

Chapter I Finances of the State Government

Profile of Assam

Assam is a Special Category State and is situated in the North-East region of India bordering seven States *viz.* Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and West Bengal and two countries *viz.* Bangladesh and Bhutan. With a geographical area of 78,438 sq. kms *i.e.* about 2.4 *per cent* of country's total geographical area, Assam provides shelter to 2.2 *per cent* population of the Country. According to the Census of India, 2001 the population of Assam stands at 2,66,55,528 of which 52 *per cent* are males and 48 *per cent* females. In 2001 Census the density of population of Assam is 340 as against India's density 325. The rural population of the State was 87 *per cent* of the total population as against All India percentage of 72. According to Census 2001, the literacy rate of Assam was 63 *per cent*. Similarly, the infant mortality rate at 64 per 1,000 live births and life expectancy at birth at 58.9 years during 2009-10 is far below the All India Average of 53 per 1,000 live births and 63.5 years respectively. The population growth of NE States in 2009-10 over 2000-01 stood at 11.68 *per cent* while Assam registered population growth of 12.37 *per cent* during the same period (**Appendix-1.1 Part-D**). The estimated per capita income of the State stood at ₹26,274¹ during 2009-10 as per advance estimates of 2009-10 as against ₹24,042² of previous year.

During 2009-10, due to economic slowdown across the country, coupled with implementation of State Pay Commission, Assam had shown signs of financial stress. There has been an increase in the growth rate of GSDP during 2009-10 which stood at ₹88,023 crore (11.03 *per cent*) against ₹79,277 crore (10.68 *per cent*) during 2008-09. The average Compound Annual Growth Rate in respect of GSDP for Assam between 2000-01 and 2008-09 was 11.93 *per cent*, which was however, higher than that of NE State's (11.67 *per cent*). The outstanding fiscal liabilities of the State as a percentage of GSDP showed persistent decline from the peak level of 33 *per cent* in 2005-06 to 30.54 *per cent* in 2007-08 and thereafter increased to 31.83 *per cent* in 2008-09 and further increased to 32.34 *per cent* in 2009-10 (Table 1.29).

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix 1.1 Part-A**). The annual accounts of the State Government consist of Finance Accounts and Appropriation

¹ The per capita income has been calculated on the basis of current years Net State Domestic Product (NSDP) at current prices with respect to the average of population during 2009 and 2010 projected by Registrar General and Census Commissioner, Government of India.

² The per capita income has been calculated on the basis of previous years NSDP at current prices with respect to the average of population during 2008 and 2009 projected by Registrar General and Census Commissioner, Government of India.

Accounts. The Finance Accounts of the Government of Assam are laid out in nineteen statements, the lay out of which are depicted in **Appendix 1.1 Part-B**. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are shown in **Appendix 1.1 Part-C**.

Keeping in view the fiscal targets laid down in the Assam Fiscal Responsibility and Budget Management Act, 2005 (AFRBM) and the rules made there under and the anticipated annual rate of reduction of fiscal deficit of the State worked out by the Government of India (GOI) for the Twelfth Finance Commission (TFC) award period following its recommendation, the State Government developed its Own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period from 2005-06 to 2009-10 is placed at **Appendix 1.2**.

This chapter provides a broad perspective of the finances of the Government of Assam during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years.

1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2009-10) *vis-à-vis* the previous year while **Appendix 1.3** provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.1: Summary of Current Year's Fiscal Operations

(₹ in crore)

2008-09	Receipts	2009-10	2008-09	Disbursements	2009-10		
1	2	3	4	5	6		
Section-A: Revenue							
					Non-Plan	Plan	Total
18,077.04	Revenue receipts	19,884.49	14,243.33	Revenue expenditure	17,063.29	4,168.91	21,232.20
4,150.21 (a)	Tax revenue	4,986.72 (a)	5,365.82	General services	8,334.69	44.88	8,379.57
2,271.90	Non-tax revenue	2,752.95	5,844.36	Social Services	6,324.69	2,218.52	8,543.21
5,189.89 (b)	Share of Union Taxes/Duties	5,339.53 (b)	2,885.64	Economic Services	1,854.01	1,905.51	3,759.52
6,465.04	Grants from Government of India	6,805.29	147.51	Grants-in-aid/Contributions	549.90	-	549.90
Section-B: Capital							
-	Miscellaneous Capital Receipts	-	2,373.01	Capital Outlay	80.37	2,548.98	2,629.35

1	2	3	4	5	6		
34.82	Recoveries including write off of Loans and Advances ³	32.87	88.74	Loans and Advances disbursed	2.24	96.99	99.23
2,877.51	Public Debt receipts ⁴	2,190.28	780.80	Repayment of Public Debt ⁴	-	-	1,007.56
-	Contingency Fund	-	-	Contingency Fund			-
7,793.70	Public Account receipts	10,629.86	7,214.43	Public Account disbursement			9,027.20
-	Closing overdraft from Reserve Bank of India	-	-	Opening overdraft from Reserve Bank of India			-
3,959.08	Opening Balance	8,041.84	8,041.84	Closing Balance			6,783.80
32,742.15	Total	40,779.34	32,742.15	Total			40,779.34

- (a) Excluding share of net proceeds of taxes and duties assigned to State.
(b) Share of net proceeds assigned to State.

Following are the significant changes during 2009-10 over the previous year:

- Revenue receipts grew by ₹1,807 crore (10 per cent) over the previous year. The increase was mainly contributed by tax revenue ₹837 crore (46 per cent), non-tax revenue ₹481 crore (27 per cent), State's share of Union Taxes and Duties ₹149 crore (eight per cent) and Grants-in-aid from Government of India (GOI) ₹340 crore (19 per cent). **The revenue receipts at ₹19,884 crore is, however, higher by ₹575 crore than the assessment made by the State Government in its Fiscal Correction Path (FCP)⁵ (₹19,309 crore), but lower by ₹3,180 crore than the assessment made in Five Year Fiscal Plan (FYFP)⁶ (₹23,064 crore).**
- The increase of 20 per cent (₹837 crore) in tax revenue in 2009-10 was mainly on account of increase of (a) taxes on Agricultural income by ₹60 crore (333 per cent) due to increase in collection of taxes, (b) taxes on Sales Tax, Trade etc by ₹424 crore (14 per cent) due to increase in collection of Trade tax, (c) State Excise by ₹40 crore (20 per cent) due to increase in collection of tax under Country fermented liquors and Foreign liquors and spirits and (d) taxes on goods and passengers by ₹261 crore (92 per cent) due to introduction of Assam Entry Tax Act, 2008 with effect from 1 June 2008 to levy tax on entry of certain specified goods. **The tax revenue as a percentage of GSDP (5.67 per cent) was less than the projections made by the State Government in its FCP (7.96 per cent) but higher than the projections of FYFP (4.56 per cent).**

³ Recoveries of loans and advances includes Write off of loans and advances: ₹0.05 crore.

⁴ Includes net transactions under ways and means advances and overdraft.

⁵ FCP: Fiscal Correction Path was developed by the State Government in April 2005 indicating therein the milestones of outcome indicates with target dates of implementation during 2005-06 to 2009-10.

⁶ FYFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan alongwith Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

- The increase in non-tax revenue of the State by ₹481 crore (21 per cent) over the previous year was mainly due to increase in receipts under petroleum concession fees and royalties and increase in realization of interest on investment of cash balances. ***The non-tax revenue of the Government significantly exceeded the FCP (₹1,702 crore) of the Government by 62 per cent and the projections of the State Government in its FYFP (₹2,044 crore) by 35 per cent.***
- Increase in Grants-in-aid from Government of India by ₹340 crore (5 per cent) was on account of more receipts under ‘Non-Plan Grants’ and ‘Grants for Centrally Sponsored Schemes’.
- Revenue expenditure increased by ₹6,989 crore (49 per cent) over the previous year. While 15 per cent (₹1,059 crore) of the increase was under plan heads the remaining 85 per cent (₹5,930 crore) was under non-plan heads. The major heads that registered increases include Pensions and Miscellaneous General Services by 121 per cent (₹1,744 crore), Education, Sports, Art and Culture by 34 per cent (₹1,148 crore), Administrative Services by 54 per cent (₹1,019 crore) and Social Welfare and Nutrition by 108 per cent (₹744 crore).
- Recoveries of Loans and Advances decreased by six per cent (₹ two crore). The major decline in the recoveries was from the power sector (₹ three crore).
- Public Debt Receipts decreased by 24 per cent (₹688 crore) while Public Debt Repayments increased by 29 per cent (₹227 crore) resulting in net decrease of ₹915 crore in Public Debt Receipts.
- Public Account Receipts and Disbursements increased by 36 per cent (₹2,836 crore) and 25 per cent (₹1,813 crore) over the previous year. Thus, net receipts increased during the year by ₹1,023 crore.
- Total inflow during 2009-10 was ₹32,737 crore against ₹28,784 crore in 2008-09 while total outflow during 2009-10 was ₹33,995 crore as against ₹24,700 crore in 2008-09 registering an increase of 13.73 per cent and 37.63 per cent leading to decline in the cash balances of the State by ₹1,258 crore (16 per cent) over the previous year. The decrease was mainly due to decrease in deposit with Reserve Bank of India (₹573 crore), Cash Balance Investment (₹684 crore) and departmental cash balances including permanent advances (₹ one crore).

1.2 Assam Fiscal Responsibility and Budget Management Act, 2005

According to Assam Fiscal Responsibility and Budget Management (AFRBM) Act, 2005 the State Government was to eliminate revenue deficit by the end of 2008-09 and reduce the fiscal deficit to 3.5 per cent of the estimated Gross State Domestic

Product (GSDP) by 2009-10⁷. Further, the Act envisaged to cap State Government guarantees at any point of time to 50 *per cent* of the State's own tax and non-tax revenue of the second preceding year, as reflected in the books of accounts as maintained by the Accountant General.

The performance of the State during 2009-10 in terms of key fiscal targets set for selected variables laid down in AFRBM Act, 2005 *vis-à-vis* achievements are given in **Table-1.2**.

Table-1.2: Trends in major fiscal parameters/variables *vis-à-vis* projections for 2009-10

(₹ in crore)

Fiscal variables	2009-10			
	Targets as per prescribed in FRBM Act	Projections made in		Actual
		Fiscal Correction Path	Five Year Fiscal plan Statement	
Revenue Deficit (₹ in crore)	0.0 (By 31.3.2009)	(+) 1,657	(-) 305	(-) 1,348
Fiscal Deficit (₹ in crore)	-	(-) 1,541	(-) 2,972	(-) 4,043
Fiscal Deficit/GSDP (<i>per cent</i>)	3.5 <i>per cent</i> of GSDP (By 31.3.2010)	2.41	3.37	4.59
Salary as percentage of State's Own Resources and devolution from GOI except Plan Grants	60 <i>per cent</i> (By 31.3.2010)	57	88	56
Ratio of the Total Debt Stock including Government Guarantees to GSDP of the previous year	45 <i>per cent</i> (By 31.3.2010)	44	32	30
Ratio of State Guarantees to State's Own Resources of second preceding year	50 <i>per cent</i>	18	13	5

The above table indicates that the State has achieved the FRBM targets⁸, prescribed in the Act except containing Fiscal Deficit-GSDP ratio. Although the Central Government allowed the State Government to raise additional market borrowings to the extent of 0.5 *per cent* of GSDP for undertaking capital investment thereby permitting the Fiscal Deficit-GSDP ratio to the level of 4 *per cent* but the State had exceeded this limit during 2009-10⁹. The State Government has to initiate requisite measures to contain the Fiscal Deficit-GSDP ratio within the permissible limit.

⁷ Although the GOI had permitted the State Government to borrow upto four *per cent* of GSDP during 2009-10 but the State Government had not amended the AFRBM Act to avail the benefit of 0.5 *per cent* of GSDP as of March 2010.

⁸ Revenue Deficit was to be eliminated by 31 March 2009 and the State Government had achieved the target within the stipulated date.

⁹ Failure to contain Fiscal Deficit – GSDP ratio within the permissible limit of four *per cent* the State would loss the debt relief of ₹105.41 crore for 2009-10.

The increase in fiscal deficit-GSDP ratio during 2009-10 is fraught with the chances of being dependent on further market borrowings in order to minimize fiscal deficit. **The State Government should increase revenue receipts by initiating measures like reduction of cost recovery (Para 1.4.3) and collection of arrears of revenue and (Para 1.4.6) to bridge the growing gap.**

As a result of Debt Consolidation under 'Debt Consolidation and Relief Facility (DCRF)¹⁰ Scheme', the State had received debt relief of ₹316.23 crore and interest relief of ₹153.87 crore during the award period of TFC. The State had also received ₹316.23 crore as debt waiver from Government of India during the period from 2005-06 to 2009-10.

1.2.1 Budget Analysis

The budget papers presented by State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Several reasons may account for the deviation of the actual realization from the budget estimates. It may be because of unanticipated and unforeseen events or under or over estimation of expenditure or revenue at the budget stage etc. Actual realization of revenue and its disbursement however depends on a variety of factors, some internal and others external. **Table 1.3** presents the consolidated picture of State Finances during 2008-09 (Accounts), 2009-10-budget estimates (BE), 2009-10 revised estimates (RE) and 2009-10 (Accounts).

Table 1.3: Variation in Major items - 2009-10 (Accounts) over 2009-10 Budget Estimates & Revised Estimates and 2008-09 (Accounts)

(₹ in crore)

Parameters	2008-09	2009-10		
	Actual	Budget Estimates	Revised Estimates	Actual
Tax Revenue	4,150	4,028	4,333	4,987
Non-Tax Revenue	2,272	2,044	2,900	2,753
Revenue Receipts	18,077	23,064	24,485	19,884
Non-debt Capital Receipts	35	48	40	33
Revenue Expenditure	14,243	29,270	29,816	21,232
Interest Payments	1,593	2,108	2,134	1,833
Capital Expenditure	2,373	4,625	4,716	2,629
Disbursement of Loans & Advances	89	81	82	99
Revenue Deficit/Surplus	(+) 3,834	(-) 6,206	(-) 5,331	(-) 1,348
Fiscal Deficit/Surplus	(+) 1,407	(-) 10,864	(-) 10,089	(-) 4,043
Primary Deficit/Surplus	(+) 3,000	(-) 8,756	(-) 7,955	(-) 2,210

¹⁰ DCRF: In pursuance of the recommendations of the Twelfth Finance Commission (TFC) for fiscal consolidation and elimination of revenue deficit of the States, Government of India formulated a scheme "The State Debt Consolidation and Relief Facility (DCRF) (2005-06 to 2009-10)" under which general debt relief is provided by consolidating and rescheduling at substantially reduced rates of interest the Central loans granted to States on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficits of States.

