GOVERNMENT OF SIKKIM
FINANCE DEPARTMENT

MEDIUM TERM FISCAL PLAN FOR SIKKIM
2025-26 TO 2027-28

As presented before the Sikkim Legislative Assembly as required under sub-section (1) of section 3 of the Sikkim Fiscal Responsibility and Budget Management Act, 2010

MARCH 2025

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LIST OF ABBREVIATIONS

14th FC	Fourteenth Finance Commission
15th FC	Fifteenth Finance Commission
CGST	Central Goods and Services Tax
CPI	Consumer Price Index
CSO	Central Statistical Organization
CSS	Centrally Sponsored Schemes
FDI	Foreign Direct Investment
FRBM	Fiscal Responsibility and Budget Management
GDP	Gross Domestic Product
GLOF	Glacial Lake Outburst Flood
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
IMF	International Monetary Fund
INR	Indian National Rupees
LBs	Local Bodies
MTFP	Medium Term Fiscal Plan
MPC	Monetary Policy Committee
NBC	Net Borrowing Ceiling
NPS	National Pension Scheme
PPP	Purchasing Power Parity
RBI	Reserve Bank of India
SGST	State Goods and Services Tax
VAT	Value Added Tax

CHAPTER 1: INTRODUCTION

Medium Term Fiscal Plan for Sikkim: 2025-26 to 2027-28

1.1 An overview

The Fiscal Responsibility and Budget Management (FRBM) Act was adopted in the year 2010 based on the recommendations of the 11th Central Finance Commission. The Act aims to bring fiscal discipline, macroeconomic stability, and transparency in the government fiscal operations, and efficient management of funds.

Section 3 (1) of the FRBM Act stipulates presenting a Medium-Term Fiscal Plan (MTFP) to the State Legislative Assembly, along with the State Budget with an objective to give the detailed fiscal stance of the Government as envisioned in the budget in a transparent manner.

It also provides for chalking out the Medium-Term Fiscal Plan to set forth a three-year rolling target for the prescribed fiscal indicators with specification of underlying assumptions relating to parameters projected receipts and expenditure and the band within which they can vary while remaining consistent with the targets as per Section 3 (2) of the said Act.

Section 3 (3) of the Act stipulates that the Medium-Term Fiscal Plan shall include an assessment of sustainability relating to balance between revenue receipts and revenue expenditure and the use of capital receipts including borrowings for generating productive assets.

The Medium-Term Fiscal Plan as per Section 3 (4) of the Act, requires that it contain the following:

i. The medium-term fiscal objectives of the Government.

ii. An evaluation of the performance of the prescribed fiscal indicators in the previous year vis-à-vis the targets set out earlier, and the likely performance in the current year as per revised estimates.

iii. A statement on recent economic trends and future prospects for growth and development affecting fiscal position of the Government.

iv. The strategic priorities of the Government in the fiscal matters for the ensuing financial year.

v. The policies of the Government for the ensuing financial year relating to taxation, expenditure, borrowings and other liabilities, subsidies, lending and investments, guarantees and activities of Public Sector Undertakings which have potential budgetary implication and the key fiscal measures and targets pertaining to each of these.

vi. An evaluation as to how the current policies of the Government are in conformity with the fiscal management of principles set out in section 4 and the fiscal objectives set out in the Medium-Term Fiscal Plan.

The fiscal management revolves around the benchmarks and fiscal indicators provided under the FRBM Act and ensure a defined time path for achieving deficit and debt targets to achieve fiscal stability. To ensure the fiscal stability and sustainability while providing efficient public service is the key feature of a growth oriented fiscal policy.

1.2 Global Economy

As per the Indian Economic Survey 2025, the global economy has exhibited steady yet uneven growth across regions in 2024. There seems to have been a notable trend of slowdown in global manufacturing, especially in Europe and parts of Asia, due to supply chain disruptions and weak external demand. In contrast, the services sector has performed better, supporting growth in many economies. The inflationary pressures have eased in most economies. However, services inflation has remained persistent. Although commodity prices have stabilised, the risk of synchronised price increases persists.

The World Economic Outlook January 2025 Report, has projected the global growth at 3.3 percent both in 2025 and 2026, with a stronger growth expected in the Unites States (US) which is likely to offset the weakness in other Advanced Economies (AEs). The projected growth is close to that of 3.2 per cent in 2024, but below the average of 3.7 per cent witnessed during the first two decades of the 21st century.

The Global Consumer Price Index (CPI) declined in 2024 to 5.7 per cent (100 bps lower than a year back). The decline was more pronounced in the case of AEs, although the more recent prints have shown an increase in inflation in major AEs, with services inflation proving to be inflexible. Diverging inflation and growth outcomes are also reflected in monetary policy actions - the US holding rates steady, the UK and the euro area opting for a cut, and Japan raising its rate. The potential impact of trade conflicts on currency and financial markets further confounds the choices policymakers face.

The Russia-Ukraine war and Israel-Hamas conflict have impacted trade, energy security, and inflation. The Suez Canal disruptions that forced ships to reroute via the Cape of Good Hope, increasing freight costs and delivery times. This apart, geopolitical tensions, ongoing conflicts, and trade policy risks continue to pose significant challenges to global economic stability.

1.3 Macro-economic outlook of Indian Union

Despite challenging global conditions, India has displayed steady economic growth. India is the fastest growing among major economies of the world and is poised to continue on this path, with aspirations to reach Viksit Bharat (high middle-income) status by 2047, the centenary of Indian independence. India is currently the fifth largest economy globally by nominal GDP and ranks third when measured by Purchasing Power Parity (PPP). India has been able to wither the COVID storm and still managed to expand the Indian economy by around 10 to 12% in nominal terms. India has lifted 250 million out of poverty and eliminated extreme poverty. Today India is at the cusp of leading technological prowess with massive innovative potential, with the first country in the world to land on moon's South Pole.

As per the Economic Survey 2025, India's real GDP is estimated to grow by 6.4 per cent in fiscal year 2024-25. The IMF and World Bank has also projected the Indian economy to grow between 6.4 to 6.5% in 2024-25. The services sector is the fastest growing sector at 7.2%, while the agriculture sector is expected to grow by 3.8%. Growth in the first half of the current fiscal was supported by agriculture and services, with rural demand improving on the back of record Kharif production and favourable agricultural conditions. The manufacturing sector faced pressures due to weak global demand and domestic seasonal conditions. Private consumption has remained stable, reflecting steady domestic demand.

Over the past decade, the Indian economy has achieved an average annual growth rate of close to 7%, leaving aside the year that was affected by the COVID-19 pandemic. The Growth was spurred by public investment in infrastructure and rising household investments in real estate as well as investment in the manufacturing sector. The services remained resilient, compensating for the underperformance in agriculture. The Government initiatives have sought to boost the manufacturing sector by improving the business environment, infrastructure spending, enhancing logistics infrastructure, improving tax efficiency and rationalizing tax rates.

India plays a dynamic role in international trade, exporting key products such as software services, petroleum products, textiles, and agricultural goods, while importing crude oil, gold, machinery, and chemicals. However, it consistently faces a trade deficit due to higher import values. As per the World Bank Report, Trade will play a critical role in creating jobs and boosting growth in India. To boost growth and create jobs, India will need to harness its global trade potential. In addition to IT, business services and pharma, where it excels, India can diversify its export basket into more labor-intensive sectors such as textiles, apparel, and footwear, as well as in electronics and green technology products.

The Foreign Direct Investment (FDI) has surged in recent years, bolstered by easing FDI norms, (opening up more sectors to foreign investment except for certain strategic ones to 100%); Ease of Doing Business targeting sectors like technology, retail, and renewable energy; and through initiatives like 'Make in India' campaign. The Production Linked Incentive (PLI) Scheme introduced in 2020, have resulted in significant investments and has boosted the manufacturing output. Focus is given to promote manufacturing and substantial investments in infrastructure, including transportation, energy, and digital connectivity. The digital economy is also expanding rapidly, with notable growth in digital payments, e-commerce, and technology start-ups, adding vibrancy to economic progress.

Despite its achievements, the Indian economy faces several challenges, including high unemployment, infrastructure deficits, economic inequality, inflation, and issues within the agricultural sector, alongside concerns about current account balance, private debt, and environmental degradation. India has a high level of economic inequality, with income and wealth disparities widening in recent decades. Despite economic growth, poverty remains a major challenge, with a significant portion of the population struggling to meet basic needs.

Looking forward, India’s economic prospects are promising, driven by a large young population, an expanding middle class, and ongoing reforms. This blend of strengths and challenges defines India’s evolving economic profile on the global stage.

1.4 Fiscal profile of the Indian Union

The Gross Domestic Product (GDP) of India for the fiscal year 2024-25 is close to about $ 4.27 trillion in nominal terms, while the Per capita Income is $ 2,940, which is much below most of Advanced economies. It ranks 141th by GDP (nominal) and 119th by GDP (PPP).

The Union Budget 2025-26, announced on February 1, 2025, reaffirms the government’s commitment towards fiscal consolidation, with Gross Fiscal Deficit placed at 4.4 per cent of GDP in 2025-26 (BE), below 4.8 per cent of GDP in 2024-25 (RE). It has placed thrust on boosting consumption while maintaining the quality of expenditure, with effective capital expenditure/GDP ratio budgeted to improve to 4.3 per cent in 2025-26, which is an increase from 4.1 per cent in 2024-25 (RE). The proposed consolidation is sought to be achieved through retrenchment of revenue expenditure to 11.0 per cent vis-a-vis 11.4 per cent in 2024-25 RE, while boosting gross tax revenues to 12.0 per cent from 11.9 percent in the last fiscal.

The GST collections (Centre plus States) grew by 12.3 per cent (y-o-y) in January 2025 to reach ₹ 1.96 lakh crore. The collection from domestic transactions grew by 10.0 per cent (y-o-y), while that on imports grew by 19.8 per cent. The cumulative gross GST collections for April-January 2024-25 were 9.4 per cent higher than the corresponding period a year ago.

Gross tax revenues of the Central government grew by 10.8 per cent (y-o-y) in April-December 2024, primarily driven by income tax, goods and services tax (GST), and custom duties. Non-tax revenue attained 84.3 per cent of RE, attributable to the surplus transfer of ₹ 2.11 lakh crore from the Reserve Bank of India. Non-debt capital receipts, however, contracted due to decline in both recovery of loans and disinvestment receipts. The net tax revenue of the Union government increased by 6.5 per cent during April-December 2024. Overall, the total receipts expanded by 11.9 per cent over the corresponding period of the previous year.

On the direct tax front, the Budget proposes tax relief of ₹ 1 lakh crore focused on middle-class taxpayers, which is expected to bolster household disposable incomes, and stimulate consumption, savings, and investment. In the realm of indirect taxation, revised customs duties target tariff simplification and address duty inversions.

The gross transfers to States have been budgeted to increase by 12.5 per cent for 2025-26, an increase from 10.2 per cent during 2024-25 (RE), largely on account of transfers under centrally sponsored schemes and special assistance to States for capital expenditure. The gross transfer of resources to States as a percent of GDP is slated to increase from 7.0 per cent during 2024-25 (RE) to 7.2 per cent during 2025-26 (BE). Devolution of States' share in taxes constitutes the largest component of gross transfers.

The Monetary Policy Committee (MPC) of the Reserve Bank of India reduced the policy repo rate by 25 bps to 6.25 per cent, as growth-inflation dynamics opened up policy space to support growth, while remaining focused on aligning inflation with the target. As per the RBI Bulletin 2025, there has been excessive volatility in global financial markets and continued uncertainties about global trade policies, coupled with adverse weather events, pose risks to the growth and inflation outlook. Accordingly, the MPC voted to continue with a neutral stance, which provides the flexibility to respond to evolving macroeconomic conditions.

One of the major concerns though is the high Debt to GDP ratio, which had peaked to 62.6 per cent of GDP in 2020-21 amidst the COVID-19 pandemic. This has, however, declined to 57.1 per cent of GDP in 2024-25 (RE) and is further budgeted to decline further to 56.0 per cent of GDP in 2025-26. The high levels of debt results in the Union puts a ceiling on fiscal deficit, and thus deescalates growth with reducing levels of investments.

1.5 Macro-economic outlook of Sikkim

The improvement in the national economy had positively impacted the public finances in the State of Sikkim. Enhanced flow of resources from the Union government coupled with better resource mobilization has helped the State to come back to fiscal consolidation path. The nominal GSDP growth during 2011-12 to 2023-24 has been 12.8 percent, nearly 2 percentage point higher than the national average of 10.8 percent.

The state finances of Sikkim witnessed improvement in the post-pandemic period. The annual average growth of Gross State Domestic Product (GSDP) of Sikkim at constant prices from 2015-16 to 2023-24 remained healthy at 7.1 percent, leaving the pandemic affected year of 2020-21 in which the GSDP de-grew by (-) 0.6 percent. The economy have been on the path of recovery since then, and it grew at a real rate of 7.1 percent in 2022-23 and 7.6 percent in 2023-24.

While the economy was recuperating post the Pandemic, however, the State of Sikkim was hit by a devastating event that has affected the economic performance of the State adversely. The catastrophe that followed due to the Glacial Lake Outburst Flood (GLOF) on October 4, 2023, in the Teesta River, led to large scale destruction of property and loss of lives. There was huge damage of infrastructure in the Power Sector, amongst which includes the 1200 MW Teesta Stage-III HEP dam site which was completely washed off. Power installations of two other major hydro projects Dikchu HEP and Teesta Stage-V HEP also sustained major damages. This has led to instant loss of generation capacity of 1806 MW from these three major hydro projects. The National Highway NH10 was closed for almost two and half months with economic activity and food supplies hugely affected. Tourism was largely impacted and there was temporary setback to the economy, as this sector is a source of livelihood for number of families in Sikkim. The tourism is still hampered due to bad road conditions, and it may take couple of years to return to its initial position. The catastrophe will hugely impact the economy of Sikkim for a long time. It is also expected that there will be shortfall in revenues in the fiscal year 2024-25 and that would bring about a fiscal in-balance.

