

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, Nagaland, Manipur, Mizoram, Tripura, Meghalaya 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 is home to 2.58 per cent population of the Country. As indicated in *Appendix 1.1 (Part-D)* the State's population increased from 2,66,55,528 in 2001 to 3,11,69,272 in 2011 recording a decadal growth of 16.93 per cent. The percentage of population below the poverty line at 19.7 per cent was lower than the all-India average of 27.5 per cent. State's Gross Domestic Product (GSDP) at current prices increased from ₹ 1,26,544 crore in 2011-12 to ₹ 1,43,567 crore in 2012-13 (base year 2004-05) recording a growth of 13.45 per cent. The State's literacy rate increased from 63 per cent (as per 2001 census) to 73.18 per cent (as per 2011 census). **State's per capita income at current prices stands at ₹ 42,036 against the country average of ₹ 68,747.** General data relating to the State are given in *Appendix 1.1 (Part-D)* as well as in *Appendix 1.7*.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth of India's Gross Domestic Product (GDP) and Assam's GSDP at current prices are indicated in **Table 1.1** below.

Table 1.1: Trends in growth of GDP and GSDP

Year	2008-09	2009-10	2010-11	2011-12	2012-13
India's GDP (₹ in crore)	56,30,063	64,77,827	77,95,313 ^{2R}	89,74,947 ^{1R}	1,00,28,118 ^{AE}
Growth rate of GDP (per cent)	12.89	15.06	20.34	15.13	11.73
State's GSDP (₹ in crore)	81,074	95,975	1,12,466 ^P	1,26,544 ^Q	1,43,567 ^{Adv}
Growth rate of GSDP (per cent)	14.07	18.38	17.18	12.52	13.45

Source: *Economic Survey of India and Assam (2012-13)*

1R: 1st Revised Estimates, 2R: 2nd Revised Estimates, AE: Advance Estimates

P: Provisional; Q: Quick; Adv: Advance

1.1 Introduction

This chapter is based on the audit of Finance Accounts and makes an assessment of the fiscal position of the Government of Assam as on 31 March 2013. It provides a broad perspective of the finances of the Government of Assam for the year 2012-13 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.1 (Part-A)* and the layout of the Finance Accounts is 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 also shown in *Appendix 1.1 (Part-C)*.

1.1.1 Summary of Current Year's Fiscal Transactions

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2012-13) *vis-à-vis* the previous year while *Appendix 1.2* provides details of receipts and disbursements as well as overall fiscal position during the current year *vis-à-vis* the previous year.

Table 1.2: Summary of Current Year's Fiscal Operations

(₹ in crore)							
2011-12	Receipts	2012-13	2011-12	Disbursements	2012-13		
					Non-Plan	Plan	Total
1	2	3	4	5	6	7	8
Section-A: Revenue							
27,455.40	Revenue receipts	30,690.98	26,528.55	Revenue expenditure	22,641.83	6,495.09	29,136.92
7,638.24	Tax revenue	8,250.21	9,743.68	General services	10,035.70	534.59	10,570.29
2,866.76	Non-tax revenue	2,473.59	11,465.78	Social Services	8,636.40	3,981.06	12,617.46
9,283.53	Share of Union Taxes/Duties	10,601.26	4,663.27	Economic Services	3,229.94	1,979.44	5,209.38
7,666.87	Grants from Government of India	9,365.92	655.82	Grants-in-aid/Contributions	739.79	-	739.79
Section-B: Capital							
-	Miscellaneous Capital Receipts	-	2,506.01	Capital Outlay	72.32	2,544.96	2,617.28
21.38	Recoveries of Loans and Advances	7.38	88.28	Loans and Advances disbursed			460.65
952.32	Public Debt receipts	1,388.39	1,146.09	Repayment of Public Debt			1,532.79
-	Contingency Fund		-	Contingency Fund			
12,175.57	Public Account receipts	12,137.65	10,236.19	Public Account disbursement	-	-	10,908.10
-	Closing overdraft from Reserve Bank of India		-	Opening overdraft from Reserve Bank of India			-
6,951.80*	Opening Balance	7,051.35*	7,051.35*	Closing Balance	-	-	6,620.01
47,556.47	Total	51,275.75	47,556.47	Total			51,275.75

*OB and CB differ from previous year's report due to inclusion of amounts in earmarked funds.

Following are the significant changes during 2012-13 over the previous year:

- Revenue receipts grew by ₹ 3,236 crore (12 *per cent*) over the previous year. The increase was contributed by tax revenue ₹ 612 crore (19 *per cent*), State's share of Union Taxes and Duties ₹ 1,318 crore (41 *per cent*) and Grants-in-aid from Government of India (GOI) ₹ 1,699 crore (52 *per cent*). The increase was however, offset by decrease in non-tax revenue by ₹ 393 crore (12 *per cent*). **The revenue receipts at ₹ 30,691 crore was higher by ₹ 1,598 crore than the assessment made in Medium Term Fiscal Plan (MTFP)¹ (₹ 29,093 crore).**
- The increase of ₹ 612 crore (eight *per cent*) in tax revenue in 2012-13 as compared to previous year was mainly on account of increase of (a) taxes on Sales, Trade etc., by ₹ 1,375 crore (32 *per cent*) due to increase in collection of receipts under Central Sales Tax and Trade Tax, (b) State Excise by ₹ 65 crore (13 *per cent*) due to increase in collection of tax under foreign liquors and spirits and other receipts, (c) Taxes on Vehicles by ₹ 34 crore (12 *per cent*) due to increase in overall collection of taxes and (d) Stamps and Registration Fees by ₹ 77 crore (44 *per cent*) due to increase in collection of Registration Fees. The increase in tax revenue was however, offset by ₹ 167 crore (31 *per cent*) due to decrease in collection of tax on entry of goods into the State. The tax revenue as a percentage of GSDP (5.75 *per cent*) was slightly higher than the projections made by the State Government in its MTFP (5.60 *per cent*) and the assessment of Thirteenth Finance Commission (FC-XIII) (5.00 *per cent*).
- The decrease in non-tax revenue in 2012-13 by ₹ 393 crore (14 *per cent*) compared to previous year was mainly on account of decrease in collection of Petroleum Concession Fees and Royalties by ₹ 382 crore (19 *per cent*). The non-tax revenue of the Government was also lesser than the projection made by the State Government in its MTFP by ₹ 398 crore and the assessment of FC-XIII by ₹ 124 crore.
- The increase in receipt of Grants-in-aid from Government of India by ₹ 1,699 crore (22 *per cent*) was due to more release of funds by Government of India for both plan and non-plan purposes.
- Revenue expenditure increased by ₹ 2,609 crore (10 *per cent*) over the previous year. While ₹ 2,601 crore (99.70 *per cent*) of the increase was under non-plan heads, only ₹ eight crore (0.3 *per cent*) was under plan

¹ MTFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan along with Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

heads. The major sectors that registered increase include Education, Sports, Art and Culture by ₹ 875 crore (13 *per cent*), Welfare of Scheduled Caste (SC), Scheduled Tribes (ST) and Other Backward Classes (OBC) by ₹ 164 crore (27 *per cent*), Social Welfare and Nutrition by ₹ 132 crore (nine *per cent*), Agriculture and Allied Activities by ₹ 590 crore (41 *per cent*) and Irrigation and Flood Control by ₹ 127 crore (22 *per cent*).

- Recoveries of Loans and Advances decreased by ₹ 14 crore (67 *per cent*). The decline in the recoveries was due to decline in the recoveries from the Government Servants.
- Public Debt Receipts and Repayments increased by ₹ 436 crore (46 *per cent*) and ₹ 387 crore (34 *per cent*) respectively over the previous year resulting in net increase of ₹ 49 crore in Public Debt Receipts.
- Public Account Receipts decreased by ₹ 38 crore (0.31 *per cent*) whereas Public Account Disbursement increased by ₹ 158 crore (one *per cent*) over the previous year.
- Total inflow during 2012-13 was ₹ 44,224 crore against ₹ 40,604 crore in 2011-12 while total outflow during 2012-13 was ₹ 44,976 crore as against ₹ 41,338 crore in 2011-12 registering an increase of nine *per cent* in each case.

1.1.2 Review of the fiscal situation

To support the State Government towards urgent fiscal correction, FC-XIII had worked out a fiscal consolidation roadmap for Assam requiring the State to eliminate revenue deficit and achieve fiscal deficit of three *per cent* of GSDP in each year of the award period.

Accordingly, Assam Fiscal Responsibility and Budget Management (AFRBM) Amendment Act, 2011 was enacted by the State which came into force with effect from 1st April 2010. As per the Act, the State Government was to eliminate revenue deficit by 2011-12 and maintain revenue balance or attain surplus thereafter and reduce fiscal deficit to three *per cent* of the estimated GSDP by 2010-11 and maintain the same level thereafter. Further, the Act also envisaged that the State Government would attain the total outstanding debt to GSDP ratio at 28.40 *per cent* in 2012-13 and maintain the same level in 2013-14. Further, the level of 28.50 *per cent* had to be maintained in 2014-15 and thereafter.

The performance of the State during 2012-13 in terms of key fiscal targets of the FC-XIII set for selected variables as laid down in AFRBM (Amendment) Act, 2011 *vis-à-vis* achievements are given in **Table 1.3**.

Table 1.3: Trends in major fiscal parameters/variables vis-à-vis projections for 2012-13

Fiscal variables	2012-13			
	Targets as prescribed in AFRBM Act	Assumptions made in Budget	Projections made in Medium Term Fiscal Plan	Actual
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Eliminate Revenue deficit by 31.3.2012 and attain surplus thereafter.	(+) 1,364	(+) 147	(+) 1,554
Fiscal Deficit/GSDP (In per cent)	Three per cent of GSDP by 31.3.2011 and to maintain the same level thereafter.	3.00	1.80	1.06
Ratio of total outstanding debt of the Government to GSDP (In per cent)	28.4 per cent (By 31.3.2013)	22.6	24	22.91

The above table indicates that the State had achieved all the three fiscal variable targets prescribed in AFRBM Act, 2011.