- During 2009-10, the actual revenue receipts fell short of the budget estimates by 13.78 *per cent* while actual revenue expenditure declined by 27.46 *per cent* over budget estimate resulting in decrease in revenue deficit.
- During the current year the tax revenue of the State increased by 20.17 *per cent* (₹837 crore) over the previous year. The actual collection of tax revenue during the year also increased by 23.81 *per cent* (₹959 crore) over the budget estimate for the year mainly due to increased collection under taxes on sales, trade etc. by over 22 *per cent*. The revenue from sales tax, trade etc. contributed the major share of tax revenue (71 *per cent*) and it increased by 13.63 *per cent* over the previous year. Taxes on agricultural income, taxes and duties on electricity and taxes on goods and passengers were the other major contributors in the State's tax revenue.
- The increase in non-tax revenue was due to increase in receipts under petroleum concession fees and royalties. The trends in interest receipts, dividends and profits reveal significant improvement during 2009-10 compared to 2005-06 mainly because of increase in realization of interest on investment of cash balances.
- The increase in Central Tax Transfer was mainly due to increase in Corporation tax (₹495 crore), and Taxes on income other than Corporation tax (₹155 crore) partly offset by decrease in Customs (₹245 crore) and Union Excise Duties (₹263 crore).
- The increase of ₹340 crore in grants-in-aid during 2009-10 over the previous year was mainly due to increase in Non-plan grants (₹572 crore) and grants for Centrally Sponsored Schemes (₹39 crore) which was however, partially off set by decrease in grants for State Plan Schemes (₹196 crore) and grants for Special Plan Schemes (₹60 crore).
- The increase in revenue expenditure during the current year was the combined effect of more expenditure under general services by 56.17 *per cent* (₹3,014 crore), social services by 46.18 *per cent* (₹2,699 crore), economic services by 30.28 *per cent* (873 crore) and grants-in-aid contributions by 274.15 *per cent* (₹403 crore) over the previous year.
- The increases in revenue expenditure under social services were under Education, Sports, Art and Culture by 33.97 *per cent* (₹1,148 crore), Health and Family Welfare by 64.40 *per cent* (₹586 crore), Water Supply, Sanitation, Housing and Urban Development by 28.76 *per cent* (₹130 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes by 12.43 *per cent* (₹42 crore), Labour and Labour Welfare by 106.82 *per cent* (₹47 crore) and Social Welfare and Nutrition by 108.30 *per cent* (₹744 crore).

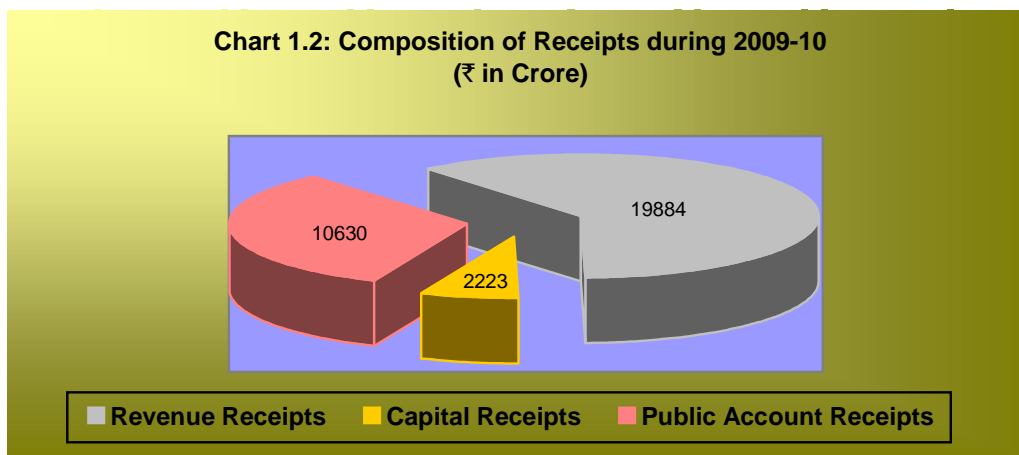
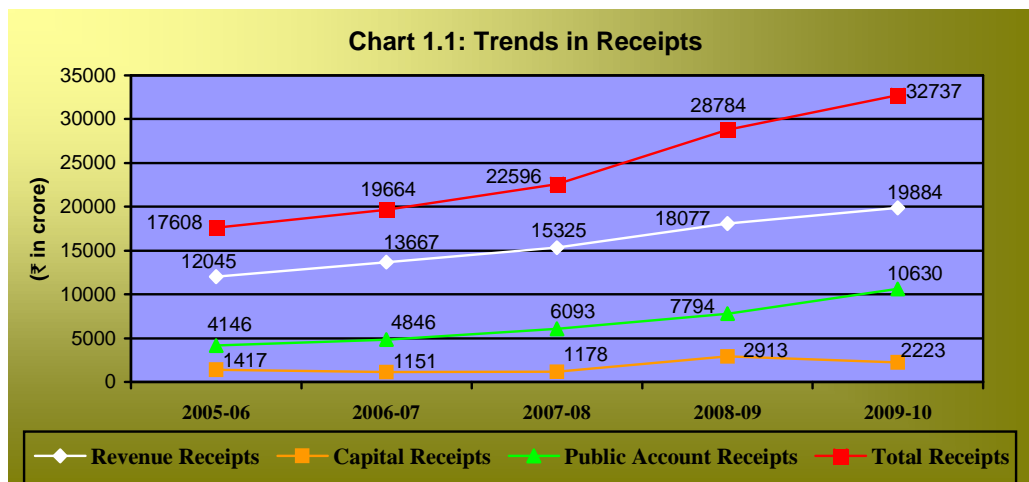
- Similarly, the significant increases under economic services were under Agriculture and Allied Activities by 30.32 *per cent* (₹272 crore), Rural Development by 20.80 *per cent* (₹140 crore), Special Areas Programmes by 99.06 *per cent* (₹105 crore), Transport by 26.34 *per cent* (₹118 crore) and General Economic Services by 38.06 *per cent* (₹94 crore).
- Significant increases in expenditure under general services were mainly under Administrative Services by 54.08 *per cent* (₹1,020 crore), Pensions and Miscellaneous General Services by 121.28 *per cent* (₹1,744 crore), Interest Payment and servicing of debt by 14.11 *per cent* (₹240 crore) and Fiscal Services by 21.47 *per cent* (₹35 crore).
- The capital expenditure *vis-à-vis* budget estimate was less by 43.16 *per cent* (₹1,996 crore). The capital expenditure of the State grew by ₹256 crore over the previous year. The increase in capital expenditure of ₹256 crore (10.79 *per cent*) during 2009-10 over the previous year was the net result of increase in General Services by 105.15 *per cent* (₹38.35 crore) and Economic Services by 14.28 *per cent* (₹262.76 crore) set off by a decrease in Social Services by nine *per cent* (₹44.77 crore).
- Actual fiscal deficit fell short of the assessment made in the budget estimate by 62.79 *per cent* (₹6,821 crore) and revised estimate by 59.93 *per cent* (₹6,046 crore) mainly due to decrease in revenue expenditure and capital expenditure. Decrease in fiscal deficit together with decrease in interest payment of ₹301 crore (revised estimate) led to decrease in primary deficit by 72.22 *per cent* (₹5,745 crore) than the assessment made in revised estimate.

The above table also indicates that at the consolidated level, the State witnessed a marked improvement in key deficit indicators when the revised estimates of 2009-10 translated into accounts. An improvement in the fiscal situation in recent years (2005-06 to 2008-09) was achieved by the State by pursuing the fiscal correction and consolidation process under a rule based fiscal framework coupled with larger devolution and transfer by the Twelfth Finance Commission through shareable Central Taxes and Grants-in-aid. Consequent upon these developments, the State achieved surplus during the period from 2005-06 to 2008-09. However, in 2009-10, it has turned into fiscal deficit of ₹4,043 crore. Thus, due to moderation in economic growth during 2009-10, the revenue buoyancy suffered a set back and aggregate expenditure shot up. The deterioration in the revenue account of the State Government during 2009-10 (BE), 2009-10 (RE) as well as actual receipt and expenditure during 2009-10 reflect the combined impact of sluggishness on (i) Administrative Services (ii) pensions and (iii) interest payments. Re-emergence of revenue and fiscal deficit after four years indicate that borrowed resources would be used for current expenditure rather than capital expenditure during 2009-10.

1.3 Resources of the State

1.3.1 Resources of the State as per Annual Finance Accounts

Table-1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts¹¹ while **Chart 1.1** and **Table 1.4** depicts the trends in various components of the receipts of the State during 2005-10. **Chart 1.2** depicts the composition of resources of the State during the current year.



¹¹ Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GOI as well as accruals from Public Account.

Table 1.4: Trends in growth and composition of receipts

(₹ in crore)

	Sources of State's Receipts	2005-06	2006-07	2007-08	2008-09	2009-10
I	Revenue Receipts	12,045	13,667	15,325	18,077	19,884
II	Capital Receipts (CR)	1,417	1,151	1,178	2,913	2,223
	Miscellaneous Capital Receipts	-	-	-	-	-
	Recovery of Loans and Advances	38	35	40	35	33
	Public Debt Receipts	1,379	1,116	1,138	2,878	2,190
	Rate of growth of debt capital receipts	(-) 57.05	(-) 19.07	1.97	152.90	(-) 23.91
	Rate of growth of non-debt capital receipts	(-) 97.26	(-) 7.89	14.29	(-) 12.50	(-) 5.71
	Rate of growth of GSDP	9.25	11.44	11.17	10.68	11.03
	Rate of growth of CR (per cent)	(-) 69.20	(-) 18.77	2.34	147.28	(-) 23.69
III	Contingency Fund	-	-	-	-	-
IV	Public Account Receipts	4,146	4,846	6,093	7,794	10,630
	a. Small Savings, Provident Fund etc.	617	566	608	628	755
	b. Reserve Fund	149	370	506	318	733
	c. Deposits and Advances	1,637	2,150	2,739	3,852	5,580
	d. Suspense and Miscellaneous	(-) 155	(-) 158	(-) 3	87	(-) 136
	e. Remittances	1,898	1,918	2,243	2,909	3,698
	Total Receipts	17,608	19,664	22,596	28,784	32,737

The total receipts of the State Government for 2009-10 was ₹32,737 crore, of which ₹19,884 crore (61 per cent) came from revenue receipts and balance (39 per cent) came from borrowings and Public Account. The total receipts of the State increased by 86 per cent from ₹17,608 crore in 2005-06 to ₹32,737 crore in 2009-10. The share of revenue receipts in total receipts of the State decreased from 68 per cent (₹12,045 crore) in 2005-06 to 61 per cent (₹19,884 crore) in 2009-10 due to decrease in receipt in tax revenue and grants-in-aid from GOI. On the other hand, the Capital receipts together with Public Account ranged between 30 and 39 per cent of total receipts during 2005-10.

Revenue receipts increased steadily by 65 per cent from ₹12,045 crore in 2005-06 to ₹19,884 crore in 2009-10, whereas the debt capital receipts which create future repayment obligation decreased from ₹1,417 crore (8 per cent of total receipts) in 2005-06 to ₹2,223 crore (7 per cent of total receipts) in 2009-10. The Public Account receipts increased steadily from ₹4,146 crore (24 per cent of total receipts) in 2005-06 to ₹10,630 crore (32 per cent of total receipts) in 2009-10.

The rate of growth of debt capital receipts decreased from 152.90 per cent in 2008-09 to (-) 23.91 per cent in 2009-10 while the ratio of growth of non-debt capital receipts increased from (-) 12.50 per cent in 2008-09 to (-) 5.71 per cent in 2009-10.

The rate of growth of debt capital receipts increased from (-) 57.05 per cent in 2005-06 to (-) 23.91 per cent in 2009-10 while the rate of growth of GSDP increased from 9.25 per cent in 2005-06 to 11.03 per cent in 2009-10.

The rate of growth of non-debt capital receipts increased from (-) 97.26 per cent in 2005-06 to (-) 5.71 per cent in 2009-10.

1.3.2 Funds Transferred to State Implementing Agencies outside the State Budgets

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies¹² for the implementation of various schemes/programmes in social and economic sectors critical for the human and social development of population. During 2009-10, the Government of India has transferred an approximate amount of ₹5,079.29 crore directly to the Implementing Agencies (detailed in **Appendix 1.4**). Significant amounts released for major programmes/schemes are detailed in **Table 1.5**.

Table-1.5: Funds transferred directly to State Implementing Agencies

(₹ in crore)		
Programme/Scheme	Implementing Agency in the State	Funds transferred by the GOI during 2009-10
MPs Local Area Development Scheme	Deputy Commissioners	37.00
National Rural Health Mission (NRHM) (Centrally Sponsored)	State Health Society, Assam	702.09
Pradhan Mantri Gram Sadak Yojana (PMGSY)	Assam State Road Board, Guwahati	700.00
Research and Development Department of Biotechnology	Assam Agricultural University, Jorhat; Indian Institute of Technology, Guwahati; Tezpur University, Tezpur; B.Barooah Cancer Institute, Guwahati; Gauhati University, Guwahati; Rain Forest Research Institute, Jorhat, Assam etc.	39.36
Integrated Watershed Management Programme (IWMP)	State Level Nodal Agencies, Assam and DRDA	21.52
Sarva Siksha Abhiyan (SSA)	Assam Sarva Siksha Abhiyan Mission	474.80
Rural Housing (IAY)	DRDAs	666.51
National Rural Employment Guarantee Scheme (NREGS)	DRDAs	778.89
Indian Institute of Technology	Indian Institute of Technology, Assam, Guwahati	54.60
Redevelopment of Hospitals/Institutions	Lokopriya Gopinath Bordoloi Regional Institute of Mental Health, Tezpur	36.00
National Food Security Mission	Assam Small Farmers Agri-Business Consortium	36.16
Transport Subsidy Scheme	North Eastern Development Finance Corporation Ltd.	379.05
National Institute of Technology (NIT)	National Institute of Technology, Silchar, Assam	37.00
Swarnajayanti Gram Swarazgar Yojana (SGSY)	DRDAs	177.34
Central Rural Sanitation Scheme	State Water & Sanitation Mission, Assam; DRDA Kokrajhar, Assam	67.30
Assam Gas Cracker Project	Brahmaputra Crackers & Polymer Ltd.	316.31
Accelerated Rural Water Supply Scheme	State Water & Sanitation Mission, Assam	231.77
DRDA Administration	DRDAs	19.85

¹² State Implementing Agencies include Organisation/Institution including Non-Government Organisation which is authorized by the State Government to receive the funds from the Government of India for implementing specific programmes in the State e.g., State Health Society for NRHM and State Implementing Society for SSA etc.

Total	4,775.55
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Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Accounts' website

Table 1.5 shows that an amount of ₹4,775.55 crore (94.02 per cent of the total funds transferred) was given for (i) National Rural Employment Guarantee Scheme (NREGS) (15.33 per cent), (ii) National Rural Health Mission (NRHM) (13.82 per cent), (iii) Pradhan Mantri Gram Sadak Yojana (PMGSY) (13.78 per cent) and (iv) Rural Housing (Indira Awaas Yojana) (13.12 per cent) during 2009-10. With the transfer of an approximate amount of ₹5,079.29 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2009-10 had increased from ₹32,737 crore to ₹37,816 crore. It is evident from the above fact that there is no singly agency monitoring the funds directly transferred by the GOI and there is no readily available data on how much is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by the State Implementing Agencies and funded directly by the GOI and therefore, utilization of these funds remain to be verified by Audit to establish accountability of the State Government for these funds.

