Grants under Others.

The following paragraphs will now discuss issues concerning the sources of income of Mizoram Government in which development in terms of economical and political aspects will also be discussed. As such, the following paragraphs are slightly moved away from direct sources of income of the state government. However, since they are indirectly involved with the income of the state government, they are regarded as a priority in this research.

Gross State Domestic Product (GSDP)

It is estimate of the value of all goods and services produced within the State during a reference period of one year, commonly referred to as Gross State Domestic Product (GSDP) or simply State Domestic Product (SDP). It is necessary to analyse how the different sectors contribute to the state GSDP in which one can find which sector performs well in the generation of the state’s resources.

Table 5-Mizoram GSDP at Current Price and Constant Price

Financial Year	GSDP in crores	
	At current prices	At constant prices
2007-2008	3815.51	3336.21
2008-2009	4577.11	3781.37
2009-2010	5283.93	4173.51
2010-2011	6057.70	4556.72
2011-2012	7258.69	7258.69
2012-2013	8361.93	7777.97
2013-2014	10293.37	9038.41
2014-2015	13509.40	11261.04
2015-2016	15138.86	12323.60
2016-2017	17613.18	13789.10
2017-2018		
2018-2019		

(Source: Directorate of Economics & Statistics, retrieved from Statistical Handbook of Mizoram 2018, 2019: 22)

There are different sectors namely, Agriculture and Allied Sector, Industry Sector, and Service Sector. The Agriculture sector comprises of agriculture, livestock, forestry and Fishing etc. The Industry sector which includes mining and quarrying, manufacturing, construction and electricity, gas and water supply etc.; and Service sector include services to Government jobs as well as to private jobs. These sectors wise is sometimes referred to as Primary sector, Secondary sector and Tertiary sector respectively.

In 2007-2008, Service Sector contributes the largest share of 67.12 per cent, followed by the Industry sector at 17.65 per cent and the Agriculture & Allied Sector with the lowest at 15.23 per cent.

Table 6 - Percentage contribution of Sector to GSDP

Financial Year	Agriculture & Allied Sector	Industry Sector	Service Sector
2007-2008	15.23 %	17.65 %	67.12 %
2008-2009	15.49 %	20.09 %	64.42 %
2009-2010	14.32 %	19.39 %	66.29 %
2010-2011			
2011-2012	20.12 %	20.46 %	59.43 %
2012-2013	18.95 %	18.91 %	62.14 %
2013-2014	18.74 %	23.24 %	58.02 %
2014-2015	31.49 %	20.87 %	47.63 %
2015-2016	31.41 %	20.74 %	47.85 %
2016-2017	30.87 %	21.72 %	47.42 %
2017-2018	26.51 %	26.64 %	46.85 %
2018-2019			

(Source: Budget speech of 2009-2010 on Thursday, the 15th October, 2009; and Directorate of Economics & Statistics, retrieved from Statistical Handbook of Mizoram 2018, 2019: 26; and Directorate of Economics & Statistics, retrieved from Statistical Handbook of Mizoram 2020: 23)

In the above Table 6, Agriculture & allied sector (Primary Sector) include agriculture, forestry and fisheries, horticulture, Livestock & Veterinary, Soil & water conservation, Trade and Commerce. The Industry Sector (Secondary Sector) comprises of Mining & Quarrying, Manufacturing, Construction, Electricity, and Gas & Water Supply. Service Sector (Tertiary Sector) comprising Transport, Storage & Communication, Trade, Hotel & Restaurant, Banking & Insurance, Real Estate & Business Services, Public Administration and Other Services. One can also say that the above table represents income sources contribution of different sectors during 2007-2019.

With the livelihood of about 60 per cent of the population depend on agriculture and allied activities, faster growth in agriculture is both necessary and sufficient condition for stronger, sustainable and inclusive growth in the State. In 2012-13 the State economy is dominated by the Service sector by holding 62.14 per cent which is followed by Industry sector at 18.91 per cent and Agriculture & its Allied sector at 18.95 per cent. On account of this dominating factor, a day to day economic activity of the State almost entirely depends on the expenditure and income of Government and its employees. In other words, the Service sector remains the main driver of the state economy.

Balanced growth and contribution to the GSDP would be a proportion of 33 per cent from amongst the three sectors. However, this is not a just contribution to the state economy. A just contribution or a perfect growth and contribution would be based on the share of sectors to population. For instances, how much population constitute Primary sector? How many people constitute Secondary Sector? How many people constitute Tertiary Sector? All these contributions to the population need to be considered if one wishes to find out perfect growth in the state economy. For example, during 2012-2013 financial year, about 60 per cent of the population depends upon agriculture and allied sector (Economic Survey, Mizoram, 2012-2013). But during the same financial year, contribution of Agriculture & Allied Sector to the GSDP is as low as 18.95 per cent only (see Table 3).

Now, there is an unbalanced growth in the state's economy in which the number of population in the Primary sector and the contribution of the Primary sector to the GSDP is unbalanced. The good growth would be that the Primary sector in 2012-2013, having a population of 60 per cent contributing at least 50 – 60 per cent of the GSDP. If this unbalanced growth is continuing in future, no matter how high the GSDP is, and no matter how high the per capita income is, there shall be no just economic growth in the state.

Again, the Primary Sector comprising agriculture & allied activities contributed 18.74 per cent (2013-2014) to the GSDP. With the livelihood of about 60 per cent of the population depending on agriculture and allied activities, faster growth in agriculture is both a necessary and sufficient condition for stronger, sustainable and inclusive growth in the State. When agriculture & allied activities contributed at least 50-60 per cent of GSDP, it will be regarded as a balanced contribution because agriculture & allied activities consist of 60 per cent population in 2013-2014.

However, one important finding that can be seen from the above Table 6 is that unbalanced growth has been at large when the Congress came to power in 2008. Remarkably since 2014 there has been a positive growth under agriculture and allied sector in which the share of the said sector in GSDP is increasing year by year. This further means that there were more investment and utilization of resources under agriculture and allied sector which constitutes majority of the population. If this growth is continuing in the future and if agriculture and allied sector contribution to the GSDP reach more than 60 per cent, it would be fair to assume that Mizoram achieve balance growth in the political economy. Hypothetically speaking, this growth towards a balance sectoral share of GSDP has something to do with the Congress flagship programme of the NLUP which has been implemented since 2009. Of course the NLUP was also implemented way back in the Congress first ministry in 1989-1993 but did not have a robust impact on the state's economy. This time, two consecutive ministry's implementation of the NLUP seems to increase the share of agriculture and allied sector to GSDP in Mizoram.

GSDP as Measure for Development

Some people, some Minister in the Congress Ministry, namely Zodintluanga in the Varsity Platform held on 19th May, 2017 at Mizoram University Auditorium claimed that the state's performance in the per capita income is somewhat remarkable in which it is higher than the national growth rate of per capita income (Zodintluanga, 2017). The researcher has attended this platform. What Zodintluanga failed to contemplate is that per capita alone are not reliable to represent the overall development of the state because the sectoral contribution to the state GSDP is imbalance (see Table 6). While the contribution of the service sector to GSDP is the highest, the service sector contribution to the population is lowest (see Chapter 2 table on Workers by Sector Categories - 2011 Census). Realizing the present condition in the state economy, the then Congress Finance Minister H. Liansailova has pointed out that –

> "While we are proud of achievement in terms of GSDP, this achievement could solely be ascribed to improvement of Service sector alone since the performance of Agriculture and Industry sector still left big room for progress" (Liansailova, 2012-2013: 5).

Plato in his *Republic* states that a Philosopher King must rule. A Philosopher King by Plato means the lover of truth and wisdom. Later, writers have explained Plato's Philosopher King as wise as Plato himself who have gained specific knowledge and wisdom containing Platonic number. Anyhow, what Plato wished to suggest is that a wise man must rule so that knowledge regarding the statecraft would reach its zenith and the people would benefit from it. Looking back at the condition of Mizoram, a Cabinet Minister who does not know how to contemplate the development of the State; a Minister who neither gain knowledge regarding the success of his works nor possesses wisdom regarding the development of the whole State is hardly benefited by the people. Plato is right. Not only Plato is right, but also Machiavelli discusses a similar condition of the statesman (the condition of Prince in his words) in military matters. Machiavelli observes that –

> "It is evident that when princes have given more thought to personal luxuries than to arms, they have lost their state. A prince who does not understand military matters, cannot be esteemed by his own soldiers, nor can he trust them" *(Machiavelli, 1532/1984: 49-50).*

What Machiavelli meant was that a ruler who is unskilled in the art of war is not respected by his soldiers. Experts simply do not want to obey non-experts. In such way, victory is out of the question if war was led by a non-expert; similarly, development in the form of economic, social and political aspects is out of the question if politics was led by a non-expert.

Although the present growth rate of State Domestic Product signifies a bright future for the State, improvement of State Own resources must not be neglected because that is where real development of the state actually lies. The GSDP high growth is mainly attributable to the enormous devolution of resources by the Centre.

The share of sectors to GSDP must not be neglected for the statesman, especially for the ruling party. For instance, agriculture and its allied activities sector cannot be ignored by the people due to its immediate value in use. The importance of agriculture, as explained by the NEDP in economic development is borne out by the fact that it is the primary sector of the economy, which provides the basic ingredients necessary for the existence of mankind and also provides most of the raw materials which, when transformed into finished products, serve as basic necessities of the people. In Mizoram, Agriculture and Allied Sector provides not only food and raw materials but also employment to a very large proportion of the population as the majority of the population are still depending on Agriculture and Allied Sector (Government of Mizoram, 2016: 7).

On Generation of Income through Taxation

Tax is necessary for all people. This idea is classical belief for reconstruction of political economy in which those least able to protect themselves, should pay most for protection. Those who received the least benefit from society should not have their cause dismissed simply by being asked to pay fewer taxes. Each and every person living in society owe a debt to society and that paying certain taxes is necessary for development of government. As such, taxation has been one of the most important sources of income of the state. This is especially J.S. Mill belief, a classical thinker on political economy. Mill claimed that government as a whole, as well as some private agencies, run and supervised by government, should be treated as a public good, the benefits of which are indivisible. If taxation effect all individual in a given society, then, only then it should be made compulsory.

Since Mizoram does not have direct taxation systems, such as income tax or any other equivalent tax, revenue sources from tax are very meagre compare to other states. Thereby, Mizoram did not generate a critical income from taxation due to limitations of taxation system. Prior to the introduction of GST, no sufficient revenue were generated from taxes and that is why the state lacks behind compare to other 28 states of India.

However, things have now changed in a positive way that by lawmaking and political will, water and power tariff has been raised from time to time, and vehicle taxes have been revised in order to create maximum income for the State Government.

Mill felt that taxation involve 'sacrifices of imaginary dignity' which somehow gives taxpayer some kind of ownership feeling to their society which is absent in some part of socialist economy, namely, Mizoram. In Mizoram, there are no direct tax either in the form of progressive or income tax. Due to this, people do not feel what Mill termed as 'sacrifices of imaginary dignity' towards the government. As such, people are less cautious and careless regarding the public finance of the state. The absence of ownership feeling is incompatible with social welfarism, which is the main argument of every socialist system. In a socialist society, government is supposed to remove inequality as far as possible and people are expected to have common ownership feeling towards government infrastructure and means of production. However, ownership feeling hardly arises if one does not pay taxes to the society leaving out of himself from what Mill termed it as 'sacrifices of imaginary dignity'.

Whenever there is a feeling of ownership towards any product, infrastructure or a commodity or an institution or an administration or any other public undertakings and social set up, people feel that they belong to the same community in which any attack on any of its tiny undertaking is always felt as the attack on the whole community. Similar feeling happened during the Cold War era in the case of Warsaw Pact famous statement; so, the feeling of common ownership of public undertakings or infrastructure or an institution developed the whole communion society. The point is simple, taxpayer will feel common ownership to any public undertakings because it is their money which any undertakings will build upon, they do not have any alternatives but to oversee how their tax was utilized and used for public undertakings. In other words, the system of taxation ensures accountability of government.

However, the system of affirmative action and tax exclusion and exemption, which seems to be a wonderful idea of socialism, defeated the very purpose of social welfarism because the people who are excluded from income tax or any other tax do not have the feeling of common ownership to any of their public undertakings. This system of taxation is sometimes known as Progressive Taxation in which the rich pay more taxes than the poor. In some cases, the poor do not pay at all.

Mill argued against Progressive taxation which is one of the structures of the socialist economy in which he believed that it is not the best means to mitigate inequalities: to tax larger incomes at a higher rate would be ‘to impose a penalty on people for having worked harder and saved more than their neighbours’ (Mill, 1848/1970). In this regard, a question of communitarian argument may be valid or relevant about taxation, i.e., a general indebtedness to society. A general indebtedness argument holds that everyone living in a society owes a debt to the society and that it is the duty of every citizen to pay certain taxes for the development and long-running of society. In fact, all wealth of rich person, all happiness of human being, and all good thing that humankind enjoy would not have been true if society does not provide. Moreover, money, happiness and all good life would have been nothing if a man is living outside society. Therefore, to tax someone actually means to further protect his interest in society. This is the communitarian argument in justifying taxation which further to improve sources of income of the state.

Anyhow, Mill argument is clear - to tax the larger incomes at a higher percentage than the smaller, is to lay a tax on industry and economy; to impose penalty on people for having work harder and saved more than their neighbour. Equality of taxation is equality of sacrifice. In some countries, namely the USA Progressive Taxation has been labelled as ‘theft’ for which it favours the poor and rob the rich for having more money. Whose idea is right, Mill liberal argument or Communitarian argument? This will be a never-ending debate in political economy.

Speaking of Mill theory regarding taxation, one issue which rises factor responsible for the development of society is a proper channel of communication. Since government largely depends upon the people, good communication channel amongst the people will surely boost trade and commerce which in turn will increase income of the state. For example, poor road condition of Mizoram has made certain commodity unable to travel several corners of the state where they are dear due to its scarcity. Scarcity is important in which it increases the value of its usage and utilize its presence. Thereby, good communication and good transport are vital for development. Mill has rightly observed:

> "In poor and backward societies, as in the East, and in Europe during the Middle Ages, extraordinary differences in the price of the same commodity might exist in places not very distant from each other, because the want of road and canals, the imperfection of marine navigation, and the insecurity of communications generally, prevented things from being transported from the places where they were cheap to those where they were dear" (Mill, 1848/1970).

One of the most important discoveries of this chapter is that unbalanced growth has been dealt with by classical political thinkers, especially by Mill. To have a balanced growth in the economy, there must be a balanced increase or decrease in population, agriculture, service and industrial sector development. This unbalanced growth can be found in Table 6 where the maximum number of population (people who depend on agriculture & allied sector) have contributed the least amount of GSDP. This is why Malthus population theory is still relevant today. Not only Malthus did talked about population, but also Mill had already dealt with it and linked it with rent and profits.

> "If during any period agricultural improvement advances faster than population, rent and money wages during that period will tend downward, and profits upward. If population advances more rapidly than agricultural improvement, either the labourers will submit to a reduction in the quantity or quality of their food, or if not, rent and money wages will progressively rise, and profits will fall" (Mill, 1848/1970).

This argument is still true in modern times because whenever population rises than agriculture or industrial production, there tends to be downward in profits and rises in rents and wages. In Mizoram, population explosion resulted in higher rents and money wages but low profits rate which leads the basic backwardness of Mizoram political economy. The number of population in Mizoram in 2011 census has reached 1097206 (Statistical Handbook of Mizoram 2018, 2019). With compare to the total geographical area of the state, this increase in population may or may not be positive growth.

On Government Intervention

From J.S. Mill to Robert Nozick, government intervention on enforcing laws and contract has been justified, and that it might just be the right thing to do. What is just is what is fair (Rawls, 1971); fairness and truth are linked together. To save truth or to make it prevails, government must ensure that everyone in society is bound by the laws.

The question of government intervention has always been an active issue in many developing countries. Too much intervention of government can limit positive competition amongst private companies who are likely to raise income sources of government. Nevertheless, too less intervention can lead to a society where there is no attempt to remove poverty and inequality which later can lead to a great cause of chaos and anarchy. Mill argued that –

> "I agree, then with the Socialist writers in their conception of the form which industrial operations tend to assume in the advance of improvement; and I entirely share their opinion that the time is ripe for commencing this transformation, and that it should by all just and effectual means be aided and encourage. But while I agree and sympathize with Socialists in this practical portion of their aims, I utterly dissent from the most conspicuous and vehement part of their teaching, their declamations against competition" (Mill, 1848/1970).

The reason for his opposing Progressive Taxation is clear that –

> "...one of their greatest errors, as I conceive, is to charge upon competition to all economical evils which at present exist. They forget that wherever competition is not, monopoly is; and that monopoly, in all its forms, is the taxation of the industrious for the support of indolence, if not plunder. They forget, too, that with the exception of competition among labourers, all other competition is for the benefit of the labourers, by cheapening the articles they consume; that competition even in the labour market is a source not of low but of high wages....." (Mill, 1848/1970).

Positive discrimination, affirmative action, progressive taxation, reservation system etc., may seem on the one hand a fair and just principle of government. On the other hand, it is a symbol of monopoly in which it is contradicting to liberal principle. Anyhow, competition in human nature cannot be totally abolished as far as family continue to exist. As such, it might be prudent to compromise with it –

> "Competition may not be the best conceivable stimulus, but it is at present a necessary one, and no one can foresee the time when it will not be indispensable to progress" (Mill, 1848/1970).

> "Instead of looking upon competition as the baneful and anti-social principle which it is held to be by the generality of Socialists, I conceive that, even in the present state of society and industry, every restriction of it is an evil, and every extension of it, even if it for the time injuriously affecting some class of labourers, is always an ultimate good. To be protected against competition is to be protected in idleness, in mental dulness; to be saved the necessity of being as active and as intelligent as other people........" (Mill, 1848/1970).

Government must ensure Justice

Mill has argued against what Nozick and some other libertarian thinkers would argue in the latter days that the intervention of government in state economy is only to enforce law and contracts, nothing else. Later, libertarian thinkers have moved forward a bit and give more power to government. Anyhow, government is necessary for ensuring public safety, for stability and for removal of chaos and anarchy in the society. This does not mean that government should interfere in the affairs of individuals; on the contrary, government must protect the interest of the individuals not only in business matters but also in peace and security. As such, there will be prosperity in society and income sources of government will rise through proper taxation from the people. Mill has observed this statement –

> "Is it no part of the duty of governments to enforce contracts? Here the doctrine of non-interference would no doubt be stretched a little, and it would be said, that enforcing contracts is not regulating the affairs of individuals at the pleasure of governments, but giving effect to their own expressed desire" (Mill, 1848/1970).

There may be arguments against Mill and libertarian proposition on the intervention of government regarding Justice or what would be the right thing to do for government. Justice is what the society is built upon. From Plato to Rawls, the form of justice or the aspect of justice may take different perspectives, but the essence remains the same because social scientist or any philosopher cannot dull the truth of it because it what's nature has placed it before mankind to seek. As such, government must enforce a contract; government must ensure that justice is done to all; government must ensure that justice prevails all the time. Nevertheless, government intervention in certain things is not only mandatory but also imperative.

> "....if a dispute does arise, evidence shall be procurable for deciding it, by requiring that the document be attested by witness and executed with certain formalities. The law preserves authentic evidence of facts to which legal consequences are attached, by keeping a registry of such facts; as of births, deaths, and marriages, of wills and contracts, and of judicial proceedings" (Mill, 1848/1970).

Anyhow, government intervention in taxation is necessary to preserve the interest of the people and also to increase the revenue sources of government. However, to what extent government should interfere in taxation? What principle shall be used, if not Progressive Taxation? This very question arises because unjust taxation will surely lead to loose morality of the people. High economic development and rich society having a robust income of government will mean nothing if society is based on an unjust law. St.

Augustine had once professed that 'an unjust law is no law at all.' Therefore, tax must be based on the principle of justice in which incomes below a certain amount should be altogether untaxed. This minimum should not be higher than the amount which suffices for necessity of the existing population (Mill, 1848/1970: 182).

So, if one wishes to tax someone in Mizoram, one needs to identify the average wages of basic necessity in Mizoram. For instance, if ₹ 5000 is the averages monthly wages than those persons whose monthly income is below ₹ 5000 must be untaxed. What is its difference with Progressive Taxation, one may ask. Income above the limit (average wages, e.g. ₹ 5000) should be taxed only in proportion to the surplus by which they exceed the limit (Mill, 1848/1970), not based on simple 10 per cent income tax which is unjust for those persons who barely exceed the limit.

An income tax, fairly assessed on these principles, would be in connection with justice, the least exceptionable of all taxes. The objection to it, in the present low state of public morality, is the impossibility of ascertaining the real incomes of the contributors (Mill, 1848/1970), but here in Mizoram with a small population having a unique closed society, in which one person knows almost every other persons, of that kind of society, ascertaining the real income of the contributors would not be impossible. In simple words, ascertaining the income of each and every individual in the society would be easy due to its small population. However, a never-ending question is still at large, to what extent that government should interfere in the affairs of an individual?

There are two kinds of state intervention as propounded by Mill. The first one is an *authoritative intervention* in which Government may interdict all persons from doing certain things; or from doing them without its authorization, or may prescribe to them certain things to be done or a certain manner of doing things which it is left optional with them to do or to abstain from. The second type of intervention is a non-authoritative intervention in which Mill viewed that –

> "there might be a national bank, or a government manufactory, without any monopoly against private banks and manufactories. There might be a post-office, without penalties against the conveyance of letters by any other means. There may be a corps of government engineers for civil purposes, while the profession of civil engineer is free to be adopted by everyone. There may be public hospitals, without any restriction upon private medical or surgical practice" (Mill, 1848/1970: 305).

From these two kinds of intervention of Mill, the second one, which is not authoritative in nature is being practised in India or Mizoram and yet, political economy is still downward compare to other liberal or capitalist countries. Laissez-faire principle is supported by many classical thinkers in which mankind is the best judge for himself or actions, or Individual are the best judge of his own interest. But there could be numerous attack on the principle of free trade or Laissez-faire principle, for example, Mill himself gave one critical evaluation on the principle of Laissez-faire theory in which he argued that –

> "The individual who is presumed to be the best judge of his own interests may be incapable of judging or acting for himself; may be a lunatic, an idiot, an infant: or though not wholly incapable, may be of immature years and judgment. In this case the foundation of the Laissez-faire principle breaks down entirely" (Mill, 1848/1970: 322).

Mill argument is valid in low political culture society, namely backward society. For example, in North East India in general and Mizoram in particular, almost all people or majority of the people do not know the best principle for themselves, most of them are incapable of choosing the best way of life due to low level of political consciousness or political culture. As such, in order to increase taxation; in order to make judgments on whether or not the law is just or unjust; in order to test theories concerning the principles of several political economies, authentic political socialization is needed to guide the people from the 'veil of ignorance' position. This is one important reason why income sources of the state government are hardly rising, especially income from tax revenue. Still, there may be an argument against the individual judge for his own sake. Who would be the judge if a person is incapable of making his own judgments due to certain difficulties? Mill further answer this –

> "In the case of children and young persons, it is common to say, that though they cannot judge for themselves, they have their parents or other relatives to judge for them" (Mill, 1848/1970: 322).

Another reason for the slow increase of tax revenue and a slow increase of state income as a whole is that majority population who depends mainly on agriculture and allied activities do not own private land for themselves. Most of the cultivable land and fertile land in Mizoram are either owned by those people who are engaged in the service sector or industrial sector who happened to be rich class in Mizoram. The researcher has observed this during field visit throughout Mizoram in 2019-2020 which will be dealt with briefly in the latter part of this chapter. This is the continuation of unbalanced growth in Mizoram that majority of people who are engaged in agriculture and allied activities contribute the least GSDP (see Table 6). Thereby, re-adjusting and re-allocating of landholding system in Mizoram is desirable. In fact, an RTI application filed by People's Representation for Identity and Status of Mizoram (PRISM) proves that the total LSC pass area is more than 76 times larger than the total geographical area of Mizoram (Lalhmingchhuanga, 2017: 55). So, what should be the perfect landholding system, Mill gave the answer –

> "No one should occupy more land than he can properly cultivate, nor become a proprietor until there are other labourers ready to take his place in working for hire; it can never be the interest of an individual to exercise this forbearance, unless he is assured that others will do so too" (Mill, 1848/1970: 332).

In Mizoram, one may propose a project on cancellation of all cultivable land or fertile land. If it is achieve, able person will own or rent land that he could properly cultivate and utilise in which the agricultural product may increase. Therefore, the non-cultivable land or non-fertile land can become the protector of global warming which further means cancellation of cultivable land might increase green forest cover, mitigating global warming. Finally, an increase in the agricultural product will automatically elevate the political-economic problems.

But, to cancel land is to deprive of one's property, to deprive of property means to violate one rights to liberty without one's consent. Therefore, as Mill put it, this could only be applicable if only –

> "it is the interest of each to do what is good for all, but only if others will do likewise" (Mill, 1848/1970).

Only if everyone will wish to do good for the communion, then, only then the cancellation of cultivable land will be right and just.

Political Economy on Utility and Scarcity

Another reason for low income of the State Government is poor utilization of resources. For example, Mizoram possesses huge potential for tourist destination and yet a very little amount of funds have been allotted for Tourism development. The role of political actors on tourist development and agricultural production with its valid market availability is poor when it comes to generating state economy. The amount of funds and revenue which political actors generate for Mizoram economy maybe hard to find out. This is because the research is not purely quantitative, but a kind of qualitative research in which the quality of political actors in generating economy, or the quality of actors in formulating the plans and policies are very important. Based on the quality of actors, not on the quantity of their roles, the state economy can meet expectation of civil society as well as the public. Further analysis of the role of political actors will be made in chapter 6 on Role of government.

There are some points that differentiate politicians from political actors. The role of the former is exclusive which includes those persons who contest or have been contesting election from time to time, they are actively involved in electoral politics – examples are Member of Legislative Assembly (MLA), Village Council (VC) members, Member of District Council (MDC), Local Council members and AMC members. But the latter one is more inclusive, not only includes politicians who are actively contesting elections but also includes former politicians or retired politicians. Political actors often involved in politics on discussions, debate, talk show, writing articles, lectures etc. Political actors also includes the so-called party workers, contractors who based their family economy on party politics. For instances, businessmen and lobbyists who based their company on party politics, leaders of civil societies who eagerly anticipated to play more active role in politics – or those who use civil society as a suitable platform for politics; all these individuals and personalities are included in this political actors.

Therefore, economics and politics have been intertwined since the time of Adam Smith, Ricardo, Jevons, Malthus, J.S. Mill, Karl Marx and John Maynard Keynes etc. (Sandel, 2015). Of course, it has been intertwined from the very beginning of mankind but Adam Smith is the first who saw a link between economics and politics. One cannot simply set aside politics from economics because politicians and political actors (as explained above) have played crucial role in the upward and downward of a state's economy. Therefore, it is perfectly safe to say that economy could be studied from a political background naming its study as *Political Economy.*

Jevons first sentence of his book *The Theory of Political Economy* begins with the meaning of the political economy in which he emphasized that the utility of an article is the basic structure of the political economy.

> "The science of political economy rest upon a few notions of an apparently simple character. Utility, wealth, value, commodity, labour, land, capital, are the elements of the subjects; and

> whoever has a thorough comprehension of their nature must possess or soon able to acquire a knowledge of the whole science" (Jevons, 1970: 77).

Here, Jevons does not add the importance of population as did by other classical theorists like Ricardo and Smith; the relationship between population and commodity, or the importance of population in the science of political economy must not be rejected or neglected but it must be analysed through scientific experiments.

Jevons invokes the idea of Bentham principle of maximizing utility to political economy, it may or may not be the best appropriate way to comprehend political economy through utilitarianism. Utility, Jevon's comprehension is according to Bentham (introduction to the principles of Morals and Legislation).

> "By utility is meant that property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness, or to prevent the happening of mischief, pain, evil, or unhappiness to the party whose interest is considered" (Jevons, 1970: 102).

But the principles of utilitarianism may not be applicable of all time or at all fields of economics; maximizing the utility of a single commodity or value in economics may not just to others.

In the field of political economy, one must remember that the scarcity of a particular commodity increases the value or its utility measure, and that very particular commodity may or may not be available of all time which is the very intrinsic value of utilitarianism. As Jevons's put it –

> "Whatever can produce pleasure or prevent pain may possess utility..... The food which prevents the pangs of hunger, the clothes which fend off the cold of winter, possess incontestable utility.... " (Jevons, 1970: 101).

As we already come across Bentham definition on utility which states that utility is a property in any object, whereby it tends to produce benefit, advantage, pleasure, good, or happiness. But some commodity which is available of all time in plentiful or in bulk which never faced any scarcity measure may lose its utility, or some commodity and objects may also lose its utility because of its hidden nature to the utilizers (mankind). This is very true regarding the huge potential of tourist destination in Mizoram in which if not explored, there shall be no utility value. Jevons himself made a clear example of this subject –

> "The ore lying in the mine, the diamond escaping the eye of the searcher, the wheat lying unreaped, the fruit ungathered for want of consumers, have no utility at all" (Jevons, 1970: 105-106).

Therefore, scarcity of a particular commodity makes some objects more valuable than another commodity. To utilize things means to take advantages of its scarcity or rarity. In Mizoram, for example, food production is scarce which makes its utility higher than other states. The production of ginger, for example, is available at all time in Mizoram which loses its utility level of measurement in Mizoram because it has no much *value in use.* The rate of ginger has been ₹ 10s to 30s for the past 20 years compare to ₹ 50s to 80s per kilogram in other states.

A new thought on Taxation

In Mizoram, socio-economic development projects have been introduced by the Congress and the MNF. New Land Use Policy (NLUP) was introduced by the Congress in Mizoram in 1989 – 1998 and revised in 2008 – 2018 known as NLUP – II. Socio-Economic Development Policy (SEDP) of the Mizo National Front (MNF) in 2019-2024. These policies have no much impact and likely not to have much impact on the economic development of the state. As such, a new thought about income of the state must be considered. Why there cannot be economic development in comparison to other neighbouring states? To answer this, the traditional system of taxation in Mizoram should be reviewed.

With the abolition of chieftainship by an act of Assam Legislative Assembly and Indian Parliament, the authority of the Chiefs/Lal of Mizoram were suspended with fair compensation in Mizoram in 1954, but the chief families were not satisfied with the compensation. In this regard, the Mizo Chief Council filed a case in the Supreme Court. Anti-chief feeling grew in Lushai Hills on the eve of independence which was believed to be spearheaded by the Mizo Union. Chiefs in the past, enjoyed their unlimited powers upon their villagers which were the main points of criticism by the Mizo Union leaders who thought themselves as capable replacement for the power exercised by the erstwhile chiefs. Amongst the powers of the chief, tax levied on agriculture, animal etc., were the main criticism of the traditional Mizo institution which the Mizo Union, through proper political legislation, sought to remove or abolish it once and for all. But, on the other way around, the concept of taxation need to be reconstructed because the traditional Mizo taxation system was practised from around 1800s till 1950s which somehow gave the villagers a ‘community-owned feeling’ towards their society which is omitted in the present generation.

Does taxation really create a community-owned feeling? That is the question that is already discussed above with Mill’s argument on taxation. If it is to believe that taxation does create a community-owned feeling and the society is intended to keep it that way (the way of socialism which is the community-based structure of the society), then, it must be noted that taxation must be enforced.

The case in point for taxation can be the payment of tithe (one-tenth of income) to church since the establishment of Mizoram Presbyterian Church. The Synod or Presbyterian Church has been preaching the moral values of 10 per cent tithe to all its members which is to be utilized for growth of the Ministry of Christ all over Mizoram. Not only for the growth of Christ followers that tithe is being paid but also for facilitation and development of Synod infrastructure and institution which are utilized. For instances, Synod school, college, hospitals and many schools in Mission Fields have been funded by the Church, but sometimes helped by civil society groups and some government agencies through donations. Anyhow, all these institutions and infrastructure are being funded by the Church in which one of the main sources of Church income is tithe which is mandatory as per the biblical teaching.

So long as the people pay tithe to the Church, all Church activities are expected to be accountable in nature, if not, questions raised from members of that same Church denomination. When leaders of the Church inspected and detected some misbehaviour among its workers/employee/stakeholders/contractors; or when the Church found misconduct of religious fund, the person or persons responsible for that misbehaviour or misconduct is likely to be suspended or removed immediately with or without the knowledge of the people (Lalchungnunga, 2019). Such things do happen from time to time. Due to this immediate actions and moral pressure from the people, all Church institutions and initiatives are expected to be accountable in terms of funding and services. The reason behind this accountability is payment of tithe by the people which morally inculcated people to regularly follow the whereabouts of their tithe money, how it is spent, where it is spent, for which purpose it is spent, and to whom it is spent.

Another thing which could boost Mizoram economy is restructuring the education system. Due to poor quality of education, the state economy could not improve because people's mind is still backward. Education is one important agent of Political Culture as professed by Almond and Verba and that education enhances the way people thinks and thereby making them to be more developed civilization. Therefore, education is important in every aspect of life. Mizoram could harness enhanced mode education in the near future. In what ways enhancing is to be made? This is the question which is becoming popular among academicians.

Since the Synod and other Church associations are morally good and accountable to the people, maybe it is best for Mizoram to incorporate the education system and religious institutions. For instances, the Government of Mizoram, with the people's consent, with the approval of the cabinet, could transfer some of its educational responsibilities to the Synod; the Government may fund the Synod to take up certain responsibilities on education system (Lalchungnunga, 2019). This could also be implemented not only with the linkages of the Synod but also with some other agency of the Church denominations. If, however, the Synod takes up the responsibility of maintaining the education system, it might also be necessary to endow with some special powers, such as discretionary powers of the Synod on education system.

The discretionary powers may include 'hire and fire' system in which the Synod will be endowed with the rapid hiring powers as well as the rapid firing of the school teachers and all the clerks under its jurisdiction (Lalchungnunga, 2019). The 'hire and fire' system may best be suited for Mizoram because the state lacks the monitoring techniques in almost all the affairs of the Government. For example, there are several school teachers who are hiring their substitutes; there are several school teachers who are abandoning their posts at various villages; there are several school teachers who are neglecting their duties and obligation as a teacher and instead become useless drunkard; again, there are several school teachers who are not serious about school timing and punctuality. All these unworthy school teachers still draw crore of salaries from the Government. They are becoming a burden to society as well as to the government. They are becoming useless consumer to the state economy, a worm or a virus which need to be removed in order to become better and stay healthy. They drain the state economy not by serving the people. The worst part is that the government has no idea of how to rectify this error in the society or the government may not know the reality of this poor education system. The education sector is just one example, the Government of Mizoram lacks the whips system in almost all its sectors and agencies. Therefore, a compromise between the Synod and school education system may open a new doorway to the survival of the state economy. This system may enhance the education procedure of Mizoram which in turn will develop the Political Culture of the people and lastly help in the growth of the state economy.

One important thing which must be remembered is that public institutions, whether it is educational institution or executive branches of the government, they all lack certain quality and values, namely – toleration to their consumer and customer, accountability, transparency, endurances in their jobs, passions to their jobs and in short, care to their jobs. All these issues shall automatically be diminished if the feeling job holders could be turned towards a feeling of job seekers. In other words, the job security of its permanent for life converted the motivation and inspiration of the erstwhile aspirant job seekers into a deteriorated, diluted and passionless jobholders.

To avoid all these issues, rapid-fire system which is to be used as a whip for punishing the so-called permanent jobholders must be enforced in the state. The advantages of private administration are not its pay scale or better facilities but it's rapid-fire method which cultivated fear of losing jobs to jobholders. Two things motivated man in his jobs, fear of losing jobs and to create more profit. These things happen in private institution but mostly omit in public institution, thereby making private institution a more profitable, reliable, and accountable to its consumer or customer. Only this kind of fear and motivation to thrive for more profit drives a man to achieve great things in his life. It is the fear of losing jobs that drives a man to love and care for his job, so plain and simple it is. If this fear could be enhanced and incorporated in government and public institutions, all executive branches of the government will now be accountable to the people and thereby the economy of the state will automatically rise up.

One may ask, does all public institution behave like this? The answer is no. All public institutions do not lose its credibility towards their job satisfaction, the teachers, for example, being the enhancer of morality are in a position of respect in the society. Why teacher institution is not bad based on diluted or degenerate moral or passionless values, it must be because teacher is the builder of morality that they always care about their jobs, especially in Higher Education and above. Enough has been said about the administration of the government and private institutions. Now, it is time to turn back to the concept of political economy in which intertwine between social, culture, education, political, economics and even religious aspects could be realized in a proper manner.

What is Political Economy?

The essence of Political Economy may be best understood in terms of political division of profit amongst society. What constitute economy? What are the contents of Political and Economy? Why it is termed as Political Economy? All these questions need proper and logical explanation. Some people believe that scarcity is the intrinsic value of economy and the division of such scarce commodity or resources in society is political, as such economy and politics go hand in hand; and whoever tried to differentiate or separated between the two – in Karl Popper's words - *'are starting a ridiculous petty revolt against God'* (Popper, 1945: 72). Thereby, if such an explanation is taken to be true, then, the profit, its division, its scarcity, and materials necessary for such productions are all linked together. As such, one could claim the integration of politics and economy as –

> "The produce of the earth – all that is derived from its surface by the united application of labor, machinery, and capital, is divided among three classes of community, namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the laborers by whose industry it is cultivated" (Ricardo, 1817/2006: 13).

Anyhow, the classical essence of the term 'political economy' may or may not exactly be the same with the modern essence of its uses, especially the way it is used in this research. In this research, the researcher employs the term 'political economy' both in its classical sense as well as in modern conception in which the collision, compromise, intertwine and relation between politics and economics are being emphasized. The reason is very simple, what is prior – politics or economics? Some might think that it is inseparable; others might also think in terms of its incompatibility with each other.

However, politics without economics has no taste; economics without politics has no development. Some arguments supporting this claim has already been discussed in the preceding chapter.

Land Ceiling, Land Development, Land Holding system and Technical know-how

From observation and field visit of the western part of Mizoram from 1 June to 10 June 2019, one thing is very clear to the researcher which is poor land utilization. Beneficiaries of MGNREGS, especially at Zawlnuam village, told the researcher that since most of the beneficiaries are poor BPL families, they do not own vast land for any agricultural implementation, it is difficult for them to have permanent farming to enhance their sustainable development. Thereby, if the government could allot land for each of the beneficiaries who opted for permanent farming, it will surely boost the rural economy. As such, if the Government intention is economic development of the state, there must be a change in Land Ceiling or Land holding system which could only be achieved from a political platform. In other words, if the Government of Mizoram still pursues economic development like the rest of its neighbouring states, its land holding system must be enhanced; if not, majority beneficiaries of different government schemes will not find economic redemption for themselves and will in the future depend more and more to the Government.

The Gandhian principles which held that until and unless the rural economy is not uplift, there will be no economic development in India seems true even in the Twenty First Century. However, enhancing land ceiling system is a huge task. Different states of India have been trying since the past several decades and only a few of them have successfully implemented it. But whatever the cost may be, unutilized land, no developed land, and unused land has no impact on the state economic development. So, a change in land holding system must be made. It is like one of the causes of Post-Behavioral revolution in the 1960s in which the scholars not only concentrated on what the Government 'took actions' but also on what the Government 'took no actions', are becoming important issues; powers not challenge, actions not taken, etc., are becoming the concern of emerging scholars. Likewise, in Mizoram, land not utilized, resources not encouraged, powers not challenge, and actions not taken are becoming important not only in the field of political economy but also in social aspect of the state.

Moreover, a fair proportional distribution of land has to be carried out not only for the landless poor but also for the rich and for encouraging socialist principles. The rural poor, who constitute the majority of the population, and yet contribute the least income of the state has been the backbone of the culture and the heart of the social life of the State, without them, rich people will have no meaning within the State. Society gives rich and poor living side by side a meaning to live; rich are only labelled as rich because there are poor people, 'the poor are poor not because of what they do not have, but because of what they cannot do'. There are so many poor beneficiaries of MGNREGS who wanted to implement permanent farming to boost rural economy, but they cannot do what they like, simply because they are poor.

So, if land is properly re-distributed among certain citizen of the state, those who have dreamt about pursuing their goals might actually achieve economic redemption for their villages. And if certain villages are able to achieve economic independence, it will move on to the Block and then Districts and lastly, the whole state may find economic development. But one issue still persists in this programme, which is Land ceiling itself. How to achieve it? - is a big question. No one can simply acquire land which is someone else's property. Mankind possesses the right to life, liberty and property which was professed by John Locke, and which is also enshrined in the Constitution of India. Therefore, one simple solution to this problem is that the government may make laws which could claim certain lands which have not been utilized for, say, 30 years. And that land, upon acquired by the Government will be distributed amongst the rural poor based on their level of choice for economic development.

Some backwardness of Mizoram economy is lack of technical know-how and road infrastructure. For instance, Mango cultivation at Kawlchaw and Zero villages could not reach Aizawl. However, the same quality of Mangoes are sold every day which are imported from Myanmar and Silchar with a much higher price. A low price, same quality or higher quality for some people, could be bought at a lower price from Kawlchaw. This is the reason behind the slow process of Mizoram economy. Betelnut plantation in western belt of Mizoram is another example. Zamuang, Rengdil, Bilkhawthlir, Mamit, Zawlnuam etc., are having a huge betelnut plantation which could have earned them thousands of crore per year, but the defects of Mizoram agrarian system is lack of technical know-how which the neighbouring states possess. Betelnut is being bought by Tripuri and Assamese, process raw betel nut inside their states, and then sold out again which the Mizo local vendor used to buy it almost the price double when it is a raw product at Zamuang or Zawlnuam.

If Mizo farmer possesses technical know-how, they could easily process in their own farm, avoiding the export of raw betelnut, and then doubled the price and then export it after the process which could increase the economy of betelnut farmers. While answering interview questions, Lallawmawma, Village Council President (VCP) of Bilkhawthlir claimed that since 2000s in Bilkhawthlir town, the people began to cultivated betel nut and after seven years around from 2007 – 2010, the people began to make profit from their crop. There are, at present around 1200 households in Bilkhawthlir, and these households made profit of ₹ 470 Lakh income form betel nut in 2019 alone (Lallawmawma, 2020). This means that every year the town generate an income of ₹ 470 Lakh. The number of income is likely to increase in the future. This income may be doubled if the villagers have the technical know-how. Raw materials are hardly expensive in which processing infrastructure and knowledge are immediate need of the people.

Administrative cost and its impact on the economy

Being one of the youngest, land-lock and backward states in India, the administration, whether public or private in Mizoram had been suffering serious mismanagement and misdirection. The words ‘mismanagement’ and ‘misdirection’ may seem a bold concept. But these concept is invoked upon Mizoram by no outside aggressor but by itself within the state. There are numbers of outdated Government agencies. These agencies swallowed a huge amount of Government budget without having a critical production which could have been used as an improvement in Mizoram economy. They do not have a critical product for the economy and that put them under a defunct or degenerate Government agencies. The real problem is that these agencies are run by Government funds.

Amongst these agencies are MVI (as constituted per the Mizoram & Village Industries Board Act, 1982), Zoram/Mizoram Handloom & Handicrafts Development Corporation (ZOHANCO), Mizoram Agricultural Marketing Corporation (MAMCO), Mizoram Food and Allied Industries Corporation (MIFCO), Zoram Electronics Development Corporation (ZENICS) and Zoram Industrial Development Corporation (ZIDCO) and some other. One problem behind this scene is that though unproductive and useless they may be, some politicians wanted to retain it, still, they wanted to pay for its administrative cost. So, politics and economy are being compromised here. In this case, the long debate about which one is superior/prior importance to society – politics or economics may be justified once and for all. Of course, politics do have prior importance in this particular case because politicians alone can rectify this error in administration within Mizoram. Politicians alone can abolish or retain some outdated agencies; the future of several workers and its administrative cost lies within the grasp of a few abled politicians, namely, the cabinet ministers. Politicians in Legislative Assembly concerning whether or not to close them down have raised this very issue. Accordingly, a special committee under the Mizoram State Legislative Assembly was convened and further study on these agencies was carried out. Deloitte private company commissioned the study in early 2011 and the same report was submitted to the Government of Mizoram in July 2011. Further analysis of the report of Deloitte private company will be made in chapter 6 on the Role of Government.

The former Finance Minister of Mizoram, Lalsawta, in his article entitled *'Kan Ram tana Economic Policy ṭha ber tur'* has claimed that most of the public undertakings and agencies in Mizoram such as ZENICS, MAMCO, MIFCO, ZOHANCO etc., are only good in theory but not in reality. He further claimed that these undertakings were set up by the Government to play party politics in which politicians often recruited their men (their family members, their party workers, and relatives) to fill these newly set up post under the Government (Lalsawta, 2004: 142-143). As such, these agencies is merely a tool for encouraging nepotism. In fact, these public undertakings swallowed a huge amount of Government funds to maintain its administration (such as salary, offices rent, and material cost, etc.) but its products have no critical contribution to the state economy. When the author of the said article Mr. Lalsawta established himself as a Finance Minister of Mizoram, remarkably, three public undertakings have been close down. The agencies are ZENICS, ZOHANCO, and MAMCO which were closed down in December 2015. Anyhow, this is another example of how Politics and Economics intertwined with each other; and, therefore, it might be safe to say that this intertwine may be labelled as Political economy for which no economy is dependent without politics.

Anyhow, some prominent citizens of Mizoram began to believe that only 10 per cent of the total budget of the state have been used for developmental works including economics, healthcare, infrastructure, education and agriculture etc., but the rest 90 per cent goes to administrative cost. This is true in the case of Mizoram budget in which expenditure for creation of capital assets hardly cross 10 per cent from the total expenditure. If this is continuing in future, no economic development may be implemented in the near future. However, it could be avoided or evaded through politics and therefore, the political economy may only be the salvation.

Conclusion

Taking all into consideration, this chapter deals with Sources of State Income, it is interesting to note that there are three main sources of income, they are Revenue Receipt, Capital Receipt and Public Account Receipt. Revenue Receipt and Capital Receipt falls within the Consolidated Fund of Mizoram whereas Public Account Receipt falls within Public Account. As such, Public Account Receipt is not analysed in this chapter due to its short usefulness for the state economy.

Amongst several sources of income, grants from the Central Government have been one of the most important sources of fund for Mizoram. Since the inception of the Mizoram Motor Vehicles Taxation (Amendment) Act, 2015, collection of revenues under the Transport Department has progressively increased. The Mizoram Water Supplies (Control) (Amendment) Rules, 2011 has come into force since 21st November, 2014. With the implementation of the Mizoram Water Supplies Rules, revenue generated through water tariff has shown a gradual increase. The revenues collected under State Excise have enlarged substantially ever since the inception of the Mizoram Liquor (Prohibition & Control) Act, 2014. A total amount of ₹ 51.50 crore is being collected during the Financial Year of 2017-2018. The revenue to be generated under State Excise for 2018-19 is therefore projected at ₹ 59.40 crore.

The 2017-2018 Annual Financial Statement shows that the actual collection of revenue from State Excise duty in 2015-2016 is ₹ 60 crore. Estimate budget on State Excise in 2016-2017 is ₹ 43 crore and it was revised and re-estimated to ₹ 54 crore. When the state budget for 2017-2018 was laid before the Legislative Assembly by the then Finance Minister, the estimated revenue receipt under State Excise is marked at ₹ 51 crore (Lalsawta, Budget Speech 2017-2018, 2017).

Funds received from the Central Government are divided into Plan and Non-Plan Fund. The amount of Plan Fund is mainly determined by the Planning Commission whereas the amount of Non-Plan Fund is mainly determined by the Finance Commission.

Planning Commission has been renamed as NITI Aayog since 1st January, 2015 resulting in no separation of Plan and Non-Plan Fund. Through the utilization and disbursement of these funds, government priority sectors and government performance level can be measured.

There has been an unbalanced growth in Mizoram since the Congress ministry. There may also be unbalanced growth before the Congress regime. Unbalance growth means imbalances of sectoral contribution to the GSDP. For example, majority of people in Mizoram depend upon agriculture and allied sector but the contribution of agriculture and allied sector to the GSDP is lowest compared to service sector and industrial sector. This unbalanced growth of development has been failed to be contemplated by some of the then Congress Cabinet Minister of Mizoram.

Unbalanced growth was slowly improving towards positive direction. This improvement was hypothetically assume due to the implementation of the NLUP for two consecutive terms by the Congress party.

Though taxation is supposed to be a major generator of income of the state government in Mizoram the issue of Progressive Taxation and some other socialist theories have been marginalizing the people to pay taxes. This is in contradiction with J.S. Mill theory of taxation. While Mill is in opposition to Socialist pattern of economy, he does not simply agree with Laissez-faire principle of the economy because some people may be incapable of making certain moral judgments for their own, namely the children and the handicap. There is also an issue on the intervention of government in individual affairs, especially in economic aspects.

A general indebtedness argument holds that everyone living in society owes a debt to society and that it is the duty of every citizen to pay certain taxes for the development and sustenance of society. In fact, all wealth of rich person, all the happiness of human being, and all the good thing that mankind enjoys would not have been true if society does not provide. Moreover, money, happiness and all the good life would have been nothing if a man is living outside society. Therefore, to tax someone actually means to further protect his interest in society. This is communitarian argument in justifying taxation which may be required further to improve sources of income of the state. Whose idea is right, Mill liberal argument or Communitarian argument? This will be a never-ending debate in political economy.

There are unutilized sources and potential which are unexplored and then unrealized value. These potential examples may be tourist destination potential of Mizoram and yet very little budgets have allotted to tourism development. As such, little resources were benefit from this sector. Technical know-how is not only needed in unexplored resources but also in already utilized resources. For example, Bilkhawthlir betel nut surely needs technical know-how material in Mizoram to increase its value and eventually to increase sources of income of the State Government.

Chapter 4

Role of DoNER in Socio-Economic Development

This chapter is a follow up section of the preceding chapter on sources of state income. There are some works, important works that the Government have been taken up as schemes outsides the State's Annual Plans. These include schemes under Centrally Sponsored Scheme (CSS), and Special Schemes under North Eastern Council (NEC) and Non-Lapsable Central Pool of Resources (NLCPR). These schemes which are implemented on the initiative of the Government of India effectively supplement the development efforts of the State and are rightly termed as plan-outside-plan expenditure.

This chapter analyses state income through the Ministry of Development of North Eastern Region (DoNER) during the study year, i.e., during the Sixth and Seventh State Legislative Assemblies. This chapter also examines several Non Lapsable Central Pool of Resources (NLCPR) projects completed and ongoing in Mizoram since the inception of DoNER. However, the main intention of this chapter is to explore and examine the socio-economic impact of DoNER in Mizoram. In doing so, a need has arisen somewhere to trace the development of DoNER through its historical perspectives. Plans that have been taken up in Mizoram by DoNER, projects that have been implemented by DoNER in Mizoram, and schemes that have been put up in Mizoram for socio-economic development of the state are analysed here.

The Department of Development of North Eastern Region (DoNER) was set up in 2001 to coordinate the developmental efforts in the North Eastern Region (NER). It was converted into a full-fledged Ministry in 2004. It is the only Ministry with a territorial jurisdiction (Government of India, Annual Report 2019-2020, 2020). The Ministry of Development of North Eastern Region is responsible for the matters relating to the planning, execution and monitoring of development schemes and projects in the North

Eastern Region. Its vision is to accelerate the pace of socio-economic development of the Region so that it may enjoy growth parity with the rest of the country.

As per the allocation of business rules, the Ministry of Development of North Eastern Region is to deal with the matters relating to the planning, execution and monitoring of development schemes and projects in the North Eastern Region. This Ministry aims to give focused attention to address the special needs of the region. One of the main schemes of the Ministry is the Non-Lapsable Central Pool of Resources (NLCPR) through which the Ministry is addressing the requirements of state specific infrastructure projects as a direct facilitator for infrastructure development.

There have been several initiatives, capacity building, corporations, sectors, programmes, projects, schemes and institutions under Ministry of DoNER. All these initiatives have helped eight North East states of India in socio-economic development of the state. In fact, the formation of NEC, NLCPR and DoNER may be the most important achievement for the whole North East Region (NER). However, since the aim of this chapter as well as this thesis is economic development and impact of politics on economic in Mizoram, all details regarding all initiatives taken up under the banner of DoNER will not be discussed here. Contrary to all initiatives under Ministry of DoNER, only some relevant initiatives and schemes and projects regarding the state of Mizoram will only be discussed in this chapter.

This chapter deals with a brief history of Development of North Eastern Region (DoNER) with reference to the Non-Lapsable Central Pool of Resources (NLCPR) and the utilization of project funds from DoNER. It mainly discusses contribution of DoNER for development of the state.

Non Lapsable Central Pool of Resources (NLCPR)

The Ministry of DoNER implements various schemes, including schemes of Non-Lapsable Central Pool of Resources (NLCPR) that has been restructured as North East

Special Infrastructure Development Scheme (NESIDS). The Non-Lapsable Central Pool of Resources (NLCPR) was created during 1998-99 out of unspent balance of mandatory 10 per cent of Gross Budgetary Support (GBS) of the concerned Central Ministries. Initially, the erstwhile Planning Commission administered it and transferred to the Department of Development of North Eastern Region in 2001-02. The Department was upgraded into a Ministry in 2004.

In October 1996, the Central Government announced ‘New initiatives for the North Eastern Region (NER)’, one of these measures announced was the policy decision to earmark at least 10 per cent of Plan Budgets of the Central Ministries/Departments for the development of NE States (Government of India, Annual Report 2019-2020, 2020). Accordingly, it was decided that Central Ministries/Departments, unless specifically exempted, will set apart 10 per cent of their Plan Gross Budgetary Support (GBS) for the North East Region (NER) to ensure a quantum jump in budgetary resource flows to the region and to fill the backlog and gaps in basic minimum service and infrastructure. Subsequently, allocation of funds for the NER is being done annually on lump sum basis by the non-exempted Central Ministries/Departments at the Budget Estimate/Revised Estimate stage under Major Heads 2552 (for revenue expenditure), 4552 (for capital expenditure) and 6552 (for loan expenditure) expended under their respective functional schemes (Government of India, Annual Report 2019-2020, 2020).