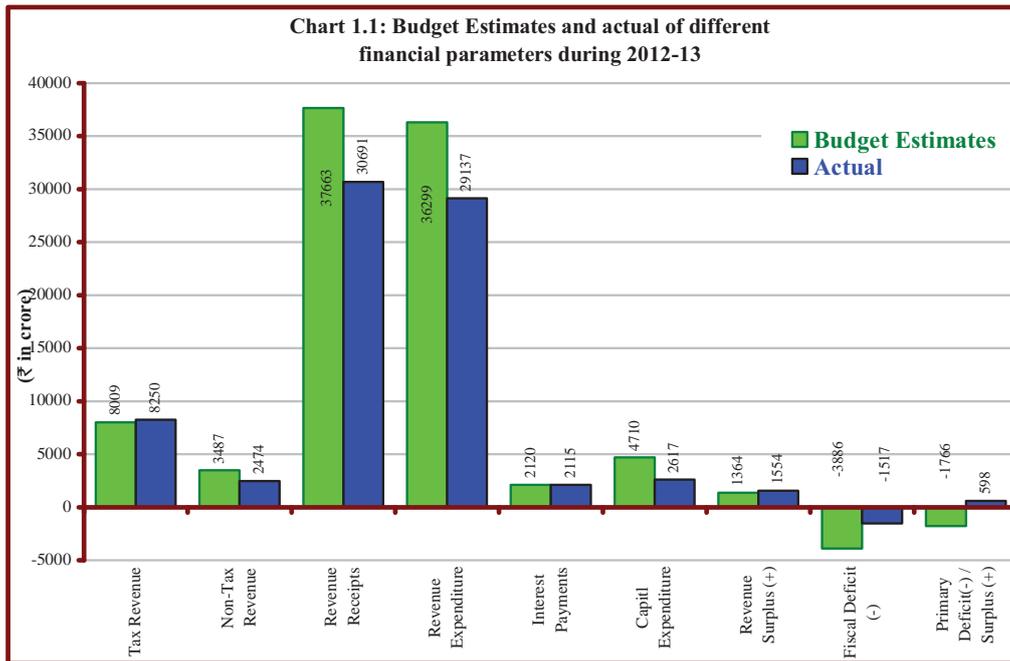
1.1.3 Budget estimates and actual

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. Deviations from the Budget Estimates are indicative of the non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government. **Table 1.4** presents the consolidated picture of State Finances during 2011-12 (Actuals) and 2012-13 (Budget Estimates, Revised Estimates and Actual) whereas **Chart 1.1** shows the picture of Budget Estimates and Actual of different financial parameters for the year 2012-13.

Table 1.4: Variation in Major items –2011-12 (Actual) over 2012-13 (Budget Estimates, Revised Estimates and Actual)

Sl. No.	Parameters	2011-12	2012-13		
		Actual	Budget Estimates	Revised Estimates	Actual
1	Tax Revenue	7,638	8,009	8,250	8,250
2	Non-Tax Revenue	2,867	3,487	3,046	2,474
3	Revenue Receipts	27,455	37,663	38,286	30,691
4	Non-debt Capital Receipts	21	31	31	7
5	Revenue Expenditure	26,528	36,299	37,401	29,137
6	Interest Payments	2,074	2,120	2,182	2,115
7	Capital Expenditure	2,506	4,710	5,083	2,617
8	Disbursement of Loans & Advances	88	571	572	461
9	Revenue Deficit/Surplus	(+) 927	(+) 1,364	(+) 885	(+) 1,554
10	Fiscal Deficit/Surplus	(-) 1,646	(-) 3,886	(-) 4,739	(-) 1,517
11	Primary Deficit/Surplus	(+) 428	(-) 1,766	(-) 2,557	(+) 598

(₹ in crore)



- During 2012-13, both actual revenue receipts and actual revenue expenditure fell short of budget estimates by 19 per cent and 20 per cent respectively.
- During the current year the tax revenue of the State increased by ₹ 612 crore (eight per cent) over the previous year. The actual collection of tax revenue during the year also increased by ₹ 254 crore (three per cent) over the budget estimates for the year mainly due to increased collection under taxes on sales, trade etc.
- However, during the current year the actual collection of non-tax revenue decreased by ₹ 393 crore (14 per cent) over previous year and by ₹ 1,013 crore (29 per cent) over budget estimates. The decrease was mainly on account of decrease in collection of Petroleum Concession Fees and Royalties by ₹ 382 crore (19 per cent).
- The increase in revenue expenditure by ₹ 2,609 crore (10 per cent) during the current year over the previous year was the combined effect of increase in expenditure under general services by ₹ 827 crore (8.49 per cent), social services by ₹ 1,152 crore (10.05 per cent), economic services by ₹ 546 crore (11.71 per cent) and grants-in-aid contributions by ₹ 84 crore (12.80 per cent). However, actual revenue expenditure decreased by ₹ 7,162 crore (19.73 per cent) over budget estimates.
- Significant increases in expenditure under general services were mainly under Pensions and Miscellaneous General Services by ₹ 759 crore (22 per cent) and Interest payment and servicing of debt by ₹ 41 crore (two per cent).

- The increase in revenue expenditure under social services by ₹ 1,152 crore (10 per cent) were mainly under Education, Sports, Art and Culture by ₹ 875 crore (13 per cent), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes by ₹ 163 crore (27 per cent), Social Welfare and Nutrition by ₹ 132 crore (nine per cent), Health and Family Welfare by ₹ 77 crore (five per cent) and Labour and Labour Welfare by ₹ 23 crore (21 per cent). The increase were however, offset by decrease in expenditure under Water Supply, Sanitation, Housing and Urban Development by ₹ 128 crore (16 per cent) over the previous year.
- Similarly, the increase in expenditure under economic services by ₹ 546 crore (12 per cent) were mainly due to increase under Agriculture and Allied activities by ₹ 590 crore (40 per cent), Irrigation and Flood Control by ₹ 127 crore (22 per cent) and General Economic Service by ₹ 60 crore (23 per cent). The increase were however, offset by decrease under Special Areas Programme by ₹ 103 crore (55 per cent), Power sector by ₹ 81 crore (79 per cent), Rural Development by ₹ 45 crore (five per cent) and Science Technology and Environment by ₹ five crore (41 per cent).
- The capital expenditure as compared to budget estimates was less by ₹ 2,093 crore (44 per cent). The increase of capital expenditure by ₹ 111 crore (four per cent) during 2012-13 over the previous year was the net result of increase in capital expenditure under General Services by ₹ 34 crore (50 per cent), Social Services by ₹ 14 crore (nine per cent) and Economic Services by ₹ 63 crore (three per cent).
- Actual fiscal deficit improved with reference to the assessment made in the budget estimates by 60.96 per cent and revised estimates by 67.99 per cent mainly due to decrease in actual revenue and capital expenditure with reference to assessment made in budget and revised estimates. Decrease in fiscal deficit together with decrease in interest payment of ₹ 67 crore (revised estimates) not only wiped out primary deficit of ₹ 2,557 crore as assessed in the revised estimates but resulted in primary surplus of ₹ 598 crore also.

The above table also indicates that at the consolidated level, the State witnessed a marked improvement in key fiscal indicators. The improvement in the fiscal situation during the current year 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 FC-XIII through share of net proceeds of taxes. Consequent upon these developments, the State achieved revenue surplus during 2012-13. However, in order to ensure sustainable progress towards fiscal consolidation, State needs to continue to ensure a pattern of expenditure that not only ensures better growth but also enhances public welfare.

1.1.4 Gender Budgeting

Gender Budgeting is a part and parcel of the Government of India's Policies and approach towards women. The Government of India, Ministry of Human Resource Development (HRD) issued (October 2004) instructions and guidelines along with checklist to watch the modalities and performance of the Gender Budgeting which seeks to establish accountability and transparency in policy formulation and decision making. The National Commission for Women took up (February 2006) the matter with the Chief Minister, Government of Assam for necessary policy formulation in this regard. Therefore, Gender budgeting was incorporated as a significant statement highlighting the need to segregate budgetary allocations on the basis of gender under the demands for grants.

The process of budgetary allocation on the basis of Gender needs to be reviewed continuously from year to year for giving priorities on specific sectors which impinge on the lives of women. Access to education, employment, health care, sanitation and drinking water are considered to be the five pillars of women empowerment. All these activities need outlays specifically earmarked for women in the budget to be utilised for women specific programmes/schemes.

Gender budget of the State (2012-13) disclosed that the expenditure was proposed to be incurred within the overall budget on schemes designed to benefit women under category 'A'² and category 'B'³. Test-check of records revealed that Gender budget was prepared against seven departments⁴ during the financial year 2012-13 involving an amount of ₹ 164.82 crore with a target to benefit 18,36,600 women as detailed in **Table 1.5**.

Table 1.5: Allocation of funds in Gender Budget vis-a-vis actual expenditure

Sl. No.	Name of Department	Grant No.	Category-wise Budget Allocation (₹ in crore)				Total (₹ in crore)	No. of targeted beneficiaries	Expenditure
			'A'		'B'				
			Plan	Non-plan	Plan	Non-plan			
1	Home (Police)	14	0.00	10.15	0.00	0.00	10.15	300	Not Available
2	Health & Family Welfare	29	0.00	0.00	0.00	0.12	0.12	277	
3	Food & Civil Supplies	37	0.00	0.00	2.40	0.00	2.40	13,483	
4	Social Welfare	39	0.00	0.00	108.12	0.00	108.12	16,34,624	
5	Handloom & Textiles	59	16.84	0.00	0.00	0.00	16.84	1,24,192	
6	Sericulture	59	1.57	0.00	5.62	0.00	7.19	23,724	
7	Elementary Education	71	20.00	0.00	0.00	0.00	20.00	40,000	
Total			38.41	10.15	116.14	0.12	164.82	18,36,600	

Further analysis revealed that a performance report for the year 2011-12 (Allocated amount: ₹ 254.01 crore against seven departments) was required to be incorporated in the Gender Budget of 2012-13 to ascertain the effectiveness of the schemes targeted to benefit women. But it was noticed that no such report

² Budgetary allocations for schemes designed to benefit women to the extent of 100 per cent of allocation.