An analysis on how these funds are being transferred and utilized for the purposes for which they are sanctioned, is carried out based on the data/information obtained from two units viz. National Rural Health Mission (NRHM) and Sarva Siksha Abhiyan (SSA) which revealed the following:

- **National Rural Health Mission (NRHM)**

The State Health Society is registered under the Societies Registration Act, 1860. The activities of the NRH Mission in the State are carried out through the Society headed by the Mission Director, NRHM, Assam at the State level.

Records of the Society disclosed that during 2009-10, ₹615 crore was received by the Society from GOI for implementation of various programmes under NRHM against ₹702.09 crore actually released during the year 2009-10. Programme-wise details of receipt and expenditure are given below:

Table 1.6: Scheme-wise receipt and expenditure under NRHM for the year 2009-10

(₹ in crore)

Name of the Implementing Agency	Name of the Scheme/Programme	Amount released by GOI during 2009-10	Amount received by the Implementing Agency from GOI	Expenditure incurred during the year
State Health Society	(i) Reproductive and Child Health Flexible Pool	314.65	227.56	183.83
	(ii) NRHM Flexible Pool	363.92	363.92	419.04
	(iii) Routine Immunization	12.85	12.85	8.93
	(iv) Integrated Pulse Polio Immunization	10.67	10.67	10.67
Total		702.09	615.00	622.47

Source: As per information furnished by the Mission Director, NRHM, Assam

During 2009-10, the State Health Society received ₹615 crore against GOI release of ₹702.09 crore. The reason for non-receipt of balance amount of ₹87.09 crore from GOI was neither on record nor stated.

It was observed that the State Health Society incurred expenditure (**Table 1.6**) of ₹622.47 crore on the various components under NRHM during 2009-10. The excess of ₹7.47 crore was met from the unutilized funds of the previous years and State share for NRHM. However, the Utilisation Certificates (UCs) to the Ministry/GOI for ₹622.47 crore for the year 2009-10 has not been submitted (August 2010).

The Society stated (August 2010) that the Utilisation Certificates for the year 2009-10 would be furnished after completion of Statutory Audit.

- **Sarva Siksha Abhiyan (SSA)**

The SSA programme is implemented by the State Implementing Society headed by the Mission Director, Assam Sarva Siksha Abhiyan Mission, Assam.

The **Table 1.7** below shows the component-wise funds received *vis-à-vis* releases under SSA Programme during 2009-10:

Table 1.7: Status of funds received *vis-à-vis* releases during 2009-10 under SSA

(₹ in crore)

Name of the Scheme	Fund Released			Fund Received by the Director			Expenditure incurred
	Central	State	Total	Central	State	Total	
Sarva Siksha Abhiyan	474.80	66.37	541.17	474.80	66.37	541.17	481.82
National Programme of Education for Girls at Elementary Level (NPEGEL)							0.36
Kasturba Gandhi Balika Vidyalaya* (KGBV)							7.62
Total	474.80	66.37	541.17	474.80	66.37	541.17	489.80

Source: As per information furnished by the Mission Director, SSA

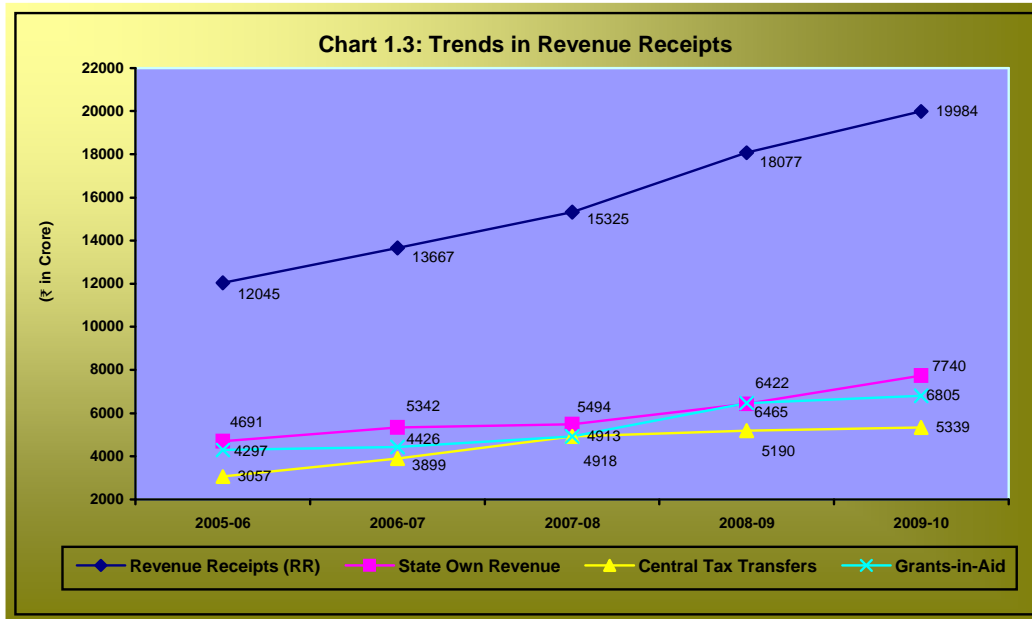
*During the year 2009-10, GOI had released share for Kasturba Gandhi Balika Vidyalaya (KGBV) along with SSA.

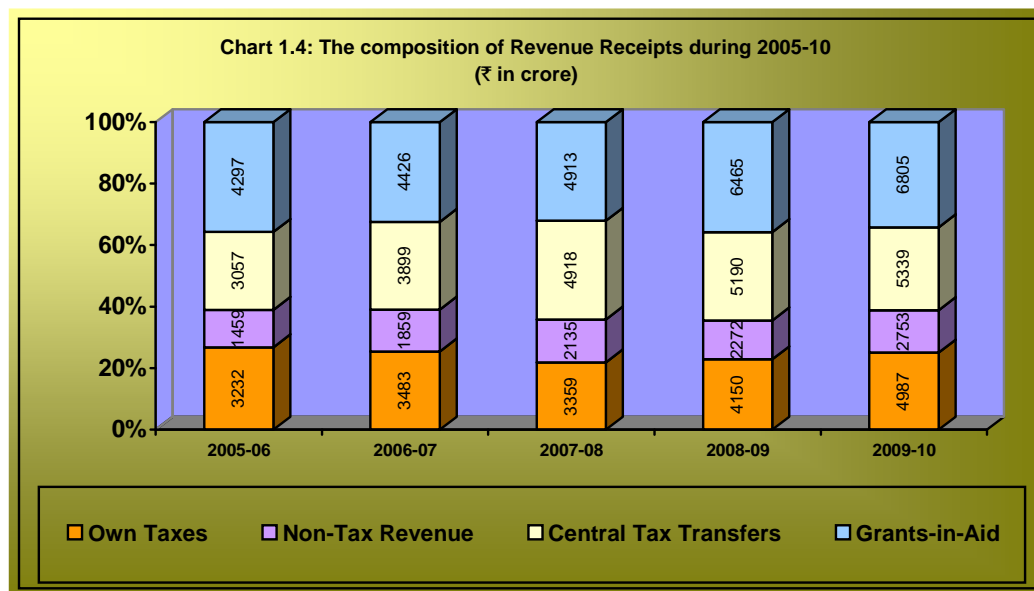
During 2009-10, Government of India (GOI) released ₹474.80 crore for implementation of various programmes under SSA in the State and the State Implementing Society received the same amount. The Society utilized ₹489.80 crore

(SSA: ₹481.82 crore; NPEGEL: ₹0.36 crore and KGBV: ₹7.62 crore) during 2009-10 but the information regarding submission of Utilization Certificates of the fund received from the Ministry of Human Resource Development is yet to be furnished (September 2010) by the Mission Director, SSA. Moreover, the information regarding utilization of balance fund of ₹51.37 crore (₹541.17 crore - ₹489.80 crore) was also could not be furnished by the Mission Director, SSA.

1.4 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from the GOI. The trends and composition of revenue receipts over the period 2005-10 are presented in *Appendix 1.5* and also depicted in **Chart 1.3** and **1.4** respectively.





1.4.1 General Trends

- The revenue receipts of the State grew by ₹1,807 crore over the previous year. The growth was subdued at 10 *per cent* as against the average annual growth of 13 *per cent* during 2005-10. The sluggish growth in revenue receipts was due to the overall slowdown in the economy which impacted the State's own taxes and also the State's share of Union taxes and duties.
- About 39 *per cent* of the revenue receipts during 2009-10 have come from State's own resources while central tax transfers and grants-in-aid together contributed 61 *per cent*.
- The increase of ₹1,807 crore in revenue receipts (10 *per cent*) did not keep pace with the increase of ₹6,989 crore in revenue expenditure (49.07 *per cent*).
- Tax revenue constituted 25.08 *per cent* of the total revenue receipts and increased by ₹837 crore during 2009-10 recording a growth rate of 20.17 *per cent* over the previous year. The percentage of tax revenue to total revenue receipts ranged between 21.92 and 26.83 *per cent* during 2005-10.
- Non-tax revenue receipts constituted 13.85 *per cent* of the total revenue receipts and increased by ₹481 crore recording a growth rate of 21.17 *per cent* over the previous year. Non-tax revenue as a percentage of revenue receipts ranged between 12.11 and 13.93 *per cent* during 2005-10.
- Non-tax revenue during 2009-10 included ₹211 crore received as debt waiver from Government of India.

The trends in revenue receipts relative to GSDP are presented in **Table 1.8**.

Table 1.8: Trends in Revenue Receipts relative to GSDP

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Receipts (RR) (₹ in crore)	12,045	13,667	15,325	18,077	19,884
Rate of growth of RR (<i>per cent</i>)	21.21	13.46	12.13	17.96	10.00
Rate of growth of Own Taxes (<i>per cent</i>)	19.13	7.77	(-) 3.56	23.55	20.17
RR/GSDP (<i>per cent</i>)	20.83	21.29	21.40	22.80	22.59
Buoyancy Ratios¹³					
Revenue Buoyancy w.r.t GSDP	2.29	1.18	1.09	1.68	0.91
State's Own Tax Buoyancy w.r.t GSDP	2.07	0.68	(-) 0.32	2.21	1.83
Gross State Domestic Product (₹ in crore)	57,817	64,429	71,625	79,277	88,023
Rate of growth of GSDP	9.25	11.44	11.17	10.68	11.03

- The GSDP at current prices was estimated to increase from ₹79,277 crore in 2008-09 to ₹88,023 crore in 2009-10, representing an increase of 11.03 *per cent*. However, the rate of growth of revenue receipts showed a declining trend despite the increase in GSDP, indicating that the State's aim to widen the tax base and augment revenue could not be achieved during this year.
- Revenue buoyancy with reference to GSDP and State own tax buoyancy with respect to GSDP comedown during the current year. Ideally growth rate of revenue should be higher than GSDP growth rate so that over time the budget can be better balanced. If the State's own taxes are buoyant, than the Government will be in a better position to plan expenditure and improve welfare of the people.

1.4.2 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes etc, the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and non-tax revenue and their percentage and also expenditure during 2005-10 is presented in *Appendix 1.5. Appendix 1.6 (A) & (B)* also presents the component-wise tax and non-tax revenue for the years 2005-10.

The tax revenue of the State increased from ₹3,232 crore in 2005-06 to ₹4,987 crore in 2009-10 at an annual average rate of 10.86 *per cent*. While the non-tax revenue (NTR), which constituted 13.85 *per cent* of the total revenue receipts, increased by

¹³Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.91 implies that revenue receipts tend to increase by 0.91 percentage points, if the GSDP increases by one *per cent*.

₹481 crore during 2009-10 recording a growth rate of 21.17 per cent over the previous year. The non-tax revenue of the Government during 2009-10 is also inclusive of ₹211 crore received as debt waiver from the Government of India under DCRF, which constituted over 60 per cent of non-tax receipts under general services and was booked under the head 'Miscellaneous General Services'.

Central tax transfers increased by ₹149 crore from ₹5,190 crore in 2008-09 to ₹5,339 crore in 2009-10 and constituted 26.85 per cent of the revenue receipts during the year.

The details of Grants-in-aid from the GOI are given in **Table 1.9**.

Table 1.9: Grants-in-aid from the GOI

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Non-Plan Grants	948	709	886	1021	1593
Grants for State Plan Schemes	2,673	2,754	2,979	4,191	3,995
Grants for Central Plan Schemes	40	188	134	55	40
Grants for Centrally Sponsored Schemes	525	721	722	993	1032
Grants for Special Plan Schemes	111	54	192	205	145
Total	4,297	4,426	4,913	6,465	6,805
Percentage of increase over previous year	20.40	3.00	11.00	31.62	5.26
Percentage of Revenue Receipts	36	32	32	36	34

Grants-in-aid from the GOI increased by 5.26 per cent from ₹6,465 crore in 2008-09 to ₹6,805 crore in 2009-10. Within the plan grants, while grants for State Plan Schemes, Central Plan Schemes and Special Plan Schemes decreased by ₹196 crore (five per cent), ₹15 crore (27 per cent) and ₹60 crore (29 per cent) respectively, grants for Centrally Sponsored Schemes increased by four per cent ₹39 crore (four per cent). The major increases under Centrally Sponsored Schemes were due to implementation of Integrated Child Development Service Schemes (₹49 crore), Post Matric Scholarship for ST students (₹25 crore), Rural Sub Centres (₹34 crore) and Infrastructural facilities for Judiciary (₹14 crore). A part of the increase, was however, offset by decrease in implementation of Family Welfare Programme (₹21 crore) and Accelerated Rural Water Supply Programme (₹85 crore). The Non-Plan grants (₹1,593 crore) to the State constitute 23 per cent of the total grants during the year, of which, 59 per cent (₹947 crore) was provided under the proviso to Article 275 (1) of the Constitution. Other components of non-plan grants mainly included (i) grants for General Security related expenditure (₹60 crore), (ii) grants towards compensation for loss of revenue on account of CST/VAT (₹379 crore), (iii) contribution to Calamity Relief Fund (₹163 crore) and Rehabilitation of surrendered militants (₹ four crore).

1.4.3 Cost recovery in supply of merit goods and services

The current levels of cost recovery (non-tax revenue receipts as a percentage of non-plan revenue expenditure) in supply of merit goods and services by Government were negligible, as depicted in **Table 1.10**.