In 1997-98, it was found that actual expenditure of Ministries/ Departments for North East Region (NER) is less than the mandatory ceiling of 10 per cent. As such, the Central Government took the decision to create a “Central Resource Pool” into which the unutilized portion of the 10 per cent earmarked Gross Budgetary Support (GBS) will accumulate at the end of the financial year. Since 1998-99, the annual surrendered amounts out of the earmarked outlays of all non-exempted Central Ministries/Departments for North East Region (NER) are being accounted as accumulations to this Pool and the annual expenditure of the Ministry under the Non-

Lapsable Central Pool of Resources Scheme are being accounted as withdrawals from the Pool. The creation of NLCPR thus precedes the formation of the Ministry of DoNER. The Resource Pool is a notional pool, maintained on a proforma basis by the Ministry of Finance.

In October 1996, S.P. Shukla Commission was set up to examine backlog in Basic Minimum Services and gap in main structures of infrastructure development in North Eastern States. To operationalise the recommendations of the Commission's report, the Union Cabinet approved constitution of Central Pool of Resources called Non- Lapsable Central Pool of Resources (NLCPR), on 15.12.1997 (Government of India, Annual Report 2015-2016: 10). As such, a proposal was mooted by the Planning Commission to the Cabinet for constitution of such a Central Pool of Resources. The Cabinet approved the approach, in principle, on 15th December 1997, observing that the creation of the Central Resources Pool would require Parliamentary approval and would have to await constitution of the Twelfth Lok Sabha. The Central Pool therefore, could not be constituted in 1997-98.

Following the Lok Sabha elections earlier in the year 1998, the matter relating to creation of the Central Pool of Resources was pursued in consultation with the Ministry of Finance. The Prime Minister convened a Meeting of the Chief Ministers of the North Eastern States on 8th May 1998 when, inter alia, it was indicated that a Non-lapsable Central Pool of Resources for the funding of specific projects in these States would be created.

Accordingly, the NLCPR came into existence and was set up in the Ministry of Finance (Department of Expenditure) in December 1997. Each non-exempted Ministry / Department (at present 55) is required to earmark at least 10 per cent of Gross Budgetary Support (GBS), excluding allocation for Externally Aided Projects (EAPs) and local or event specific schemes/ projects for NER. Unspent amounts of earmarked 10 per cent of

GBS of various Ministries /Departments is pooled in NLCPR, while Expenditure under NLCPR Schemes are deemed debited to the NLCPR Pool.

In order to bring about significant simplification and transparency in presentation of the information regarding Ministry/Department-wise budget allocation for the North East, the Central Government in 2014-15 introduced a separate statement, namely Statement 23 of Expenditure Budget Vol. I in the Union Budget.

In normal proceedings, all appropriations granted by the Parliament expire at the end of financial year and no deduction of unspent budget can be appropriated for meeting the demands in the next financial year. Thus, all unutilized funds within the year 'lapse' at the end of the financial year. However, in the case of Non-Lapsable Central Pool of Resources Scheme, there can be no lapse of fund at the end of financial year. This is due to the accumulation of unspent budget in the financial year.

The essence of the NLCPR is that the Government of India mandated that 10 per cent of every developmental expenditure in each Ministry of the Central Government should be utilized for the North-Eastern Region. Fund not utilized during each year are pooled apart under the name of 'Non-Lapsable Central Pool of Resources (NLCPR). It means, if fund are not utilized within stipulated time, the same fund are not lapse, but pooled or combined or accumulated into a fund known as Non-Lapsable Central Pool of Resources (NLCPR). North-Eastern States could now utilize fund in this pool for taking up the infrastructure projects in the Region.

The objective of NLCPR Scheme is to ensure speedy development of social and economic infrastructure in the NER. Guidelines to administer NLCPR were formulated in December, 2001 and are revised from time to time on the basis of past experience. The broad objective of the Non-Lapsable Central Pool of Resources scheme is to ensure speedy development of infrastructure in the North Eastern Region by increasing the flow of budgetary financing for new infrastructure projects/schemes in the Region. Both physical and social infrastructure sectors such as Irrigation and Flood Control, Power, Roads and Bridges, Education, Health, Water Supply and Sanitation - are considered for providing support under the Central Pool, with projects in physical infrastructure sector receiving priority.

State Governments implement projects sanctioned under the scheme. Ministry of DoNER has been focusing on close monitoring of projects for their timely completion. Planning and Development Department of each State are Nodal Department for NLCPR projects. They have responsibility of conducting field inspections of projects through senior officers of the State concerned and submission of inspection notes. For each project, State Government/Implementing Agency has to identify a Nodal Officer, who is responsible for timely implementation of that project and submission of Progress Reports, Inspection Reports, Photographs of work achieved etc. of the projects.

NLCPR-Central scheme was formulated with the objective of enhancing effective and optimal utilisation of funds in the NLCPR Pool towards development of the North Eastern States. It is a Central sector plan scheme under which projects of Union Ministries/ Departments pertaining to subjects listed in the Union and Concurrent Lists are being funded.

The scheme on NLCPR on power became operational since 2012-13. At present, part funding of a project of Ministry of Power, namely, Tuirial Hydro Electric Power (60MW) in Mizoram under implementation by North Eastern Electricity Power Corporation Ltd (NEEPCO) is the only project under the scheme. A total of ₹ 300 crore will be funded by the Ministry of DoNER for this project, out of which a total of ₹ 300.00 crore has been released so far (₹ 130.09 crore in the year 2015-16). The project is scheduled for commissioning by October, 2016.

As mentioned above, the Non Lapsable Central Pool of Resources (NLCPR) Scheme came into existence in 1998 under then Planning Commission. Subsequently, it was transferred to DoNER in 2001. Since inception of the Scheme, various projects were sanctioned across sectors for development of North Eastern Region as per Scheme guidelines framed for the purpose and revised from time to time.

The objective of NLCPR Scheme is to fill up the gap in infrastructure sector of the North Eastern Region through sanctioning the projects prioritized by the State Governments. Ministry gets Annual Budgetary Allocation from Ministry of Finance for funding the projects under NLCPR Scheme. Funds under the scheme are shared between the Central and State Governments on 90:10 basis. The approved funds under the scheme are released in three installments in the ratio of 40:40:20 for the projects sanctioned prior to the revised guidelines 2016 based on the commensurate physical and financial progress of the projects.

Based on past experiences and an exhaustive review undertaken during 2015-16, the Scheme Guidelines was revised in 2016 to make the process of retention and sanction of projects more transparent and participative. The new provisions incorporated in the Guidelines empower the State Governments apart from discouraging parking of funds and fast-tracking the entire process from conceptualization to completion of projects. The salient features of Revised Guidelines are as under:-

1. Constitution of State Level Empowered Committee (SLEC) in each State to prioritize and recommend projects for retention/sanction.

2. Delegation of power of techno-economic vetting of the DPRs to State Level Empowered Committee (SLEC) headed by the Chief Secretary of the State.

3. Number of installments for release of funds reduced to two i.e. 40% and 60% based on physical and financial progress reports.

4. To ensure just-on-time release of funds, initially a token amount of ₹ 10 lakh to be released and balance amount of first installment to be released after receipt of letter of award of the contract.

So far, one thousand six hundred forty three (1643) projects at an approved cost of ₹ 16366.57 crores, of various sectors have been taken up for funding under the NLCPR Scheme in eight States of North Eastern Region.

After coming into existence a new Central Sector Scheme in December, 2017 namely, "North East Special Infrastructure Development Scheme" (NESIDS) in place of NLCPR Scheme, no new project is taken up for funding under the NLCPR Scheme. However, funding for ongoing projects under the Scheme were continued till March, 2020 for their completion.

The Non Lapsable Central Pool of Resources (NLCPR) was implemented in Mizoram since 1998-1999 financial year. Since the implementation of this project in Mizoram a total of 159 projects have been sanctioned out of which, 67 projects were completed and 59 are on-going projects. Normally, the funds under NLCPR would be released/sanctioned to the State Government in the form of 90:10 where the Ministry of DoNER (M/DoNER) as Grant would release 90 per cent of the approved cost. Balance 10 percent being State share would be contributed by the State Government. As regards the disbursements, if any for projects of Union Ministries/Departments, it shall be made from the Central Pool to the department/ministry in form of supplementary demand for grants. Year-wise release of funds under NLCPR in Mizoram are the following. Due to unavailability of relevant data, all revenue receipt under NLCPR under the study year could not be provided.

Table 7: Fund release under NLCPR to Mizoram during 2008-2015 Financial Year

Financial Year	Actual
2008 – 2009	14.95
2009 – 2010	19.91
2010 – 2011	73.73
2011 – 2012	36.56
2012 – 2013	81.68
2013 – 2014	74.89
2014 – 2015	49.35
(₹. in lakh) Source: Economic Survey 2015-16	

Since the implementation of the NLCPR in Mizoram, several projects have been completed and there have been several ongoing projects in various sectors. Sector under NLCPR are categorized into 10 categories, namely - Agriculture & Allied sector, Education sector, Health sector, Power sector, Road & Bridges sector, Sports sector, Water Supply sector, Flood Control & Irrigation sector, Tourism & Culture sector, and Miscellaneous sector. The following table reveals the total approved number of projects under NLCPR in Mizoram.

Table 8: Statement showing Total Approved cost of projects under NLCPR in several sectors

Sl. No.	**Name of sector**	**Approved cost in Lakh**
1	Total of Agriculture & Allied sector (5 Projects)	2360
2	Total of Education sector (28 Projects)	23808.09
3	Total of Health sector (8 Projects)	8726.54
4	Total of Power sector (13 Projects)	23297.96
5	Total of Road & Bridges sector (25 Projects)	19986.15
6	Total of Sports sector (14 Projects)	8784.13
7	Total of Water Supply sector (15 Projects)	20826.93
8	Total of Miscellaneous sector (51 Projects)	31519.77
9	Total of Flood Control & Irrigation sector (0 Project)	0
10	Total of Tourism & Culture sector (0 Project)	0
Total Approved cost		**139309.57**

₹ In Lakh. Source: Ministry of DoNER website

From the above table, it can be seen that there are several approved projects in Mizoram under NLCPR and these projects are a combination of completed and ongoing projects. The amount of the approved projects, as display in the table is ₹ 139309.57 lakh which is share between Ministry of DoNER and the Government of India in a ratio of 90:10. As displayed in the above table, there are no projects on tourism and culture sector, and Flood Control & Irrigation sector since the inception of DoNER. These projects are retrieved from Ministry of DoNER website on 3rd November 2020. Details of the project regarding each sectors with actual completion date are display in the following tables.

Table 9: NLCPR completed and ongoing projects on Power sector in Mizoram

(₹ in Lakh & Date in dd/mm/yyyy) Source: Ministry of DoNER website			
V. Power			
Sl. No.	**NLCPR Projects**	**Approved**	**Completion Date**
		Cost	**Actual**
1	Construction of 33 kv D/C line tower from 3 MW Kautlabung SHP to Thenhlum 33 kv Sub-Station (17 kms) in Mizoram	782	-
2	Construction of 2 X 2.5 MVA, 33/11 KV S/s at P & E Complex with associated 33 KV lines in the heart of Lawngtlai Town	678	-
3	Construction of 2 X 2.5 MVA, 33/11 KV S/s at P & E Complex with associated 33 KV line ai Saiha Town	766	-
4	Construction of 110 km 132 KV S/C Aizawl (Melriat S/S) - Lunglei line including one out-going bay at Melriat and one incoming bay at Lunglei	4176.07	-
5	Construction of 33 Kv D/C transmission line (Tower type) Lawngtalai to Saiha	743.69	30/08/2012
6	Construction of 132 kV single circuit Line from Khawzawl to Champai	590	31/07/2011
7	Construction of 132 kV S/C line on D/C towers from Kolasib to Aizawl (Melriat) with LILO of one circuit at Aizawl (Zuangtui) 132 kV Sub Station	2151.1	28/06/2017
8	Construction of 33KV D/C Serlui 'B' Kolasib switchyard at Serlui 'B' & incoming bay at 132 KV S/s at Kolasib (bawktlang)	315.1	24/07/2009
9	Power Evacuation from Thermal Power Plant, Bairabi	456	1/12/2007
10	Sub- transmision and Distribution Lines - Lunglei Town	830	27/05/2004
11	Electrification of 3 Tribal villages.	68	27/05/2004
12	HFO bassed 20 MW DG thermal plant at Bhairabi	9159	31/08/2006
13	Sub- transmision and Distribution Lines - Aizwal Town	2583	27/05/2004
Total of Power sector (13 Projects)		**23297.96**	

As display in the above table, there have been 13 projects approved so far under Power sector in Mizoram under NLCPR. The total approved cost is ₹ 23297.96 lakh in which the completed projects with date of completion can be seen in the table. However, there are 4 projects which are under implementation and ongoing projects under power sector.

Table 10: NLCPR completed and ongoing projects on Sport sector in Mizoram

(₹ in Lakh & Date in dd/mm/yyyy) Source: Ministry of DoNER website			
VII. Sports			
Sl. No.	**NLCPR Projects**	**Approved**	**Completion Date**
		Cost	**Actual**
1	Construction of Mini Sports Complex, Sakawrdai in Mizoram	350	-
2	Construction of Mini Sports Complex at Aibawk	400	-
3	Construction of Mini Sports Complex at Khawbung (Mizoram)	369.89	-
4	Construction of Table Tennis TrainingCentre at Mission Vengthlang in Aizawl	369.87	31/12/2019
5	Construction of Mini Sports Complex at E. Lungdar	434.96	-
6	Construction of Zauva Sailo Memorial Tennis Centre Lunglei	426	10/12/2019
7	Construction of Indoor Stadium at Chanmari, Lunglei	496.19	7/8/2018
8	Construction of Additional Works for Indoor Stadium at Pitarte Tlang, Aizawl in Mizoram	245.11	24/02/2017
9	Construction of Indoor Stadium at Bungtlang in Mizoram	173.75	23/11/2017
10	Construction of Indoor Stadium at Keitum in Mizoram	173.75	12/12/2017
11	State Sports Academy, Zobawk	1751.24	-
12	Construction of Aizawl Cricket Stadium at Sihhmui, Mizoram	1128.16	20/12/2013
13	Construction of Indoor Stadium at Aizawl	1305.22	11/8/2014
14	Construction of Indoor Stadium at Champhai	1159.99	6/1/2012
Total of Sports sector (14 Projects)		**8784.13**	

The above table reveals completed and ongoing projects under sports sector in which it can be realized that there have been enormous development in the sector during the Congress ministry. It can also be said that all the sport projects under NLCPR in Mizoram are developed during 2012 to 2019 which is the period of the Sixth and Seventh State Legislative Assemblies. However, there are a few projects under implementation which are likely to complete within the near future. The approved cost under sports are lower than power sector.

Table 11: NLCPR completed projects on Agriculture in Mizoram

(₹ in Lakh & Date in dd/mm/yyyy) Source: Ministry of DoNER website			
II. Agriculture & Allied			
Sl. No.	**NLCPR Projects**	**Approved**	**Completion Date**
1	Bamboo processing industry.	400	29/05/2004
2	Marketing facilities and marketing of Tung Seeds and Oil within Country & Abroad.	50	24/07/2004
3	Establishment of 8 Units of Fish seed farms in Mizoram.	528	23/06/2005
4	Integrated piggery development project	657	04/03/2005
5	Mobilisation and development of feed & foder project, modafer	725	18/05/2005
Total of Agriculture & Allied sector (5 Projects)		**2360**	

At the time of writing this thesis, there are no ongoing projects on Agriculture & Allied sector in Mizoram from NLCPR. However, there are 5 projects completed during 2004-2005 financial year. The completion of the above projects are before the Congress came back to power in 2008. This is surprising to know that even though there are fiscal imbalances regarding share of GSDP by three sectors, namely, Agriculture & Allied sector, Service sector and Industrial sector in Mizoram, yet, projects under Agriculture & Allied sector under NLCPR are very limited (see Table 6).

This unbalanced growth and fiscal imbalances are major problem of the Mizoram Economy in which roughly 66 per cent of the state population base their economy on agriculture, 5 per cent on small-scale industry and the rest 29 per cent on Government services. This data changes over time, however agriculture surely provides livelihood to around 60 per cent of the total population in the State (Government of Mizoram, 2016: 9). In fact, Agricultural labourers who happen to be majority of the population are socially and economically the poorest section of the society. Further, various researches indicated that agricultural workers are basically unskilled; they may not also be skilled even in the art of profitable cultivation (Government of Mizoram, 2016: 9).

The above Table 11 somehow proves the research hypothesis which is emphasized on research problem in chapter 1. Since majority of the population are mostly unskilled, depend upon agriculture, and since no immediate actions have been taken up to rectify this unbalanced growth, the share of GSDP could not be improved as anticipated. Actions to improve agriculture and allied activities were hardly taken by the government in Mizoram. In fact, there are merely five projects under NLCPR in Mizoram under agriculture and allied sector. Since project proposal and implementation are the task of the State Government, the role of government must be measured from this activity.

Table 12: NLCPR completed and ongoing projects on Education sector in Mizoram

(₹ in Lakh & Date in dd/mm/yyyy) Source: Ministry of DoNER website			
III. Education			
Sl. No.	**NLCPR Projects**	**Approved Cost**	**Completion Date Actual**
1	Construction of Government Aizawl College New Campus Building at Mualpui, Aizawl in Mizoram	1200	-
2	Construction of Teachers Training Complex at Lunglei in Mizoram	1040	-
3	Construction of Student Hostel at Aizawl in respect of Chakma Autonomous District Council	565	-
4	Construction of Hostels for Students of Higher Secondary Schools at Aizawl	520.48	18/04/2019
5	Construction of Mara Student Hostel at Aizawl	538.36	15/06/2018
6	Construction of School Building within LADC (Phase-II), Lai Autonomous District Council	1109.85	-
7	Construction of Higher Secondary School Building at Kawlkulh and Kawlbem in Mizoram	195.88	15/12/2017
8	Construction of Students Hostel for Lai Autonomous District Council at Aizawl	596.72	31/01/2018
9	Infrastructure Development of Kamalanagar College in CADC	224	10/11/2015
10	Establishment of Sainik School at Chhingchhip, Serchhip District, Mizoram	5064.23	30/06/2018
11	Construction of Boys and Girls Hostel at Saitual and Thingsulthliah in Mizoram	189.99	20/11/2013
12	Infrastructure Development of various colleges (10 Nos.) in Mizoram	1367.64	21/11/2017
13	Infrastricture Development of Lawngtlai College, Lawngtlai, Mizoram	136.09	30/05/2017
14	Infrastructure Development of Govt. Champhai College at Champhai, Mizoram	951.29	21/01/2016
15	Construction of Examination Hall for MPSC Mizoram	288.32	30/06/2015
16	Construction of Multi Complex Building Auditorium at Pachhunga University College, Aizawl, Mizoram	285.26	18/10/2017
17	Construction of Post-Matric Students Hostel at Aizawl in Mizoram	190.1	23/09/2014
18	Infrastructure development of 4 college in Mizoram	546.32	22/11/2017

19	Construction of Mizoram Law College at Aizawl	289.58	21/12/2014
20	Construction of Schools within LADC	236.86	25/05/2010
21	Construction of School Buildings in Mara Autonomous District Council	212.42	13/07/2011
22	Construction of Secondary School Buildings in Mizoram	968.53	27/03/2010
23	Sarva Shiksha Abhiyan (2006-07)	688.34	24/04/2007
24	Sarva Shiksha Abhiyan	511.83	17/12/2007
25	Infrastructure Development of Mizoram University (additional)	2326	15/03/2015
26	Mizoram University	174	4/5/2005
27	Secondary Schools Improvement Project	1248	28/05/2004
28	Construction & Renovation of School Building.	2143	20/07/2005
Total of Education sector (28 Projects)		**23808.09**	

As far as education is concerned, project proposal and implementation since 2004 by the Government of Mizoram under NLCPR is worth remembering. There have been 28 projects with approved cost of ₹ 23808.09 lakhs in the state. Since education is regarded as social services, one can say that the role of State Government in social development is admirable. However, as far as economic is concerned, economic development in the state will not improve immediately under the project of NLCPR.

Table 13: NLCPR completed and ongoing projects on Health sector in Mizoram

(₹ in Lakh & Date in dd/mm/yyyy) Source: Ministry of DoNER website			
IV. Health			
Sl. No.	**NLCPR Projects**	**Approved**	**Completion Date**
		Cost	**Actual**
1	Construction of 50 Bedded Hospital in Lawngtlai in Mizoram	1191.51	-
2	Construction of 100 bedded Civil Hospital at Saiha	1592.52	-
3	Veterinary Polyclinic at Aizawl	482.3	10/3/2015
4	Construction of Medical Staff Quarters for CHC at Saitual and Thingsulthliah in Mizoram	132.21	24/09/2018
5	Construction of Out-Patient Department Block, Civil Hospital, Aizawl	371	5/6/2007
6	Six bedded ICU at Civil Hospital, Aizawl	142	25/06/2004
7	200 Bedded Hospital at Lunglei.	762	31/01/2006
8	State Referral Hospital, Aizawl.	4053	31/12/2010
Total of Health sector (8 Projects)		**8726.54**	

In terms of health sector, there have been 8 approved projects in Mizoram out of which only two projects are yet to be completed. It can be realized that these projects have been very significant in improving health sector in Mizoram. Although some of the project cost are very low compare to other sectors, the quality it renders to the people must not be overlooked. The impact of these development to the people of Mizoram is likely to increase development in other sectors in the future.

Table 14: NLCPR completed and ongoing projects on Water Supply sector in Mizoram

(₹ in Lakh & Date in dd/mm/yyyy) Source: Ministry of DoNER website			
VIII. Water Supply			
Sl. No.	**NLCPR Projects**	**Approved Cost**	**Completion Date Actual**
1	Water supply to Sainik School Chhingchhip,Mizoram	787	-
2	Aibawk Water Supply scheme	979.42	31/03/2017
3	Sairang Water Supply Scheme in Mizoram	221.14	30/11/2016
4	South Khawbung Water Supply Scheme in Mizoram	827.38	30/01/2019
5	Bairabi Water Supply Scheme in Mizoram	490.37	13/05/2015
6	W.Phaileng Water Supply Scheme (Pumping) in Mizoram	995.19	30/09/2016
7	Bilkhwthlir Water Supply Scheme, Kolasib District in Mizoram	780.47	29/01/2016
8	Tuipang Water Supply Scheme Mara Autonomous District Council in Mizoram	941.13	24/09/2015
9	Greater Hnahthial Water Supply Scheme in Mizoram	825.6	30/11/2015
10	Greater Saitual Water Supply Scheme in Mizoram	2153.2	30/09/2016
11	Greater Lawngtlai Water Supply Scheme in Mizoram	2564.5	30/11/2015
12	Lower Sakawrdai Water Supply scheme	133.72	27/01/2014
13	Greater Mamit Water Supply Scheme	576.81	28/09/2007
14	Greater Champhai Water Supply Scheme.	1371	30/06/2009
15	Aizawl Water Supply Scheme (Phase-2)	7180	17/12/2012
Total of Water Supply sector (15 Projects)		**20826.93**	

From the above table, it can be seen that several projects have been implemented from NLCPR in water and supply sector in Mizoram during the Congress ministry. Only one project entitled ‘Greater Mamit Water Supply Scheme’ from the total 15 projects were completed before the Congress ministry. In such a way, role of DoNER as well as role of Government of Mizoram in the Sixth and Seventh State Legislative Assemblies in implementation of water supply projects are remarkable. Due to increase of actions taken by both the Government of Mizoram and DoNER in water supply scheme, revenue receipt in terms of user charges on water tariff has been increased tremendously. In fact, due to the increase of expenditure on water supply, the Mizoram Water Supplies (Control) (Amendment) Rules, 2011 has come into force with effect from 21st November, 2014. With the implementation of the Mizoram Water Supplies Rules, revenue generated through water tariff has shown a gradual increase. For example, during 2016-17 a total of ₹ 37.51 crore had been collected on account of water tariff which was almost equal to tax collected from excise duty. During financial year of 2017-2018, a total amount of ₹ 51.50 crore was estimate to be collected from excise duty (see Annual Financial Statement, 2018-2019). If this continues in future, the negative achievement of Irrigation and water supply may be checked/tackled and abolished for good.

Apart from the above mentioned several projects, there is miscellaneous sector under the NLCPR scheme which contains majority of the projects under the scheme in terms of sector. There are five big sectors under the NLCPR scheme in Mizoram in terms of approved cost and numbers of projects, they are – Education sector, Power sector, Road & Bridges sector, Water Supply sector, and Miscellaneous sector. Amongst them the Miscellaneous sector is the largest sector in terms of both project cost and numbers of project. Details regarding Miscellaneous sector are reveals under the following table.

Table 15: NLCPR completed and ongoing projects on Miscellaneous sector in Mizoram

IX. Miscellaneous (₹ in Lakh & Date in dd/mm/yyyy) Source: Ministry of DoNER website			
Sl. No.	**NLCPR Projects**	**Approved Cost**	**Completion Date Actual**
1	Solid Waste Management at Lunglei (under SAP)	600	-
2	Construction of Dam Reservoir and Development of Recreation Centre at Keilungliah, Champhai in Mizoram	1988	-
3	Construction of Mizoram State Account and Treasury Office Building at New Secretariat Complex, Aizawal.	1110	-
4	Construction of Multi Level Car Parking at New Secretariat Complex, Aizawl	3601	-
5	Construction of High Court Building at New Sectt. Complex in Aizaw (Mizoram)l	4624.12	-
6	Construction of Multi Shopping Complex at Saitual	310.33	-
7	Upgradation of Central Jail Aizawl for construction of Separate Women Jail in Mizoram	1306.95	31/08/2018
8	Construction of Police Headquarters Buildings at Khatla in Mizoram	1555.79	-
9	Infrastructure Requirement of Mizoram Police (Establishment of 3rd IR Battalion HQRTs at Thingkah), Lawngtlai	2842.28	-
10	Construction of Multipurpose Centre at Ramthar North, Aizawl	462.37	-
11	Construction of Market Building at Vairengte in Mizoram	387.65	-
12	Modernization of Kamalanagar Town	1988.82	-
13	Construction of 10 Nos. of Helipads	258.2	10/12/2019
14	Construction of Multi-Level Parking, Community Centre and Office Complex at Aizawl North in Mizoram	1298.26	30/11/2019
15	Upgradation of Lawngtlai Town in the Lai Autonomous District Council in Mizoram	1180.69	31/03/2016
16	Upgradation of Lengpui Airport in Mizoram	2481.62	-
17	Strengthening of Government Press, Aizawl, Mizoram	842.47	6/6/2017
18	Construction of Community Halls at Various Places in Mizoram (Part-II)	206.49	9/4/2014
19	Construction of RA Lorrain Market Centre at Saiha in Mizoram	380.87	9/3/2015
20	Intensive and Strengthening of Central Rural Sanitation Programme in Mara Autonomous District Council Area of Mizoram	46.86	16/08/2013
21	Construction of Community halls in various locations in Mizoram	470	27/03/2014

22	Construction of market building - Venglai Market, Kolasib	74	5/6/2006
23	Construction of market building - Thuampui Market, Aizawl	76	10/6/2006
24	Construction of market building - Storm Drain at Bara Bazar, Aizawl	19	17/05/2006
25	Construction of market building - Sihphir Market, Aizawl	50	31/05/2006
26	Construction of market building - Car Parking at Bara Bazar Market Complex, Aizawl	3	14/06/2006
27	Construction of market building - Bara Bazar Market Complex, Aizawl Block-III (B)	76	10/6/2006
28	Construction of market building - Bara Bazar Market Complex, Aizawl Block-III (A)	47	5/6/2006
29	Construction of market building - Bara Bazar Market Complex, Aizawl Block-II	125	14/06/2006
30	Construction of market building - Banglakawn Market, Kolasib	25	20/07/2005
31	Construction of market building - Bazar Veng Market, Hnahthial	77	20/07/2005
32	Construction of market building - Bethel Market, Champhai	34	20/07/2005
33	Construction of market building - Chanmari Market, Hnahthial	27	20/07/2005
34	Construction of market building - Dawrkawn Market, Serchhip	95	20/07/2005
35	Construction of market building - Mamit Market, Mamit	41	20/07/2005
36	Construction of market building - Strengthening of Administration	4	20/07/2005
37	Construction of market building - Tanhril Ramrikawn Market, Aizawl	36	20/07/2005
38	State Capital Project, Aizawl	518	19/07/2004
39	Construction of market building - Thakthing Market, Aizawl	17	4/11/2004
40	Construction of market building - Bara Bazar Market Complex, Aizawl Block-I	169	12/7/2006
41	Construction of market building - Bungkawn Market, Aizawl	45	20/07/2005
42	Construction of market building - Chanmari Market, Aizawl	23	4/11/2004
43	Construction of market building - Chanmari Market, Lunglei	100	20/07/2005
44	Construction of market building - Dismantling Old Building at Bara Bazar, Aizawl	13	20/07/2005
45	Construction of market building - Rahsi Veng Market, Champhai	118	20/07/2004
46	Construction of market building - Ramhlun Market, Aizawl	54	4/11/2004
47	Construction of market building - Serkawn Market, Lunglei	11	4/11/2004

48	Construction of market building - Vaivakawn Market, Aizawl	62	4/11/2004
49	Construction of market building - Zemabawk Market, Aizawl	47	20/07/2005
50	Allotment of BADP funds for Lai Autonomous District Council	100	19/07/2004
51	BMS	1491	19/07/2004
Total of Miscellaneous sector (51 Projects)		**31519.77**	

North Eastern State Roads Investment Programme (NESRIP)

The Ministry of DoNER has been mandated with filling up the infrastructure gaps in the North East Region. NEC to cater to the needs of more than one State had constructed many roads in the past. It has been observed that the States concerned has abandoned such roads because of non-maintenance. In a way, these roads have become "orphan". For rehabilitation/construction/up-gradation of mainly such roads, the Ministry of DoNER has introduced a scheme namely the North East Road Sector Development Scheme (NERSDS).

The Scheme, North Eastern State Roads Investment Programme (NESRIP) was approved by Cabinet Committee on Economic Affairs (CCEA) on 19th May 2011 at estimated cost of ₹ 1353.83 crores ($298.2 million @ $1=₹ 45.4). The scheme envisaged construction/up-gradation of total 433.425 km long roads in six North Eastern States of Assam, Manipur, Meghalaya, Mizoram, Sikkim and Tripura.

Asian Development Bank (ADB) is providing loan assistance of upto US $ 200 million (₹ 908 crore @ $1=₹ 45.4) under Multi-tranche Financing Facility (MFF), in two tranches. Tranche I - Loan Agreement for US $74.8 million has been signed on 9th July 2012 which became effective from 22nd October, 2012. Tranche II - Loan Agreement for US $125.2 million has been signed between GOI and ADB on 17th February. 2014 which became effective from 20th May, 2014. Five roads (Length-197.30 Kms.) Roads are to be taken up in Tranche- I and 6 roads (Length – 236.125kms) are to be taken up in Tranche-II. Project is to be executed during the period of 5 years as per approved CCEA dt. 19th May, 2011. The last date on which any disbursement under any Tranche may be made will be 30th June, 2021. Ministry of DoNER is the Executing Agency responsible for overall coordination with ADB and State Governments and monitoring of progress. The National Level Steering Committee is Chaired by Secretary, DoNER and the State Level Steering Committee has been set up in each State for review and monitoring of the project progress.

Under Tranche-II of the said projects, Serchhip to Buarpui (MZ-02) road was constructed which is 55 kms long and the project approved cost was ₹ 167.90 crores.

North East Rural Livelihood Project (NERLP)

With a view to scaling up of the livelihood experiences of North East Regional Community Resource Management Projects (NERCORMP) along with additional components of improvement, the North East Rural Livelihood Project (NERLP) was launched in 2012. It was established by the Ministry of Development of North Eastern Region (DoNER) as a Central Sector Scheme in four North East States, namely Mizoram, Nagaland, Sikkim and Tripura. NERLP is an externally aided poverty eradication project funded by World Bank.

NERLP is a World Bank funded project being implemented in 11 districts of Mizoram, Nagaland, Sikkim and Tripura covering 62 Blocks and 1645 villages. The project became effective from March, 2012 for a period of 5 years (extended upto March, 2019) with a total project cost of ₹ 683.2 crore wherein Government of India's contribution is 10 per cent (Government of India, Annual Report 2016-2017). The duration of the project is, however, further extended upto September 2019 (Government of India, Annual Report 2018-2019). The objective of the project is "*to improve rural livelihoods especially that of women, unemployed youth and the most disadvantaged in the four participating North East States*" (Government of India, Annual Report 2016-2017). The proposed project has four major components: Social empowerment; Economic empowerment; Partnership development & management and Project management.

The specific project objectives of NERLP are to:

1. Create sustainable community institutions around women Self-Help Groups (SHGs), youth groups of men and women (YG) and Community Development Groups (CDG).

2. Build capacity of community institutions for self-governance, bottom up planning, democratic functioning with transparency and accountability.

3. Increase economic and livelihood opportunities by

4. Develop partnership of community institutions for natural resource management, microfinance, market linkages, and sectoral economic services.

In Mizoram, the projects covered Aizawl and Lunglei district. In Aizawl district, the project covered Rural Development (RD) blocks of Phullen, Aibawk, Darlawn, Thingsulthliah, and Tlangnuam. In Lunglei district, the project covered Rural Development (RD) block of Lungsen, Bunghmun, Lunglei, and Hnahthial.

M/o DoNER proposes to implement the North East Rural Livelihood Project soft loan assistance from the World Bank. The total estimated cost of the project is ₹ 683.2 crores ($ 144.4 million). The Bank will contribute ₹ 614.8 crores ($ 130 million) (90%) as IDA soft loan and Ministry of DoNER will contribute ₹ 68.4 crores ($ 14.4 million) (10%) from its budget allocation.

Cabinet Committee on Economic Affairs (CCEA) in its meeting dated 16.11.2011 has approved for implementation of NER Livelihood Project. Board of Executive Directors of the International Development Association (IDA) have approved on December 20, 2011, a credit of US$ 130 million for NERLP. Financial agreement has been signed between World Bank and Govt. of India on 20.01.2012.

NERLP is implemented by Ministry of DoNER which is the Executive Agency as the Central Sector Project. For effective implementation of the project, a North East Livelihood Promotion Society (NELPS) has been constituted and registered at Guwahati in May 2009. The Secretary, North Eastern Council is the ex officio Chairperson of the Society. The Society has already started functioning from the month of December 2009, under the supervision of the Project Director.

North Eastern Council

The North Eastern Council (NEC) was set up on 1st August, 1972 as a statutory body under the North Eastern Council (NEC) Act, 1971. It functioned as an advisory body till 2002. The NEC (Amendment) Act, 2002 mandated NEC to function as the Regional Planning Body for the North Eastern Region (NER). However, right from inception, NEC has been taking up several infrastructure and social sector projects deemed to be of critical importance for socio-economic development of the region. After Ministry of DoNER was formed, the North Eastern Council (NEC) is put under the administrative control of Ministry of DoNER. It is a statutory Regional Planning Body, which provides financial assistance for a variety of projects including infrastructure projects like construction of roads, improving air connectivity, etc., through State Governments (Government of India, Annual Report 2019-2020, 2020).

The North Eastern Council (NEC) was set up by an act of Parliament in 1971 (vide the Gazette of India Extraordinary Part II Section I No. 99 New Delhi the 31st Friday, December 1971) for securing the balanced development of the region. Originally, there are 7 (seven) constituent members viz - Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura. By an amendment of the Act on the 20th December, 2002, Sikkim has been added as its eight member of the Council by the North Eastern Council Amendment Act, 2002 of the Indian Parliament.

Prior to 2002, NEC's function was regarded as an advisory body only. By the amendment of the NEC Act in 2002, the function of NEC becomes a Regional Planning Body for the North Eastern Region so as to enable the Council to give Priority Schemes/Projects that benefit two or more states except the State of Sikkim.

During 10th Five Year Plan (2002-2007), the Government of Mizoram has taken up 54 Number of schemes/projects within the approved cost of ₹ 307.16 crores. The total fund released by NEC during 10th Five Year Plan was ₹ 189.39 crores. The Govt. of

Mizoram proposed 101 numbers of schemes/projects at the total project cost of ₹ 352.025 crore which were already submitted to NEC Secretariat for consideration during 11th Five Year Plan period (2007-12). The State Government is taking up 41 schemes within the approved cost of ₹ 233.06 crore during 2007-08 in which ₹ 54.80 lakhs has been released. Fund Received during 2008-09 till February 2009 is ₹ 14.73 crore.

Under NEC, the Regional Institute of Paramedical & Nursing Sciences (RIPANS) was set up in Aizawl in 1995 for training of nurses. This was one of the most important milestone for Mizoram.

Table 16: Grants from NEC to Mizoram during 2005-2015 (₹ in Lakh)

Financial Year	Actual
2005-2006	4473.12
2007-2008	
2008-09	4571.22
2009-10	2943.13
2010-11	4744.38
2011-12	6766.62
2012-13	10448.22
2013-14	5196.49
2014-15	3748.83

Source: Economic Survey 2015-16

Due to unavailability of data, details of fund release from NEC to Mizoram under the study year could not be provided. However, from the available data, the above Table 16 and the below Table 17 reveals release of funds from NEC to Mizoram during certain period of financial years.

Table 17: State-wise release of funds from NEC to North Eastern States Since Inception

Source: North Eastern Council Regional Plan (2017-18 to 2019-20) ₹ in crore.

Financial Year	Arunachal Pradesh	Assam	Manipur	Meghalaya	Mizoram	Nagaland	Sikkim	Tripura	NE States	Other agencies*	GRAND TOTAL
Total since inception to 11th FYP	795.92	1426.32	353.97	623.3	**585.09**	545.96	298.95	741.81	5371.32	5375.47	10746.79
2012-13	91.7	91.4	52.55	86.35	**83.18**	84	55.84	37.99	583.01	149.75	732.76
2013-14	82.17	69.78	85.89	52.26	**55.34**	119.61	53.89	84.37	603.31	94.74	698.05
2014-15	62.21	46.05	48.03	56.11	**36.81**	93.02	33.97	61.79	437.99	140.99	578.98
2015-16	104.62	26.88	154.8	70.59	**80.85**	93.62	31.82	31.02	594.2	170.62	764.82
2016-17#	33.77	32.71	76.33	18.92	**59.27**	88.03	13.64	6.63	329.3	280.41	609.71
Total since inception to 2016-17	1170.39	1693.14	771.57	907.53	**900.54**	1024.24	488.11	963.61	7919.13	6211.98	14131.11
%	8.28	11.98	5.46	6.42	**6.37**	7.25	3.45	6.82	56.04	43.96	100

Fund Released is upto 31st December, 2016

*Other Agencies include Regional Institutes like NEPA, NEEPCO, RIMS etc

Financial Year 2012-2017 is 12th Five Year Plan

Conclusion

To sum up the chapter, the role of DoNER in socio-economic development of Mizoram is remarkable. As far as projects under NLCPR is concerned, role of DoNER in social development in Mizoram is praiseworthy. However, in economic sector, especially in agriculture and allied sector, projects implementation are too meagre too meet immediate demand of the population. This is due to the poor proposal made by the State Government under NLCPR projects.

There have been a total of 159 approved projects under NLCPR scheme in Mizoram out of which 32 projects are not yet completed and are ongoing projects, whereas the rest 127 projects have been successfully completed. This is according to latest data available from the website of Ministry of DoNER retrieved on November 2020. Numbers of completed projects will be increased in the near future.

Chapter 5

Public Finance in Mizoram

"the very best of all plans of finance is to spend little and the best of all taxes is that which is least in amount"

Jean-Baptiste Say (1767-1832).

Introduction

The preceding two chapters dealt with sources of income of the government of Mizoram. This chapter deals with the expenditure of the state of Mizoram. From this chapter, one may find out that fiscal position of the State of Mizoram is always disturbed by persistent provision of mass subsidy on purchase of food grains and power. Besides, rising requirements for salary and its related items as a result of the implementation of Pay revision added another huge burden to the state finance as well. The state needs to mind prudently these increasing requirements in tune with resources coming from the Centre. Therefore, this chapter deals with several factors leading to the health of public finance in Mizoram. How resources are spent, how resources are utilized within ten years of under the study, how the government took measures to remedy certain fiscal obstacles in Mizoram. All these questions are attempted to be answered in this chapter.

What is public expenditure? Keynes (1936) stated that public expenditure is a fundamental determinant of economic growth. At the same time, Wagner (1883) suggested that growth in public expenditure was inevitable for a progressive economy because it is directly linked with economic growth. The doctrine of curtailing government expenditure to bring down deficit financing has become the core objective of fiscal management of governments to bring deficit financing under control. Of all expenditures, Committed Liabilities or Committed Expenditure such as Pension, salary, Loans, subsidies, and interest payment are mandatory expenditure which cannot be neglected by the government. In fact, the good and bad of a particular government is often measured using these Committed Liabilities. However, beyond Committed Liabilities, public expenditure of the government can be contained in order to meet the necessary satisfaction in terms of deficit financing and good fiscal health condition. In the light of this statement, this chapter intends to analyse public expenditure of the state government in the Sixth and Seventh State Legislative Assemblies.

> "The Budget process of our country predates the independence. Budget was first introduced on 7th April, 1860, two years after the transfer of Indian administration from East-India Company to British Crown. The first Finance Member, who presented the Budget, was James Wilson. Mr Liaquat Ali Khan, Member of the interim Government presented the budget of 1947-48. After Independence, India's first Finance Minister Shri R.K. Shanmukham Chetty, presented the first Budget on 26th November, 1947. Since then, this has evolved over the past six decades to reflect the strength of our democratic processes in shaping our economy. It has emerged as a crucial tool for Public Finance Management" (Mukherjee, 2010).

Having spent a lot of money every financial year, it is crucial for public to know how the money has been spent? It is also important for the government to satisfy itself that the money so voted were directed to the intended purpose and were spent prudently and economically. It is difficult for State Assembly/Legislature to examine in detail the Accounts which are complex and technical in nature, nor does it have adequate time at its disposal for such a detailed examination. As such, this chapter analyses the expenditure part of the government.

The utilization of grants from Central, Centrally Sponsored Scheme, some receipts of the state revenue is also included in this chapter. In this chapter, the study of MGREGS with its historical development and origins is analysed for realizing the utilization of public finance in the state. The researcher as a sample study amongst several CSS arbitrarily takes this particular scheme.

Before analyzing expenditure parts of public finance of Mizoram, it is important to discuss general terms and systematic procedure of the budgetary system of the Government of Mizoram. As such, the following section discusses general procedure of public finance in Mizoram. However, to avoid further misunderstanding it must be noted that the budgetary system of the government falls within the realm of public finance of the state government. Therefore, budgetary system and public finance may be used interchangeably but their differences remain unchanged.

General Term

As already discussed in Chapter 1 on the introductory part of this thesis, budget system of India in general and Mizoram in particular, is divided into three main accounts, namely, Consolidated Fund, Contingency Fund and Public Account. However, unlike the introductory part in Chapter 1, this section discusses and analyses in details of these three major accounts. Again, unlike the introductory part, this section discusses these three accounts as they are mentioned in the Annual Financial Statement of the State.

Under Article 202(1) of the Constitution of India, a statement of the estimated receipts and expenditure of the State has to be laid before the Legislature in respect of every financial year. The Governor shall in respect of every financial year cause to be laid before the House or Houses of the Legislature of the State a statement of the estimated receipts and expenditure of the State for that year, in this Part referred to as the "annual financial statement" (The Constitution of India, 2007: 99). This Statement is the main budget document and covers all the transactions of the State Government during the previous year and current year. The Annual Financial Statement is prepared in Major Head of Account-wise as prescribed by the Government of India.

Accounts of the State Government are maintained in three parts- Part I form the Consolidated Fund of the State, Part II forms the Contingency Fund of the State, and Part III covers the transactions in Public Account. The receipts and expenditure of the

Government fall under one or other of the Major Head either in the Consolidated Fund or in the Public Account, in accordance with the prescribed rules of classification.

Statement I: Consolidated Fund of Mizoram

Details of the flow of consolidated fund may be seen from Chapter 3 on Sources of the State Income. Statement of Consolidated Fund of Mizoram contains the main parts of the state budget. Statement on Consolidated Fund of Mizoram are divided into the following –

(i) Revenue Account- Receipts;

(ii) Revenue Account- Disbursements;

(iii) Capital Account- Receipts;

(iv) Capital Account- Disbursements;

Revenue Receipt and Capital Receipts were already discussed in Chapter 3 on Sources of State Income. This chapter focuses on Revenue disbursement/expenditure and Capital disbursement/expenditure.

Statement – I (A): Disbursements Charged on the Consolidated Fund of Mizoram

Article 202 (3) to the Constitution of India states that –

The following expenditure shall be expenditure charged on the Consolidated Fund of each State—

(*a*) the emoluments and allowances of the Governor and other expenditure relating to his office;

(*b*) the salaries and allowances of the Speaker and the Deputy Speaker of the Legislative Assembly and, in the case of a State having a Legislative Council, also of the Chairman and the Deputy Chairman of the Legislative Council;

(*c*) debt charges for which the State is liable including interest, sinking fund charges and redemption charges, and other expenditure relating to the raising of loans and the service and redemption of debt;

(*d*) expenditure in respect of the salaries and allowances of Judges of any High Court;

(*e*) any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal;

(*f*) any other expenditure declared by this Constitution, or by the Legislature of the State by law, to be so charged.

Therefore, expenditure charged on Consolidated Fund of Mizoram consists of parts of expenditure on Legislative Assembly, Governor, Law & Judicial, Mizoram Public Service Commission, Interest payment and Public Debt. As such, 'Charged Expenditure' or 'Charged on the Consolidated Fund of Mizoram' - means such expenditure which is not to be submitted to the vote of the Legislature under the provisions of the Constitution. In other words, such expenditure under Statement – I (A): Disbursements Charged on the Consolidated Fund of Mizoram does not necessarily require the approval of the Legislature for a vote. The rest expenditure other than 'Charged Expenditure' require the vote of the State Legislature in the Legislative Assembly.

Expenditure under this statement is vital for the survival of the state, as such, these expenditure does not necessarily require the vote of the Legislature. For instance, budget head-on Interest Payment under this statement is also regarded as expenditure on 'Committed Liabilities' along with expenditure on Salaries and Pensions. Details about Committed Liabilities are discussed in the following sections.

Statement II: Contingency Fund of Mizoram

This statement provides details on the Net position relating to the transactions under the Contingency Fund of Mizoram. The nature of contingency fund in India is to meet necessary expenditure which may result out of unforeseen circumstances. As such, this fund is popularly known as ‘Emergency Fund’.

Article 267 (1) of the Constitution of India state that –

> “Parliament may by law establish a Contingency Fund in the nature of an imprest to be entitled “the Contingency Fund of India” into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the President to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by Parliament by law under article 115 or article 116.” (The Constitution of India, 2007: 161)

Likewise, the state government may establish a separate Contingency Fund of its own to meet necessary expenditure which results from unforeseen circumstances. This provision is provided in Article 267 (2) to the Constitution of India.

> “The Legislature of a State may by law establish a Contingency Fund in the nature of an imprest to be entitled “the Contingency Fund of the State” into which shall be paid from time to time such sums as may be determined by such law, and the said Fund shall be placed at the disposal of the Governor 1***of the State to enable advances to be made by him out of such Fund for the purposes of meeting unforeseen expenditure pending authorisation of such expenditure by the Legislature of the State by law under article 205 or article 206.” (The Constitution of India, 2007: 161)

As such, the nature of the Contingency Fund of the State Government is to meet unforeseen expenditure which may or may not result due to supplementary demands mention in Article 205 and Vote on Account mention in Article 206 to the Constitution of India. However, there has been no such critical expenditure out of this fund has been made during the study year in this research. In fact, since 2013-2014 Financial Year no receipt and expenditure on the Contingency Fund of Mizoram have been made by the government.

Statement III: Public Account of Mizoram

Since the discussion on Public Account of Mizoram was already made in Chapter 1, this section will not discuss in detail. However, similar to other parts of the Fund, Public Accounts also consists of Receipt and Expenditure/Disbursement. The expenditure parts of this account will be analysed in details in the next chapter on the role of the government in budgeting in which the government under the study year has created a separate sub-head to contain certain fiscal problems of the state.

Brief History of Mizoram State Plan

Since a brief political history of Mizoram was discussed in Chapter 2 on Political Economy of Mizoram, a detailed political history of Mizoram will not be discussed here. However, plans regarding fund for the then Lushai Hills District Council in the 1950s and the then Union Territory (UT) of Mizoram in the 1970s and early period of statehood fund still need a proper analysis with all available data. Even though the main intention of this thesis is political economy and public finance analysis of the study year, i.e., 2008-2019 Financial Year (FY), but a brief historical analysis are still needed for the sake of comparison. Thereby, this section evaluates the history of plan fund in Mizoram with some of their expenditure parts. Due to the non-availability of relevant data, all plans and budgets could not be analysed in this section.

When Mizoram was then known as Lushai Hills District Council under the government of Assam, the first plan fund for the district was very small. The constitution of Lushai District fund was notified by the then Secretary to the Government of Assam, Tribal Areas and Development Department Mr. R.V. Subrahmanian to the then Deputy Commissioner of Lushai Hills. The amount of ₹ 30000/- only was then sanctioned by the Governor of Assam to Lushai District (see Appendix 1). Since this fund is the first fund sanctioned by the Government of Assam on 17th July 1952 to Lushai Hills, the expenditure part of the said fund is also clearly stated in the sanction letter. The expenditure of the said fund is divided into three parts, namely –

a) Pay and allowances of the members of the Executive Committee and Deputy Chairman of the District Council, Secretary of the Executive Committee/District Council and ministerial and menial staff of the Executive Committee and the District Council.

b) Travelling allowances of the members of the District Council.

c) Contingencies including typewriter and furniture.

As mentioned in the above points, the expenditure parts of the first fund/budget of the Lushai Hills District Council was clearly mentioned. The expenditure head only consists of what in the latter budget termed as ‘revenue expenditure’ and does not yet contain Public debt or plans for the remedy of deficit or expenditure on food and power subsidies. Since this is the beginning of public finance in Mizoram, one must not neglect (despite its irrelevancy) its existence.

In 1953, budget estimate for 1953-54 Financial Year for Lushai District was raised to ₹ 500909/- (5 lakhs). The receipt and expenditure were estimated to be the same in this financial year (see Appendix 2). During this financial year, functionaries of the new district began to activate smooth and the annual budget and plan fund also began to appear normal in comparison to the previous financial year. In expenditure part, there was a clear statement of an estimate for expenditure heads which were more specific and expanding than the previous year (see Appendix 2). However, all expenditures heads were still in favour of revenue expenditure which mean that there was no separate fund for the creation of capital assets or capital outlay.

The next available annual financial statement/budget of Lushai District was 1957-58 Financial Year. This may be what later Mizo politicians used to called it as 'the real budget' of the Mizo District Council (Lushai District was changed into Mizo District in 1954). The statement was retrieved from Mizoram State Archive on 23rd September 2018 which comprises of 98 pages having detail receipt and expenditure parts. However, due to non-availability of enough space, only abstract statement on receipt and expenditure pages along with the cover page is impressed in the appendix.

From this Annual Financial Statement of 1957-58, it is possible to observe actual receipt and actual expenditure of 1955-56 and a revised estimate of 1956-57 and of course budget estimate of the current year 1957-58. Unlike previous budget, this budget shows details head of revenue receipt and it can also be realized that Grants-in-aid from the Central Government under Article 275(1) to the Constitution of India has been initiated since 1957-58 (see Appendix 3). It must also be remembered that from the very beginning of public finance in Mizoram, grants from the central government has been one of the most important and critical sources of income. As such, the total receipt of Mizo district in 1955-56 is ₹ 115777/- (1 lakh) and it increased to ₹ 5109919/- (51 lakhs) in 1957-58. This increment is mainly due to the commencement of grants from the Central Government.

In expenditure part, Annual Financial Statement of 1957-58 possessed a unique feature for which it consisted of major heads for creation of capital assets for the first time in the history of public finance in Mizoram (see Appendix 3). Apart from major general expenditure expenses, electric and agricultural development are new initiatives of the government. Although there was no mention of whether or not the nature of the budget was surplus or deficit, this Annual Financial Statement reveals that the budget of 1957-58 was the deficit. The estimated receipt is ₹ 5109919/- (51 lakhs), whereas the estimated expenditure is ₹ 12566499/- (125 lakhs) which further means that there was ₹ -7456580/- (74 lakhs) budget deficit in 1957-58 Financial Year.

Due to non-availability of Annual Financial Statement during the UT era in the 1970s, plans and programmes of the then government of Mizoram could not be analysed. As such, analysis of public finance in Mizoram in this section jump from the late 1950s to late 1980s when Mizoram attained full-fledged statehood in the Union of India. However, a brief Annual Plan analysis on Mizoram will be made in the following paragraphs in which plans regarding the UT era will be dealt with.