The State of Sikkim, has, however, remained a progressive one with high socio-economic indicators. With per capita income reaching ₹ 7.07 lakhs ($ 8036), which is more than 3 times the national average. Sikkim is the richest State in India surpassing Goa in recent times. The poverty ratio had declined to 8.19 per cent as compared to all India average of 21.92 per cent in 2011-12. The literacy rate at 81.40 per cent in 2011-12 is significant achievement. The IMR has gone down to 5 per 1000 in 2020 as compared to the all-India average of 28. The cause of concern however is the decreasing fertility rate which stands at 1.1 according to the National Family Health Survey-5 (NFHS-5) conducted in 2019-2020. The Total Fertility Rate (TFR) of

Sikkim, which represents the average number of children a woman is expected to have in her lifetime based on current birth rates, is notably low, falling well below the replacement level of 2.1, which is the rate needed for a population to sustain itself without growth or decline over time. This makes Sikkim one of the states in India with the lowest fertility rates, a situation that has raised concerns about potential population shrinkage and its socio-economic implications, such as an aging population and a shrinking workforce.

The Government of Sikkim adopted Fiscal Responsibility and Budget Management Act (FRBM Act) in 2010. Post FRBM fiscal management experienced considerable improvement in fiscal outcomes in terms of reduced fiscal deficit and stabilization of debt burden. The State continued to generate revenue surplus. Fiscal rules helped the state government establish fiscal targets as bench marks to manage state finances. The fiscal path chalked out by the Fourteenth Finance Commission (14th FC) ended in 2019-20; and from the fiscal year 2020-21 to financial year 2025-26, the recommendations as stipulated by the Fifteenth Finance Commission (15th FC) has taken effect. The State government is committed to calibrate the fiscal policy within the available resources and observing restraint on spending to achieve fiscal consolidation.

The State government conducts review of its compliance to the FRBM Act regularly by a reputed independent Institution, which is placed in the legislature. This follows the specific provision contained in the Act as per the recommendations of the 13th FC. This provision has established an institutional process, where achievement of the fiscal targets and fiscal management principles are examined by an independent agency to improve transparency and accountability in fiscal management.

1.6 Organization of the MTFP Report

The remaining section of this MTPF report is structured as follows:

Chapter 2 highlights the Fiscal scenario in Sikkim;

Chapter 3 provides the Fiscal Targets and Assumptions for the 3 year rolling targets starting fiscal year 2025-26 to 2026-27;

Chapter 4 provides the Disclosures as is mandated under the FRBM Act.

CHAPTER 2: FISCAL SCENARIO IN SIKKIM

Medium Term Fiscal Plan (MTFP)
Form F -1
(See Rules 3 (3))

The trend of economic growth and contribution of various sectors to the State economy have significance in calibrating fiscal plan for the year, primarily for assessing the possible revenue implications. As the fiscal variables are presented as percentage to GSDP in the FRBM Act, target and the borrowing limit is fixed as percentage to GSDP, the GSDP numbers assumes significance in preparation of MTFP. The State FRBM Act in section 3 {3 (iii)} calls upon the Government to provide a statement on economic trend and future prospects for growth and development affecting fiscal position of the Government.

2.1 Economic Profile of the State

Sikkim, a small state in north-eastern India, nestled in the Himalayas known for its stunning landscapes, rich biodiversity, and unique blend of cultures, with a population of approximately 692 thousand, and has emerged as one of India's fastest-growing states. Its Gross State Domestic Product (GSDP) is estimated at ₹ 570 billion in 2025-26, reflecting a robust compound annual growth rate (CAGR) of 9.9% between 2018-19 and 2025-26.

Table 2.1: Composition of GSVA at constant 2011-12 prices (percent of GSDP)

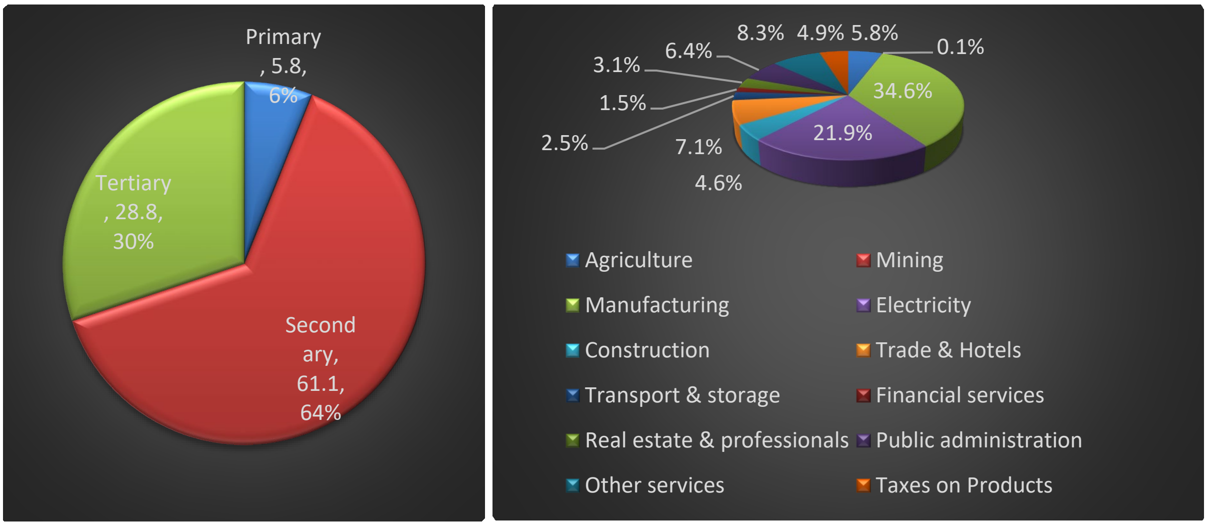
Sl. No.	Item	2011-12	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	Agriculture	8.1	7.8	7.7	7.0	6.6	6.1	5.8
2	Mining	0.1	0.1	0.0	0.0	0.0	0.1	0.1
A	**Primary**	**8.1**	**7.9**	**7.8**	**7.1**	**6.6**	**6.2**	**5.8**
3	Manufacturing	38.6	44.1	40.3	38.0	37.6	36.2	34.6
4	Electricity	16.7	13.0	13.2	18.0	19.7	20.2	21.9
5	Construction	6.0	3.9	4.2	3.7	4.1	4.6	4.6
B	**Secondary**	**61.3**	**60.9**	**57.6**	**59.7**	**61.4**	**61.0**	**61.1**
6	Trade & Hotels	2.8	4.7	5.1	5.4	5.6	6.6	7.1
7	Transport & storage	2.5	2.8	2.9	2.7	2.6	2.6	2.5
8	Financial services	1.5	1.4	1.7	1.8	1.3	1.5	1.5
9	Real estate & professionals	5.2	3.7	3.8	3.7	3.4	3.3	3.1
10	Public administration	6.6	6.4	7.5	7.0	6.5	6.3	6.4
11	Other services	9.4	7.1	9.0	8.4	8.3	8.2	8.3
C	**Tertiary**	**28.1**	**26.1**	**29.9**	**29.0**	**27.7**	**28.6**	**28.8**

D	**TOTAL GSVA**	**97.6**	**94.9**	**95.3**	**95.7**	**95.7**	**95.7**	**95.7**
12	Taxes on Products	3.6	5.4	5.1	4.9	4.9	4.9	4.9
13	Subsidies on products	1.2	0.3	0.3	0.6	0.6	0.6	0.6

Source: MOSPI and Directorate of Economics & Statistics

The composition of Gross State Value Added (GSVA) of Sikkim in constant terms is reflected Table 2.1 (Figure 2.1) and shows the contribution of primary, secondary, and tertiary sectors to the state's overall economy. GSVA is essentially the GSDP minus taxes and subsidies on products, providing a clearer picture of sectoral productivity at constant prices.

Figure 2.1: Composition of GSVA for 2023-24 at constant 2011-12 prices



Source: MOSPI and Directorate of Economics & Statistics

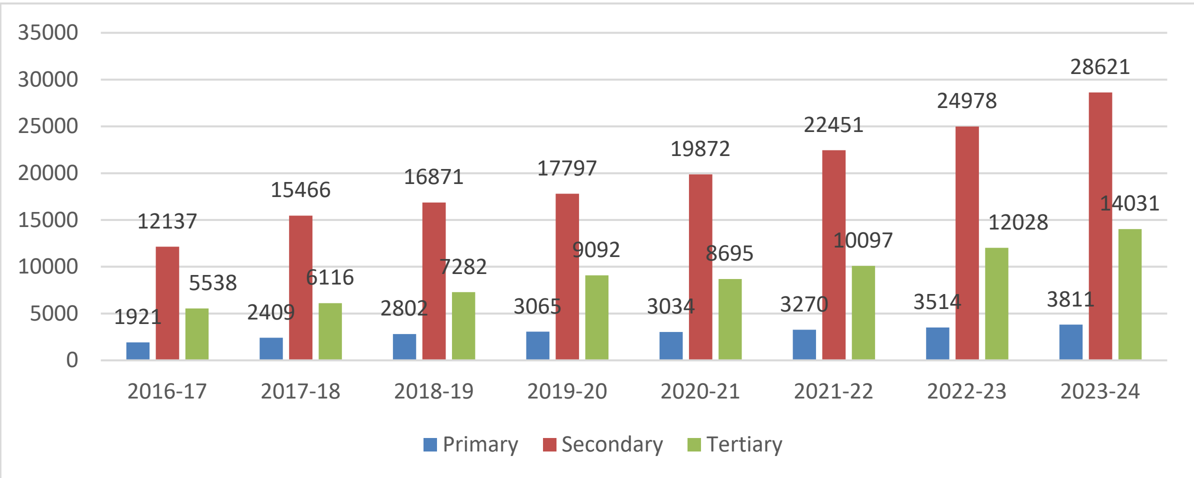
The composition of primary sector at around 5.8 to 7.9 % between 2018-19 to 2023-24 at constant terms is mainly dominated by the agriculture sector with crops like large cardamom, ginger, tea and organic vegetables playing the major role. The share of primary sector has declined from 8.1 percent in 2011-12 (at 2011-12 constant prices) to 5.8 percent in 2023-24, mainly due to Sikkim's transition from a subsistence-based agrarian economy leading to the agriculture's role shrinking relative to others. Urbanisation and decreasing agriculture land holding also could be reason on degrowth in this sector. Sikkim's status as India's first fully organic state since 2016 adds value but limits yields, keeping this sector's GSVA share relatively small.

The secondary sector comprises of manufacturing, construction and electricity sector and is the highest contributor to GSVA with contribution ranging from 57.6 percent to 61.4 percent in constant terms. The manufacturing sector which is the largest contributor to GSVA includes small-scale industries tied to agriculture and huge investments in areas like pharmaceuticals and breweries. Private manufacturing investment especially in the pharma sector was facilitated by the North East Industrial and Investment Policy (NEIIP), which has been in operation until March 2022, wherein incentives mainly on compensation due to the higher cost of operation of industries and tax-free regime were provided. Sikkim, however, was able to attract more industries compared to the other NE counterparts, mainly due to business-friendly policies, peaceful and pollution free environment, abundant power supply and added to that it is much closer to mainland India compared to other NE states. The other reason for this sector's dominance is driven by investments made in hydropower generation, a standout contributor due to Sikkim's topography, hilly terrain and abundant water resources. Electricity production not only meets local needs but also exports surplus to India's grid, boosting GSVA. The construction activities has also partly contributed to the secondary sector growth with push given on infrastructure projects, such as roads, airports, tourism facilities, etc mainly spurred by government investment and central grant funding.

Trade, hotels, transport, communication, financial services, real estate, public administration, and other services have contributed to the tertiary sector. The growth of Tourism sector due to Sikkim's natural beauty, is mainly the driving force which facilitates investment in hotel and services sector. The Public administration is significant due to Sikkim's reliance on central government transfers which fund salaries and other services.

Figure 2.2 shows the contribution of three different sectors to GSVA in current prices wherein it is seen that the Secondary sector clearly dominates the other two. Average relative share of secondary sector during 2018-19 to 2023-24 in constant terms was 60.3 percent as against 28.3 percent of tertiary sector (Table 2.1). The relative share of primary sector remained at 6.9 percent during this period.

Figure 2.2: Composition of GSVA at current prices



Source: MOSPI and Directorate of Economics & Statistics

The broad structure of the economy of Sikkim is indicated in Table 2.2, which shows sectors of contribution to GSDP at current prices. The nominal annual growth in all the sectors from 2011-12 to 2023-24 has moderated between 12 to 13 percent. The highest annual growth rate is seen under Trade and Hotels at 22.7 percent, which is mainly due to investment and growth in the tourism sector, followed by manufacturing sector at 15.8 percent.

The economy has had a robust growth post 2011-12 and has nearly recouped the downturn witnessed during the pandemic. Post the pandemic, the economy has grown at an average nominal rate of 14 percent. The annual compounded GSDP growth in nominal terms during 2011-12 to 2023-24 is 12.7 percent, nearly 2 percentage point higher than the national average of 10.8 percent. Growth in constant prices during this period averaged at 6.9 percent.