Table 1.10: Cost recovery: 2009-10

(₹ in lakh)

	Non-tax revenue receipts	Non-plan revenue expenditure	Cost Recovery (per cent)
Elementary Education	73	2,30,145	0.03
Medical and Public Health	710	97,426	0.73
Water Supply & Sanitation	68	21,499	0.32
Roads & Bridges	7,986	45,836	17.42
Minor Irrigation	74	18,936	0.39

As can be seen from above table, while the cost recovery for Roads and Bridges during 2009-10 was 17.42 *per cent*, for Elementary Education, Medical and Public Health, Water Supply & Sanitation and Minor Irrigation the percentages were 0.03, 0.73, 0.32 and 0.39 respectively. While cost recovery from social services like education and health are expected to be lower than that of economic services, it is a matter of concern that compared to 2005-06¹⁴, cost recovery has fallen in all categories except roads and bridges and minor irrigation in 2009-10. Incremental raising of user charges will facilitate sustainable provision of these services over a period of time.

1.4.4 Evasion of taxes

During 2009-10, evasion of tax (including interest) amounting to ₹45.55 lakh due to concealment of turnover (₹3.23 crore) in two cases was reported by the Government. Thus, the State had suffered a revenue loss of ₹45.55 lakh.

1.4.5 Write off / waivers of revenue

During the year 2009-10, demands for ₹42.29 lakh in 284 cases and ₹52.27 lakh in 53 cases, relating to Assam General Sales Tax (AGST)/Value Added Tax (VAT) and Central Sales Tax (CST) were written off by the Finance (Taxation) Department/ Government as irrecoverable due to the reasons indicated in **Table 1.11**.

Table 1.11: Reasons for write off/waiver of revenue

(₹ in lakh)

Reasons	No. of cases		Amount	
	AGST/VAT	CST	AGST/VAT	CST
Whereabouts of defaulters not known	260	47	29.98	50.70

¹⁴ Elementary Education: 0.12 *per cent*; Medical and Public Health: 1.27 *per cent*; Water Supply & Sanitation: 0.59 *per cent*; Roads & Bridges: 15.60 *per cent* and Minor Irrigation: 0.17 *per cent*.

Defaulters are no longer alive	19	2	6.67	0.85
Defaulters not having any property	3	2	5.43	0.27
Defaulters adjudged insolvent	1	-	0.03	-
Other reasons	1	2	0.18	0.45
Total	284	53	42.29	52.27

Source: Commissioner of Taxes, Assam

1.4.6 Revenue arrears

The arrears of revenue as on 31 March 2010 in respect of some principal heads of revenue as furnished by the Departments amounted to ₹1,870.64 crore of which ₹524.04 crore was outstanding for more than five years as mentioned in **Table 1.12**.

Table 1.12: Arrears of revenue

(₹ in crore)

Sl No.	Heads of revenue	Amount outstanding as on 31 March 2010	Amount outstanding for more than five years as on 31 March 2010	Remarks
1	Land Revenue	89.78	17.95	Due to non-partition of joint pattas and non-payment by the landowners affected by flood and erosion.
2	Geology and Mining	2.97	0.33	Due to non-payment of royalty on coal by AMDCL and limestone by NECEM and Vinay Cements Ltd.
3	Sales Tax/VAT	1,777.89	505.76	Due to non-payment tax by some dealers in time and non-disposal of pending cases with High Courts/Supreme Court/Board of Revenue and with Appellate/ Revisional Authority.
Total		1,870.64	524.04	

1.5 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.5.1 Growth and composition of expenditure

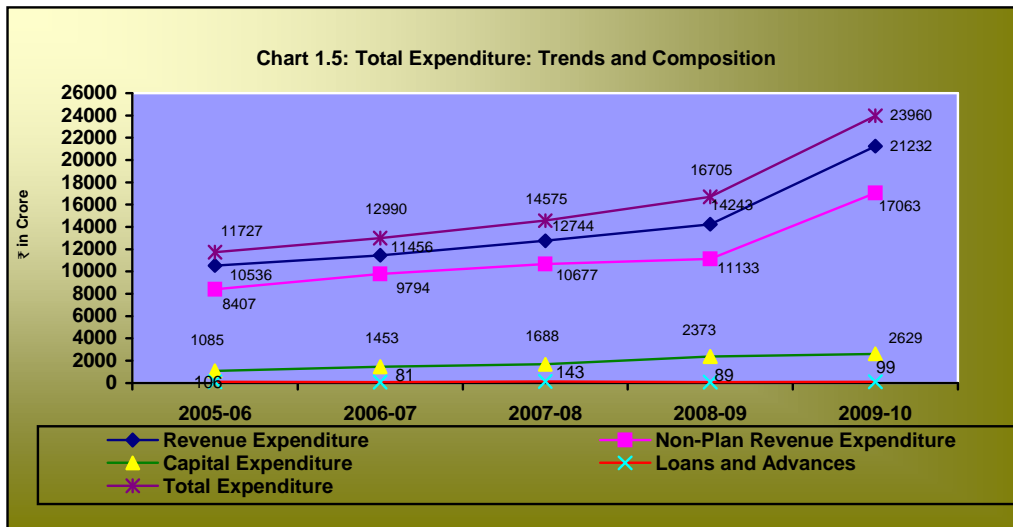
The total expenditure and its compositions during the years 2005-06 to 2009-10 are presented in the **Table 1.13**.

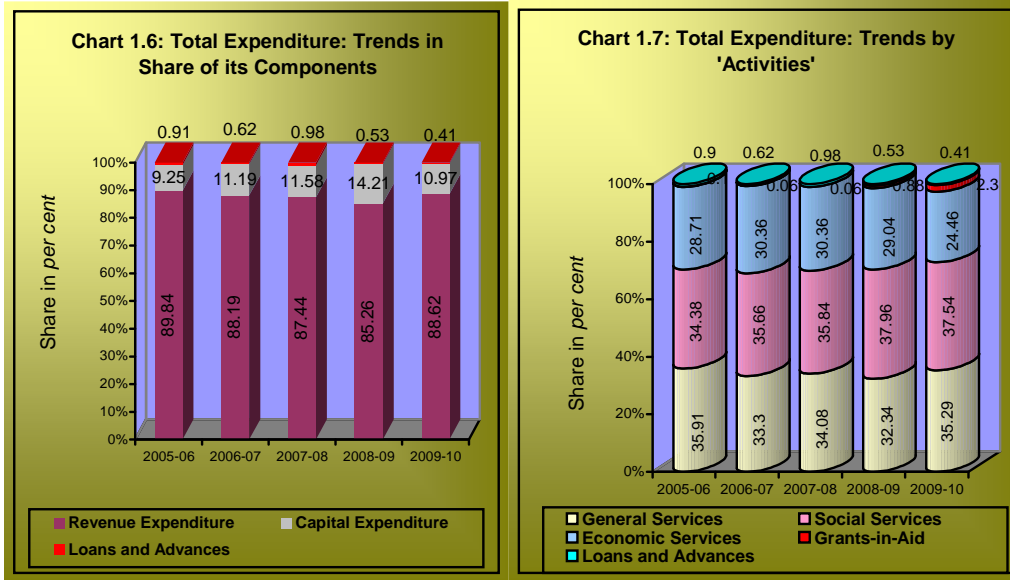
Table 1.13: Total expenditure and its compositions

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Total Expenditure	11,727	12,990	14,575	16,705	23,960
Revenue Expenditure	10,536	11,456	12,744	14,243	21,232
<i>Of which, Non-plan Revenue Expenditure</i>	8,407	9,794	10,677	11,133	17,063
Capital Expenditure	1,085	1,453	1,688	2,373	2,629
Loans and Advances	106	81	143	89	99

Chart 1.5 presents the trends in total expenditure over a period of five years (2005-10) and its composition both in terms of ‘economic classification’ and ‘expenditure by activities’ is depicted in **Chart 1.6** and **Chart 1.7** respectively.





The total expenditure of the State increased from ₹11,727 crore in 2005-06 to ₹23,960 crore in 2009-10 at an annual average rate of 20.86 per cent and increased by 43.43 per cent from ₹16,705 crore in 2008-09 to ₹23,960 crore in 2009-10. The total expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.14**.

Table 1.14: Total expenditure – basic parameters

	2005-06	2006-07	2007-08	2008-09	2009-10
Total Expenditure (TE) (₹ in crore)	11,727	12,990	14,575	16,705	23,960
Rate of growth (per cent)	(-) 12.38	10.77	12.20	14.61	43.43
TE/GSDP ratio (per cent)	20.28	20.16	20.35	21.07	27.22
RR/TE ratio (per cent)	102.71	105.21	105.15	108.21	82.99
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	(-) 1.34	0.94	1.09	1.37	3.94
RR (ratio)	(-) 0.58	0.80	1.01	0.81	4.34

The increase of ₹7,255 crore (43.43 per cent) in total expenditure in 2009-10 was mainly on account of an increase of ₹6,989 crore in revenue expenditure and ₹256 crore in capital expenditure together with an increase of ₹10 crore in disbursement of loans and advances.

The increase in revenue expenditure was mainly on:

- Pensions and Miscellaneous General Services (₹1,744 crore) of which major increase of expenditure of ₹1,412 crore was under Miscellaneous General Services due to payment of arrear pay to the State Government Employees in accordance with the recommendation made by the Sixth State Pay Commission.
- Education, Sports, Art and Culture (₹1,148 crore) of which major increase of expenditure of ₹1,056 crore was under General Education due to increase in

expenditure under (i) Government Primary Schools, (ii) Government Middle Schools, (iii) Financial assistance to Non-Government institutions, (iv) Assam Sarva Siksha Abhiyan and (v) Madrasa education etc.

- Administrative Services (₹1,019 crore) of which major increase of expenditure of ₹498 crore was under Secretariat General Services mainly on account of increase in expenditure in respect of General Administration Department, Department of Personal and Administrative Reforms, Finance (General) Department and adjustment of expenditure from OB suspense of earlier years.
- Social Welfare and Nutrition (₹744 crore) of which major increase of expenditure of ₹415 crore was due to transfer of fund in respect of National Calamity Contingency Fund granted by the Government of India during 2008-09 to Calamity Relief Fund during 2009-10.
- Health and Family Welfare (₹586 crore) of which major increase of expenditure of ₹552 crore was due to increase in expenditure against District Establishment, Headquarters Establishment, Primary Health Centers under Guwahati Medical College, Regional Dental College, Guwahati, Barpeta Medical College, Tezpur Medical College, Jorhat Medical College etc.

The increase in capital expenditure during 2009-10 was mainly on account of fresh expenditure (₹209 crore) incurred against Accelerated Irrigation Benefit Programme and increase in expenditure under (i) flow irrigation (ii) Scheduled Caste component plan and rationalization of minor irrigation and statistics. There was also increase of ₹105 crore under flood control project in hill district and fresh expenditure against embankment. The overall increase of expenditure of ₹262 crore in capital expenditure under economic services was partly offset by decrease (₹224 crore) in capital expenditure against externally aided project (Asian Development Bank), Hydroelectric projects under Rural Infrastructure Development Fund-XI and investment in Public Sector & other undertakings under power projects.

The increase in disbursement of loans and advances during 2009-10 was mainly due to increase in loans for Consumer Industries (₹26 crore) and loans for Urban Development (₹13 crore) which was however, set off by decrease in disbursement of loans and advances to Power Projects (₹18 crore), loans for General Financial and Trading Institution (₹10 crore) and loans to Government Servants (₹ one crore).

The pattern in total expenditure in the form of plan and non-plan expenditure during 2009-10 reveal that non-plan expenditure contributed dominant share of 72 *per cent* while the plan expenditure was 28 *per cent*. Moreover, of the increase of ₹7,255 crore in total expenditure, plan expenditure shared 19 *per cent* (₹1,344 crore) while non-plan expenditure contributed 81 *per cent* (₹5,911 crore) in 2009-10.

The decrease in ratio of revenue receipts to total expenditure from 108.21 per cent in 2008-09 to 82.99 per cent in 2009-10 is to be viewed in the light of the unprecedented increase of ₹1,552 crore in grants-in-aid during 2008-09 over 2007-08. The buoyancy of total expenditure with reference to GSDP rose to 3.94 during 2009-10 due to increase in the rate of growth of total expenditure as compared to the rate of growth of GSDP. Similarly, the buoyancy ratio of total expenditure to revenue receipts rose to 4.34 in 2009-10 indicating increase in expenditure at a pace greater than the receipt.

1.5.2 Trends in total expenditure in terms of activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, Grants-in-aid and loans and advances. Relative shares of these components in the total expenditure are indicated in **Table 1.15**.

Table 1.15: Components of expenditure – relative shares

(in per cent)

	2005-06	2006-07	2007-08	2008-09	2009-10
General Services	35.91	33.30	34.08	32.34	35.29
Of which, Interest Payments	12.88	11.67	10.37	9.54	7.65
Social Services	34.38	35.66	35.84	37.96	37.54
Economic Services	28.71	30.36	29.04	28.29	24.46
Grants-in-aid	0.10	0.06	0.06	0.88	2.30
Loans and Advances	0.90	0.62	0.98	0.53	0.41

The movement of the relative shares of the above components of expenditure indicated that the shares of general services and grants-in-aid in the total expenditure increased during 2009-10 over the previous year. These increases were set off by decrease in the respective shares of social services, economic services and loans and advances.

The expenditure on general services and interest payments, which are considered as non-developmental, together contributed 35.29 per cent in 2009-10 as against 32.34 per cent in 2008-09. On the other hand, development expenditure *i.e.*, expenditure on social and economic services together accounted for 62 per cent in 2009-10 as against 66.25 per cent in 2008-09. This indicates that there was decrease in development expenditure and increase in non-development expenditure in comparison to previous year.

1.5.3 Revenue Expenditure

Revenue expenditure had predominant share in total expenditure. Revenue expenditure is increased to maintain the current level of services and payment for the past obligation and as such does not result in any addition to the State's infrastructure and service network. Revenue expenditure had the predominant share of around

89 per cent in the total expenditure during the period 2005-10. The overall revenue expenditure, its rate of growth, the ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy is indicated in **Table 1.16**.

Table 1.16: Revenue expenditure – basic parameters

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Expenditure (RE), of which	10,536	11,456	12,744	14,243	21,232
Non-Plan Revenue Expenditure (NPRE)	8,407	9,794	10,677	11,133	1,7063
Plan Revenue Expenditure (PRE)	2,129	1,662	2,067	3,110	4,169
Rate of Growth of					
RE (<i>per cent</i>)	3.00	8.73	11.24	11.76	49.07
NPRE (<i>per cent</i>)	2.42	16.50	9.02	4.27	53.27
(PRE) (<i>per cent</i>)	5.34	(-) 21.94	24.37	50.46	34.05
Revenue Expenditure as percentage to TE	89.84	88.19	87.44	85.26	88.61
NPRE/GSDP (<i>per cent</i>)	14.54	15.20	14.91	14.04	19.38
NPRE as percentage of TE	71.69	75.40	73.26	66.64	71.21
NPRE as percentage of RR	69.80	71.66	69.67	61.59	85.81
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.32	0.76	1.01	1.10	4.45
Revenue Receipts (ratio)	0.14	0.65	0.93	0.65	4.91

The overall revenue expenditure of the State increased by 101.52 per cent from ₹10,536 crore in 2005-06 to ₹21,232 crore in 2009-10 at an annual average rate of 20.30 per cent and increased from ₹14,243 crore in 2008-09 to ₹21,232 crore in 2009-10.