Table 18: Analysis on First Budget of Mizoram after Statehood

₹ in Lakh

Label	Major Head of Account	Actuals 1986-87	Estimate 1987-88	Revised Estimate 1987-88	Estimate 1988-89
A	Total Receipt from Revenue Account	6777.30	14890.79	22454.21	22637.42
B	Total Disbursement Revenue Account NET	4642.80	14890.79	25496.48	23760.96
C	Total Capital Account Receipt	0.00	4611.70	5531.40	4644.20
D	Total Capital Account Disbursement NET	808.46	4611.70	5542.07	6266.30
E	Total Consolidated Fund Receipt GROSS (A+C)	6777.30	19502.49	27985.61	27281.62
F	Opening Balance	0.00	0.00	5870.00	2817.16
G	Total of Consolidated Fund Receipt NET (E+F)	6777.30	19502.49	33855.61	30098.78
H	Consolidated Fund Surplus (+)/Deficit (-) (G-I)	1326.04	0.00	2817.06	71.52
I	Total Consolidated Fund Disbursement (B+D)	5451.26	19502.49	31038.55	30027.26

Source: Annual Financial Statement 1988-89 (see Appendix 4)

The above Table 18 reveals a brief statement on the first budget of Mizoram after statehood and estimate of 1988-89 Financial Year. The receipt of 1986-87 was less than the following years because during this financial year there was no fund from the central grants in terms of State Share of Union taxes and duties. Details of this budget is more or less the same budgetary format which Mizoram use today (see Appendix 4). A statement on Contingency Fund and Public Accounts were also put in details in which a total of around ₹ 10 Lakhs was allotted in the Contingency Fund. Public Accounts bearing an interesting account for the public and for a government employee was also regularized in this budget.

As mentioned earlier, prior to 1972, Mizoram was one of the districts of Assam. As discussed in the above paragraphs, a very small amount was spent for development of Mizoram and the outlays for the first three Five Year Plans were as given below: (₹ in lakh) –

1st Five Year Plan (1952-56) - ₹ 63.02

2nd Five Year Plan (1956-61) - ₹ 210.83

3rd Five Year Plan (1961-66) - ₹ 411.42

During the first three years of the Fourth Five Year Plan (1962-72), the following were the Plan expenditure in Mizoram: –

1969 – 1970 - ₹ 101.61 lakh

1970 – 1971 - ₹ 176.42 lakh

1971 – 1972 - ₹ 205.18 lakh

Since Mizoram attained the status of U.T. in January 1972, Planning Commission approved an outlay of ₹ 275.00 lakh for the Annual Plan 1972-73. This outlay was enhanced to ₹ 437.00 lakh in the latter part of the year. Out of this provision, only ₹ 355.23 lakh was actually spent.

During 1973-74, ₹ 600.00 lakh was allocated for Mizoram out of which only ₹ 573.73 lakh was actually spent. During the Fifth Five Year Plan (1974-79) ₹ 46.59 crores were allotted for Mizoram against the total Plan size of ₹ 39,300.24 crores for the country as a whole (Economic Survey Mizoram, 2008-2009: 24).

In the Sixth Five Year Plan, ₹ 128.47 crore was the outlay for Mizoram whereas the total Plan size was ₹ 71,000.00 crore, but the said 6th Plan was not completed due to political instability at the Central Government. Therefore, it is to be remembered that political development does indeed determine not only the political economy of the state but also public finance of the same state. Anyhow, before the commencement of the new 6th Five Year Plan (1980-85) there were two Rolling Annual Plans for 1978-79 and 1979-80. During these two years, the outlays for Mizoram annual Plans were ₹ 16.64 crore and ₹ 17.72 crore and the actual expenditures were ₹ 14.62 and ₹ 16.11 crore respectively (Economic Survey Mizoram, 2008-2009: 24).

During the 6th Five year Plan (1980-85), ₹ 130.00 crores had been originally allotted for Mizoram. The actual expenditure during the Plan period amounted to ₹ 150.09 crores. The original outlay for the 7th Five Year Plan (1985-90) in respect of Mizoram was ₹ 260.00 crore. However, the actual release of Plan fund during the period by way of Annual Plans was ₹ 364.50 crores, out of which the actual expenditure was ₹ 363.56 crore. Prior to the launching of Eight Five Year Plan in 1992-93, there were two Annual Plans for 1990-91 and 1991-92, for which the actual expenditure was ₹ 125.35 crores and ₹ 152.28 crores respectively against the outlays of ₹ 125.00 crores and ₹ 152.00 crores. The originally approved outlay for the 8th Five Year Plan was ₹ 763.00 crores. However, the total approved outlays for the five annual plan during the period was ₹ 1064.60 crore against which the total expenditure was ₹ 1064.45 crore (Economic Survey Mizoram, 2008-2009: 24).

The originally approved outlay for the 9th Five Year Plan (1997-2002) was ₹ 1618.51 crore. However, the total approved outlays for the five successive Annual Plans during the period was ₹ 1794.26 crore and the total actual expenditure was ₹ 1719.96 crore. While the originally agreed outlay for the 10th Five Year Plan (2002-2007) was ₹ 2300.01 crore, a total of successive Annual Plan approved outlays was ₹ 2969.52 crore and a total of the successive Revised Annual Plan outlays was ₹ 3154.99 crores. The total actual expenditure during the 10th Five Year Plan was ₹ 2941.48 crore which was 127.88 per cent of the original agreed total outlay of ₹ 2300.01 crore for the 10th Five Year Plan (Economic Survey Mizoram, 2008-2009: 24).

The 11th Five Year Plan (2007-2012) was ₹ 5534.00 crores. The total approved outlay and revised outlay for the first year of 11th Plan were ₹ 850.00 crores and ₹ 858.13 crores respectively. The total approved outlay for Annual Plan 2008-09 was Rs.1000.00 crore (Economic Survey Mizoram, 2008-2009: 24).

What is the Annual Plan?

Since India is known to the world as a socialist country, planning occupied an important place in political economy of the state. However, economic planning was not the intention of all leaders of Congress in the early 1950s. There was a tug of war between Jawaharlal Nehru and Sardar Vallabhbhai Patel in the Congress not only in economic future of the country but also in the sphere of transforming social life of the people. It is known that Patel happened to be a conservative which best suited what he is popularly known as ‘The Iron Man of India’; whereas Nehru happened to be a Liberal-democrats who stood for western social transformation. Some people claimed that their differences in the Congress made both of them unable to launch Plan Economy immediately after the independence.

> “Within Congress, Patel, who spoke for the landed classes and for the industrialists, orchestrated the departure of the socialists in 1948. This left Nehru isolated, and with Gandhi gone, it made Patel the most powerful figure within the party. Economic Planning – which Patel had never favoured – slipped from attention, and by early 1950 Nehru despaired of being able ‘to see the overall picture’. Commentators concluded that the enthusiasm for planning had been a short-lived fashion, now over: the idea had ‘failed’. But Patel’s death at the end of 1950 put Nehru in command of the state” (Khilnani, 1997: 75).

The above statement may or may not be right. However, it must be remembered that the First Five Year Plan was launched in India in 1952-56. This Five Year Plan was determined by what was later known as the Planning Commission. The Planning Commission approved Plan size for the states and these plans were disbursed annually and thereby, Five Year Plan become Annual Plan. Annual Plan size was restructuring with serious consultation with the state and the central government. When and if the Planning Commission approved the proposal of the state for Annual Plan, the state budget was ready to lay in the state assembly. When and if the Planning Commission often late in the approval of the State Annual Plan, it was likely that the state Budget session was also affected. For instance, since the Planning Commission could not finalize the State's Annual Plan of 2009-10 for Mizoram, the new Congress government was under compulsion to prepare an Interim Budget in which the Annual Plan size was maintained at the current year's (2008-2009) level of ₹ 1000.00 crores.

The Planning Commission holds extensive discussions with the Central Government and the States, which submitted in advance their own estimates of resources and expenditure for the Plan period. Planning Commission prepared the Five Year Plans taking into account the resources that would be available and the needs for development. (The National Development Council approved the Five Year Plan). Initially, at the official level, the discussions were for determining the position of resources. The Adviser (Resources) of the Planning Commission discussed separately with the Finance Commissioner/Finance Secretary of each State, the position of its resources, Non-Plan commitments, the scope for additional resource mobilisation etc., with a view to determining the contribution that the State would be able to make towards its Plan. The representatives of the Ministry of Finance also take part in these discussions on projections made by each State, and which were sent in advance to the Planning Commission. Based on the outcome, agreed minutes of the discussions were drawn up and were of vital importance for the formulation of 'State Plan' and the State budget during the Plan period. They showed the anticipated resources from various sources, likely Non-Plan commitments with necessary details, additional resources required to be mobilised as also the net resources that would be available for the Five Year Plan.

Similar discussions also took place between the Adviser (Resources) of the Planning Commission and the representatives of the Ministry of Finance for determining the availability of resources for the Central Plan and Centrally Sponsored Schemes to be implemented by the States and its likely contribution for the 'State Plans'. Usually, the discussions between the Adviser (Resources) and the representatives of the Ministry of Finance preceded the discussions with the Finance Commissioner/Finance Secretaries of the States. In the discussions with the officials of the Ministry of Finance, the Planning Commission also associated representatives of Life Insurance Corporation and some other financial institutions since they provided funds in the form of loans for certain specified objects, and which were taken as resources for the Plan.

Since Annual Plan size is increased year by year to meet the necessary expenditure of the people, it is vital for the state government to know the plan size for budget preparation. As such, since there were problems in realizing the actual/approved plan size, budget preparation could not be done in normal terms in normal times. Thereby, Interim Budget was passed in Mizoram State Legislative Assembly in the form of First and Second 'Vote on Account' in 2009-10, 2014-15, and 2019-20. This is due to certain financial difficulties which arise in the state fueled with certain annual plan problems. For instance, the State Annual Plan for 2011-12 was finalized at ₹ 1700.00 crore in the meeting between the then Chief Minister of Mizoram and Deputy Chairman, Planning Commission of India on 18th March, 2011 due to which the Regular Budget could not be laid in time before the State Legislative Assembly (Liansailova H. , 2011-2012: 15).

Table 19: Annual Plan Percentage from Total Receipt of Mizoram Government

₹ in Lakh

Financial Year	Annual Plan (approved)	Actual Receipt	Annual Plan % from Actual Receipt
2007-2008	85000.00	229097.64	37.10208451
2008-2009	100000.00	278375.98	35.92263959
2009-2010	125000.00	321471.15	38.88373809
2010-2011	150000.00	391420.87	38.32192187
2011-2012	170000.00	450536.01	37.73283294
2012-2013	230000.00	498650.53	46.12448722
2013-2014	250000.00	592116.83	42.22139742
2014-2015	314000.00	692580.96	45.33765987
2015-2016	309778.00	726531.13	42.63795276
2016-2017	NITI Aayog replaced planning Commission on 1st January, 2015. As such, no plans are formulated after 2016.		
2017-2018			
2018-2019			
2019-2020			

Source: Economic Survey Mizoram 2014-15 & Budget Speech made by the then Finance Minister during the study year.

Annual Plan is important for every government for which they form major parts of plan expenditure in the state. In fact, the Annual plan alone constitutes around 35-45 per cent of the total receipt of the government under the study year in Mizoram (see Table 19). In Mizoram, even the then Government's flagship programme of NLUP was included within the Annual Plan which the then Chief Minister claimed in the public as a separate package, a Prime Minister Special Package. For example, out of the Annual Plan for 2011-12, a sum of ₹ 109305.10 lakh was provided for implementation of various earmarked schemes. Under these schemes, NLUP was earmarked for ₹ 23400.00 lakh among several plans and schemes. This ₹ 109305.10 lakh was 64 per cent from the total ₹ 1700.00 crores of Annual Plan which means that there was 35 per cent fund from annual plan remain for utilization which presumably was used every year for expenditure heads on committed liabilities and other non-plan expenditure (Explanatory Memorandum, 2011-2012: 6).

The problem of Public Finance in Mizoram

As mentioned earlier that budgetary system of government falls within the realm of public finance. However, what determines Public Finance, what are its contents? In the simplest term, budget is a statement of Receipts and Expenditure; Public Finance is the study of such Receipts and Expenditure of government.

Prof. Dalton in his book 'Principles of Public Finance' states that "Public Finance is concerned with income and expenditure of public authorities and with the adjustment of one to the other" (Manikar & Sarma, 2001). As such, this chapter mainly deals with the expenditure parts of the state government during the study year of 2008-2019. Therefore, one may conclude that Public Finance mainly consists of expenditure parts of the government and in order to discuss expenditure of the government, it is mandatory to analyse sources of revenue also. Therefore, the preceding two chapters have dealt with such kinds of sources on the income of the state government.

Meanwhile, the purpose of this chapter may be stressed that plans of expenditure and plans of tax revenue are so important that classical political economists have been dealing with the best practicable solutions to public finance. For instance, Jean-Baptiste Say (1767-1832) claimed that –

> "the very best of all plans of finance is to spend little and the best of all taxes is that which is least in amount" (Singh, 1983).

The problem of public finance in Mizoram is that plans on spending or expenditure are hardly 'little' and taxes are hardly 'least' in amount. On looking at the expenditure side of the State Government, it can be observed that a huge amount of total resources of the State goes to Revenue expenditure which is recurring in nature and non-productive. However, these non-productive expenditures are necessary for running the administration, as such, they are called 'committed liabilities'. Details of expenditure on committed liabilities under the study year may be seen from the upcoming Table 20 . These expenditures on committed liabilities have been increasing and hardly minimize in order to save more funds for creation of capital assets. This is why problem of public finance in Mizoram has been an important issue for the government.

Revenue expenditure has been increasing year by year which requires immediate attention of the Government. If uncheck and uncontrolled in the future, outflow of State Exchequer under this head can narrow down the Plan size considerably. For instances, the percentage of Total Revenue expenditure for the following year with reference to their respective Gross State Domestic Product (GSDP) can be shown as: for 2009-10 (Actual) - 49.16 per cent, for 2010-11(RE) - 54.22 per cent and for 2011-12 (BE) - 46.25 per cent. This shows that immediate remedy to control and bring down the increasing revenue expenditure needs to evolve without compromising the Government normal functionaries. The major part of expenditure in the Revenue Accounts are committed liabilities which consists of Interest Payments, Salaries, Pension Payments, and Subsidies etc. (see Table 20). From 2010-11, the State Government implemented the Mizoram (Revision of Pay) Rules, 2010 which caused a tremendous fiscal shock in the fiscal management of the State. Thereby, increasing revenue expenditure has become one of the critical problems of public finance in Mizoram. Some suggestions and recommendations regarding this problem are mentioned in this chapter in the concluding remarks.

Before dealing with Revenue and Capital Expenditure of the Government of Mizoram, Expenditure on CSS and how it likely affects the political economy of Mizoram will be dealt first in the next section. Amongst several CSS, the researcher has selected the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for analysis due to its largest fund involvement not only in Mizoram in particular but also in India in general. As such, the next section discusses the implication of the MGNREGS in Mizoram and its relations with public finance in Mizoram.

On Centrally Sponsored Schemes (CSS)

There are some works, important works that the Government has been taking up as schemes outsides the State's Annual Plans. These include schemes under CSS, CPS and Special Schemes like NEC and NLCPR. These schemes which are implemented on the initiative of the Government of India effectively supplement the development efforts of the State and are rightly termed as plan-outside-plan expenditure. One may ask, what are the importance of CSS?

Gandhi believed that in order to develop India, it is imperative to develop rural areas because India lives in villages. Gandhiji described India lives in villages because more than 80 per cent of the population lives in rural areas on the eve of independence of India. So, what Gandhi had in mind was ruralisation of Indian economy rather than urbanisation (Khilnani, 1997). The only village development which could actually reach the people, the real poor people, is CSS where scheme like NREGS and IWDP/IWMP through schemes and projects can penetrate the rural people, especially the land lock rural people could only build their village infrastructural developments. Rural developments such as - Rural connectivity, agricultural link road, maintaining/repairing village internal road, rural sanitation, preserving traditional water bodies, public water tank, community dumping grounds, small community hall, empowering small scale industries like handloom, playground, Village Council (VC) house, park, plantation works, and almost all rural economic developments are done through NREGS and IWDP/IWMP etc., these are the only village infrastructural development which could actually touch the heart of the rural poor people.

In October 2015, for several schemes including the National Rural Health Mission, Rashtriya Swasthya Bima Yojana, National Rural Drinking Water Programme, Pradhan Mantri Awas Yojana, and the Samagra Shiksha, the Union government changed the funding pattern from 75:25 to 60:40 for the General Category States, while the share remains unchanged at 90:10 for the North-Eastern and Himalayan States (Kapur, Pandey, Ranjan, & Irava, May 2020: 4). In the light of changes in the sharing pattern of Centrally Sponsored Schemes (CSS), the State Government has decided that from 2015-16 onwards only those CSS with a sharing pattern of 90:10 shall be implemented by the State Government. This is because of the burden of state in State Matching Share (SMS) except for some CSS which have strategic importance for the general public (Fiscal Policy Strategy Statement 2017-2018, 2017: 20). This is due to heavy burden of the state government in expenditure parts in public finance of Mizoram.

Some schemes and projects which are sponsored by the Central Government but implemented and executed by the state government have been constituting an important socio-economic development works of the state. However, the role of local politics in implementing and executing these schemes and programmes must not be neglected because most of the CSS are being executed with consultation and cooperation with local politicians. Some local politicians at the Block level, District level and Village level often try to manipulate these schemes and programmes.

In some CSS, not only local politics does hamper the smooth functioning of the scheme but also the works themselves hinder developmental scheme due to poor monitoring of the scheme. For instance, all funds in Integrated Watershed Management Programme (IWMP) were directly disbursed from the Central Government to the account of Project Implementing Agency (PIA) and then from the PIA to a joint account consisting of PIA and Watershed Committee. Watershed committee selects all the beneficiaries in their perspective villages. The main goal and objective of this scheme are to preserve water sources by making or increasing forest area cover. This further means that to decrease the shifting or jhuming cultivation is the main goal of IWMP. But in reality, there is no measurement to what extent this scheme preserves, increases or decreases water sources; the scheme may increase water sources or it may not. There is no measurement as to how much it declines shifting cultivation and increases in forest area covers. Moreover, the audit system seems a bit problematic because the state Social Audit Unit

(SAU) only audits the scheme only once within five years thereby giving the officials and its implementing agencies more time to divert most of the funds as they like (Lalrinmawia, 2019).

Fortunately or unfortunately, the Union Budget 2015-16 delinked/slash down 8 CSS from the Centre, 31 schemes will now be fully sponsored by Union Government and 24 will be run with changed sharing pattern. *Delinked Schemes* are (i) NEGAP; (ii) BRGF; (iii) Modernisation of Police Forces; (iv) RGPSA; (v) Export Infrastructure; (vi) 6000 model schools; (vii) National Mission on Food processing; and (viii) Tourist Infrastructure. Meanwhile, some schemes are retained for fully sponsored schemes, namely - (1) MGNREGA; (2) MSDP; (3) Scholarship schemes (SC,ST, OBC); (4) Pre-Matric Scholarship for children of unclean occupation; (5) Machinery for PCRA and PAA; (6) Programme for Person with Disabilities; (7) Education for Minorities; (8) Umbrella Schemes for education of ST children; (9) IGMSY; (10) ICPS; (11) RGSEAG-SABLA; (12) National Nutrition Mission; (13) Schemes for Protection and Development of Women; (14) Proviso I to article 275 (1); (15) Tribal Sub-Plan; (16) SSA (education cess); (17) Mid Day Meal; (18) NEC; (19) Bodoland Council; (20) NSAP; (21) NLCPR; (22) Unorganised Worker Scheme; (23) Teacher Training and Adult Education; (24) NADP; (25) MPLADS; (26) PMGSY; (27) Road and Bridges from Central Road Fund; (28) Project Tiger; (29) Project Elephant; (30) EAP (loan); (31) EAP (grant) *Changed Sharing*: (1) Cattle Development; (2) MIDH; (3) RKVY; (4) NLM; (5) NMSA; (6) DVA; (7) Veterinary Services and Animal Health; (8) National Rural Drinking Water Programme; (9) Swatch Bharat Abhiyan; (10) NAP; (11) NPCA; (12) AIDS and STD Control; (13) NHM; (14) NULM; (15) RMSA; (16) RUSA; (17) Infrastructure Facilities for Judiciary; (18) NLRMP; (19) NRLM; (20) Rural Housing for All; (21) ICDS; (22) RGKA; (23)PMKSY; (24) Impact assessment studies of AIBFMP.

As discussed earlier, this section focuses on the implementation and execution of the MGNREGS in Mizoram which includes its implication on the political economy of the state. The District Programme Coordinator in MGNREGS is the Block Development Officer (BDO) who is responsible for preparing in the month of December every year a labour budget for the next financial year containing details of anticipated demand for unskilled manual work in the district (Ministry of Rural Development, 2019:16). All budget estimates are to be ready before the next financial year begins i.e., before March and April. As such, the States and Union Territories are required to submit their Labour Budget proposal along with execution plans and strategies to the Empowered Committee of the Ministry latest by 10th February, every year (Ministry of Rural Development, 2019:19). This is how the MGNREGS budget is prepared every year without fail.

In collecting data regarding the MGNREGS, the researcher has visited 26 RD blocks which comprise of 231 villages in Mizoram. The researcher has made field observations and conducted interview of various local leaders and civilians regarding rural political economy in Mizoram and implementation of the MGNREGS scheme. Details regarding data collection procedure are already mentioned in Chapter 1 in the methodology part. Since detail analysis of the scheme is not the intention of this section, it will only discuss points relating to the political economy and public finance of Mizoram.

The Mahatma Gandhi National Rural Employment Guarantee Schemes (MGNREGS) may be the largest Centrally Sponsored Scheme (CSS) in India covering ₹ 48000/- Crores in the Central Annual Financial Statement/Budget of 2017-18 (Union Budget, 2018). No scheme or programme has been so big and enormous in India except this scheme. It is often marked as one of the 'largest and most ambitious social security and public works programme in the world'. The act was first proposed in 1991 by the then Prime Minister (PM) of India P.V. Narasimha Rao but only seen daylight in the 2000s. The aim of the scheme is very simple because it aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual labour work.

The reason behind the launching of the scheme is to remove poverty by minimizing (abolished, if possible) unemployment in India. Unemployment problem has been a critical issue of every political system. Economic growth, political development and social stability are all linked to the unemployment rate of a country. In modern society, happiness index has been an important indicator of political development and stability in society rather than per capita income (PCI) of a particular society. To make happiness or to maximize happiness as the Utilitarian used to profess in the late 18th and early 19th century by Jeremy Bentham, J.S. Mill and others, it is important to tackle the unemployment problem. MGNREGS intended to maximize employment and reduce (abolished, if possible) unemployment problem.

In the initial stage of its implementation in 2006, the MGNREGS covers only two districts of Mizoram but it was only in 2008 that the scheme was able to cover all district of Mizoram. The central government releases funds for all the wage component, 6 per cent of the administrative cost and 75 per cent of the material component. More than ₹ 300 crores have been utilized, aiming to achieve sustainable income for the poor and environment conservation as mentioned under the ‘permissible works’ in the Act. The mandate of the scheme is 100-day work in each financial year for the rural people which is mentioned in the following –

> “An Act to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work and for matters connected therewith or incidental thereto” (The Gazette of India 2005:1).

Over the passes of time, there have been many demands from States for the inclusion of new works under MGNREGA. There has also been a demand to create an even stronger positive synergy between MGNREGA and agriculture & allied sector in rural livelihood. Finally, there has been a demand that a more elaborate, specific and unambiguous list of permissible works is provided. In response to each of these demands, the Central Government has, vide notification dated 4th May 2012, amended provisions in Schedule I to include an additional list of permissible works under MGNREGA and has also issued separate work Guidelines for these works. However, the amended schedule of the Act could not cover all states and Union Territories due to certain differences in the geographical setting of a particular region. The incompatibility of the schedule – I of the Act (permissible works) has been an issue observed by the researcher during the field visit throughout the length and breadth of Mizoram.

Schedule – I para 11 of the MGNREGS Act states that “The Scheme shall not permit engaging any contractor for implementation of the projects under it” (The Gazette of India 2005:13). Moreover, Schedule – I para 12: “As far as practicable, a task funded under the Scheme shall be performed by using manual labour and not machines” (The Gazette of India 2005:13). But in actual practices, manual labour could not accomplish the will and wishes of the people or of the Gram Sabha. In such particular cases, when works are difficult, people are compelled to hire machines such as Excavator (JCB) and some other machines to facilitate their works. In such way, the fund disburses for labour wages are sometimes diverted by the people following Gram Sabha resolution. Such diverted fund is called ‘cut fund’ which are being used all over Mizoram for hiring machine to do hard and difficult works under MGNREGS.

One of the most important and critical values of the Act is strengthening grassroots democracy in local levels. Therefore, it is always claimed by many politicians that deepening democracy at the grass-roots by strengthening Panchayati Raj Institutions is the main aim of this Act (Government of India 2013:3). But in many cases of actual practices, Gram Sabha is often overruled by Village Council (VC) which is negative indicator of degenerating or deteriorating democracy, not deepening it. It neither strengthen the Panchayati Raj Institutions nor develops any measures for the increase of the power of the people. In such a way, fund which is being disbursed for the scheme often ended useless and unutilized. This has been one of the most important factors which hinder the political economy of the state as far as MGNREGS is concerned; and also an important indicator of bad public financing in Mizoram.

According to the rules and guidelines provided by the said Act, the power of Gram Sabha is to recommend works to be taken up and is the final authority to determine the order of priority which works will be initiated under the scheme (Government of India, 2013:6). This simply means that Gram Sabha will choose which works, under the Act, will be priority in upcoming works. But in reality, the monopoly or the hegemonic powers of VEC and VC hinders all powers of Gram Sabha. This is the reason why certain amount of CSS funds are ended up unutilized and useless. Disbursement of fund is supposed to do works that are mandatory and necessary for the people and that priority set by Gram Sabha is supposed to be achieved by the scheme. Thereby, useless Gram Sabha, too much power of Village Council (VC) which often overrule Gram Sabha are the main hindrances of actual development of the MGNREGS fund (Lalthanpuia, 2019).

In view of present condition throughout the country, the Central Government realizing that some works might, in the long run, degrade natural resources of land and thereby harmful to environmental protection. In light of this statement, a negative list of permissible works was provided which contains suggested harmful practices of agricultural and its related works. The list expands to normal agriculture operations such as land preparation, ploughing, sowing, weed removal, turning the soil, watering, harvesting, pruning and such similar operations are not permissible in MGNREGA (Government of India, 2013:57). Moreover, agriculture operations of any nature are not permitted to be taken up under MGNREGA for food grain crops, vegetables, floriculture etc. The material cost for these inputs (seeds, fertilizers, pesticide) would also not be covered under MGNREGA. However, some of the negative lists of permissible works, especially weeding (in the case of Mizoram) is most desirable by almost all beneficiaries.

According to suggestions given by beneficiaries during fieldwork, the top priority of future work of the MGNREGS is Link road and Terrace. One interesting thing that appears is that Weeding becomes the third priority of future works, followed by Internal road and Fish pond in the fourth position. Irrigation canal, Permanent farming, Livestock rearing, Side drain, Village sanitation, Wet Rice Cultivation (WRC), Traditional water bodies, Public water tank, Water harvesting reservoir, Half moon terrace, and Farm pond are also some of the most popular suggestions. It must be noted that Link road and Weeding occupy an important position, however, these works have been barred in the Permissible Works. But this finding reveals that the work of Link road and Weeding, which are not included in the permissible work list is needed the most by the beneficiaries. In this situation, the MGNREGS fund is being used not to have a better political economy, but to achieve what the scheme says which are not necessarily important for the state's economy. Public expenditure in this way has been enormous. Overwhelm by the acts and rules and guidelines of the scheme, the implementing agencies in Mizoram could not execute works which have critical importance for the state economy. Perhaps if the implementing agencies are free from guidelines set forth by the scheme, there may be some economic development under the scheme.

From all comments, the implementation of Terracing may be the most common incurring concept of the people who grasp the attention of the researchers during the whole field visit. The most common idea of the beneficiaries is that terracing does not create sustainable livelihood at different villages, thereby, terracing must be stopped. So plain and simple it is that most people wanted to have more sanitation works rather than useless terracing. They commented that sanitation must be encouraged rather than useless terrace and fish pond. Terrace does not serves the purposes and farm pond must also be discontinued because it has served no agricultural purposes in Mizoram. Even if terrace and fish pond are to continue in future, it must be bigger and wider than what it is being implemented in almost all villages, most of the Fish pond and Terrace that have been constructed are all too small. Moreover, Terrace is not only less useful but also people often neglect its implementation, especially by present owners claiming that its implementation is a waste of money. Instead of terracing, an internal road must be emphasized. At some villages, Fish pond and terrace are not feasible due to water shortage which means that the permissible works are not feasible in all villages (Samuel, 2019).

There are several works which are permissible under the Act. Some works are very useful while some works are not only inappropriate but also futile in nature. These condition of works has been witnessed by the researcher through the comments given by the Implementing Agencies (IAs), namely the Village Employment Council (VEC), Village Council (VC), Vigilance and Monitoring Committee (VMC) and even Block Development Officer (BDO) and Village Level Administrative Assistant (VLAA). The comments and suggestions regarding what works to be implemented and what works to be avoided based on the natural setting of a particular village/locality are given by VEC.

One important issue for the villagers is that some works are often coming out when the season changes. For example, Gram Sabha proposed in the Annual Action Plan (AAP) of a particular work, say, link road construction or Wet Rice Cultivation (WRC) or terracing. All these works include one thing which is land, and these works must not be implemented and executed during rainy season because land related works are easy to develop during dry season. Such kind of proposed work are often sanctioned only in rainy season (June –August). As such, it takes double efforts for land development. It takes more labour, more time, more money and more machine (in case a machine is used). This late work sanction creates serious problem for the villagers. This is a waste of Centrally Sponsored Scheme (CSS) fund and expenditure of fund, in this case, must be tackled to have healthy public finance in Mizoram.

Moreover, according to Para 1 of Schedule – II of the latest amendment of the said Act in 2017, it states that – “The adult member of every household residing in any rural area and willing to do unskilled manual work may submit the names, age and the address of the household to the Gram Panchayat at the village level, in whose jurisdiction they reside, for registration of their household for issuance of a job card"

Every rural household is entitled to a Job Card which contains the names and photographs of all adult members of the household so that they can demand and receive work (Ministry of Rural Development, 2019:4-6). Every household in the rural area, whether having permanent jobs or not, whether government servant or not, are all entitled to possesses a job card. This is very problematic because government servant and those who can afford decent livelihood and income do not need 100 days of work; not only they need 100 days of work, but also they do not have time to complete 100 days work within one financial year. Therefore, government servants and those households who could afford decent livelihood and earning must be struck off from possessing a job card.

Moreover, as per the provision amended in 2014 the Sub Para (2) of Para 4 of Schedule 1, Mahatma Gandhi NREGA, lays down that,

> "Provided that the District Programme Coordinator shall ensure that at least 60% of the works to be taken up in a district in terms of cost shall be for creation of productive assets directly linked to agriculture and allied activities through development of land, water and trees." (Ministry of Rural Development, 2019:36).

In most district capitals, majority of the household do not possess land for implementing agriculture and its allied sectors and yet the rules insisted that 60 per cent of works should focus on agriculture. In such a way, it is very difficult for the rural people as well as for the Programme Implementing Agency along with all stakeholders to implement according to rules laid down by the Government.

Since most of the beneficiaries are Below Poverty Line (BPL) families, they do not own vast land for any agricultural implementation, so, it is very difficult for them to have permanent farming to enhance their sustainable development. Thereby, if the government could allot or lease land for each of the beneficiaries who opted for permanent farming, it will surely boost the rural economy. Most beneficiaries claimed that 'What we need is important, not what the government thinks that we need; but what we actually need for development is important and that is why Annual Action Plan (AAP) proposed by the Gram Sabha is vital for our survival'.

As already stated, the Central Government without an in-depth analysis in each and every state creates permissible work for the whole country. The State Government, therefore, must try to enhance and alter some permissible works so that rural people may benefit the scheme in the best practicable way. This may be the best way to utilize CSS fund. Until and unless works are not restructured in Mizoram, huge fund will be waste in the future not only in the MGNREGS but also in other CSS. Therefore, almost all VEC suggested that the list of Permissible works must be restructured in line with Gram Sabha resolution or Permissible work must be enhanced based on village condition. Permissible works which are not compatible with the village must be restructured.

Permissible works must not be rigid but flexible in nature. If the state government is going to enhance the permissible works, it shall do so to meet the basic necessities of the rural farmers and poor illiterate people in which the rigidity and strict procedure of the permissible works will not give them a better livelihood but on the contrary, flexible work will give them better social security.

Disbursement and Actual Expenditure on Consolidated Fund of Mizoram

The above section of paragraphs which deals with expenditure on CSS and Annual Plan is under the Consolidated Fund of Mizoram. However, having a separate budget heads, it is necessary to discuss them in a separate section and which is why they are discussed before entering a bulk analysis on the Consolidated Fund of Mizoram. In certain parts of this thesis, the word 'disbursement' and 'expenditure' are used interchangeably, as such, their difference must be explained in brief. Disbursement means an estimate of fund for expenditure for the next financial year; while Expenditure means actual spending from the previous disbursement of Fund from the last financial year. Therefore, if 2020-2021 Financial Year budget is prepared or laid in the Assembly, it is usually done in the month of March 2020 and all plans for expenditure of the 2020-2021 Financial Year will be labelled as ‘disbursement’. In the same way, all disbursement fund in the two preceding years are known as ‘Expenditure’ because such funds which are estimated for disbursement are already spent.

The total expenditure of state in terms of economic classification includes revenue expenditure and capital expenditure (see Diagram 1). The expenditure on capital account (or capital expenditure) includes outlays for creation of assets, and loans and advances made to various parties and the repayment of loans obtained from them. Grants from the Central Government which falls within the Consolidated Fund of Mizoram are further classified into plan and non-plan expenditures (see Diagram 3). The following sections will discuss expenditure parts of the Consolidated Fund of Mizoram in a separate sub-title which are divided into Revenue Expenditure and Capital Expenditure.

Revenue Expenditure

This section discusses expenditure on Revenue Account and that expenditure is called Revenue Expenditure. Revenue Expenditure is spending incurred to meet day-to-day and regular needs expenditure of the government and does not result in creation of durable assets nor yields any revenue in future. It mainly includes components such as salaries, pensions, subsidies, and administrative expenses. In other words, Revenue expenditure simple means spending on running administration of the State Government; salaries, normal administrative cost, pensions etc., constitute revenue expenditure. Moreover, revenue expenditure includes expenditure incurred on account of general administration, operation and maintenance of Infrastructures and expenditure on human resources under Social and Economic programmes such as schools and hospitals and all other sectors.

One of the most popular phrases in revenue expenditure is ‘Committed Liabilities’. Committed Liabilities typically include expenditure on salaries, wages and pensions, and interest payments on loans. State governments are obliged to pay them even if they face a resource crunch. A large amount of revenue fund is often spent on committed liabilities.

Salary, Pension, and Interest Payment - a burden for the government

As discussed above, expenditure on Committed Liabilities has been one of the most important expenditures of the state government in Mizoram. As such, these expenditure heads formed one of the biggest expenditure of the state government. Since government servant and pensioner are regarded as ‘service sector’ in the economic sphere, their share of contribution in the state GSDP has also been enormous in the past 10 years under the study period (see Table 6). Therefore, salaries and wages of the State Government’s employees always share a sizeable portion of every annual budget of the state.

Salary expenditure is an indicator of fiscal sustainability. The total salary expenditure over the total expenditure needs to be slowly cut down to make the resources available for capital investment and other critical maintenance expenditure of the Government. Moreover, the level of pension is another issue of concern as pension payment remains unfunded and the Government has to fully bear the expenditure in it. Revenue expenditure on Salaries, Pension and Interest Payment along with other mandatory expenditure will be discussed in the following paragraph section.

Since expenditure on salaries and pension of the government employee has been a burden for every Ministry, there were no critical actions regarding its restructuring in terms of downsizing of salaries to reduce heavy loss of the government finance. Some initiative to reduce the heavy burden on revenue expenditure taken up by the Congress regime under the study will be discussed in detail in the next chapter. However, by the end of the Congress regime, there was recruitment of new government jobs. There were opening of three new districts; there was a new Development Council called Sialkal Range Development Council in which the government is expected to disburse ₹ 200 lakh (it is further expected to raise at ₹ 230 Lakh) every financial year (Zoramthanga, Expenditure on Sialkal Range Development Council at Mimbung village, 2019). And yet, the Congress Ministry, in the Legislative Assembly reluctantly claimed that –

> "Salaries and wages of State Government's employees always share a sizeable portion of every annual Budget of the State. In this connection, I would like to reaffirm to Hon'ble members of the House that no single Ministry should be held responsible for the cause of this situation since the Budget allocation pattern has been brought forward and handed over from Ministry to Ministry since long time ago" (Liansailova H., 2012-2013: 11).

The above statement is made by the then Finance Minister of Mizoram in which the Minister insisted that heavy burden of revenue expenditure must not fall only to the Congress ministry, but to all other ministries for which this responsibility was handed over from one ministry to the other. However, it must be noted at the same time that the government alone, not the opposition party but the ruling government determine the increase or decrease in revenue expenditure on salaries. For instance, expenditure percentage on salaries from 2008 till 2017 remain unchanged. In 2017-2018 Financial Year, the percentage of salary expenditure from the total revenue receipt stands at 24.50 per cent, after new government jobs have been advertised and new payment on salaries are mandatory, the expenditure percentage on salary in the next year raised to 36.67 per cent in 2018-2019 Financial Year (see Table 20 below). In the meantime, expenditure on Pension and Interest Payment percentage remains unchanged since Financial Year of 2008-2019.

Committed Expenditure and Mandatory Expenditure is an indicator of fiscal health of the government. What is Mandatory expenditure? Mandatory expenditure in this research includes such expenditure which has vital importance for the survival of the people. These are expenditure on subsidies such as power, water, food/rice etc. This expanding committed expenditure on salary and pension should be a great concern for the state government in its effort to enhance fiscal space. Expenditure on Committed Liabilities has become a burden for the government. As such, a prudent ruler must find a way to augment this negative growth. Restructuring of public administration in the form of downsizing and rightsizing is desirable to enhance the present burden on committed liabilities.

Interest Payments: The average expenditure on Interest Payment since 2008-2019 Financial Year is ₹ 29226.62 Lakhs in which the average percentage share of expenditure from the total receipt of the government during the same Financial Year (FY) is 5.20 per cent (see Table 20). Expenditure on Interest Payment which was revealed under Statement I (A) of Annual Financial Statement of the government is disbursed from Revenue Account. As such, these funds which was spent for interest payment is revenue expenditure. As far as the fiscal position is concerned, Interest payment tends to downward in lakhs and in percentage.

Salaries: One of the most important expenditures of the government is disbursed on salaries. During the Congress regime, Sixth Pay Revision superseded Fifth Pay Revision. As such, salary expenditure has been estimated with a big jump due to the impending Sixth Pay Revision of the employees. On 18th February 2018, the Finance Department Government of Mizoram issued Office Memorandum highlighting the implementation of the Seventh Pay Revision for government employees (Finance Department, Government of Mizoram, 2018). Rules regarding the Seventh Pay Revision was made by the then Governor of Mizoram which was notified by the Finance Department on 16th August 2018 (Finance Department (Pay Research Unit), 2018). Accordingly, the required funds for meeting the increased salary has been provided in the estimates resulting in a substantial increase in overall expenditure and increase in percentage terms over the total estimated expenditure. Since the Congress regime in 2008, expenditure on salaries has been crossing 25 per cent of the total budget receipt of the state. This is enormously increasing in 2018-

2019 Financial Year due to implementation of Seventh Pay Revision and recruitment of new employees by the government in the same financial year (see Table 20).

Pensions: Since a new pay revision is used for government employees, expenditure on Pensions are also increased automatically. Percentage of expenditure on Pension is more stable than salaries. The government has laid down several new pension schemes which are likely to minimize expenditure of pensions. These new schemes and guidelines along with their implications in the public finance of Mizoram as well as its impact on political economy of the state will be discussed in the next chapter. As far as pension expenditure is concerned, an average of 7.55 per cent from the total budget receipt during ten years of the study (2008-2019) has been spent (see Table 20). An average of ₹ 49094.18 lakhs every year has been spent for pensions which is larger than an income from Excise duty in Mizoram which stands at around ₹ 60-70 crores annually (see Appendix 5).

Table 20: Government Expenditure on Committed Liabilities and Subsidies under the study year.

Financial Year	Total Receipt/Total Budget	Salary	Salary in %	Pension	Pension in %	Interest Payment	Interest Payment in %	Subsidies	Subsidies in %
2008-2009	278375.98	73906.00	26.55	12605.00	4.53	13890.51	4.99	18151.35	6.52
2009-2010	321471.15	88180.00	27.43	16426.00	5.11	25435.24	7.91	26628.60	8.28
2010-2011	391420.87	117172.00	29.94	24875.00	6.36	25098.59	6.41	28906.98	7.39
2011-2012	450536.01	115009.00	25.53	29836.00	6.62	27379.25	6.08	32178.22	7.14
2012-2013	498650.53	137736.00	27.62	37052.00	7.43	28815.42	5.78	32493.66	6.52
2013-2014	592116.83	150677.00	25.45	49016.00	8.28	28449.61	4.80	34362.07	5.80
2014-2015	692580.96	172468.00	24.90	54465.00	7.86	30582.89	4.42	39295.07	5.67
2015-2016	726531.13	178357.00	24.55	61630.00	8.48	36927.39	5.08	36848.88	5.07
2016-2017	817626.15	187890.00	22.98	76140.00	9.31	34126.03	4.17	40552.27	4.96
2017-2018	949597.97	232619.00	24.50	83778.00	8.82	33920.09	3.57	48091.49	5.06
2018-2019	919587.59	337245.00	36.67	94213.00	10.25	36867.85	4.01	49028.91	5.33
Total	6638495.17	1791259.00	296.11	540036.00	83.05	321492.87	57.23	386537.50	67.75
Average/Mean	603499.56	162841.73	26.92	49094.18	7.55	29226.62	5.20	35139.77	6.16

₹ in Lakhs ₹ in core & rupee in original documents converted into lakhs for convenience

Source: Budget Document, Fiscal Policy Strategy Statement 2008-2020, Annual Financial Statement 2008-2020, and RTI data

From the above table, expenditure of the Mizoram Government on Committed Liabilities under the study year is depicted. It can be seen from the said table that the average/mean of 26.92 per cent from the total budget receipt is spent every year for salary. In other words, the state government every year has to spend around 26.92 per cent of its budget for salary payment. Yet, around 10 per cent of budget receipt is spent on capital outlay for making infrastructure development (see Table 22). Apart from salary expenditure, around 7.55 per cent of the total budget, every year is also spent on pension and 5.20 per cent is spent for interest payment. Under subsidy, payment on procurement of rice and electric power are amalgamated which result in an average of 6.16 per cent of spending every year from total budget receipt. Therefore, an average of 45.83 per cent of the total budget is mandatory to disburse for committed liabilities. These expenditures will increase in percentage if data is available from subsidy which the government undertook under the head of water supply. As such, in simple assumption, around 50 per cent of the state budget has to be disbursed for committed liabilities and subsidies which include expenditure for basic necessities of the people.

Revenue Surplus and Revenue Deficit

An important indicator of fiscal health of a state is deficit and surplus. There are different deficit terms which was already mentioned in chapter 2. Normally speaking, healthy public finance depicts revenue surplus which creates more room for creation of capital assets. The state had, for the first time attained a revenue surplus not revenue deficit in 2003-2004 and shows improving trends (Finance Department, Fiscal Policy Strategy Statement, 2009-2010, 2009). Before 2003, the net revenue has always been in a position of deficit meaning that the revenue expenditure is more than revenue receipt. But only since 2003, the net revenue began to be surplus replacing the erstwhile deficit position. This is a good trend showing that there is an improvement in the public finance of Mizoram. The question is, how long the state government will able to keep this up?

It is noteworthy that the State has continued to maintain revenue surplus since 2003-04 Financial Year though there had been a slight glitch during 2010-11, 2013-14, and 2014-15 which was mainly attributed by the then ministry that it is happening due to reduction in the amount of taxes devolved to the State. Accordingly, revenue surplus was downward in the 2010-2011 Financial Year and increase a little bit in the next financial year (see Table 21). However, revenue surplus has decrease dramatically in 2012-2013 Financial Year which may be due to a reduction in the devolution of central taxes or simple higher revenue expenditure due to election year.

One thing very clear is that during the revenue deficit year in 2013-2015, there was no reduction in revenue receipt. In fact, revenue receipt remains unchanged and sometimes higher than the previous financial year and that reduction on devolution of central taxes would seem unreasonable allegation. Therefore, reduction of revenue surplus and its eventual revenue deficit can be caused by one reason, i.e., electoral politics in Mizoram. As such, it would seem that since 2011 the government was preparing for the next election which was supposed to be held in 2013. Therefore, an assumption could be made from the following Table 21 that revenue expenditure was increased without any decrease in revenue receipt since 2011. This increment on revenue expenditure was due to the government's flagship programme of NLUP which eventually led the government to a situation of fiscal deficit in 2013-2014 and 2014-2015.

Furthermore, revenue surplus continues to exist till the next election in 2018 which shows that revenue expenditure does not jump as anticipated. This may or may not link to the ministry's proposal on 'year of consolidation' which simply means saving more fund for creation of capital assets. Anyhow, it might be safe to say that too much revenue surplus in the next election years led to less revenue expenditure on the government's flagship programme NLUP. This may or may not be a reason for losing the election in 2019.

Table 21: Statement showing actual Revenue Expenditure under the study year

Ministry	Financial Year	Actual Revenue Receipt	Actual Revenue Expenditure	Actual Revenue Account Net (Surplus+/Deficit-)	% of expenditure from Revenue Receipt
MNF	2007-2008	203974.23	190839.16	13135.07	93.56042673
	2008-2009	265313.03	231379.60	33933.43	87.21004016
Congress	2009-2010	296350.48	270270.26	26080.22	91.19953509
	2010-2011	337471.13	325503.34	11967.79	96.45368479
	2011-2012	401181.16	372385.63	28795.53	92.82231249
	2012-2013	453674.30	450891.35	2782.95	99.38657535
	2013-2014	476484.61	491698.42	-15213.81	103.1929279
	2014-2015	551110.50	565243.65	-14133.15	102.5644857
	2015-2016	667639.99	557085.54	110554.45	83.44100838
	2016-2017	739829.66	623034.09	116795.57	84.21318091
	2017-2018	858019.67	688076.39	169943.28	80.19354498
	2018-2019	903949.77	750559.12	153390.65	83.03106488
MNF	2019-2020	Data on actual expenditure not yet available in Financial Statement.			
	2020-2021				

₹ in Lakhs

Source: Budget Document, Annual Financial Statement 2008-2020

Capital Expenditure

As discussed earlier, expenditure parts of the government are divided into Revenue and Capital Expenditure. Capital Expenditure consists of Capital Outlay, Public Debt, Loans and Advances, and Transfer to Contingency Fund. Amongst them, Capital Outlay will be the focus in this section which is further divided into General Services, Social Services, and Economic Services. Capital Expenditure on Public Debt further consists of repayment of loans from several financial institutions, such as NABARD, loans from LIC, Market loans, Ways & Means Advances (W&MA) from Reserve Bank of India (RBI), and Block loans etc. Capital Expenditure on Loans and Advances also consists of Loans for Cooperation, Loans for government servants, Loans for Housing, and Loans for Education etc. So, there are two kinds of debt which are mandatory to be paid back to its rightful owner, they are Loans under Capital Account, and Interest Payment under Revenue Account which is put under Charged on Consolidated Fund of Mizoram (see Annual Financial Statement).

As discussed above, expenditure incurred under Capital Accounts comprises Capital Outlay for taking up infrastructure development works under different sectors and loans & advances to employees under the government. Capital expenditure is an important indicator of the good and bad performance of a particular ministry because the more capital disbursement is, the more development is in one financial year. As such, it is one way to measure the performance of the government from capital expenditure. Therefore the amount of capital expenditure is to be used for measurement of a particular ministry in various developmental undertakings. Normally speaking, capital expenditure in Mizoram hardly exceeds 20 per cent of the total expenditure of the government in one financial year, in fact, in recent times, the expenditure on capital account never exceeds 10 per cent from the total expenditure (Vanlalruata, 2017). This is true that capital outlay which is mainly used for the creation of durable assets in Mizoram during the study year hardly exceeds 10 – 20 per cent of the total budget of the state (see Table 22). As such, real development cannot be pursued by the government in Mizoram. In the Indian financial system, most States undertake a considerably higher revenue expenditure (70-80 per cent of total expenditure) as compared with capital expenditure (20-30 per cent). A substantial segment of revenue expenditure is in the form of committed liabilities – such as salaries, pensions and interest payments – that States are required to pay despite resource constraints.

Why is capital expenditure so important in measurement of ranking a particular ministry? Almost all developmental works carried out by the state government are consolidated in the capital account. Therefore, capital outlay consists of such works on general, social and economic services. General services works contain works on Public Works and Police. Social services include Medical & Public Health, Water Supply & Sanitation, Housing, Urban Development, Information & Publicity, and Social Security & Welfare etc. Economic services consist of major works on agriculture and allied activities, such as Crop Husbandry, Horticulture, Soil & Water Conservation, Food Storage & Warehousing and Forestry & Wildlife etc. Economic services also consist of Rural Development, Minor Irrigation, Power Project, Village

& Small Industries, Road & Bridges, Road Transport and Tourism. All these works are done through capital expenditure, as such the intention of a particular ministry on this capital development can be seen clearly. Capital outlay on tourism will be dealt with in a separate paragraph in another section.

One thing that must be remembered is that Capital Expenditure is not only about making capital assets but also making an investment through capital account. Therefore, capital expenditure includes such expenditure on capital outlay, disbursement of loans and advances and repayment of loans. The disbursements or expenditure on the capital account include outlays which go in for the creation of assets, loans and advances made to various parties and repayment of loans obtained. Creation of assets is usually labelled as capital outlay in which fund is disbursed and spent for creating durable assets. The more capital outlay increases, the faster infrastructure of the state is going to develop. Therefore, some economists often argue that the increase in spending on capital outlay is an indicator of infrastructural development in the state. As such, although spending exceeds income it is regarded as good financing so long as assets spending increases.

Capital Outlay

As mentioned in the above, not all Capital Expenditure is used for the creation of durable capital assets in the state, but only capital outlay fund is utilized for the creation of such assets. As such, expenditure under this account is one of the most important components under the State's budget as it is used for creation of capital assets. Basic infrastructural needs of the State under General Services, Economic and Social Services have been met with expenditure under this account. It is the commitment of almost every Government to move towards increased spending for creation of capital assets for laying a strong foundation of economic growth across the State. The following table reveals a percentage share of expenditure on capital outlay in the Sixth and Seventh State Legislative Assemblies of Mizoram.

Table 22: Statement showing Expenditure Percentage on Capital Outlay

₹ in Lakh

Ministry	Financial Year	Actual Consolidated Fund Receipt	Actual Expenditure			
			Actual Capital Expenditure	Actual Capital Outlay (GROSS)	Actual Capital Outlay (NET)	% of Capital Outlay (NET)
MNF	2007-2008	229097.64	69433.32	54424.50	54424.50	23.76
	2008-2009	278375.98	55474.29	57829.22	44104.31	15.84
Congress	2009-2010	321471.15	96307.43	57280.47	57280.47	17.82
	2010-2011	391420.87	90241.32	75361.06	61538.03	15.72
	2011-2012	450536.01	81460.13	63630.36	49483.70	10.98
	2012-2013	498650.53	92384.67	74839.22	60755.05	12.18
	2013-2014	592116.83	158676.24	59939.88	59939.88	10.12
	2014-2015	692580.96	211918.17	92751.22	92751.22	13.39
	2015-2016	726531.13	126837.07	71096.61	71096.61	9.79
	2016-2017	817626.15	125137.71	91140.86	91140.86	11.15
	2017-2018	949597.97	251426.31	199634.95	199634.95	21.02
	2018-2019	919587.59	215321.94	186847.25	186847.25	20.32
MNF	2019-2020	2019-21 Financial Year does not include in the study area.				
	2020-2021					

Source: Budget document - Annual Financial Statement of Mizoram 2007-2020.

Repayment of Loans

One important source of revenue of the state government is borrowing loan from the Central Government and from other financial institutions. However, these loans or receipts are needed to pay back to these institutions which are put them under Public Debt within Capital Expenditure of the Consolidated Fund of Mizoram. This debt is also known as outstanding liabilities. As mentioned before, these expenditures which are mainly for repayment of loans is non-developmental in nature, as such they are sometimes called non-developmental expenditure of the state government. These loans mainly consist of Market loans, Loans from LIC of India, Loan from NABARD, Loans from NCDC, Block loans, and Ways & Means Advances (W&MA) from RBI etc. These loans created a debt stock along with debt in the Public Accounts. As such, it is known in public finance as ‘outstanding liabilities’. Debt from the Capital Account is only consolidated under the head of Public Debt whereas debt in Public Account is mainly consolidated under the head of Provident Fund and some other funds.

The increasing expenditure of the State Government towards servicing of debt has become a matter of serious concern for every ministry in Mizoram. The increasing debt stock of the Government over the years brought about a corresponding increase in the expenditure for servicing of loans. As such, the State Government has been making efforts to reduce the debt stock and corresponding repayments. The role of politicians and the government in reducing the debt stock of the government will be discussed later in the next chapter.

Loans and Advances

Not all capital expenditures are included either in repayment of loans or capital outlay but there is one important expenditure which is loans and advances given to the government's servants and to the public. These loans mainly include education, medical & public health, nutrition, housing, co-operation, and loans for government servants etc. These loans and Advances will be paid back by the borrower which forms capital receipt in the form of Loans and Advances (Recoveries) under Capital Account (see Annual Financial Statement). This receipt creates not only important sources of the revenue but also an important loan made by the government because loans for housing, for instance, has been a good loan for both the public and for government servants.

Therefore, the State Government has been giving loans and advances to the Government servants and to the general public under different specified schemes. Out of these, loans and advances under Plan Account are advanced to the general public in the form of housing loans out of loans availed from the Life Insurance Corporation of India. Loans and Advances on Non-Plan Account include advances given to the Members of the Legislative Assembly and advances to the Government employees for purchase of motor cars.

Expenditure on Tourism – What the government does and what the government does not?