³ Budgetary allocations for schemes designed to benefit women to the extent of 30 per cent of allocation.

⁴ (i) Home (Police), (ii) Health & Family Welfare, (iii) Food & Civil Supplies, (iv) Social Welfare, (v) Handloom & Textiles, (vi) Sericulture and (vii) Elementary Education.

was incorporated in the Gender Budget of 2012-13. On this being pointed out, Finance Department stated that performance report of 2011-12 was not incorporated in the Gender budget 2012-13 as no performance report had been received from the concerned departments.

In the absence of any performance reports/ records, the effectiveness of the schemes targeted to benefit women under Gender Budgeting could not be ascertained in audit.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

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 Government of India (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 GOI. Besides the funds available in the Public accounts after disbursement is also utilised by the Government to finance its deficit. The components and sub-components of resources have been shown in **Chart 1.2**.

Chart 1.2: Components and sub-components of Resources

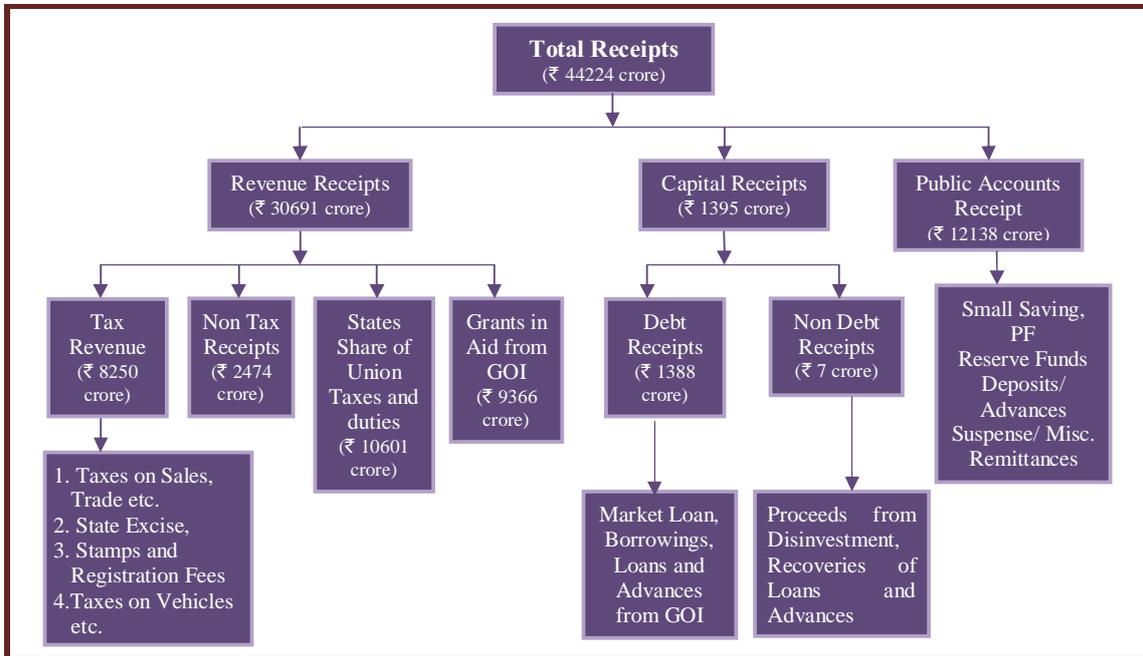
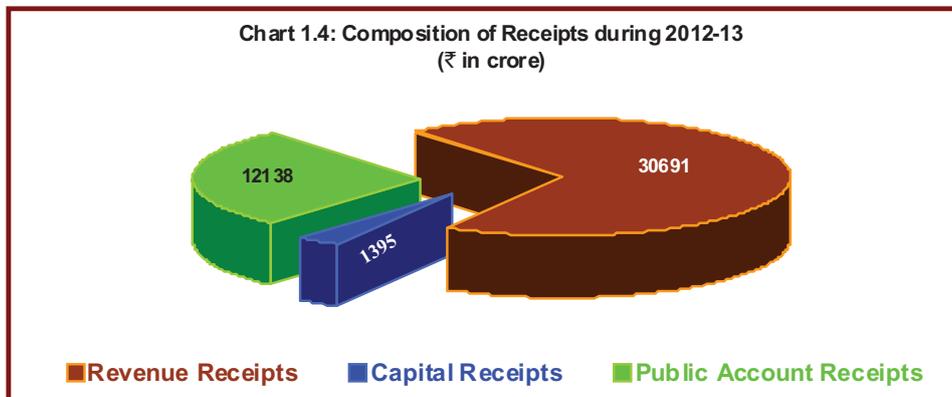
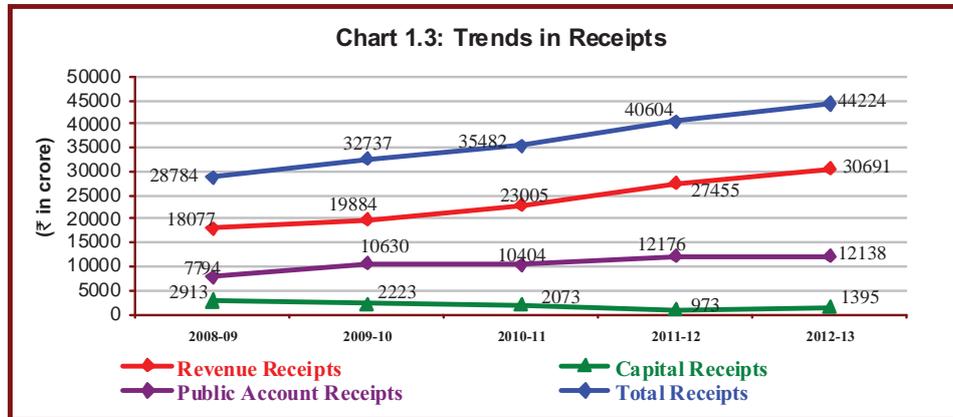


Table-1.2 presents the receipts and disbursements of the State during the current year *vis-a-vis* the previous year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State

during 2008-13 and **Chart 1.4** depicts the composition of resources of the State during the current year.



The total receipts of the State Government for 2012-13 was ₹ 44,224 crore of which ₹ 30,691 crore (69 per cent) came from revenue receipts and balance ₹ 13,533 crore (31 per cent) came from borrowings, Public Account and recoveries of loans and advances. The total receipts of the State increased by 54 per cent from ₹ 28,784 crore in 2008-09 to ₹ 44,224 crore in 2012-13. The share of revenue receipts in total receipts of the State increased by six per cent from 63 per cent in 2008-09 to 69 per cent in 2012-13. On the other hand, the Capital receipts together with Public Account receipts ranged between 30 and 39 per cent of the total receipts during 2008-13.

Revenue receipts increased by 70 per cent from ₹ 18,077 crore in 2008-09 to ₹ 30,691 crore in 2012-13 whereas debt capital receipts (a component of capital receipts) which create future repayment obligation varied from two to 10 per cent of total receipts during the period 2008-13 and increased considerably by ₹ 436 crore (46 per cent) from ₹ 952 crore in 2011-12 to ₹ 1,388 crore in 2012-13.

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money which increased steadily from

₹ 7,794 crore (27 per cent of total receipts) in 2008-09 to ₹ 12,138 crore (30 per cent of total receipts) in 2012-13.

1.2.2 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 Agencies⁵ for implementation of various schemes/ programmes in social and economic sectors critical for the human and social development of population. During 2012-13, the Government of India has transferred approximately ₹ 4,772.76 crore directly to the Implementing Agencies as detailed in Table 1.6.

Table 1.6: Funds transferred directly to State Implementing Agencies

Sl No.	Programme/Scheme	Implementing Agency in the State	(₹ in crore)
			Fund transferred by the GOI during 2012-13
1	Aajeevika - Swarnajayanti Gram Swarojgar Yojana (SGSY)	Assam State Rural Livelihoods Mission Society	152.05
2	Central Rural Sanitation Programme	Rajiv Gandhi Rural Water and Sanitation Mission	119.43
3	DRDA Administration	District Rural Development Agencies, Assam	21.13
4	Integrated Watershed Management Programme (IWMP)	District Rural Development Agencies, Assam; State Level Nodal Agency, Assam	51.57
5	Mahatma Gandhi National Rural Employment Guarantee Scheme	District Rural Development Agencies, Assam	534.46
6	MPs Local Area Development Scheme (MPLADS)	Deputy Commissioners	86.00
7	National Aids Control Programme III	Assam State Aids Control Society	14.92
8	National Food Security Mission	Assam Small Farmers' Agri-Business Consortium	26.80
9	National Rural Drinking Water Programme	State Water and Sanitation Mission, Assam	659.21
10	National Rural Health Mission (NRHM) Centrally Sponsored	State Health Society, Assam	874.57
11	NEIIPP, 2007	North Eastern Development Finance Corporation Ltd.	99.82
12	North Eastern Areas	Cane and Bamboo Technology Centre, Director of Information & Public Relations, Dr. B. Borooah Cancer Institute, Eastern Beats Music Society, North Eastern Handicrafts and Handlooms Development Corporation Ltd., North Eastern Regional Agricultural Marketing Corporation Ltd, North-East Institute of Science & Technology (CSIR), Sri Kanchi Sankara Health & Education Foundation (Sri Sankardeva Nethralaya), State Sports Council of Assam, Tattva Creations Pvt. Ltd., Infovalley Educational & Research Pvt. Ltd., National Institute of Rural Development-NE Regional Centre, North Eastern Development Finance Corporation Ltd., and other agencies	21.48
13	Pradhan Mantri Gram Sadak Yojana (PMGSY)	Assam State Road Board, Guwahati	154.27
14	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Axom Sarba Siksha Abhiyan Mission	128.32
15	Rural Housing - IAY	District Rural Development Agencies, Assam	425.15
16	Sarva Shiksha Abhiyan (SSA)	Axom Sarba Siksha Abhiyan Mission	1,308.82
17	32 Other Schemes		94.76
Total			4,772.76

Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Accounts' website

⁵ State Implementing Agencies include Organisation/Institution including Non-Government Organisation which is authorised 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.