The NPRE constituted a dominant share of more than 80 per cent in the revenue expenditure and has increased by ₹5,930 crore over the previous year. The increase in NPRE during the current year was mainly due to increase in expenditure under Administrative General Services (₹1,183 crore), Pensions and Miscellaneous General Services (₹1,744 crore), Education, Sports, Art and Culture (₹1,016 crore), Health and Family Welfare (₹347 crore), Social Welfare and Nutrition (₹554 crore) and Agriculture and Allied Activities (₹128 crore).

The PRE increased by ₹1,059 crore from ₹3,110 crore in 2008-09 to ₹4,169 crore in 2009-10 mainly due to increase in expenditure in Health and Family Welfare (₹239 crore), Water Supply, Sanitation, Housing and Urban Development (₹100 crore), Social Welfare and Nutrition (₹189 crore), Agriculture and Allied Activities (₹144 crore), Rural Development (₹121 crore) and Special Areas Programmes (₹106 crore).

The buoyancy of revenue expenditure with reference to both GSDP and revenue receipts fluctuated widely. This increase was due to the fact that NPRE largely forms committed expenditure of the Government and constitutes dominant share in the revenue expenditure.

Table 1.17 provides the comparative position of Non-Plan Revenue Expenditure (NPRE) with reference to assessment made by TFC and the projections of the State Government for last five years (2005-06 to 2009-10).

Table 1.17: Comparative position of Non-Plan Revenue Expenditure vis-a-vis assessment made by TFC and projections of the State Government

(₹ in crore)

Year	Assessment made by the TFC	Assessment made by the State Government in		Actual
		FCP	Budget 2009-10	
2005-06	7,567	10,338	10,338	8,407
2006-07	8,182	12,653	12,653	9,794
2007-08	9,141	12,833	12,453	10,667
2008-09	9,863	13,264	14,670	11,133
2009-10	10,647	13,666	22,621	17,063

The NPRE remained significantly higher than the normative assessments made by TFC while it was lower than the projections of the State Government in its Budget during 2005-06 to 2009-10. Except during 2009-10, NPRE was less than the projections of the State Government in its FCP in all the four years (2005-06 to 2008-09).

1.5.4 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.18** and **Chart 1.8** present the trends in the expenditure on these components during 2005-10.

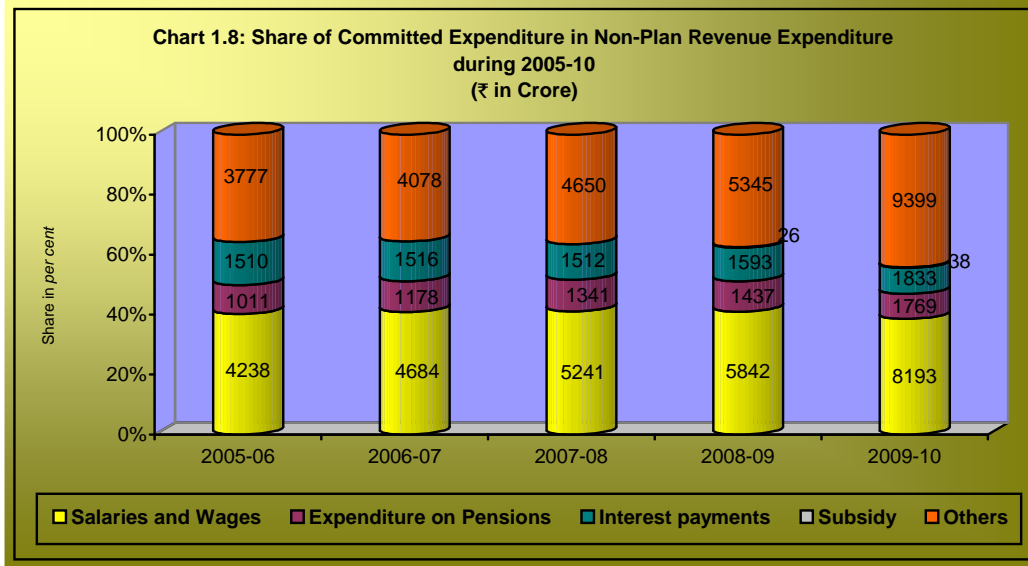
Table-1.18: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10
Salaries & Wages, Of which	4,238 (35.18)	4,684 (34.27)	5,241 (34.20)	5,842 (32.32)	8,193 (41.20)
Non-Plan Head	3,883	4,484	5,068	5,584	7,866
Plan Head*	355	200	173	258	327
Expenditure on Pensions	1,011 (8.39)	1,178 (8.62)	1,341 (8.75)	1,437 (7.95)	1,769 (8.90)

Interest Payments	1,510 (12.54)	1,516 (11.09)	1,512 (9.87)	1,593 (8.81)	1,833 (9.22)
Subsidy				26 (0.14)	38 (0.19)
Other Components, i.e. other than committed expenditure	3,777 (31.36)	4,078 (29.84)	4,650 (30.34)	5,345 (29.57)	9,399 (47.27)
Total	10,536 (87.47)	11,456 (83.82)	12,744 (83.16)	14,243 (78.79)	21,232 (106.78)

Figures in the parentheses indicate percentage to Revenue Receipts
 * Plan Head includes the salaries paid under Centrally Sponsored Schemes
 Source: Finance Accounts and information furnished by AG (A&E), Assam.



(A) Salary and Wage expenditure

Salaries and wages alone accounted for more than 41 per cent of revenue receipts of the State during the year. It increased by about 41 per cent from ₹5,842 crore in 2008-09 to ₹8,193 crore in 2009-10. Salary expenditure under Non-plan head during 2009-10 increased by ₹2,282 crore (40.87 per cent) over the previous year whereas the salary expenditure on plan head increased by ₹69 crore (26.74 per cent) over the previous year. Non-plan salary expenditure ranged between 91.62 and 96.70 per cent of total expenditure on salaries during 2005-10. Expenditure on salaries during 2009-10 was more by ₹859 crore (11.71 per cent) than assessed (₹7,334 crore) by the State Government in its FCP and less by ₹3,972 crore (32.65 per cent) against the projection of ₹12,165 crore in FYFP. **The expenditure on salaries was 46.47 per cent of the revenue expenditure, net of interest payments and pension as against TFC norm of 35 per cent and constituted 55.84 per cent of total tax and non-tax revenue and devolutions from GOI except Plan Grants during 2009-10.** Increase of ₹2,351 crore in salary expenditure was mainly due implementation of State Pay Commission by the State Government during 2009-10.

(B) Interest Payments

Interest payments increased by 15.07 *per cent* from ₹1,593 crore in 2008-09 to ₹1,833 crore in 2009-10. The interest payment on internal debt (₹1,353 crore), loans and advances from Central Government (₹157 crore) and Small Savings, Provident Fund etc. (₹323 crore).

The interest payments with reference to assessment made by the TFC and the projections of the State Government in its FCP and FYFP (**Table 1.19**) indicates that the State Government was successful in restricting the interest payment within the assessments of TFC and State projections during 2008-09 and 2009-10. ***The interest payment relative to revenue receipts at 9.22 per cent was well within the norm of 15 per cent recommended by TFC to be achieved during the award period.***

Table-1.19: Interest Payments vis-à-vis TFC assessment and State Projections

(₹ in crore)

Year	Assessment made by the TFC	Assessment made by the State Government in		Actual
		FCP	FYFP	
2008-09	1,968	2,576	1,911	1,593
2009-10	2,115	2,756	2,108	1,833

The major sources of borrowings of the State Government were (i) Loans from the Centre, (ii) Market loans, (iii) Loans from the Banks and Financial Institutions, (iv) Loans from Small Savings and Provident Funds and (v) Loans from National Small Savings Fund of Central Government.

During 2009-10, the State Government raised open market loans of ₹1,910 crore at an average interest rate of 8.47 *per cent*. Government also borrowed ₹362 crore from National Small Savings Fund and other institutions and ₹40 crore from Government of India.

(C) Pension Payments

Pension payments grew at an annual average rate of 15 *per cent* from ₹1,011 crore in 2005-06 to 1,769 crore in 2009-10. Pension payments alone accounted for nearly nine *per cent* of revenue receipts of the State during the year and increased by ₹332 crore (23.10 *per cent*) over the previous year. Increase of ₹332 crore in pension payments during 2009-10 over the previous year was mainly due to increase in expenditure under Superannuation and Retirement Allowances (₹115 crore), Family Pension (₹121 crore), Gratuity (₹65 crore) and Leave Encashment Benefits (₹33 crore). A part of increase was offset by decrease in payment of Commuted Value of pension (₹ four crore). The State Government had introduced 'The New Defined Contribution Pension Scheme', 2009 and would be applicable to all new entrants joining State Government Services on regular basis against vacant sanctioned post(s) on or after 1 February 2005 in order to limit future pension liabilities.

The **Table 1.20** below shows the actual pension payments with reference to assessment made by the TFC and projections of the State Government.

Table-1.20: Actual Pension Payments vis-à-vis TFC assessment and State Projections

(₹ in crore)

Year	Assessment made by the TFC	Assessment made by the State Government in		Actual
		FCP	FYFP	
2008-09	1,607	1,617	1,537	1,437
2009-10	1,768	1,698	2,337	1,769

Pension payments was ₹ one crore more than the normative assessments of TFC and ₹71 crore (4.18 per cent) more than the projections made by the State Government in its FCP during 2009-10 while it was ₹568 crore (24.30 per cent) less than the projections made in FYFP. The effect of implementation of State Pay Commission had impacted the pension liabilities of the Government as evident from the table above. However, the large gap of pension payments with reference to projections of the State Government in FYFP further emphasized the need of working out the pension liabilities on actuarial basis.

(D) Subsidies

Table 1.18 indicates that subsidies as a percentage of revenue receipts increased from 0.14 per cent in 2008-09 to 0.19 per cent in 2009-10. Subsidies increased by 46.15 per cent from ₹26 crore in 2008-09 to ₹38 crore in 2009-10. During the current year the Departments, which received subsidy, include Co-operation (29 per cent), Industries and Commerce (21 per cent) and Welfare of Plain Tribes and Other Backward Classes (42 per cent). The State Government had not made any projections of subsidy in its FCP and FYFP during 2009-10.

1.5.5 Financial Assistance by State Government to boards and other institutions

The quantum of assistance provided by way of grants and loans to boards and others during the current year relative to the previous years is presented in **Table 1.21**.

Table 1.21: Financial Assistance to boards and other institutions

(₹ in crore)

Financial Assistance to Institutions	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actual
Municipal Corporations/Urban Sewerage Board	16.71	17.66	24.47	9.25	137.06	105.41
Co-operative Societies and Co-operative Institutions	0.04	0.04	1.64	0.10	0.10	0.34
Universities and Educational Institutions	922.90	892.58	822.57	829.40	1113.31	955.46
Assam State Electricity Board (ASEB)	81.26	70.53	102.36	3.10	43.24	42.24
Assam State Housing Board	1.42	1.34	1.34	0.08	1.13	1.64

(ASHB)						
Assam Khadi & Village Industries Board	6.96	6.80	11.25	5.90	10.40	11.87
Urban Development Authority	33.88	27.79	0.12	10.10	7.64	13.28
Other Institutions	76.56	61.44	109.22	191.49	277.51	281.52
Autonomous Councils	83.28	167.75	83.86	92.54	306.49	102.09
Total	1,223.01	1,245.93	1,150.83	1,141.96	1,896.86	1,513.85
Assistance as percentage of RE	11.61	10.88	9.03	8.02	6.48	7.13

The total assistance at the end of the year 2009-10 had increased by 23.78 *per cent* over the level of 2005-06. The assistance to boards and other institutions as a percentage of total revenue expenditure had decreased from 11.61 *per cent* in 2005-06 to 7.13 *per cent* in 2009-10. Financial assistance to universities and educational institutions alone constituted 63 *per cent* of the total assistance of the State Government during 2009-10.

1.6 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, *viz.*, adequacy of the expenditure (*i.e.* adequate provisions for providing public services), efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.6.1 Adequacy of Public Expenditure

The expenditure responsibilities relating to social sectors and economic infrastructure are largely assigned to the State Governments. Low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if it is below the respective national average. **Table 1.22** analyses the fiscal priority of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

Table-1.22: Fiscal Priority of the State during 2009-10

Fiscal Priority of the State	AE/GSDP	DE [#] /AE	SSE/AE	CE/AE	Education/AE	Health/AE
All NE State's Average (Ratio) 2005-06 ^s	24.59	64.66	34.34	13.49	19.73	4.08
Assam's Average (Ratio) 2005-06	20.28	63.97	34.55	9.25	21.48	3.50
All NE State's Average (Ratio) 2009-10 ^s	31.68	63.38	36.87	14.25	18.09	5.96
Assam's Average (Ratio) 2009-10	27.22	62.41	37.64	10.97	18.90	6.26

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure CE: Capital Expenditure

Development expenditure includes Development Revenue Expenditure, Development Capital Expenditure and Development Loans and Advances disbursed.

\$ Excluding Manipur, Mizoram and Nagaland

Source: For GSDP, the information was collected from the State's Directorate of Economics and Statistics and for the year 2009-10, the advance estimate figures as shown in the 'Economic Survey 2009-10' of the Government of Assam has been adopted.

Table 1.22 shows the fiscal priority given by the Assam Government to various expenditure heads in 2005-06 (the first year of the Twelfth Finance Commission Award Period) and the current year *viz.* 2009-10. The Government of Assam had a much lower AE/GSDP ratio in both the years under consideration compared to the NE States. In Social Sector expenditure involving the major components *viz.* Education and Health, the Assam Government's expenditure on Education as a percentage of AE was higher in both 2005-06 and 2009-10 than the NE State's Average whereas the expenditure on Health Sector as a percentage of AE was lower in 2005-06 compared to NE State's Average. The expenditure on Health as a percentage of AE in 2009-10 had improved considerably bypassing the NE State's Average. In regard to CE, the ratio is lower in both 2005-06 and 2009-10 than the NE State's Average. The DE/AE ratio for Assam in 2005-06 and 2009-10 was lower than the NE State's Average indicating that the Government had been attaching low priority to economic services.