The working hypotheses of this section are that there have been hindrances to tourism development in Mizoram and that there are tremendous differences in terms of revenue receipts and expenditure from tourism department among the North East States. Due to this revenue and capital expenditure on tourism in Mizoram, tourist arrival in the state have not been improving compare to some other states in North East India. As such, revenue generated from tourism could not form substantial receipt in public finance of Mizoram. There may be several factors which determine tourist arrivals in Mizoram, namely ethnic tension and conflict, Inner Line Regulation (ILR), and tourism policy. Amongst them, ILR has been one hot debate topic not only within the academic circle but also within the general public that ILR has become an obstruction to more tourist arrivals in Mizoram. Anyhow, in-depth research may be conducted further to either support or refute this hypothesis.

Within the assumption of several reasons for more tourist arrivals in the state, the following table reveals numbers of tourist destinations in Nagaland, Sikkim and Mizoram. Due to the unavailability of the latest data published by the respective state government, there may be doubt regarding the accuracy of the statement reveals under the table.

Table 23: A comparison of Tourist arrivals in Nagaland, Sikkim and Mizoram

<table>
<tr><td colspan="4">Nagaland (Source: Economic Survey of Nagaland 2018-2019)</td><td colspan="4">Sikkim (Source: Census of India 2011, Sikkim)</td><td colspan="4">Mizoram (Source: Mizoram Economic Survey 2016-17, 2017-18; Statistical Handbook of Mizoram 2018)</td></tr>
<tr><th>Year</th><th>Domestic</th><th>Foreign</th><th>Total</th><th>Year</th><th>Domestic</th><th>Foreign</th><th>Total</th><th>Year</th><th>Domestic</th><th>Foreign</th><th>Total</th></tr>
<tr><td>2010</td><td>21004</td><td>1495</td><td>22499</td><td>2005</td><td>347650</td><td>16518</td><td>364168</td><td>2009-10</td><td>57639</td><td>675</td><td>58314</td></tr>
<tr><td>2011</td><td>25216</td><td>1941</td><td>27157</td><td>2006</td><td>421943</td><td>18049</td><td>439992</td><td>2010-11</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>2012</td><td>28945</td><td>2173</td><td>31118</td><td>2007</td><td>465204</td><td>17837</td><td>483041</td><td>2011-12</td><td>64249</td><td>744</td><td>67005</td></tr>
<tr><td>2013</td><td>52350</td><td>2305</td><td>54655</td><td>2008</td><td>512373</td><td>19154</td><td>531527</td><td>2012-13</td><td>64631</td><td>712</td><td>65343</td></tr>
<tr><td>2014</td><td>58507</td><td>2585</td><td>61092</td><td>2009</td><td>615628</td><td>17730</td><td>633358</td><td>2013-14</td><td>64583</td><td>906</td><td>65489</td></tr>
<tr><td>2015</td><td>64616</td><td>2769</td><td>67385</td><td>2010</td><td>700000</td><td>21000</td><td>721000</td><td>2014-15</td><td>67554</td><td>862</td><td>68416</td></tr>
<tr><td>2016</td><td>58178</td><td>3260</td><td>61438</td><td colspan="4" rowspan="3">Sikkim does not possess ILR, nor did the state witnessed ethnic conflicts and insurgent activities; and plus, the state has its own Tourist Policy. All these seem to boost its tourist arrivals.</td><td>2015-16</td><td>66583</td><td>830</td><td>67413</td></tr>
<tr><td>2017</td><td>63362</td><td>4765</td><td>68,127</td><td>2016-17</td><td>67223</td><td>987</td><td>68210</td></tr>
<tr><td>2018</td><td>1,01588</td><td>5010</td><td>106,598</td><td>2017-18</td><td>68679</td><td>1155</td><td>69,834</td></tr>
</table>

Noticed that the above table has different year-mark; only Nagaland and Mizoram have the same year-mark, i.e., 2010 – 2018 in which the number of tourists arrivals in these two states can easily be compared. But the third states, Sikkim has a different year-mark which start from 2005 till 2010 in which an interesting thing to show here is that though the year depicted for Sikkim is 5 years backward than Nagaland and Mizoram, and yet the numbers of tourist arrivals in Sikkim is higher than the two states having five years advanced. In simple words, Sikkim has about 3 lakhs tourist in 2005 alone (both domestic and foreign) which is surpassed by Nagaland and Mizoram only in 2011 -2012. Likewise, Sikkim is more advanced in every year-mark depicted in the above table in the numbers of tourist arrivals compare to Nagaland and Mizoram.

A maximum number of domestic as well as foreign tourist visits to Nagaland rapidly increased in 2018. Government officials claim that this is due to the Hornbill festival held in December 2018. Hornbill festival is the largest and most popular festival in Nagaland. There are several other festivals, each possesses a unique way of celebration which is based on custom and practices of different tribes. To clap them together, the Government of Nagaland organized each year in December the Hornbill Festival (sometimes it is known as ‘Festival of Festivals’) to encourage inter-tribal interaction and to promote the cultural heritage of Nagaland. The Hornbill festival alone accounts for attracting 39 per cent of domestic tourists and 49 per cent of foreign tourists. The 19th Annual Hornbill festival in December 2018 drew over 2702 foreign tourists, 37,397 domestic tourists and 21,1602 local visitors totaling to over 2,51,701 visitors (Government of Nagaland, 2019). But compare to Sikkim, the numbers of tourist arrivals (both domestic and foreign) in Nagaland is still meagre. Mizoram is out of the question. The question is, why Sikkim possesses more tourist arrivals even the state is the smallest of all eight North East states.

In 2014, the Government of Mizoram published its Tourism policy which mainly deals with the development of tourism in Mizoram in several perspectives. The Mizoram Tourism Policy 2014 focuses on promotion of tourism by developing infrastructure and facilities. Again, in June 2017 the Government of Mizoram introduced the 'Mizoram Eco-Tourism Policy' which emphasized to promote understanding of heritage, values, nature and wildlife conservation etc. Despite the policies and intention of the government, expenditure on tourism in Mizoram hardly exceeds 1 per cent of the total budget of the state. Thereby, tourism development and tourist arrivals in Mizoram could not improve as anticipated by some academicians and scholars. Due to this, revenue generated from tourism also hardly improve while the state government seeks for new investment and resources every financial year.

Table 24: Statement showing expenditure of Tourism in Mizoram

Financial Year	Total Receipt	Revenue Expenditure on Tourism	Capital Expenditure on Tourism	Total Expenditure on Tourism	% of total Tourism Expenditure from Total Receipt	% of Capital Expenditure from Total Receipt
2007-2008	229097.64	487.71	2049.90	2537.61	1.11	0.89
2008-2009	278375.98	503.32	1384.32	1887.64	0.68	0.50
2009-2010	321471.15	571.70	374.17	945.87	0.29	0.12
2010-2011	391420.87	618.57	1985.20	2603.77	0.67	0.51
2011-2012	450536.01	556.58	0.00	556.58	0.12	0.00
2012-2013	498650.53	615.87	137.62	753.49	0.15	0.03
2013-2014	592116.83	610.28	95.90	706.18	0.12	0.02
2014-2015	692580.96	602.88	604.63	1207.51	0.17	0.09
2015-2016	726531.13	783.61	2145.52	2929.13	0.40	0.30
2016-2017	817626.15	882.26	2949.35	3831.61	0.47	0.36

2017-2018	949597.97	941.17	7771.48	8712.65	0.92	0.82
2018-2019	919587.59	941.66	2443.35	3385.01	0.37	0.27
2019-2020	2019-2021 are outside the study area. Hence, no data are revealed in this Financial Year.					
2020-2021						

₹ in Lakhs

Source: Budget Document, Annual Financial Statement of Mizoram, 2007-2020

The above table reveals expenditure statement of the Government of Mizoram on tourism under the study year. Both the total tourism expenditure and expenditure outlay on tourism hardly exceeds 1 per cent of the total budget receipt. In some departments, in some schemes and programmes, in some projects and liabilities, the state government has spent more than 50 per cent of the total budget receipt. It should also be stated that Mizoram may be expected to generate more revenue in future because the state government does not spend a substantial amount of fund for capital development.

Therefore, it is prudent for researchers and academicians to ponder that an analysis must be made on the government expenditure not only on big-government schemes and projects but also on small expenditures. What the 'government does' and what the 'government does not' in a particular area or field has the same importance. This is what drives the Post-Behaviouralist thinkers in the late 1960s in American politics (Varma, 1975). The Post-Behaviouralist thinkers were moved by a concept which was extremely ignored by the Behaviouralist thinkers. The Post-Behaviouralist scholars in the 1960s began to think in terms of not only what the government took actions but also what the government did not take actions. In the words of S.P. Varma, the post-behaviouralist were driven by actions and relevance.

> "During the sixties, political scientists in the U.S.A. were taking interest not only on which decisions were being taken by the state, but also on issues on which no decisions were being taken. Issues not raised, powers not challenged, energies not mobilized, analyses not developed – were now being regarded as of crucial importance for the understanding of political processes" (Varma, 1975: 32-33).

On what field the government takes actions has equal importance with on what field that the government does not take actions. For instance, Tourism development, border dispute, ethnic tensions, removal of food and power subsidy, fiscal correction path, and rightsizing of administration etc., are some of the fields that the government does not take critical actions. In the meantime, NLUP projects, CSS, Mizoram Liquor Prohibition and Control (MLPC), and school timing reform etc., are some of the most popular fields that the government took actions during the study year. In light of the above statement, tourism development alone is the potential factor which is neither utilized nor mobilized. These issues must be taken into consideration not only for future development, but also to avoid certain political upheavals and uprisings in the state.

Amongst several issues that persist in Mizoram, ethnic tensions and conflict are becoming one of the most popular issues that the government is facing today. The issue of Chakma settlement in Mizoram; the Bru migration to Tripura in 1997 & 2009 with their repatriation; the unsolved border issue with Assam (Cachar District); these are some of the major issues which are still debated before and during elections. The main civil societies like Young Mizo Association (YMA) and Mizo Zirlai Pawl (MZP) often raise these issues in media. Perhaps there may come a time when a ruling party forced to take up these issues with the Center (Hluna, 2008).

Perspective on Plan and Non-Plan Expenditure

It is still unclear regarding the expenditure of the state government under the study year, this section performs another analysis in terms of Plan and Non-Plan perspectives. Plan and Non-Plan expenditure is within the realm of Consolidated Fund of Mizoram which further comprises of Revenue and Capital expenditure. Since this chapter mainly deals with the expenditure parts of the state government, this section must not be confused with receipt budget of the government which was already discussed in Chapter 3.

All revenue expenditures are broadly classified into Plan and Non-Plan expenditure. Since the 2015-2016 Financial Year and since the abolition of Planning Commission and operation of NITI Aayog in 2015, the expenditure statement on revenue account is split into a plan, non-plan, CSS and state. By adopting merging of Plan and Non-Plan fund, all the State Budget has been classified into State and CSS, whereas the State focus own fund of the States and CSS include Centrally Sponsored Scheme, Central Sector Scheme, Non-Lapsable Central Pool of Resources (NLCPR), Assistance under North Eastern Areas and North Eastern Council. To avoid further misunderstanding, the expenditure head 'state' are included in non-plan expenditure in this research. However, all the CSS fund expenditure are still regarded as planned expenditure because in the former years before operation of NITI Aayog, CSS are categorized as plan fund. Similarly, in the same Financial Year, capital expenditure also includes CSS under capital outlay expenditure which is also to be regarded as plan fund.

On the other hand, all Capital expenditure are divided into Repayment of Loans (Public Debt), Capital Outlay, Loans and Advances, and Transferred to the Contingency Fund. Furthermore, in terms of plan and non-plan classification, in capital expenditure, Capital Outlay, and Loans and Advances only consists of plan and non-plan expenditure (see Explanatory Memorandum). Since 2013-2014 Financial Year actual data could not be retrieved from the Finance Department, revised estimate data are used in the following two tables. As such, readings on 2013-2014 Financial Year may not have 100 per cent accuracy.

Non-Plan Expenditure covers the entire gamut of expenditure other than those falling under Plan Expenditure. Before the abolition of plan and non-plan fund, the bulk of non-developmental expenditure comes under General Services. Non-Plan Expenditure covers the expenditure on account of General Services. Main contributors are expenditure on account of administrative costs of the Government, fiscal services and payment of interests. Because of the nature of expenditure, they are classified as non-developmental. Minimizing Non-Plan Expenditure to the lowest possible extent is one of the top priorities of the Congress Ministry. As a result of which all

Departments were instructed to reduce their respective Budget allocation under the head of non-salary portion of Non-Plan Fund by 2 (two) per cent of the total allocation during 2011-12. The roles relating minimizing of these expenditures will be discussed in detail in the next chapter. The following table reveals the plan and non-plan expenditure.

Table 25: Plan and Non-Plan Expenditure in brief.

Ministry	Financial Year	Total Budget Receipt	Plan		Non-Plan	
			Amount Total	in % from total budget receipt	Amount Total	in % from total budget receipt
MNF	2007-2008	229097.64	85992.22	37.54	146001.37	63.73
	2008-2009	278375.98	111045.60	39.89	166178.96	59.70
Congress	2009-2010	321471.15	136784.06	42.55	193260.64	60.12
	2010-2011	391420.87	170314.66	43.51	219713.51	56.13
	2011-2012	450536.01	181048.81	40.19	244172.38	54.20
	2012-2013	498650.53	227157.44	45.55	287513.82	57.66
	2013-2014	592116.83	403582.57	68.16	313310.42	52.91
	2014-2015	692580.96	294488.25	42.52	363749.51	52.52
	2015-2016	726531.13	258863.71	35.63	370031.21	50.93
	2016-2017	817626.15	301754.33	36.91	415125.49	50.77
	2017-2018	949597.97	194164.09	20.45	698042.74	73.51
	2018-2019	919587.59	161198.82	17.53	780259.55	84.85
MNF	2019-2020	2019-2021 does not include in the study area, as such no data reveals in this financial years.				
	2020-2021					

₹ in Lakhs Source: Budget Documents, Explanatory Memorandum 2007-2020

As mentioned earlier, since 2017-2018, the erstwhile budget system of Plan and Non-Plan in India was abolished (mainly due to the termination of the Planning Commission) and the fund is consolidated into a single unit. Therefore, budget is largely categorized into Revenue and Capital budget (Lalsawta, Budget Speech 2017-2018, 2017). In other words, From the Financial Year 2017-18, the Government of India has decided to abolish the distinction between Plan and Non-Plan Expenditure by merging the two and the entire Budget is to be classified under Revenue and Capital Expenditure only. Accordingly, and in pursuance of the decision of the Council of Ministers on 5.12.2016, the Government of Mizoram also decided to adopt the new Budget system i.e., merging of Plan and Non-Plan with effect from the Financial Year 2017-18 (Explanatory Memorandum on the Budget 2017-2018, 2017). Accordingly, since 2017-2018 there is no plan and non-plan expenditure either in revenue account or capital account.

Before the breakup of plan and non-plan expenditure, Annual Plan falls under the Plan expenditure. However, since there is no classification on such categories, all expenditure in terms of the erstwhile plan and non-plan were replaced by state and CSS expenditure which are already discussed above in detail in this section. Details about the breakup and continuity of plans, non-plans, state, and CSS reveal in the following table. The following Table 26 and the above Table 25 are of the same nature in which a new head on expenditure 'state' is regarded as the erstwhile non-plan expenditure. Similarly, a new head on expenditure 'CSS' is regarded as plan expenditure.

Table 26: Statement showing details breakup of Plan and Non-Plan Expenditure

Financial Year	Revenue Expenditure				Capital Expenditure						
					Capital Outlay				Loans and Advances		
	Plan	State	CSS	Non-Plan	Plan	State	CSS	Non-Plan	Plan	State	Non-Plan
2007-2008	50184.63	-	-	125954.87	35807.59	-	-	20046.50	-	-	-
2008-2009	74058.14	-	-	157321.46	36659.46	-	-	7444.85	328.00	-	1412.65
2009-2010	89735.22	-	-	180535.04	46543.84	-	-	10736.63	505.00	-	1988.97
2010-2011	119748.40	-	-	205754.94	49851.26	-	-	11686.77	715.00	-	2271.80
2011-2012	137314.13	-	-	235071.50	42903.34	-	-	6580.36	831.34	-	2520.52
2012-2013	176007.40	-	-	274883.92	50692.36	-	-	10062.69	457.68	-	2567.21
2013-2014	306559.43	-	-	307943.15	96548.14	-	-	247.07	475.00	-	5120.20
2014-2015	215181.88	-	-	350061.77	79126.55	-	-	13624.67	179.82	-	63.07
2015-2016	93809.27	-	100976.87	362299.40	50060.04	-	13314.76	7721.81	702.77	-	10.00
2016-2017	112084.22	-	103137.58	407812.29	66617.97	-	19415.45	5107.44	499.11	-	2205.76
2017-2018	-	558599.33	129477.06	-	-	-	64687.03	-	-	4495.49	-
2018-2019	-	638417.58	112141.54	-	-	137789.97	49057.28	-	-	4052.00	-
2019-2020											
2020-2021											

₹ in Lakhs Source: Budget Documents, Explanatory Memorandum 2007-2020

Perspective on Development and Non-Development Expenditure

The above sections deal with expenditure on the Consolidated Fund of Mizoram in several perspectives. This section once again deals with the expenditure of the state government in terms of development and non-development aspect. This sub-section presents the composition of expenditure in two ways: Developmental Expenditure and Social Sector Expenditure. Prior to the disbandment of the Planning Commission, expenditure was classified as Developmental and Non-Developmental Expenditure. Developmental expenditure refers to the expenditure of the government which helps in economic development by increasing production and real income of the country. Social and community services, economic services and developmental assistance to States form a part of this. Developmental expenditure is further divided into developmental expenditure on revenue account and on capital account.

This section, however, is an extension of revenue expenditure. Development Expenditure consists of Social Services and Economic Services whereas Non-Developmental Expenditure consists of General Services. The expenditure on Developmental expenditure sectors is aimed at socio-economic development of the State for which it is termed developmental expenditure. As such, social sector expenditure refers specifically to expenditure on social services including health, education, sanitation and water supply, housing, urban development and welfare of backward communities.

The non-developmental expenditure, on the other hand, refers to expenditure of the government that does not directly contribute to the economic development of the country. It includes expenditure on administrative services, interest payments and pensions.

For instance, expenditure on creation of capital assets which is revealed in Table 22 as 'expenditure on capital outlay' is to be regarded as Developmental expenditure. However, these expenditures are booked within Capital Account of the Consolidated Fund of Mizoram. Therefore, development expenditure can either consist of expenditure under the revenue account or capital account. However, non-development expenditure is normally consolidated under the head of 'general services' under revenue account.

Table 27: Statement showing development and non-development expenditure

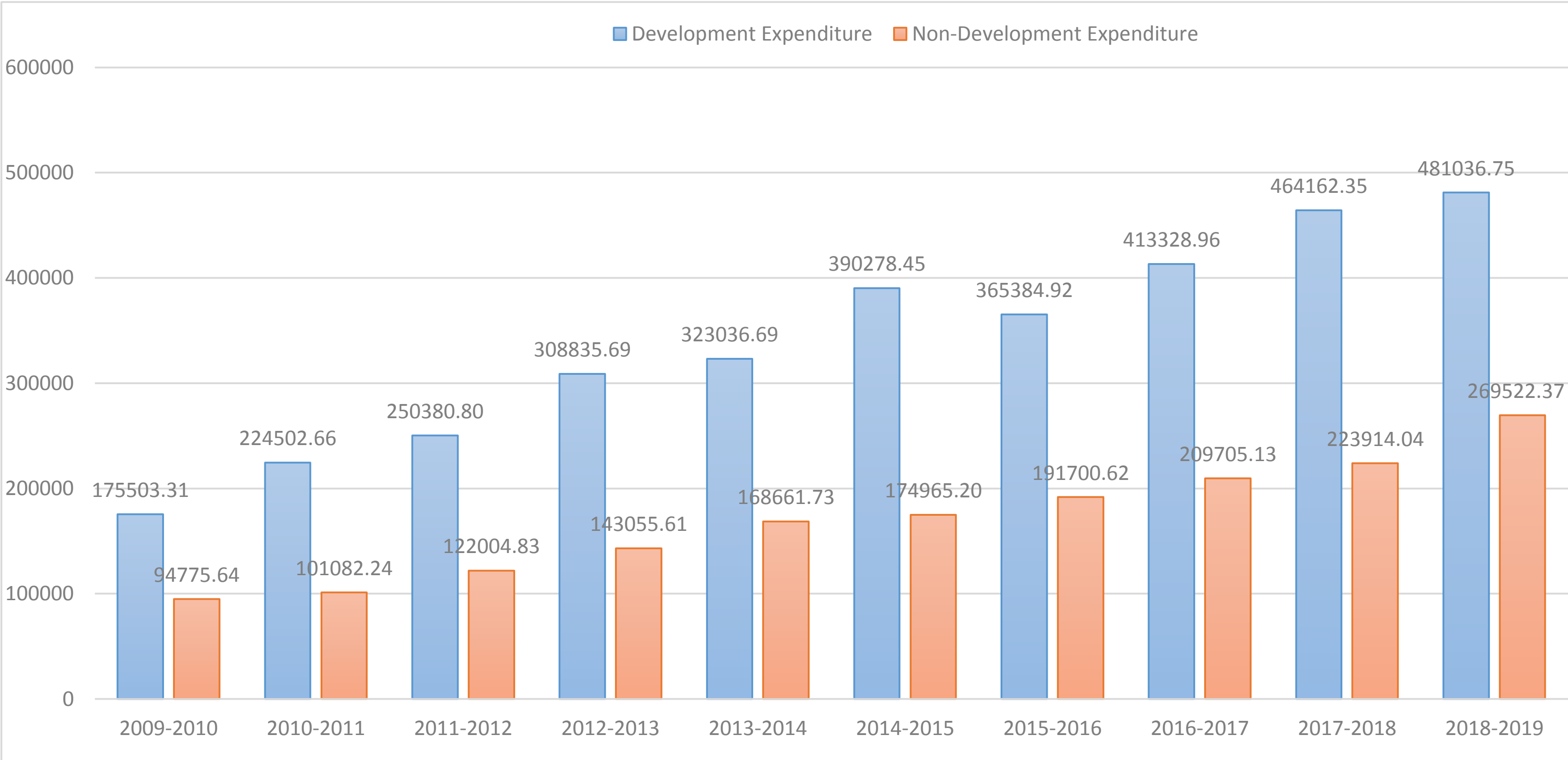
Financial Year	Non-Development Expenditure	Development Expenditure		
	General Services	Social Services	Economic Services	Total
2009-2010	94775.64	110568.41	64934.90	175503.31
2010-2011	101082.24	123734.75	100767.91	224502.66
2011-2012	122004.83	134591.81	115788.99	250380.80
2012-2013	143055.61	165221.62	143614.07	308835.69
2013-2014	168661.73	182364.61	140672.08	323036.69
2014-2015	174965.20	216092.82	174185.63	390278.45
2015-2016	191700.62	221996.04	143388.88	365384.92
2016-2017	209705.13	230085.11	183243.85	413328.96
2017-2018	223914.04	260652.81	203509.54	464162.35
2018-2019	269522.37	293445.21	187591.54	481036.75

₹ in Lakhs. Source: Budget Documents - Annual Financial Statement, 2008-2020

From the above table, Revenue Expenditure is, in the year 2009-2010, divided into – Development and Non-Development. For example, in revenue account for the year 2009-2010, non-developmental expenditure is estimated at ₹ 94775.64, whereas the remaining amount under Development sector is ₹ 175503.31; the bulk of the non-developmental expenditure comes under General Services.

How fast development expenditure is growing and how fast non-development expenditure is growing are not clear in the above table. As such, the following chart reveals growing statement on such expenditures. It seems, from the following chart that the growing speed of non-development expenditure is steadily and stable. Meanwhile, the growing speed of development expenditure seems unstable. In fact, during the first term of the Congress ministry in 2009-2014, development expenditure has been growing steadily. However, during its second term in 2013-2019, development expenditure growth rate is not steady. This may or may not be determined by the ministry's flagship programme of the NLUP which in turn was determined by the electoral politics of that time.

Chart 1: Chart showing detail development and non-development expenditure



₹ in Lakhs. Source: Budget Documents - Annual Financial Statement, 2008-2020

Major Expenditure of the Government on Basic Needs of the Society – Socialism?

The above sections dealt with several parts of expenditure of the state government. They are revealing what the government does and does not in the last 10 years of the Congress regime in Mizoram. Some of these expenditures have vital importance for survival of the state, whereas some expenditure is redundant from political economy perspectives. In the light of these expenditures, this section deals with whether or not expenditure are in conformity with the theory of political economy, especially with the socialist conception of economy.

The continuity of fiscal deficit, expenditure on food grains, expenditure on salaries, and expenditure on capital outlay is all linked with one concept on political economy, i.e., socialism. Karl Marx, who is popularly known as the 'Father of Scientific Socialism' claimed that there are two main points which all economists put as prior importance, they are – property and its protection by the administration of justice, and police etc. Marx further claimed that every form of production creates its own legal relations, i.e., forms of government (Marx, 1903). As such, the forms of government or the ideology of a particular government acts as a determiner of political economy. This is his idea of philosophical roots which has laid the foundation in its 'base' structure of his concept of political economy. Marx viewed that 'it is not the consciousness of men that determines their being, but, on the contrary, their social being that determines their consciousness' – he then meant the class differentiation as well as a capitalist triumph as a determiner of the social consciousness which is still happening in modern society (Heywood, 2012). Accordingly, forms of government and political economy are linked to each other. Whether or not a particular ministry intended to achieve socialism or capitalism, this can be realized by using economic realms of the state, namely, expenditure of the state. But what is the meaning of socialism?

The term 'socialist' derives from the Latin *sociare*, meaning to combine or to share. Its earliest known usage was in 1827 in Britain, in an issue of the Co-operative Magazine. By the early 1830s the followers of Robert Owen (1771–1858) in Britain and Saint-Simon (1760–1825) in France had started to refer to their beliefs as 'socialism', and by the 1840s the term was familiar in a range of industrialized countries, notably France, Belgium and the German states (Heywood, 2012: 97).

One of the difficulties of analysing socialism is that the term has been understood in at least three distinctive ways. From one point of view, socialism is seen as an economic model, usually linked to some form of collectivization and planning. Socialism, in this sense, stands as an alternative to capitalism, the choice between these two qualitatively different productive systems traditionally being seen as the most crucial of all economic questions. As such, the central idea of socialism revolves around Community, Cooperation, Equality, Social class, and Common ownership (Heywood, 2012: 100).

It is all known that India adopted the socialist pattern of the economy and this was revealed in the form of planning and operating public sector enterprises. In Mizoram also, public undertakings of economic sectors have been a popular achievement of the state government. However, some of these undertakings in recent years are not only unproductive but also futile in nature. Details regarding some achievements of these sectors will be discussed in the next chapter. Socialism or not, these public undertakings need restructure and rejuvenate due to their unproductive work.

Reforms and Restructuring of Public Sector Enterprises

As discussed in the above paragraphs, several Public Sector Enterprises (PSE) have been established by the Government of India to attain the objectives of socialist economy of the country and for taking up economic activities within the umbrella of the Government. However, the performance of some of the Public Sector Units over the years has left ample room for improvement and a majority of them turned out to be virtually sick units instead of achieving the social objectives of the Government. For example, in Mizoram, the performances of some of these PSEs are not reassuring, and most of them depend on continued budgetary support of the Government over the years, let alone accruals of dividends to the Government (Lal Thanhawla, 2009: 20).

This has been a huge waste of State Government resources. The situation calls for introspection on the policies so as to find ways for revamping the PSEs with prospects of revival and for winding up of units with no such prospects.

The need for restructuring public undertakings of the state's economy has been one on the most herculean task of the Congress ministry. It is not only about whether or not the government is willing to reform these sectors, but it is more about whether or not the government has the courage to do it. The then CM of Mizoram has expressed his willingness to reform these sectors in the following -

> "The Public Sector Enterprises (PSEs) of the State Government are not achieving their objectives and are becoming losing concern for the State Government. The Authorised share capital for MIFCO Ltd. and ZIDCO Ltd. are paid up and that of ZOHANDCO Ltd. is to be paid up during 2010-11. Continuing investment in PSEs under the present condition without some action of reforms may not be fruitful. The Government has initiated revitalization of these PSEs under the ADB-assisted MPRMP. Further investment to the PSEs will be considered along with the reforms commitment of the enterprises on case to case basis. The Government may have to take a painful decision to liquidate or amalgamate them for the long-term benefit of the State" (Lal Thanhawla, Budget Speech, 2010-2011: 17).

The challenges that the State Government confronted during these financial years was either revamping or closing the sick Public Sector Undertakings (PSUs). During this period, the state Government had five PSUs i.e., ZIDCO, ZENICS, ZOHANDCO, MAMCO and MIFCO. The available data showed that the total accumulated loss of the 4 PSUs up to 2007-08 amounted to ₹ 34.21 crores (data for MAMCO is not available) while the Government has invested ₹ 34.29 crores to these four PSUs for the same period as paid-up capital, which, of course, excluded grant-in-aid given to them from time to time. However, the State Government, after deliberation, has decided to revamp and restructure these PSUs through the implementation of the Mizoram Public Resource Management Program (MPRMP) with effect from 2009 (Fiscal Policy Strategy Statement, 2011-2012: 9). Anyhow, the need for a major restructuring of these sectors has never been kept at bay.

Observation by several bodies on the Public Sector Units (PSUs) in Mizoram revealed that most of them are sick units and they are continually making huge losses. They are liabilities for the government, needing either closure or downsizing or revitalization. The Thirteenth Finance Commission also advised the states to complete a roadmap for the closure of non-working PSUs by March 2011 (Para 7.95 & 7.97 of its Report); a task force and a steering committee should also be put in place to oversee sale or closure of such non-working PSUs (Para 7.98 of its Report).

Accordingly, to reorient the policies in the PSEs, a High Powered Committee has been set up in the Finance Department to look into the future policy initiatives of the government. In light of the above policy, the state government is likely to take measures to restructure and revitalize PSEs by taking up reforms measures.

As part of the Mizoram Public Resource Management Program (MPRMP) initiative, Government of Mizoram (GoM) has identified five loss-making State-Owned Enterprises (SOEs) for purposes of development of restructuring plans. This would help achieve sustainability of these enterprises either on their own or through induction of strategic partners, in absence of which the respective enterprises may be considered for closure (Deloitte, 2011). The selected SOEs are Mizoram Agricultural Marketing Corporation Limited (MAMCO Ltd.), Mizoram Food and Allied Industries Corporation Limited (MIFCO Ltd.), Zoram Electronics Development Corporation Limited (ZENICS Ltd.), Zoram Industrial Development Corporation Limited (ZIDCO Ltd.), and Mizoram Handloom & Handicrafts Development Corporation Limited (ZOHANCO Ltd.). Deloitte & Touche Consulting India Pvt. Ltd conducted this initiative and the report was submitted on July 2011. The report classifies SOEs of Mizoram into three categories, they are –

1. Enterprises which are assessed as structurally unviable and cannot be restricted even after considering investments and various restructuring measures. GoM may decide to close down such enterprises. In short, enterprises in this category are suggested for closure.

2. Enterprises which can be restructured and returned to sustainable viability through moderate investments, manpower & financial restructuring measures. For enterprises in this category, GoM may undertake restructuring under Government ownership. In short, enterprises in this category are suggested for restructuring under GoM ownership.

3. Enterprises which can be made viable only with major investment along with manpower & financial restructuring, the introduction of specialized skills etc. For these enterprises, GoM could decide to carry out restructuring through induction of a strategic partner with a transfer of ownership. In short, enterprises in this category are suggested for privatization.

During the financial year of 2011-2014, it is estimated that the Government of Mizoram will disburse ₹ 24.95 crores for these five selected enterprises (Deloitte, 2011: 45). It must be noted that this expenditure will not make any further profits for the state government as the government itself has pointed out these enterprises as 'loss-making' public undertakings. As such, any further expenditure on these enterprises is regarded as a waste of state fund which may, sometimes often leads the state into a position of fiscal deficit. The idea of classical political economist Jean-Baptiste Says (1767-1832) which holds that best public finance rest on 'spend little' could not be achieved due to this excessive spending on public sector enterprises.

The report given by Deloitte Company has classified five selected SOEs into the following –

1. Category I Closure: ZENICS, ZOHANCO, and MAMCO.

2. Category II Restructuring under GoM ownership: ZIDCO.

3. Category III Privatization: MIFCO.

According to the above report, three SOEs ZENICS, ZOHANCO, and MAMCO are to be closed down; ZIDCO is to be restructured for state ownership due to its moderate cost for restructuring, as such restructuring will be done using government resources; MIFCO is to be privatized due to maximum restructuring cost. Whether or not the state government, the Congress government, in particular, has decided to take actions according to this report will be discussed in the next chapter on Role of Government in Budgeting.

Insufficiency on Foodgrains/Rice creates continue Fiscal deficit

Why do fiscal deficit persist in Mizoram? What are the causes of continuity of fiscal deficit? The fiscal position of Mizoram since 2012 till 2015 was either in deficit mode or least surplus mode. The reasons for not conforming to the projected fiscal correction paths were due *inter alia* to expenditure on account of food subsidies, purchase of power and selling the same at a subsidized rate to the general public and many other items of revenue expenditures (Fiscal Policy Strategy Statement 2017-2018, 2017). Therefore, independence or self-sufficiency in paddy and power are an immediate solution to achieve fiscal correction path and eventually to fulfil fiscal surplus, not fiscal deficit. What is deficit? If expenditure is greater than receipt, it is called deficit; and it is called surplus if the former is greater than the latter. There are several reasons for fiscal deficit, amongst them, expenditure on subsidy has always been one major cause of the deficit.

> "Unexpected performance of Revenue Surplus and Fiscal Deficit in the last fiscal may be attributed to implementation of Pay Revision, provision of large amount of fund for purchase of food grains and electricity" (Liansailova, 2011-2012: 7).

The Government of Mizoram in 2010 stated that the fiscal shock that had commenced in 2007-08 and that had continued in 2008-09 and 2010-11 on account of food subsidy continued to be the reason for fiscal imbalance in 2010-11 as well. Since the government could not risk drastic reduction of supply of rice from the Food Corporation of India (FCI) due to the shortage of local food supply in the State, this will need to be carried on for a few more years but with the reduced rate of subsidy, and if possible, without any subsidy for the APL families. Thus, even with the losses that the government intended to bear in food trading, the government was under compulsion to continue the food subsidy till such time, the government could make alternative arrangements (Lal Thanhawla, Budget Speech, 2010-2011).

It is hard to say when Mizoram will be self-sufficient in food production. After a long period of full-fledged statehood, insufficiency on food grains is still a problem faced by the people. The worse thing is that political actors, economist and the people themselves realize the importance of food production. It is publicly known that above cabinet ministers under the study year also realized the importance of food production to tackle continue fiscal deficit. However, there has never been active solutions to solve this continuous crisis.

Insufficiency on food grain has been one major problems of Mizoram since the state became full-fledged statehood in 1987. After 20 years of statehood, the state still cannot produce enough food grains sufficient for its own consumption. Due to this incapability of food production, the state is always compelled to depend upon other states by importing food grains. As such, the cost of import seems to create continuity on fiscal deficit when Congress took power in 2008. In his first regular budget speech, the then CM Lal Thanhawla says that –

> "The fiscal shock that had persisted in 2007-08 and 2008-09 on account of food subsidy will continue to be the reason for fiscal imbalance in 2009-10 as well. Since the Government could not risk drastic reduction of supply of rice from the Food Corporation of India due to the shortage of food supply in the State, this will need to be carried on for a few more years. Thus, even with the losses that the Government have to bear in food trading, we are under compulsion to continue the food subsidy till such time the Government could make alternative arrangements" (Lal Thanhawla, 2009: 18).

As such, it is not known how long the State finances will be able to sustain this subsidy. Since subsidy is provided for benefit of the poor, layman and the masses, the state government will continue to provide subsidy for these purchases even at the cost of Exchequer for the targeted people. As mentioned before, this is a way to ensure enduring practices of socialism in the state. However, it is still expected that the government will tender all-out effort to contain this subsidy burden by way of streamlining recovery system on user charges and sale proceeds (Liansailova H., Budget Speech, 2012-2013).

In the initial stage of the Congress ministry under the study period, there were new changes in purchase of rice. The endogenous factors include the requirement of incurring huge subsidies towards purchase of rice. With reduction of PDS Quota of the State by the Government of India, the Government had been compelled to purchase rice out of an additional quota of economic cost in which differential cost of rice between economic cost and issue price had to be borne by the Government resulting in fiscal shock. The total expenditure of the Government on account of this was estimated at ₹ 85.33 crores in the Revised Estimates of 2008-09 (Macro Economic Framework Statement, 2010-2011: 37). During 2011-12 alone, the State Government spent more than ₹ 100.00 crores for purchase of power and food grains from its Exchequer (Liansailova, 2012-2013: 14). This expenditure was continuing for the first five years of Congress ministry since 2008-2013.

Table 28: Statement showing Expenditure of Food Subsidy under the study year

Financial Year	Quantity Procured (In Qtls.)	Amount of Expenditure (In rupee)
2008-2009	1354156.48	₹ 1815134589.00
2009-2010	1527281.60	₹ 2107253974.00
2010-2011	1538634.50	₹ 2135757559.00
2011-2012	1535521.20	₹ 2168223193.00
2012-2013	1535521.20	₹ 2158662733.00
2013-2014	1588719.78	₹ 2302071955.00
2014-2015	1552080.94	₹ 2615641167.00
2015-2016	1363891.78	₹ 2174770739.00
2016-2017	1320282.54	₹ 2063755534.00
2017-2018	1576243.89	₹ 2503869412.00
2018-2019	1180239.87	₹ 1954821322.00
Total	16072573.78	₹ 23999962177.00

(Source: RTI data sought by the Researcher from Directorate of Food Civil Supplies and Consumer Affairs, Government of Mizoram, 2020)

During the second tenure of the Congress ministry, expenditure on food grain had increased. The State Government spent approximately ₹ 22.00 crores every month for the purchase of rice. This is done for distribution to the public at a subsidized rate through Targeted Public Distribution System (TPDS). The monthly unrecovered subsidized amount was approximately ₹ 13.00 crore. Therefore, the State Government loses approximately ₹ 156 crore – ₹ 200 crores annually for food subsidy alone (see Table 28 above), which is a huge amount for a revenue deficient State like Mizoram. This amount is much higher than the amount generated from MLPC as Excise duty tax in 2017-2018 Financial Year. However, this expenditure for the general public is considered necessary and the highest priority is accorded to such spending that the required fund for this is always released from the State's Consolidated Fund every month even at the cost of availing 'Ways & Means' advance from the RBI. Again, expenditure on food subsidy may be regarded as an important instrument to fulfil the principle of socialism in which equality, social justice, cooperation between the classes, community and public ownership of the government can be realized.

Apart from the principle of socialism, food supply is important, no government or ministry in Mizoram can compromise/jeopardize the supply of food in the name of development in infrastructure because it will only lead to suicidal step. Since food supply and population are correlated with each other, a prudent ruler must seek to resolve issues on insufficiency of food grains in Mizoram. Some classical political economist, for instance, has acute thought on the relation between food supply and population.

Malthus, for example, believes that food and other basic necessities of life have a 'peculiar quality' of being able to raise up their own value by the consumers. According to him the accumulation of capital leads to a fall in the rate of profits, extension of cultivation and increase in the food supply. The more abundant food enables the labourers (with the same money wages) to rear a larger number of children. This causes an increase in the population (Wahid, 1974: 128 -129). In simple terms, Malthus believes that accumulation of wealth leads to a rate of profits by the labourer. As such, the labourer in order to survive will extend their cultivation which in turn will increase production on food supply. When and if there is enough food supply, the labourer can rear a large number of children which eventually will increase the population. Therefore, in order to increase the population, it is mandatory and imperative to have enough food supply.

Contrary to Malthus, in the Ricardian system, the accumulation of capital leads to rising market wages. This raises the standard of living of labourers. The improved standard of living provides a facility for bringing up numerous and happy families. It is only when the population has increased that more food is produced (Wahid, 1974: 130). So, accumulation of wealth is the key to the increase and decrease of population in which Malthus believes that accumulation of capital will increase the population. On the contrary, Ricardo believes that the accumulation of capital will not increase population but will bring hardship to the labourer, thereby, will bring decrease or stagnant population.

It is obvious, therefore, that for both Malthus and Ricardo, population and food supply are variables which are correlated. But the main difference between the theories of the two is that whereas for Malthus population is a dependent variable and food supply is an independent variable, for Ricardo population is an independent variable and food is a dependent variable (Wahid, 1974: 132). In other words, according to Malthus the rise and fall of the population depends upon the availability of food supply; whereas Ricardo thinks that the increase and decrease of food supply depends on the rise and fall of population. In simple words, Malthus puts prior importance to food supply while Ricardo puts population prior importance.

Anyhow, the unrecovered expenditure on food trading alone has been costing the State Government around ₹ 156 crore – ₹ 200 crore every year (Fiscal Policy Strategy Statement 2017-2018, 2017). This happens when the State Government has to purchase a huge amount of food grains from the FCI at a higher rate and sold to the beneficiaries at a subsidized rate. However, the government in connection with the principle of Socialism which is enshrined in the Constitution has to follow food subsidy at the cost of losing revenue of around ₹ 156 crores annually. This is one of the most important parts of expenditure of the state government in which if the state can produce enough food grains, it is likely that that the state government will be able to save around ₹ 156 crore – ₹ 200 crores annually. Therefore, to meet the necessary demands of the growing population, the state government must find a way, in the future, to produce enough food grains for the people. This is not only important to preserve healthy public finance, but also important to ensure the principle of socialism in which the people may prosper if equality is ensured in all aspect of social life.

If the government does not depend on Food Corporation of India (FCI) for the supply of food, fiscal deficit may be checked and balanced public finance may be achieved. What would the coming years bring in terms of food grain production? This will be dealt with in a later chapter.

Water Supply and Power import cost

Since water is one of the most basic necessities of human life, no government can ignore its usefulness and importance. Thereby, supply of safe drinking water for the public is given priority by the State Government that it has to spend around ₹ 5 crores every month for Operation and Maintenance alone; this expenditure cannot be covered by the water user charges collected from the public. For states having low population like Mizoram, revenue generated through levy of user charges is minimal therefore revenue collected in this regard is nominal. In other words, these levy of user charges on water supply and power generate only a few taxes when compare to other taxes. Moreover, since the idea of socialism is continuing to be upheld in future, taxes on user charges will not create a substantial income for the state government.

Therefore, it is the duty and responsibility of the public to pay the nominal user charges regularly; and to bear the burden with the State Government even if the rates are revised upward.

When the Congress came to power in Mizoram in 2008, only 5 per cent of the total energy demand of the State is met within the State and the remaining 95 per cent is imported. The power peak load requirement of Mizoram for 2007- 08 Financial Year is 60 Mega Watts (MW) but the total installed capacity is only 37.17 MW. The Potential availability hydropower of Mizoram is estimated at 2425 MW, out of which only less than 2 per cent was utilized and more than 98 per cent of hydro potential available is lying unutilized (Economic Survey Mizoram, 2008-2009: 2).

Till 2013, the State's power demand was worked out to be 107 MW while the state's own generation was only 29.35 MW Hydel excepting 22.92 MW Thermal Plant which was for emergency only (Economic Survey, Mizoram, 2012-2013). Still, in 2011-12 only 5 per cent of the total energy available for the state was met within the state and the remaining 95 per cent was imported mainly from Central Sector Projects (Economic Survey, Mizoram, 2012-2013: 67). This means that according to available data, power requirement obtained within the state which was measure in percentage in 2008-2009 Financial Year and 2011-2012 Financial Year is the same. This further means that there were no substantial achievements in power generation in terms of capital outlay. In other words, capital expenditure on power generation from 2008 to 2012 had no critical impact on the power demand of the state.

Moreover, the cost of power purchase is very high to the State Government. According to available data, the State Government has spent ₹ 183.14 crores during 2013-14 for purchase of power; however, the revenue collected by the Power & Electricity Department was ₹ 109.00 crores. The State Government pays subsidy at the rate of ₹ 4.79 (53 per cent) for every unit consumed and the monthly expenditure on subsidy portion is approximately ₹ 6.18 crore. It means that the State Government loses approximately ₹ 74.14 crores every year for power subsidy.

Table 29: Statement showing details of Power purchase by the state government

Source of Power purchase	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
TSECL, Tripura (MU)	43.16	36.08	41.08	45.98	66.57
Central Sector (NEEPCO, NHPC) (MU)	309.44	321.64	268.5	302.27	322.94
Others (MU)		20.49	37.57	55.32	51.59
Total Power Purchased (MU)	352.60	378.21	347.15	403.57	441.10
Total cost of purchased (₹ in crore)	76.99	86.28	78.81	108.93	150.81

Mizoram has harnessed only 2 per cent of its potential in hydroelectric sector, with its installed capacity at present being only at 29.35 MW. The much-awaited 60 MW Tuirial Hydro Electric Project, which is expected to be commissioned in the next two years will help Mizoram an inch closer to its goal of self-sufficiency in energy. Data reveals in the above table does not cover the study period; the researcher applied for the information covering the study period through Right To Information (RTI) to the Power Department, Government of Mizoram, however, could not provide sufficient and reliable data till date.

As per the 18th Power Survey of India, the bulk power requirement of Mizoram is 201 MW and the allocated share is 103.09 MW (real-time power availability is normally 60 MW). There is acute power shortage as the power generated is only about 15 MW from the installed capacity of 29.35 MW while the present peak demand is 102 MW. The rest of the requirement has to be imported from various sources like Loktak, Ranganadi, etc from Central Sector Utilities like NEEPCO, NHPC, NTPC, etc., (Macro Economic Framework Statement, 2017: 13).

From the above paragraphs, it is clear that there is a huge expenditure of the state government on subsidies and these were done on the basis of socialist principle. However, the general public are not aware of what the State Government has done for them. Sometimes, the state government has taken these expenditures for the people even at the cost of deteriorating fiscal position. There are three items of expenditure committed by the State Government for the general public and which are highly subsidized. It is these items of expenditures which are incurred on a monthly basis which drain the State’s coffers the most. The three expenditures are Salary & Pension, Food grains, Water Supply and Power cost.

Subsidies for disadvantaged sections of society is a common measure adopted by welfare state. Should the government continue implementing the principle of welfare state? Should a party in ruling emphasis subsidy in various sector of development. All these questions need immediate clarification. The problem lies within the ruling party’s ideology. Some political party does not possess or does not lean to any political ideology; some party neither employs nor realizes the relevancy of adopting a particular/specific political ideology. However, it is imperative for a political party to adopt a particular political ideology or at least, a particular political economy programme or a principle or a concept. This is how expenditure of the state government is to be corrected, this is how political economy is to be benefitted.

Conclusion

Considering everything into account, this chapter mainly deals with expenditure parts of the government. What the government think as prior importance during the Congress regime can be realized by analyzing its expenditure parts. Since this chapter analyses some historical budget of the then Lushai Hills, it can be seen that Grants-in-aid from the Central Government under Article 275(1) of the Constitution of India has been initiated since 1957-57 (see Appendix 3). It must also be remembered that from the very beginning of public finance in Mizoram, grants from the Central Government has been one of the most important and critical sources of income. As such, total receipt of the then Mizo district in 1955-56 was ₹ 115777/- (around 1 lakh) and it increased to ₹ 5109919/- (51 lakhs) in 1957-58. This increment is mainly due to the commencement of grants from the Central Government. In expenditure parts, Annual Financial Statement of 1957-58 possessed a unique feature for which it consisted of major heads for creation of capital assets for the first time in the history of public finance in Mizoram (see Appendix 3).

Regarding expenditure part of the government under the study year, around 45-50 per cent of the total budget receipt was used every year for committed liabilities which include expenditure on salaries, pensions, interest payment and subsidies on food grains, power and water supply (see Table 20). Moreover, 65 per cent of the total Annual Plan which formed around 30-40 per cent of the total budget receipt was used for Plans projects, schemes and programmes which included plans under NABARD, LIC, NCDC, One-Time ACA, EAP, Plans under Finance Commission, Special Central Assistance, and NLUP etc., (Explanatory Memorandum, 2011-2012: 6). Again, 10-20 per cent of the total budget receipt was used every year for capital outlay which forms major parts of creation of capital and durable assets in Mizoram (see Table 22). Therefore, if looked closely and accurately, one needed to emphasis on rightsizing and downsizing of the government administration and cut down too much expenditure on subsidies. The government must save more fund for creation of capital assets for which they form infrastructure development of the state.

Regarding implementation of CSS, fund is being wasted due to poor monitoring of the scheme. This is mainly happening in Mizoram under the MGNREGS. If the fund is to be saved or utilized, restructuring of permissible works under the scheme must be done; or amendment shall be made to meet necessary expectations of the beneficiaries in rural areas of Mizoram. Too much power of Village Council (VC) which often overrule the power of Gram Sabha is also another problem which results in enormous wasting of CSS fund in Mizoram. If public finance is to be restructured in Mizoram, a thorough understanding of all the CSS provision must be a necessary one and that separate research may also be conducted.

As far as Revenue Expenditure is concerned, during revenue deficit year in 2013-2015, there was no reduction in revenue receipt. In fact, revenue receipt remains unchanged and sometimes higher than the previous financial year and that reduction on devolution of central taxes would seem unreasonable allegation for continuous deficit. Therefore, roll back of revenue surplus and its eventual revenue deficit can be caused by one reason, i.e., electoral politics in Mizoram. As such, it would seem that since 2011 the government was preparing for the next election which was held in 2013. Therefore, an assumption could be made from Table 21 that revenue expenditure increased without any decrease in revenue receipt since 2011. This increment on revenue expenditure was due to the government's flagship programme of NLUP that eventually led the government to a situation of fiscal deficit in 2013-2014 Financial Year and 2014-2015 Financial Year.

Nevertheless, revenue surplus reappear since 2015 and continue to exist till the next election in 2018 which shows that revenue expenditure does not jump as anticipated. This may or may not link to the ministry's proposal on 'year of consolidation' which simply means saving more fund for creation of capital assets. Anyhow, it might be safe to say that too much revenue surplus in the next election years leads to less revenue expenditure on the government's flagship programme NLUP. This may or may not be a reason for losing the election in 2019.

Regarding tourism development in Mizoram, Table 24 reveals the expenditure statement of the Government of Mizoram on tourism under the study year. Both total tourism expenditure and expenditure outlay on tourism hardly exceeds 1 per cent of the total budget receipt. In some departments, in some schemes and programmes, in some projects and liabilities, the state government has spent more than 50 per cent of the total budget receipt. However, in one of the most promising area that Mizoram possesses to generate more revenue in the future, the state government does not spend a substantial amount of fund for capital development.

Therefore, it is prudent for researchers and academicians that an analysis must be made on the government expenditure that not only concentrated on big-government schemes and projects but also on small expenditure. What the 'government does' and what the 'government does not' in a particular area or field has the same importance. This is what drives Post Behaviouralist thinkers in the late 1960s in American politics (Varma, 1975). 'On what field the government took actions' has equal importance with 'on what field the government does not take actions'. For instance, Tourism development, border dispute, ethnic tensions, removal of food and power subsidy, fiscal correction path, and rightsizing of administration etc., are some of the fields that the government does not take critical actions. In the meantime, NLUP projects, CSS, Mizoram Liquor Prohibition and Control (MLPC), and school timing reform etc., were some of the most popular fields that the government took actions during the study year. In light of the above statement, tourism development was the potential department which was neither utilized nor mobilized. These issues must be taken into consideration not only for future development, but also to avoid certain political upheavals and uprisings in the state.

The idea of spending little was an important part of the Congress ministry. However, spending a little is hard. As Jean-Baptiste Say (1767-1832) viewed that -

> "the very best of all plans of finance is to spend little and the best of all taxes is that which is least in amount"

While spending little is hard, right spending or correct spending can be done. This is the task of politicians who form a government. In the light of this spending and income in terms of taxes, the next chapter will deal with several roles of the government and politicians in budgeting.

Concerning expenditure on subsidy, the present trend of extravagant expenditure on account of purchase of electricity and food grains needs to review immediately either in the form of generating additional requirement within the state or increasing the existing tariff rate of electricity and hiking the selling price of food grains. Due to this, State Government lost huge amount of fund under Non- Plan Expenditure which posed a threat to fiscal position of the state finance in the near future (Medium Term Fiscal Policy Statement, 2011-2012: 5).

The ever increasing revenue expenditure surpassing the growth rate of capital outlay (creation of capital/durable assets in the state) invites serious attention. Increasing resource allocation for government administration at the cost of expenditure for creation of additional assets do not bear sound economic rationality (L.T. Thanga, 2018). As such, for future references decreasing revenue expenditure is a crucial and prudent task of every ministry. However, this can be done only when downsizing and rightsizing of the administration of Mizoram is initiated.

Chapter 6

Role of Government of Mizoram in Budgeting

> "The State's economy has been following the general path of the country's development. However, being a relatively late starter that we are, we have a lot of ground to make up. Therefore, it remains the conscious efforts of the Government to catch up with the rest of the country in the overall economic development"
>
> Zoramthanga, Budget Speech of 2007-2008 Financial Year.

Introduction

This chapter deals with several roles of the government of Mizoram, i.e., the Congress ministry during 2008-2019 in the formation and implementation of budgeting in Mizoram. Despite several shortcomings and backwardness of the state economy in comparison to other states, there have been several minor reforms and restructuring which led to a significant impact on public finance. What are the roles of the government in generation of new revenue? How did the government reduce fiscal deficit? What kind of new laws and rules in the administration have been formed to improve fiscal consolidation? What is the impact of new changes made by the government in the overall economy of the state? All these questions are attempted to answer in this chapter. In short, this chapter analyses the role of government or the ministry, to be accurate, the role of statesman/politician in development of the political economy of Mizoram. What was their priority during their regime? What were their actions to achieve their priority? What was the role played by the statesman/politicians in budgeting? These questions are discussed in this chapter. Furthermore, this chapter is about various fiscal reforms processes run by the state government. Accordingly, this chapter studies fiscal reforms and how reform creates fiscal space for public investments for long term socio-economic development.