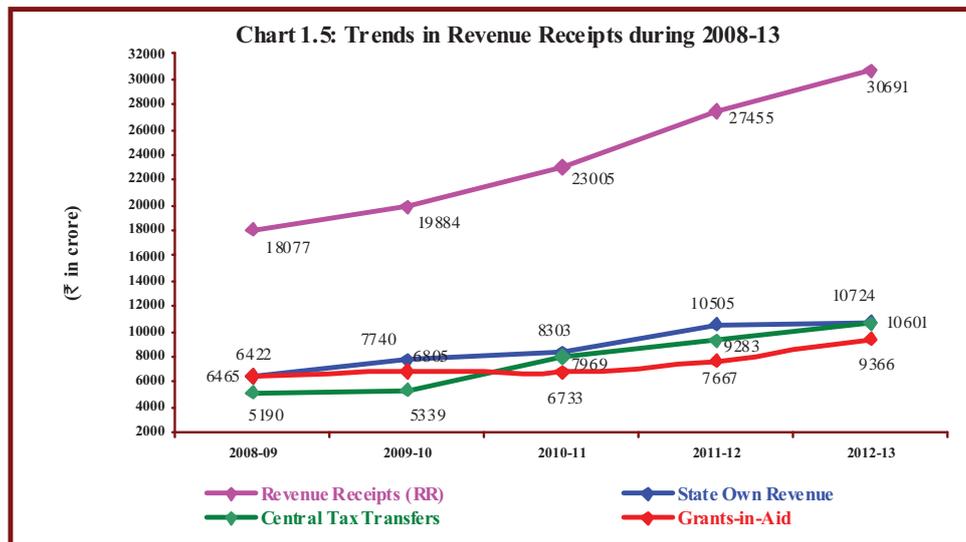
Table 1.6 shows that out of the total funds transferred (₹ 4,772.76 crore) (Details in **Appendix 1.3**), sizeable quantum of funds were transferred to various agencies for implementation of (i) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (11.20 *per cent*), (ii) National Rural Drinking Water Programme (13.81 *per cent*), (iii) National Rural Health Mission (NRHM) (18.32 *per cent*), (iv) Rural Housing (Indira Awaas Yojana) (8.91 *per cent*) and (v) Sarva Shikha Abhiyan (SSA) (30.11 *per cent*) during 2012-13.

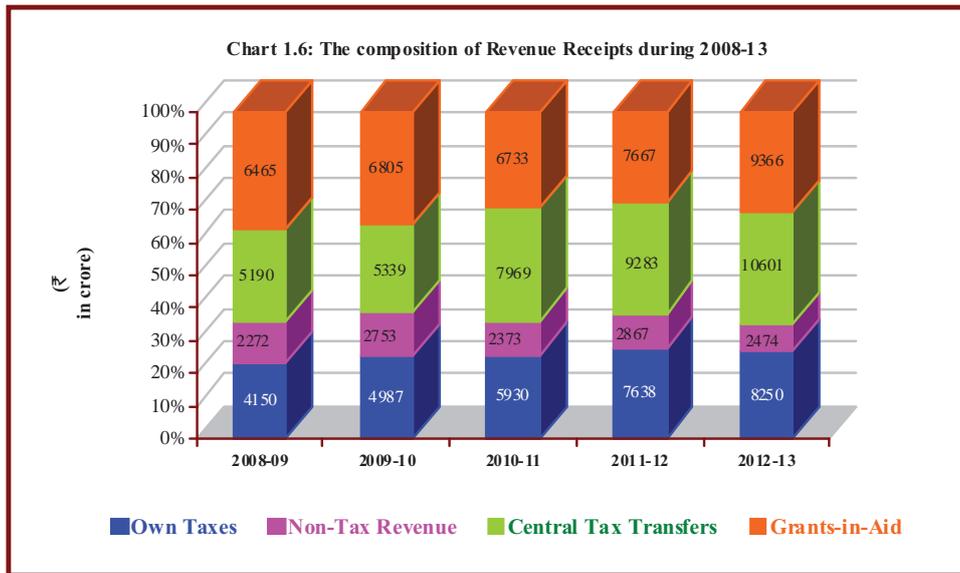
With the transfer of an approximate amount of ₹ 4,772.76 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2012-13 had increased from ₹ 44,224.40 crore to ₹ 48,997.16 crore.

The receipt and utilisation of the directly transferred GOI funds is not monitored by any Agency and there is no data readily available as to how much money 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.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State’s 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 2008-13 are presented in **Appendix 1.4** and also depicted in **Charts 1.5** and **1.6** respectively.





General Trends:

- During 2012-13, revenue receipts of the State grew by ₹ 3,236 crore over the previous year. The revenue receipts of the State showed progressive increase from ₹ 18,077 crore in 2008-09 to ₹ 30,691 crore in 2012-13 with inter year fluctuations in the growth rate. The healthy growth in revenue receipts was mainly due to higher devolution recommended by the FC-XIII in the share of net proceeds of Union taxes.
- About 35 *per cent* of the revenue receipts during 2012-13 came from State's own resources while central tax transfers and grants-in-aid together contributed 65 *per cent*.
- During the current year, increase of ₹ 3,236 crore (11.79 *per cent*) in revenue receipts kept pace with the increase of ₹ 2,609 crore (9.83 *per cent*) in revenue expenditure.
- Tax revenue constituted 26.88 *per cent* of the total revenue receipts and increased by ₹ 612 crore during 2012-13 recording a growth rate of 8.01 *per cent* over the previous year. The percentage of tax revenue to total revenue receipts showed a gradual increase during 2008-13 and reached 26.88 *per cent* in 2012-13 from 21.95 *per cent* in 2008-09.
- Non-tax revenue receipts constituted 8.06 *per cent* of the total revenue receipts and decreased by ₹ 393 crore over the previous year. Non-tax revenue as a percentage of revenue receipts ranged between 8.06 and 13.84 *per cent* during 2008-13.

The trends in revenue receipts relative to GSDP are presented in **Table 1.7**.

Table 1.7: Trends in Revenue Receipts relative to GSDP

Parameter	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Receipts (RR) (₹ in crore)	18,077	19,884	23,005	27,455	30,691
Rate of growth of RR (<i>per cent</i>)	17.96	10.00	15.70	19.34	11.79
Rate of growth of Own Taxes (<i>per cent</i>)	23.55	20.17	18.91	28.80	8.01
RR/GSDP (<i>per cent</i>)	22.30	21.44	22.12	23.79	21.38
Buoyancy Ratios ⁶					
Revenue Buoyancy w.r.t GSDP	1.28	0.54	0.91	1.54	0.88
State's Own Tax Buoyancy w.r.t GSDP	1.67	1.10	1.10	2.30	0.60
Gross State Domestic Product (₹ in crore)	81,074	95,975	1,12,466 ^P	1,26,544 ^Q	1,43,567 ^{Adv}
Rate of growth of GSDP (<i>per cent</i>)	14.07	18.38	17.18	12.52	13.45

P: Provisional; Q: Quick; Adv: Advance

The GSDP at current prices increased from ₹ 1,26,544 crore in 2011-12 to ₹ 1,43,567 crore in 2012-13 representing an increase of 13.45 *per cent*. Significant growth in revenue receipts (11.79 *per cent*) as well as in GSDP (13.45 *per cent*) during the current year reflects the State's inclination to revert to the path of fiscal consolidation suggested by the FC-XIII. Ideally growth rate of revenue should be higher than GSDP growth rate so that over a period of time the budget can be better balanced. If the State's own taxes are buoyant, then the Government would be in a better position to plan expenditure and improve welfare of the people. But both revenue and State's own tax buoyancy with reference to GSDP decreased significantly during the current year in comparison with previous year.

1.3.1 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 mobilisation 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 2008-13 is presented in *Appendix 1.4*. The State's actual tax and non-tax revenue for the year 2012-13 *vis-à-vis* assessment made by FC-XIII and MTFP (2011-16) are given in the **Table 1.8**.

⁶ Buoyancy 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 with respect to GSDP at 1.28 implies that revenue receipts tend to increase by 1.28 percentage points, if the GSDP increases by one *per cent*.

Table 1.8: State's own tax revenue vis-à-vis projections

	(₹ in crore)			
	FC-XIII projections	Budget Estimates	MTFP projection	Actual
Tax revenue	6,677	8,009	7,255	8,250
Non-tax revenue	2,598	3,487	2,872	2,474

The tax revenue of the State in 2012-13 exceeded the assessment of FC-XIII by ₹ 1,573 crore. It also exceeded the budget estimates by ₹ 241 crore and MTFP projection by ₹ 995 crore.

However, non-tax revenue of the Government was lesser than assessment of FC-XIII by ₹ 124 crore. It also fell short of budget estimates by ₹ 1,013 crore and projection of the State Government in its MTFP by ₹ 398 crore.