Table 2.2: GSDP at current prices (₹ in crore)

Sl. No.	Item	2011-12	2018-19	2020-21	2021-22	2022-23	2023-24	CAGR
1	Agriculture	901.4	2784.8	3022.7	3255.3	3492.5	3787.7	12.7%
2	Mining	8.0	17.1	10.8	15.0	21.5	23.2	9.3%
A	**Primary**	**909.4**	**2801.9**	**3033.6**	**3270.3**	**3514.0**	**3810.9**	**12.7%**
3	Manufacturing	4306.2	12076.6	12644.6	13373.0	14132.4	15387.4	11.2%
4	Electricity	1866.2	3691.7	5980.4	7472.1	8779.2	10834.2	15.8%
5	Construction	671.0	1102.5	1247.0	1606.1	2065.9	2399.5	11.2%
B	**Secondary**	**6843.4**	**16870.8**	**19871.9**	**22451.2**	**24977.5**	**28621.0**	**12.7%**
6	Trade & Hotels	314.5	1539.3	1565.3	2190.9	3005.5	3648.5	22.7%
7	Transport & storage	283.7	630.2	577.4	787.4	892.9	988.9	11.0%
8	Financial services	165.2	322.8	457.5	400.2	541.6	626.1	11.7%
9	Real estate & professionals	583.9	1034.2	1060.0	1205.7	1378.9	1572.8	8.6%
10	Public administration	740.3	1750.5	2210.2	2394.9	2696.3	3160.5	12.9%
11	Other services	1051.8	2004.9	2824.2	3118.2	3513.1	4034.0	11.9%
C	**Tertiary**	**3139.3**	**7281.9**	**8694.6**	**10097.3**	**12028.4**	**14030.9**	**13.3%**
D	**TOTAL GSVA**	**10892.1**	**26954.5**	**31600.2**	**35818.8**	**40519.9**	**46462.9**	**12.8%**
12	Taxes on Products	406.0	1546.4	1603.1	2092.0	2432.7	2789.5	17.4%
13	Subsidies on products	133.0	98.5	185.4	261.2	275.1	315.5	7.5%
E	**GSDP**	**11165.1**	**28402.4**	**33017.8**	**37649.6**	**42677.5**	**48936.9**	**13.1%**
F	**Population ('00)**	**6140**	**6600**	**6730**	**6800**	**6860**	**6920**	**1.0%**
G	**Per Capita GSDP (₹)**	**181842**	**430340**	**490607**	**553671**	**622120**	**707181**	**12.0%**
H	**Growth Rate (GSDP)**		**10.7%**	**5.0%**	**14.0%**	**13.4%**	**14.7%**	

Source: MOSPI and Directorate of Economics & Statistics

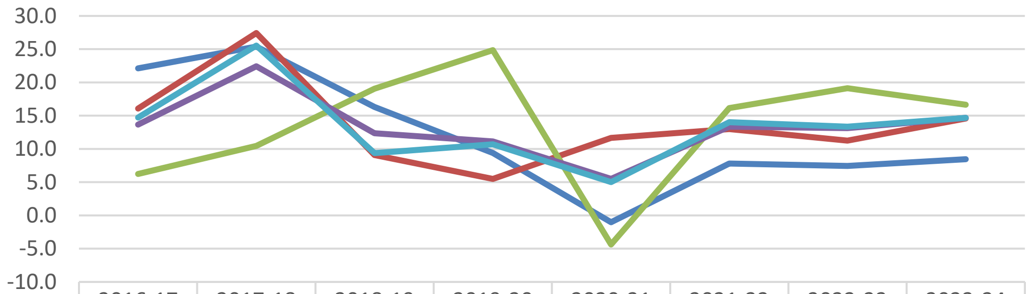
The flash floods of October 2023, however, have created a huge setback to Sikkim's economy. With the bursting of the perimeter of the Lake Lhonak, releasing a huge amount of water to the River Teesta, the Chungthang Dam producing 1,200MW of electricity got completely destroyed. The Hydro Power Project built at a cost of ₹ 13,965 crore, which had 60 percent State Government's share became defunct. Besides this, there has been extensive damage and loss of public infrastructure particularly in sectors such as roads and highway networks, bridges, tunnels, culverts, retaining walls; drinking water supply, drainage systems, etc. With the closure of National highway and huge damages to roads, a sense of uncertainty among the tourists was created, which delayed the resurgence of livelihood opportunities and income levels of nearly 25 percent of population. Tourism has been greatly affected, wherein the number of tourists in 2022 fell from 16.26 lakh to 13.21 lakh in 2023 and further to 15.40 lakh in 2024. The recovery may take some time and could create a de-escalation to growth in the near term.

The State of Sikkim has remained a high per capita income state in the country due to higher investments in secondary sector. Per capita income (Per capita GSDP) of Sikkim has improved from ₹ 1.82 lakh in 2011-12 to ₹ 7.07 lakh in 2023-24 at current prices. This is an annual average growth rate of 12 percent during the period 2011-12 to 2023-24. The growth of per capita income went down to 4.1 percent in 2020-21 due to the COVID pandemic. The Per capita income of the State of Sikkim is the highest in the country, but that mainly because of income originating in the State and not necessarily the income getting absorbed. The own tax/GSDP ratio, therefore, tend to remain low and high income is not fully reflected in the levels of living standard of the people.

The sector-wise growth rate from 2016-17 to 2023-24 can be seen at Figure 2.3. The Primary Sector has grown at an annual compound rate of 10.3 percent is influenced by nominal increases in prices for agricultural products like cardamom, alongside inflation. Developments in hydropower projects and manufacturing activities led to compound growth of 13.0 percent from 2016-17 to 2023-24 in the secondary sector, while tourism and service industries with price increases playing a significant role, led to annualised growth of 14.2 percent in the tertiary sector.

The 15^{th} FC in their full report for the award period 2021-26, took the prevailing economic situation in India into consideration while suggesting State wise growth rates of GSDP. For Sikkim, the Commission assumed a negative growth of 0.5 percent in 2020-21 and a higher growth rate of 14.5 percent for the year 2021-22 at current prices. Starting from 2022-23, the 15^{th} FC prescribed growth rates ranging from 11.5 to 12.5 percent. The growth of State economy in 2023-24 at 14.7 percent at current prices exceeded the Finance Commission targets.

Figure 2.3: Sector wise Growth rate of GSDP at current prices



	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Primary	22.1	25.4	16.3	9.4	-1.0	7.8	7.5	8.4
Secondary	16.1	27.4	9.1	5.5	11.7	13.0	11.3	14.6
Tertiary	6.2	10.4	19.1	24.9	-4.4	16.1	19.1	16.6
GSVA	13.6	22.4	12.4	11.1	5.5	13.4	13.1	14.7
GSDP	14.7	25.5	9.4	10.7	5.0	14.0	13.4	14.7

Primary Secondary Tertiary GSVA GSDP

Source: MOSPI and Directorate of Economics & Statistics

The State of Sikkim is completing 50 years of statehood on May 16, 2025, marking its historic integration into India as the 22nd State in 1975. This milestone reflects five decades of progress, resilience, and cultural preservation as it transitioned into a full-fledged state of the Indian Union. Over the past 50 years, Sikkim has emerged as a model State of sustainable development with Sikkim being India's first fully organic state in 2016, a testament to its commitment to environmental conservation. The State has also made huge strides in tourism, industrialisation and hydro power generation, while preserving its rich ecology and biodiversity. Sikkim's 50-year journey also underscores its strategic importance as one of the most peaceful State in India, in spite of it being bordered by three international countries viz China, Bhutan, and Nepal. While celebrating its progress, the state continues to address challenges like demographic shifts and economic sustainability, aiming for a future that balances tradition with modernity. The golden jubilee celebrations, launched in May 2024, will showcase Sikkim's cultural heritage and achievements with a theme "Sunaulo, Samridha, and Samarth Sikkim" (Golden, Prosperous, and Capable Sikkim).

2.2 Fiscal Overview for the year 2025-26

Sikkim being among the smaller States of the country exists with the geographical and topographical constraints. Being positioned in the seismically active region of the Global seismic belt it remains vulnerable to earthquake disaster. Sikkim is strategically located sharing international borders with 3 countries where maintaining peace at any cost remains a priority. It is also a land locked state having only one lifeline NH 10. The recurring blockage due to fragile terrain prone to natural calamity and also due to unrest in the neighbouring State makes Sikkim isolated from the mainstream.

The budget for the fiscal year 2025-26 is primarily aimed at enhancing capital investment, adequately providing for priority areas in social sector, and enabling higher growth in the State. The budget in line with the strong growth process of economic development strategy in the country to achieve the *Viksit Bharat* 2047 status, of which the State of Sikkim also plays its role to sustain the growth momentum. The current budget intends to augment revenue growth, streamline revenue expenditure, and direct the capital expenditure towards boosting economic growth. The flexibility provided by the Union government to borrow over and above the stipulated limit helped the government improve upon the resource allocation to priority areas and infrastructure building.

The fiscal profile of Sikkim for the financial year 2025-26, reflects a focus on economic growth, revenue augmentation, and balanced development. Here's a detailed overview:

1. **Gross State Domestic Product (GSDP):**

   The GSDP for Sikkim for 2025-26 (at current prices) is projected to be ₹ 57,000 crore, indicating a growth of 8.5 percent over the 2024-25 estimate of ₹ 52,555 crore. This reflects a 100.7 percent increase since 2018-19 (₹ 28402 crore), showcasing strong economic momentum.

2. **Budget Size:**

   The total budget outlay for 2025-26 is ₹ 16,646.62 crore, a significant 162 percent increase compared to the ₹ 6,364.03 crore budget in 2018-19. After accounting for recoveries of ₹ 450.92 crore, the net expenditure is estimated at ₹ 16195.70 crore.

3. **Revenue Surplus:**

   The revenue surplus estimated for 2025-26 is ₹ 1203.20 crore, equivalent to 2.1 percent of GSDP. This is an improvement over budget estimate of 0.9 percent (₹ 499.34) crore as well as revised estimate of 2.0 percent (₹ 1068.71 crore) for 2024-25. A revenue surplus indicates that the state's revenue receipts exceed its revenue expenditure, reducing the need to borrow for operational expenses.

4. **Fiscal Deficit:**

   The fiscal deficit for 2025-26 is targeted at ₹ 3302.84 crore, or 5.8 percent of GSDP. This exceeds the central government's recommended limit of 3.5 percent of GSDP for states (which includes an additional 0.5 percent conditional borrowings on power sector reforms). However, this higher deficit is attributed to loans from the central government for capital expenditure, which are over and above the standard borrowing ceiling. Excluding these additional borrowings, the fiscal deficit aligns closer to 3 percent of GSDP.

5. **Revenue Receipts:**

Receipts (excluding borrowings) are estimated at ₹ 12231 crore, a 14 percent increase over the budget estimates of ₹ 10749 crore for 2024-25.

Sources of revenue include:

- State's Own Tax Revenue: 17.0 percent
- State's Own Non-Tax Revenue: 8.2 percent
- Share of Central Taxes: 45.1 percent
- Grants from the Centre: 29.7 percent

Breakdown of total receipt for 2025-26 (per ₹ 100 received):

- State's Own Tax Revenue: ₹ 13
- State's Own Non-Tax Revenue: ₹ 7
- Share of Central Taxes: ₹ 36
- Grants from the Centre: ₹ 23
- Loans and Borrowings & Recoveries: ₹ 21

Notably, as per the 15th Finance Commission's recommendations, Sikkim will not receive revenue deficit grants in 2025-26, emphasizing the state's push to enhance its own revenue generation.

The bulk of the revenue receipt accrues to the State by transfer from the centre by way of its share of central taxes which accounts for 74.8 percent of Total Revenues of the State.

6. **Expenditure:**

Total expenditure (excluding debt repayment) is estimated at ₹ 15,553 crore, up 9 percent from the 2024-25 revised estimate of ₹ 14,263 crore. Additionally, ₹ 661 crore is allocated for debt repayment.

Breakdown of expenditure (per ₹ 100 spent):

- Salaries: ₹ 26
- Pensions: ₹ 11
- Interest Payments: ₹ 7
- Other Revenue Expenditure: 27
- Loan Repayments Grants to LBs: ₹ 1
- Developmental Activities (including capital works): ₹ 28

Capital expenditure is a key focus, rising to ₹ 4505 crore in 2025-26 from ₹ 2,661 crore in 2023-24 (a 69 % increase), and a remarkable 510 % increase from ₹ 738 crore in 2019-20.

7. **Committed Expenditure:**

Committed expenditure (salaries, pensions, and interest payments) is estimated at ₹ 6,866 crore, accounting for 63 percent of revenue receipts. This includes:

- Salaries: 37%
- Pensions: 16%
- Interest Payments: 10%

This high share of committed expenditure limits flexibility for discretionary spending but reflects stability in State obligations.

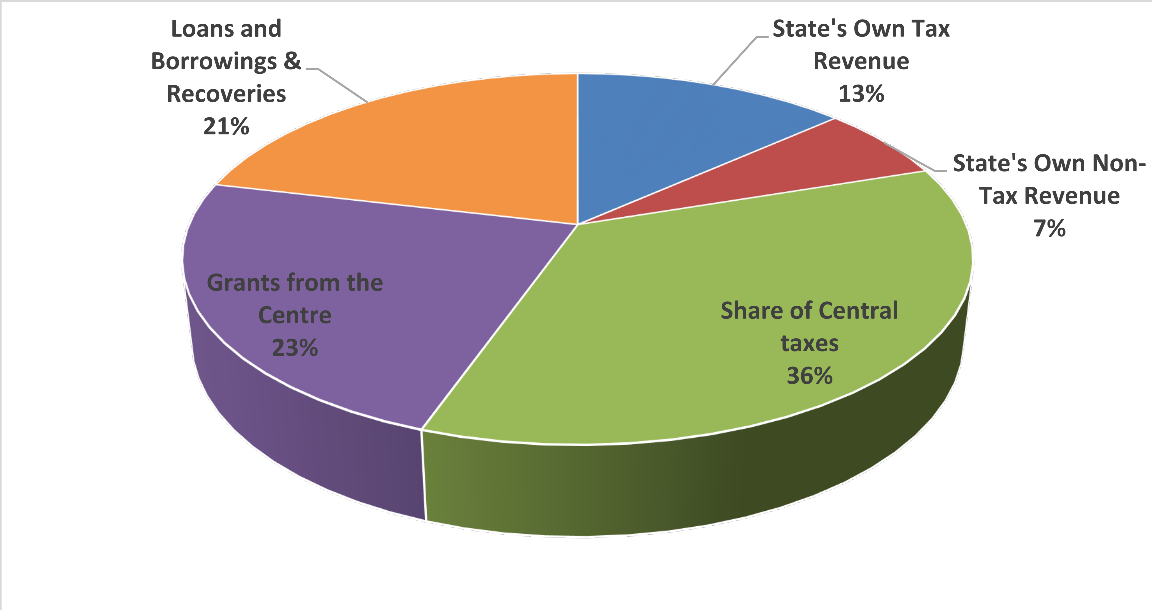
8. **Strategic Priorities**

- **Revenue Augmentation:** The budget emphasizes increasing the state's own revenue and plugging leakages, reducing reliance on central grants.
- **Capital Investment:** Significant increases in capital expenditure aim to boost infrastructure, particularly in tourism, roads, water, electricity, and education, key sectors for Sikkim's development.
- **Economic Growth:** Sikkim's GDP growth outpaces the national average with Sikkim being the State with highest per capita Income.