It is well known that the challenge to every government is to take measures in the form of fiscal reforms and consolidation. However, too much fiscal consolidation may become a burden for the political party as it was for the Congress government in its second term in 2013-2018 which was briefly discussed in the preceding chapter.

Fiscal consolidation often leads to minimizing of public expenditure. Thus, the repercussion of less public expenditure reveals in the forms of loss of confidence by the people which can be found in voting in the election.

Despite the fact that the name of this chapter is the role of Government of Mizoram in budgeting, it is to be assumed that the chapter is about the role of Congress ministry in budgeting. This is due to the fact that Congress party has formed government in the Sixth and Seventh State Legislative Assemblies of Mizoram in 2008 and 2013 respectively. As such, since the party was in power, its role in budgeting during the study period was vital for this research. The term 'government' is almost synonymous with the Congress party.

Once again, the present chapter revolves around the role of government, especially of the ruling party/ministry in formation of useful budget for the State of Mizoram. These roles, however, were bound by decisions within the party as well as pressure from outside the party which were largely determined by the civil society groups. How the government took control of such pressures and how the government took decisions based on such pressures from outside the party in budgeting are important. Anyhow, though it is the subject of financing and economics that it may be, such decisions regarding budgeting must not be segregated from the realm of politics because decision comes first before implementation. In fact, Gabriel A. Almond and G. Bingham along with others have argued that -

> "Politics deals with human decisions, and political science is the study of such decisions" (Almond, Bingham, Dalton, & Strom, 2018: 1).

Accordingly, the relations between politicians and Mizoram economic growth is discussed in this chapter. This chapter also analyzes the role of State Government in preparation of Annual Financial Statement, allocation of funds to various departments by the State Government and the criteria of expenditure pattern of different public enterprises. It ranges from the role of government in budgeting until their expenditure by various departments and agencies.

Achievement regarding Finance Commission Suggestions and Recommendations

Finance Commission (FC) is a constitutional body meaning that it is constituted from the provision of Article 280 of the Constitution of India. In other words, the President under Article 280 of the Constitution appoints the Finance Commission. Its main objectives are to give recommendations on the distribution of tax revenues between the Union and the States and amongst the states themselves. Accordingly, the Constitution of India as per Article 280 provided that –

"The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

It shall be the duty of the Commission to make recommendations to the President as to -

a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds;

b) the principles which should govern the grants-in- aid of the revenues of the States out of the Consolidated Fund of India;

Under these provisions, several Finance Commissions have been formed in India to make such recommendations regarding the distribution of revenues and to make some other recommendations for fiscal correction path to be followed by the States. The present study included the period of the Twelve to Fourteenth Finance Commission of India. The 12th Finance Commission was appointed by A.P.J. Abdul Kalam, the then President of India on 1st November, 2002 to make recommendations for a financial year period of 2005-2010. The 13th Finance Commission was appointed by Pratibha Patil, the then President of India on 13th November, 2007 to make recommendations for a financial year period of 2010-2015. The 14th Finance Commission was appointed by Pranab Mukherjee, the then President of India on 2nd

January, 2013 to make recommendations for a financial year period of 2015-2020. The 15th Finance Commission was appointed by Ram Nath Kovind, the present incumbent of the President of India on 27th November, 2017 to make recommendations for a financial year period of 2020-2025.

The Twelfth Finance Commission (2005-2010) had mandated the enactment of the Fiscal Responsibility and Budget Management Act for state governments. In line with these fiscal reforms, Mizoram Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 was enacted to be the guidepost for fiscal management of the state and The Mizoram FRBM Rules was put in place in 2007. This achievement of FRBM Act will be discussed in the following in a separate section. Amongst several recommendations and suggestions of the Twelve Finance Commission, eliminating revenue deficit by 2008-09 by the government of Mizoram has been successfully implemented (see Table 21). In fact, in 2008-09 Financial Year the government of Mizoram has achieved the revenue surplus of ₹ 33933.43 Lakhs.

What is Fiscal Deficit? What are the differences between Fiscal Deficit and Revenue Deficit? Fiscal Deficit, in simple terms, means the sum total of Revenue account (net), Capital account (net), Loans and Advances (net), and Transfer to Contingency Fund (net). In other words, fiscal deficit includes both revenue account and capital account excluding Public Debt whereas Revenue Deficit only includes revenue account. Fiscal deficit tends to increase every financial year, this is again due to the low or poor income generation of the state from its own resources. In short, *fiscal deficit* consists of both revenue deficit and capital deficit but excluding market borrowing and other liabilities. It is the accumulated deficit of the Consolidated Fund of Mizoram. In other words, Fiscal Deficit means an excess of total disbursement from Consolidated Fund of the State (excluding repayment of debt) over the sum of revenue receipts, recovery of loans and non-debt capital receipts (Economic Survey, Mizoram, 2012-2013: 15). As discussed in chapter 2, the role of state government in reducing fiscal deficit which was recommended by the Finance Commission is discussed in this section.

The Thirteenth Finance Commission was constituted by Pratibha Patil, the then President on November 13, 2007, to give recommendations on specified aspects of Centre-State fiscal relations during 2010-15. The Thirteenth Finance Commission made various recommendations relating to the sharing of net proceeds of Union taxes between Centre and States, grants-in-aid of revenue of States under Article 275, financing of relief expenditure and further roadmap for fiscal consolidation. In short, the recommendations of the Finance Commissions determined fiscal relationship between the Centre and state governments.

The Thirteenth Finance Commission prescribed a roadmap for the Government of Mizoram through which yearly percentage of fiscal deficit to corresponding GSDP has to be maintained. As per the Thirteenth Finance Commission and Mizoram FRBM Act, 2006, the percentage of fiscal deficit to its corresponding GSDP should be as follows - 7.5 per cent in 2010-11, 6.4 per cent in 2011-12, 5.2 per cent in 2012-13, 4.1 per cent in 2013-14 and 3 per cent in 2014-15 (Economic Survey, Mizoram, 2012-2013: 15). Thirteenth Finance Commission also recommended that Govt. of Mizoram will have to maintain Revenue Surplus from the financial year of 2011-12. Moreover, the state government was suggested to limit its outstanding liabilities at 82.9 per cent of GSDP in 2012-13, 79.2 per cent in 2013-14 and eventually at 74.8 per cent of corresponding GSDP by 2014-15.

The main reason for continuation of deficit is poor performance in revenue receipt, especially in state own resources. This leads to continuous borrowing and an increase in revenue expenditure. Whether the government was able to achieve the rules laid down by FRMB 2006 during the Congress regime is an important issue. Did fiscal deficit decrease to 3 per cent of GSDP over a certain period according to the rules?

As such, as per the recommendation of the Thirteenth Finance Commission, the Government of Mizoram should maintain fiscal deficit as a percentage of GSDP in the following pattern: 7.5 per cent in 2010-11, 6.4 per cent in 2011-12, 5.2 per cent in 2012-13, 4.1 per cent in 2013-14 and 3 per cent in 2014-15. The actual position of

Fiscal Deficits of the state for the period from 2010-2015 (Thirteenth Finance Commission year) is shown below.

Table 30: Role of Government in achieving the Thirteenth Finance Commission Recommendations

Financial Year	Thirteenth Finance Commission Recommendation of fiscal deficit as a percentage of GSDP	GSDP Constant Price in crore	Fiscal Deficit (-) in crore	Actual Achievement of the state govt.
2010-2011	7.5%	4556.72	- 499.60	10.96%
2011-2012	6.4%	7258.69	- 212.60	2.93%
2012-2013	5.2%	7777.97	- 580.49	7.46%
2013-2014	4.1%	9038.41	- 749.13	8.29%
2014-2015	3.0%	11261.04	- 1039.64	9.23%

(Source: Statistical Handbook and Annual Financial Statement, 2007-2020)

Achievement on percentage may be altered if compare to the calculations made by various Fiscal Policy Strategy Statement by the Finance Department of Mizoram. This is due to some changes in the GSDP amount in which several sources depicted different GSDP amount. However, the above GSDP which is shown in Table 30 is collected from Directorate of Economics & Statistics, retrieved from Statistical Handbook of Mizoram 2018, 2019 page number 22.

From the above Table 30, it can be realised that the Government of Mizoram has not been successfully achieving the recommendations made by the Thirteenth Finance Commission. Only in 2011-2012 Financial Year that the Government of Mizoram was able to fulfil the target set forth by the Finance Commission. During the rest of the financial year within the realm of the Thirteenth Finance Commission, the actual achievements were higher than the target. In fact, in 2014-2015 the role of government in fulfilling the target of FC was very poor. The reason behind all these poor performances in fiscal deficit may or may not be the implementation of the NLUP in which further research is imperative to prove this hypothesis.

The Fourteenth Finance Commission (FC-XIV) was constituted by Pranab Mukherjee, the then President of India under Article 280 of the Constitution on 2nd January 2013 to make recommendations for the period 2015-2020. Dr. Y. V. Reddy was appointed as Chairman of the Commission. Unlike the former FC, this Commission does not specify targets which are to be achieved by state government. However, there are some changes regarding share of central taxes and revenues. Even though the recommendation of the Fourteenth Finance Commission was in favour of the State Governments by increasing the share of Central taxes from 32 per cent to 42 per cent, the discontinuance of the Special Category Status of the North Eastern States has caused an insurmountable financial problem to Mizoram and the other North Eastern States. There was increase in the States' sharing ratio with the Central Government in respect of Centrally Sponsored Schemes has been indicated by the Central Government.

The salient features of the fiscal reforms as introduced by Fourteenth Finance Commission may be highlighted as under:

a) Share of taxes to the states raised from 32 per cent to 42 per cent
b) Revenue Deficit Grant awarded to 11 states
c) No distinction between Plan fund and Non Plan fund
d) No Special category states
e) No recommendation regarding State's Specific Needs
f) No recommendation for establishment of new districts
g) No recommendation for maintenance of Road & Bridges and Buildings, maintenance/protection of Forest, Police Modernization (to be met from state's fiscal space)
h) No Specific recommendation was made under Social Sector such as, Elementary Education, Health, Drinking water and sanitation (a separate institutional arrangement be introduced)
i) No recommendation for Lok Ayukta
j) No Performance/Basic Grants for Local Bodies like Village Councils and Autonomous District Councils

k) New Institution is recommended to identify and recommend resources for inter-state infrastructure scheme in the North-Eastern States.

l) New institutional arrangement is also recommended involving other fiscal transfer.

The Fourteenth Finance Commission (FC-XIV) has continued to set a fiscal correction path for Mizoram. In fact, the Fourteenth Finance Commission insisted that Fiscal deficit of all States will be anchored to an annual limit of 3 per cent of GSDP. The following table reveals reducing of fiscal deficit by the Government of Mizoram during the Fourteenth Finance Commission period of 2015-2020.

Table 31: Role of Government in achieving the Fourteenth Finance Commission Recommendations

Financial Year	Fourteenth Finance Commission Recommendation of fiscal deficit as a percentage of GSDP	GSDP Constant Price in crore	Fiscal Deficit (-)/Surplus (+) in crore	Actual Achievement of the state govt.
2015-2016	3%	12323.60	**+ 41329.45**	335.37
2016-2017	3%	13789.10	**+ 25195.02**	182.72
2017-2018	3%		- 320.23	
2018-2019	3%		- 352.92	
2019-2020	3%			

(Source: Statistical Handbook and Annual Financial Statement, 2007-2020)

Due to unavailability of data, achievement of the state government since 2017-2018 Financial Year could not be realized. Anyhow, from the table above, it can be realized that the government has achieved fiscal surplus, not a deficit in 2015-2016 and 2016-2017 financial years surpassing the recommendations of the Fourteenth Finance Commission. It can be further assumed that the government is likely to achieve the recommendations set by the Fourteenth Finance Commission in the rest of the financial years. Due to that, the role of state government in achieving recommendations of the Finance Commission is much better during the Fourteenth Finance Commission than the previous Thirteenth Finance Commission.

Regarding Outstanding Liabilities of the state government, Thirteenth Finance Commission or FC-XIII in its Report Chapter 9 contended that State Government is required to bring down the debt stock/outstanding liabilities to 68 per cent of GSDP by the end of the award period (2014-15). Furthermore, the Thirteenth Finance Commission also recommended that Government of Mizoram suggested to limit its outstanding liabilities at 87.3 per cent of GSDP in 2010-11, 85.7 per cent of GSDP in 2011-12, 82.9 per cent of GSDP in 2012-13, 79.2 per cent in 2013-14 and eventually at 74.8 per cent of corresponding GSDP by 2014-15.

What are Outstanding Liabilities? The accumulation of borrowings of State Government for creation of capital assets to generate own revenues and financial returns to the State Exchequer and its repayment schedule forms Public Debt or in other words, Outstanding Liabilities of the State (Economic Survey, Mizoram, 2012-2013: 14). Why borrowing necessary? As discussed in the preceding chapter, one important source of revenue of the state government is borrowing loan from the Central Government and from other financial institutions. However, these loans or receipts are needed to pay back to these institutions which put them under Public Debt of the Capital Expenditure of the Consolidated Fund of Mizoram. These loans mainly consist of Market loans, Loans from Life Insurance Corporation (LIC) of India, Loan from National Bank for Agriculture and Rural Development (NABARD), Loans from National Cooperative Development Corporation (NCDC), Block loans, and Ways & Means Advances (W&MA) from Reserve Bank of India (RBI) etc. These loans created a debt stock along with debt in Public Accounts which are known in public finance as 'outstanding liabilities'. Debt from Capital Account is only consolidated under the head of Public Debt whereas debt in Public Account is mainly consolidated under the head of Provident Fund and some other funds.

Anyhow, necessary percentage of Outstanding Liabilities to the state GSDP only include debt stock within the Consolidated Fund of Mizoram excluding Public Account of Mizoram (Fiscal Policy Strategy Statement, 2012-2013). Compare to the above targets, actual achievement of the State in respect of outstanding liabilities is somehow satisfactory. In fact, the achievements are much lower to the target which is showing under the table.

Table 32: Statement showing achievement of the State Government in reducing Outstanding Liabilities under Thirteenth Finance Commission

Financial Year	Target set by Thirteenth Finance Commission	Achievement
2010-2011	87.3%	61.15% Actuals
2011-2012	85.7%	57.21% Actuals
2012-2013	82.9%	63.51% Actuals
2013-2014	79.2%	60.04% Revised Estimate
2014-2015	74.8%	52.41% Pre actuals

(Source: Fiscal Policy Strategy Statement, Budget Document, 2007-2020)

As mentioned in the above paragraph, the role of Government of Mizoram in achieving the Thirteenth Finance Commission (FC-XIII) is satisfactory. Despite the unavailability of actuals data in 2013-2014 and 2014-2015 financial year, achievement of the state government in reducing outstanding liabilities are praiseworthy. The following table reveals achievement of the state government during the Fourteenth Finance Commission (FC-XIV).

Table 33: Statement showing achievement of the State Government in reducing Outstanding Liabilities under Fourteenth Finance Commission

Financial Year	Target set by Fourteenth Finance Commission	Achievement
2015-2016		47.91% Pre-Actuals
2016-2017		46.22% Actuals
2017-2018		41.15% Actuals
2018-2019		32.89% Actuals

(Source: Fiscal Policy Strategy Statement, Budget Document, 2007-2020)

From the above two tables, it can be seen that the role of Government of Mizoram in reducing Outstanding Liabilities is satisfactory. Although the Fourteenth Finance Commission (FC-XIV) does not clearly mention a specific target for the state government in reducing Outstanding Liabilities, the achievement of Government of Mizoram during the Fourteenth Finance Commission period is admirable. Percentage of Outstanding Liabilities to the state GSDP is slowly declining which is an important indicator of a healthy fiscal correction path. In such a way, it might be safe to say that the role of the then Finance Minister of the state is praiseworthy.

Other Liabilities-Guarantee Redemption Fund

A liability is any financial event that poses as an obligation to a company/state, and the company/state needs to make a monetary settlement concerning it in the future. In other words, it refers to the financial obligations of a company. Accordingly, Committed Liabilities means those liabilities which the state government must make in financial arrangement in order to fulfil a pre-settlement between the government and its employees. Due to that, Committed Liabilities include salaries for government's employees, pensions and interest payment.

In Committed Liabilities, the state is committed to pay these funds even if there are shortages in public finance of the state. On the other hand, a Contingent Liability is thus a type of financial event that might or might not evolve into an obligation in the future. Contingent liabilities of the Government of Mizoram represent guarantees issued on behalf of Public Sector Enterprises (PSEs) and other institutions including urban local bodies to enable them to raise resources to meet the requirement of public investment (L.T. Thanga, 2018). Public Sector Enterprises (PSEs) in Mizoram mainly consists of what was already discussed in the preceding chapter, namely, Zoram Electronics Development Corporation (ZENICS), Mizoram Handloom & Handicrafts Development Corporation (ZOHANCO), Mizoram Agricultural Marketing Corporation (MAMCO), Zoram Industrial Development Corporation (ZIDCO), and Mizoram Food and Allied Industries Corporation (MIFCO).

Anyhow, decisions on closing of these PSEs was made in December 2015. Expenditure on these sectors has always been a burden for the government. Major restructuring initiative was taken up by the state government which will be dealt with later in this chapter. Anyhow, before restructuring of these sectors, the Government of Mizoram has been setting up a separate fund to meet these expenditures.

The Twelfth Finance Commission recommended that all States should set up sinking funds/guaranteed redemption fund for repayment of all loans including loans from banks, liabilities on account of National Small Savings Fund (NSSF), etc., through earmarked guarantee fees. In line with the recommendations of the Twelfth

Finance Commission and to ensure good fiscal governance, the government has set up a Guarantee Redemption Fund (GRF) in May, 2009 with an initial corpus fund of ₹ 0.50 crore/₹ 50.00 lakhs. It was established with an objective of utilizing the accumulated Fund towards the payment of contingent liabilities.

This is done with realizing the importance of efficient management of contingent liabilities. The Government of Mizoram has also been following a conscious policy of restricting the size of contingent liabilities. The government has been keen pursuing a policy for streamlining the process of handling contingent liabilities in the State's finance. In pursuance of these liabilities, the Government of Mizoram in 2011 has enacted 'The Mizoram Ceiling on Government Guarantees Act, 2011' and 'The Mizoram Ceiling on Government Guarantee Rules 2013' was also notified. A ceiling was laid down by the said Act that fresh guarantees in a year should not exceed 3 per cent of GSDP (Fiscal Policy Strategy Statement, 2011-2012:23). In compliance with these rules and with the setting up of the Guarantee Redemption Fund (GRF) in 2009, the government was able to give payment to employees under PSEs and some other expenditures. Moreover, this Act will help the government in collecting guarantee fees at a minimum of 0.75 per cent of the guaranteed loan as a guarantee commission (Economic Survey, 2015-206).

The government has augmented the corpus fund by investing an additional amount of ₹ 50.00 lakhs in 2010-11. As on 31.3.2012, the already invested corpus fund accumulated to ₹ 200.00 lakh. As discussed, this Fund was set up as a part of an endeavour to manage contingent liabilities efficiently. The continuation of investing fund to the Guarantee Redemption Fund (GRF) was ₹ 100.00 lakh in 2011-12, ₹ 150.00 lakh in 2012-13, ₹ 200.00 lakh in 2013-14 and ₹ 200 lakh in 2014-15. The government intended to augment the corpus fund by investing an additional amount of ₹ 200.00 lakh in 2015-16 so that the closing balance at the end of 2015-16 would be ₹ 950.00 lakh. This fund was booked under the Public Account of Mizoram. Despite all these investments on the Guarantee Redemption Fund (GRF), the government has decided major restructuring of these Public Sector Enterprises (PSEs) in 2015. The main intention of the government was to save more fund for creation of capital assets in Mizoram which is likely to help in substantial revenue receipt in the years to come.

Consolidated Sinking Fund

Since outstanding liabilities are a burden for the society, the government must find a way to reduce these liabilities. It can be realized from the above Table 33 and Table 34 that outstanding liabilities of Mizoram are slowly declining. The question is how did the government achieve this?

The most probable answer would be following the Finance Commission’s recommendations. In line with the recommendations of the Tenth Finance Commission, the Reserve Bank of India enabled the creation of Consolidated Sinking Fund (CSF) in 1999 to provide the state with a cushion for repayment of open market loans. The states were to contribute one to three per cent of their outstanding open market loans at the end of the previous year. Subsequently, the ambit of the CSF was expanded in 2006-07 to include repayment of all liabilities with the stipulated contribution of minimum 0.5 per cent of the outstanding liabilities of the state at the end of the previous financial year. The government builds up a sizeable amount in the Consolidated Sinking Fund accumulating as Reserve Fund of the state’s Public Account.

So, following the recommendation of the Finance Commission, the State Government builds up a reserve fund called Consolidated Sinking Fund to meet future repayments obligations of loans contracted in the past. Consolidated Sinking Fund is being used as a redemption of outstanding liabilities of the State Government. The Fund is managed by Reserve Bank of India and the corpus is invested in Government of India securities. As per the Revised Scheme of Consolidated Sinking Fund, an amount of ₹ 16.50 crore was invested in 2010-11 which was the prescribed 0.5 *per cent* of the total outstanding liabilities of the State Government as on 31st March, 2010. In addition, an amount of ₹ 21.75 crore was invested again during 2011-12. The continued investment of the government results in accumulation of Sinking Fund and the principal amount already invested up to 31.3.2012 was ₹ 112.50 crore.

The total accumulated principal investment by end of 2019-20 was ₹ 309.03 crore. This was the last financial year headed by the Congress ministry in Mizoram. Therefore, one can simple conclude that as much as ₹ 309.03 crore are accumulated under the Consolidated Sinking Fund (CSF) in Mizoram for the repayment of loans which have been contracted in the past. Once again, the ministry who invest in this fund to reduce outstanding liabilities of the state determines the size of Consolidated Sinking Fund (CSF).

The Mizoram Fiscal Responsibility and Budget Management Act, 2006

Too much outstanding liabilities, deficit in terms of revenue and fiscal, less room for capital expenditure are the most common problems face by the Government of India. Too much public debt has often led to a burden for the government due to its eventual significant impact upon GSDP. In order to avoid these problems and enters into a fiscal correction path, the Central Government in 2003 has enacted an act which prevents future revenue deficit in the Union Budget. As such, the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 is an Act providing to ensure intergenerational equity in fiscal management and long term macro-economic stability. This is sought to be attained by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy. The Act also aims at prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected therewith or incidental thereto.

The FRBM Act 2003 that came into force on 5^{the} July 2004 has anchored at the principle of intergenerational equity in fiscal management and fiscal sustainability for long term macroeconomic stability. It aimed at elimination of revenue deficit by 2008-09 and the reduction of Fiscal Deficit to 3 per cent of GSDP in the same year. The Twelfth Finance Commission (FC-XII) insisted that the Central Government shall not provide loans to states and that the states may take recourse to market loans.

The FRBM Act, 2003 stipulates that the Central Government shall lay in each financial year before both Houses of Parliament the following Statements of the fiscal policy along with the Annual Financial Statement and Demands for Grants, namely:

(a) The Medium Term Fiscal Policy Statement;

(b) The Fiscal Policy Strategy Statement; and

(c) The Macro-economic Framework Statement.

The Twelfth Finance Commission recommended enactment of Fiscal Responsibility and Budget Management Act (FRBM Act) for Union and all State Governments as a part of an effort to reform and to consolidate respective financial condition (Fiscal Policy Strategy Statement, 2013-2014: 2). Accordingly, in line with these fiscal reforms, Mizoram Fiscal Responsibility and Budget Management (MFRBM) Act, 2006 was also enacted to be the guidepost for fiscal management of the State and The Mizoram FRBM Rules was put in place in 2007. The Fifth Mizoram Legislative Assembly in 2006 led by the MNF party has enacted this Act. The FRBMA, as recommended by TFC, would contain the following core elements:

a) eliminating revenue deficit by 2008-09
b) reducing fiscal deficit to 3 percent of GSDP by 2008-09
c) bringing out annual reduction targets of revenue and fiscal deficits
d) bringing out annual Statement giving prospects for State economy and related fiscal strategy
e) bringing out special Statements along with the budget giving in detail number of employees in Government, public sector and aided institutions and related salaries.
f) Fiscal Responsibility and Budget Management Act in December 2006, with the objectives of, *inter alia*, to eliminate the revenue deficit and reduce the fiscal deficit to 3 per cent of the GSDP by 2008-09. Under the Mizoram FRBM Act 2006, the Government of Mizoram brought out FRBM Rules 2007 and made it effective from 1st July 2007. The Government of Mizoram already eliminated its revenue deficit in 2003-04 itself. Therefore, the task ahead was

to create further space in revenue account, so that the surplus can be deployed for creating assets of the State and to adhere to the FRBMA goals. During 2007-08 higher growth in revenue receipts and controlled growth of revenue expenditure have resulted in further improvement of revenue surplus.

As discussed above, the Act was enacted in 2006 with the broad objective of bringing about prudence in fiscal management with respect to certain selected fiscal indicators and for transparency in fiscal operations of the government. The main target includes reduction of fiscal deficit to 3 per cent of GSDP in 2008-09 and elimination of the revenue deficit by 2008-09, and to generate revenue surplus thereafter. The Act also requires the State Government to set up a system of review of public expenditure and ensure transparency for which statements relating to State's finance are to be laid in the Legislative Assembly along with the budget in each financial year. The Act also provides for the establishment of a Public Expenditure Review Committee (PERC) and a half-yearly review of expenditure by the *Finance Minister"* (Economic Survey Mizoram, 2008-2009: 21).

The Mizoram FRBM Act, 2006 was amended in 2009. The original Act requires the State Government that it should eliminate revenue deficit and reduce the fiscal deficit to 3 per cent of GSDP by 2008-09. The amended Act has further increased the year from 2008-09 to 2010-11 during that the state government should eliminate revenue deficit and reduce fiscal deficit to 3 per cent of GSDP.

How to achieve FRBM rules? - This can be achieved by adopting a policy of reduction to expenditure and contain within the optimum level of resources to minimize the fiscal gap. However, the requirement of expenditure, especially revenue expenditure under Committed Liabilities has press the government to spend less on infrastructure and other developmental needs. So, with a limited scope of expansion of own resources, the focus will be directed towards finding the required resources from alternative sources like external assistance in the form of Externally Aided Project (EAP) and private capitals in the form of Private Public Partnership (PPP) (Lal Thanhawla, 2009: 17).

Revenue deficit to fiscal deficit ratio indicates extent of the borrowed amount spent on meeting the current account deficit and the space created for capital outlay. In 2001-02 revenue deficit as a percentage of fiscal deficit was as high as 61.6 per cent indicating that nearly two-thirds of borrowings was spent to meet current revenue expenditure leaving very little room for asset creation. However, over the years, with the efforts of State Government, the position has improved. During the last four years the State's finances have been in revenue surplus, thereby enabling utilization of the entire borrowed amount for capital expenditure (Medium Term Fiscal Policy Statement, 2008-2009, 2009: 4).

The state, by virtue of its fiscal rules and performance, has been slowly able to enjoy debt consolidation and debt write-off facility from the Government of India. The accumulation of outstanding liabilities has been slowly declining which is a positive indicator of a healthy public finance. The state economy has entered into a positive loop of higher growth and increased revenue receipts. However, some areas of concern relating to fiscal correction remain. Such concerns mainly relate to the quality of expenditure. Increased allocation in the social sector has implication on revenue account as well as fiscal deficit and is sought to be balanced by containment of other non-plan revenue expenditure.

A very serious concern in the state's finance in the 2000s is the increasing pressure of Non-Plan Expenditure and the burgeoning Interest Payments. This is due to excessive borrowings from financial institutions. It is with an attempt to curtail Non-Plan Expenditure that the Fiscal Responsibility and Budget Management (FRBM) Act, 2006 was passed. It has been the conscious endeavour of the government to achieve the targets set out in the Act so that the State's finance continuously moves towards a path of fiscal balance and sustainability.

Despite enactment of the FRBM Act in 2006 in Mizoram, fiscal deficit still persist, why? The reasons for not conforming to the projected fiscal correction paths are due to expenditure on account of food subsidies, purchase of power and selling the same at a subsidized rate to the general public and many other items of revenue expenditures (Fiscal Policy Strategy Statement 2017-2018, 2017). This is already discussed in the preceding chapter under expenditure on Committed Liabilities. Therefore, self-reliance on rice paddy production and power is an immediate solution to achieve fiscal correction path and eventually to fulfil fiscal surplus, not fiscal deficit.

Public Expenditure Review Committee

As provided under the Rules section 10 (1) of the Mizoram FRBM Rules, 2007, the Government of Mizoram in 2008 has constituted the 'Public Expenditure Review Committee' which is a five-member Committee under the chairmanship of the Finance Secretary. The Committee was initially constituted for a period of one year. The Committee had already held its first meeting to review the half-yearly position of receipts and expenditure for the first half of 2007-08 covering April to September 2007. This is the first time that under the rules of FBRM 2007 that the committee was formed to review the expenditure part of the state government (Zoramthanga, Budget Speech, 2007-2008).

The second Public Expenditure Review Committee (PERC) had been constituted to look into the fiscal position of the government and various connected issues on a half-yearly basis. The PERC had earlier taken up a review of the fiscal position for the First Half of 2008-09. The PERC also took up a review of the fiscal position for the Second Half of 2008- 09 (Lal Thanhawla, Interim Budget of 2009-2010, 2009). This is the first time that the Congress ministry had convened such committee.

The next 'Public Expenditure Review Committee (PERC)' was constituted which had been constituted to review the fiscal position of the government and to act as the watchdog of the state finance. The 5th meeting of the PERC had already taken up a review of the fiscal position for the first half of 2009-10 with various recommendations for improvements in the fiscal management. Delay budget session due to several reasons has always been a negative impact on the recommendations made by the PERC. This happened in the 2009-2010 financial year which further leads to unnecessary spending of several budgets.

The next PERC was constituted in 2010. It had its sixth meeting on 14th March, 2011 to review half yearly position of receipts and expenditure for the second half of 2009-10 covering October, 2009 to March, 2010. It suggested many recommendations to the State Government for improvement of public expenditure, and to bring forward tax administration to earn more revenue (Liansailova H. , Budget Speech, 2011-2012).

The next committee was convened in 2012. It had its seventh meeting on 3rd July, 2012 to review half yearly position of receipts and expenditure for the first half and second half of 2010-11 covering April, 2010 to September, 2010 and October, 2010 to March, 2011 respectively. This committee submitted recommendations to the State Government for improvement of public expenditure, and to bring forward tax administration to earn more revenue.

The next committee was convened in 2013. It had its eighth meeting on 16th October, 2012 to review half yearly position of receipts and expenditure for the first half of 2011-12 covering April, 2011 to September, 2011. This committee submitted recommendations to the State Government for improvement of public expenditure, and to bring forward tax administration to earn more revenue.

The next committee was convened in 2014 and the 9th and 10th meeting was also held to review 2011-12 and 2012-13 expenditure. Due to a glitch in the budget of 2015-16, the normal committee could not be convened. In fact, since 2015 onwards, the PERC has never been convened till the passing of 2020-2021 annual budget. However, the Finance Minister review on expenditure report was prepared by the state government till 2017-2018 Financial Year.

Considering formation of the PERC, the Congress government during its first tenure had performed very well in convening the committee, and reviewing the state finance as well as recommending to the government. However, during its second tenure starting from 2014 till 2019, the PERC hardly suggest any important recommendations in the public finance of Mizoram. The problem lies within the rules of the FRBM 2007 that there is no specific regularity of the PERC formation. The rules under section 10 (1) only states that a committee should be formed not exceeding four members excluding the Secretary to the government of Mizoram, Finance Department. However, the same rules under section 10 (3) sub-section ‘e’ states that “The Committee shall meet once in every six months in a financial year” (see Appendix 8). Thereby, it is not safe to assume that the Congress government violated the rules; but it is prudent to make a statement that the Congress government did not entirely follow the rules of the FRBM 2007 in conformity with the sub-sections. As such, an amendment of the Act is necessary to bring down heavy expenditure of the state government to mandatorily form or convene the PERC in every financial year.

As long as other section of the Rules is concern, and as provided under the said Rules, a Medium-Term Fiscal Policy Statement presenting the fiscal policies of the State Government in relation to certain selected indicators over the medium term with three-year rolling targets is always drawn up and laid along with the annual budget in the Assembly. This Statement lays emphasis on the sustainability aspect in the state’s finances and for the generation of revenue surplus for utilisation towards creation of capital assets.

Moreover, a Fiscal Policy Strategy Statement was also drawn up every financial year and laid along with other budget documents. This statement presents an overview of fiscal policy of current year and policy of the ensuing year concerning taxation, expenditure, borrowings and investments of the State Government in instruments like Sinking Fund etc. A Fiscal Correction Path laying down targets for reduction of fiscal deficit and for elimination of revenue deficit over medium term has been charted out in the statement. This statement has helped the government in pursuit of fiscal correction path in the years to come.

A Macro-Economic Framework Statement is also drawn up and laid along with other budget documents. This statement presents an overview of the economy for the current year and of the state’s economy for the ensuing year. It also touches upon the estimates of GSDP of the state and prospects of the economic growth over the medium term.

Structural Adjustment Loan and the Mizoram Public Resource Management Programme (MPRMP)

One major significance of the role of Congress government during the Sixth and Seventh State Legislative Assemblies of Mizoram was the creation of the Mizoram Public Resource Management Programme (MPRMP). Under this programme, the Government of Mizoram is able to pursue several projects which are both developmental and non-developmental in nature of its expenditure. Under this programme, the Government of Mizoram has initiated several reforms which are vital for restructuring of public finance. Not only that, but the Government of Mizoram also created several capital developments which have helped the state in improving revenue resources in the future.

Due to shortages of revenue creation, the government cannot run administration without Banking Loans from several financial institutions. Amongst these banks are the World Bank and Asian Development Bank (ADB) which have been playing important roles in restructuring and maintaining of fiscal policy as well as infrastructural development of Mizoram. Loans are necessary for improving capital formation which is likely to increase revenue receipt in the future. Due to this, the State Government has availed various Loans from Central Government and Asian Development Bank through which the Government of Mizoram was implementing the Mizoram Public Resource Management Program (MPRMP) with effect from 2009 till 2017. The program mainly aims to bring about changes in fiscal operation of the state in a balanced and sustainable way, and to enhance revenue earning capacity of the state. The Programme Components includes Tax and Non-Tax Reforms, Debt Management, Public Expenditure Reforms, Public Sector Undertakings (PSEs) Reforms, and Sector Improvements in Health and Education Sector.

Accordingly, debt restructuring has been included as a part of the Structural Adjustment Loan for taking up fiscal reforms. The initiative is being carried out through implementation of the *'Mizoram Public Resource Managemen*t *Program'* as a part of Loan availed from Asian Development Bank. World Bank assisted-Mizoram State Roads Project was implemented successfully within Mizoram. Due to that, Aizawl – Lunglei via Thenzawl Road which reduces the distance between Aizawl and Lunglei by over 71 km was inaugurated by Lal Thanhawla the then Chief Minister of Mizoram. This project is good for the state because it was implemented without the state resources which prevents the government from an increase of Gross Fiscal Deficit (GFD). If this kind of works had not been done, the government may have to spend more fund for infrastructure development which in turn will drain the Capital Account.

The Government of Mizoram has been taking up the issue of Structural Adjustment Loan (SAL) for the purpose of solving fiscal imbalances in the state's finance and for undertaking reforms in the socio-economic and infrastructure sectors. For that purpose, the Government of Mizoram had prepared a project for funding from external funding agencies. The title of the Program is 'Mizoram Public Resources Management and Development Program (MPRMP).'

In order to initiate and pursue Public Expenditure Reforms, this Programme was introduced and a significant initiative under this project is the Medium Term Expenditure Frameworks (MTEF) and Medium Term Fiscal Frameworks (MTFF) which are believed to have effective impacts in the budgetary exercise in a more systematic manner. Two Consultants with specialization in MTEF had also been engaged to study Education and Health sectors as a pilot project, and it is hoped that a crucial and meaningful reform in the administration has been carried out (Fiscal Policy Strategy Statement, 2013-2014: 10).

In the meantime, the Public Expenditure Reform Committee (RERC) and the Medium Term Expenditure Frameworks (MTEF) are not to be confused. The former is constituted under the Mizoram FBRM Rules 2007; the latter is constituted under the MPRMP 2009. As such, the Medium Term Expenditure Frameworks (MTEF) and Medium Term Fiscal Frameworks (MTFF) are the brainchild of the Congress government whereas the PERC is the outcome of the FRBM rules which was enacted during the Fifth Mizoram Legislative Assembly under the MNF ministry.

As already discussed, the state government, i.e., the Congress government has embarked on public expenditure reform through Mizoram Public Resource Management Programme (MPRMP) by availing structural adjustment loan from ADB. Amongst several initiatives undertaken under MPRMP, computerisation of treasuries, introduction of contributory-based New Pension Scheme (NPS), introduction of voluntary retirement scheme (VRS) to the employees, restructuring of Public Sector Undertakings (PSUs) were popular; and these initiatives are expected to have far-reaching impacts in containing high revenue expenditure in the long run.

Normally, the Structural Adjustment Loan (SAL) has been proposed by the Government of Mizoram to the Asian Development Bank for funding as Externally Aided Projects (EAP) through the Government of India. As the Structural Adjustment Loan is external assistance in the form of Externally Aided Project (EAP), the Fund was normally received through the Government of India, Ministry of Finance in the form of 90 per cent grants and 10 per cent Loan (L.T. Thanga, 2018: 51). This means that 90 per cent of this revenue are not required to be paid back to these financial institutions, however, the rest 10 per cent are received via Loans which are to be paid back. This aid is booked under the Revenue Account of the Consolidated Fund of Mizoram.

Tax and Non-Tax Reforms

The main objective of these reforms are to bring changes in Fiscal Management and Revenue earning capacity of the state and to improve revenue collection in respect of all the departments. Efforts have been paid by the government to revise the selling price of food grains in such a way that the government will be able to handle food trading through the principle of no-loss no-gain which shall, however, be carried out without compromising the objective of food security. In fact, expenditure on subsidy has always been a weak spot of public finance in Mizoram which was already discussed in the preceding chapter. Thereby, the intention of Congress government was to reform tax on food subsidy.

The Fiscal Management Unit (FMU) is entrusted with Tax and non-tax Reforms. This has been an important program component in the ADB assisted Mizoram Public Resource Management Program. Under this program, ADB has put forward certain policy/reforms actions to be achieved by the Government of Mizoram which will affect the tranche/instalment wise release of the loan component. By complying these reforms actions, the ADB expects the Government of Mizoram to achieve 20 per cent improvements in own source revenue collection, and reduce tax arrears by 50 per cent. These tax reforms have been taken place under several departments, namely, Transport Department, Land Revenue Department, Taxation Department, and the Public Health Engineering Department (PHED).

To generate own resources and to improve own non-tax revenue, the State Government has issued Notification dated 22nd Feb, 2011. This notification is to impose levying of Stamp-duty on the monthly payment of Salaries to all regular Government officials. This notice include the Council of Ministers and Parliamentary Secretaries and on all bills in respect of payment made by various Departments and offices to private parties.

A proposal for compulsory registration of Laborers and Casual employees was announced in the 2010 Budget (Vote on Account) session to increase State Own Non-Tax Revenue. The concerned Department in full swing has pursued the matter, and it is hope that this kind of efforts will help collection of revenue to a certain level of extent. In order to augment state own resources, the State Government is intending to collect a certain percentage of salary from its regular employees. It is hope that this measure will be implemented in the near future (Liansailova, 2011-2012: 33). This initiative is linked with direct tax which will be dealt with later in this chapter on the role of government on taxation.

Debt Management

From 2011-2012 Financial Year, new Debt Management Unit (DMU) has been established in Finance Department which has taken up expenditure sanction for all repayment of loans authorizing the Accounting Unit in Fiscal Management Unit

(FMU) to arrange actual remittance of payments to the concerned institutions (Debt Management Manual).

The Branch is entrusted with various issues relating to the management of debt of the State Government. This includes availing of all kinds of loans in the nature of Internal Debt, Loans from the Government of India. Government Debts are effectively restructured and managed. Legal institutional arrangement for premature retirement of loans, guarantee redemption fund, debt management software and debt database and debt management manual are the main focus area.

The Minister of Finance is responsible for authorizing all new borrowing by the Government of Mizoram. The overall responsibility for public debt management is assigned to the Finance Department. As such, it is the sole responsibility of the Finance Minister to decrease or increase public debt of the state government. It is due to this Debt Management Unit that the Finance Minister was able to contain outstanding liabilities of the state government. Therefore, debt accumulation has been declining during the Sixth and Seventh Legislative Assemblies (see Table 32 & Table 33).

Public Expenditure Reforms

Under the Mizoram Public Resource Management Programme (MPRMP) another branch was formed. The branch is entrust with matters relating to the management of public expenditure towards rationalization. Under this, a capacity development plan for the cell, the system of project appraisal reports for new projects, computerization of treasuries etc., have successfully been implemented. Computerization of treasury offices in Mizoram was started as a pilot project in September 2011. Computerization of all treasuries was completed in 2015 (L.T. Thanga, 2018). The programme is now known as the Integrated Financial Management Information System (IFMIS).

Computerizations of Treasuries is not the task of these reforms, but also computerization of several departments. For computerization of departments, there are a few selected departments, namely, Taxation, Public Health Engineering, Land Revenue & Settlement, Accounts & Treasuries, Health & Family Welfare and Education Department. As a pilot project of the program, the Finance department has started Computerization of Aizawl South Treasury in April, 2011. Computerization of the remaining Treasuries and Departments follows completion of the pilot program. In this connection, the above-mentioned department actively pursue computerization program within their Departments so as to achieve better public services delivery with less expenditure.

Pension Reforms

The Branch is entrusted with pension reforms covering defined contributory pension scheme for new recruits, agreement with a fund manager for managing the new pension scheme, report of new employees contribute to the pension fund are taken place. New Defined Contributory Pension Scheme was launched for employees recruited with effect from 1st September, 2010 with a focus to minimize requirements for Pension Payments.

To embark on the improved quality framework in the primary and middle education, Mizoram Special Voluntary Retirement Rules, 2009 - a voluntary retirement scheme (VRS) was adopted. As per Official record, 193 teachers opted for VRS. In addition, 300 government drivers also availed the scheme (L.T. Thanga, 2018).

In order to contain and reduce non-productive expenditure, the State Government has also introduced Special Voluntary Retirement Scheme for Teachers called the ‘Golden Handshake to Teachers’ for reduction of expenditure on Salary and its related items. It is expected that this initiative will bring about fruitful results in the near future (Fiscal Policy Strategy Statement, 2011-2012: 14-15). Golden Handshake scheme is similar to the voluntary early retirement scheme. This initiative enables teachers to retire before actual retirement period, however, retire teacher can recommend his/her family member to occupy his/her post. In such a way, the government may spend less fund for teacher salaries. This scheme is not only good for less expenditure but also good for young people who are more qualify and energetic, passion about their job. Positive impact of this scheme may only reveal after 10 years or so, however, this initiative is likely to have a positive impact both for the government, for the people and for government employees.

Public Sector Enterprise (PSE) Reforms

As discussed in the preceding chapter on expenditure parts, Public Sector Enterprises (PSE) in Mizoram under the Government of Mizoram turned out to be virtually sick units instead of achieving social objectives with which the Government establishes them. Most of these PSEs depend on continued budgetary support of the government over the years, let alone generation of profits and accruals of dividends to the government. There has been an intention from the government that the government will consider measures for revamping the PSEs with prospects of revival and for winding up of units with no such prospects. For these restructuring measures, assistance from Asian Development Bank (ADB) for MPRMP meet part of the reform cost (Lal Thanhawla, 2009: 20).

Since details about formation of the study group by the state government were already discussed in the preceding chapter, this section will not concentrate on the report of Deloitte Company. However, it is necessary to rephrase that the report given by Deloitte Company has classified five selected SOEs into the following –

4. Category I Closure: ZENICS, ZOHANCO, and MAMCO
5. Category II Restructuring under GoM ownership: ZIDCO
6. Category III Privatization: MIFCO

According to the above report, three PSEs namely, ZENICS, ZOHANCO, and MAMCO are to be closed down; ZIDCO is to be restructured for state ownership due to its moderate cost for restructuring, as such restructuring will be done using government resources; MIFCO is to be privatized due to maximum restructuring cost.

The responsibility of the state government now is whether or not the report is to be implemented. An important consideration for the decision-makers is that an options analysis on the restructuring and or consolidation of PSEs includes an option for privatization or closure. Moreover, a relevant labour restructuring plan and plans for implementing financing of the proposed restructuring or consolidation and for a public awareness campaign including labour rehabilitation also need to be reconsidered.

After careful consideration of the study report, and in order to minimize expenditures incurred by the loss-making Public Sector Enterprises (PSEs) the State Government has closed down three PSEs namely ZENICS, ZOHANCO and MAMCO in December 2015. Regular employees under these PSEs were either absorbed into State Government or were given retirement under the Mizoram State Public Enterprises (Early Retirement) Rules, 2015 as per their choice. At the same time, ZIDCO and MIFCO are to be restructured and privatized respectively for which the State Government is actively pursuing the matters (Lalsawta, 2016-2017: 14).

Details about the final decision have been made by the state government that given their poor performance and the need to minimize expenditure incurred by the loss-making PSUs, the Cabinet Meeting dated 18th February 2015 approved the closure of three PSUs, namely ZENICS, ZOHANDCO and MAMCO with immediate effect (Fiscal Policy Strategy Statement 2017-2018, 2017: 14). It also approved the downsizing and restructuring of ZIDCO, while the Cabinet Meeting subsequently approved the proposal for privatisation of MIFCO on 7th April 2016.

As discussed before, the cost of this reform was disbursed from Structural Adjustment Loan from ADB under MPRMP Programme. To reinforce the process of this reform, the state government offered early retirement to all employees of the PSUs under The Mizoram State Public Enterprises Early Retirement Rules (ERR) 2015, notified in the Official Gazette on July 2015 (L.T. Thanga, 2018). Those who decline the offer may opt for appointment into government service under the category of Group B, C, and D as the case may be.

As many as 135 employees opted for the ERR scheme and the total expenditure towards the settlement of these cases has been ₹ 33.60 crores as of now. At the same time, 51 employees were absorbed into various posts under the government. The implementation of ERR schemes made substantial savings to the state budget. The estimated salary of employees who retired under the scheme was ₹ 76.12 crores, which would bring a saving of ₹ 42.52 crores approximately (L.T. Thanga, 2018: 52). This saving can buy food grains for the whole state for a period of six months approximately (compare & compute with Table 28).

Year of Consolidation

The Congress, in its second term since 2015 had declared present financial year as a 'Year of Consolidation'. During budget session, the then Finance Minister Lalsawta stated that the government intended to extend this plan while explaining the meaning of consolidation –

> "Mr. Speaker Sir, we have declared the current financial year as 'Year of Consolidation' meaning that we have decided not to venture on high and new developmental works but to bring the State on a sound financial footing. The dividends have paid off so much so that we have cleared a huge amount of our liabilities in the form of civil deposits during current financial year. Therefore, as stated earlier, the other financial years ahead for one or two years have been declared as 'Years of Consolidation', which will go on well with pursuance of developmental activities also" (Lalsawta, 2016-2017: 15).

Before elections, the incumbent party, i.e., the Congress used to claim that there was no anti-incumbency wave in Mizoram. However, there was an anti-incumbency wave which was fueled by year of consolidation. The late disbursement of consolidated fund before the election make sure that anti-incumbency wave had been roaming around the state which was revealed in the form of election result in 2018. The question is how do year of consolidation had an impact on voting.

As discussed, the State Government has announced 2015-16 and 2016-17 as year of consolidation meaning that a certain amount of increased devolution under Fourteenth Finance Commission (FC-XIV) was set aside solely for the purpose of clearing past liabilities under Public Account or K-deposit which was planned to reduce the debt stock of the State Government.

It seems that Year of Consolidation has placed the Congress regime to spend less amount of fund for infrastructural development leading to rumours within the public regarding the excessive spending of fund on the NLUP. The mood of the public somehow dwells on the subject that the government spent too much fund for NLUP which placed the government unable to create durable assets for the state which led to the subsequent defeat of the Congress Party in 2018 election. Although this is just a hypothesis which led to the defeat of Congress, the reality was that there were poor road conditions within Mizoram during 2013-2018. To prove this hypothesis, the following table reveals expenditure of the state government on capital outlay during the congress ministry.

Table 34: Statement showing Expenditure on Capital Outlay during the study year

₹ in Lakh

Ministry	Financial Year	Actual Consolidated Fund Receipt	Actual Capital Outlay (NET)	% of Capital Outlay (NET) from total receipt
MNF	2007-2008	229097.64	54424.50	23.76%
	2008-2009	278375.98	44104.31	15.84%
Congress	2009-2010	321471.15	57280.47	17.82%
	2010-2011	391420.87	61538.03	15.72%
	2011-2012	450536.01	49483.70	10.98%
	2012-2013	498650.53	60755.05	12.18%
	2013-2014	592116.83	59939.88	10.12%
	2014-2015	692580.96	92751.22	13.39%
	2015-2016	726531.13	71096.61	9.79%
	2016-2017	817626.15	91140.86	11.15%
	2017-2018	949597.97	199634.95	21.02%
	2018-2019	919587.59	186847.25	20.32%
MNF	2019-2020	2019-21 Financial Year does not include in the study area.		
	2020-2021			

Source: Budget document - Annual Financial Statement of Mizoram 2007-2020.

The above table reveals expenditure of the state government on creation of capital assets during the study year. As already discussed in the preceding chapter that expenditure on capital outlay in Mizoram hardly exceeds 20 per cent of fund from the total consolidated fund receipt. Since the government declared financial year of 2015-2016 as a ‘year of consolidation’ disbursement of fund for capital outlay in that year is meagre compare to other financial years. In fact, only from 2017 that expenditure on capital outlay was increased. Perhaps this is due to election year was drawing nearer. However, year of consolidation also leads the government to spend less fund for capital outlay which in turn had a deep impact on the confidence of the people to the government. The need for fiscal consolidation or year of consolidation could be connected with the fiscal deficit in the last 20 years.

In the last many years before 2003-04, i.e., before the Congress came to power, the State Government was in revenue deficit which compelled the State Government to utilize capital receipts for meeting its current revenue expenditure. This is an unhealthy practice yet unavoidable if revenue deficit persists. However, with the turn of 2003-04, the State Government generated revenue surplus and since then the State finance hardly went back to revenue deficit till today, but only since 2013-2015 that a revenue deficit occurs again (see Table 21). This indicates that the surplus so generated could make resources available for capital investment for creation of capital assets.

Attainment of revenue surplus from 2003-04 slowly improved the position of Mizoram economy; and the government began to cease to utilise borrowed funds for meeting its current revenue expenditure. This has also enabled the government to increase capital expenditure in the budget. Since it is mandatory for the government to be self-sufficient in power supply to embark on any developmental initiative, the State Government undertakes many projects to achieve self-sufficiency in power supply. Serlui ‘B’ Hydro Electric Project (HEP) has been commissioned technically generating 14.91 Mega Watt. Tlawva HEP is also under construction to be completed within a short period of time from the award of work and Tuivai HEP is also proposed to be taken up under Public Private Partnership (PPP) mode by availing Viability Gap Funding from Ministry of Finance, Government of India. Besides these projects, various projects like – Lungreng HEP, Chhimtuipui HEP, Mat HEP, Kolodyne Phase –II HEP, Tuirini HEP and Tuivawl HEP are being taken up and pursued vigorously for production of sufficient power supply within the State. These initiatives are expected to fetch a remarkable improvement for the state economy as well as state finances.

However, power generation alone could not satisfy the basic needs of society. There are several items that the government should take certain initiatives to meet expectation of the people. These necessary expenditures are somehow hindered by the idea of 'year of consolidation'. Thereby, as mentioned in the above, too much Fiscal Consolidation/Year of Consolidation has made the Congress Party lost the election in 2018. As mentioned earlier, the Year of Consolidation means the government (Congress) intended to withdraw itself from making huge developmental works. In other words, the government halt huge developmental works which need a huge amount of funds. This is done to re-structure good fiscal condition. As such, Year of Consolidation started since 2015-2016 (Lalsawta, Budget Speech 2017-2018, 2017: 3 & 13).

The government lifted year of consolidation and concentrated on making huge developmental works since 2017-2018. As such, the capital outlay in 2017-2018 has increased up to 35.57 per cent compared to last Financial Year. However, this financial year was close to election year and no huge developmental works could be put up before the election. As such, disbursement of funds for capital expenditure had no time to make a critical impact on the voters. In other words, the congress party was too late to cease Year of Consolidation; if year of consolidation was ceased in 2016-2017 financial year, several developmental works may be completed within two financial years and the people could have more confidence in the Congress ministry. Thereby, too much fiscal consolidation made the Congress loss election in 2018.

Capital expenditure in the first term of 2008-2013 was immensely increased in 2010-2011 which was two years before the general election. However, in the second term, capital expenditure increased in the election year. There were no other words but the increase in capital expenditure in the second term was too late in which the people failed to witness huge developmental works of second term of the Congress. In a statement regarding the government's intention of increasing capital expenditure and cease of year of consolidation, the then Finance Minister stated that –

> "Mr. Speaker Sir, we have declared the last two financial years as 'Year of Consolidation' meaning that we have decided not to venture on high and new developmental works but to bring the State on a sound footing. The dividends have paid off so that we are now able to invest more funds during 2017-18 for developmental works to accentuate growth. Comparing our proposed Capital Expenditure with the previous year's amount, the increment is 35.57% which clearly indicates that Government of Mizoram is fully committed to bring about development for its people" (Lalsawta, Budget Speech 2017-2018, 2017: 13).