1.3.1.1 Tax revenue

Gross collection in respect of tax revenue for the years 2008-13 is given component-wise in **Table 1.9**.

Table 1.9: Tax Revenue for the years 2008-13

Heads	2008-09	2009-10	2010-11	2011-12	2012-13	
					Budget Estimates	Actual
Taxes on Sales, Trade, etc.	3,111	3,535	4,319	5,694	5,981	6,223
State Excise	199	239	323	503	530	568
Taxes on Vehicle	145	177	232	294	335	328
Stamps and Registration Fees	111	108	123	175	151	252
Land Revenue	113	117	142	140	161	146
Other Taxes ⁷	471	811	791	832	851	733
Total	4,150	4,987	5,930	7,638	8,009	8,250

Source: Memorandum of Budget Estimates & Finance Accounts

The tax revenue of the State increased from ₹ 4,150 crore in 2008-09 to ₹ 8,250 crore in 2012-13 at an annual average rate of 19.76 per cent. During the current year, the maximum share of tax revenue was contributed by Taxes on Sales, Trade etc., (75.43 per cent) followed by State Excise (6.88 per cent) and Taxes on Vehicles (3.05 per cent). Increase in Taxes on Sales, Trade etc., was mainly on account of higher collection of receipt under Central Sales Tax and Trade Tax by ₹ 1,375 crore over the previous year. Increase in the collection of State Excise during the current year was mainly on account of rationalisation of the duty structure.

⁷ Other Taxes include taxes on agricultural income, taxes on professions, trades, callings and employment, taxes on goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services.

1.3.1.2 Non-tax revenue

Gross collection in respect of non-tax revenue for the years 2008-13 is given component-wise in **Table 1.10**.

Table 1.10: Non-tax Revenue for the years 2008-13

Heads	2008-09	2009-10	2010-11	2011-12	2012-13	
					Budget Estimates	Actual
Interest receipts, dividends and profits	452	509	431	490	521	522
General Services	140	351	91	89	110	102
Social Services	21	25	27	27	33	31
Economic Services	1,659	1,868	1,824	2,261	2,823	1,819
Total	2,272	2,753	2,373	2,867	3,487	2,474

Source: Memorandum of Budget Estimates & Finance Accounts.

The non-tax revenue, which constituted six to eight *per cent* of total revenue receipts of the State during the last five years decreased by ₹ 393 crore (14 *per cent*) in 2012-13 over the previous year. During the current year, major contributors of non-tax revenue were petroleum fees and royalties (₹ 1,589 crore), interest receipts (₹ 510 crore) and forestry and wild life (₹ 111 crore).

1.3.2 Grants-in-aid from GOI

The details of Grants-in-aid received from the GOI during 2012-13 are given in **Table 1.11**.

Table 1.11: Grants-in-aid from the GOI

	2012-13				
	2008-09	2009-10	2010-11	2011-12	2012-13
Non-Plan Grants	1,021	1,593	944	962	1,422
Grants for State Plan Schemes	4,191	3,995	4,374	4,759	5,996
Grants for Central Plan Schemes	55	40	23	19	46
Grants for Centrally Sponsored Schemes	993	1,032	1,341	1,875	1,860
Grants for Special Plan Schemes	205	145	51	52	42
Total	6,465	6,805	6,733	7,667	9,366
Percentage of increase over previous year	31.59	5.26	(-) 1.06	13.87	22.16
Percentage of Revenue Receipts	36	34	29	28	31

Grants-in-aid from the GOI increased by ₹ 1,699 crore (22.16 *per cent*) from ₹ 7,667 crore in 2011-12 to ₹ 9,366 crore in 2012-13. Within the plan grants, while grants for Centrally Sponsored Schemes and Special Plan Schemes decreased by ₹ 15 crore (0.80 *per cent*) and ₹ 10 crore (19.23 *per cent*)

respectively, grants for State Plan Schemes and Central Plan Schemes increased by ₹ 1,237 crore (25.99 per cent) and ₹ 27 crore (142.11 per cent) respectively. Non-plan grants also increased significantly by ₹ 460 crore (47.82 per cent) from ₹ 962 crore in 2011-12 to ₹ 1,422 crore in 2012-13.

The decreases under Centrally Sponsored Plan Schemes were mainly under Grants for Mid-day Meal Scheme (₹ 58 crore) and Multi Sectoral Development Programme for Minorities (₹ 208 crore) which were however, offset by increase in Integrated Child Development Schemes (ICDS) (₹ 214 crore), Pre-Matric Scholarship for Minorities (₹ 17 crore) etc. The major increase under grants for State Plan Schemes were in National Social Assistance Programme (NSAP) (₹ 113 crore), Additional Central Assistance for Externally Aided Projects (₹ 123 crore), Special Central Assistance for State's Annual Plan (₹ 455 crore), Normal Central Assistance (₹ 635 crore), Assistance for Rastriya Krishi Vikash Yojana (₹ 172 crore) which were however, offset by decrease under Grants for development of Jawaharlal Nehru National Urban Renewal Mission (₹ 60 crore) and Accelerated Irrigation Benefit Programme (₹ 242 crore).

The Non-Plan grants (₹ 1,422 crore) to the State constituted 15.18 per cent of the total grants during the year of which ₹ 785 crore (55 per cent) was provided under the proviso to Article 275 (1) of the Constitution. Other components of non-plan grants were (i) grants towards contribution to State Disaster Response Fund (₹ 455 crore), (ii) grants for Security Related Expenditure (₹ 48 crore), (iii) grants towards Reimbursement of Security Related Expenditure (₹ 46 crore) and (iv) grants under National Disaster Response Fund (₹ 45 crore).

1.3.3 Debt waiver under the debt consolidation and relief facilities

As per recommendation of the 13th Finance Commission, a State would be considered eligible for debt relief measures on NSSF loans from the date of enactment/amendment of FRBM Act incorporating therein State's fiscal consolidation targets.

Accordingly, the Government of Assam (GOA) notified (September 2011) the Assam FRBM (Amendment) Act, 2011 in the Assam Gazette and became eligible for NSSF interest relief. Debt relief arrears on account of resetting of interest rates of NSSF loans for the years 2010-11 and 2011-12 amounted to ₹ 5.18 crore and for the year 2012-13 (up to December, 2012) amounted to ₹ 21.21 crore. Thus, total debt on NSSF loans as per Statement of RBI for Assam came to ₹ 26.39 crore which had not been received from GOI.

Further, the Commission also recommended waiver of central loans outstanding at the end of 2009-10 and also extended it to centrally sponsored and central sector schemes to the States through the Central Ministries other than Ministry of Finance. The recommended waiver of loan amount for Assam was ₹ 502 crore.

Out of that amount, the GOI actually waived (September 2013) loan amount of ₹ 306 crore for Assam in respect of centrally sponsored and central sector schemes only.

1.3.4 Central Tax transfer

Central tax transfers increased by ₹ 1,318 crore from ₹ 9,283 crore in 2011-12 to ₹ 10,601 crore in 2012-13 and constituted 34.54 *per cent* of the revenue receipts during the year. Increase in Central tax transfers during the current year was due to higher devolution in the share of net proceeds of Union taxes recommended by the FC-XIII.

The increase in Central Tax Transfer by ₹ 1,318 crore (14 *per cent*) was mainly due to increase in Corporation tax (₹ 154 crore), Taxes on income other than Corporation tax (₹ 424 crore), Customs (₹ 152 crore), and Union Excise Duties (₹ 155 crore).

1.3.5 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 of three selected socio-economic services by Government are depicted in **Table 1.12**.

Table 1.12: Cost recovery: 2012-13

Particulars	(₹ in crore)		
	Non-tax revenue receipts	Non-plan revenue expenditure	Cost Recovery (<i>per cent</i>)
Water Supply & Sanitation	0.54	395.53	0.14
Roads & Bridges	52.62	644.06	8.17
Minor Irrigation	0.33	359.78	0.09

As can be seen from above table, the cost recovery for Roads and Bridges during 2012-13 was 8.17 *per cent* and the same for Water Supply & Sanitation and Minor Irrigation were 0.14 and 0.09 respectively. While cost recovery from social services is expected to be lower than that of economic services, it is a matter of concern that compared to 2008-09⁸, cost recovery had reduced in all categories in 2012-13. Incremental increase in user charges would facilitate sustainable provision of these services over a period of time.

1.3.6 Evasion of taxes

During 2012-13, evasion of tax (including interest) amounting to ₹ 8.22 crore due to concealment of turnover (₹ 84.41 crore) was reported by the Sales Tax Department.

⁸ Water Supply & Sanitation: 0.26 *per cent*; Roads & Bridges: 18.07 *per cent* and Minor Irrigation: 0.42 *per cent*.

1.3.7 Write off / waivers of revenue

During the year 2012-13, demands for ₹ 77.43 lakh in 26 cases relating to Assam General Sales Tax (AGST) were written off by the Finance (Taxation) Department/ Government as irrecoverable due to remission of penalty.

1.4 Capital Receipts

The following table shows the trends in growth and composition of capital receipts.

Table 1.13:Trends in growth and composition of receipts

Sources of State's Receipts	2008-09	2009-10	2010-11	2011-12	2012-13
Capital Receipts (CR)	2,913	2,223	2,073	973	1,395
Miscellaneous Capital Receipts	--	--	--	--	--
Recovery of Loans and Advances	35	33	28	21	7
Public Debt Receipts	2,878	2,190	2,045	952	1,388
Rate of growth of debt capital receipts	152.90	(-) 23.91	(-) 6.62	(-) 53.45	45.80
Rate of growth of non-debt capital receipts	(-) 12.50	(-) 5.71	(-) 15.15	(-) 25	(-) 66.67
Rate of growth of GSDP	14.07	14.39	12.16	10.95	13.45
Rate of growth of CR (per cent)	147.28	(-) 23.69	(-) 6.75	(-) 53	(+) 43.37

Capital receipts decreased by more than 52 *per cent* from ₹ 2,913 crore in 2008-09 to ₹ 1,395 crore in 2012-13. However, during the current year the capital receipts increased by ₹ 422 crore (43 *per cent*). Public Debt Receipts which create future repayment obligation varied from two to 10 *per cent* of total receipts during the period 2008-13 and increased considerably by ₹ 436 crore (46 *per cent*) from ₹ 952 crore in 2011-12 to ₹ 1,388 crore in 2012-13.