In summary, Sikkim's fiscal position for 2025-26 reflects a surplus budget with a strong emphasis on capital expenditure and economic self-reliance, despite a higher-than-recommended fiscal deficit. The State aims to sustain growth while addressing infrastructure and social development needs.

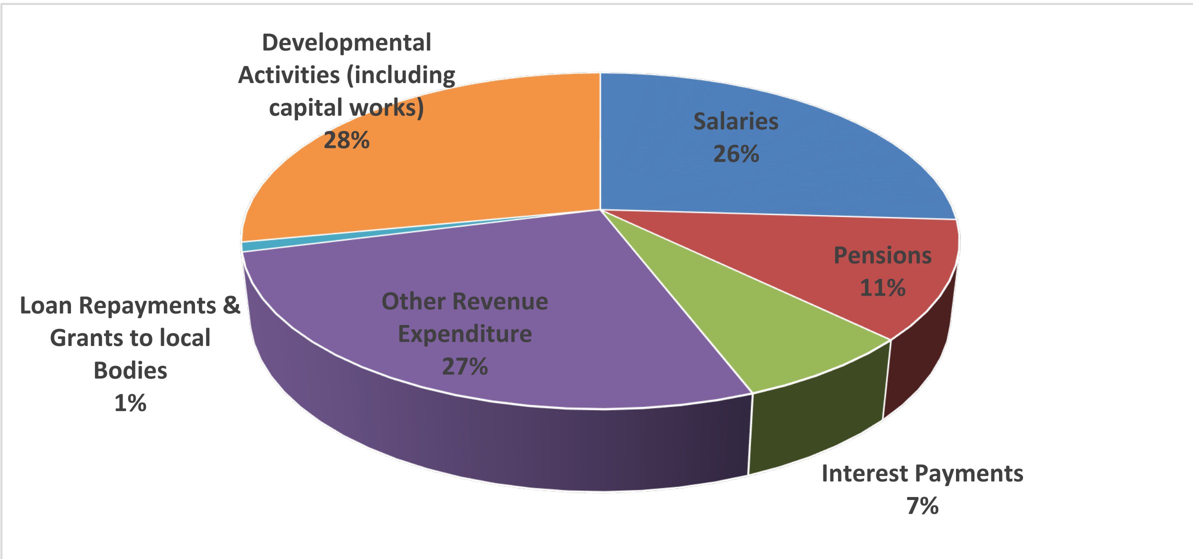
Figure 2.4: Sources of Receipt and Expenditure

Where rupee comes?



Source: State budget documents

Where rupee goes?



Source: State budget documents

2.3 Fiscal Profile for the year 2025-26

The fiscal profile of the State is given in Table 2.3 shows that aggregate revenue receipts as percent to GSDP has improved to 21.5 percent in 2025-26 BE as compared to 17.1 percent achieved in 2023-24. The projected rise in revenue to GSDP ratio was due to improvement in both own revenue and central transfers. The own tax revenue relative to GSDP has been retained at the same level of 3.6 percent in 2025-26 BE compared to that in 2023-24. Central transfers that include tax devolution and grants show improvement from 11.7 percent in 2023-24 to 16.0 percent in the budget estimates of 2025-26. In nominal terms, aggregate revenue is set to increase from ₹ 8,351.38 crore in 2023-24 to ₹ 12231.37 crore in the budget estimates of 2025-26, an increase of 46.4 percent in nominal terms.

Table 2.3: Fiscal Profile of Sikkim: An Overview (As percent of GSDP)

Items	2011-12	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (RE)	2025-26 (BE)
Total Revenues	**25.7**	**20.8**	**15.4**	**17.0**	**18.8**	**19.0**	**17.1**	**21.0**	**21.5**
Own Tax Revenues	2.6	3.2	3.1	2.9	3.3	3.5	3.6	3.8	3.6
Own Non-Tax Revenue	**2.2**	**2.3**	**2.2**	**2.0**	**1.8**	**2.3**	**1.8**	**1.9**	**1.8**
Central Transfers	20.9	15.4	10.1	12.1	13.7	13.2	11.7	15.3	16.0
Tax Devolution	**5.5**	**9.8**	**7.3**	**7.0**	**8.7**	**9.1**	**8.8**	**9.6**	**9.7**
Grants	15.4	5.5	2.8	5.1	4.9	4.1	2.9	5.7	6.4
Revenue Expenditure	**21.8**	**18.4**	**19.7**	**19.3**	**17.7**	**17.9**	**16.8**	**19.0**	**19.3**
Interest Payment	1.7	1.5	1.6	1.7	1.7	1.7	1.7	1.8	1.9
Pension	**1.6**	**2.6**	**2.9**	**2.8**	**2.6**	**2.7**	**2.7**	**2.7**	**3.1**
Capital Expenditure	6.0	4.7	2.3	4.6	3.5	5.6	5.4	8.2	7.4
Revenue Deficit	**-4.0**	**-2.4**	**4.3**	**2.3**	**-1.1**	**-1.1**	**-0.3**	**-2.0**	**-2.1**
Fiscal Deficit	1.6	2.3	6.6	6.9	2.4	4.5	5.2	6.1	5.8
Primary Deficit	**-0.1**	**0.7**	**5.0**	**5.2**	**0.7**	**2.8**	**3.5**	**4.4**	**3.9**
Outstanding Debt	22.9	22.3	23.5	27.4	28.9	29.8	31.1	35.1	38.2

Note: Negative sign in Revenue Deficit indicates surplus
Source: State Budget documents

The State has been somewhat fortunate in transfers by way of taxes and grants. The grants as well as tax transfers, which suffered badly in 2019-20 and 2020-21, have been growing at a uniform rate since then. The transfers from the Centre which accounts for huge chunk of State's requirements both in revenue and capital account leverages the growing needs of the State to push economic growth. The transfers from the Centre which was at 10.1 percent of GSDP in 2019-20 has grown to 16.0 percent in 2025-26.

Restraining the growth of revenue expenditure has been a key budget management practice in the State. However, improvement in revenue receipts has enabled the government to push the resource allocation in social and economic sectors up. Revenue expenditure as percentage to GSDP has increased from 16.8 percent in 2023-24 to 19.8 percent in 2025-26 BE. While interest payment and pension payments show an increase in BE 2025-26, spending on priority sectors have also increased. The State government availed the flexibility provided by the Union government and utilized the additional borrowing facility to improve the capital expenditure, which has increased from 5.4 percent to GSDP in 2023-24 to 7.4 percent in BE 2025-26.

The State enacted Fiscal Reform & Budget Management (FRBM) Act in 2010 and committed itself to a rule-based management of government finances. The Act not only mandates the State to have a revenue surplus, it sets the limit of its Fiscal Deficit relative to its Gross State Domestic Product (GSDP). The fiscal consolidation process remains crucial for the State government. The elevated level of fiscal deficit and debt stock in the budget 2025-26 was due to availing of additional borrowing facility. The normal fiscal indicators remain within the FRBM targets. The amended FRBM Act is in line with the recommendations of the 15th Finance Commission and provides a fiscal consolidation path that commits to reducing fiscal deficit from 4.5 percent of GSDP in 2020-21 to 3 percent in 2025-26. The Commission recommended greater flexibility to the States for additional conditional borrowing for meeting the criteria for power sector reforms. The Union government continues to provide additional borrowing facility for capital investment and pension fund contribution. These additional borrowing facilities are over and above the stipulated FRBM targets. The budget for 2025-26 balances the need for remaining in the fiscal consolidation process and make resource allocations in priority areas.

Table 2.4: Fiscal Deficits of the State Government

Items	2021-22	2022-23	2023-24	2024-25 (BE)	2024-25 (RE)	2025-26 (BE)
Amount in ₹ crore						
Fiscal Deficit	**904.30**	**1903.31**	**2529.99**	**2839.65**	**3226.26**	**3302.84**
Fiscal Deficit as per FRBM/ FCD	413.30	1113.31	1304.30	1419.98	1265.41	1710.00
Special Central Assistance to States for Capital Expenditure	300.00	551.36	797.85	1026.41	1524.85	1037.00
Pension Funding Adjustment	0.00	238.64	257.83	237.26	280.00	280.00
Power Sector Reforms	191.00	0.00	170.00	156.00	156.00	274.18
As percent of GSDP						
Fiscal Deficit	**2.40**	**4.46**	**5.17**	**5.40**	**6.14**	**5.79**
Fiscal Deficit as per FRBM/ FCD	1.10	2.61	2.67	2.70	2.41	3.00
Special Central Assistance to States for Capital Expenditure	0.80	1.29	1.63	1.95	2.90	1.82
Pension Funding Adjustment	0.00	0.56	0.53	0.45	0.53	0.49
Power Sector Reforms	0.51	0.00	0.35	0.30	0.30	0.48

Source: State Budget documents

The Fiscal deficit in 2025-26 is budgeted at 5.8 percent of GSDP, which includes utilization of additional borrowing facility available for capital investment, power sector, and pension fund. Removing the additional borrowings, the fiscal deficit works out to be 3.00 percent to GSDP (Table 2.4). This level of fiscal deficit remains within the FRBM Act limits. As the additional borrowing for capital investment, at about 1.82 percent to GSDP, is interest free, it does not increase the revenue expenditure in subsequent years. The outstanding liabilities include the additional borrowing incurred by the Government.

One of the important policies relating to spending pattern of the State has been restraining the growth of revenue expenditure to give space to capital investment. The policy of controlling growth of revenue expenditure over the years has helped generating revenue surplus consistently and thus expand the capital expenditure. The State managed to generate revenue surplus consistently since 2021-22.

2.4 Review of Revenue Receipt of the State

Sikkim is a mountainous State with a very high cost of transportation, and thus any form of economic activity is much costlier than other mainland States. Its high elevation above mean sea level also results in a higher mark-up in cost of providing economic and social infrastructure. A study commissioned earlier by the Fourteenth Finance Commission had estimated average cost mark-up of 2.9 times in providing economic and social infrastructure in the State. Sikkim has been protecting its eco system, adopting organic farming and is a carbon neutral state. For achieving such global environmental concern, it is required for the State to at times, to let go other viable economic opportunities.

Table 2.5: Own Revenue Receipts of the State Government (₹ in crore)

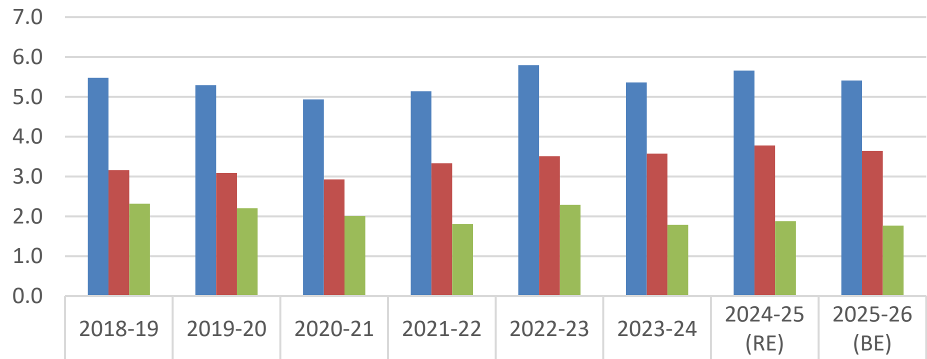
Items	2011-12	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (RE)	2025-26 (BE)
Own Revenue Receipts	538.0	1555.8	1663.8	1629.0	1935.1	2473.4	2622.6	2974.3	3083.5
Own Tax Revenues	293.9	898.0	970.4	966.7	1254.4	1497.3	1748.2	1986.5	2076.2
Own Non-Tax Revenues	244.0	657.8	693.4	662.3	680.6	976.1	874.4	987.8	1007.2
Buoyancy									
Own Revenue Receipts		1.7	0.6	-0.4	1.3	2.1	0.4	1.8	0.4
Own Tax Revenues		3.3	0.8	-0.1	2.1	1.4	1.1	1.8	0.5
Own Non-Tax Revenues		0.1	0.5	-0.9	0.2	3.3	-0.7	1.8	0.2

Source: State Budget documents

The detail of Own revenue receipts of the State is provided in Table 2.5 (Figure 2.5). The total revenues have increased from ₹ 1,555.8 crore in 2018-19 to ₹ 3,083.47 crore in 2025-26 BE.

The Own Revenues as percent of GSDP has decreased from 5.5 in 2018-19 to 5.4 in 2025-26 BE. Overall tax/GSDP ratio in Sikkim is very low largely because of the income which originates in the State but hardly contribute to taxes, particularly the manufacturing and electricity do not contribute directly to tax generation. The earlier efforts and plea of the State to the Central government for building up some balance between income generation and destination-based consumption, though considered sympathetically, were not approved.