Nevertheless, it is neither ethical nor prudent to discuss only negative role of the government in academic research. As such, there are some positive role of the state government in implementation of the year of consolidation. In fact, it was this idea of consolidation which prevented the government from borrowing more fund from financial institutions. In such a way, the government could lift off heavy burden of public debt (see Table 32 & Table 33). If there had not been year of consolidation, public debt or outstanding liabilities of the state government would not have been declining but would be rising. Therefore, one can conclude that despite the fact that 'Year of Consolidation' has removed heavy burden of Public Debt or Outstanding Liabilities, it has also made the party lost the election in 2018.

Role of Government in Administrative setup

One of the most important problems which have been neglected by almost all ministries of Mizoram is slow development of State Own Revenue resources. The need for Information Technology (IT) in administrative set up of the government has also been neglected for far too long (Vanneihtluanga, 2017). The implementation of Information Technology in administrative set up is supposed to minimize expenditure of the government; to improve unnecessary file moves within the administrative system. This is likely to improve state own revenue sources of the government. The implementation of IT in administration is likely to reduce administrative staff, thereby to minimize administrative cost of the state government. However, in Mizoram, implementation of IT neither reduce administrative staff nor minimize administrative cost of the government, namely, the salaries. This is due to the reluctance of politicians, the cabinet ministers, and the government to abolish unnecessary staff post/designation which is superseded and replaced by the IT (Vanneihtluanga, 2017). In fact, this unnecessary post has accumulated a huge amount of government funds for salaries and pensions.

Realizing importance of introducing IT in administration to reduce revenue expenditure of the government, the Congress ministry intended reform of a few selected departments. These reforms were proposed under the Mizoram Public Resource Management Programme (MPRMP). Under this reform, the treasuries of Mizoram will be fully computerized, Performance Budget will be put in place, the system of Medium Term Expenditure Framework (MTEF) will be put in place in selected Departments; the system of Project Appraisal, Monitoring and Evaluation will also be institutionalized. All these measures will be taken up over the medium term commencing from 2009-2010. When fully put in place, these measures will bring along qualitative improvements in public spending and various processes involved in budgeting and tracking of expenditure (Medium Term Fiscal Policy Statement, 2009: 9). The Mizoram Public Resource Management Programme (MPRMP) which was implemented from the aid of the Asian Development Bank (ADB) provided the implementation cost of this reform.

This aid first appeared in 2009 under revenue receipt under the head of Externally Aided Project (EAP) and continue till 2017. However, the aid of this programme was based on performance of the state government. As mentioned earlier, 90 per cent of this aid came under central grants while the rest 10 per cent came under loans which are to be repaid by the state government.

Anyhow, the need to improve state's own revenues is the pressing need of present time so that the State Government may be able to cope up with the requirement of surging expenditure and for meeting its developmental commitments. Towards this end, the government was determined to continue towards Public Resource Management, Capacity Building and Tax & Non-Tax Reforms so as to achieve the desired objectives (Fiscal Policy Strategy Statement, 2010-2011: 24).

Thereby, in order to improve and increase tax collection efficiency, Taxation Department has been restructured and strengthened through the implementation of the Mizoram Public Resource Management Programme (MPRMP). Besides, computerization of records on tax collection has also been under active implementation process under the same programme. This initiative is expected to bring a positive change for improvement of tax collection in the state (Fiscal Policy Strategy Statement, 2011-2012: 12).

For the sake of simplicity, the role of Congress ministry in reforming tax structure was the implementation of reforms under the following in order to improve revenue receipt of the state –

a) Restructuring of Tax Departments by carrying out the restructuring package drawn up so that the tax administration is improved to bring about improvement in tax collection efficiency. The process of VAT auditing was institutionalized by introducing VAT Audit Manual and by intensive capacity building of the tax officials.

b) Streamlining the tax collection system and computerization of records and collection system.

c) Extensive capacity building of the officials involved and by introducing the Management Information System in the tax collection system of various taxes.

Besides, new system called VAT-soft was formally launched on 8th December, 2011 with a focus to provide better services on E-Registration, E-Way Bill, E-Return, E-filing of Invoices, E-Payment and E-CST Forms to the public. Introduction of this initiative has helped customers in paying several bills to the state government. Since the customers have spent less time, more accurate, easier and less difficult to trace the progress/status of the bill/registration, it is recommended to implement in all other departments of the state government.

Anyhow, implementation of IT in administration is less expensive and that if the government is going to find a way to reduce revenue expenditure in the future, this is the way. For instance, complete digitisation of ration cards in 2015 alone filtered out 31500 double or bogus ration cards and about 4 lakhs death/double/non-existent persons. This initiative alone saved annual expenditure of around ₹ 100 crores for the purchase of foodgrains (L.T. Thanga, 2018: 52). This saving was more than what the government generated fund from excise duty in its last budget of 2018-2019 (see Annual Financial Statement 2020-2022). The Congress in its last annual budget has generated around ₹ 65 crores from state excise duty, however, more than this fund could be generated just from the implementation of IT in the digitisation of ration cards in 2015. Therefore, computerization of all departments (both directorate and secretariat) is mandatory to minimize excessive revenue expenditure. It is hope that this new system will bring better efficiency and competency in collective system of various taxes in the state.

Administrative Reforms Committee

The need for reduction of revenue expenditure for creation of more room for capital outlay has been stressed many times in this thesis. The safest way to do is through reforms in the administration. As such, rightsizing or downsizing of the administration was also mentioned several times. In order to achieve this goal, a sound administrative reforms policy was needed which the Congress government had been neglecting since 2008. There was no mention of administrative reforms either in 2008 and 2013 Election Manifesto of the Congress party. In fact, the Election Manifesto published by the Mizoram Pradesh Congress Committee (MPCC) in 2013 comprised of 30 points which was 8 pages thick but no word is to be found regarding administrative reforms. However, the Congress was committed to make reforms in Education Policy (Election Manifesto, 2013). It seems odd, rejection of the previous Mizo National Front (MNF) ministry in 2008 election was assumed by several scholars that the poor performance of the ministry was charged with corruption, nepotism, and maladministration (Lallianchhunga, 2009). And yet, the new Congress government failed to proposed administrative reforms until 2016.

When there were continue fiscal imbalances and several fiscal problems (despite the implementation of the NLUP) in the state, confidence in the Congress government in its second term was being threatened. As such, the cabinet ministers realized importance of rectifying several critical junctions in their administration. Therefore, they had mandated through the New Economic Development Policy (NEDP) that efforts should be made to explicitly increase social trust and to reinforce the confidence on the ability of public administrations to drive and sustain change for the benefit of public interest (Government of Mizoram, 2016).

Accordingly, the government in 2016 officially published the NEDP guideline for strategic growth of development in Mizoram which emphasised on good governance rather than good government. In fact, the government has lately realized the importance of administrative reforms to bring about good governance in the society. The difference between the two is that good governance implies governance of the state government which is responsible to the ruling party. The latter implies the party politics in which the ruling party who form the government may either be good or bad.

The New Economic Development Policy (NEDP) emphasises on good governance because governance is the service rendered to the people and must be accountable to the people regardless of the party who form a government. As such, the government suggested that it might need to constitute the Administrative Reforms Committee to spearhead administrative reforms in the state (Government of Mizoram, 2016: 34). Accordingly, an Administrative Reforms Committee was formed and the committee submitted its report to the government of Mizoram in September 2019 and March 2020. The report consists of two volumes highlighting the pros and cons of the present administrative setting of Mizoram. As suggested by the NEDP guideline on Administrative Reforms in sub-clause ‘h’ the component of the reform committee is expected to keep in mind of the needful rightsizing of government employees without compromising excellent services of the government.

The first Administrative Reforms Commission was already constituted in India on January 1966 under the chairmanship of Shri Morarji Desai (Department of Administrative Reforms & Public Grievance, 2020). The Second Administrative Reforms Commission was formed on 31st August 2005 under the chairmanship of Shri M. Veerappa Moily (Inter-State Council Secretariat, 2020). Surprisingly, the state of Mizoram does not foresee or prophesy the need for such a reform. Meanwhile, expenditure on administration of the state government continue to drain the Consolidated Fund of Mizoram.

Realizing the importance of administrative reforms along with several other achievements, the Congress government in 2016 had eventually decided to form a committee. At the same time, there had been many shortcomings as well. Development outcomes, particularly infrastructure development, have been less than optimal and poverty eradication continues to be a core development issue. Employment growth has been limited. The state continue to have been industrially backwards. Major fiscal imbalances and low level of resources mobilization continue unabated. Delivery of critical public services remains inefficient and there have been significant numbers of people still living below the poverty line. The condition calls for credible and wider public administrative reform in the state.

Administrative Reform initiatives should have the objectives to build a better environment in which people can live, learn and work; in which entrepreneurs can innovate and commercialize the results of their creativity; and in which businesses can invest to create wealth and jobs. It has to be understood that good governance is about enhancing trust in government, its institutions, the quality of its services and decisions because they are perceived to be made in the general public interest. In this context, a potential trade-off may emerge. On the one hand, public servants are under pressure to deliver better services, while on the other, they face tougher fiscal constraints. The role of administrative reform is to solve this entire puzzle.

Administrative Reform initiatives under the NEDP, which is to be formed by the Government should contain the following component (Government of Mizoram, 2016):

a) Increasing citizens' welfare by better balancing and more effectively delivering, social and economic policies over time;
b) Boosting economic development and welfare of the people by encouraging market orientation, innovation, and competition, and thereby promoting competitiveness;
c) Improving public sector efficiency, responsiveness, transparency and effectiveness through public management reforms;
d) Improving rule of law and democracy through legal reforms, including improved access to regulation and reduction of excessive discretion of regulators and enforcers;
e) Simplification of procedures and reduction of formalities and exploring possibility to reduce unnecessary licenses, registrations, and permits;
f) Creating opportunities for improving the policy making process and separating policy making from implementation;
g) Proper use of Information and Communication Technologies (ICT) that could provides increasingly powerful process tools that can be deployed to address traditional development problems in innovative ways;
h) Rightsizing of government employees especially though exploring areas for efficiency gains through a reduced role of the state or opportunities for staff reductions. Gains that could be realized through introducing elements of competition and performance management in service delivery, such as through establishing alternative service delivery mechanisms (e.g. NGOs, Private Sector);
i) Reducing expenditure without compromising excellent services through economy measures.

Anyhow, Congress was defeated in 2018 and the Administrative Reforms Committee was only constituted on 9 May, 2019 (Vanglaini, Administrative Reforms Committee-in Chief Minister-ah reprot a thehlut, 2019). Lalngheta Sailo, IPS (Rtd.) was the chairman of the committee. Members of the committee were Nghaklianmawia, MCS (Rtd.), Lalthansanga, MFAS (Rtd.), and K. Vanlalrawni, MSS (Rtd.). Lalrinsanga Joint Secretary, DPAR (GSW) was serving as its secretary.

As mentioned, the Congress lost election in 2018 and the report of the Administrative Reforms Committee could not be implemented. However, immediately after the Mizo National Front (MNF) came to power in 2019, the first report of the Administrative Reforms Committee entitled Volume – 1 'Mizoram Houses & Streamlining of File Movement in Mizoram in Mizoram Secretariat' was submitted to the present Chief Minister Zoramthanga on 3 September 2019. The second report entitled 'Reports and Recommendations of Administrative Reforms Committee Volume – 2' was also submitted to the Chief Minister on 9 March 2020 (Vanglaini, 2020). The second report contains several government posts which are no longer necessary for the government to run the administration. These government posts are needed to be abolished if the report is to be fully implemented.

If the researcher is not mistaken, this is the first time that administrative reform was initiated, but not yet implemented till date in June 2022. Therefore, it could be labelled as the First Administrative Reforms Committee in Mizoram. Whether the new Mizo National Front (MNF) ministry will implement the report of the Administrative Reforms Committee is not known till date.

State Finance Commission

There have been talks of 'direct funding' provisions from the Central Government to the Autonomous District Councils (ADCs) of Mizoram. The possibilities and impossibilities of direct funding have become political propaganda amongst several local politicians in the Sixth Schedule area of Mizoram. Overwhelm by this political propaganda, the people in the ADC areas are sometimes in a position of difficulties in choosing electoral candidates in several elections (Doungel J. , 2012).

The fund transfer to local bodies in Mizoram or other Sixth Schedule areas is not the same with how it is done in some other parts of India.

Mizoram is exempted from the operation of 73rd and 74th Amendments to the Constitution of India. However, steps were actively taken up by the state government to enable all the local bodies functioning similar to those local bodies in other parts of the country while enjoying the degree of autonomy to protect tribal culture, customs, and traditions. In view of this, the Government of Mizoram passed the Mizoram Finance Commission Act, 2010 (MFC Act, 2010) which stated, in its introduction, *'it is expedient to constitute a single State Finance Commission for all the local bodies which will also be suitable to local bodies exempted from the aforementioned provision of the Constitution on the basis of the existing administrative arrangements to enable all the local bodies to have financial autonomy to perform functions analogous to the functions of other local bodies constituted under Constitution Part IX and Part IX-A while retaining the distinctive tribal identity protected by the Sixth Schedule to the Constitution of India which is foundational to the local bodies of the State'.*

Under the Mizoram Finance Commission Act, 2010, the first State Finance Commission (SFC) with the nomenclature of 'Mizoram Finance Commission' was constituted on 30th September 2011 and the functioning period of the Commission is 2015 to 2020. The duration of the Commission was similar to the Central Finance Commission, i.e., five years. The first SFC is considered to be the most significant initiative undertaken by the state government towards decentralisation of powers and revenue to various local bodies of the state.

State Finance Commission was set up for prudence distribution of the share of revenue amongst several local bodies in Mizoram. In such distribution of the share of revenue, there are certain criteria adopted by the Finance Commission, namely, Population (2011), Area, Distance of ADC Headquarters from State Capital, Literacy, Villages Electrified, Non-Municipal Population, No. of Water Connection, Non-Municipal Area (Sq. Km) and Per Capita Income Distance (from highest income district in Rupee) etc.

The Commission submitted its report on 19th February 2015 which recommended devolution of 15 per cent of the state's Own Tax Revenue (OTR) to local bodies of the state and non-plan revenue deficit grants. The Report was laid in the Mizoram Legislative Assembly on March 2016 and subsequently, devolution to local bodies was implemented from May 2016. The Commission set out clear criteria with appropriate weights in determining the mechanism for the devolution of 15 per cent of OTR to the three Autonomous District Councils (ADCs) and Village Councils (VCs).

One thing that must not be confused is that the purpose of the Central Finance Commission and State Finance Commission is totally different. The Fifteenth Finance Commission, for instance, has chalked out criteria for 'Absolute share of Rural Local Body Grants for the period of 2020-2021'. Whereas the State Finance Commission has chalked out criteria for devolution of 15 per cent of the state's Own Tax Revenue (OTR) to local bodies of the state.

The importance of State Finance Commission could not be neglected in the future due to its subsequent role to be played in the devolution of funds to three Autonomous District Councils (ADCs), namely Chakma Autonomous District Council (CADC), Lai Autonomous District Council (LADC), and Mara Autonomous District Council (MADC). The recent Constitution One Hundred Twenty Fifth Amendment Bill introduced on 6th February, 2019 by the Minister of Home Affairs Shri Rajnath Singh in the Rajya Sabha has emphasized the importance of State Finance Commission. The following points are excerpt from the original bill –

"The Finance Commission appointed by the Governor for a State shall review the financial position of the District Councils including the Village Council and Municipal Council and to make recommendations to the Governor as to—

(*a*) the principles which should govern—

(*i*) the distribution between the State and the District Councils of the net proceeds of the taxes, duties, tolls and fees leviable by the State, and the allocation of such proceeds between the District Councils and the Village Councils and the Municipal Councils under its authority;

(*ii*) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the District Councils including the Village Councils and the Municipal Councils under its authority;

(*iii*) the grants-in-aid to the District Councils and the Village Councils and the Municipal Councils under its authority from the Consolidated Fund of the State;

(*b*) the measures needed to improve the financial position of the District Councils and the Village Councils and the Municipal Councils under its authority; and

(*c*) any other matter referred to the Finance Commission by the Governor in the interests of sound finance.

(*2*) The Governor shall cause every recommendation made by the Commission under sub-paragraph (*1*) together with an explanatory memorandum as to the action taken thereon to be laid before the Legislature of the State.";

If this amendment is enacted by both the Houses of Parliament and given the Consent by the President of the Republic of India, it will empower the State Finance Commission to devolve funding patterns to the Autonomous District Councils (ADCs) in the Sixth Schedule Areas. As such, the provision of 'direct funding' from the Central Government as claimed by local politicians in the ADCs areas will not be possible. Upon the amendment of the said constitution, if the bill is approved, it will be mandatory for the Sixth Schedule areas to be under the discretion of the State Finance Commission with regard to funding and this may be materialised by amending Article 280 of the Constitution of India. Over and above that, the propose amendment does not mention any provision for amendment of Article 275 (1). As such, often claim of direct funding by Sixth Schedule Area is only imaginative political propaganda which is far from reality. However, Mizoram was a little advance in setting up of the State Finance Commission in 2011 because some provision of the One Hundred and Twenty Fifth Amendment Bill is already accomplished. Due to that the role of Congress government regarding devolution of state own resources to local bodies in Mizoram was admirable. This is how budget for local bodies was prepared in Mizoram. However, the State Finance Commission was only formed in 2011 and prior to that, there was no commission or body formed by the State Government in dealing with devolution of funds to the local bodies in Mizoram.

Role of Government on Taxation: What shall be done?

Several shortages of Mizoram political economy has been already dealt in chapter 3 on ‘Sources of State Income’. The problem of Mizoram public finance is that state own revenue sources could not meet anticipated expenditure of the government. In other words, the main problem of Mizoram public finance is insufficiency of revenue which is mainly due to insufficiency in tax revenue. The main obstacle towards the generation of revenues in the state’s finance remains limited tax and non-tax base leaving the state limited scope for improvements in generation of revenues. Besides, there are cases of distortions in the tax system, stagnant tax rates in major taxes for the last many years and low levels of collection efficiency.

The people of Mizoram do not pay any direct tax except for those Professional Tax. State’s Own Revenue (SOR) sources come from an indirect tax levied by the state government. As such, the State Own Tax Revenue (SOTR) only constitutes state potential receipt which has been insufficient and meagre to meet necessary expenditure. Moreover, reform in tax structure and strengthening tax collection with Information Technology (IT) is hardly initiated by the state government. Restructuring of tax structure with IT will surely improve the amount of tax collection. What kind of tax restructure has been carried out by the government? What kind of Land Revenue system has been developed by the government? What type of Motor-Vehicle tax system has been reform by the government? All these questions regarding indirect tax reform in Mizoram are apparently important questions for everyone.

Unlike previous ministry, the new Congress regime in 2008 intended to restructure Taxation department hoping that Value Added Tax (VAT) collection might be improved to increase revenue receipt of the government. The government knew that

VAT will continue to be the main contributor to the state's tax revenues. To improve the collection, the government initiate implementation of restructuring of Taxation Department by carrying out the restructuring package drawn up by the Department. This is expected to bring in the efficiency of tax administration and corresponding tax collection efficiency.

However, tax collections, as well as tax efforts in the state, still leave a big scope for improvement. In fact, tax regime in Mizoram is endow with many disadvantageous characteristics like limited tax base, absence of private investment other than public investment, remote locations, poor infrastructure etc. These factors have banned the state from maximizing its own revenue. In spite of all these, full efforts are put into action to generate maximum own revenues. Necessary steps have been taken to ensure that all available resources are tapped and drawn on.

Computerization of Tax Administration in Mizoram

Development of exclusive citizen-centric web-based VAT and CST MIS software was undertaken under Mission Mode Project-Commercial Tax for Mizoram. The new system will cater to the state's specific tax administration needs and therefore, better prevention of tax evasion is expected on account of this computerization. The Taxation Department has undertaken this scheme under the National e-Governance Project (NeGP), Government of India. In keeping with the department's efforts towards streamlined and efficient e-governance system, it is the first time that an electronic tax portal has been put into operation within the state. It offers online service such as e-payment, e-registration, e-waybills and e-returns.

This is done through VAT-soft which was launched on 8th December, 2011. This initiative was done as a part of an effort to fully draw on any available taxable components and to prevent possible tax evasion in the state. This electronic tax portal is called *VATsoft* which has been launched and put into operation. It is accessible at *zotax.nic.in.* It offers online services such as (1) e-payment, (2) e-registration, (3) e-waybills and (4) e-returns. Besides, there are other plans underway to integrate other tax-related services. This has in effect increased the Sales Tax collection of the State

Government. While revenue collected under Sales Tax during 2012-13 was ₹ 175.87 crores, it increased to ₹ 190 crores during 2013-14 and ₹ 218.08 crores were expected during 2014-15 (Lalsawta, Budget Speech, 2014-2015).

Tax revenue is supposed to increase year by year but increase due to reform through computerization is the best and clean way to do it. In this part, the role of government in increasing taxation, especially State Own Tax Revenue (SOTR) is also admirable. If this initiative had been started since 2008, or 2003, revenue receipt through taxation will be huge and will surely create more room for capital outlay. In addition to this, State Government's Lottery business was resumed from June, 2012. An agreement has been signed with four firms to conduct draws on behalf of the government. It is scheduled to have 6 draws per day for each firm. Besides, administrative expenses are also charged to all firms at the rate of 400.00 per draw per scheme. This measure is being taken with an aim at improving state's own resources.

The congress government initially also intended to restructure taxes on vehicle. Taxes on account of motor vehicles was restructured in the form of capacity building of the officials involved and introducing the Management Information System (MIS) in tax collection system. This was expected to bring about an overall improvement in tax collection (Lal Thanhawla, 2009: 22). The government lately learnt that taxes on various vehicles collected under the Transport Department, Government of Mizoram have not been reviewed since 1997 and it became long overdue for revision. As such, the Mizoram Motor Vehicles (Taxation) Act, 2011 was put into place to revise the existing Vehicle Tax at par with the rate of pan-India. Accordingly, the state government has implemented a 15 years of road tax. Unfortunately, it was required to pause due to some pressure group as a result of which a Committee was formed to look into the matter meticulously once again (Liansailova, 2012-2013: 34).

Mizoram Development Tax

This section turns a bit towards theory application and moves away from what the government does in budgeting, but more focus on what the government ought to do.

Since there is no income tax in Mizoram, several suggestions have been made by several researchers. However, the government in dealing with taxes on income has taken no valid and authentic measures. Some people have suggested enhancing and augmenting the existing Professional Tax for development of Mizoram. The following statement is made by Dr. James L.T. Thanga in a report on state finance to the Fifteenth Finance Commission.

> "The tribal population living and working in Mizoram are exempted from paying income tax, but they are liable if income is earned in any other part of India. Given the need for augmenting resources for the state, it is a sound economic sense if professional tax is used as some kind of proxy for taxing earnings in Mizoram and keeping it under the state subject. In fact, there is no strong logic for fixing the ceiling of profession tax at ₹ 2500. *Instead, it has to be made progressive, according to the level of earnings of the income earners. However, any action on this matter would invite the amendment of Article 276 (2) of the Indian Constitution"* (L.T. Thanga, 2018: 35).

However, one must remember that amending the Constitution of India is not an easy task for a state having one Member of Parliament (MP) each in both the Houses. The issue of Direct Funding in the three ADCs of Mizoram or the abolition of the Chakma Autonomous District Council (CADC) which has been an intrigue political agenda in Mizoram makes it very clear that the Constitution of India is a rigid constitution. No person or no state can easily amend it to meet its selfish gain.

Anyhow, the need for improvement of tax revenue in Mizoram has not been changed. An initiative was taken by the Congress government to levy a direct tax which will increase tax revenue of the state government. In the initial stage, it was proposed that a new tax 'Mizoram Development Tax' will be introduced which was being undertaken by the Law Department & Taxation Department sometime in 2013. It is considered a replica of Income Tax currently levied by the Central Government (Fiscal Policy Strategy Statement, 2013-2014: 7-8). However, there is no such tax levied by the state government of Mizoram to date. Levying toll tax on the state road has been an issue in the state finance since long time back in a bid to augment own tax revenue. An initiative was also taken up by the Congress government to seriously take up the issue once again keeping in mind the necessity of generating additional resources to meet even the minimal requirement of Mizoram (Fiscal Policy Strategy Statement, 2013-2014: 7-8).

Before discussing the just principle of taxation, it might be necessary to discuss the importance of taxes for a state like Mizoram. Justice Oliver Wendell Holmes said that “Taxes are what we pay for a civilized society” (Samuelson & Nordhaus, 2010). Each and everyone living in society owes a debt to society. This general indebtedness to society is mainly repaid through proper taxation to the government. Some people also repay their debt to society through services and other things. The concept of general indebtedness emerges from the principle of Communitarianism which holds critical importance of society in articulating the good life. Communitarianism is often contrasted with liberalism, a theory which holds that each individual should formulate the good on his or her own (Etzioni, 2015). However, general public repays their debt to society either through direct or indirect taxes. Since the time of Thomas Hobbes till Adam Smith, the importance of government cannot be neglected and somehow even acknowledged by the classical liberalist as a ‘necessary evil’ institution (Heywood, 2012). Not only mercantilism but also Laissez-faire principle accepts the important of society or government.

In Mizoram, debt is paid through indirect taxes, such as user charge services rendered by the government, namely, water and electric charges and some other sales taxes. The principle of indirect tax somehow does not give the people a feeling of ownership right to the government. What if there are direct income tax levied by the Government of Mizoram? Will people be more socialized and politicalized? Will the public be more careful and cautious in government expenditure?

The problem of Mizoram has always been considered as one of the most ‘backward’ state in the Indian Union. This is due to its late starter not only in economics but also in political life. The present Chief Minister of Mizoram Zoramthanga in 2007-2008 budget speech said that “The State’s economy has been following the general path of the country’s development. However, being a relatively late starter that we are, we have a lot of ground to make up. Therefore, it remains the conscious efforts of the Government to catch up with the rest of the country in the overall economic development".

Political culture of the people of Mizoram is more backward compare to other states. What the state need is to become a more socialized and politicalized society. The safest way and prudent way for such socialization is to levy direct tax either in the form of 'progressive taxation' or 'development tax'. If the state government levies tax, people will possess ownership feeling towards the government; the people will be more cautious to public expenditure. In short, the people will be more vigilant, alert and watchful towards budget of the state government. The people will be driven by self-interest gain as propounded by classical liberalist. After all, the people will still pay so much of the spending of government. However, excessive taxation can become a burden for the people. In such situation, if direct tax is to be levied, it shall either relieve the burden of some other user charges indirect tax or reduce some indirect taxes, otherwise, the tax might become a burden for the society.

Assuming the Government of Mizoram levies direct tax, the fair means, or the just means of taxation needed to be considered. If 'justice as fairness' (the phrase is borrowed from Rawls' *Theory of Justice*) is to be believed, taxation based on the amount of income is the most fairness principle in which the outcome will be a *fair* tax or a *just* tax. There is a huge difference in the impact of 10 per cent income tax of rich and poor people. The impact of tax amongst family status determines whether tax is just or unjust. For instance, there are different pay scale or basic pay in the same group, cutting them a 10 per cent of the same group may be unjust. Tax based on the amount of income and its impact on dependent or the family may be the most appropriate income tax or development tax principle.

To accomplish *Fiscal Morality Situation also,* it is first necessary to accomplish tax morality in which the fair means, the just means of taxation must be employed. Fiscal morality situation means income balanced expenditure, income does not exceed expenditure, minimize expenditure while maximizing income.

When and if the people in the form of Development Tax or Income Tax or any other means pay tax, there will be lesser accumulation of capitals in private or individual pocket. Lesser accumulation of capital within the individual realm will lead to a rise in government income. The improved government income will raise standard of living of the people. Therefore, there is a correlation between Development Tax and standard of living. According to this hypothesis, the more tax is paid, the higher the standard of living. Similar correlation may be found within Malthus and Ricardian theory of population and accumulation of capital. However, in terms of the correlation between Development tax and standard of living, the former acts as an independent variable while the latter acts as dependent variable.

In the meantime, accumulation of capital, wealth and taxation and standard of living theory could not solve all economic and fiscal problems of society. Unemployment rises, budget continue deficit, and shortages of capital creation and non-independent in food and power production remain major problems face today in Mizoram. Therefore, where lies the real problems? In The General Theory of Employment, Interest and Money (1936), Keynes challenged classical economic thinking and rejected its belief in a self-regulating market. Adam Smith in his *Wealth of Nations* propounded self-regulating market. Keynes also attack Malthus and Ricardo's theory correlating standard of living, taxation, population, accumulation of capital and employment.

The ideas of Keynesianism (Keynes theory is called Keynesianism) were one of the chief targets of new-right criticism. Keynes had argued that capitalist economies were not self-regulating. He placed particular emphasis upon the ‘demand side’ of the economy, believing that the level of economic activity and employment were dictated by ‘aggregate demand’ in the economy. The government must regulate this aggregate demand, as Keynes’ claims in contrast to Adam Smith ‘invisible hand’.

Keynes’ solution to the problem of unemployment was that governments should ‘manage demand’ by running a budget deficit: government should ‘inject’ more money into the economy through public spending than it ‘withdraws’ through taxation (Keynes, 1937). However, in Mizoram, different kinds of budget deficit have been trying to contain by the government under the study year. In fact, there has always been fiscal deficit from 2010 till 2015; during 2015-2017 there was a short fiscal surplus but continuous deficit till 2020 (see Table 30 & Table 31). If Keynes theory is to be believed, fiscal deficit of Mizoram is likely to solve several economic hardship faces by the state, but it does not. Anyhow, Keynes argued that growth and employment levels are largely determined by the level of 'aggregate demand' in the economy, and that government can regulate demand, primarily through adjustments to fiscal policy, so as to deliver full employment (Heywood, 2012).

Keynes argued, however, that the level of economic activity, and therefore of employment, is determined by the total amount of demand – aggregate demand – in the economy. He suggested that if wage levels are cut, purchasing power within the economy will fall and with its aggregate demand (Keynes, 1937). If people have less money in their pockets to spend, firms will produce fewer goods, with the result that unemployment will continue to rise. A free market might consequently spiral downwards into depression and be incapable of reviving itself, which is what Keynes believed had occurred in the 1930s (Heywood, 2012).

Keynes suggested that governments can 'manage' their economies by influencing the level of aggregate demand. Government spending is, in effect, an 'injection' of demand into the economy. By building a school the government creates employment for construction workers and demand for building materials, the effects of which will ripple throughout the economy, as construction workers, for example, have the money to buy more goods. This is what Keynes called the 'multiplier effect'. Taxation, on the other hand, is a 'withdrawal' from the economy, it reduces aggregate demand and dampens down economic activity. Unemployment can therefore be solved, not by the invisible hand of capitalism, but by government intervention, in this case by running a budget deficit, meaning that the government literally 'overspends' (Keynes, 1937).

Anyhow, in line with theories laid down by Ricardo, Malthus and Keynes that the government must think carefully whether or not taxation will suffice fiscal imbalances and shortcomings of Mizoram. If Keynes is to be believed, continuous fiscal deficit shall be neglected because as per Keynes concept that the governments should 'manage demand' by running a budget deficit: government should 'inject' more money into the economy through public spending than it 'withdraws' through taxation. Meanwhile, if Malthus is to be believed accumulation of wealth leads to a rate of profits by the labourer. As such, the labourer in order to survive will extend their cultivation which in turn will increase production on food supply (Wahid, 1974: 128 - 129). When and if there is enough food supply, the labourer can rear a large number of children which eventually will increase the population. Therefore, in order to increase the population, it is mandatory and imperative to have enough food supply. In such a way, Keynes and Ricardo are on the same side disfavoring taxation without a balanced spending part which according to them is regarded as a mere 'withdrawal of wealth'. Malthus, on the other hand, favouring the accumulation of wealth, i.e., of taxation, which in turn will inject the 'will to work' amongst the people and the labourer.

On Government Priority or Politician Priority

Before the advent of the Congress Party in 2008 election, the then Chief Minister of Mizoram, Zoramthanga said in the Budget session of 2007-2008 that –

> "Agriculture & Allied Activities and Rural Development with particular emphasis on the various components of Bharat Nirman Programme continue to get our priority. Efforts will be made to connect all villages and habitations with all-weather roads during the Eleventh Plan period. In order to attain self-sufficiency in food production, development of potential flat land and minor irrigation will be taken up more vigorously" (Zoramthanga, 2007: 9).

However, still, after 10 years of the Congress regime, the government achieves no self-sufficiency in food production. Certain amounts of funds are disbursed every year for procurement of rice from outside the state (see Table 28). Apparently, the new ministry had a new priority. Furthermore, the then Chief Minister (CM) also said that construction of agricultural and horticultural link road is another priority area. Therefore, efforts will be made not only to connect agricultural fields/gardens where crops are grown, but also to provide employment to farmers during lean seasons.

Nevertheless, majority 60 – 70 per cent of the rural people during field visit still claimed that link roads are not yet enough and are still mandatory to facilitate rural agriculture works.

The government, before the congress ministry, knew that it was considered necessary to supplement the efforts under the State Plan by providing more funds for the development of Agriculture and Rural Development sectors from CSS, NLCPR, and NEC during the Eleventh Plan period in order to achieve the desired goals. As such, a special scheme called the Mizoram Intodelhna Project (MIP) was intended to implement after the 2008 election. However, Congress won the election and the NLUP had been the top priority of the state government since 2009 till 2019. Since 2019 the Mizo National Front (MNF) came back to power and the Mizoram Intodelhna Project (MIP) was augmented into the Socio-Economic Development Programme (SEDP). Whether the new flagship programme will suffice the state's needs is not known till date; time will tell.

Before the congress regime, the state government spent too much on social sector neglecting economic services which were regarded as an important determiners for the development of political economy. With regard to the quality of expenditure, notwithstanding the fact that the State Government has put much emphasis on improvement in social sector expenditure. In the Medium Term Fiscal Policy, average social sector expenditure as a percentage of the total expenditure of the state for the last five years (2003-2008) stands at 37.08 per cent. This is higher than an average expenditure of All States of India, which stands at 32.62 per cent. In simple terms, average percentage expenditure on social sector was higher than the All States of India average expenditure on the social sector. Similarly, within social sector, average expenditure on health and family welfare to total disbursement for the last five years stands at 4.1 per cent in Mizoram. This is again higher than an average of All States together, which stands at 3.8 per cent. Surprisingly, in case of education sector, average percentage of sectoral expenditure to total expenditure at 3.8 per cent was marginally less than the All States average (Medium Term Fiscal Policy Statement, 2008-2009, 2009: 2).

During 2006-'07, the MNF ministry created a new department called 'Minor Irrigation' with the intention of bringing about a more efficient implementation of irrigation in the state and for bringing about agriculture development for the state's economy. In all districts of Mizoram, it had boosted the income of paddy cultivators. However, there are certain impediments immediately after the department came to exist. Not only that the project began to deteriorate as soon as the Congress came to power, but also the project lacked strict monitoring and supervision creating the plan a waste of time and money. In such a way, the government priority shall be creating longevity planning and strict supervision in such works, especially on creation of capital assets.

Concerning government priority on flagship programme like the New Land Use Policy (NLUP), the role of government on funding pattern of the policy was misguided. In initial state of the ministry, the Planning Commission was unable to approve and finalized the new Annual Plan of the new Congress ministry. As such, in 2009 annual budget of the new ministry could not be laid before the Legislative Assembly. However, the new ministry intended to implement its flagship programme (the NLUP) even though the Planning Commission did not yet finalize the Annual Plan. While the approved outlay for Annual Plan 2008-09 was ₹ 100000 lakh, the revised outlay was ₹ 104,774.92 lakh. Since the size of Annual Plan for 2009-10 has not been fixed, ₹ 1000.00 crores which was the previous year outlay was tentatively proposed in which ₹ 100 crores was tentatively earmarked for implementation of the New Land Use Policy (NLUP) (Economic Survey Mizoram, 2008-2009: 3). The then CM Lal Thanhawla himself while presenting the interim budget of the state said that –

> "Since the Annual Plan size for 2009-10 is not yet finalized, it is not possible for me to make meaningful commitments towards developmental initiatives of my Ministry. The plan commitments and developmental initiatives will be highlighted at the time of laying of the regular budget. However, I will make a mention of only Revised NLUP, the flagship scheme of my Ministry…….. As duly incorporated in the election manifesto, Revised New Land Use Policy (NLUP) will be the flagship scheme of the Government as poverty alleviation and

> development of the poor population in the State. For this purpose, we propose for interim allocation of Rs. 100.00 crore in the budget" (Lal Thanhawla, 2009: 4)

Then, the intended ₹ 100 crores for flagship programme of the new ministry was a 10 per cent from the assume ₹ 1000 crores of Annual Plan which was yet to be finalized and approved by the Planning Commission. What is interesting here is that the new CM Lal Thanhawla in his speech before the election with Sangzela Tlau (local TV anchor) in a Talk Show 'Zotalk' said that his ministry will be intended to utilized a 5 per cent of State Annual Plan for flagship programme of NLUP (Lal Thanhawla, Zo Talk, 2008). However, even before the approval and implementation of the State Annual Plan, the new ministry intended to utilize a 10 per cent Annual Plan for the NLUP. During 2010-11, ₹ 234.82 crore was released by the Government of India for implementation of NLUP. Moreover, ₹ 15.83 crores had been expected to come from the Centrally Sponsored Scheme (CSS) through convergence. A total of ₹ 468.82 crores had been released by the Government of India for NLUP since its inception in 2010-11 (Liansailova, 2012-13: 6). Subsequently, an amount of ₹ 234.00 crores was released again for the same during 2011-12. In the meantime, in appreciation of the progress under NLUP, Planning Commission of India enhanced allocation for the year 2012-13 to ₹ 370.00 crore which was an increase of almost 60 per cent against the last year's allocation (Liansailova, 2012-2013: 22).

Anyhow, as suggested in the New Economic Development Policy (NEDP) launched in 2016, a strong budget execution system that monitors Departments and Agencies to adhere to approved budgets are not only required but also mandatory. Overspending, over-expenditure, and untimely spending of public finance do create problems. Of course, there has to be uncertainty in preparation of budgets for certain department and agency; and it is likely difficult to calculate a 100 per cent accuracy in estimation of budgets. Too much overspending and oftentimes/concurrent 'revised estimate' on projects, schemes, and plans must be reduced and minimized at all cost.

Conclusion

Taking everything into account, the Congress ministry has orchestrated the way public finance is now today in Mizoram since 2009. The implementation of the Mizoram Public Resource Management Programme immediately after the Congress came to power in 2009, the implementation of its flagship programme of the NLUP till the introduction of the New Economic Development Policy (NEDP) in 2016 have completed the role of state government in budgeting in Mizoram.

In particular to the role of government in budgeting, the way budget was prepared and the way it was enacted is not satisfactory. Budget must be prepared with a thorough consultation with all the government departments and agencies to achieve accuracy in budgeting. Budget planning and preparation is the process by which a government develops, approves, and enacts a budget.

Concerning the Twelve Finance Commission recommendation, the role of government was somewhat satisfactory in eliminating revenue deficit by 2008-09. The government of Mizoram successfully implemented this (see Table 21). In fact, in 2008-09 Financial Year the government of Mizoram has achieved a revenue surplus of ₹ 33933.43 Lakhs.

Although the role of government in reducing fiscal deficit under the study year was very poor, the role of the Government of Mizoram in achieving the Thirteenth Finance Commission (FC-XIII) is satisfactory. Despite unavailability of actuals data in 2013-2014 and 2014-2015 financial year, achievement of the state government in reducing outstanding liabilities is worthy of applaud. On the other hand, the recommendation of the Thirteenth Finance Commission to reduce fiscal deficit to 3 per cent of GSDP by 2014-15 could not be achieved due to continuation of overwhelming Revenue Expenditure. However, fiscal deficit limit recommended by the same Finance Commission was eventually achieved in 2015-16.

Despite all huge investments on the Guarantee Redemption Fund (GRF), the Government has decided major restructuring of Public Sector Enterprises (PSEs) in 2015. The main intention of the government was to save more fund for creation of capital assets in Mizoram which is likely to help in substantial revenue receipt in the years to come. Restructuring PSEs may be considered one of the biggest achievement of the government in containing increase pressure of public expenditure during the study period.

Despite enactment of the Fiscal Responsibility and Budget Management (FRBM) Act in 2006 in Mizoram, there has been a continuous fiscal deficit in Mizoram. Why fiscal deficit persist? The reasons for not conforming to the projected fiscal correction paths are due to expenditure on account of food subsidies, purchase of power and selling the same at a subsidized rate to the general public and many other items of revenue expenditures (Fiscal Policy Strategy Statement 2017-2018, 2017). This is already discussed in the preceding chapter under expenditure on Committed Liabilities. Therefore, independent on rice paddy production and power generation is an immediate solution to achieve fiscal correction path and eventually to fulfil fiscal surplus, not deficit.

The State Government must accomplish the condition of Fiscal Morality Situation and fiscal correction path. Fiscal morality situation means income balanced expenditure, income does not exceed expenditure, minimize expenditure while maximizing income.

Concerning fiscal consolidation of Mizoram which started since 2015, one can conclude that despite the fact that 'Year of Consolidation' removed heavy burden of Public Debt or Outstanding Liabilities, it has also made the Congress lost the election in 2018.

The need for implementation of Information Technology (IT) in the administrative set up of the government has also been neglected for far too long (Vanneihtluanga, 2017). The implementation of IT in administration is likely to reduce administrative staff, and thereby to minimize the administrative cost of the state government. However, in Mizoram, implementation of IT neither reduce administrative staff nor minimize administrative cost of the government, namely, salaries. This is due to reluctance of the politicians, the cabinet ministers, and the government to abolish unnecessary staff post/designation which is outdated by IT (Vanneihtluanga, 2017). In fact, this unnecessary post has accumulated a huge amount of government funds for salaries and pensions (see Table 6).

Implementation of IT in administration is less expensive and if the government is going to find a way to reduce revenue expenditure in the future, this is the way. For instance, complete digitisation of ration cards in 2015 alone filtered out 31500 double or bogus ration cards and about 4 lakhs death/double/non-existent persons. This initiative alone saved annual expenditure of around ₹ 100 crores for the purchase of foodgrains (L.T. Thanga, 2018: 52). This saving is more than what the Congress government earned revenue from excise duty in its last budget of 2018-2019 (see Annual Financial Statement 2020-2022). The Congress in its last annual budget has generated around ₹ 65 crores from state excise duty, however, more than this fund could be generated just from implementation of IT in the digitisation of ration cards in 2015. Therefore, computerization of all departments (both directorate and secretariat) is necessary to minimize excessive revenue expenditure.

As mentioned, the Congress has lost election in 2018 and the report of the Administrative Reforms Committee could not be implemented. However, immediately after the Mizo National Front (MNF) came to power in 2019, the first report of the Administrative Reforms Committee entitled Volume – 1 'Mizoram Houses & Streamlining of File Movement in Mizoram in Mizoram Secretariat' was submitted to the present Chief Minister Zoramthanga on 3rd September 2019. The second report entitled 'Reports and Recommendations of Administrative Reforms Committee Volume – 2' was also submitted to the Chief Minister on 9th March 2020 (Vanglaini, 2020). The second report contains several government posts which are no longer necessary for the government to run administration. These government posts are needed to abolish if the report is to be fully implemented.

It can be ascertained from findings of the researcher that administrative reform was initiated for the first time but not yet implemented till date in July 2022. Therefore, it could be labelled as the First Administrative Reforms Committee of Mizoram. Whether or not the new Mizo National Front (MNF) ministry implements the report of the Administrative Reforms Committee, it is the first Administrative Reform Committee in Mizoram.

If both Houses of Parliament enacted the Constitutional One Hundred Twenty Fifth Amendment Bill and the President of the Republic of India gives assent, it will empower the State Finance Commission to devolve funding patterns to the Autonomous District Councils (ADCs) in the Sixth Schedule areas. The provision of 'direct funding' from the Central Government as claimed by local politicians in the ADCs area will be impossible. Upon the amendment of the said provision, (considering the bill was approved) it will be mandatory for the Sixth Schedule areas to be under the guidance of State Finance Commission regarding fund allocation without fail. In addition to that, Mizoram is a little advance in setting up of the State Finance Commission in 2011, as such, the first State Finance Commission was already set up. Due to that the role of Congress government regarding devolution of state own resources to local bodies in Mizoram was admirable.

Tax revenue is supposed to increase automatically year by year, but an increment due to reform through computerization is the best and clean way to do it. In this part, the role of government in increasing taxation, especially State Own Tax Revenue (SOTR) is also admirable. If this initiative had been started since 2008, or 2003 (considering the IT revolution in the state), revenue receipt through taxation will be huge and will surely create more room for capital outlay.

Last but not the least, in line with theories laid down by Ricardo, Malthus and Keynes that the government must think carefully whether or not taxation will suffice fiscal imbalances and shortcomings of Mizoram. If Keynes is to be believed, continuous fiscal deficit shall be neglected because as per Keynes concept that the governments should 'manage demand' by running a budget deficit: government should 'inject' more money into the economy through public spending than it 'withdraws' through taxation. Meanwhile, if Malthus is to be believed that accumulation of wealth leads to a rate of profits by the labourer. As such, the labourer in order to survive will extend their cultivation which in turn will increase production on food supply (Wahid, 1974: 128 -129). When and if there is enough food supply, the labourer can rear a large number of children which eventually will increase the population. Therefore, in order to increase the population, it is mandatory and imperative to have enough food supply. In such a way, Keynes and Ricardo are on the same side disfavoring taxation without a balanced spending part which according to them is regarded as a mere ‘withdrawal of wealth’. Malthus, on the other hand, favours the accumulation of wealth, i.e., of taxation, which in turn will inject the ‘will to work’ amongst the people and the labourer.

Chapter 7

Conclusion

Karl Marx in his ‘Critique of Political Economy’ claimed that the method of political economy is normally considered by classical economists as it begins with population, then analyze it according to sub-division into classes, location in city, country, or by the sea, occupation in different branches of production. This analysis is further followed by exports and imports, annual production and consumption, prices of commodities, etc. The importance of population in economics have also been put forth not only by Malthus but also by Ricardo and others. It seems to be the correct procedure to commence with the real and concrete aspect of conditions as they are in the case of political economy. However, Marx considers that he proves this to be wrong (Marx, 1903). Marx contended that population is an abstraction if one leaves out the classes of which it consists. These classes, again, are but an empty word, unless if one knows the elements on which they are based, such as wage labour, capital, etc. In other words, Marx put prior importance on capital than the population because capital is the basis of division of classes which forms the population. As such, in order to fully understand the population, it is mandatory to understand the capital. The determination of classes may also include social and political laws which are the basis of every society. In fact, Marx himself realizes that ‘it is not the consciousness of men that determines their existence, but, on the contrary, their social existence determines their consciousness’ (Marx, 1903: 12). What Marx has in his mind is that social, politics and economics are interlinked and intertwined with each other. Those people who think that economics is a value-neutral science; who intended to study economics without linking with other disciplines and sciences (namely, politics) are only starting what Karl Popper describes it as ‘a ridiculous petty revolt against God’ (Popper, 1945: 72).

Politics cannot be totally segregated from economics or public administration or history or social work etc. In fact, it is sometimes necessary to link them in order to see a problem clearer facing society today. Keeping in mind of close ties amongst several disciplines of social sciences, this thesis is a journey to find a way of redemption in the socio-political-economic problem of Mizoram. Nevertheless, it is wrong to try to study politics without economics, or economics without politics. In fact, the whole objectives of this research revolves around the questions – which is prior, Politics or Economic? This question is tackled and discussed throughout the thesis with certain logical explanations.

For instances, since the inception of the Sialkal Range Development Council (SRDC) the new council has been given ₹ 50 Lakhs per one financial year during the Congress regime (Vanglaini, Sialkal Range Development Council-in Hmasawnna hnathawh dan tur an rêl, 2016); and increased up to ₹ 200 Lakhs from the new Mizo National Front (MNF) ministry since 2019 (Dampau, 2019). Due to raise in the budget, it is expected that the potential Wet Rice Cultivation (WRC) areas could be converted into a rice-producing field and the district might self-insufficient in rice production without the help of other district or states. But the political set-up within the council may determine whether it is to be implemented or not. Therefore, in order to develop, in order to raise the economy, and in order to have a decent livelihood or the good life, one must remember that it is the politics which must come first before development. In such a way, no economic development could be achieved without prior development on political aspects and it is safer to say that economy is within the ambit of political economy.

To improve border trade also, it is politics which needs to deal with the border people, not the economist. To check illegal import and export, it is the politics which must come first before the involvement of economics. To improve border trade; to improve the rural economy of the east using border trade, political involvement is imperative and mandatory. Economics development will come later. This is how and why economics should be within the realm of politics, and this is how the economy of the state is to be referred to as ‘political economy’.

One could say that this thesis is a dissection, an X-ray of sorts of the Congress Ministry's financial performance in Mizoram. However, it contains the historical performances of Mizoram public finance which are observed through Mizoram political economy.

The performance of the Congress ministry in the Sixth and Seventh State Legislative Assemblies in the state economy, especially in public finance is the essence of an inquiry of this research. The economy is linked with political aspect, so, it is important to label it as political economy. Model of family, system of family for better economy may be incorporated into the state system where better economy is the main goals of every statesman. As political leader and politicians intended to build a better economy, the father and mother of a family also intended to build a better income and a better economy for their children. People are like children of a statesman and politician, as a father and mother took care of their sons and daughter. Therefore, it is mandatory for a statesman to be morally true if he wants his children to grow up, as a father would do so if he wants his children to have a better life. Thereby, income, moral, ethics, economics, and politics, even the social life of the children are interlink with each other. A father or a statesman must have full knowledge of how these interlinks affect his sons and daughter, i.e., the people.

Concerning the price of a commodity, unlike Oil Palm cultivation, betelnut cultivators hardly criticized the price of their commodity. Businessperson from Assam and Tripura used to buy their betelnut product while they are still unreaped in the field. In other words, betelnut is often sold while it is not yet ripen and businessman from other states used to negotiate its price with the cultivators before the crops are ripen. This is due to strong demand from outside the state. In view of this situation, one may conclude that the statement made by Adam Smith regarding the interaction between demand and supply as the 'invisible hand' may be true. As such, it might be the right approach for the government to pursue development of political economy. However, it must be noted that there are certain shortcomings of liberal principle in economics, especially with regard to Smith's 'invisible hand'. This can be realized in the role of the state government on taxation.

As long as employment and state economy is a concern, creating jobs, not government but private jobs are the need of the hour. To save money, it is mandatory for government to reduce its spending on salaries, as such rightsizing and downsizing is vital for the health of Mizoram political economy. However, simply reducing jobs will not save money, but generating employment in terms of private partnership will lift economy of the state. The more unemployment is checked, the faster the economy shall rise.

It is well known that in Mizoram service sector is the main driver of the state economy and that another sector has not been growing as fast as anticipated. In spite of tremendous increase in the share of services in GSDP, there has not been a corresponding rise in the share of services in employment (Government of Mizoram, 2016: 24). Thereby, creating more employment in terms of private undertakings under service sector is not only necessary but also imperative.

Limitation of Fiscal Responsibility and Budget Management Rules, 2007

Although the government in 2006 passed an Act of Fiscal Responsibility and Budget Management (FRBM), it only eliminates revenue deficit but not fiscal deficit. The government must pass another Act or amend the present FRBM Act to prevent itself from the burden of excessive expenditure. In order to prevent all fiscal deficit in the future, a law must be made to prevent all political parties in power not to exceed its ministry's expenditure against its ministry's total receipt. A target percentage could be drawn for the government to follow expenditure limitation whomsoever in power; a direction to follow to limit expenditure balancing State Own Revenue and Capital outlay expenditure. For example, expenditure on capital outlay must not exceed thrice of the total State Own Revenue; if the total State Own Revenue for a particular financial year is estimated to be ₹ 10, then the state government will be permitted to spent ₹ 30 for capital outlay within a particular financial year.

There must be a law on expenditure commitments which shall be obeyed by all parties irrespective of ruling or opposition. The Government of Mizoram is far from 'Costly thy habit as thy purse can buy'. If this act is enacted, all parties will be bound by it not to exceed their expenditure beyond their income. Since there will be no fiscal deficit, there shall be no burden for the government regardless of who forms a government.

New law is necessary because even though the Congress government limited itself in spending funds for infrastructure in the name of Year of Consolidation, it could not prevent itself from public rumours. Subsequently, such alleged rumours somehow led to deterioration of its stronghold in 2018 election. If new law preventing too much expose of the public fund be passed in the Assembly, a more Fiscal Consolidation without jeopardizing election could be achieved and the party would have a more reasonable way to the public regarding its consolidation.

Some economists and writers may argue that fiscal deficit does not necessarily imply slow growth in development but on the contrary actual growth in infrastructural development. However, the incompatibility of income and expenditure still implies unbalance public finance which must be avoided at all cost. Not only that the new suggested law will prevent gross fiscal deficit, but it will also lead to balance public financing. Almost all the causes of gross fiscal deficit after the implementation of FRBM 2006 is due to the excessive expenditure on Capital outlay. The Capital outlay, which is meant to create a durable asset for the state have not been utilized as anticipated by the public. It is alleged by some politicians that the concurrent revised estimate on almost all the big projects on Capital outlay during the Congress regime has led the government to waste time and money. Thereby, the government was eventually compelled to enter a fiscal deficit situation at the end of every financial year.

On Increase of Grants due to Government Performance

One important factors of funding from the Finance Commission is that the increase and decrease of funds are determined by the performance of the State Government. For instance, out of ₹ 20.68 crores estimated to be available under Urban Local Bodies (ULB) Grant, ₹ 15.97 crore is for Basic Grant and ₹ 4.71 crore is for Performance Grant of the Urban Local Bodies. This means that based on the performance of Mizoram Urban Local Bodies, Grants from Central can be improved and increased. This is why the role of government is critical in making use or utilizing all available grants from the Central. Therefore, if the ULB of the State Government performed well in a specific time period, the continuation of balance funds can be easily received from Finance Commission. If not, balance fund are ceased and there shall be no continuation of funds from the Finance Commission.