The rate of growth of debt capital receipts increased from (-) 53.45 *per cent* in 2011-12 to 45.80 *per cent* in 2012-13. However, the ratio of growth of non-debt capital receipts decreased from (-) 25 *per cent* in 2011-12 to (-) 66.67 *per cent* in 2012-13.

Decline in the growth of debt capital receipts from 152.90 *per cent* in 2008-09 to 45.80 *per cent* in 2012-13 indicates that the State was having sound fiscal position during the period. So far as growth of GSDP is concerned it however, decreased marginally from 14.07 *per cent* in 2008-09 to 13.45 *per cent* in 2012-13.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements during the year is the fund available with the government for use. The trends in growth and composition of Public Accounts balances are given in **Table 1.14**.

Table 1.14: Trends in growth and composition of Public Account Balances

Resources under various heads	₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Public Account Balances	579.27	1,602.66	(-)133.31	1,939.38	1,229.55
a. Small Savings, Provident Fund etc.	390.22	489.54	540.41	634.98	807.52
b. Reserve Fund	(-)109.97	413.92	(-)153.12	901.23	201.08
c. Deposits and Advances	30.48	568.14	(-)728.61	437.17	413.21
d. Suspense and Miscellaneous	169.42	295.70	180.04	16.84	(-)156.99
e. Remittances	99.12	(-)164.64	27.97	(-)50.84	(-)35.27

Public Account balances of the Government increased from ₹ 579.27 crore in 2008-09 to ₹ 1,229.55 crore in 2012-13 at an annual average rate of 22.45 per cent. During the current year, the balances however, decreased by ₹ 709.83 crore (36.60 per cent).

1.6 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.

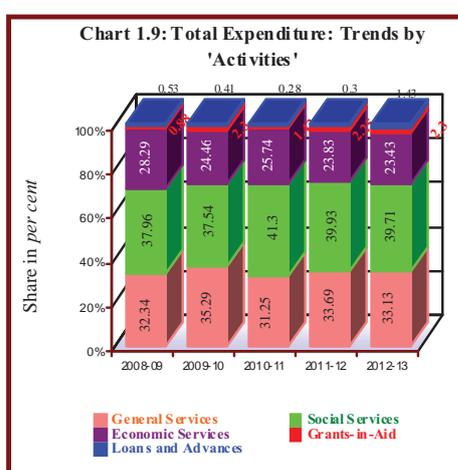
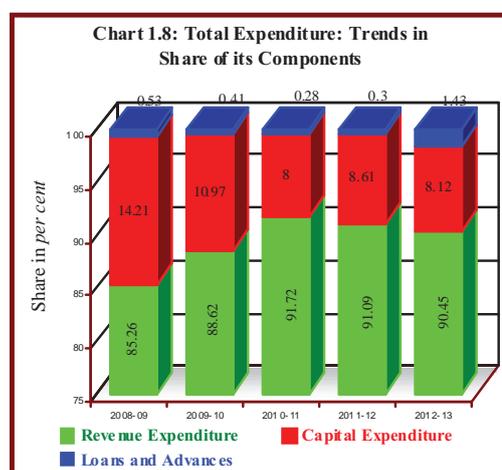
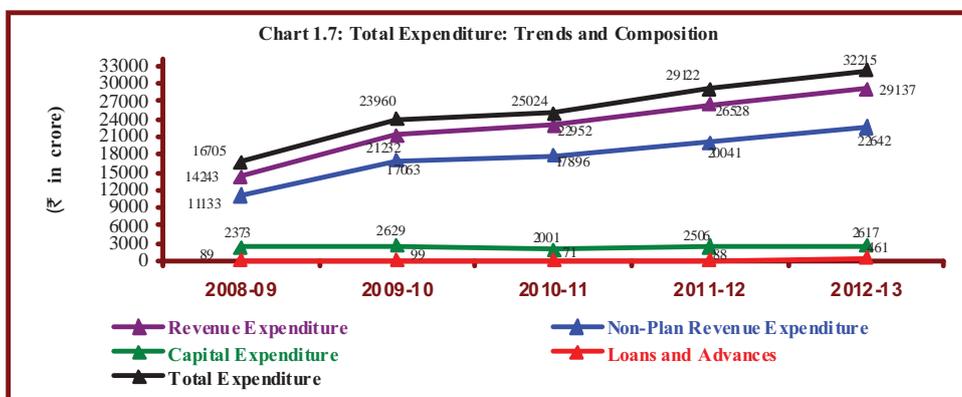
1.6.1 Growth and composition of expenditure

The total expenditure and its composition during the years 2008-09 to 2012-13 are presented in **Table 1.15**.

Table 1.15: Total expenditure and its compositions

	₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Total Expenditure	16,705	23,960	25,024	29,122	32,215
Revenue Expenditure	14,243	21,232	22,952	26,528	29,137
<i>Of which, Non-plan Revenue Expenditure</i>	11,133	17,063	17,896	20,041	22,642
Capital Expenditure	2,373	2,629	2,001	2,506	2,617
Loans and Advances	89	99	71	88	461

Chart 1.7 presents the trends in total expenditure over a period of five years (2008-13) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in Charts 1.8 and 1.9 respectively.



The total expenditure of the State increased from ₹ 16,705 crore in 2008-09 to ₹ 32,215 crore in 2012-13 at an annual average rate of 19 per cent and increased by 11 per cent from ₹ 29,122 crore in 2011-12 to ₹ 32,215 crore in 2012-13. 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 1.16.

Table 1.16: Total expenditure – basic parameters

	2008-09	2009-10	2010-11	2011-12	2012-13
Total Expenditure (TE) (₹ in crore)	16,705	23,960	25,024	29,122	32,215
Rate of growth (per cent)	14.61	43.43	4.44	16.38	10.62
TE/GSDP ratio (per cent)	20.60	25.84	24.06	25.23	22.44
RR/TE ratio (per cent)	108.21	82.99	91.93	94.28	95.27
Rate of Growth of GSDP	14.07	14.39	12.16	10.95	13.45
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	1.04	3.02	0.37	1.50	0.79
RR (ratio)	0.81	4.34	0.28	0.85	0.90

The increase of ₹ 3,093 crore (10.62 *per cent*) in total expenditure in 2012-13 was due to increase of ₹ 2,609 crore in revenue expenditure, ₹ 111 crore in Capital expenditure and ₹ 373 crore in disbursement of loans and advances.

The components of the increase in revenue expenditure were mainly:

- **Interest payment (₹ 40 crore)** - The major increase of interest payment was on special securities issued to National Small Savings Fund and State Provident Fund.
- **Treasury and Accounts Administration (₹ 59 crore)** - The major increase of the expenditure was mainly on treasury establishment.
- **Police (₹ 222 crore)** - The major increase of the expenditure was under Special Police and District Police.
- **Pension and Other Retirement Benefits (₹ 643 crore)** - The major increase of the expenditure was under superannuation and retirement allowances, gratuity and family pension.
- **Miscellaneous General Services (₹ 116 crore)** - The major increase of the expenditure was under other expenditure.
- **General Education (₹ 879 crore)** - The major increase of expenditure of ₹ 446 crore was under Secondary Education due to increase in expenditure against Government Secondary Schools and assistance to Non-Government Primary as well as Secondary Schools.
- **Welfare of SC, ST and OBC (₹ 163 crore)** - The increase was mainly due to increase in expenditure for the welfare of ST by ₹ 163 crore.
- **Social Security and Welfare (₹ 284 crore)** - The major increase of the expenditure was under child welfare and other rehabilitation scheme.
- **Crop Husbandry (₹ 251 crore)** - The increase was mainly due to increase in expenditure for extension and farmers' training by ₹ 152 crore.

The increase in Capital expenditure (₹ 111 crore) during 2012-13 was mainly due to increase in expenditure on Capital outlay on Power Projects by ₹ 85 crore (70.58 *per cent*), Capital outlay on Urban Development by ₹ 26 crore (23.42 *per cent*), Capital outlay on Other Fiscal Services by ₹ 10 crore (nine *per cent*), Capital outlay on Village and Small Industries by ₹ nine crore (8.11 *per cent*) and Capital outlay on Telecommunication and Electronics Industries by ₹ 16 crore (14.41 *per cent*) which was however, offset by decrease in expenditure on Capital outlay on Tourism by ₹ 27 crore (24.32 *per cent*) and Capital outlay on Food Storage and Warehousing by ₹ 14 crore (12.61 *per cent*). The increase in expenditure was mainly on Rural Electrification Programme and Externally Aided Project under Power Projects, fresh expenditure under

construction of Assembly Building and Improvement of bye lane of Kharguli Noonmati Road connecting Don Bosco, Guwahati under Urban Development and the decrease was mainly due to decline in construction related expenditure under tourism accommodation under Capital outlay on tourism.

The increase in disbursement of loans and advances during 2012-13 was mainly due to increase in loans for Power Projects (₹ 337 crore).

The pattern of total expenditure in the form of plan and non-plan expenditure during 2012-13 revealed that non-plan expenditure contributed dominant share of 71 *per cent* while the plan expenditure was 28 *per cent*.