Figure 2.5: Own Revenues Receipts (As Percent of GSDP)



	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (RE)	2025-26 (BE)
Own Revenue Receipts	5.5	5.3	4.9	5.1	5.8	5.4	5.7	5.4
Own Tax Revenues	3.2	3.1	2.9	3.3	3.5	3.6	3.8	3.6
Own Non-Tax Revenues	2.3	2.2	2.0	1.8	2.3	1.8	1.9	1.8

Source: State Budget documents

The Own tax/GSDP ratio, which had declined to 2.9 percent in 2020-21 has improved to 3.6 percent in 2025-26. This is indeed remarkable as the ratio was nearly stagnating and existing sources were either not getting fully exploited or there were leakages. For consistently four years, buoyancy of taxes has exceeded 1 and that is result of better revenue mobilization. The buoyancy co-efficient had dipped in 2019-21 due to the COVID-19 pandemic and again slated to dip in 2025-26 post the effect of GLOF and thereby slowdown in the economy.

The effect of GLOF has majorly affected both the Tax and the Non-tax receipts with devastations of hydro power houses and dams in the Power sector and also slowdown in economy due to road closures. The Own Non-tax/GSDP ratio which had improved to 2.3 percent of GSDP in 2022-23 is on a declining trend since then. For the same reason post the after effects of GLOF, the buoyancy of both the tax and non-tax receipts, which had improved to 1.4 and 3.3 respectively have either turned low or negative in 2023-24, and again estimated to decline further in 2025-26.

2.5 Review of Tax Policies of the State

For sustained economic recovery and for ensuring better lives and livelihood opportunities, the State needs to explore all possible options of resource mobilization. While the transfer of resources from the Union in terms of the share of the Taxes and grants are expected to remain buoyant given the growth prospects and revenue mobilization, the State needs to look at its own tax and non-tax revenue sources.

The State's own taxes are predominantly consumption centric. In terms of the State's own tax resources, four taxes, viz., GST, Sales Tax, State Excise duties and Taxes on vehicles account for 93.7 percent of total tax receipts. The details of sectors and the revenue composition is shown in Table 2.6. The Revenue through SGST & Sales Tax, is budgeted to contribute around 62.2 percent of the total estimated Own Tax Receipts of 2025-26. Duties imposed under State Excise contribute around 27.3 percent while Motor vehicle contributes another 4.1 percent of the States Own Tax Revenue.

Table 2.6: Tax Revenue from Major sectors (₹ in Crore)

Sector	2023-24	Percent Share	2024-25 (RE)	Percent Share	2025-26 (BE)	Percent Share
Sales Tax + SGST	1203.89	68.9	1288.00	64.8	1292.42	62.2
Excise	372.25	21.3	500.00	25.2	567.00	27.3
Motor Vehicle	51.62	3.0	73.00	3.7	86.00	4.1
Stamp Duty and Registration Fees	38.75	2.2	27.97	1.4	26.88	1.3
Others	81.67	4.7	97.57	4.9	103.93	5.0
Total	**1748.17**	**100.0**	**1986.54**	**100.0**	**2076.23**	**100.0**

Source: State Budget documents

Own tax revenue of the State has increased from ₹ 970.40 crore in 2019-20 to ₹ 2076.23 crore in BE 2025-26 (Table 2.7). Out of this, nearly ₹ 1367.42 crore is projected to be generated from Sales tax and State Goods and Services Tax (SGST) taken together. The other two large contributors to Tax revenues are the State excise duty and Motor Vehicle tax which contribute ₹ 567.00 crore and ₹ 86.00 crore respectively in 2025-26. This is a jump from ₹ 207.15 crore and ₹ 41.08 crore in 2019-20 respectively.

Table 2.7: Own Tax Receipts of the State (₹ in crore)

Item	2011-12	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (RE)2	2025-26 (BE)
Own Tax Revenues	**293.92**	**970.40**	**966.70**	**1254.43**	**1497.26**	**1748.17**	**1986.54**	**2076.23**
Sales Tax	124.20	197.63	195.25	227.18	248.77	238.19	250.00	175.00
SGST	0.00	454.89	463.04	655.55	804.23	965.70	1038.00	1117.42
State Excise Duties	96.26	207.15	210.27	249.21	298.46	372.25	500.00	567.00
Motor Vehicle Tax	16.56	41.08	28.96	39.09	49.69	51.62	73.00	86.00
Stamp Duty and Registration Fees	8.27	13.30	13.13	23.35	26.52	38.75	27.97	26.88
Other Taxes	48.63	56.36	56.05	60.05	69.58	81.67	97.57	103.93
Sales tax + SGST	124.20	652.52	658.29	882.73	1053.01	1203.89	1288.00	1292.42

Source: State Budget documents

The data at Table 2.8 shows the composition of Own Tax Revenues as percent of GSDP. The Own tax effort of the State has improved in the recent years. The relative share of Own tax revenue in aggregate revenue receipts of the State is set to rise from 15.17 percent in 2018-19 to 16.97 percent in BE 2025-26. Though this is not substantial, the higher growth of own tax revenue in 2020-2025 was mostly due to higher growth of SGST, State excise and motor vehicle tax.

Table 2.8: Composition of Own Tax Receipts (As percent of GSDP)

Item	2011-12	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (RE)	2025-26 (BE)
Sales Tax	1.1	0.6	0.6	0.6	0.6	0.5	0.5	0.3
SGST	0.0	1.4	1.4	1.7	1.9	2.0	2.0	2.0
State Excise Duties	0.9	0.7	0.6	0.7	0.7	0.8	1.0	1.0
Motor Vehicle Tax	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Stamp Duty and Registration Fees	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Other Taxes	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Sales tax + SGST	1.1	2.1	2.0	2.3	2.5	2.5	2.5	2.3

Source: State Budget documents

Keeping in view the sparse population, the State has a limited base to generate resources internally. Contribution made by various sectors to the State economy becomes important to identify the possible sources of revenue augmentation. The low contribution (Table 2.8) of the Tax revenues relative to GSDP is mainly due to the fact that the GSVA which majorly consists of hydroelectricity and pharmaceutical industries, do not contribute much to the State tax revenues. The pharma industries with taxes, which is destination-based, transfer their products to other States through consignment transfer. The hydroelectricity sector remains outside the State Tax system though adding substantially to the State GSDP figures, do not thus contribute to the Tax revenues. The effective tax base of the State in terms of current tax proposals, therefore, is considerably lower than what its GSDP and per capita income suggests.

The measures adopted to prosper revenue growth under the Tax revenues is as under:

- The Goods and Services Tax is the major broad-based tax administered by both the State and the Central Authorities, higher growth in SGST reflect the efforts undertaken by the State government. While the contours of GST taxation policy is determined by the GST Council, the State's policy for GST has been to improve compliance by expanding the tax base, preventing frauds, enhanced enforcement measures and tracking the non-filers. Of these taxes, State GST, though collected and retained by the State is nonetheless imposed collectively through GST council and only option is to improve the compliance. It is possible to reduce the leakages and improve revenue by 5 to 10 percent. Sales Tax is currently at an optimum rate and any increase could lead to tax diversion. The SGST collection during financial year 2025-26 is expected to increase, as the tourism industry is expected to improve. Online software application has been developed for collection and analysis of data of arrival and stay of every tourist in the State, thus reducing leakages. An Enforcement Centre has been established in Bardang along the National Highway-10 with facility of detaining consignments with suspected declaration and conducting physical checking of the goods. The Enforcement Centre is expected to deter the taxpayer from concealing procured goods.

- The Sales Tax is collected from Petroleum products and alcohol for human consumption. Factors like increased prices of the petroleum products, resumption of demand and removal of the anomalies between intrastate and interstate transactions have been taken into consideration in the augment tax receipts from this source in BE 2025-26. The tax administration was reinforced with technological improvement, which helped better collection.
- The State excise duty has remained an important source of revenue for the State. While major rate revision has not been undertaken, streamlining tax administration and technological improvement with implementation of online software application e-Abkari will result in higher collection from this source. Additional excise duty at source has been introduced in lieu of Sales tax.
- The Motor Vehicle Tax collection since 2024-25 had registered a substantial growth post the recovery of the economy with revisions made in taxes, fees and fines. The AI assisted traffic management system is introduced for collection of fines for various offences under the Motor Vehicle Act.
- The ‘Stamp Duties and Registration Fees’, is expected to show positive growth rate as the revision of fees, rates, and khazana and user charges are under consideration for approvals.

2.6 Review of Non-Tax Policies of the State

The State of Sikkim faces challenges in generating internal resources due to poor connectivity, a fragile terrain prone to natural calamities, and a compressed working season. To address this, the State has leaned into sectors like tourism and hydropower while introducing measures like the ₹ 50 tourist entry fee in March 2025, to support local infrastructure and manage tourism sustainably. The Budget 2025-26 has allocated significant funds to improve road connectivity to tourist destinations, indirectly supporting revenue growth by enhancing accessibility and promoting growth.

The major non tax revenue earning departments are Power, Police, SNT, Forest and the State lotteries. The details of sectors and the revenue composition is shown in Table 2.9. The share of revenue from Power, Police, SNT, State Lottery and Forest sector is envisaged as 49.62 percent, 8.64 percent, 9.92 percent, 5.18 percent and 4.30 percent, respectively in Budget 2025-26.

Table 2.9: Own Non-Tax Revenue from Major sectors (₹ in Crore)

Sector	2023-24	Percent Share	2024-25 RE	Percent Share	2025-26 BE	Percent Share
Power	427.20	48.86	465.81	47.16	518.80	51.51
Police	92.45	10.57	80.10	8.11	90.00	8.94
SNT	72.9	8.34	92.0	9.31	100.0	9.93
State lottery	35.2	4.02	48.0	4.86	50.0	4.96
Forest	31.41	3.59	39.90	4.04	32.00	3.18
Others	215.28	24.62	261.98	26.52	216.44	21.49
Total	**874.41**	**100.00**	**987.78**	**100.00**	**1007.24**	**100.00**

Source: State Budget documents

For the first time in the history of Non-tax revenues of the State, the taxes under this sector is expected to exceed the ₹ 1000 crore mark. The Non-tax revenues, however, due to slow down in the economy, is expected to have a fairly smaller growth in 2025-26, which is 1.97 percent over the revised estimate of 2024-25 and 15.19 percent over actuals of 2023-24. The effect is mainly on account of decline in revenue from power sector which has been affected due to Teesta power project being defunct and also slower growth realisation under Forest, State Lottery and other sectors. Receipt under Police mainly comprises of reimbursement of Salaries of Indian Reserve Battalion and other Government Agencies and do not contribute to the State exchequer. Overall growth under the Economic sector, which is major contributor to Non-tax revenues is only 6.8 percent over revised estimate of 2024-25 as shown in Table 2.10.

Table 2.10: Own Non-Tax Receipts of the State (₹ in crore)

Item	2011-12	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 RE	2025-26 BE
Interest Receipts & Dividents	29.39	147.03	129.73	51.36	70.25	99.13	114.00	77.20
General Services	75.18	182.54	87.14	189.46	199.98	187.34	194.65	209.03
Social Services	8.28	16.81	27.90	26.32	27.75	34.17	42.75	41.33
Economic Services	131.18	347.03	417.53	413.49	678.13	553.77	636.39	679.68
Total	**244.04**	**693.40**	**662.29**	**680.63**	**976.11**	**874.41**	**987.78**	**1007.24**

Source: State Budget documents

The relative share of own non-tax revenue in aggregate revenue receipt of the State has not shown improvement in the budget estimates of 2025-26. It has declined from 12.05 percent in 2022-23 to 8.95 percent in RE 2024-25 and further to 8.23 percent in BE 2025-26. As percentage to GSDP it has declined from 2.29 percent to 1.76 percent and further to 1.65 percent (Table 2.11). The major sources of income from this source like interest receipts from past investments, lottery income from online gaming and casinos, income from power sector and transport has not improved in the Post Covid-19 period. It is thus necessary that the State also makes investment in the Economic sector so as to boost economic growth for better future prospects.

Table 2.11: Composition of Own Non-Tax Receipts (As percent of GSDP)

Item	2011-12	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 RE	2025-26 BE
Interest Receipts & Dividents	0.26	0.47	0.39	0.14	0.16	0.20	0.22	0.14
General Services	0.67	0.58	0.26	0.50	0.47	0.38	0.37	0.37
Social Services	0.07	0.05	0.08	0.07	0.07	0.07	0.08	0.07
Economic Services	1.17	1.10	1.26	1.10	1.59	1.13	1.21	1.19
Total	**2.19**	**2.21**	**2.01**	**1.81**	**2.29**	**1.79**	**1.88**	**1.77**

Source: State Budget documents

The measures adopted to prosper revenue growth under the Non-tax revenues is as under:

- Under the power sector, Installation of Smart Meter at feeder at distribution and consumer level to improve AT&C losses and thereby ensure better revenue realization. The 100 units free power to be provided to BPL families instead of Rural Areas. More efforts to be made on recoveries of dues and ensure revenue collection on time. The need to revise the power tariffs are also under consideration.
- The use AI for checking under the Transport sector to assess distance travelled by vehicles. Supervision charges to be billed as per the pay load of the vehicle. Check- post Management system to be implemented at Rangpo and Melli.
- Water and sewerage rates are proposed for revision to introduce volumetric metering.
- Revenue from forestry is moderating in last two years after a peak in 2021-22. This may partly be due to non-availability of cess. The State is yet to get fully compensated for ecology preservation. Revision of royalty rates and fees of various forest produce and services was made in September 2024 which is likely to boost revenues under this sector.
- There has been improvement in revenue realization under State lottery, mainly due re-start of paper lotteries, better revenue realization in online gaming and casinos, and also

enhancing of license fee for new casinos as well as online gaming operators. Efforts are being made to start operations in States like Kerala & Tamil Nadu for paper lotteries network, which could lead to increase of revenue substantially. Active proposals are in place provide license to few more potential operators under casinos and also to venture into studio gaming and online tambola.