Grants for Local Bodies are divided into Urban Local Bodies and Rural Local Bodies. Based on the performance of the State Government concerning the grants, additional *Spl. Area Basic Grant* and *Spl. Area Performance Grant* can be issued by the Finance Commission. As such, the good and bad performance of a particular ministry in Local Bodies can be measured by using *Spl. Area Basic Grant* and *Spl. Area Performance Grant.* If there are no *Spl. Area Basic Grant* and *Spl. Area Performance Grant* in the Annual Financial Statement (AFS), the present ministry may not perform well in Local Bodies. This analysis part is not popular to the people because of *Spl. Area Basic Grant* and *Spl. Area Performance Grant* are hardly found in the budget/AFS. This further means that the state government is not performing well in Local Bodies.

In fact, during 2007-2011, there has never been a single Budget Estimate (BE) on *Spl. Area Basic Grant* and *Spl. Area Performance Grant.* When the Congress ministry began to be stable in 2011-2012, they proposed it and contain in BE and implemented it. Moreover, during 2012-2015 the Congress ministry was able to perform well on Local Bodies and special grants to these sectors were allocated to them. However, from 2015-2016 till 2019-2020 budget, there are no proposed funds or estimated funds from *Spl. Area Basic Grant* and *Spl. Area Performance Grant.* It is doubtful that the new MNF ministry will be able to restore these special grants.

Importance of Tax

Since there is no direct tax in Mizoram, revenue generates in terms of taxation is too meagre to make a substantial change in the state. Before discussing the just principle of taxation, it might be necessary to discuss the importance of taxes for a state like Mizoram. Justice Oliver Wendell Holmes said that “Taxes are what we pay for a civilized society” (Samuelson & Nordhaus, 2010). Each and everyone living in society owes a debt to society. This general indebtedness to society is mainly repaid through proper taxation to government. Some people also repay their debt to society through services and other means. The concept of general indebtedness emerges from the principle of Communitarianism which holds the importance of society in articulating the good life. Communitarianism is often contrasted with liberalism, a theory which holds that each individual should formulate the good life on his or her own (Etzioni, 2015). However, the general public repays their debt to society either through direct or indirect taxes. Since the time of Thomas Hobbes till Adam Smith, the importance of government cannot be neglected and somehow even acknowledged by classical liberalist as a ‘necessary evil’ institution (Heywood, 2012). Not only mercantilism but also the Laissez-faire principle accepts the important role of society and government.

Whether or not the Government of Mizoram should levy tax in future is to be analysed using certain theoretical foundations. Considering certain theories laid down by Ricardo, Malthus and Keynes, the government must think carefully whether taxation will suffice fiscal imbalances and shortcomings of Mizoram. If Keynes is to be believed that continuous fiscal deficit shall be neglected because as per Keynes concept, the governments should ‘manage demand’ by running a budget deficit: government should ‘inject’ more money into the economy through public spending than it ‘withdraws’ through taxation. Meanwhile, if Malthus is to be believed that accumulation of wealth leads to a rate of profits by the labourer. As such, the labourer in order to survive will extend their cultivation which in turn will increase production on food supply (Wahid, 1974: 128 -129). When and if there is enough food supply, the labourer can rear a large number of children which eventually will increase the population. Therefore, in order to increase the population, it is mandatory and imperative to have enough food supply. In such a way, Keynes and Ricardo are on the same side disfavoring taxation without a balanced spending part which according to them is regarded as a mere ‘withdrawal of wealth’. Malthus, on the other hand favouring the accumulation of wealth, i.e., of taxation, which in turn will inject the ‘will to work’ amongst the people and the labourer.

On Role of Politicians

One important thing that has been neglected in Mizoram is the quality of political actors. The way how politicians behave, their role in development of the state, and their path to righteousness are important. Besides economics and public policy, role of government and role of the politicians in socio-economic development must not be neglected. Major issues in public finance, such as realistic estimation, continuous fiscal deficit, too much-revised estimate, and poor supervision in creation of capital assets are all link with the moral of politicians.

In Mizoram, infrastructure facilities are poor and the cost of service deliveries is high. Although Mizoram has a high literacy rate, there is no uniformity is the quality and standard of education and formal education does not guarantee employability (Government of Mizoram, 2016: 24). The problem of employment, poor condition of infrastructure, diluted morale of the people all link to the pattern of education the state possess. It is essential that provisions in the budget should be restricted to the amount required for actual expenditure. The Central Finance Ministry is interested in seeing that the departments do not obtain more/less money than what they really need. If a department is allotted funds which it does not need, it will deprive some other department of getting their required resources. This procedure is not necessarily followed in Mizoram. As such funds are sometimes diverted which fails to serve their original purposes. Poor estimation in capital outlay, unsupervised works which often leads to waste of fund, unnecessary works given due to partisan politics which often fails to serve their primary purposes have been popular in Mizoram. This is one reason why fund is not properly utilised in the state. The Government of Mizoram must set up a strict regulation for monitoring in all schemes, plans, and programme launch by both the Central/Union Government and the State Government.

Figure 4: Creativity or Corruption; Public Bathroom picture in Bualpui 'NG' village in Lawngtlai District, picture taken by the researcher during field work on 1st August 2019

The government must concentrate on what it needs, not on what it wants. The leftover departments or agencies must be restructured, if not demolished. Restructuring, downsizing and rightsizing of public administration must be implemented to enhance the task of some other departments whose works are very important and yet insufficient in the number of workers. Thereby, defunct departments and agencies may be utilized by avoiding unnecessary salaries and redundant fund paid to them. There has to be a clear plan for best utilization on income of the state.

Income of the state determines state fiscal position. Expenditure and role of government also determine state fiscal position. Determinants can be classified into Internal and External. Internal may include State Own Tax Revenue (SOTR), State Own Non-Tax Revenue (SON-TR), Capital receipt on Loan interests and payment profit, and role of state government in reducing expenditure. External determinants may include Share of Central Taxes/Devolution of Central Taxes, Grants from the

Recommendation of Finance Commission and Planning Commission, and other unforeseen borrowings and loans by the state government from outside the state.

Amongst the two determinants, external determinants have always been the major contributor of the sources of income of Mizoram. However, internal determinants are more important because minimizing spending on government administrations, such as pensions, salaries, normal administration fees, and role of government on other fiscal concerning matters are morally vital for the state's survival.

Of all planning, budget accuracy is needed. Overspending, over-expenditure and oftentimes revised estimation on almost all plans and schemes, projects, and programmes must be reduced and minimized. New legislation may also be needed to implement budget accuracy. However, it will not be easy to implement budget accuracy due to uncertainty during budget preparation. Uncertainty in terms of department expenditure is most likely to continue in the future but uncertainty in projects and schemes and plans may be tackled to reduce too much-revised estimate in the future.

Too much expenditure on unnecessary plans and schemes and projects may result in loss of confidence to the government. The repercussions on such actions may be the end of the party regime. Low levels of trust in government may hinder state revenues, rule of law and social fairness. As such, people must have faith in the government, they must see confidence in the government. As long as such confidence and faith persist amongst the people, government and politics are secured and stable.

Findings and conclusion

In conclusion of the thesis, public finance implies all revenue receipts of the Government and its expenditures. This thesis studies these receipts and expenditure during the Congress ministry in Mizoram during 2009-2019. Similar to the word 'Federalism', the word 'Budget' is nowhere to be found in the Constitution of India.

Upon conclusion of this thesis, it must be remembered that from the very beginning of public finance in Mizoram, grants from the central government has been one of the most important and critical sources of receipt. Accordingly, it can be realized from historical budget of the then Mizo Hills District that one of the most substantial revenues of the government till today is Grants-in-aid from the Central Government under Article 275(1) to the Constitution of India. This has been initiated in Mizoram since 1957-58 financial year (see Appendix 3).

Despite the fact that Year of Consolidation enabled the Congress government during its second term to repay certain outstanding liabilities on the one hand; but on the other hand, too long Year of Consolidation has also made the party lost election in 2018. Year of Consolidation means the government (Congress) intended to withdraw itself from making huge developmental works. In other words, the government halted huge developmental works which needed a huge amount of funds. These works mainly include such works under capital account whose main purpose was creation of capital assets. Year of Consolidation was done to re-structure good fiscal condition. As such, Year of Consolidation started since 2015-2016 (Lalsawta, Budget Speech 2017-2018, 2017: 3 & 13). The government lifted year of consolidation and concentrated on making huge developmental works since 2017-2018. Accordingly, the capital outlay in 2017-2018 has increased up to 35.57 per cent compared to the last Financial Year. However, this financial year 2017-2018 was almost election year and no huge developmental works could be put up before the election. This is due to certain election model code of conduct. Election model code of conduct barred several works which have been taking on since relaxation of the year of consolidation. For instances, in article VIII, clause 2, 7, 8, 9, 10, 11, 12, of model code of conduct 2015 restricted the ruling party (i.e., the Congress in this case) to halt almost all developmental works in an election year (Model Code of Conduct for Election Conducted by State Election Commission, Mizoram , 2015). As such, disbursement of funds for capital outlay (i.e., for creation of capital assets) has no time to make a critical impact on the voters. In other words, the congress party was too late to cease Year of Consolidation; had the year of consolidation been ceased one financial year earlier, several developmental works may be completed within two financial years and the people could have been able to show confidence in the Congress ministry. In short, concerning fiscal consolidation of Mizoram which had started since 2015, one can conclude that despite the fact that 'Year of Consolidation' has removed heavy burden of Public Debt or Outstanding Liabilities, it has also made the Congress lost election in 2018.

Anyhow, Mizoram has recorded an impressive fiscal consolidation without compromising Gross State Domestic Product (GSDP) growth during the last 7 years since 2009, i.e., since the Congress ministry. Ratio of public debt to GSDP has remain extremely and persistently high at above 100 per cent during 2004 to 2008 (it was 102.6 per cent in 2004, 108.9 per cent in 2005, 106.2 per cent in 2006, 101.0 per cent in 2007, and 103.5 per cent in 2008). There was a turnaround in 2009 with a sharp decline in the ratio of public debt to GSDP at 90.6 per cent, and it has declined continuously since then and it is estimated at 44.07 per cent only at Budget Estimate (BE) of 2015-16 (Economic Survey, 2015-16: 1). As discussed before, this is due to the Year of Consolidation proclaimed by the Congress ministry that public debt or outstanding liabilities have declined.

Concerning the revenue generated under State Own Tax Revenue (SOTR), there was a gradual development in the revenue receipt. However, since the inception of the Mizoram Motor Vehicles Taxation (Amendment) Act, 2015, collection of revenues under the Transport Department had progressively increased. The Mizoram Water Supplies (Control) (Amendment) Rules, 2011 came into force since 21st November, 2014. With the implementation of the Mizoram Water Supplies Rules, revenue generated through water tariff has shown a gradual increase. The revenue collected under State Excise has enlarged substantially since the inception of the Mizoram Liquor (Prohibition & Control) Act, 2014. A total amount of ₹ 51.50 crore was collected during the Financial Year (FY) of 2017-2018. The revenue to be generated under State Excise for 2018-19 Financial Year (FY) was therefore projected at ₹ 59.40 crore. The 2017-2018 Annual Financial Statement showed that the actual collection of revenue from State Excise duty in 2015-2016 was ₹ 60 crore. Estimate budget on State Excise in 2016-2017 was ₹ 43 crore and it was revised and re-estimated to ₹ 54 crores. When the state budget for 2017-2018 was laid before the Legislative Assembly by the then Finance Minister, the estimated revenue receipt under State Excise was marked at ₹ 51 crores (Lalsawta, Budget Speech 2017-2018, 2017). This was a substantial achievement of the Congress ministry in generating State Own Tax Revenue (SOTR). However, after the Congress got defeated in the 2018 election by the Mizo National Front (MNF), the Mizoram Liquor (Prohibition & Control) Act, 2014 was revoked. Upon the enactment of the Mizoram Liquor (Prohibition) Bill, 2019 by the Mizo National Front (MNF), it was projected that the annual revenue of ₹ 70 crores is likely to be lost by the state government (see Appendix 5). Thereby, it will not be surprising to know that the new MNF ministry faces certain fiscal shortcomings and imbalances during the Eight Mizoram Legislative Assembly (2018-2023).

The overall State Own Revenue receipt of the State Government of Mizoram hardly exceeds 10 per cent of the total revenue receipt. This is due to the poor performance of the State Government in State own Tax Revenue and Non-Tax Revenue. In fact, since 2006-2007 till 2015-2016 financial year, State Own Revenue (including tax and non-tax) could not exceeds 10 per cent from the total revenue receipt; 90 per cent of receipt were obtained in the form of Grants-in-aid and Devolution of Central Taxes (L.T. Thanga, 2018: 11).

It is known that revenue generated through State-owned in Mizoram, either tax or non-tax revenue are inadequate. If state-owned revenue is to be enlarged and if public spending is to be rational, direct tax should be levied by the State Government. When and if the State Government levies direct tax, people will possess ownership feeling towards the government; people will be more cautious to public expenditure. In short, the people will be more vigilant, alert and watchful towards budget of the state government. People will be driven by self-interest gain as propounded by classical liberalist. So much of the spending of the government will still be the money which is paid by the people. However, excessive taxation can become a burden for the people. In such situation, if direct tax in to be levied, it shall either relieve the burden of some other user charges indirect tax or reduce some indirect taxes, otherwise, the tax might become a burden for the society.

Is tax necessary? What if there is strong opposition from the public? Will there be any justification for the government? As discussed several times, “Taxes are what we pay for a civilized society” (Samuelson & Nordhaus, 2010). Each and everyone living in society owes a debt to society. This general indebtedness to society is mainly repaid through proper taxation to the government. Some people also repay their debt to society through services and other means. The concept of general indebtedness emerges from the principle of Communitarianism which holds the importance of society in articulating the good life. Communitarianism is often contrasted with liberalism, a theory which holds that each individual should formulate the good life on his or her own (Etzioni, 2015). However, the general public repays their debt to society either through direct or indirect taxes. Regardless of the Communitarian concept of debt, tax is what people pay for being humankind in society. One may relate the purpose of tax with Thomas Hobbes’ social contract theory in which men abandon the state of nature and establish a society and stay together (Gauba, 2014). Tax is what men pay to ‘Leviathan’ (namely, the government in modern notion) to protect themselves; to give themselves a better security, and to provide the basic necessities which men could not have acquired in the state of nature. Therefore, tax serves as a social contract between the people and the ruler, i.e., Leviathan or a government.

Some departments, namely Power, Water supply and Irrigation, Transport department are in a situation of Negative achievement. Negative achievement means the recovery from User charges of the service rendered by these Departments do not cover the maintenance cost/non-Plan expenditure of that Department. These departments have become a burden to the government. However, one cannot neglect the importance of these departments if one believes in the principle of Socialism. Services rendered through these departments are vital for survival of the public and that no ministry cannot ignore their importance. In other words, though State’s Own Tax Revenue is less in numbers, politicians must not neglect the importance of these taxes because services rendered through these departments are regarded as basic needs of the people. In terms of economic and public finance alone, these departments are to be closed down or to be privatized. However, in terms of socialism, these departments must be strengthened and restructured so that they could serve their purposes better to the public.

There has been an unbalanced growth in terms of share of Gross State Domestic Product (GSDP) by three sectors, namely Agriculture & Allied Sector, Service Sector, and Industrial Sector. Unbalanced growth was slowly altering towards a positive direction. This improvement was hypothetically assumed due to implementation of the New Land Use Policy (NLUP) for two consecutive terms by the Congress ministry.

The most important findings of all in this research is that Politician/statesman needs a lesson in moral philosophy. The Seventh Mizoram State Legislative Assembly Finance Minister, Mr. Lasawta, has made it clear that Top Leader, i.e., the Chief Minister is very important and that no positive and balanced growth cannot be implemented if the top leader declined to do so (Lalsawta, 2019). So, the leader must be a sage, wise, lover of truth and wisdom as Plato put it and only then the ruler will be fitted enough to teach the people to follow the path of righteousness. Therefore, political socialization and political culture must not be neglected by the leaders for which it is the door to the best political development.

Why fiscal deficit still persist? The reasons for not conforming to the projected fiscal correction paths are due to expenditure on account of food subsidies, purchase of power and selling the same at a subsidized rate to the general public and many other items of revenue expenditures (Fiscal Policy Strategy Statement 2017-2018, 2017). Therefore, self-sufficiency on paddy production and power is an immediate solution to achieve fiscal correction path and eventually to fulfil fiscal surplus, not fiscal deficit. Despite enactment of the Fiscal Responsibility and Budget Management (FRBM) Act in 2006 in Mizoram, there has been a continuous fiscal deficit in Mizoram. This is discussed in chapter 5 under expenditure on Committed Liabilities.

There has been expanding expenditure on committed liabilities. Expenditure on Committed liabilities include expenditure on salary, pension, interest payments on loans, and this should be a great concern for the state government in its effort to enhance fiscal space. Committed liabilities means state governments are obliged to pay them even if they face financial shortages. Expenditure on Committed Liabilities has become a burden for the government. As such, a prudent ruler must find a way to augment this negative growth. Restructuring of public administration in the form of downsizing and rightsizing is suggested to enhance the present burden on committed liabilities.

In another conclusion on expenditure of the government under the study year, around 45-50 per cent of the total budget receipt is used every year for committed liabilities which includes expenditure on salaries, pensions, interest payment and subsidies on food grains, power and water supply (see Table 6). Moreover, 65 per cent of the total Annual Plan which forms around 30-40 per cent of the total budget receipt is used for Plans projects, schemes and programmes which include plans under NABARD, LIC, NCDC, One-Time ACA, EAP, Plans under Finance Commission, Special Central Assistance, and NLUP etc., (Explanatory Memorandum, 2011-2012: 6). Again, 10-20 per cent of the total budget receipt is used every year for capital outlay which forms major parts of creation of capital and durable assets in Mizoram (see Table 22). Therefore, if looked closely and accurately, one needed to emphasis on rightsizing and downsizing of the government administration and cut down too much expenditure on subsidies**.** The government must save more fund for creation of capital assets for which they form infrastructure development of the state.

Concerning expenditure on subsidy, the present trend of excessive expenditure on account of purchase of electricity and food grains needs to review immediately either in the form of generating additional requirement within the state or increasing the existing tariff rate of electricity and hiking the selling price of food grains. Due to this, State Government losses a huge amount of fund under Non- Plan Expenditure which will pose a threat to fiscal position of the State finance in the near future (Medium Term Fiscal Policy Statement, 2011-2012: 5). Expenditure on procurement of food grains lead to loss of huge revenue for the state government (see Appendix 7).

In implementation of the Centrally Sponsored Scheme (CSS), especially in the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the fund is being wasted due to poor monitoring of the scheme. This is mainly happening in Mizoram under the MGNREGS implementation. If the fund is to be saved or utilized, restructuring of permissible works under the scheme must be re-framed or amended to meet necessary expectations of the beneficiaries in all rural areas of Mizoram. Too much power of VC that often overrule the power Gram Sabha is also another problem which results in enormous wasting of the CSS fund in Mizoram. If public finance is to be restructured in Mizoram, a thorough understanding of the mandate of all CSS must be necessary and that separate research may also be conducted.

Manipulating revenue expenditure has something to do with the election. For instance, revenue surplus continues to exist till 2018 which shows that revenue expenditure does not jump as anticipated. This may or may not link to the ministry's proposal on 'year of consolidation' which simply means saving more fund for creation of capital assets. Anyhow, it might be safe to say that too much revenue surplus in the next election years leads to less revenue expenditure on the government's flagship programme NLUP. This may or may not be another reason for losing the election in 2018.

Regarding tourism development in Mizoram, Table 24 reveals the expenditure statement of the Government of Mizoram on tourism under the study year. Both the total tourism expenditure and expenditure outlay on tourism hardly exceeds 1 per cent of the total budget receipt. In some departments, in some schemes and programmes, in some projects and liabilities, the state government has spent more than 50 per cent of the total budget receipt. However, in one of the most potential areas that Mizoram possesses to generate more revenue in the future, the state government does not spend a substantial amount of fund for capital development. Therefore, it is prudent for researchers and academicians that an analysis must be made on the government expenditure that not only concentrated on big-government schemes and projects but also on small expenditure. What the 'government does' and what the 'government does not' in a particular area or field has the same importance. This is what drives the Post-Behaviouralist in the late 1960s in American politics (Varma, 1975). Issues not raised, powers not challenged, energies not mobilized, analyses not developed – must all be taken into consideration by the party in power. 'On what field that the government took actions' has equal importance with 'on what field that the government does not take actions'. For instance, Tourism development, border dispute, ethnic tensions, removal of food and power subsidy, fiscal correction path, and rightsizing of administration etc., are some of the fields that the government does not take meaningful actions in Mizoram. In the meantime, NLUP projects, CSS, Mizoram Liquor Prohibition and Control (MLPC), and school timing reform etc., are some of the most popular fields that the government took actions during the study year. In light of this statement, tourism development in Mizoram is one of the best potential not utilized and not mobilized. These issues must be taken into consideration not only for future development, but also to avoid certain political upheavals and uprising in the state.

The idea of spending little has always been the main intention of Congress ministry. However, spend a little is hard. As Jean-Baptiste Say (1767-1832) viewed that - "the very best of all plans of finance is to spend little and the best of all taxes is that which is least in amount". While spend little are hard, spend right or correct spending can be done. This is the task of politician who forms a government.

Regarding the role of state government in Mizoram, the Congress ministry has orchestrated the way public finance is now today in Mizoram since 2009. The implementation of the Mizoram Public Resource Management Programme immediately after the Congress came to power in 2009, the implementation of its flagship programme of the NLUP till the introduction of New Economic Development Policy (NEDP) in 2016 have completed the role of state government in budgeting in Mizoram.

In particular to the role of the government in budgeting, the way budget was prepared and the way it was enacted is not satisfactory. Budget must be prepared with a thorough consultation with all government departments and agencies to achieve accuracy in budgeting. Budget planning and preparation is the process by which a government develops, approves, and enacts a budget.

Concerning the Twelve Finance Commission recommendation, role of the Government of Mizoram under the study year is somewhat satisfactory. The Twelve Finance Commission recommended eliminating revenue deficit by 2008-09. This has successfully implemented (see Table 21) by the Government of Mizoram. In fact, not only the government eliminated revenue deficit, but also in 2008-09 Financial Year the Government of Mizoram has achieved revenue surplus of ₹ 33933.43 Lakhs.

Although the role of government in reducing fiscal deficit under the study year was very poor, the role of Government of Mizoram in achieving the Thirteenth Finance Commission (FC-XIII) recommendation was satisfactory. Despite unavailability of actuals data in 2013-2014 and 2014-2015 financial year, achievement of the state government in reducing outstanding liabilities were also worthy of applaud. On the other hand, the recommendation of Thirteenth Finance Commission to reduce fiscal deficit to 3 per cent of GSDP by 2014-15 could not be achieved due to continuous overwhelming of revenue expenditure. However, fiscal deficit limit recommended by the same Finance Commission was eventually achieved in 2015-16.

Despite all huge investments on the Guarantee Redemption Fund (GRF), the Government has decided major restructuring of Public Sector Enterprises (PSEs) in 2015. The main intention of the government was to save more fund for creation of capital assets in Mizoram which was likely to help in substantial revenue receipt in the years to come. According to the report on restructuring of PSEs, three PSEs namely, Zoram Electronics Development Corporation (ZENICS), Mizoram Handloom & Handicrafts Development Corporation (ZOHANCO), and Mizoram Agricultural Marketing Corporation (MAMCO) were to be closed down. Zoram Industrial Development Corporation (ZIDCO) is to be restructured for state ownership due to its moderate cost for restructuring, as such restructuring would be done using government resources; Mizoram Food and Allied Industries Corporation (MIFCO) was to be privatized due to maximum restructuring cost. Restructuring PSEs may be considered as one of the biggest achievement of the government in containing increase pressure of public expenditure during the study period. As many as 135 employees of the said PSEs retired under the Early Retirement Rules (ERR) 2015. At the same time, 51 employees were absorbed into various posts under the government. The implementation of ERR schemes made substantial savings to the state budget. The estimated salary of employees who retired under the scheme was ₹ 76.12 crores, which would bring a saving of ₹ 42.52 crores approximately (L.T. Thanga, 2018: 52). This saving can buy food grains for the whole state for a period of approximately six months (compare & compute with Table 28).

The State Government must accomplish the condition of Fiscal Morality Situation and fiscal correction. Fiscal morality situation means income balanced expenditure, income does not exceed expenditure, minimize expenditure while maximizing income.

The need for implementation of Information Technology (IT) in the administrative set up of government has been neglected for far too long (Vanneihtluanga, 2017). Implementation of IT in administration is likely to reduce administrative staff, and thereby to minimize the administrative cost of the state government. However, in Mizoram, implementation of IT neither reduces administrative staff nor minimizes administrative cost of the government, namely, salaries. This is due to reluctance of the politicians, the cabinet ministers, and the government to abolish unnecessary staff post/designation which is outdated by the IT (Vanneihtluanga, 2017). In fact, these unnecessary post has accumulated a huge amount of government funds for salaries and pensions (see Table 6).

Implementation of IT in administration is less expensive; and if the government is going to find a way to reduce revenue expenditure in the future, this is the way. For instance, complete digitisation of ration cards in 2015 alone filtered out 31500 double or bogus ration cards and about 4 lakhs death/double/non-existent persons. This initiative alone saved annual expenditure of around ₹ 100 crores for the purchase of food grains (L.T. Thanga, 2018: 52). This saving is more than what the Congress government estimated to earned revenue from excise duty in its last budget of 2018-2019 (see Annual Financial Statement 2020-2022). The Congress in its last annual budget has generated around ₹ 65 crores from state excise duty, however, more than this fund could be generated just from the implementation of IT in the digitisation of ration cards in 2015. Therefore, computerization of all departments (both directorate and secretariat) is necessary to minimize excessive revenue expenditure.

The need for administrative reforms, either in the form of rightsizing or downsizing has never been a manifesto of the ruling party under the study year. Accordingly, the need was felt lately and Administrative Reforms Committee was constituted as suggested in the New Economic Development Policy (NEDP) in 2016. Unfortumately, the party has lost the election in 2018 and the report of the Administrative Reforms Committee could not be implemented. However, immediately after the Mizo National Front (MNF) came to power in 2018, the first report of the Administrative Reforms Committee which is entitled Volume – 1 'Mizoram Houses & Streamlining of File Movement in Mizoram in Mizoram Secretariat' was submitted to the present Chief Minister Zoramthanga on 3rd September 2019. The second report entitled 'Reports and Recommendations of Administrative Reforms Committee Volume – 2' was also submitted to the Chief Minister on 9th March 2020 (Vanglaini, 2020). The second report contains several government posts which are no longer necessary for the government to run administration. These government posts are needed to be abolished if the report are to be fully implemented.

It is ascertained from the findings of the researcher that administrative reform was initiated for the first time in Mizoram but not yet implemented till date in July, 2022. Therefore, it could be labelled as the First Administrative Reforms Committee of Mizoram. Whether the new Mizo National Front (MNF) ministry implement the report of the Administrative Reforms Committee or not, it is important mile stone in administrative development of Mizoram. However, in order to minimize public expenditure and save more fund for capital development, this report must be implemented either partially or fully.

If both Houses of Parliament passed the Constitution One Hundred and Twenty Fifth Amendment Bill and the President of the Republic of India gives consent, it will empower the State Finance Commission to devolve funding patterns to the Autonomous District Councils (ADCs) in the Sixth Schedule Areas. However, the provision of 'direct funding' from the Central Government as claimed by local politicians in the ADCs areas will not be possible because it is not in the provision of the constitution of India. Upon the amendment of the said constitution, (considering the bill was approved) it will be mandatory for the Sixth Schedule areas to be under the guidance of the State Finance Commission without fail. In addition to that, Mizoram was a little advance in setting up of the State Finance Commission in since 2011. Due to that the role of Congress government regarding devolution of state own resources to local bodies in Mizoram was admirable.

Tax revenue is supposed to increase automatically year by year, but an increment due to reform through computerization is the best and clean way to do it. In this part, the role of government in increasing taxation, especially State Own Tax Revenue (SOTR) is also admirable. If this initiative had been started since 2008, or 2003 (considering the IT revolution in the state), revenue receipt through taxation will be huge and will surely create more room for capital outlay.

The ever increasing revenue expenditure surpassing the growth rate of capital outlay (creation of capital/durable assets in the state) invites serious attention. Meanwhile, increasing resource allocation for government administration at the cost of expenditure for creation of additional assets do not bear sound economic rationality (L.T. Thanga, 2018). As such, decreasing revenue expenditure is a crucial and prudent task of every ministry. However, this can be done only when downsizing and rightsizing of the administration of Mizoram is initiated.

Considering everything into account, since there are shortages of revenue receipt in terms of state-owned revenue, resources must be obtained from all possible means to increase state-owned revenue. To utilize present revenue receipt of the government, there must be administrative reforms either in the form of downsizing or rightsizing. In order to maximize potential area for tax revenue, direct tax in the form of progressive or development tax within the state is commendable in which the people could be more cautious and more alert. Until and unless expenditure on committed liabilities and subsidies are not reduced to a significant level, there will be continuous fiscal shortcomings and imbalances in the future. Therefore, self-sufficiency in food grains and power are mandatory. Exploring all potential areas including tourism is suggestible in which capital expenditure on tourism and other potential areas must not be neglected. Exploring issues not raised, energies not mobilized, potentials not utilised, and power not challenged must be the new homework of the political party(s) in power. Fiscal imbalances in terms of share of GSDP by Agriculture & Allied sector, Service sector, and Industrial sector are largely caused by neglecting of general economic performances for the last 20 years or so. If the government is willing to balance this share of economic growth, there must be huge improvement in Agriculture & Allied sector because this sector constitutes majority of the population in Mizoram.

Appendices

Appendix 1: Constitution of District Fund for the Lushai Hills autonomous district.

Treasury

CB-5

T-53

GOVERNMENT OF ASSAM
TRIBAL AREAS AND DEVELOPMENT DEPARTMENT.

No. TAD/R/23/52 Shillong, the 17th July, 1952.

From: Shri R.V.Subrahmanian, I.A.S.,
Secretary to the Government of Assam,
Tribal Areas and Development Department

To: The Deputy Commissioner, Lushai Hills.

Subject: Constitution of District Fund for the Lushai Hills autonomous district.

Sir,

I am directed to say that the Governor of Assam is pleased to sanction the constitution of the District Fund for the Lushai Hills autonomous district, as laid down in para 7(1) of the Sixth Schedule to the Constitution. Necessary rules for the management of the said District Fund, as required under para 7(2) of the Sixth Schedule, are still under consideration and will be issued shortly by the District Council concerned. Pending, however, the publication of these rules and consequential management of the Fund thereunder, the said Fund shall be operated by the Chief Executive Member of the Executive Committee of the Lushai Hills District Council. The accounts of this District Fund at the Aijal Treasury shall be kept as a purely banking account (vide S.O. 115 et seq to Assam Treasury Rules and Subsidiary Orders) and classified under the head "P-Deposits and Advances - Deposit of Local Funds - District Fund - Sixth Schedule District Fund (Lushai Hills)".

2. The Governor of Assam is also pleased to sanction the payment of an advance of Rs. 30,000/- (Rupees thirty thousand only) to the District Council of the Lushai Hills District to enable it to meet therefrom the following items of expenditure relating to the affairs of the District Council:-

(a) Pay and allowances of the members of the Executive Committee Chairman and Deputy Chairman of the District Council, Secretary of the Executive Committee/District Council and ministerial and menial staff of the Executive Committee and the District Council;

(b) Travelling allowances of the members of the District Council

(c) Contingencies including typewriter and furniture.

In the case of expenditure on any items not covered by clauses (a) and (b) above, the prior approval of the Government should be obtained by the District Council through the Deputy Commissioner.

3. Proper accounts of the said District Fund should be maintained by the Council in accordance with the procedure suggested in the Model District Fund Rules and/or as directed by the Comptroller, Assam.

4. The payment of the advance of Rs. 30,000/- will be debitable to the head 'R-Loans to Municipalities, Port Funds etc,- Loans to District and Local Fund Committees- Loans to Autonomous District Council Funds- Lushai Hills District Fund" in the current year's budget and will be met from the contingency Fund for the present.

The amount of advance should be drawn by the Chief Executive Member of the District Council on a miscellaneous bill form duly receipted and stamped, and paid by the Treasury Officer by transfer credit to the District Fund mentioned in para 1 above, on receipt of authority from the Comptroller, Assam.

Yours faithfully,
Sd/- R.V.Subrahmanian,
Secy.to the Govt.of Assam, Tribal Areas and Development Department.

....

Memo No.DC.2/52/95-96. Dated Aijal, the 26th July, 1952.

Copy to (1) Treasury Officer, Aijal. (2) Chief Executive Member, L.H.D.C.

Deputy Commissioner, Lushai Hills.

REGISTERED.

OFFICE OF THE COMPTROLLER: ASSAM.

No.BK/20-1/52-53/730. Dated Shillong, the 26th July, 1952.

From
The Comptroller,
Assam.
Book Section.

To
The Treasury Officer,
AIJAL.

RS 4/8/52

Sir,

Subject:- Grant of an advance of Rs.30,000/- to the Lushai Hills District Fund.

The Government of Assam having in their letter No. TAD/R/23/52, dated the 17th July, 1952 sanctioned an advance of Rs. 30,000/- (Rupees thirty thousand) only to the Lushai Hills District Fund, I have to authorise you to pay the said amount of Rs. 30,000/- (Rupees thirty thousand) only to the Chief Executive Member of the Lushai Hills District Council on production of a bill in a miscellaneous voucher form duly signed by him by transfer credit to the Personal Ledger Account of the Lushai Hills District Fund at the Treasury. The opening of the banking account under S.O.115 of the Assam Treasury Rules and Subsidiary Orders is hereby authorised. The transactions may be provisionally booked under the head "P-Deposits and Advances - Deposits of Local Fund - District Fund - Sixth Schedule District Fund (Lushai Hills).

The amount when paid may be included in the State Lists of payments under the head "R-Loans and Advances by the State Governments - Loans to District and Local Fund Committees - Loans to Autonomous District Council Funds ". The date of drawal of the advance may be intimated to this office for information and necessary action.

Yours faithfully,

Assistant Accounts Officer.

(1) Noted
(2) Dr. Zensma may please note
4/8/52

1952
~~1018 A~~ 34
1018 A
4.8.52

Appendix 2: Budget Estimate of Lushai Hills District Council for 1953-54 Financial Year

OFFICE OF THE LUSHAI HILLS DISTRICT COUNCIL

No.E. 69 /B-3 Dated Aijal, the 19 January, 1953.

From

The Chief Executive Member,
Lushai Hills District Council, Aijal.

To

The Secretary to the Government of Assam,
Tribas Areas & Development Department, Shillong.

Subject: District Council Budget for 1953-54.

Sir,

In referring to this office No.E.365/B-1 of 9.12.52 the District Council Budget for the year 1953-54 as passed by the Lushai Hills District Council in the third Session is sent herewith.

Considerable diviation for the budget estimate submitted with the above quoted letter has been made by the Council in omitting from the heads of receipts the following receipts :-

(1) Probable balance at the commencement of the year - - - - - - - - - - Rs 100,000/-

(2) Paddy Tax (under Land Revenue) - - - Rs112,154/-

Total Rs 2,12,154/-

28.26
SC-1/52
19/1/53

These two alterations had to be made on receipt at the last moment of your letter No.TAD/R/41/52 of 26.12.52 and No. TAD/R/103/52 of 4.1.53 (second paragraph) respectively. The total amount of Rs 2,12,154/- has therefore been transferred against the head XVI- Loans, Advances and Submision from Government of Assam which is unavoidable as the estimated expenditures cannot be reduced to such an extent.

I would therefore request you kindly to move Government to make this amount available for this District Council and communicate the decision as early as possible.

Yours faithfully,

Encl: 1.

Sd/- F. Sangkunga,
Member i/c Financial Affairs,
for Chief Executive Member,
Lushai Hills District Council.

forwarded by

Secretary, 19.1.53
Executive Committee,
Lushai Hills District Council

Memo No.E 70 /B-3 Dated Aijal, the 19 January, 1953

Copy to the Deputy Commissioner, Lushai Hills with a copy of the budget.

Sd/- F.Sangkunga,
for Chief Executive Member, L.H.D.C

Appendix 3: Detailed Estimate of Revenue and Expenditure for the Year 1957-58 for the Mizo District

Deputy Commissioner,
Mizo District.

CONFIDENTIAL

Revenue
CB-12
Rev – 147

सत्यमेव जयते

GOVERNMENT OF ASSAM

Detailed Estimates of Revenue and Expenditure
for the year
1957-58

FOR THE MIZO DISTRICT

(To be treated as strictly confidential till placed before the Assembly)

1957
PRINTED AT THE ASSAM GOVERNMENT PRESS
SHILLONG

STATEMENT B

Financial Statement of Expenditure

Heads of Expenditure	Budget estimates, 1957-58	Revised estimates, 1956-57	Budget estimates, 1956-57	Actuals, 1955-56
	Rs.	Rs.	Rs.	Rs.
4.—Taxes on Income other than Corporation Tax.	...	...	...	...
7.—Land Revenue	13,04,441	6,200	13,04,200	2,362
9.—Stamps	510	200	175	556
10.—Forest	2,29,700	1,86,400	2,07,800	49,496
12.—Charges on account of Motor Vehicles Taxation Act.	2,305	2,400	2,400	2,308
13.—Other Taxes and Duties ...	9,500	9,800	9,800	8,471
18-B.—Navigation, Embankment and Drainage works.	...	...	...	...
25.—General Administration ...	3,42,806	3,45,383	3,37,636	3,20,903
27.—Administration of Justice ...	2,500	1,000	2,500	2,069
28.—Jails and Convict Settlements	26,165	26,810	26,290	29,104
29.—Police	12,45,917	5,86,300	8,32,716	4,33,019
37.—Education	9,69,750	8,04,000	8,72,750	8,95,953
38.—Medical	2,60,099	2,17,100	2,40,599	2,35,040
39.—Public Health	1,29,033	2,69,400	3,41,500	3,01,503
40.—Agriculture	2,56,816	2,99,000	3,49,980	1,37,691
41.—Veterinary	17,200	45,200	51,487	10,099
42.—Co-operation—I.—Co-operative Societies.	53,600	38,050	53,033	91,623
42-A.—Co-operation—II.—Rural Development.	78,400	70,225	62,990	14,249
43.—Industries and Supplies—I.—Sericulture and Weaving.	1,32,018	1,07,100	1,14,097	65,133
43.—Industries and Supplies—II.—Cottage Industries.	14,334	13,700	13,699	...
47.—Miscellaneous Departments	550	300	400	104
50.—Civil Works	50,69,716	69,09,700	51,07,100	33,97,376
54.—Famine Relief	30,000	25,000	15,000	72,798
55.—Superannuation Allowances and Pensions.	26,700	26,800	26,600	28,342
56.—Stationery and Printing ...	1,725	1,700	1,725	...
57.—Miscellaneous — Voted ...	7,13,079	6,64,100	6,64,451	6,96,033
57.—Miscellaneous — Charged ...	...	...		...
63.—Extraordinary Charges ...	...	...	...	2,485
63-B.—Community Development Project.	5,81,880	2,51,850	3,97,270	...
63-B.I.—Community Development Project—N.E.S. Local Development Works.	1,72,255	1,33,334	1,59,300	...
71.—Capital Outlay on Schemes of Agricultural improvement and Research.	...	...	12,300	...
81.—Capital Account of Civil Works outside the Revenue Account.	6,17,000	...	1,42,000	...
81-A.—Capital outlay or Electricity Scheme.	2,21,000	...		
85-A.—Capital Outlay on schemes of State Trading.	5,600	9,800	6,700	10,393
Loans and Advances by the State Government.	69,500	80,000	1,18,000	...
Grand Total — Voted ...	1,25,66,499	1,11,30,852	1,14,74,198	69,07,110
Grand Total — Charged ...	...	...	...	...

STATEMENT B

Financial Statement of Expenditure

Heads of Expenditure	Budget estimates, 1957-58	Revised estimates, 1956-57	Budget estimates, 1956-57	Actuals, 1955-56
	Rs.	Rs.	Rs.	Rs.
4.—Taxes on Income other than Corporation Tax.	...	...	...	...
7.—Land Revenue	13,04,441	6,200	13,04,200	2,362
9.—Stamps	510	200	175	556
10.—Forest	2,29,700	1,86,400	2,07,800	49,496
12.—Charges on account of Motor Vehicles Taxation Act.	2,305	2,400	2,400	2,308
13.—Other Taxes and Duties ...	9,500	9,800	9,800	8,471
18-B.—Navigation, Embankment and Drainage works.	...	...	...	...
25.—General Administration ...	3,42,806	3,45,383	3,37,636	3,20,903
27.—Administration of Justice ...	2,500	1,000	2,500	2,069
28.—Jails and Convict Settlements	26,165	26,810	26,290	29,104
29.—Police	12,45,917	5,86,300	8,32,716	4,33,019
37.—Education	9,69,750	8,04,000	8,72,750	8,95,953
38.—Medical	2,60,099	2,17,100	2,40,599	2,35,040
39.—Public Health	1,29,033	2,69,400	3,41,500	3,01,503
40.—Agriculture	2,56,816	2,99,000	3,49,980	1,37,691
41.—Veterinary	17,200	45,200	51,487	10,099
42.—Co-operation—I.—Co-operative Societies.	53,600	38,050	53,033	91,623
42-A.—Co-operation—II.—Rural Development.	78,400	70,225	62,990	14,249
43.—Industries and Supplies—I.—Sericulture and Weaving.	1,32,018	1,07,100	1,14,097	65,133
43.—Industries and Supplies—II.—Cottage Industries.	14,334	13,700	13,699	..
47.—Miscellaneous Departments	550	300	400	104
50.—Civil Works	50,69,716	69,09,700	51,07,100	33,97,376
54.—Famine Relief	30,000	25,000	15,000	72,798
55.—Superannuation Allowances and Pensions.	26,700	26,800	26,600	28,342
56.—Stationery and Printing ...	1,725	1,700	1,725	...
57.—Miscellaneous — Voted ...	7,13,079	6,64,100	6,64,451	6,96,033
57.—Miscellaneous — Charged ...	...	...		...
63.—Extraordinary Charges ...	...	...	...	2,485
63-B.—Community Development Project.	5,81,880	2,51,850	3,97,270	...
63-B.I.—Community Development Project—N.E.S. Local Development Works.	1,72,255	1,33,334	1,59,300	...
71.—Capital Outlay on Schemes of Agricultural improvement and Research.	...	...	12,300	...
81.—Capital Account of Civil Works outside the Revenue Account.	6,17,000	...	1,42,000	...
81-A.—Capital outlay or Electricity Scheme.	2,21,000	...		
85-A.—Capital Outlay on schemes of State Trading.	5,600	9,800	6,700	10,393
Loans and Advances by the State Government.	69,500	80,000	1,18,000	...
Grand Total — Voted ...	1,25,66,499	1,11,30,852	1,14,74,198	68,07,110
Grand Total — Charged ...	...	...	...	...

Appendix 4: Statement showing first Actual Annual Financial Statement of Mizoram after statehood of 1986-87 Financial Year; Estimate & Revised Estimate of 1987-88 Financial Year; and Budget Estimate of 1988-89 Financial Year.

General CB-120 G-1442

[redacted]

STATEMENT—I

CONSOLIDATED FUND OF MIZORAM REVENUE ACCOUNT RECEIPTS

(In lakhs of Rupees

	Actuals 1986-87	Budget Est. 1987 88	Revised Est. 1987-88	Budget Est. 1988-89
A. TAX REVENUE				
General Services				
(a) Taxes on Income and Expenditure				
0028 Others Taxes on Incom and Expenditure.	0.82	15.00	15.00	18.50
TOTAL – A (a)	0.82	15.00	15.00	18.50
(b) Taxes on Property and Capital transaction				
0029 Land Revenue	1.70	23.62	23.62	24.00
0030 Stamps & Registration	0.26	3.40	3.40	3.70
TOTAL – A (b)	1.96	27.02	27.02	27.70
(c) Taxes on Commodities and Services :				
0039 State Excise	34.12	170.00	251.50	266.50
0040 Sales Tax	0.70	5.50	6.00	6.00
0041 Taxes on Vehicles	0.70	21.00	21.00	22.30
0043 Taxes and Duties on Electricity	..	..	...	..
0045 Others taxes & duties on commodities and Services	1.27	8.80	8.80	9.60
TOTAL – A (c)	36.79	205.30	287.30	304.40
TOTAL – Tax Revenue	39.57	247.32	329.32	350.60
B. NON-TAX REVENUE				
(d) Interest Receipts. Dividends and Profits :				
0049 Interest Receipts	1.04	11.00	12.60	8.47
TOTAL – B (d)	1.04	11.00	12.60	8.47

Appendix 5: Proposal cover of the Minister

FINANCIAL MEMORANDUM

This enactment of the Mizoram Liquor (Prohibition) Bill, 2019 will result in annual loss of revenue to the tune of Rs. 70,00,00,000/- (seventy crore) approximately since it will prohibit manufacture, import, sale and consumption of liquor in Mizoram.

Hence, the proposal.

5/3/19

Minister
Excise & Narcotics Department
Mizoram

Appendix 6: A Cover Report on Public Sector Undertakings in Mizoram, retrieve by the researcher from Finance Department, GoM on 24th July 2020.

Annexure - II

Deloitte.

Mizoram Public Resource Management Programme - Review of State Owned Enterprises in Mizoram

Asian Development Bank

Final Report on Optimum Restructuring Option

July 2011

Retrieved from
Fiscal Management Unit (FMU)
Deptt of Finance, Govt. Mizoram
on 24/7/'20
by Lalengkima

Audit . Tax . Consulting . Financial Advisory.

Appendix 7: RTI answer sought by the researcher regarding procurement of rice by the Government of Mizoram under the study year.

GOVERNMENT OF MIZORAM
DIRECTORATE OF FOOD CIVIL SUPPLIES AND CONSUMER AFFAIRS
TREASURY SQUARE,MIZORAM,AIZAWL-796001

No.C.31018/3/2020-DTE(SPY)RTI/Vol-XV : Dated Aizawl,the 13th Oct./2020.

To

Pu Lalengkima,
Venghlun, Chhiahtlang
Ph No.9612307804

RTI
RESPONSE
Date 13/10/20
Sign

Subj : **RTI chhanna.**

Ka pu,

RTI Act 2005 hmanga kan departmenta i zawhna chhanna chu abstract statement on procurement of Rice by FCS&CA Department siama rawn thawn i ni e. Information fee Rs. 2/- a ni e.

<u>Enclo : As above</u>

Yours faithfully,

(LALLUNGAWII)
Deputy Director (Admn.) & SPIO,
Food,Civil Supplies & Consumer Affairs,
Mizoram, Aizawl.

(4)

ABSTRACT STATEMENT ON PROCUREMENT OF RICE BY FCS&CA DEPARTMENT, GOVERNMENT OF MIZORAM DURING FINANCIAL YEAR

2008 - 2009 TO 2018 - 2019

PURCHASE OF RICE

Sl.No	Year	Quantity Procured (In Qtls.)	Amount of Expenditure (In Rs.)
1	2008 - 2009	1354156.48	1815134589.00
2	2009 - 2010	1527281.60	2107253974.00
3	2010 - 2011	1538634.50	2135757559.00
4	2011 - 2012	1535521.20	2168223193.00
5	2012 - 2013	1535521.20	2158662733.00
6	2013 - 2014	1588719.78	2302071955.00
7	2014 - 2015	1552080.94	2615641167.00
8	2015 - 2016	1363891.78	2174770739.00
9	2016 - 2017	1320282.54	2063755534.00
10	2017 - 2018	1576243.89	2503869412.00
11	2018 - 2019	1180239.87	1954821322.00
	TOTAL	**16072573.78**	**23,99,99,62,177**

Zomuani 29/9.
(ZOMUANI)
Accounts Officer,
Audit & Procurement
Dte, of FCS&CA Department

The Mizoram Gazette

EXTRA ORDINARY

Published by Authority

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VOL - XXXVI Aizawl, Tuesday 19.6.2007 Jyaistha 29, S.E. 1929, Issue No. 170

NOTIFICATION

As required under section 1 (2) of the Mizoram Fiscal Responsibility and Budget Management Rules, 2007, the Governor of Mizonun is pleased to appoint the 1st July, 2007 as the date from which the Rules will come into force.

Sd/- Lalrnalsawma
Financial Commissioner, Gov1. of Mizoram.

No. G.16035/31(B)/2006-FEA, the 11th June, 2007. In exercise of the powers conferred by Section 10 of the Mizoram Fiscal Responsibility and Budget Management Act, 2006, the Governor of Mizonun is pleased to make the following Rules, namely :-

1. Short title and Commencement:

(1) These Rules may be called the Mizoram Fiscal Responsibility and Budget Management Rules, 2007.

(2) They shall come into force on such date as the Government may, by notification in the Official Gazette, appoint in this behalf.

2. Definitions:

(1) In these Rules, unless the context otherwise requires -

(a)"Act" means the Mizoram Fiscal Responsibility and Budget Management Act, 2006

(b)"Form" means a form appended to these rules;

(c)"Government" means the State Government of Mizoram

(d)"Section" means a section of the Act,

(2) Words and expressions used herein but not defined shall have the meanings respectively assigned to them in the Act.

Medium Term Fiscal Policy Statement:

(1) The Government shall in each year lay before the House of the Mizoram State Legislative Assembly a Medium Term Fiscal Policy Statement, as required under sub-sections 1 (a) and (2) of section 5 of the Act, which shall include, in Form-I. a three-year rolling targets in respect of the following fiscal indicators :-

(a)Revenue Deficit as a percentage of Gross State Domestic Product CGSDP);

(b)Fiscal Deficit as a percentage of Gross State Domestic Product (GSDP);

(c)Total Outstanding Liabilities as a percentage of GSDP and also of Total Revenue Receipts;
(d) Interest Payment as a percentage of Total Revenue Receipts;
(e) any additional target(s) the Government may like to prescribe.

(2) The MediumTem1 Fiscal Policy Statement shall also explain the assumptions underlying the above mentioned targets for fiscal indicators and as assessment of sustainability relating to the items indicated in sub-section (3) a section 5 as well as sub-section (2) of section 7.

4. Fiscal Policy Strategy Statement:

The Government shall lay before the House of the Mizoram Legislative Assembly~ the Fiscal Policy Strategy Statement as required under sub-section (1)(b) and (4) of section 5, content of which shall be in Form - II(a). The Fiscal Policy Strategy Statement shall incorporate a Fiscal Correction Path indicated in Rule 5 hereinafter~ comprehensively to be presented in Form II (b).

Fiscal Correction Path:

The Government shall, for the purpose of achieving the Fiscal Management Targets as provided under Section 6 of the Act, draw up a Fiscal Correction Path which shall, inter-allia, contain the following items :-

(i) a path of annual reduction of revenue deficits from the year 2006-'07 and to bring it down to zero by 2008-'09 and generate revenue surplus thereafter~ and
(ii) a path of annual reduction of fiscal deficit from 2006-'07 and to bring it down to 3 percent of the estimated Gross Domestic Product by 2008-'09.

6. Total outstanding Debt not to exceed twice the estimated receipts in the Consolidated -Fund of the State :

As required under Sub-section (5) of Section 6, the Government of Mizoram shall take appropriate measures for ensuring that the total outstanding debt in a year shall not exceed twice of the estimated receipts in the Consolidated Fund of the State at the close of the financial year. The Government may also specifically entrust the Public Expenditure Review Committee constituted under Rule 8 to review the progressive expenditure of the Government vis-a-vis receipt and to suggest suitable measures to ensure compliance of Fiscal Management Targets as set out at Sub-section (5) of Section 6.

7. Macroeconomic Framework Statement:

As required under Sub-section (6) of Section 6, the Government shall prepare a Macroeconomic Framework Statement giving prospects for the State's economy and related fiscal strategy which shall be laid before the House of the Mizoram State Legislative Assembly along with the budget. The Statement shall be in Form-III

8. Statement on details of employees and related salary:

As required under Sub-section (7) of Section 6, the Government shall bring out a special statement along with the annual budget giving in detail, the number of employees in Government, Public Sector Undertakings, Autonomous Bodies including Autonomous District

Councils, State Information Commission, State Public Service Commission and Other similar bodies, and Aided Institutions, and related salary.

9. Disclosures:

The Government of Mizoram shall, at the time of presenting the budget make disclosures of fiscal transparency as required under section 7 of the followings, namely:-
(a) a statement of select indicators of fiscal situation in Form D – l;
(b) a statement on components of State Government liabilities and interest cost of borrowings/ mobilization of deposits in Form D-2;
(c) a statement on the Consolidated Sinking Fund in Form D- 3;
(d) a statement on guarantees given by the Government in Form D·A;
(e) a statement on outstanding risk-weighted guarantees in Form D - 5;

10. Public expenditure Review Committee (PERC):

(1) As provided under Section 8 of the A ct, the Government shall constitute a Public Expenditure Review Committee with t'-le following composition-
(a) Secretary to the government of Mizoram, Finance Department
(b) Not more than 4 persons having knowledge and professional expertise in the fields of Finance, Fiscal and Economic Management, Planning, Administration, Account, Audit and Law
(c) Besides above, the Government reserves the right to nominate a few special invitees in the meetings of the Committee for effective deliberations and cross-fertilization of ideas; however, the number of special invitees shall not exceed the number of members of the committee

(2) The Government may appoint an officer in the Finance Department, not below the rank of Deputy Secretary, to act as the Member-Secretary of the Committee.