1.6.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹⁵. Apart from improving the allocation towards development expenditure¹⁶, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.23** presents the trends in development

¹⁵ *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

¹⁶The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years, **Table 1.24** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

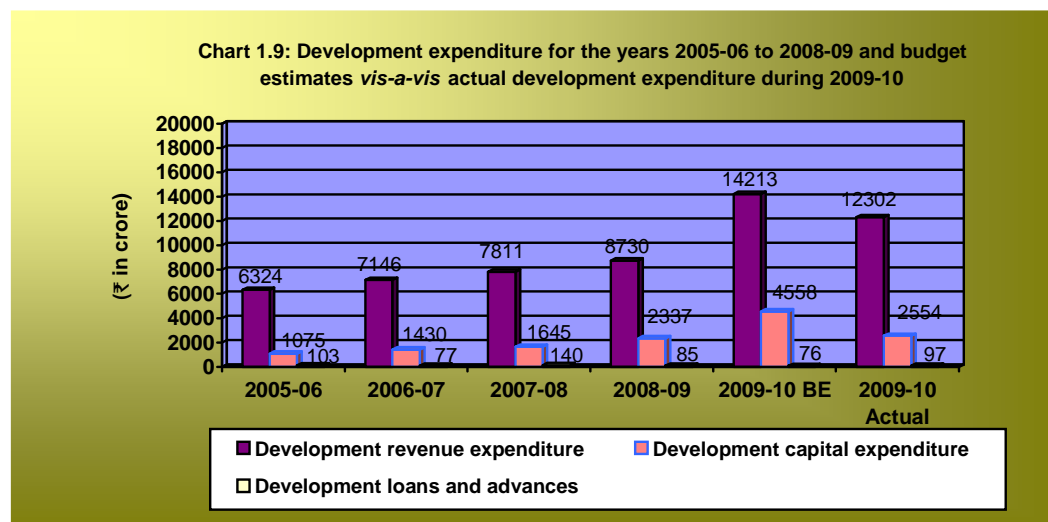
Table-1.23: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actual
Development Expenditure (a to c)	7,502 (64)	8,653 (67)	9,596 (66)	11,152 (67)	18,847 (55)	14,953 (62)
a. Development Revenue Expenditure	6,324 (54)	7,146 (55)	7,811 (54)	8,730 (52)	14,213 (42)	12,302 (51)
b. Development Capital Expenditure	1,075 (9)	1,430 (11)	1,645 (11)	2,337 (14)	4,558 (13)	2,554 (11)
c. Development Loans and Advances	103 (1)	77 (-)	140 (1)	85 (-)	76 (-)	97 (-)

Figures in parentheses indicate percentage to aggregate expenditure

The share of development expenditure to aggregate expenditure exhibited relative stability during the period 2006-09 but decreased during the current year. During the current year, though the State Government earmarked 55 *per cent* of the estimated aggregate expenditure for development expenditure, this assessment was exceeded by seven *per cent* at the end of the year. The relative share of development expenditure to total expenditure during 2005-10 is presented in **Chart 1.9**.



The development revenue expenditure increased by ₹3,572 crore from ₹8,730 crore in 2008-09 to ₹12,302 crore in 2009-10. The increase under social services was

₹2,699 crore while increase under economic services was ₹873 crore. The actual development revenue expenditure was less than the State's projection in budget by ₹1,911 crore.

The development capital expenditure increased by ₹217 crore from ₹2,337 crore in 2008-09 to ₹2,554 crore in 2009-10. The increase of ₹262 crore in economic services was set off by decrease in expenditure under social services by ₹45 crore.

The development loans and advances increased by ₹12 crore from ₹85 crore in 2008-09 to ₹97 crore in 2009-10. The actual development loans and advances was more than the State's projection in budget by ₹21 crore.

Table 1.24 –Efficiency of expenditure use in selected social and economic services

(in per cent)

Social/ Economic Infrastructure	2008-09			2009-10		
	Ratio of CE to TE [@]	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S & W [¢]	O & M [¥]		S & W	O & M [¥]
1	2	3	4	5	6	7
Social Services (SS)						
Education, Sports, Art and Culture	0.04	19.27	-	0.03	15.27	0.29
Health and Family Welfare	0.27	3.03	-	0.30	2.11	2.11
Water Supply, Sanitation & Housing & Urban Development	52.14	1.15	0.07	43.24	0.97	1.10
Other Social Services	0.08	1.54	-	0.15	1.15	0.03
Total (SS)	7.84	24.99	0.07	5.03	19.50	3.53
Economic Services (ES)						
Agriculture & Allied Activities	0.42	2.72	-	0.68	1.72	1.85
Irrigation and Flood Control	62.57	1.93	-	69.05	0.71	0.34
1	2	3	4	5	6	7
Special Areas Programmes	74.38	0.01	-	58.00	0.01	0.01
Transport	56.64	1.94	0.67	55.46	1.51	4.32
Other Economic Services	27.35	1.42	-	14.72	1.14	0.59
Total (ES)	38.93	8.02	0.67	35.86	5.09	7.11
Total (SS+ES)	21.11	33.01	0.74	17.19	24.59	10.64
TE: Total revenue and capital expenditure of the services concerned; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation & Maintenance.						
[@] Total revenue and capital expenditure of the services concerned						
[¢] Excludes wages						
[¥] Appendix XII of Finance Accounts						

The trends presented in **Table 1.24** reveal that development capital expenditure as a percentage of total expenditure decreased from 21.11 in 2008-09 to 17.19 in 2009-10. While the share of salary and wages in revenue expenditure decreased from 33.01 per cent in 2008-09 to 24.59 per cent in 2009-10, operations and maintenance

in revenue expenditure increased from 0.74 *per cent* in 2008-09 to 10.64 *per cent* in 2009-10.

The percentage of capital expenditure on social services to total expenditure decreased from 7.84 in 2008-09 to 5.03 in 2009-10 and percentage of capital expenditure on economic services to total expenditure also decreased from 38.93 in 2008-09 to 35.86 in 2009-10. The decrease was mainly seen under water supply, sanitation, housing and urban development under social services and special areas programmes under economic services.

The share of salary and wages in revenue expenditure on social services decreased from 24.99 *per cent* in 2008-09 to 19.50 *per cent* in 2009-10 and the share of salary and wages in revenue expenditure on economic services decreased from 8.02 *per cent* in 2008-09 to 5.09 *per cent* in 2009-10¹⁷. The decrease was mainly seen under education, sports, art and culture under social services while the decrease was seen under agriculture and allied activities and irrigation and flood control under economic services.

The share of operations and maintenance in revenue expenditure on social services increased from 0.07 *per cent* in 2008-09 to 3.53 *per cent* in 2009-10 while the share of operations and maintenance in revenue expenditure on economic services increased from 0.67 *per cent* in 2008-09 to 7.11 *per cent* in 2009-10. The increase was mainly seen under health and family welfare and water supply, sanitation, housing and urban development under social services while the increase was seen under agriculture and allied activities and transport under economic services.

1.6.3 Effectiveness of the Expenditure, i.e. Outlay - Outcome Relationship

Results of performance review indicating the outlay-outcome relationship are *inter-alia* included in the State Stand-alone Report on Public Distribution System (PDS). The effectiveness of the expenditure as brought out in the review taken up during 2009-10 covering the period from 2005-10 is summarized below:

Public Distribution System

Under food management strategy of the Government of India the State Government implemented Public Distribution System as an instrument for providing food security for the poor by making available food grains at affordable prices at appropriate time. The objective of ensuring food security amongst poorest section of the population remained doubtful due to the following reasons.

¹⁷ Salaries exclusive of wages were considered for comparison, as the previous year's figure did not include wages.

- Proper survey to ascertain the actual number of household/beneficiaries in the State were not conducted;
- Foodgrain were provided to Above Poverty Line (APL) beneficiaries even without ration cards while ration cards were also issued unauthorisedly by the societies to APL beneficiaries in rural areas with the knowledge of the Department;
- Considering the distribution at the end level as the ultimate objective, short allocation and lifting of foodgrain at different levels had the cascading effect of reducing the scale of distribution to the beneficiaries and was also likely to jeopardize the effective functioning of the system;
- Infrastructure is an area where the State fared badly as the financial assistance to the State were not utilized optimally for construction of storage godowns, purchase of mobile vans and establishment of Village Grain Banks even after prolonged lapses;
- The quality of foodgrain distributed remained questionable due to absence of quality control mechanism and required evaluation of the scheme;
- More than 50 *per cent* of the Fair Price Shops (FPSs), failed to lift PDS commodities on time resulting in delay to provide the commodities to the beneficiaries.

Appendix-1.7 depicts the progress achieved during 2009-10 as compared to 2008-09 in various sectors. It would be seen that percentage of literacy has remained stagnant at 63.25 during 2008-10. No new institutions were opened in Health sector. Enrollment of students in schools was reduced considerably in lower primary and upper primary level during 2009-10 compared to previous year. In power sector, consumption of power has increased marginally even though purchase as well as sale of power was reduced substantially during 2009-10 compared to previous year. The increase in consumption was met by increase in generation.

1.7 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.7.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2010 is given in **Table 1.25**.

Table 1.25: Department-wise profile of Incomplete Projects

(₹ in crore)					
Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Overrun ^{\$}	Cumulative actual expenditure (March 2010)
Public Works (Roads)	19	157.77	44.36*	11.47	79.89
Public Works (Buildings)	5	44.19	-	-	11.76
Public Health Engineering	1	4.44	-	-	2.90
Irrigation	5	38.51	3.41 [#]	0.18	30.44
Water Resources	8	45.29	-	-	13.34
Total	38	290.20	47.77	11.65	138.33
* Pertaining to 2 incomplete projects (initial budget cost: ₹32.89 crore, revised cost: ₹44.36 crore)					
[#] Pertaining to 1 incomplete project (initial budget cost: ₹3.23 crore, revised cost: ₹3.41 crore)					
^{\$} Cost overrun in respect of revised projects only					
Source: Finance Accounts 2009-10					

As per information received from the State Government, as of 31 March 2010, there were 38 incomplete projects (total cost more than ₹ one crore of each project) in which ₹138.33 crore were blocked. Of these, 32 projects involving ₹119.11 crore remained incomplete for less than five years and one project involving an amount of ₹4.45 crore remained incomplete for periods ranging from five to 10 years. Details in respect of five projects involving ₹14.77 crore were not available. The revised cost of three incomplete projects increased by 32 per cent from ₹36.12 crore (initial budgeted cost) to ₹47.77 crore (total revised cost). Out of total cost overrun of ₹11.65 crore, ₹11.47 crore pertained to Public Works Department (Roads) projects, which was 35 per cent of initial budgeted cost. Due to delay in completion of the projects, the intended benefits from these projects did not reach the beneficiaries in the State. The reasons for delay and cost/time overrun were however, not stated.

1.7.2 Investment and returns

As of 31 March 2010, Government had invested ₹2,145 crore in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies (**Table 1.26**). **The average return on this investment was 0.91 per cent during 2005-2010 while the Government paid an average interest rate of 7.31 per cent on its borrowings during 2005-2010.**

Table-1.26: Return on Investment

(₹ in crore)

Investment/Return/Cost of Borrowings at the end of the year		2005-06	2006-07	2007-08	2008-09	2009-10
(a)	Statutory Corporations (No. of concerns)	1,679.45 (4)	1,679.45 (4)	1,683.45 (4)	1,824.60 (4)	1,858.20 (4)
(b)	Rural Banks (No. of concerns)	-	8.40 (1)	8.40 (1)	8.40 (1)	10.54 (1)
(c)	Joint Stock Companies (No. of concerns)	72.07 (14)	77.59 (15)	77.59 (15)	18.04 (15)	18.04 (15)
(d)	Co-operatives (No. of concerns)	85.77 (17)	86.23 (17)	86.89 (17)	92.65 (18)	100.16 (18)
(e)	Government Companies (No. of concerns)	132.66 (24)	132.79 (24)	132.99 (24)	135.43 (24)	158.48 (24)
Total Investment		1,969.95	1,984.46	1,989.32	2,079.12	2,145.42
Return (₹ in crore)		15.47	18.54	24.00	19.45	14.92
Return (per cent)		0.79	0.93	1.21	0.94	0.70
Average rate of interest on Government borrowing (per cent)		8.18	7.66	7.14	6.76	6.83
Difference between interest rate and return (per cent)		7.39	6.73	5.93	5.82	6.13

During the last five years, *i.e.* 2005-10, the State Government's investments have increased by ₹175.47 crore. During the current year, Government has invested ₹33.60 crore in Statutory Corporations, ₹2.14 crore in Rural Banks, ₹23.05 crore in Government Companies and ₹7.51 crore in Cooperative Societies. The increase in investments of ₹33.60 crore in Statutory Corporations during 2009-10 was attributable to increased capital contribution to Assam State Transport Corporation (₹28.60 crore), Assam Financial Corporation (₹ four crore) and Assam State Warehousing Corporation (₹ one crore) as compared to previous year.

All the four Statutory Corporations were incurring losses and their accumulated losses amounted to ₹567.73 crore. Similarly, 22 Government Companies in the State were also incurring losses and their accumulated losses amounted to ₹340.31 crore. The major loss sustaining organizations are Assam State Transport Corporation (Investment: ₹443.53 crore; loss ₹422.63 crore), Assam Industrial Development Corporation Ltd. (Investment: ₹29.71 crore; loss ₹138.06 crore), Assam Agro Industries Development Corporation Ltd. (Investment: ₹22.08 crore; loss ₹28.04 crore), Assam State Textile Corporation Ltd. (Investment: ₹4.78 crore; loss ₹55.56 crore) and Assam Mineral Development Corporation Ltd. (Investment: ₹4.63 crore; loss ₹4.87 crore). In view of the heavy losses, the Government should review their working so as to wipe out their losses in the short run and to make them self-sustaining in medium to long term.

1.7.3 Loans and advances by State Government

In addition to investments in co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/ organizations. **Table 1.27** presents the outstanding loans and advances as on 31 March 2010, interest receipts *vis-à-vis* interest payments during the last five years.

Table-1.27: Average Interest received on Loans Advanced by the State Government

(₹ in Crore)

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2005-06	2006-07	2007-08	2008-09	2009-10
Opening Balance	2,607	2,675	2,721	2,824	2,878
Amount advanced during the year	106	81	143	89	99
Amount repaid during the year	38	35	40	35	33
Closing Balance	2,675	2,721	2,824	2,878	2,944
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	-	-	-	-	-
Net addition	68	46	103	54	66
Interest Receipts	6	8	8	81	12
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.22	0.29	0.28	2.81	0.41
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	8.18	7.66	7.14	6.76	6.83
Difference between interest payments and interest receipts (<i>per cent</i>)	7.96	7.37	6.86	3.95	6.42

The total amount of outstanding loans and advances as on 31 March 2010 was ₹2,944 crore. The amount of loans disbursed during the year increased from ₹89 crore in 2008-09 to ₹99 crore in 2009-10. Out of the total amount of loans advanced during the year, ₹23 crore went to social services, ₹74 crore to economic services and ₹ two crore to Government servants. Under the social services, the major portion of loans went to Urban Development (96 *per cent*) and in economic services the major portion of loans went to Power projects (54 *per cent*) followed by Consumer Industries (45 *per cent*). However, recovery of loans and advances decreased from ₹35 crore in 2008-09 to ₹33 crore in 2009-10 mainly on account of less recoveries from the Power projects (₹ three crore) partly offset by increase in disbursement of loans to Co-operation (₹ one crore). Interest received against these loans and advances continued to be negligible which decreased by 85 *per cent* from ₹81 crore in 2008-09 to ₹12 crore in 2009-10. During 2009-10, only 1.15 *per cent* of outstanding loans were repaid by institutions/ organizations/Government servants and ₹29.28 crore of loans was not repaid for last seven years.