2.7 Comparative study on effect of GLOF and road closure

The SGST and Sales Tax in Tax Revenue and Power Sector in Non-Tax Revenue are the highest contributors of revenues for the State Government. Both these sectors were highly affected due to the natural disaster of October 2023 on account of flash flood and the subsequent road blockages that continued till end of September 2024, resulting in severe impact to the economy of the State as a whole.

The GLOF of October 2023 resulted in the complete stoppage of power generation from 96MW Dickchu Hydro Electric power and 510 MW Teesta Stage V Hydro Electric Power. The State suffered loss in terms of 12% free power accruing from these Power Houses. Post the effect of the flood and the incessant monsoons thereafter, there was huge disruption to the National Highway 10 for almost 4 months from June to September 2024, deeply impacting the tax collection due to lesser economic activity during the said period.

The data at Table 2.12 shows the effect of GLOF and road closures for four months in 2023-24 and 2024-25 (pre-GLOF and post-GLOF period). Compared to the four-month period of 2023-24, there has been a de-growth of 32.76 percent in Power sector and 29.28 percent in Sales Tax & SGST in 2024-25. There is a likely shortfall of approximately ₹ 400.00 crore in the revenue of Sales Tax and SGST and ₹ 50.00 crore in power sector in 2024-25. The road blockage has deeply also impacted the non-tax collection of revenues from SNT and anticipated shortfall of ₹ 9.62 cr is expected in 2024-25. Together, these three would result in a shortfall of almost ₹ 460.00 which would work out to almost 0.87 percent of estimated GSDP of 2024-25. This would have wide ramifications for the finances of the State for 2024-25.

Table 2.12: Comparative study of GLOF and road closures (₹ in cr)

Sector	2023-24					2024-25				
	June	July	August	Sept	Total	June	July	August	Sept	Total
Power	52.37	69.01	23.63	37.17	**182.18**	23.92	37.42	29.19	46.69	**137.22**
SGST + Sales Tax	107.02	99.95	116.21	93.09	**416.27**	83.59	81.9	79.54	76.96	**321.99**
Rate of Growth (per cent)										
Power										**-32.76**
SGST + Sales Tax										**-29.28**

Source: Information provided by respective Departments

2.8 Expenditure Profile

One of important policies relating to spending pattern of the State has been restraining the growth of revenue expenditure to give space to capital investment. The policy of controlling growth of revenue expenditure over the years has helped generating revenue surplus consistently and expand the capital expenditure. Though with time, the gap is decreasing and a time may come when the State may not be able to contain revenue excesses.

The expenditure profile is given in Table 2.13. The revenue expenditure, which was 19.7 percent to GSDP in 2019-20, declined to 17.9 percent in 2022-23 and thereafter slated to rise to 19.3 percent in 2025-26. The priority sectors in social and economic services continue to be focus areas in terms of resource allocation. The State managed to generate revenue surplus consistently since 2021-22.

Table 2.13: Expenditure Profile (As percent of GSDP)

Item	2011-12	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 (RE)	2025-26 (BE)
Revenue Expenditure	**21.8**	**19.7**	**19.3**	**13.6**	**17.9**	**16.8**	**19.0**	**19.3**
General Services	**6.7**	**7.7**	**7.3**	**6.8**	**7.0**	**6.7**	**7.0**	**8.0**
Interest Payment	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.9
Pension	1.6	2.9	2.8	2.6	2.7	2.7	2.7	3.1
Other	3.5	3.2	2.9	2.5	2.6	2.4	2.6	3.0
Social Services	**9.2**	**7.2**	**7.4**	**6.6**	**6.6**	**5.9**	**6.6**	**6.0**
Education	4.2	4.1	3.7	3.3	3.1	2.7	3.0	2.9
Medical and Public Health	1.1	1.2	1.4	1.5	1.4	1.3	1.3	1.3
Others	3.9	1.8	2.3	1.8	2.1	1.9	2.3	1.8
Economic Services	**5.5**	**4.5**	**4.3**	**0.0**	**4.1**	**4.0**	**5.1**	**5.1**
Assignment to LBs	0.3	0.3	0.3	0.3	0.2	0.2	0.3	0.3
Capital Expenditure	**6.0**	**2.3**	**4.6**	**3.5**	**5.6**	**5.4**	**8.2**	**7.9**
Total Expenditure	**27.7**	**22.0**	**23.9**	**17.1**	**23.4**	**22.2**	**27.1**	**27.3**

Source: State Budget documents

With improvement of growth process, rise in revenue receipts, and availability of additional borrowing avenues beyond FRBM limits, the State has managed to increase allocations on both revenue and capital expenditure front. It is important to note here that there is a huge demand on committed demands especially on account of Salaries, Pension and Interest payments which is set to rise on a yearly basis. The total allocation is between 40-45 percent against the total expenditure and between 60-65 percent against the total revenue expenditure.

Without much varied resources available in the State, there is a need for the Government to resort to employment in public administration with interventions like one family one job. The rise in salaries and pension is therefore pertinent and cannot be compromised for gainful employment, in order to keep the State peaceful especially when it is strategically located in the centre of three international borders. A large army of unemployed persons particularly after pandemic and disaster would have created instability and unrest in the State.

The State government continues to give importance to capital investment to improve upon the infrastructure in the hilly State. Capital expenditure as percentage to GSDP increased from 2.3 percent in 2019-20 to 5.6 percent in 2022-23 and budgeted to rise to 7.9 percent to GSDP in 2025-26 budget estimates. The continuance of additional borrowing facility extended by the Union government for capital investment helped the State government to increase the capital expenditure. In the budget estimates for 2024-25, the State government has projected to avail special assistance for capital investment to the tune of ₹ 1037.00 crore, which constitutes about 1.8 percent of GSDP. The State government also depends upon other central programs to reinforce capital spending. Building social and physical infrastructure and improvement of human development indicators constitute core development strategy. The MTFP is prepared based on the rationale of restructuring the government spending by emphasizing on the critical areas.

2.9 Government Borrowing and Outstanding Liabilities

The Borrowing limit for the State Government is determined by the Department of Expenditure, Ministry of Finance, GoI for each financial year based on the projected GSDP and taking into consideration the recommendations of the Central Finance Commission. For determining the Net Borrowing Ceiling (NBC) of the States for the year 2025-26, NBC @ 3 percent of projected GSDP of ₹ 57,000.00 crore is ₹ 1,710.00 crore. The 15th FC in their fiscal roadmap for the States has recommended anchoring the fiscal deficit at 3 percent of the GSDP for 2025-26 and provided flexibility to increase this limit by a total of 0.5 percentage points depending upon conditions prescribed.

Additional borrowing ceiling of 0.50 percent of GSDP over and above the borrowing ceiling of 3 percent of GSDP is allowed to the State based on certain performance criteria in the power sector is as per the recommendation of 15th FC. The budget estimates for 2025-26 for this is ₹ 274.18 crore, constituting 0.48 percent of the GSDP. Additional borrowing of 1.82 percent of GSDP amounting to ₹ 1037.00 crore is on account of concessional 50-year interest-free loan under the Scheme for Special Assistance to States for Capital Investment (SASCI). The State of Sikkim is also allowed extra borrowing ceiling (referred to as "Pension Funding Adjustment") equivalent to employer's and employees' share of contribution of its employees pertaining to the financial year 2025-26 actually deposited with National Pension system (NPS). The additional borrowing of ₹ 280.00 crore, which is 0.49 percent of GSDP is estimated for 2025-26. Overall, the total borrowings allowed over and above the normal net borrowing ceiling of 3 percent of the GSDP for the year 2025-26 is ₹ 3302.84 crore which amounts to 5.77 percent of GSDP. The other features of borrowing of the State government includes adjustment due to off budget borrowing since 2022-23.

One of the major objectives of the FRBM Act is to maintain debt burden of the State at sustainable level. The 15th FC has indicated an annual debt-GSDP ratio in their recommendations for fiscal restructuring path. The Table 2.14 shows the Status of achievement of Debt status based on the structured indicative path. The State of Sikkim was successful to remain within the limit stipulated by the 15th FC in their fiscal roadmap containing the yearly outstanding debt burden for all the States aligning with the fiscal path. One of the major conditions was to limit the debt-GSDP ratio to 25 percent in the previous year. Thus, for all effective purposes the new benchmark of debt-GSDP ratio has been 25 percent. The State government has managed to remain within this limit during the award period of the 14th FC.

Table 2.14: Indicative Debt path vs Actuals (As percent of GSDP)

Year	Indicative Debt to GSDP as per 15th FC	Debt to GSDP (Actual & Estimate)
2021-22	27.5	28.9
2022-23	28.1	29.8
2023-24	28.1	31.1
2024-25 RE	28.0	35.1
2025-26 BE	27.9	38.2

Source: Report of the 15th FC and State budget documents

Since the fiscal year 2021-22, the State Government has been resorting to additional borrowings over and above the limits prescribed by the 15th FC. The additional borrowing as stated earlier have been mainly on account of 50-year Interest free loan for Capital Investment and Pension Funding adjustment. The total of these in monetary terms for the 15th FC period amounts to ₹ 5267.53 crore. In the event that these were not included, the Debt GSDP limits would have been within that prescribed by the 15th FC.

The Debt GSDP for the year 2025-26 BE has been indicated at 27.9 percent of GSDP by the 15th FC. This has been exceeded by 10.3 percent and is estimated at 38.2 percent (Table

2.14). The outstanding debt-GSDP ratio has exceeded the limit due to availing additional borrowing facilities extended by the Government of India for the year 2025-26.

In need to protect the State against any risk on meeting its Debt Obligations, a Sinking Fund has been created, where money is set aside over time to meet a future expense or repay the debt. Total fund available under the Sinking Fund is ₹ 641.98 cr as on 31st March 2024. This is 4.93% of the Outstanding Debt of 13012.34 cr. An amount of ₹ 15.00 cr was being added to the fund every year, and from the fiscal year 2024-25 the yearly contribution to the Sinking Fund has been increased to ₹ 20.00 cr.

The Working Group on Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF) constituted by the Reserve Bank of India has recommended that the Sinking Fund and Guarantee Redemption Fund is enhanced to 5 percent of their Outstanding Liabilities. The State of Sikkim is almost reaching this threshold on Sinking Fund.

2.10 50-Year Interest-Free Loan for Capital Investment

A highly concessional 50-year interest-free loan under the Scheme for Special Assistance to States for Capital Investment (SASCI) was introduced by Government of India post the COVID-19 pandemic. This long-term loan was exclusively meant for capital investment, and stated to have a multiplier effect on the economy, in need to drive growth and employment generation.

The State of Sikkim has availed this loan, after achieving various state-level reforms across key sectors such as Land and Urban Reforms, Modernization and Digitization of Rural Land Records, Creating State Farmers Registry, Land Related reforms in Urban Areas, Implementation of SNA SPARSH, and enhancing Capital Expenditure by over 10% in comparison to previous financial years. The cumulative 50 years interest free loan availed or being availed from 2020-21 to 2025-26 (BE) aggregate to ₹ 4411.06 Cr which is close to about 8.44 percent of the GSDP. These long term Special Assistance was possible after the state government achieved various reforms prescribed in the guidelines by the Union Government with the national objectives in mind such as Urban Reforms, Land related Reforms in Rural areas,

The Government of Sikkim has significantly benefitted from the SASCI Scheme, under which Projects such as Ground Parking Space at Namchi, 500 bedded District Hospital at Namchi, 1000 bedded Multi-Speciality Hospital Socheygang Phase I & II, Government Medical College, Eco-Tourism Complex at Dodak, Rope Way and Support Facility at Bhaleydunga, Passenger Ropeway from Peling to Sangachoeling, Modernization and Strengthening of Power Transmission and Distribution Network, Yangthang Government Degree College, Netaji

Subash Chandra Bose Centre of Excellence at Chakung, Augmentation of Geyzing Water Supply Scheme, etc to name a few have been taken up.

Over the last five years, the State has received a total of ₹ 3374.06 crore under the SASCI scheme, of which ₹ 200.00 crore in 2020-21, ₹ 300.00 crore in 2021-22, ₹ 551.36 crore in 2022-23, ₹ 797.85 crore in 2023-24 and ₹ 1524.85 crore in 2024-25 was received. An amount of ₹ 1037.00 crore is estimated for 2025-26.

The Union Finance Minister, Smt. Nirmala Sitharaman, while replying to the observation on the Manipur Budget in Lok Sabha on 11th March 2025, had made a mention about the 50-year Interest Free loan to Manipur and had stated that this loan will eventually be converted into grants for the State Government. Hopefully, this will also be applicable to the State of Sikkim and this will, therefore, reduce the debt burden of the State significantly.

2.11 Government Guarantees

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantees are extended. Statutory Corporations, Government Companies, Joint-Stock Companies, Co-operative Institutions, Local Bodies, Firms, and Individuals can raise loans to discharge their liabilities with explicit State government guarantees. The issue of off-budget borrowing through the sovereign guarantee given by the States has come into prominence after the report of the FC-XV came into being and concerns raised in the context of large off budget borrowing incurred by several States. According to the directive of the Union government, from 2021-22 the guarantees given by the State government for borrowing by State entities will now form part of the State borrowing limit. The guarantees given by the State government are based on Constitutional provisions and are reported in the budget.

Sikkim Ceiling on Government Guarantees Act, 2000 controls the process of giving guarantees. As per the total outstanding Government Guarantees as on the first of April of any year shall not exceed thrice the State's tax revenue receipts of the second preceding year as in the books of the Accountant General of Sikkim. The FRBM Act stipulates that total outstanding guarantees of the government should follow the Government Guarantees Act, 2000. The total outstanding guarantees as on 31st March 2024 is ₹ 4443.73 cr. The State government in addition to its own tax revenues takes into account the Share of Taxes as State's tax revenue receipt to work out the ceiling on Government Guarantees. Taking this into consideration, the ceiling, therefore, on Guarantee is within the limits prescribed.