(3) The tem of reference of the Committee shall be as following :-
(a)The Committee shall discuss and review the progressive receipts and expenditure in the State's Annual Budget and see if it is consistent vvlth the Fiscal Management Targets and objective as laid down in the Act.
(b)The Committee may make suggestions for taking necessary corrective measures consistent with the Fiscal Management Targets and objectives in the mobilization of resources and spending of the Government.
(c)The suggestion of the Committee shall be recommendatory in nature.
(d)The other issues as may be entrusted by the Government from time to time.
(e)The Committee shall meet once in every six months in a financial year.

(4) Other terms. and conditions including allowances of non-official members may be prescribed by" the Government by notification in the official Gazette.

11. Measure to enforce compliance:

As required under sub-section (2) of section 9, the Minister in-charge, Finance Department shall carry out a half-yearly review of the trends in receipts and expenditure in relation to the budget and remedial measures may be taken to achieve the targets outlines in the Fiscal Management Targets and objectives. The half-yearly review shall be drawn up in the form of a Review Report and shall be laid in the Legislative Assembly in its sitting following the review.

Provided that in a half-yearly review the Minister shall also take into account he observations and suggestions of the Public Expenditure Review Committee.

Sd/-
Lalmalsawma,
Financial Commissioner,
Government of Mizoram

FORM – I
(see rule 3)
MEDIUM TERM FISCAL POLICY STATEMENT

A. FISCAL INDICATORS-ROLLING TARGETS (Rs. in crore)

	Previous Year (Y-2) Actual	Current Year (Y-1) Budget Estimates (BE)	Current Year (Y-1) Revised Estimates (RE)	Ensuring Year (Y) Budget Estimates (BE)	Targets for next Two Years	
					Y+1	Y+2
1. Revenue Deficit(-)/Surplus (+) as percentage of GSDP						
2. Fiscal deficit as percentage of GSDP						
3. Total outstanding liabilities as percentage of GSDP						
4. Total Outstanding Liabilities as a percentage of Total Revenue Receipt (TRR)						
5. Interest Payment as a percentage of Total Revenue Receipts (TRR)						

B ASSUMPTIONS UNDERLYING THE FISCAL INDICATORS-

	Previous Year (Y-2) Actual	Current Year (Y-1) Budget Estimates (BE)	Current Year (Y-1) Revised Estimates (RE)	Ensuring Year (Y) Budget Estimates (BE	Targets for next Two Years	
					Y+1	Y+2
1. **Revenue Receipts** (a) Tax –Revenue (b) Non-Tax-Revenue (c) State's share of Central Taxes (d) Grants from Central Government (i) Non-Plane Grants (ii) Plan Grants						
2. **Capital Receipts-** (a) Borrowings on account of internal Debt of the						

Appendix 9: Rice Production in Areas and Metric Ton.

12

GOVERNMENT OF MIZORAM
DIRECTORATE OF AGRICULTURE
(CROP HUSBANDRY)
AIZAWL - 796001

Tele : 0389 - 2322437
Telefax : 0389 - 2322511
e-mail : agrimizoram@gmail.com
website : www.agriculturemizoram.in

No.B.16012/2/2018 -DTE(AGR-STAT) Dated Aizawl, the 3rd Aug. 2020.

To.

The Joint Director (T)
&
State Public Information Officer,
Directorate of Agriculture (Crop Husbandry)
Mizoram Aizawl .

Sub : Information under RTI Act 2005

Ref : No.C.31017/1/2020-DTE(AGR-RTI)/ of 21st July 2020

Madam,

With reference to the letter and subject cited above, I hereby furnish the require information regarding the question receive from Mr Lalengkima Chhiahtlang Venghlun under RTI Act 2005

This is for favour your kind information and necessary action .

Enclos as above :

Yours faithfully

(LIANHMINGTHANGA)
Inspector of Statistics
Statistic Section
Directorate of Agriculture (CH)
Mizoram Aizawl

13

Year	Area in Ha				Production (in MT)
	Kharif		Rabi (WRC)	Total	
	Jhum	WRC			
2008 - 09	40792	11067	131	51990	68917
2009 - 10	36841	10244	119	47204	46293
2010 - 11	28562	12123	7	40692	47201
2011 - 12	25826	12700	450	38976	52895
2012 - 13	24706	14330	306	39342	57700
2013 - 14	22633	15620	550	38803	58994
2014 - 15	20064	16380	486	36930	60679
2015 - 16	19851	16804	498	37153	62089
2016 - 17	19602	16862	394	36858	61516
2017 - 18	19587.5	16039.7	487	36114.2	59606
2018 - 19	18957	16133	460	35550	60010

Appendix 10: Some pictures taken during field research work.

Interview with H. Liansailova, Finance Minister during the Sixth Legislative Assembly at his residence in Bawngkawn, Aizawl on 17th (Thursday) October, 2019.

Interview with Rev. Dr. Lalchungnunga at his residence in Zarkawt, Aizawl on 1st August, 2019.

Interview with Lalsawta, Finance Minister during the Seventh Legislative Assembly at his residence in Mission Vengthlang, Aizawl on 17th (Thursday) October, 2019.

Interview with K. Lalthangkhuma at his residence in Chhiahtlang on 10th December, 2018.

Interview with farmer near his residence in Pangkhua on 19th July, 2019.

Interview with Rebecca Lanlunthari, bee keeper at her residence in Sentetfiang village on 1st August, 2019.

Interview with S. Chôma of Theiva his residence in Theiva village on 1st August, 2019.

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Zoramthanga. (2019, November 23). Expenditure on Sialkal Range Development Council at Mimbung village. (Lalengkima, Interviewer)

Brief Bio-Data of the Candidate

Name : Lalengkima

Father's Name : C. Pawlliana

Mother's Name : J.H. Roengi

Present Address : Chanmari D52, Section-II, Aizawl, Mizoram – 796007.

Permanent Address : Venghlun, Chhiahtlang – 796181.

Email ID : engkima14pols@gmail.com

Marital Status : Single

Academic Records:

Sl.No	Examination	Division/Grade	Year of passing	Board/University
1	HSLC	III	2006	MBSE
2	HSSLC	III	2008	MBSE
3	BA	II	2012	MZU
4	MA	I	2014	MZU
5	M.Phil	'O'	2016	MZU

University Registration No : 2612 of 2008-09

Date of Academic Council meeting : 25.11.2016

Ph.D. Registration No. & Date : MZU/Ph.D./952 of 25.10.2016

Department : Political Science

Title of Thesis : Political Economy in Mizoram: A Study of Public Finance in the Sixth and Seventh Legislative Assemblies.

Supervisor : Prof. Jangkhongam Doungel

Publications

Lalengkima. (2017, December). Role of Civil Society in Mizoram. *Mizoram University Journal of Humanities & Social Sciences (A National Refereed Bi-Annual Journal)*, *III*(2), 60-72. Retrieved from http://mzuhssjournal.in/images/resources/v3n2/lalengkima.pdf

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Lalengkima. (2020, October-December). Ethnic Tension and Conflict in North East India: Bru Crisis in Mizoram. *Research Journal of Humanities and Social Sciences, 11*(04), 365-370. doi:10.5958/2321-5828.2020.00058.3

Seminar paper presentations

1. Presented paper entitled *The Politics of Autonomy Movement in Mizoram* at National Level Seminar on **Autonomy Movements and Politics of Regionalism in North East India** organized by Department of Political Science, Mizoram University on 11th & 12th March, 2015.
2. Presented paper entitled *Ethnic Tension and Transformation in Mizoram: The Role of Civil Societies on Bru Issues in Mamit District* at **Young Social Scientist Meet, 2016** organized by Omeo Kumar Das Institute of Social Change and Development, Guwahati, Assam on 15th & 16th December, 2016.
3. Presented paper entitled *Tension between Civil societies and Bru tribe in Mizoram: The demand of Autonomous District Council* at National Level Seminar on **Re-writing the History of Self-Autonomous Movements in North-East India** organized by Mizo History Association & HBC on 20th & 21st March, 2017.
4. Presented paper entitled *Problems of Higher Education in Mizoram: A Study of Colleges in Northern Part of Mizoram* at State Level Seminar on **Issues and Challenges of Higher Education in India with Special Reference to Mizoram** organized by Government Saiha College on 28th March, 2017.
5. Presented paper entitled *Governance Accountability in Mizoram: The Role of Civil Society* at National Level Seminar on **Governance & Civil Society in N.E. India** organized by Govt. J. Buana College, Lunglei on 20th – 21st July, 2017.
6. Presented paper entitled *Chhiahtlang Grouping Center: A bane or a boon?* at National Level Seminar on **'Socio-Economic and Political Developments in Mizoram after the Peace Accord, 1986: Issues and Challenges'** organized by Lunglei Govt. College on 8th February, 2018.
7. Presented paper entitled *Act East Policy for North East India: Prospects, Ethnicity, Soft Power* at National Level Seminar on **Border and Connectivity: North-East India and South-East Asia** organized by Department of Political Science, MZU on 23rd & 24th March, 2018.
8. Presented paper entitled *Public Financing of Tourism: A Comparative Observation of N.E States in Globalised World* at National Level Seminar **on Globalization**

and Its Implications for North East India organized by Nehru Memorial Museum & Library, Teen Murti, New Delhi on 3rd & 4th October 2018.

9. Presented paper entitled *Predicting the Winner: Analysis of Tuichang Constituency* at National Level Seminar on **Issues and Trends in Mizoram Legislative Assembly Elections, 2018** organized by Mizoram Political Science Association and Department of Political Science, ICFAI University, Aizawl on 22nd February, 2019.

Particulars of the Candidate

NAME OF CANDIDATE	: Lalengkima
DEGREE	: Doctor of Philosophy
DEPARTMENT	: Political Science
TITLE OF *THESIS*	: Political Economy in Mizoram: A Study of Public Finance in the Sixth and Seventh Legislative Assemblies.

DATE OF ADMISSION	: 4th August, 2016
APPROVAL OF RESEARCH PROPOSAL	
1. DRC	: 27th September, 2016
2. BOS	: 4th October, 2016
3. SCHOOL BOARD	: 25th October, 2016
MZU REGISTRATION NO	: 2612 of 2008-09
PH.D. REGISTRATION NO. & DATE	: MZU/PH.D./952 of 25.10.2016
EXTENTION	: Nil

(DR. LALLIANCHHUNGA)

HEAD

DEPARTMENT OF POLITICAL SCIENCE

Mizoram University
Ph.D. Thesis Certificate on Plagiarism Check

Name of Research Scholar	Lalengkima	
Ph.D. Registration Number	MZU/PH.D./952 of 25.10.2016	
Title of Ph.D. thesis	Political Economy in Mizoram: A Study of Public Finance in the Sixth and Seventh Legislative Assemblies	
Name & Institutional Address of the Supervisor	Prof. Jangkhongam Doungel, Department of Political Science & Director IQAC, Mizoram University, Tanhril, Aizawl, Mizoram.	
Name of the Department and School	Department of Political Science, School of Social Sciences	
Date of Submission	12/10/2020	
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Place :
Date :

(LALENGKIMA)

(PROF. JANGKHONGAM DOUNGEL)
SUPERVISOR

(DR. LALLIANCHHUNGA)
HEAD OF DEPARTMENT

ABSTRACT

ON

POLITICAL ECONOMY IN MIZORAM: A STUDY OF PUBLIC FINANCE IN THE SIXTH AND SEVENTH LEGISLATIVE ASSEMBLIES

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

LALENGKIMA

MZU REGISTRATION NO: 2612 OF 2008-09

PH.D. REGISTRATION NO: MZU/PH.D./952 OF 25.10.2016

DEPARTMENT OF POLITICAL SCIENCE

SCHOOL OF SOCIAL SCIENCES

JULY 2022

Introduction

The main intention of this thesis is to bring forth systematic ways for future economic development in Mizoram. This study is done from political perspective and the study of political economy involves several roles played by politics in general or the politician in particular in economic development. While discussing the role of politics in economic development, public finance is regarded as the main tool and mechanism for in-depth critical analysis. Public finance simply means the revenue receipt and expenditure of the government. Therefore, this thesis studies the revenue receipt and expenditure of the Government of Mizoram during the Sixth and Seventh State Legislative Assemblies.

Mizoram was previously known as Lushai Hills during the British rule in India. After the independence of India from the British, the then Lushai Hills was administered as district under Assam jurisdiction. Lushai Hills was also accorded autonomy as Lushai Hills Autonomous District Council under the provision of Sixth Schedule to the Constitution of India which was later on changed to Mizo District Council by amendment of the Sixth Schedule by Parliament in 1954. Since 1950 till 1972, the then Lushai Hills was a district under Assam jurisdiction. When the whole North eastern areas were re-organised by the North Eastern Areas Reorganisation (NEARA) Act 1971, Mizo Hills District was upgraded into Union Territory (UT) with effect from 21st Jamuary, 1972. The name Mizo Hills was changed into *Mizoram* when the district was upgraded into Union Territory. Accordingly, the First Union Territory Government of Mizoram was constituted in 1972. The Second Union Territory Government of Mizoram was constituted in 1978. The Third Union Territory Government of Mizoram was constituted in 1979. The Fourth Union Territory Government of Mizoram was constituted in 1984.

Overwhelmed by political turmoil known as the ‘insurgency’ since 1966, Mizoram faced several social, political and economic difficulties. This major setback in the state has somehow become the root of political ideologies for emergence of regional political parties in Mizoram. After 20 years of political disturbances and instability, peace was eventually concluded between the Mizo National Front (MNF), the Government of India, and the Government of Mizoram on 30th June 1986. Since then, Mizoram has become one of the most peaceful states in the Indian Union. However, due to major setback of insurgency, economic growth could not prosper as anticipated. In light of these events, this thesis analyses economic development from political perspectives.

To avoid any further confusion in the thesis, a brief history of Mizoram State Legislative Assemblies with the ruling parties and their seats captured within parenthesis are given as below –

1. First Mizoram State Legislative Assembly 1987-1989 (Independent/MNF 24 seats)
2. Second Mizoram State Legislative Assembly 1989-1993 (INC 23 seats)
3. Third Mizoram State Legislative Assembly 1993-1998 (INC 16 seats; MNF 14 seats; IND 10 seats)
4. Fourth Mizoram State Legislative Assembly 1998-2003 (MNF 21 seats)
5. Fifth Mizoram State Legislative Assembly 2003-2008 (MNF 21 seats)
6. Sixth Mizoram State Legislative Assembly 2008-2013(INC 32 seats)
7. Seventh Mizoram State Legislative Assembly 2013-2018 (INC 34 seats)
8. Eight Mizoram State Legislative Assembly 2018-till present (MNF 27 seats)

In the above list of Mizoram State Legislative Assembly, the abbreviation MNF represents the Mizo National Front party; INC represents Indian National Congress or simply the ‘Congress’; IND represents independent candidates.

This thesis studies public finance during the Sixth and Seventh Mizoram State Legislative Assemblies. This is done through political economy perspectives in which some historical development of the state are examined and analysed to see a glimpse of Mizoram public finance. There are several terminologies and concepts within the realm of public finance; the most popular amongst them are Annual Financial Statement. Within Annual Financial Statement also known as ‘the budget’, there are other concepts which are being used to measure the status of budget health. Popular among them are fiscal deficit and surplus, revenue deficit and surplus, outstanding liabilities, and committed liabilities etc.

While planning and preparing for the budget and economic development, certain aspects are required to be taken into consideration, such as politics, social issues, and cultural issues. Not a single discipline or aspect are separate and independent on its own. There are interlinked and intertwined among politics, social, culture and economics of the state. This thesis explores some of these interlinks between several concepts of public finance and their impacts on economic development in Mizoram.

To grasp the reality of public finance in Mizoram, the classification of public finance must be explored. The following points are being highlighted to clarify the division of fund which contains revenue receipt and expenditure of the government.

Consolidated Fund: All revenue receipts of the Government including direct and indirect taxes, money borrowed and receipts from loans given by the Government of India constitute the Consolidated Fund as incorporated in Article 266(1) of the Constitution of India (The Constitution of India, 2007). Almost all Government expenditure is made from this fund but no money from the Consolidated Fund can be withdrawn without the prior approval of the Parliament/State Legislative Assembly. The Consolidated Fund consists of two main Accounts, namely (1) Revenue Account, and (2) Capital Account. Both these Accounts are further divided into two parts, viz. (a) Receipts and (b) Expenditure/Disbursements.

Contingency Fund: This fund is sometimes known as Emergency Fund because it is an imprest account to meet some urgent or unforeseen expenditure of the Government and it is enshrined in Article 267 (1) of the Constitution of India (The Constitution of India, 2007). It is created for making advances for urgent and unforeseen expenditure which are retrieved to the fund by debit to the Consolidated Fund, after obtaining Supplementary grants for such expenditure. Like the Consolidated Fund, it needs the approval of the Parliament/State Legislature and it is at the disposal of the President/Governor of the State.

Public Account: Unlike the other two forms of the fund, Public Account is the account of the people or customer and it is incorporated in Article 266 (2) of the Constitution of India (The Constitution of India, 2007). All public amounts of money received by or on behalf of the State Government which cannot be booked in the Consolidated Fund are credited to the Public Account of the State. The Government is not the owner of the fund but it is the mere holder or banker to that account. Sometimes, this fund is paid back to the rightful owner of the account in which the Government acts as the investor and actor of the transaction from this account. Provident Funds, Reserve Funds, Deposit & Advances, Suspense and Miscellaneous, and Remittances constitute this account. For payments out of the Public Account, no demand is required to be presented to the Legislature and the requirements are made from time to time as they arise. These demands are like banking transactions. However, approval of the Legislature is necessary for any appropriation from the Revenue to create a fund and similar approval is required for incurring subsequent expenditure from such funds. It means approval of the State Legislature is required when the need arises to transfer Public Account fund to revenue of the state government in the form of Consolidated Fund of Mizoram. When amounts are transferred to any such fund, it is shown as expenditure out of the Consolidated Fund in the estimates of the year in which it is incurred (Explanatory Memorandum on the Budget 2017-2018, 2017).

On the other hand, necessary amounts are transferred from these funds to the Consolidated Fund for meeting expenditure for the purpose for which the Fund was created.

Slow economic growth rate, fiscal imbalance, and poor performance of public finance have been some problem of political economy in Mizoram. The major problem of the Mizoram Economy is that roughly 66 per cent of the state population has based their economy on agriculture, 5 per cent on small-scale industry and the rest 29 per cent on Government services. This data changes over time, however, agriculture surely provides livelihood to around 60 per cent of the total population in the State (Government of Mizoram, 2016: 9). Agricultural labourers who happen to be the majority of the population are socially and economically the poorest section of the society. Further, various researches indicated that agricultural workers are unskilled; they may not also be skilled even in the art of profitable cultivation (Government of Mizoram, 2016: 9). Since the majority of the population are mostly unskilled who depend upon agriculture, and since no immediate actions have been taken up to rectify this unbalanced growth, the share of GSDP could not be improved as anticipated. Details analysis of this unbalanced growth is made in chapter 3 on sources of income of the state government.

The overall state domestic product is very low compare to other states in India in which 40 per cent are the product of agriculture, 15 per cent is generated from small-scale industries, while majority 45 per cent is based on Government services (Vanlalchhawna, 2003). Due to this low level of income by majority of the population, a large amount of fund is always used for the implementation of agricultural items, but still the domestic product of agriculture hardly increases. To solve this phenomenon, an in-depth study is required to raise the state domestic product starting from shifting occupation of the majority population.

Another problem of this study from the political perspective is that the annual budgeting pattern does not meet the requirement of the State. The state Legislative Assembly does not make plans based on statistical facts but based on consideration. Thereby, plans regarding finances hardly solve the state economic and fiscal problems as expected by academicians, journalists and researchers. The role of the state in budgeting is needed to be studied thoroughly to identify the actual hindrances of economic development. Issues may start from the plan itself or it may be initiated from the implementation of the plans but it may also begin from the insufficient allocation of funds or excessive allocation of funds to different departments.

Being a Special Category State, Mizoram at present enjoys a funding pattern in a blend of 90:10 in Plan Grants from the Central Government. This means that when it comes to Central

Plan scheme, 90 per cent of the budget cost of the scheme is to be provided by the Central Government whereas the rest 10 per cent is to be provided by the State Government. As the State has a resource-crunch, sometimes, it finds it difficult to meet even 10 per cent of the total cost due to which the whole 90 per cent of Central Grants could not be availed. This is one of the fiscal hiccups of State Government in the management of its finance. Therefore, 90 per cent of the budget cost of certain Plan grants were often lapsed due to the incapability of providing 10 per cent share for the said scheme. This problem has been a common issue for the state government in which restructuring of the state's finance through political economy development is mandatory. Moreover, several CSS has been facing difficulties in building up socio-economic development of the state. The MGNREGS, for example, which mandate is to give 100 days' work within every financial year to each rural household could not create substantial development. The problems behind this scheme are its poor supervision and its permissible works.

The incompatibility of income and expenditure could not be overlooked if one wishes to prepare healthy public finance. Too much fiscal deficit in Mizoram has been an ongoing issue for both the MNF and the Congress ministry. There have been several attempts to eliminate the fiscal deficit and turned it into fiscal surplus; however, only revenue expenditure has been successfully converted into a revenue surplus. The overall Gross Fiscal Deficit could not be removed once and for all. Accordingly, the actions and measures taken up by the state government or particular political parties, are vital for the development of public finance which will lead the state to development of a political economy. But till today, no critical and essential measures against fiscal deficit has been taken up by any political parties. The serious challenge to political parties and ruling ministry, and the State remains to balance the receipts and expenditure.

In times of this turbulence and whirlpool, the role of the statesman/politicians were often neglected by the people. The role of the political actors, including the civil society groups in perpetuating the state's political economy is not to be kept at bay. On the contrary, the role of the politicians and all political actors within the state must be investigated to chalk out all available means for the development of the political economy. Therefore, these questions are mandatory to ask amongst academicians - Which party/parties contribute best practicable ways for economic development? What kind of politician provides a feasible means for economic development without jeopardizing the state's interest? Which ministry or government took actions to minimize expenditure but maximize income? These levels of analysis are mandatory for improving the state's political economy. These questions are vital not only for economic development but also for political stability because parties often formulate policies to win elections rather than win elections to formulate policies.

Scope of the Study

The scope of this study ranges from the formation of policy and programmes by the State Government till the implementation of such programmes. However, it is also necessary to include the study of Centrally Sponsored Scheme (CSS) because most of the funds that the State Government execute for socio-economic development are generated from it. In other words, this study analyzes the role of the State Government in the formation of policies and programmes. It also analyzes the implementation and execution of finances which are generated inside and outside the State.

Statement of the Problem

The study mainly deals with the Sixth and Seventh Mizoram State Legislative Assemblies (a period of 2008 – 2018) because it is the targeted period. No other period was studied unless it deems important to determine the present study area. The Government policy, plan, programme, budgeting and pattern of the public expenditure, sources of revenue, and rules and regulations for the implementation of such policies during the said period were included in this study.

The main intention of this research is that the readers, especially politicians and academician may find a small gist of major political economy hindrances of Mizoram and its solution to those issues. Accordingly, some introduction to political economy is added here in the following chapters, such as some grounded theory on political economy; the process of public finance including budgetary system – both at the Central and State level. A critical analysis of administrative setting; and plans and programmes carried out by both the Central and State including CSS were also added. Based on all these introductory inclusiveness, the scope of this research has been arbitrarily extended from political economy to the political development of Mizoram in line with the economic development of the state.

Through this research, one may find a link between political economy and public finance which is hardly discussed together by academicians as well as some other writers including a group of journalists. A dissection of each other in a separate form has been a common issue not only in Mizoram but also in some other parts of India. Accordingly, this research attempts to link them together, discuss them together, and compromise them together so that a better view at the state's economy may be chalked out in the future. The question regarding the topic of this research has been a critical issue amongst researchers and academicians in which people have claimed that the main intention of the study could easily be found from budget documents. The researcher does not intend to argue against those who claimed that the areas of this research are already examined by the government in which there is no need to do further study on this topic. Moreover, the researcher does not wish to make a statement on the discipline of the study in which most people claim that the research area is too economic centric.

It is right, the State Government has been from time to time dealing with public finance to chalk out the most comprehensive, feasible and holistic approach. It is also right that the discipline is partly economic. But still, there are ongoing issues regarding debt and fiscal deficit in Mizoram public finance. There are underlying links between economy and polity on the one hand, and there are also links between public finance and politics of the state on the other. This is the scope of this research.

How the politicians, statesman, political actors, legislators and civil society groups play important roles for the economic development of the state? What kind of measures were taken up by a particular ministry to handle a burden on fiscal policy? These questions are nowhere to be found neither in any single budget documents nor in any single study under the discipline of economics.

Since this research was done for acquiring knowledge about a collision as well as a compromise between Politics and Economy in Mizoram, it does not dwell too much on some important topics which are relevant today, such as, unemployment issues, border issues, ethnic issues and electoral issues etc. These issues are in one way or the other intertwined with politics and economics. As such, this study may or may not find its relevancy in today's scenario of Mizoram political economy. However, its concentration on the theory of political economy and its application and its critical analysis to the public financial system during the Congress regime (Seventh State Legislative Assembly) must be noted.

It can be realized from the historical budget of the then Lushai Hills District that one of the most substantial revenues of the government till today is Grants-in-aid from the Central Government under Article 275(1) of the Constitution of India. This has been initiated in Mizoram since 1957-57 financial year (see appendix 3).

Although the Year of Consolidation enabled the Congress government during its second term to repay certain outstanding liabilities on the one hand; but on the other hand too long Year of Consolidation has also made the Congress Party lost the election in 2018. The government lifted year of consolidation and concentrated on making huge developmental works since 2017-2018. As such, the capital outlay in 2017-2018 has increased up to 35.57 per cent compared to last Financial Year. However, this financial year is almost election year and no huge developmental works can be put up before election. This is due to certain election model code of conduct. Election model code of conduct barred several works which have been taking on since the relaxation of the year of consolidation. Due to this, confidence towards the Congress ministry amongst the public has declined. For instances, in article VIII, clause 2, 7, 8, 9, 10, 11, 12, of model code of conduct issued by the Election Commission of India in 2015 restricted the ruling party (i.e., the Congress in this case) to halt almost all developmental works in election year. As such, disbursement of funds for capital outlay (i.e., for creation of capital assets) has no time to make a critical impact on the voters.

In short, concerning fiscal consolidation of Mizoram which had started since 2015, one can conclude that even though 'Year of Consolidation' removes heavy burden of Public Debt or Outstanding Liabilities, it has also made the Congress lost the election in 2018.

The revenues, collected under State Excise have enlarged substantially ever since the inception of the Mizoram Liquor (Prohibition & Control) Act, 2014. A total amount of ₹ 51.50 crores is being collected during the Financial Year (FY) of 2017-2018. The revenue to be generated under State Excise for 2018-19 Financial Year (FY) is therefore projected at ₹ 59.40 crores. This has been a substantial achievement of the Congress ministry in generating State Own Tax Revenue (SOTR). However, upon the enactment of the Mizoram Liquor (Prohibition) Bill, 2019 by the Mizo National Front (MNF) Government, it is projected that the annual revenue of ₹ 70 crores is likely to be lost by the state government (see appendix 5). Thereby, it will not be surprising to know that the new MNF ministry faces certain fiscal imbalances during the Eight Mizoram State Legislative Assembly.

Some departments, namely Power, Water supply and Irrigation, Transport department are in a situation of Negative achievement. Negative achievement means the recovery from User charges of the service rendered by these Departments do not cover the maintenance cost/non-Plan expenditure of that Department. However, one cannot neglect the importance of these departments if one believes in the principle of Socialism. Services rendered through these departments are vital for the survival of the public and that no ministry can ignore their importance. In terms of economic and public finance alone, these departments are to be closed down or to be privatized. However, in terms of socialism, these departments must be strengthened and restructured so that they could serve their purposes better to the public.

There has been an unbalanced growth in terms of share of Gross State Domestic Product (GSDP) by three sectors, namely Agriculture & Allied Sector, Service Sector, and Industrial Sector. Unbalanced growth was slowly altering towards a positive direction. This improvement was hypothetically assumed due to the implementation of the New Land Use Policy (NLUP) for two consecutive terms by the Congress party.

Review of Literature

Following are the reviewed literature. Name of the books or titles of the reviewed article is italicized so that it may be easily identified and; the name of publisher, place of publication with publication year comes next. All the reviewed literature are organized in chronological order of the publication year.

The following reviewed works of literature are generated both from English and Mizo written account by different authors; and in order to easily identify them on the basis of its nature, English written version and non-local authors are put first in chronological order followed by Mizo written version and local authors with the same order of preferences. Some limitations of these reviewed will be discussed at the end of this section.

Since the topic of this research possesses two main concepts, namely, political economy and public finance, the review of literature also consists of both political economies related literature as well as public finance-related literature. However, the name or title of the reviewed literature does not necessarily resemble the above mentioned two concepts. But, in one way or the other that the reviewed literature is linked with these two concepts.

The modern concept of political economy can be seen in *Political Economy* written by Oskar Lange first published by PNW-Polish Scientific Publishers. Since the book is written in polish in 1963, the translation version was published by Pergamon Press Ltd in 1974. From the very beginning of the book, the author gave the definition of a political economy in which it is the study of social laws governing the production and distribution of the material means of satisfying human needs. This work traced the development of human needs and connected them with the social laws in which materialistic interpretation of history and the economic laws were the main concern of the study.

Another book with a foreign author on political economy is *A Short Course of Political Economy* written by L. Leontyev in Russian. It was published by Progress Publishers in Moscow, USSR in 1968 which was translated by Don Danemanis. Like another work on political economy, the author firstly tried to define the meaning and concept of political economy in which it is the science of laws governing the production and exchange of the material means of subsistence in human society at the various stages of its development. In other words, political economy studies the social structures of production.

A Japanese economist Takashi Negishi's work on *Dynamics of the Public Expenditure in a Two-Party System* is an interesting article based on the theory of Anthony Downs' *An Economic Theory of Democracy*. It was published on *Zeitschriftfür Nationalö konomie* or Journal of Economics in 1971 that analyzed the relationship between voting, budget policies and public expenditure. Unlike his/her sources of criticism, the author argued that in a two-party system (of course there is a multi-party system but at least most of the democratic countries enjoy ruling and opposition system) parties (ruling or opposition) try to win the majority so as to carry out its policy. However, most of the thinkers, researchers, as well as Downs himself, believed that parties formulate policies in order to win elections rather than win elections in order to formulate policies.

Public Expenditure and Income Distribution in India written by Mohammad Zahir in 1972 is an outstanding book containing information on income and wealth distribution. It was published in New Delhi by Associated Publishing House. The book further studies the pattern of public expenditure in different countries and compares with India. The author intended to link the distributive system and public expenditure in a proper manner so that he gives a different wealth distributive system of several countries. The book also deals with a brief critical analysis of different states in India with their public expenditure and pattern of the income distribution.

A unique work on public finance of India can be seen from the writing of P.K. Bhargava *Essays on Indian Public Finances* published in 1978 by Chugh Publications, Allahabad. This work is a product of pure research done by the author that contains trends in the relation between Union and State in financial status, especially on the distribution of taxes. Further, the author deals with the process of Sales Tax in India and how it generates national income as well as state income. The impact of Sales Tax in States' economy is also explored in this book. In the critique on the fiscal system, the author claim that in the process of providing more assistance (as in funds) from the Centre to States we have created a *Leviathan* Centre with responsibility for providing finance but no responsibility for executing projects. The author also criticizes the unstable tax rate at the Centre as well as at the State level believing that it causes undesirable fluctuations in levels of income and unemployment.

To explore more about the Government expenditure system *Public Expenditure and Economic Development in India (1947-48 to 1979-80)* written by Dr Baidyanath Prasad Singh is an interesting book. It was published in 1983 by Capital Publishing House, Delhi that contains the nature, doctrine and theory of Public expenditure starting from some classical theorists. It further analyzes trends on development and non-development expenditure, growth and pattern in the Capital expenditure.

State Autonomy in Indian Federation: Emerging Trends written by Dr. Chandra Pal is a unique work on the research area. It was published in 1984 by Deep & Deep Publications, New Delhi that informs the readers about a detailed introduction about the nature of Indian Federalism, National power and State autonomy, relation and tension between Centre-State through the Governor. What makes this work unique is that it contains fiscal autonomy of both the Central Government and the State Government in which it not only deals with the financial or tax relation between the Central and State, but in fact, it also deals with the relation of the rich and poor state in terms of economy, fiscal policy and grants.

Political Economy Written by B.N. Ghosh is a collection of classical political economy thinkers. It was published in 1990 in Delhi by Macmillan India Limited. The introduction of the book began from the different definitions of political economy in which Adam Smith definition on political economy is described as the actual working of the economy (positive aspect) and also the way the economy should work (normative aspect). Later, the author also mentioned about the definitions given by Marx, Engels, Lenin and Ricardo. The introduction on the work of Adam Smith, Karl Marx, Ricardo, Robert Malthus, J.B. Say and J.S. Mill was included in this book. Furthermore, this book deals with the Neo-classical economics theory with the comparison of the classical theorists in political economy.

To know more about public finances and expenditure, one must read a divergent *Public Finance in Theory and Practice* written by Alan J. Auerbach. This article was published in National Tax Journal Vol. 46, No. 4 on December, 1993. The author of this article tries to illustrate the challenges facing economists involved in the tax policy process or simply in the budget policy. One of the interesting subtitles of this article is the 'Uncertainty' that reveals no matter how and why policymakers and legislators realized the limited information or data on budget and revenue estimates, yet, there is still some statistical uncertainty. Statistical uncertainty implies that if the legislators have information about the error on the past budget estimate and if legislators came out with a new estimate, it is still unclear how to generate and raise a new estimate on a particular policy.

Another distinctive article, written by Neera Chandhoke on the subject of political economy is *Marxian Political Economy as Method: How Political Is Political Economy.* The article was published in 1994 by Economic and Political Weekly Vol. 29, No. 5 (Jan. 29, 1994) and is retrievable from *www.jstor.org/stable/4400722*. Unlike other writers, the author of this article believed that political economy is not merely a perspective but it is a concept and a method as well. In fact, the author argued that a political economy is an approach to the understanding of social phenomena such as the economy of the state, the relation between politics and economics.

The political economy of India is traced by John P. Lewis in his work *India's Political Economy: Governance and Reform* published in 1995 by Oxford University Press, New Delhi. In the first argument of his work, the author claimed that in the real world economy has always been a political economy. The book began from the historical analysis of the Indian Government since Independence with issues and challenges faced by the Government. The author's main objective was to find out how the reform movement in India contributed to the growth of economic development. So, reforms in the sixties in Agriculture, as well as land reform, are a major concern of this work.

Public Expenditure Decision Making: The Indian Experience written by Anuradha Basu published by Sage Publications, New Delhi in 1995 is an interesting work on public finance and its expenditure. Although the author main concern is the Central Government there is much relevant information incorporated in this book, regarding the State Government financial system and expenditure. The author classified three basic expenditure – Government administrative department expenditure, Departmental commercial undertakings expenditure and, Non-departmental commercial undertakings expenditure. It contains a brief account on the growth and development of public expenditure in Central Government from the First Five Year Plan, 1950 till the Eight Five Year Plan in the 1990s. The book further mentions the influence of the public expenditure in the decision-making process, rationality in decision making, and the role of interest groups in decision outcomes with special reference to public expenditure.

A distinguished article on the public expenditure can be seen in *Management of Public Expenditure: A performance Orientation* written by Anjali A. Srivastava. It was published in R.K. Gupta and P.K. Saini work on *Financial Administration in India: Changing Contours and emerging Challenges* that contains collected articles written by different economists. This work was published by Deep & Deep Publications Pvt. Ltd., New Delhi in 2008. The article begins from a critical report of Comptroller and Auditor General of India during the Ninth Five Year Plan. Following the above report, the author argued that the present budgetary system allocated funds (plan and non-plan) without correlation to expected results. It further states that the governance systems lay emphasis on the observance of archaic rules and procedures and not on the delivery of services. In fact, the present system of Plan economy appears to be of no concern with actual output or performance. The author suggests that a careful understanding of the formal and informal systems and rules of the organization where the performance measurement systems are to be applied and an assessment of the capabilities of the organization should precede the introduction of performance budgeting systems. Lastly, it concludes that the General Financial Rules of the Central Government need to revise and the revised systems or programmes in the future must focus on the attainment of objectives (State and Central) and not on expenditure of funds only.

Another important work on the research area is written by H.L. Bhatia *Public Finance* published by Vikas Publishing House Pvt. Ltd. in 2008. The author defines the meaning and scope of public finance that it is related to the financing of state activities, and can be narrowly defined as a subject which discusses financial operations of the public treasury. Later, the author also defines public expenditure as the expenses which a government incurs for – i) its own maintenance, (ii) the society and the economy, and (iii) helping other countries. But in the case of the State Government expenditure, the third definition may not be appropriate for defining public expenditure.

The above paragraphs are English written account. Since the topic of this research concerns with Mizoram political economy and public finance, English version or account is very limited in which they did not deal with the actual research problems of this study, i.e. Mizoram political economy and public finance. In that case, the topic related account mainly written by Mizo/local authors in Mizo language and published by local publishers are needed to review. The following paragraphs will discuss those account and review them in chronological order of the publication year.

Economic Development of Mizoram written by Lianzela is one of the foremost written accounts on the state economy. It was published in 1994 by Spectrum Publication, Guwahati that was written on the basis of the author's doctoral thesis and as claimed by the author this work may be the first book on Mizoram ever written purely from an economic perspective. The author studied the economic development of Mizoram since the District Council era with special reference to the Plan and Objectives, their priority in the development of both the Central Government and State Government respectively. As this work is based on a doctoral thesis, special emphases were given from the Fifth Five Year Plan to Seventh Five Year Plan. It also analyzes major resources of the State income with their expenditure, achievements and development during the prescribe Plan.

Four Decades of Planning in Mizoram written by Lianzela is also one of the influential introductory parts of economic planning in Mizoram. It was published in 1995 by Khuangkungi, Aizawl that contains some experiences and recommendations of planning in Mizoram. This work is mainly based on secondary sources that reveal the achievements of Mizoram under the Plan Economy, especially during the Seventh Plan. In dealing with the State expenditure, the author made critical analysis on the expenditure with the amount from the First Plan till the Eight Plan. Further, the author investigated the objectives and legal achievements of the State Government in terms of different department viz. Agriculture, Horticulture, Soil & Water Conservation, Irrigation, Power, Transport and Communication, Social Services, Tourism and Sericulture etc.

A book written by Vanlalchhawna *Mizoram Sawrkar Sum Kalhmang (Finances of the Government of Mizoram)* is an interesting work that introduces brief criteria of the financial system maintained by the Government of Mizoram. It was published by Zamzo Publishing House, Chanmari, Aizawl in 2001. The author mentions the financial relationship between the Central Government and the State Government, especially Mizoram Government in which special attention is given on the State List, Union List and Concurrent List. The financial status of the State Government and the Central Government is also mentioned in this book. Later, the author draws attention towards a brief introduction on the history of Mizoram financial status and condition. Further, it also mentions about the main sources of the state revenue and main sources of expenditure. However, the author does not talk about the criteria or proceeding of Department wise expenditure and a clear definition of the different sources of State income.

Another work by Vanlalchhawna on *Zofate Economy: Hmasawnna Ṭobul leh Hmalam Thlirna* published in 2003 by Zamzo Publishing House, Venghlui, Aizawl is one of the foremost books about the structure, functions and objectives of Mizoram State Planning Board. It contains relevant information regarding the history of Mizoram economy, economic development among the North East States, a brief account of development journalism. One of the related topics with this study area is that this book contains a critical review on Plan and Non-Plan system in Mizoram, criteria and sources of Plan Fund from the Central Government and State's own resources with its system of expenditure. Further, the author clarifies the plan and non-plan expenditure in which the plan expenditure deals with expenditure of the Government for a term of five years, whereas the non-plan expenditure indicates such kinds of expenditure that the Government used to continue the implementation of plan after the completion of five years term.

Lalsawta's article *Kan Ram tana Economic Policy ṭha ber tur* in an edited book prepared by H.T.C. Lalrinchhana *Zoram Nghahfak* is another important work on economic policy that viewed from the Mizoram perspective. It was published in 2004 by the Mizoram Public Administration Association (MIPAA). The author of this article compares the doctrine of socialism, communism and capitalism in which it is realized here that privatization seems to be the best-suited ideology for Mizoram. Further, the author also deals with some issues relating to privatization in which the State Government tried to privatize some of its agency but there were hindrances, obstacles from the people. These problems are only raised by a few selfish groups of people who never realize the meaning and ways of socialism or privatization.

Another article written by Vanlalchhawna *Mizoram Budget: Miretheite dawm kan na nge leiba siamna?* in H.T.C. Lalrinchhana *Zoram Nghahfak* published at Aizawl in 2004 by Mizoram Public Administration Association (MIPAA) is an interesting work on Mizoram public finance. In this article, the author identifies two important concept – development expenditure and non-development expenditure. The former represents Government expenditure, especially by different departments on social services, whereas the latter is identified as Department expenditure on general services. Later, the author also mentions two sources of Government income, namely, revenue receipt and capital receipt. In his concluding remark, the author claims that Mizoram Revenue Receipt is too meagre in which it could not meet the desire of the State day-to-day economic management.

The connection of public finance and corruption has been defined by Dr J.V. Nunchunga in his article *Hlemhletna (Corruption) leh Mizoram Economic Development* published in an edited book co-authored by Rev. Vanlalchhawna Khiangte, Rev. R. Zolawma & Rev. V.L. Hruaia Khiangte *Hlemhletna (Corruption) leh Mizo Kristiante.* The book was published by the Research & Development Programme, Academy of Integrated Christian Studies (AICS), Tanhril in 2011. The author of this article clarifies the meaning, forms and strategies of corruption in Mizoram as well as means and ways of the relationship between corruption and the fund from the Central Government. As far as the author claimed in this article, it seems that misuse of funds from the Central Government is one of the major hindrances of Mizoram Economic development.

State's Own Revenue: A Case Study of Mizoram by J.H. Biakdiktluanga is another interesting work on the revenue system of the Government of Mizoram. This work is a dissertation submitted to the Department of Economics, Mizoram University in 2014. This study only deals with a period of 2001 – 2012 in which a comparison between the State's own revenue (tax) and State's own revenue (non-tax) was its main objective. The author classifies the state revenue that it consists of two types – Tax revenue and Non-Tax revenue. The former comprises of Taxes on Income & Expenditure, Taxes on Property & Capital Transaction, and Taxes on Commodities and Services. The Non-Tax revenue consists of General Services, Social Services and Economic Services. The major findings of this dissertation are that there has been a significant relationship between State's own tax revenue and Gross State Domestic Product; Value Added Tax (VAT) is the highest contributor of State's own tax revenue as well as the total own revenue of the State.

The above paragraphs are the reviewed literature which ranges from the meaning and doctrine of political economy, public finances as well as problems and prospects faced by Mizoram. All this review is limited from the viewpoint of this study that they do not trace the actual research problems of this study. In other words, literature regarding the research problems of this study is very limited either in print or electronic sources or in a form of published and unpublished works.

Objectives of the study

1. To study the political economy of Mizoram with its relation to the historical development of the state.
2. To examine the sources of income of the state of Mizoram.
3. To analyze the role of DoNER in the socio-economic development of Mizoram.
4. To examine the process and effectiveness of Public Finance in Mizoram.
5. To study the role of political actors in the economy of the State.

Research Questions

1. Does the theory of political economy contribute to the development of the state of Mizoram?
2. What are the main sources of state income?
3. What are the roles of DoNER in the socio-economic development of Mizoram?
4. To what extent does Public Finance in Mizoram contribute to state development?
5. What are the relations between political actors and economic growth of Mizoram?

Methodology

The nature of this study is Qualitative, Descriptive and Analytical. The Quantitative technique is also used in some parts of the study for an in-depth analysis of the study. Since this research studies government policies and acts using the qualitative technique, it can be classified as qualitative research. This research is based on two types of data. These data are classified into Primary and Secondary in which the former consists of an interview, questionnaire, and observations; whereas the latter consists of written records like published and unpublished books, articles, journals, RTI data, Assembly Proceedings, Government records, Statistical data published by the State Government, Government Archive, Gazette notifications, newspaper, magazines, television, pamphlets, relevant social networking sites and other media-related sources. In selecting the sample, Purposive and Judgement Sampling technique were used to draw the necessary sample. Accordingly, samples were selected from political leaders/politicians who acquired deep knowledge about public finance of Mizoram. Samples were also drawn by purposive sampling technique from academicians and distinctive persons who have experienced in the study area.

Chapterization

First Chapter : Chapter 1 – Introduction

This chapter is an introductory part of the study including the research problems, the importance of the study, the scope of the study, reviewed of related literature, research objectives, research questions, research methodology, and limitation of the study. First Chapter is concerning the theoretical foundation of political economy. It also contains the objectives, research questions and research problem of the study. Since it is an introductory part of the thesis, it deals with several issues relating to political economy.

Second Chapter : Chapter 2 – Political Economy of Mizoram

This chapter studies the effectiveness, applicability and relevancy of political economy in Mizoram. It gives a glimpse of brief information about the present economic condition of the state. It also traces the socio-economic growth of the state through the lens of political economy. This chapter also discusses major terminology in the discipline of political economy as well as in public finance. Chapter 2 discusses a brief observation of the present economic condition of Mizoram. Since the topic of this study contains several terminology which are not very popular in social sciences, there terms are explain in this chapter.

Third Chapter : Chapter 3 – Sources of State Income

This chapter deals with different sources of income of the Government of Mizoram during the Sixth and Seventh Legislative Assemblies. It also contains the average amount with sources of State's own revenue or the State's own generated revenue. Chapter 3 concerns with the sources of income of the state government. This chapter traces several sources of the state government either in the form of tax revenue or non-tax revenue. This chapter also examines issues regarding taxation which are trace from the classical political thinkers on whether or not tax is to be paid.

Fourth Chapter : Chapter 4 – Role of DoNER in Socio-Economic Development

The fourth chapter deals with a brief history of Development of North Eastern Region (DoNER) with reference to the Non-Lapsable Central Pool of Resources (NLCPR) and the utilization of project funds from DoNER, NLCPR. It mainly discusses the contribution of DoNER for the development of the state.

Fifth Chapter : Chapter 5 – Public Finance in Mizoram

This chapter mainly deals with the effectiveness of public finance in Mizoram. The utilization of grants from Central, Centrally Sponsored Scheme, receipts of state revenue is also included in this chapter.

Sixth Chapter : Chapter 6 –Role of Government of Mizoram in Budgeting

The relations between politicians and Mizoram economic growth is discussed in this chapter. This chapter analyzes the role of State Government in preparation of Annual Financial Statement, allocation of funds to various departments by the State Government and the criteria of expenditure pattern of different public enterprises. It ranges from the role of the Government in budgeting till the systems of its expenditure by its various agencies.

Seventh Chapter : Chapter 7 – Conclusion

The last chapter mentions the concluding remarks of all the chapters in which major findings of the study, summary and suggestions to the research problem is included.

Appendices

Bibliography

Major Findings

The most important findings of all in this research is that Politicians/statesman need to learn a lesson in moral philosophy. In the Seventh Mizoram State Legislative Assembly, Finance Minister Lasawta has made it clear that Top Leader, i.e., the Chief Minister is very important and that no positive and balanced growth can be implemented if the top leader declined to do so (Lalsawta, 2019). So, a leader must be a sage, wise, lover of truth and wisdom as Plato put it and only then the ruler will be fitted enough to teach the people in the righteous path. Therefore, political socialization and political culture of the people must not be neglected by the leaders for which it is the door to the best political development.

Why does Fiscal deficit persist? Despite the enactment of the Fiscal Responsibility and Budget Management (FRBM) Act in 2006 in Mizoram, there has been a continuous fiscal deficit in Mizoram. The reasons for not conforming to the projected fiscal correction paths are due *inter alia* to expenditure on account of food subsidies, purchase of power and selling the same at a subsidized rate to the general public and many other items of revenue expenditures (Fiscal Policy Strategy Statement 2017-2018, 2017). Therefore, independent on paddy production and power is an immediate solution to achieve fiscal correction path and eventually to fulfil fiscal surplus, not a fiscal deficit.

There has been expanding expenditure on committed liabilities. Committed liabilities include expenditure on salary, pension, and interest payments on loans, and this should be a great concern for the state government in its effort to enhance the fiscal space. Committed liabilities means State governments are obliged to pay them even if they face financial shortages. Expenditure on Committed Liabilities has become a burden for the government. As such, a prudent ruler must find a way to augment this negative growth. Restructuring of public administration in the form of downsizing and rightsizing is suggested to enhance the present burden on committed liabilities.

Of all expenditure, average 10-20 per cent of the total budget receipt is used every year for capital outlay which forms major parts of the creation of capital and durable assets in Mizoram (see Table 5 in Chapter 5). Therefore, if looked closely and accurately, one needed to emphasis on rightsizing and downsizing of the government administration and cut down too much expenditure on subsidies. The government must save more fund for the creation of capital assets for which they form infrastructure development of the state.

The overall State Own Revenue receipt of the State Government of Mizoram hardly exceeds 10 per cent of the total revenue receipt. This is due to the poor performance of the State Government in State own Tax Revenue and Non-Tax Revenue. In fact, since 2006-2007 till 2015-2016 financial year, State Own Revenue (including tax and non-tax) could not exceed 10 per cent from the total revenue receipt; 90 per cent of the receipt were obtained in the form of Grants-in-aid and Devolution of Central Taxes (L.T. Thanga, 2018: 11).

The recommendation of the Thirteenth Finance Commission to reduce the fiscal deficit of the State to 3 per cent of GSDP by 2014-15 could not be achieved due to the continuation of overwhelming Revenue Expenditure. However, the fiscal deficit limit recommended by the same Finance Commission was eventually achieved in 2015-16.

Regarding tourism development in Mizoram, Table 7 in chapter 5 reveals the expenditure statement of the Government of Mizoram on tourism under the study year. Both the total tourism expenditure and expenditure outlay on tourism hardly exceeds 1 per cent of the total budget receipt. In some departments, in some schemes and programmes, in some projects and liabilities, the state government has spent more than 50 per cent of the total budget receipt. However, it is one of the most potential that Mizoram possesses to generate more revenue in the future, the state government does not spend a substantial amount of fund for capital development.

The idea of spending little has always been the main intention of the Congress ministry. However, spend a little is hard. As Jean-Baptiste Say (1767-1832) viewed that - "the very best of all plans of finance is to spend little and the best of all taxes is that which is least in amount". While spend little are hard, spend right or correct spending can be done. This is the task of a politician who forms a government.

In particular to the role of the government in budgeting, the way budget was prepared and the way that they were enacted is not satisfactory. The budget must be prepared with a thorough consultation with all the government departments and agencies to achieve accuracy in budgeting. Budget planning and preparation is the process by which a government develops, approves, and enacts a budget.

The need for implementation of Information Technology (IT) in the administrative set up of the government has been neglected for far too long (Vanneihtluanga, 2017). The implementation of IT in administration is likely to reduce administrative staff; thereby to minimize the administrative cost of the state government. However, in Mizoram, the implementation of IT neither reduce the administrative staff nor minimize the administrative cost of the government, namely, the salaries. This is due to the reluctance of the politicians, the cabinet ministers, and the government to abolish unnecessary staff post/designation which is outdated by the IT (Vanneihtluanga, 2017). These unnecessary post has accumulated a huge amount of government funds for salaries and pensions (see table 3 in chapter 3).

Digitisation of ration cards in 2015 saved annual expenditure of around ₹ 100 crores for the purchase of foodgrains (L.T. Thanga, 2018: 52). This saving is more than what the Congress government earned revenue from excise duty in its last budget of 2018-2019 (see Annual Financial Statement 2020-2022).

If the 125th Constitutional amendment is enacted by both the Houses of Parliament and given the consent by the President of the Republic of India, it will empower the State Finance Commission to devolve funding patterns to the Autonomous District Councils (ADCs) in the Sixth Schedule Areas. As such, the provision of 'direct funding' from the Central Government as claimed by local politicians in the ADCs areas will be impossible. Upon the amendment of the said constitution, (considering the bill is approved) it will be mandatory for the Sixth Schedule areas to constitute the State Finance Commission without fail. In addition to that, Mizoram is a little advance in setting up of the State Finance Commission in which in 2011, the first State Finance Commission has already been set up. Due to that the role of Congress government regarding devolution of state own resources to local bodies in Mizoram was admirable.

If state-owned revenue is to be enlarged and if public spending is to be rational, a direct tax should be levied by the state government. When and if tax is levied by the state government, the people will possess ownership feeling towards the government; the people will be more cautious to public expenditure. In short, the people will be more vigilant, alert and watchful towards the budget of the state government. The people will be driven by self-interest gain as propounded by classical liberalist. So much of the spending of the government will still be the money which is paid by the people. However, if the direct tax in to be levied, it shall either relieve the burden of some other user charges indirect tax or reduce some indirect taxes, otherwise, the tax might become a burden for the society.

Since there are shortages of revenue receipt in terms of state-owned revenue, resources must be obtained from all possible means to increase state-owned revenue. To utilize the present revenue receipt of the government, there must be administrative reforms either in the form of downsizing or rightsizing. To maximize the potential area of tax revenue, direct tax in the form of progressive or development tax within the state of Mizoram is commendable in which the people could be more cautious and more alert. Until and unless expenditure on committed liabilities and subsidies are not reduced to a significant level, there will be continuous fiscal shortcomings and imbalances in future. Therefore, self-sustaining/independent on food grains and power is mandatory. Exploring all potential areas including tourism is recommendable in which capital expenditure on tourism and other potential areas must not be neglected. Exploring issues not raised, energies not mobilized, potentials not utilised, and power not challenged must be the new homework of the political party(s) in power. Fiscal imbalances in terms of share of GSDP by Agriculture & Allied sector, Service sector, and Industrial sector are largely caused by neglecting of general economic performances for the last 20 years or so. If the government is willing to balance this share of economic growth, there must be a huge improvement in the Agriculture & Allied sector because this sector constitutes the majority of the population in Mizoram.

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