The increase in ratio of revenue receipts to total expenditure from 94.28 *per cent* in 2011-12 to 95.27 *per cent* in 2012-13 was the result of increase of ₹ 1,318 crore in State's share in Union taxes and duties during 2012-13 over 2011-12. The buoyancy of total expenditure with reference to GSDP decreased to 0.79 during 2012-13 due to decrease 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 at 0.90 in 2012-13 indicated increase in the receipt at a pace greater than the expenditure.

1.6.2 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 share of these components in the total expenditure (refer **Chart 1.7** and **Appendix 1.4**) are indicated in **Table 1.17**.

Table 1.17: Components of expenditure – relative share

	(In <i>per cent</i>)				
	2008-09	2009-10	2010-11	2011-12	2012-13
General Services	32.34	35.29	31.25	33.69	33.13
Of which, Interest Payments	9.54	7.65	7.64	7.12	6.56
Social Services	37.96	37.54	41.30	39.93	39.71
Economic Services	28.29	24.46	25.74	23.83	23.43
Grants-in-aid	0.88	2.30	1.43	2.25	2.30
Loans and Advances	0.53	0.41	0.28	0.30	1.43

The relative share of the above components of expenditure indicated that the share of general services, social services and economic services in the total expenditure decreased during 2012-13 over the previous year. These decrease were set off by increase in the respective share of grants-in-aid and loans and advances.

The expenditure on general services and interest payments, which are considered as non-developmental, together contributed 33.13 *per cent* in 2012-13 as against

33.69 *per cent* in 2011-12. On the other hand, development expenditure *i.e.*, expenditure on social and economic services together accounted for 63.14 *per cent* in 2012-13 as against 63.76 *per cent* in 2011-12. This indicates that there was marginal decrease in development expenditure as well as in non-development expenditure as compared to previous year.

1.6.3 Revenue Expenditure

Revenue expenditure had predominant share in total expenditure. Revenue expenditure is incurred 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 nearly 90 *per cent* in the total expenditure during the period 2008-13. The overall revenue expenditure, its rate of growth, the ratio of revenue expenditure (non-plan) to GSDP, to total expenditure and to revenue receipts and its buoyancy is indicated in **Table 1.18**.

Table 1.18: Revenue expenditure – basic parameters

	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue Expenditure (RE), of which	14,243	21,232	22,952	26,528	29,137
Non-Plan Revenue Expenditure (NPRE)	11,133	17,063	17,896	20,041	22,642
Plan Revenue Expenditure (PRE)	3,110	4,169	5,056	6,487	6,495
Rate of Growth of					
RE (<i>per cent</i>)	11.76	49.07	8.10	15.58	9.83
NPRE (<i>per cent</i>)	4.27	53.27	4.88	11.99	12.98
PRE (<i>per cent</i>)	50.46	34.05	21.28	28.30	0.12
Revenue Expenditure as percentage to TE	85.26	88.61	91.72	91.09	90.45
NPRE/GSDP (<i>per cent</i>)	13.73	18.40	17.21	17.37	15.77
NPRE as percentage of TE	66.64	71.21	71.52	68.82	70.28
NPRE as percentage of RR	61.59	85.81	77.79	73.00	73.77
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.84	3.41	0.67	1.42	0.73
Revenue Receipts (ratio)	0.65	4.91	0.52	0.81	0.83

The overall revenue expenditure of the State increased by 104.57 *per cent* from ₹ 14,243 crore in 2008-09 to ₹ 29,137 crore in 2012-13 at an annual average rate of 20.91 *per cent* and increased from ₹ 26,528 crore in 2011-12 to ₹ 29,137 crore in 2012-13.

The NPRE constituted a dominant share of nearly 78 *per cent* in the revenue expenditure and increased by ₹ 2,601 crore over the previous year. The increase in NPRE during the current year was mainly due to increase in expenditure in District Police (₹ 128 crore) under Administrative Services, Superannuation and retirement allowances (₹ 543 crore) and Family Pension (₹ 79 crore) under Pension and Other Retirement Benefits, Other expenditure (₹ 95 crore) under Miscellaneous General Services, Government Primary Schools (₹ 390 crore)

under Elementary Education, assistance to Non-Government Secondary Schools (₹ 314 crore) under Secondary Education, Government Colleges and Institutes (₹ 189 crore) under Higher Education, Irrigation and Flood Control (₹ 127 crore) and Other Miscellaneous compensation and assignments (₹ 84 crore) under Compensation and Assignment to Local Bodies and Panchayati Raj Institutions, expenditure on Agriculture and Allied Activities (₹ 363 crore) and Food Storage and Warehousing (₹ 159 crore). The increase in NPRE during 2012-13 was however, offset by decrease in expenditure in interest payment on internal debt (₹ 41 crore) under interest payment and servicing of debt, Secretariat-General Services (₹ 298 crore), Criminal Investigation and Vigilance (₹ 11 crore) under Police, Text Books (₹ 46 crore) and other expenditure (₹ 30 crore) under Elementary Education, State Disaster Response Fund (₹ 270 crore) under Social Welfare and Nutrition and other expenditure (₹ 81 crore) under Power.

The PRE increased nominally by ₹ eight crore (0.12 per cent) from ₹ 6,487 crore in 2011-12 to ₹ 6,495 crore in 2012-13. The nominal increase was mainly due to increase in expenditure in Health and Family Welfare (₹ 32 crore), Welfare of SC, ST and OBC (₹ 154 crore), Social Welfare & Nutrition (₹ 11 crore), Agriculture and Allied Activities (₹ 227 crore) which was however, partly offset by decrease in expenditure under Education, Sports, Art & Culture (₹ 113 crore), Water Supply, Sanitation, Housing and Urban Development (₹ 183 crore) and Rural Development (₹ 114 crore).

The buoyancy of revenue expenditure with reference to both GSDP and revenue receipts fluctuated widely. The decrease in buoyancy ratio of revenue expenditure to GSDP and marginal increase in its buoyancy ratio to revenue receipts during 2012-13 over previous year indicates that revenue receipts of the State increased at a pace faster than revenue expenditure.

Table 1.19 provides the comparative position of Non-Plan Revenue Expenditure (NPRE) with reference to assessment made by FC-XIII and State Government in its budget during 2012-13.

Table 1.19: Comparative position of Non-Plan Revenue Expenditure vis-a-vis assessment made by FC-XIII and projections of the State Government in its budget

(₹ in crore)			
Year	Assessment made by the FC-XIII	Assessment made by the State Government in Budget	Actual
2012-13	18,524	24,779	22,642

The NPRE remained significantly higher than the normative assessments made by FC-XIII while it was lower than the projections of the State Government made in its Budget during 2012-13.

1.6.4 Committed Expenditure

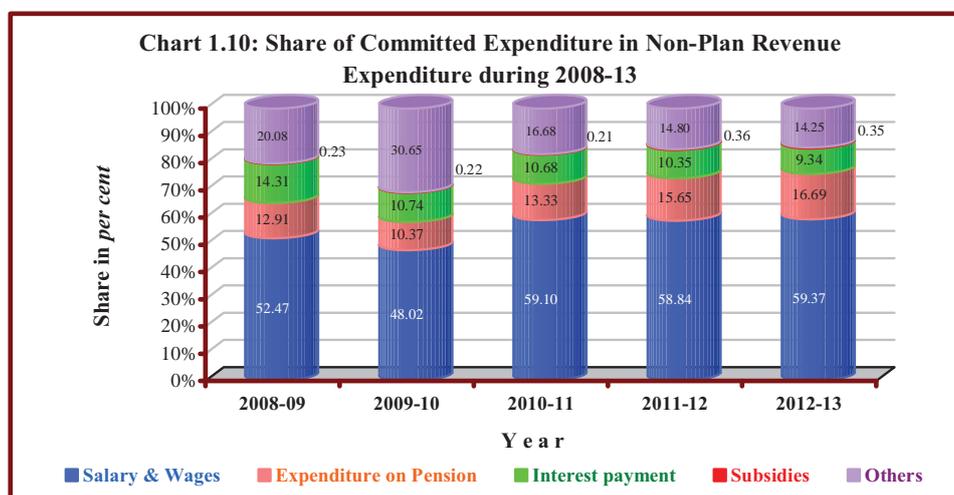
The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Table 1.20** and **Chart 1.10** present the trends in the expenditure on these components during 2008-13.

Table 1.20: Components of Committed Expenditure

Components of Committed Expenditure	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Salaries & Wages, <i>Of which</i>	5,842	8,193	10,576	11,793	13,442
<i>Non-Plan Head</i>	5,584	7,866	10,131	11,094	12,575
<i>Plan Head*</i>	258	327	445	699	867
Expenditure on Pensions	1,437	1,769	2,385	3,136	3,779
Interest Payments	1,593	1,833	1,912	2,074	2,115
Subsidies	26	38	38	72	80
Total	8,898	11,833	14,911	17,075	19,416
As per cent of RR					
Salaries & Wages	32.32	41.20	45.97	42.95	43.80
Expenditure on Pensions	7.95	8.90	10.37	11.42	12.31
Interest Payments	8.81	9.22	8.31	7.55	6.89
Subsidies	0.14	0.19	0.17	0.26	0.26

Source: Finance Accounts

* Plan Head includes the salaries paid under Centrally Sponsored Schemes



(A) Salary and Wage expenditure

Salaries and wages alone accounted for nearly 44 per cent of revenue receipts of the State during 2012-13. It increased by 14 per cent from ₹ 11,793 crore in 2011-12 to ₹ 13,442 crore in 2012-13. Salary and wage expenditure under Non-plan head during 2012-13 increased by ₹ 1,481 crore (13.34 per cent) over the previous year whereas the same on plan head increased by ₹ 168 crore

(24.03 *per cent*) over the previous year. Non-plan salary expenditure ranged between 94 *per cent* and 96 *per cent* of total expenditure on salaries during 2008-13. Although expenditure on salaries (₹ 13,274 crore) during 2012-13 was less by ₹ 2,162 crore (14 *per cent*) than assessed (₹ 15,436 crore) by the State Government in its budget, it was less by ₹ 538 crore (3.90 *per cent*) than the projection of ₹ 13,812 crore in MTFP. It was however, more by 86 *per cent* (₹ 6,119 crore) than the assessment made by the FC-XIII (₹ 7,155 crore).