The Government of Sikkim constituted Guarantee Redemption Fund in the year 2005 for meeting payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and borrowings by the State Undertakings or other bodies. Total fund available under the Guarantee Redemption Fund is ₹ 82.04 cr as on 31st March 2024. This is 1.89 % of the Outstanding Guarantee of ₹ 4443.73 cr. An amount of ₹ 3.00 cr is being added to the fund every year and from the current fiscal year 2024-25, this amount has been increased to ₹ 5.00 cr every year.

Due to disinvestment of Sikkim Urja Ltd. (erstwhile Teesta Urja Ltd.), an amount of ₹ 2925.00 crore, which was the guarantee given by the State Government for the purpose would be discontinued. This would result in decrease of Outstanding Guarantee to ₹ 1493.73 crore. This outstanding Guarantee would be thus within the prescribed limits, if only the State's tax revenues without the Share of taxes is taken into account. This would also result in Guarantee Redemption Fund to be 5.49 % of the Outstanding Guarantee, which will also be in the range specified by the Working Group constituted by RBI.

The Sikkim Ceiling on Government Guarantees Act, 2000 has not been revisited since the time it was passed in the year 2000. It is necessary that the policies are reframed taking into account the risk hazards, classification of guarantee based on levels of risks, justification and public purpose to be served, fees on guarantee based on risks, escrow account for credit of contributions, etc.

2.12 Strategic Priorities for the Year 2025-26

The details provided in Table 2.15 shows Budget allocation under revenue and capital expenditure for all the departments in the State Government. A large chunk of total expenditure, about 24 percent, has been allocated to the Department of Finance to be utilized for repayment of liabilities, interest payment, pension payment as well as transfer to reserve funds. Leaving out this committed expenditure, allocation to education has remained the largest spending item for the year 2025-26 at 11.73 percent.

The other priority areas for the Government in the year 2025-26 are health, urban development, power, agriculture, building and houses under works department, forest and environment, land revenue, disaster management, roads and bridges, police, rural development, social welfare, local bodies, and women and child welfare. While the government has allocated sufficient funds to committed spending heads, human development through education, health and infrastructure creation has taken lead in spending decisions.

There is a huge push given to capital expenditure under Infrastructure development (Buildings & Housing) at 13.43 percent, Infrastructure building for GLOF affected areas (Land Revenue & Disaster Management) at 13.52 percent, Road Infrastructure (Roads and Bridges) at 8.36

percent and Rural Infrastructure (Rural Development) at 9.82 percent. These expenditure is most likely to promote infrastructure and boost economic growth.

Table 2.15: Strategic Priorities for the Year 2025-26 (₹ in crore)

Department to which the Demand/Appropriation Relates		Budget Estimate 2025-26					
		Revenue	% of Total	Capital	% of Total	Total	% of Total
Agriculture	Voted	389.21	3.41	1.48	0.03	390.69	2.35
Animal Husbandry and Veterinary Services	Voted	121.85	1.07	3.57	0.07	125.42	0.75
Building and Housing	Voted	54.67	0.48	704.94	13.43	759.61	4.56
Co-operation	Voted	40.66	0.36	0.38	0.01	41.04	0.25
Culture	Voted	39.02	0.34	52.06	0.99	91.08	0.55
Ecclesiastical	Voted	38.52	0.34	0.18	-	38.70	0.23
Education	Voted	1659.91	14.56	293.57	5.59	1953.48	11.73
Election	Voted	8.29	0.07	-	-	8.29	0.05
Excise	Voted	17.20	0.15	1.81	0.03	19.01	0.11
Finance	Charged	1098.37	9.64	661.16	12.60	1759.53	10.57
	Voted	2205.87	19.35	8.42	0.16	2214.29	13.30
Food and Civil Supplies	Voted	59.22	0.52	4.74	0.09	63.96	0.38
Forest and Environment	Voted	337.89	2.96	16.73	0.32	354.63	2.13
Governor	Charged	13.89	0.12	-	-	13.89	0.08
Health and Family Welfare	Voted	746.43	6.55	58.01	1.11	804.44	4.83
Home	Voted	132.15	1.16	29.70	0.57	161.85	0.97
Horticulture	Voted	189.95	1.67	2.58	0.05	192.53	1.16
Commerce and Industries	Voted	95.72	0.84	4.20	0.08	99.92	0.60
Information and Public Relation	Voted	19.69	0.17	1.18	0.02	20.86	0.13
Information Technology	Voted	18.56	0.16	0.12	-	18.68	0.11
Water Resources	Voted	37.49	0.33	130.53	2.49	168.02	1.01
Judiciary	Charged	33.54	0.29	1.00	0.02	34.54	0.21
	Voted	52.27	0.46	2.37	0.05	54.64	0.33
Labour	Voted	13.25	0.12	0.12	-	13.37	0.08
Land Revenue and Disaster Management	Voted	502.33	4.41	709.38	13.52	1211.70	7.28
Law	Voted	7.17	0.06	-	-	7.17	0.04
Legislature	Charged	1.21	0.01	-	-	1.21	0.01
	Voted	30.71	0.27	-	-	30.71	0.18

Department to which the Demand/Appropriation Relates		Budget Estimate 2025-26					
		Revenue	% of Total	Capital	% of Total	Total	% of Total
Mines and Geology	Voted	9.82	0.09	0.19	-	10.01	0.06
Motor Vehicles	Voted	26.04	0.23	1.72	0.03	27.76	0.17
Parliamentary Affairs	Charged	6.68	0.06	-	-	6.68	0.04
	Voted	13.02	0.11	-	-	13.02	0.08
Department of Personnel	Voted	21.50	0.19	1.14	0.02	22.64	0.14
Planning and Development	Voted	111.10	0.97	28.73	0.55	139.83	0.84
Police	Voted	649.42	5.70	4.10	0.08	653.52	3.93
Power	Voted	541.89	4.75	419.02	7.99	960.91	5.77
Printing and Stationery	Voted	17.62	0.15	2.72	0.05	20.33	0.12
Public Health Engineering	Voted	69.06	0.61	82.66	1.58	151.72	0.91
Public Service Commission	Charged	8.62	0.08	0.08	-	8.70	0.05
Roads and Bridges	Voted	308.70	2.71	438.41	8.36	747.11	4.49
Rural Development	Voted	590.29	5.18	515.26	9.82	1105.55	6.64
Science and Technology	Voted	11.48	0.10	0.21	-	11.69	0.07
Transport Department	Voted	101.61	0.89	5.58	0.11	107.19	0.64
Social Welfare	Voted	63.58	0.56	267.94	5.11	331.52	1.99
Sports and Youth Affairs	Voted	36.89	0.32	179.92	3.43	216.81	1.30
Tourism and Civil Aviation	Voted	74.59	0.65	346.54	6.60	421.14	2.53
Urban Development	Voted	129.82	1.14	221.65	4.22	351.46	2.11
Vigilance	Voted	11.83	0.10	-	-	11.83	0.07
Panchayati Raj Institutions	Voted	180.32	1.58	0.05	-	180.37	1.08
Municipal Affairs	Voted	36.16	0.32	-	-	36.16	0.22
Skill Development	Voted	54.63	0.48	1.07	0.02	55.70	0.33
Women and Child	Voted	332.31	2.92	41.30	0.79	373.61	2.24
Fisheries	Voted	27.48	0.24	0.60	0.01	28.08	0.17

Source: Annual Financial Statement 2025-26

2.13 Rationale for Policies and Evaluation

The government has presented a growth-oriented budget for the year 2025-26 aimed to sustain the encouraging trends for the recovery process post the disruptive period of pandemic and GLOF. While the State has managed to generate more revenue benefiting from own revenue efforts, the additional resources through various additional borrowing facilities improved capital investment. The revenue receipts of the State as percentage of GSDP is projected to increase substantially. With a large revenue envelope, the State government is able to improve capital outlay and allocation to priority areas.

The Committed spending on interest payment, pension outgo, and salaries continue to put pressure on resource allocation. In spite of this, the State has been able to sustain social sector spending and expand spending on economic services while maintaining revenue balances. The continuing and new programs introduced in the last year's budget has received adequate resources to realize their full potential. The Government has made sufficient provisions for sectors like housing and sanitation, transport, rural roads, urban infrastructure, health facilities and infrastructure, education, organic farming, eco-tourism, and sustainable forest management.

The capital expenditure has increased considerably in 2025-26 due to special assistance provided by the Union government as part of the Capex led growth process. The additional resources through borrowing played crucial role in the budget allocation process towards capital investment. The special assistance through additional borrowings are interest free loans for 50 years, and is likely to be converted as grants, for which, it would not put pressure on revenue expenditure and is also expected to reduce the debt burden of the State tremendously. The capital investment is expected to result in higher growth process and enable the government to reduce the debt burden in future years.

For sustained economic recovery and for ensuring better lives and livelihood opportunities, the State needs to explore all possible options for resource mobilization. While the transfer of resources from the Union in terms of the share of the State and grants are expected to remain buoyant given the growth prospects and revenue mobilization, the State needs to look at its own tax and non-tax revenue sources.

During 2022-2025, Sikkim has maintained a revenue surplus. A somewhat buoyant transfer has raised the revenue receipts and a continuous watch on expenditure had made it possible. A proper resource flow during COVID induced 2019-2021 would have made it better for the State to manage its finances even better. Fiscal deficit as conventionally measured in terms of GSDP, is likely to reach 5.79 percent of GSDP. However, in view of the long-term Central Government Loans which have 50 years tenure and are interest free could be considered as exclusion (these are not covered as part of deficit in terms of FRBM rules also), the Deficit would be within the 3.0 percent of GSDP as prescribed under the FRBM.

The agriculture sector, which forms the backbone of Sikkim's economy, engaging over 80% of its rural population and setting standard as the world's first fully organic state, is likely to outperform sustainable farming practices and thereby preserve the state's large biodiversity reserves. Despite geographical constraints, Sikkim's industrial sector is expanding, particularly in pharmaceuticals, and further thrust given to MSME sector, industries such as carpet weaving and small-scale manufacturing, will contribute to economic diversification. Sikkim leverages its abundant water resources for hydropower, a vital economic pillar with surplus electricity will continue to support both economic growth and sustainability goals. The Tourism sector, which is a cornerstone of Sikkim's economy, capitalizing on its stunning landscapes, monasteries, and adventure opportunities will balance growth with ecological preservation.

Sikkim, however faces several challenges that could impact its economic trajectory. The state's reliance on agriculture and tourism makes it vulnerable to climate impacts, threatening its unique flora and fauna. Connectivity has been a hindrance to growth of the economy with limited air and no rail connectivity. The only source of life line to the State through NH 10 gets disrupted almost all round the year, impacting economic growth tremendously.

In summary, Sikkim's economy blends traditional agriculture, emerging industries, and sustainable tourism, underpinned by an unwavering commitment to organic farming and renewable energy. While challenges like climate change and connectivity remain, Sikkim's progressive policies position it as a model State for sustainable development in India, balancing economic prosperity with ecological preservation.

CHAPTER 3: FISCAL TARGETS AND ASSUMPTIONS

Medium Term Fiscal Plan (MTFP)

Form F -2

{See Rules 3 (1)}

The State FRBM Act stipulates that assumptions underlying fiscal projections should be elaborated in the MTFP, which enhances the transparency. The assumptions made to project the fiscal variables reflect the fiscal policy choices of the Government operating with limited resource availability. The Medium Term Fiscal Plan based on realistic assumptions relating to the likely behavior of fiscal variables shall also explain the assumptions underlying the above mentioned targets for fiscal indicators and an assessment of sustainability relating to the items indicated in sub-section (2) of section 3 of the FRBM Act 2010, which reads as under "The Medium Term Fiscal Plan shall set forth a three-year rolling target for the prescribed fiscal indicators with specification of underlying assumptions relating to parameters underlying projections for receipts and expenditure and the band within which they can vary while remaining consistent with targets".

3.1 Fiscal Indicators – Rolling Targets

The fiscal outcomes in the form of indicators like fiscal deficit, revenue deficit, and outstanding liabilities for previous year, current year, ensuing budget year and two outward years are presented in Table 3.1. The Table follows the template given by the Sikkim FRBM Act rules as Form F-2.

Table 3.1: Fiscal Indicators - Rolling Targets (As percent of GSDP)

Sl. No.	Items	Previous Year (Y-2) Actuals	Current Year (Y-1) Revised Estimates	Ensuing Year (Y) Budget Estimates	Targets for Year (Y+1	Targets for Year Y+2)
		2023-24	2024-25	2025-26	2026-27	2027-28
1	Revenue deficit	-0.27	-2.03	-2.11	-1.88	-1.63
2	Fiscal deficit	5.17	6.14	5.79	5.50	5.00
3	Primary deficit	3.49	4.39	3.91	3.50	2.87
4	Total Debt Stock	31.12	35.11	38.17	41.17	43.48

Notes: *1. GSDP is the Gross State Domestic Product at current prices provided by CSO at 2011-12 base*
2. The negative sign for revenue deficit indicates surplus.

The fiscal outcomes of 2023-24, the last year for which audited figures are available, show that the fiscal deficit exceeded the amended FRBM Act of the State, which provided for a fiscal deficit of 3.5 percent with an additional 0.5 percent of borrowing for power sector included. Availing the additional borrowing under Special Central Assistance (SCA) of ₹ 797.85 crore provided by the Central government for Capital expenditure for the year 2023-24, ₹ 257.83 crore for additional borrowing under NPS and ₹ 170.00 crore for power sector reforms raised the fiscal deficit. If the additional borrowings are removed, then fiscal deficit comes down to 2.67 percent of GSDP. The actuals for 2023-24 shows revenue surplus of 0.27 percent of GSDP. The total debt stock at 31.12 percent of GSDP has exceeded the 15h FC prescribed indicative limits of 28.10 percent, mainly due to availing of the SCA to enhance capital outlay.