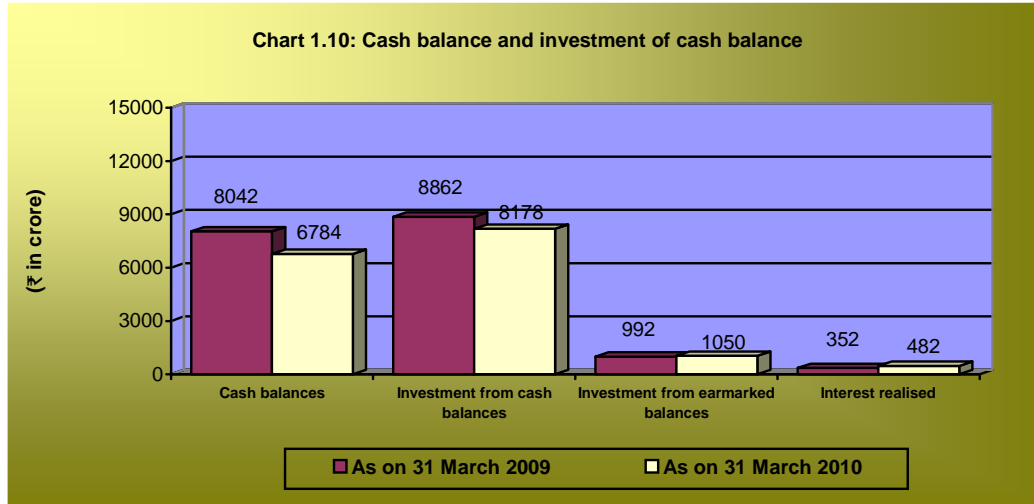
1.7.4 Cash Balances and Investment of Cash Balances

Table 1.28 and Chart 1.10 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table-1.28: Cash balances and investment of cash balances

Particulars	(₹ in Crore)		
	As on 1 st April 2009	As on 31 st March 2010	Increase/ Decrease
Cash Balances	8,042	6,784	(-) 1,258
Investments from Cash Balances (a & b)	8,861.50	8,177.89	(-) 683.61
a. GOI Treasury Bills	8,858.16	8,174.79	(-) 683.37

b. GOI Securities	3.34	3.10	(-) 0.24
Funds-wise Break-up of Investment from Earmarked balances (a & b)	992.47	1,049.93	(+) 57.46
a. Sinking Fund	992.05	1,049.51	(+) 57.46
b. Development and Welfare Fund	0.42	0.42	-
Interest Realized	352	482	(+) 130



Cash balances of the State Government at the end of the current year decreased from ₹8,042 crore in 2008-09 to ₹6,784 crore in 2009-10. The State Government has invested ₹8,174.79 crore in GOI Treasury Bills and ₹3.10 crore in GOI Securities and earned an interest of ₹482 crore during 2009-10. Further, the Government invested ₹1,050 crore in Sinking Fund and Development and Welfare Fund as of March 2010. The interest receipts against investment on cash balance was 5.89 per cent during 2009-10 while Government paid interest at the rate of 6.83 per cent on its borrowings during the year.

1.8 Assets and Liabilities

1.8.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.8** gives an abstract of such liabilities and the assets as on 31 March 2010, compared with the corresponding position on 31 March 2009. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

According to the Assam Fiscal Responsibility and Budget Management Act, 2005, the “total liabilities of the State” means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

1.8.2 Fiscal Liabilities

The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.5*. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.11** and **1.12**.

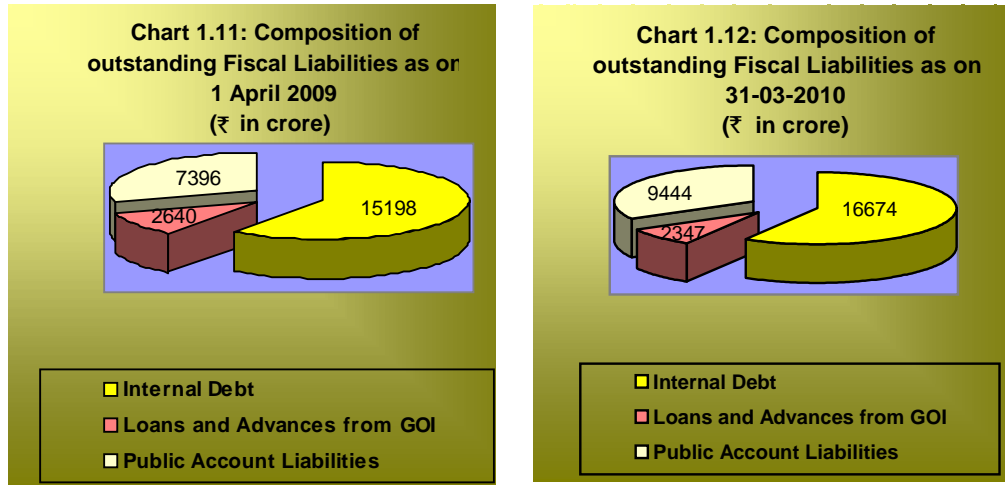


Table 1.29 gives the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to State’s own resources as also the buoyancy of fiscal liabilities with reference to these parameters.

Table-1.29: Fiscal Liabilities-Basic Parameters

	2005-06	2006-07	2007-08	2008-09	2009-10
Fiscal Liabilities [#] (₹ in crore)	19,082	20,483	21,871	25,234	28,465
Rate of Growth (<i>per cent</i>)	6.87	7.34	6.78	15.38	12.80
Ratio of Fiscal Liabilities to:					
GSDP (<i>per cent</i>)	33.00	31.79	30.54	31.83	32.34
Revenue Receipts (<i>per cent</i>)	158.42	149.87	142.71	139.59	143.16
Own Resources (<i>per cent</i>)	406.78	383.43	398.09	392.93	367.76
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (ratio)	0.742	0.641	0.606	1.440	1.160
Revenue Receipts (ratio)	0.323	0.545	0.558	0.856	1.280
Own Resources (ratio)	0.286	0.528	2.378	0.910	0.623

[#] Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Fund etc., Reserve Funds (Gross) and Deposits.

The overall fiscal liabilities of the State increased at an average annual rate of 9.83 *per cent* during the period 2005-10. During the current year, the fiscal liabilities

of the State Government increased by ₹3,231 crore from ₹25,234 crore in 2008-09 to ₹28,465 crore in 2009-10. The increase in fiscal liabilities was mainly due to increase in the internal debt (₹1,476 crore) and Public Account liabilities (₹2,048 crore), which was partially offset by, decrease in loans and advances from the GOI (₹293 crore). ***The ratio of fiscal liabilities to GSDP has increased from 31.83 per cent in 2008-09 to 32.34 per cent in 2009-10. These fiscal liabilities stood at nearly 1.43 times the revenue receipts and 3.68 times of the State own resources at the end of 2009-10.*** The buoyancy of these liabilities with respect to GSDP during the year was 1.160 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.160 *per cent*. According to 13th Finance Commission recommendations the State Government should bring the Fiscal Liabilities-GSDP ratio to around 25 *per cent* in the next five years. *The State Government has set up the sinking fund in line with the recommendations of the TFC for amortization of market borrowings as well as other loans and debt obligations. As of 31 March 2010, the balance in the sinking fund was ₹1,056.75 crore. During 2009-10, ₹108 crore has been invested in the sinking fund.*

1.8.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. According to FRBM Act, State Government guarantees shall be restricted to 50 *per cent* of State's tax and non-tax revenue of the second preceding year.

As per Statement 9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.30**.

Table-1.30: Guarantees given by the Government of Assam

(₹ in crore)			
Guarantees	2007-08	2008-09	2009-10
Maximum amount guaranteed	1,189	1,092	593
Outstanding amount of guarantees	951	796	299
Percentage of maximum amount guaranteed to total revenue receipts	7.76	6.04	2.98
Criteria as per the Assam Fiscal Responsibility and Budget Management Act, 2005.	State Government guarantees shall be restricted at any point of time to fifty <i>per cent</i> of State's own tax and non-tax revenue of the second preceding year, as reflected in the books of accounts as maintained by Accountant General.		

- Government had constituted (September 2009) a 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other bodies and stand invoked by the beneficiaries. The accumulations in the Fund would be utilized only towards the payment of the

guarantees issued by the Government and not paid by the institution on whose behalf guarantee was issued. According to the scheme guidelines, the Fund should be set up by the Government with an initial contribution of ₹ five crore and during each year the Government should contribute an amount equivalent to at least three *per cent* of the outstanding guarantees at the end of the second financial year preceding the current financial year, as reflected in the books of accounts as maintained by the Accountant General. The Government would also make suitable budget provision under the revenue expenditure side of their budget under the Major Head “2075-Miscellaneous General Services-797 Transfer to Reserve Fund and Deposit Accounts-Guarantee Redemption Fund”. However, during 2009-10 the Government had not made any provision in the budget for Guarantee Redemption Fund.

- Government had guaranteed loans raised by various corporations and others, which at the end of 2009-10 stood at ₹299 crore. It was 5.44 *per cent* of State’s own revenue of the second preceding year *i.e.* well within the limit prescribed in the Act. Out of the total outstanding guarantees, ₹160 crore (54 *per cent*) pertained to Assam State Electricity Board.

1.9 Debt Sustainability

During 2009-10, Government raised internal debt of ₹2,263 crore, GOI loans of ₹(-) 73 crore and other obligations ₹5,745 crore. Government repaid internal debt of ₹787 crore, GOI loans of ₹220 crore and discharged other obligations of ₹3,697 crore along with interest of ₹1,833 crore resulting in net increase in debt receipts by ₹1,398 crore during the year.

The maturity profile of the State Government indicates that 23.73 *per cent* of the total State debt is repayable within the next five years while the remaining 76.27 *per cent* are required to be paid in more than five years time.

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability¹⁸ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization¹⁹; sufficiency of non-debt receipts²⁰; net availability of borrowed funds²¹;

¹⁸ The Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹⁹ A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out

burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.31** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2005-06.

Table 1.31: Debt Sustainability: Indicators and Trends

Indicators of Debt sustainability	2005-06	2006-07	2007-08	2008-09	2009-10
Debt Stabilization (Quantum Spread + Primary Deficit)	204+1,866 = 2,070	774+2,228 = 3,002	881+2,302 = 3,183	989+3,000 = 3,989	1196+ (-) 2,210 = (-) 1,014
Sufficiency of Non-debt Receipts (Resource Gap)	(-) 2,414	(+) 356	(+) 78	(+) 617	(-) 5,450
Net Availability of Borrowed Funds	(-) 284	(-) 115	(-) 124	(+) 1,771	(+) 1,398
Burden of Interest Payments (IP/RR Ratio)	12.54	11.09	9.87	8.81	9.22
IP/Own Tax Ratio	46.72	43.53	45.01	38.39	36.76
Maturity Profile of State Debt					(₹ in crore)
0 – 1 Year	Not available	Not available	1,121.86	1,246.50	340.32
1 – 3 Years			1,734.04	1,850.85	1,527.30
3 – 5 Years			2,029.07	2,806.13	2,646.25
5 – 7 Years			2,752.70	2,671.10	2,523.26
7 Years and above			8,103.32	9,263.12	11,983.29

Table 1.31 reveals that quantum spread together with primary deficit/surplus has been positive during the period from 2005-06 to 2008-09 but turned negative during 2009-10 indicating that the debt-GSDP ratio is not sustainable. The sum of quantum spread and primary deficit at ₹(-)1,014 crore during 2009-10 against ₹3,989 crore in 2008-09 is an alarming situation and the State Government needs to take immediate remedial measures to improve the fiscal imbalances for improving the debt sustainability position of the State.

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. During the years 2006-07 to 2008-09 there was a positive resource gap indicating increasing capacity of the State to sustain the debt in the medium to long run; however, during

to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

²⁰ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

²¹ Net availability of borrowed fund is defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

2009-10 there was negative resource gap indicating the beginning of risk of non-sustainability of debt.

The public Debt Receipts of the State increased from ₹1,379 crore in 2005-06 to ₹2,190 crore in 2009-10 at an annual average rate of 11.76 *per cent*. However, during the current year Public Debt Receipts came down to ₹2,190 crore from ₹2,878 crore in 2008-09. The cash balance also came down to ₹6,784 crore in 2009-10 from ₹8,042 crore in 2008-09, yet the surplus cash balances continue to pose new challenges for State Government's financial and cash management.

High level of surplus cash in recent past seems to provide some headroom to withstand pressure on finances and the State was not resorting to ways and means advances or overdrafts. The reason for cash accumulation was attributed to conservative approach in capital spending since the capital outlay as a percentage of total expenditure was almost static during the past (9.95 *per cent* in 2005-06 to 10.97 *per cent* in 2009-10).

In view of the comfortable cash balances, the State may consider to defer and/or resort to more need based borrowing programmes at opportune times in a cost effective manner. The State may consider identifying a clear shelf of projects which require capital investment and borrow only to that extent and by realistic assessment of cash needs and with effective cash management and better synchronization of cash inflows and outflows may be able to minimize their borrowing requirements. This will at the same time curb unwarranted build-up of cash surplus as well.

1.10 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2009-10.

1.10.1 Trends in Deficits

Charts 1.12 and **1.13** present the trends in deficit indicators over the period 2005-10.