In the revised estimates for the year 2024-25, the FRBM targets, which are same as that for 2023-24 has been exceeded. As in 2023-24, availing the additional borrowing under Special Central Assistance (SCA) of ₹ 1524.85 crore (equivalent to 2.90 percent of GSDP) provided by the Central government for Capital expenditure, ₹ 280.00 crore for additional borrowing under NPS and ₹ 156.00 crore for power sector reforms, raised the fiscal deficit. The fiscal deficit comes down to 2.67 percent of GSDP, if the additional borrowings are removed. For the same reason, the total debt stock at 35.11 percent of GSDP, which has exceeded the indicative limits of 28.10 percent would be reduced and would be within indicative limits. The revised estimate for 2024-25 shows revenue surplus of 2.03 percent of GSDP.

The budget projection of fiscal deficit for the year 2025-26, which is the first year of MTFP includes normal deficit target of 3.00 percent to GSDP, additional borrowing under Special Central Assistance (SCA) for capital investment at 1.82 percent, NPS borrowings at 0.49 percent, and power sector reforms borrowing at 0.48 percent of GSDP. All taken together, the aggregate fiscal deficit works out to be 5.79 percent of GSDP. The fiscal targets and Debt stock has exceeded on account of additional borrowings allowed over and above the FRBM limits.

The MTFP projection for 2026-27 and 2027-28, the two outward years of MTFP, conforms to the amended FRBM Act following the recommendations of 15th FC. The aggregate fiscal deficit declines to 5.50 percent to GSDP in 2026-27 and further declines to 5.00 percent in the last year of the projection period. The fiscal deficit includes projected level of additional borrowings allowed to the State under SCA for capital investment, NPS and power sector reforms. The outstanding debt continues to grow due to additional borrowings. The breakdown of fiscal deficit taking into consideration the projected level of additional borrowing is given in Table 3.2.

Table 3.2: Breakdown of Fiscal Deficit in the MTFP Projection

Items (As percent of GSDP)	2025-26 (BE)	2026-27	2027-28
Fiscal Deficit (₹ in crore)	**3302.84**	**3354.45**	**3262.96**
As percent of GSDP	**5.79**	**5.50**	**5.00**
As per FRBM/ FCD	3.00	3.00	3.00
Special Central Assistance to States for Capital Expenditure	1.82	1.50	1.00
Pension Funding Adjustment	0.49	0.50	0.50
Power Sector Reforms	0.48	0.50	0.50

3.2 Medium Term Fiscal Plan: 2025-26 to 2027-28

The detailed projection of fiscal variables presented in Table 3.3 shows that the revenue account surplus has decreased in two outward years of the MTFP as compared to the current budget year. The fiscal deficit has been projected to decline to 5.00 percent in the last year of the MTFP. The fiscal deficit includes additional borrowing allowed to the State under SCA for capital investment, pension fund, and power sector borrowing. The normal fiscal deficit remains within the stipulated target (Table 3.2).

The revenue receipt increases from 21.5 percent in the budget estimates to 23.6 percent in the last year of the projection, while revenue expenditure increases from 19.3 to 22.0 percent of GSDP. The rise in revenue receipt is based on the availability of resources and the need to generate adequate surplus in the revenue account. Resource allocation focusses on funding the priority areas of the Government. The spending pattern for the priority areas of the State has remained favorable in the medium term. The resource allocation to social and economic services shown as percentage to GSDP was allowed to rise during the MTFP period. The expenditure under general services remains stable during the MTFP period allowing realignment of resources to priority sectors.

There is a huge growth momentum in the country with India expected to reach $ 5 trillion economy surpassing Germany and Japan by March 2027. It is expected that with improvement in growth scenario in the country, there will be improvement in central transfers including the central share of taxes. The rolling nature of the MTFP allows to make revisions in the future. It is estimated that the capital expenditure, which is at 7.9 percent in 2025-26 BE will moderate to 6.6 percent in last year of the MTFP.

Table 3.3 Medium Term Fiscal Plan: 2025-26 to 2027-28 (As percent of GSDP)

Items	2025-26	2026-27	2027-28
Revenue Receipts	**21.5**	**22.5**	**23.6**
Own Tax Revenues	**3.6**	**3.6**	**3.6**
Sales Tax + SGST	2.3	2.3	2.3
State Excise Duties	1.0	1.0	1.0
Motor Vehicle Tax	0.2	0.2	0.2
Other Taxes	0.2	0.2	0.2
Own Non-Tax Revenues	**1.8**	**1.8**	**1.7**
Central Transfers	**16.0**	**17.1**	**18.2**
Tax Share	9.7	10.3	11.0
Grants	6.4	6.8	7.2
Revenue Expenditure	**19.3**	**20.6**	**22.0**
General Services	**8.0**	**8.5**	**9.1**
Interest Payment	1.9	2.0	2.1
Pension	3.1	3.3	3.5
Other General Services	3.0	3.2	3.4
Social Services	6.0	6.4	6.8
Education	2.9	3.1	3.3
Medical and Public Health	1.3	1.3	1.4
Other Social Services	6.0	6.4	6.8
Economic Services	**5.1**	**5.5**	**5.8**
Compensation and Assignment to LBs	**0.3**	**0.3**	**0.3**
Capital Expenditure	**7.9**	**7.4**	**6.6**
Capital Outlay	7.9	7.4	6.6
Net Lending	0.0	0.0	0.0
Revenue Deficit	**-2.1**	**-1.9**	**-1.6**
Fiscal Deficit	**5.8**	**5.5**	**5.0**
Primary Deficit	**3.9**	**3.5**	**2.9**
Outstanding Debt	**38.2**	**41.2**	**43.5**

Notes: *1. GSDP is the projected Gross Domestic Product at current prices*
2. The negative sign in revenue deficit indicates surplus.

The outstanding debt as percentage to GSDP remains high for the State. The outstanding debt-GSDP ratio of 38.17 percent of GSDP in the budget year of 2025-26 exceeds the limit of 27.9 percent prescribed by 15th FC. This is basically due to additional borrowing allowed as alluded above. The MTFP projections also takes into account the additional borrowing facilities allowed to the State for which the debt-GSDP increased in the MTFP period. However, much more needs to be done at both the national and state level in a coordinated manner to reduce it further.

3.3 Assumption Underlying the Fiscal Indicators

The MTFP conforms to the provisions made in the FRBM Act of the State and the recommendations made by the Central Finance Commission regarding fiscal consolidation. Given the uncertainties in growth process, the trends in resource transfers under tax devolution, grants, and GST related transfers have been projected with caution. The fund flows to the programs are protected and provisions have been made to focus on the priority sectors to help the development process. The assumptions underlying the projection of fiscal variables are contained in Box 1.

Box 1

Proposed MTFP Target Assumptions

Macro Parameters

- Nominal Growth rate of GSDP at 7 percent

Revenue Resources

- Own Tax Revenues at 7 percent
- Own Non-Tax Revenues at 6 percent
- Central Grants and Share of Taxes at 14 percent

Expenditure Projections

- Revenue Expenditure at 16 percent
- Capital Expenditure at 10 percent

The assumptions are aligned post the emerging economic scenario in the State post the recovery process from the incidence of GLOF and Covid-19 pandemic. It is also in line with the forecast made in the memorandum submitted to the 16th Finance Commission.

GSDP

The projections of growth process of the State economy are taking into account the massive disaster that struck Sikkim in October 2023 with the electricity sector that has come under severe strain. In view of this, the projection of GSDP growth, which are required to be made under difficult conditions for the two outward years, has been considered moderately and assumed to grow at 7 percent. The same assumptions were used to forecast GSDP for submission to the 16th Finance Commission. However, improvement in national economy will have its impact on the growth of GSDP.

Revenue Receipts

During 2024-25 Budget, the State has not only rationalized the tax structure, it had raised the rates under various taxes to optimum levels. With economic difficulties, the realization of BE figures is falling short of targets. The growth in revenues in 2025-26 are bare minimum with revenues growing between 3-5 percent compared to revised figures of 2024-25 and with negative growth compared to budgeted figures of 2024-25. For the two outward year 2026-27 and 2027-28, the growth in tax revenues is assumed at 7 percent while the non-tax revenues are assumed at 6 percent. The MTFP, however, projects improvement in central transfers at 14 percent, given the growth scenario in the country with projections carried out keeping in view the fiscal reality witnessed in baseline period with possible improvements.

Expenditure Restructuring under MTFP

The growth of revenue expenditure is expected to rise given the resource viability to the State with State requiring to its huge liability on committed expenses like Salaries, Interest payments and Pension, which have grown at an average CAGR of 14.8 percent since 2015-16 and at average CAGR of 13.22 percent since 2018-19. The expenditure on these three itself takes up close to between 60 to 70 percent of the total revenue expenditure. Adjustment is also made due to higher expenditure that would occur in 2025-26 and in later years as the newly regularized employees will move from consolidated pay to a normal scale. Taking these into consideration, the Revenue for the two-outward period in overall revenue expenditure is forecasted at 16 percent of GSDP.

Given the importance accorded to the capital expenditure by the government, care has been taken to keep it at a reasonably high level. The special assistance window for capital expenditure will further increase the capital outlay. The MTFP keeps the requirements of infrastructural development in the State while projecting the capital expenditure. This increased level of capital expenditure for Sikkim, which is reasonably high is particularly due to the 50-year Interest free loan provided as SCA to the States for investment in Capital Infrastructure. With the rise of State GSDP, the additional borrowing facility will improve, which will increase the capital expenditure. The Capital expenditure is projected to grow at 10 percent, with necessary deductions made in capital expenditure to the extent of diminishing SCA in two outward years. The projection in capital expenditure is with an expectation that as in the previous year, long term loans outside FRBM limits would be available for capital expenditure proposes.

Debt and Deficit under MTFP

The fiscal deficit was projected to be 5.79 percent for the budget year, which declines to 5.5 percent and 5.0 percent in last two years of MTFP respectively. This is based on the targets given in the FRBM Act of the State and takes into account additional borrowing facilities available. During the MTFP period, given the growth of revenue and expenditure, the revenue accounts remain at surplus. The emerged fiscal profile shows that the outstanding debt increases from 38.17 percent in 2025-26 to 41.17 percent in 2026-27 and further to 43.48 percent in 2027-28. This level of debt remains higher than debt level stipulated in the amended FRBM Act. Further efforts to generate additional revenue mobilization and some coordinated effort from both central and state governments will reduce the borrowing requirement and debt burden.

CHAPTER 4: DISCLOSURES

Form D-1

(*See* Rule 4)

Select Fiscal Indicators

Sl. No.	Item	Previous Year 2023-24 (Actuals)	Current Year 2024-25 (BE)	Current Year 2025-26 (BE)
1	Gross Fiscal Deficit as Percentage to GSDP	5.17	6.14	5.79
2	Revenue Deficit as Percentage of GSDP	-0.27	-2.03	-2.11
3	Revenue Deficit as Percentage of Gross Fiscal Deficit	5.17	33.11	36.43
4	Revenue deficit as Percentage of TRR	1.57	9.68	9.84
5	Debt Stock as Percentage of GSDP	31.12	35.11	38.17
6	Total Liabilities as Percentage to GSDP	39.95	43.33	45.75
7	Capital Outlay as Percentage of Gross Fiscal Deficit	116.9	145.94	156.46
8	Interest Payment as Percentage of TRR	9.86	8.32	8.76
9	Salary Expenditure as Percentage of TRR	37.16	32.88	32.96
10	Pension Expenditure As Percentage of TRR	15.58	12.73	14.41
11	Non-development Expenditure as Percentage of Aggregate Disbursements	73.54	67.92	68.09
12	Non-tax Revenue as Percentage of TRR	10.47	8.95	8.23

Note: Negative sign indicates Surplus
Source: State Budget documents

Form D-2

(*See* Rule 4)

Components of State Government Liabilities (₹ in crore)

Category	Opening Balance		Raised during the fiscal year		Repayment during the fiscal year		Outstanding Amount (End March)	
	Previous Year Y-2 (Actuals)	Current year Y-1 (RE)	Previous Year Y-2 (Actuals)	Current year Y-1 (RE)	Previous Year Y-2 (Actuals)	Current year Y-1 (RE)	Previous Year Y-2 (Actuals)	Current year Y-1 (RE)
Internal Debt	9395.94	11052.42	1984.53	2238.02	284.98	402.41	11095.49	12888.03
Loan from Centre	1127.34	1493.43	800.88	1535.68	11.38	11.36	1916.84	3017.75
State Provident Funds	1453.36	1574.63	465.45	485.49	466.50	497.36	1452.31	1562.76
Reserve Funds	357.13	126.94	320.53	456.90	394.24	433.90	283.42	149.94
Deposits	363.13	414.52	514.92	446.64	457.89	426.64	420.16	434.52

Source: Finance Accounts Vol-I 2023-24 & Budget Documents 2025-26

Form D-3

(*See* Rule 4)

Guarantees given by the Government (₹ in crore)

Sl.No	Name of the Institution to which Guarantees is given	Maximum Guarantee given (₹ in cr)	Outstanding Amount (₹ in cr)
1	State Finance Corporation	1281.00	1006.04
2	SABCCO	26.00	16.69
3	Sikkim Housing & Development Board	361.00	282.77
4	State Trading Corporation of Sikkim	300.00	192.41
5	SPICL (Teesta Urja Stage IVI & Rangit IV)	2700.47	2570.82
6	Sikkim Urja Ltd	375.00	375.00
	Total	**5043.47**	**4443.73**

Source: Finance Accounts Vol-I 2023-24

Form D-4

(*See* Rule 4)

Number of Employees in Government

Sl.No	Sector Name	Total Employees as on 31.3.2024	Related Expenditure ₹ in Crore	
			On Salary	On Pension
(a)	Regular government Employees	35667	3103.54	-
(b)	Work Charged	422	DNA	-
(c)	Muster Roll	7219		-
(d)	Others	33252		-
(e)	Pensioners	17451	-	1301.99
	Total	**94011**	**3103.54**	**1301.99**

Source: Employees and Pension Database for No. of Employees and pensioners & Budget documents 2025-26
**DNA: Data Not Available in a consolidated format*