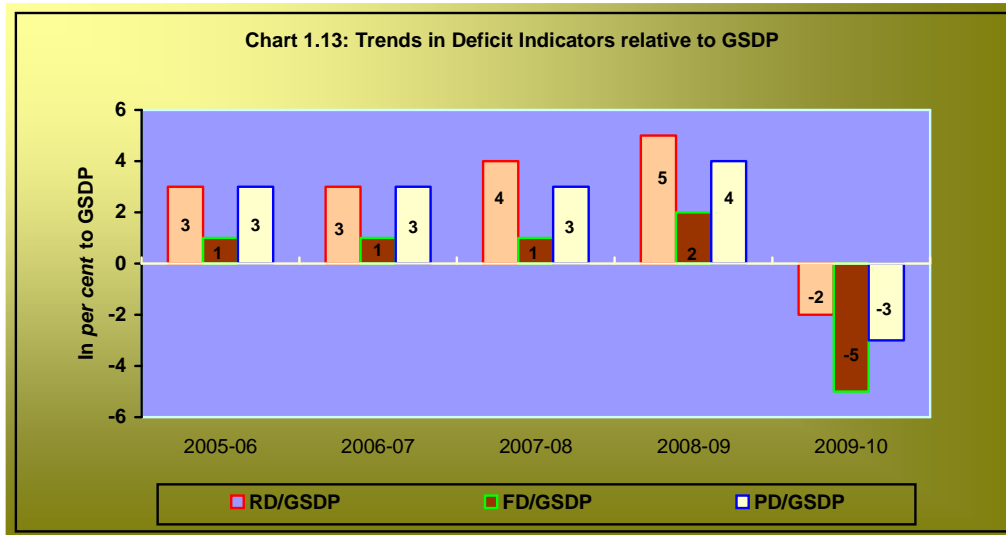
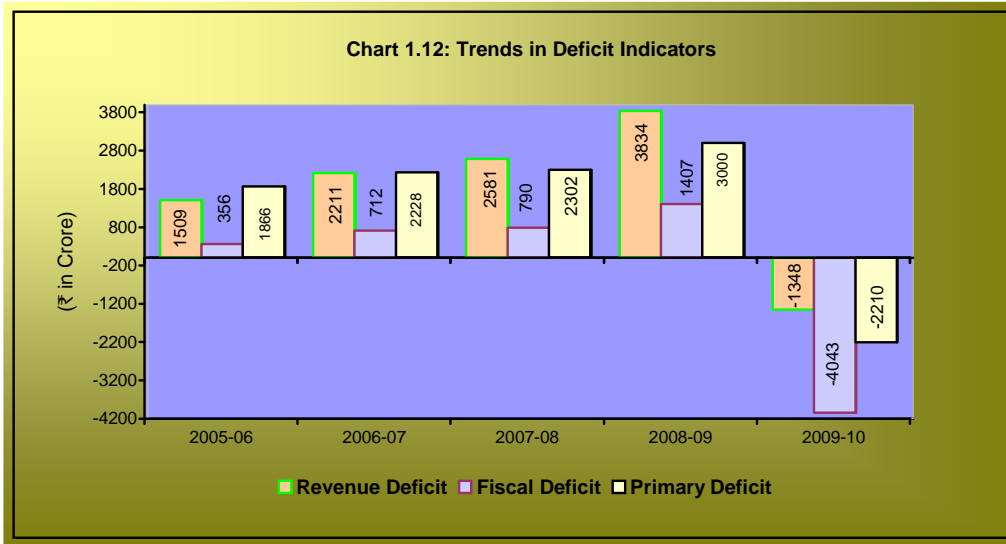


Chart 1.12 reveals that the revenue account experienced a substantial deficit of ₹1,348 crore during 2009-10. The State had a revenue surplus during the period from 2005-06 to 2008-09 and the revenue surplus increased from ₹1,509 crore in 2005-06 to ₹3,834 crore in 2008-09 and turned into a deficit of ₹1,348 crore in 2009-10. The significant deterioration in revenue account during the current year was mainly on account of increase in revenue expenditure by ₹6,989 crore (49.07 per cent) against an increase of ₹1,807 crore (10 per cent) in revenue receipts over the previous year. Despite the fact that State's own resources contributed around 73 per cent (₹1,318 crore) in the incremental revenue receipt (₹1,807 crore) during 2009-10 against 34 per cent (₹928 crore) during 2008-09, the decline in revenue account in the current year was primarily on account of sluggish growth rate of 61 per cent (₹12,144 crore) in central transfers as compared to 64 per cent (₹11,655 crore) in 2008-09.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap touched the level of ₹4,043 crore in 2009-10 from fiscal surplus of ₹1,407 crore in 2008-09. The reduction of ₹5,182 crore in revenue surplus as well as marginal decrease of ₹ two crore in non-debt capital receipts alongwith an increase of ₹256 crore in capital expenditure and an increase of ₹10 crore in net disbursement of loans and advances in 2009-10 resulted in a fiscal deficit of ₹4,043 crore in 2009-10 as against fiscal surplus of ₹1,407 crore during the previous year.

The primary surplus that continued during 2005-09 took a turnaround in 2009-10 and resulted into primary deficit of ₹2,210 crore. The reduction of fiscal surplus of ₹5,450 crore and a moderate increase of ₹240 crore in interest payment resulted in primary deficit²² of ₹2,210 crore during the current year from primary surplus of ₹3,000 crore in 2008-09.

1.10.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.32**.

Table-1.32: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2005-06	2006-07	2007-08	2008-09	2009-10
1		2	3	4	5	6
Decomposition of Fiscal Deficit		(-) 356 (0.62)	(-) 712 (1.11)	(-) 790 (1.10)	(-) 1407 (1.77)	4043 (4.59)
1	Revenue Deficit	(-) 1,509	(-) 2,211	(-) 2,581	(-) 3,834	1,348
2	Net Capital Expenditure	(+) 1,085	(+) 1,453	(+) 1,688	(+) 2,373	(+) 2,629
3	Net Loans & Advances	(+) 68	(+) 46	(+) 103	(+) 54	(+) 66
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	(+) 717.65	(+) 592.01	(+) 544.56	(+) 2,014.77	(+) 1,405.45
2	Loans from GOI	(-) 4,029.24	(-) 99.71	(-) 66.86	(-) 68.88	(-) 293.19
3	Special Securities Issued to NSSF	(+) 4,602.21	(+) 86.06	(-) 8.60	(+) 17.37	(+) 24.79
4	Loans from Financial Institutions	(+) 45.76	(+) 42.63	(+) 94.06	(+) 133.46	(+) 46.40
5	Small Savings, PF etc.	(+) 385.63	(+) 349.39	(+) 317.96	(+) 390.23	(+) 489.55
6	Deposit & Advances	(-) 51.27	(-) 126.62	(-) 561.70	(+) 30.47	(+) 568.13
1		2	3	4	5	6
7	Suspense and Misc.	(-) 1,652.56	(-) 1,799.65	(-) 1,943.01	(-) 3,549.14	(+) 980.13
8	Remittances	(+) 15.01	(-) 43.99	(+) 33.78	(-) 99.12	(-) 164.64
9	Reserve Fund	(-) 184.34	(+) 76.88	(+) 161.39	(-) 109.97	(+) 413.92
10	Decrease/increase in cash balance with RBI	(+) 112.92	(+) 191.64	(+) 638.35	(-) 364.21	(+) 573.61
11	Others	(-) 317.49	-	-	-	(-) 0.74

*All these figures are net of disbursements/outflows during the year

²² Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit, which is an outcome of the fiscal transactions of the State's during the course of the year.

It can be seen from **Table 1.32** that there was fiscal surplus during the years 2005-06 to 2008-09 but it took a turnaround in 2009-10 and became fiscal deficit in 2009-10. During 2009-10, the fiscal deficit was mainly financed by market borrowings, Small Savings, PF etc., Deposits and Advances, Suspense and Miscellaneous balances and Reserve Funds.

Though increase in capital expenditure indicated that borrowed funds were being utilized for productive uses, the solution to the Government debt problem lies on the method of application of borrowed funds *i.e.*, whether they are being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy which may result in increase in Government revenue in future, making debt payments manageable.

1.10.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.33**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure, which may be desirable to improve the productive capacity of the State's economy.

Table-1.33: Primary Deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit(-)/ Surplus (+)	Primary Deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2005-06	12,083	9,026	1,085	106	10,217	(+) 3,057	(+) 1,866
2006-07	13,702	9,940	1,453	81	11,474	(+) 3,762	(+) 2,228
2007-08	15,365	11,232	1,688	143	13,063	(+) 4,133	(+) 2,302
2008-09	18,112	12,650	2,373	89	15,112	(+) 5,462	(+) 3,000
2009-10	19,917	19,399	2,629	99	22,127	(+) 518	(-) 2,210

There was a primary surplus in Assam during the period 2005-06 to 2008-09 but in the current year, there was a primary deficit because non-debt receipts was less than primary expenditure²³. In the current year non-debt receipts was just sufficient to cover primary revenue expenditure and was not adequate for capital expenditure. Over the period 2005-2010, there has been an increase in the proportion of capital

²³ Primary expenditure of the State defined as the total expenditure net of interest payments, indicates the expenditure incurred on the transactions undertaken during the year.

expenditure in primary expenditure, which may be desirable as it indicates improvement in the productive capacity of the State's economy.

1.11 Institutional measures

Towards strengthening fiscal disciplines in the State, the Government of Assam had taken certain institutional measures like legislation in respect of guarantees and fiscal responsibilities in the form of enactment of the Assam Fiscal Responsibility and Budget Management Act in 2005. Since then the Government had been undertaking measures like implementation of Consolidated Sinking Fund, introduction of VAT etc.

As a measure to improve fiscal transparency, the Government of India outlined several initiatives to assist the State Governments in their developmental and social roles. **Public Private Partnership (PPP)** is such an initiative that enables implementation of Governments programmes/schemes in partnership with the private sector. The potential benefits derived from PPP are cost effectiveness of the project, higher productivity, accelerated delivery, enhanced social service and recovery of user charges. It also allows the State Government to use limited budgetary resources on high priority schemes where private sector is not willing to enter.

In view of the above, several State Governments across India are entering into PPP agreements in the areas of infrastructure projects, survey and exploitation of mines and minerals, development of industrial estates, development of hydro-electricity projects etc.

The Government of Assam however, has not framed a PPP policy for the State as yet and therefore, development of projects in PPP mode has not taken off. The State Government should frame the PPP policy for the State at the earliest in order to enhance fiscal space for its developmental activities.

1.12 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters – revenue deficit, fiscal deficit, primary deficit etc. indicated that except during 2009-10 the State had maintained revenue, fiscal and primary surplus during the last four years. During the current year, the State had witnessed huge deficit in all the three parameters but managed to minimize holding of large cash surplus.

Revenue Receipts

Revenue receipts grew by 10 *per cent* over the previous year. The increase was mainly contributed by tax revenue 46 *per cent*, non-tax revenue 27 *per cent*, State's share of Union Taxes and Duties eight *per cent* and Grants-in-aid from Government of India (GOI) 19 *per cent*. **The revenue receipts at ₹19,884 crore is, however,**

higher by ₹575 crore than the assessment made by the State Government in its Fiscal Correction Path (FCP) (₹19,309 crore), but lower by ₹3,180 crore than the assessment made in FYFP (₹23,064 crore).

(Para-1.1)

The State Government should mobilize additional resources both through tax and non-tax sources by expanding the tax base and rationalizing the user charges. It should also make efforts to collect revenue arrears. Efforts should also be made to increase tax compliance, reduce tax administration costs, etc. so that deficits are contained. Ensuring that the Government of India releases all grants due to the State by timely action on all conditionalities that are pre-requisite to the release will also increase the total receipts of the State. There is an urgent need to improve collection of tax revenue so that recourse to borrowed funds can be reduced.

Revenue Expenditure

The overall revenue expenditure of the State increased by 101.52 per cent from ₹10,536 crore in 2005-06 to ₹21,232 crore in 2009-10 at an annual average rate of 20.30 per cent and increased from ₹14,243 crore in 2008-09 to ₹21,232 crore in 2009-10.

(Para-1.5.3)

During 2009-10, though the development expenditure (₹14,953 crore) increased by ₹3,801 crore over the previous year, yet it was much below the Budget Estimate (₹18,847 crore) for 2009-10. The relative share of the revenue developmental expenditure was 51 per cent of the total expenditure while this share in respect of capital development expenditure was only 11 per cent. The expenditure pattern of the State, reveals that there is an increasing pressure on revenue expenditure. The expenditure on salaries and wages increased by 40 per cent (from ₹5,842 crore in 2008-09 to ₹8,193 crore in 2009-10) against the TFC norms of growth rate of six per cent. According to recommendation of the TFC, the State should follow a recruitment and wages policy, in a manner such that the total salary bill relative to revenue expenditure net of interest payments and pensions does not exceed 35 per cent. This norm was not followed in the State and the salary and wages expenditure stood at 46.47 per cent during 2009-10.

(Paras-1.6.2 & 1.5.4)

Though expenditure incurred under Capital Heads had been increasing over the years, yet the State needs to ensure that outcomes are achieved. A monitoring mechanism should be put in place to ensure effective use of budgetary funds and value for money is channelised in its entirety to the intended beneficiaries. The State should initiate action to restrict the components of non-plan revenue expenditure by phasing out implicit subsidies and resort to need based borrowings to cut down interest and principal payments.

Fiscal Correction Path

During 2009-10, there was a sudden fall in all the three major fiscal indicators viz., revenue, fiscal and primary deficits from surpluses over the previous year mainly due to increase in expenditure both in revenue and capital heads. The State could not achieve the fiscal deficit target of 4 *per cent* of GSDP as prescribed in the AFRBM Act, 2005 for the year 2009-10, which stood at 4.59 *per cent*.

(Para-1.10)

There is a reasonable prospect of returning back to a fiscal correction path if efforts are made to increase tax compliance, collection of revenue arrears and prune unproductive expenditure so that deficits are contained.

Fiscal Priority

The State had attached low fiscal priority towards development expenditure, as the Development Expenditure/Aggregate Expenditure ratio was much lower than the NE State's average in 2005-06 and 2009-2010.

(Para-1.6.1)

The decrease in the ratio of developmental expenditure to aggregate expenditure indicates that State attaches low fiscal priority towards its development. From the point of view of improving developmental expenditure, it is pertinent for Government of Assam to take appropriate expenditure measures and lay emphasis on provision of expending more under social and economic sectors.

Fiscal liabilities

The overall fiscal liabilities of the State increased at an annual average rate of 9.83 *per cent* during 2005-10. The fiscal liabilities of the State Government however, increased by ₹3,231 crore (12.80 *per cent*) from ₹25,234 crore in 2008-09 to ₹28,465 crore in 2009-10. The committed liabilities for the State projected by the TFC was ₹5,610 crore of non-plan revenue expenditure for the year 2009-10. Compared to this, there was an increase of 111 *per cent* in the actual expenditure during 2009-10. During 2009-10, interest receipts, as percentage of outstanding loans and advances was 0.41 whereas interest paid by the Government as percentage to outstanding liabilities was 6.83.

(Paras 1.7.3 and 1.8.2)

*Recourse to borrowed funds in future should be carefully assessed and managed so that the recommendations of the 13th Finance Commission to bring Fiscal Liabilities-GSDP ratio to around 25 *per cent* could be achieved in next five years.*

Investment and Returns

The average return on Assam Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies varied between 0.70 to 1.21 *per cent* in the past five years whereas its average interest outgo was in the range of 6.76 to 8.18 *per cent*.

(Para-1.7.2)

A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non revenue generating investments through a clear and transparent guideline.

Debt sustainability

The Government of Assam should ideally keep the debt-GSDP ratio stable. Borrowed funds should be used as far as possible only to fund capital expenditure and revenue expenditure should be met from revenue receipts. During 2009-10 fiscal deficit-GSDP ratio deteriorated sharply compared to previous year indicating increase in debt-GSDP ratio. The sum of quantum spread and primary deficit at ₹(-)1,014 crore during 2009-10 against ₹3,989 crore in 2008-09 is an alarming situation to the State Government. The State has also negative resource gap during 2009-10 indicating the beginning of risk of non-sustainability of debt.

(Para-1.9)

The State should make efforts to return to primary and revenue surplus as was the case in the past years. Maintaining a calendar of borrowings to avoid bunching towards the end of the fiscal year will ensure that market borrowings are sourced optimally. A clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.