(B) Interest Payments

Interest payments increased by 1.98 *per cent* from ₹ 2,074 crore in 2011-12 to ₹ 2,115 crore in 2012-13. During the current year the interest payment was made on internal debt (₹ 1,491 crore), loans and advances from Central Government (₹ 129 crore) and Small Savings, Provident Fund etc., (₹ 495 crore).

The interest payments with reference to assessment made by the FC-XIII and the projections of the State Government in its budget and MTFP (**Table 1.21**) indicate that the State Government was successful in restricting the interest payment within the assessments of FC-XIII and State projections during 2012-13.

Table 1.21: Interest Payments *vis-à-vis* Thirteenth Finance Commission assessment and State Projections

<i>Year</i>	<i>Assessment made by the FC-XIII</i>	<i>Assessment made by the State Government in</i>		<i>Actual</i>
		Budget	MTFP	
2012-13	2,812	2,120	2,314	2,115

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

During 2012-13, the State Government raised open market loan of ₹ 300 crore at an average interest rate of 8.95 *per cent*. The Government also borrowed ₹ 168 crore from National Bank for Agriculture and Rural Development (NABARD), ₹ 880 crore from National Small Savings Fund (NSSF) and ₹ 40 crore from Government of India.

(C) Pension Payments

Pension payments increased from ₹ 1,437 crore in 2008-09 to ₹ 3,779 crore in 2012-13 recording a total increase of 163 *per cent* in five years. Pension payments alone accounted for more than 12 *per cent* of revenue receipts of the State during the year and increased by ₹ 643 crore (20.50 *per cent*) over the

previous year. Increase of ₹ 643 crore in pension payments during 2012-13 over the previous year was mainly due to increase in expenditure under Superannuation and Retirement Allowances (₹ 444 crore), Gratuity (₹ 27 crore) and Family Pension (₹ 79 crore). The State Government had introduced 'The New Defined Contribution Pension Scheme' applicable to all new entrants joining State Government Service on regular basis against vacant sanctioned post(s) on or after 1 February 2005 in order to limit future pension liabilities. The New Pension Scheme was however, implemented provisionally in the State with effect from January 2010.

Table 1.22 below shows the actual pension payments with reference to assessment made by the FC-XIII and projections of the State Government.

Table 1.22: Actual Pension Payments vis-à-vis FC-XIII assessment and State Projections

Year	Assessment made by the FC-XIII	Assessment made by the State Government in		Actual
		Budget	MTFP	
		2012-13	2,383	

Pension payments was ₹ 1,396 crore (58.58 per cent) more than the assessments of FC-XIII, ₹ 894 crore (30.99 per cent) more than the projections made by the State Government in its MTFP and ₹ 1,190 crore (45.96 per cent) more than the projections made in its budget during 2012-13.

(D) Subsidies

Table 1.20 indicates that subsidies as a percentage of revenue receipts remained at 0.26 per cent in both the years (2011-12 and 2012-13). However, in absolute terms expenditure on payment of subsidies increased from ₹ 72 crore in 2011-12 to ₹ 80 crore in 2012-13. During the current year the Departments which received subsidy include Co-operation (11 per cent), Industries (79 per cent) and Welfare of Plain Tribes and Backward Classes (10 per cent). The State Government had not made any projection for subsidy in its MTFP during 2012-13.

1.6.5 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 1.23**.

Table 1.23: Financial Assistance to boards and other institutions

Financial Assistance to Institutions	(₹ in crore)					
	2008-09	2009-10	2010-11	2011-12	2012-13	
					Final Grant/Appropriation	Actual
Municipal Corporations/Urban Sewerage Board	9.25	105.41	56.74	112.26	--	94.37
Co-operative Societies and Co-operative Institutions	0.10	0.34	1.00	1.18	8.30	7.88
Universities and Educational Institutions	829.40	955.46	1,539.47	1,602.93	2,392.26	2,239.27
Electricity Companies	3.10	42.24	50.21	69.10	463.68	401.43
Assam State Housing Board (ASHB)	0.08	1.64	0.40	0.46	1.73	2.11
Assam Khadi & Village Industries Board	5.90	11.87	12.18	21.56	27.95	27.01
Urban Development Authority	10.10	13.28	8.37	10.14	14.00	3.58
Autonomous Councils	92.54	102.09	127.58	123.88	642.57	404.88
Other Institutions	191.49	281.52	354.45	175.96*	343.04	244.45*
Total	1,141.96	1,513.85	2,150.40	2,117.47	3,893.53	3,424.98
Assistance as percentage of RE	8.02	7.13	9.37	7.98	13.36	11.75

* Financial assistance to Other Institutions was mainly under (i) Road Transport: ₹ 28.56 crore; (ii) Welfare of SC, ST & OBC: ₹ 80.49 crore; (iii) Agricultural Research & Education: ₹ 29.90 crore and (iv) Capital Outlay on Roads & Bridges: ₹ 47.19 crore.

The total assistance at the end of the year 2012-13 had increased significantly by 200 per cent over the level of 2008-09. Further, the assistance to boards and other institutions as a percentage of total revenue expenditure had also increased from 8.02 per cent in 2008-09 to 11.75 per cent in 2012-13. Financial assistance to universities and educational institutions alone constituted more than 65 per cent of the total assistance of the State Government during 2012-13.

1.6.6 Local Bodies

Major issues relating to Local Bodies, *i.e.*, Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) are summarised in the following paragraphs.

1.6.6.1 Classification of Local Bodies

Panchayati Raj Institutions (PRIs): Consequent upon the 73rd Constitutional Amendment Act, 1992 the Government of Assam had created the Assam Panchayati Raj Act (APA) 1994, replacing the Assam Panchayati Raj Act, 1986. The APA, 1994 provided for a three-tier panchayat system comprising Gaon Panchayat (GP) at the village level, Anchalik Panchayat (AP) at the block level and Zilla Parishad (ZP) at the district level. As of 31 March 2013, there are 20 ZPs, 185 APs and 2,202 GPs in the State.

Urban Local Bodies (ULBs): In consonance with the 74th Constitutional Amendment Act, 1992 the municipal administration in Assam is based on three categories of ULBs as noted below:

- (i) Town Committee (TC) for a transitional or emerging urban area;
- (ii) Municipal Board (MB) for a comparatively small urban area, and
- (iii) Municipal Corporation *i.e.*, Guwahati Municipal Corporation (GMC) for a larger urban area.

As of 31 March 2013, there are 89 ULBs in the State comprising of one Municipal Corporation, 33 MBs and 55 TCs.

1.6.6.2 Financial Profile of Local Bodies

The quantum of funds from own resources (Local Bodies) and assistances provided by way of grants to local bodies during 2008-09 to 2012-13 is presented in **Tables 1.24** and **1.25**.

Table 1.24: Resources of PRI

Source	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Own Revenue (Local Bodies)	14.90	17.03	23.46	NA	NA
State Finance Commission (SFC) transfers	48.60	295.68	119.36	227.96	NA
Central Finance Commission (CFC) transfers	52.60	152.71	73.44	196.01	279.52
Grants for State sponsored schemes	207.82	123.69	341.86	520.73	NA
GOI grants for Centrally Sponsored Schemes	1,184.95	1,712.18	1,684.81	1,323.36	NA
Total	1,508.87	2,301.29	2,242.93	2,268.06	--

Source: Commissioner, P&RD, Assam

NA: Not available

Table 1.25: Resources of ULBs

Source	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Own Revenue	31.77	NA	NA	NA	NA
SFC transfers	48.61	96.15	151.67	189.68	NA
CFC transfers	8.65	24.35	12.04	31.97	37.48
Interest for delayed payment of CFC grants	0	0.84	0	0.11	NA
State sponsored schemes	7.52	33.31	20.54	16.13	NA
GOI grants for Centrally Sponsored Schemes	52.77	88.83	33.27	24.09	15.23
Total	149.32	243.48	217.52	261.98	--

Source: Fourth Assam State Finance Commission Report and information furnished by State Government.

NA: Not available

Sharp decline in receipts under Centrally Sponsored Schemes during 2010-11 and 2011-12 in comparison to previous years was mainly due to deduction of central share for less/non-utilisation of funds by both PRIs and ULBs.

1.6.6.3 Devolution of functions, functionaries and fund (3Fs) to PRIs and ULBs

The 73rd and 74th Constitutional amendment gave the constitutional status to PRIs and ULBs and established a system of uniform structure, holding of regular elections, regular flow of funds through Finance Commissions, etc. As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable them to function as institutions of self-government. In particular, the PRIs and ULBs are required to prepare plans and implement schemes for economic development and social justice including those enumerated in the Schedule XI and XII of the Constitution.

- In June 2007, Government of Assam (GOA) issued notification regarding activity mapping for 23 subjects out of 29 as listed in Schedule XI of the Constitution for devolution of 3Fs to the PRIs. Following the activity mapping which defined the functions and functionaries that are to be devolved to each tier of PRIs, Government orders were issued for devolution in respect of only seven subjects out of 23 notified. Orders are yet to be issued in respect of remaining already notified subjects. Further, activity mapping in respect of remaining six subjects are yet to be completed.
- GOA amended (May 2011) the Assam Municipal Act (AMA), 1956, which provided for transfer of 3Fs to ULBs relating to 18 subject listed in the Twelfth Schedule of the Constitution and also for the constitution of a committee under the Chairmanship of Minister in charge, Urban Development Department to monitor the matter for early and smooth transfer of 3Fs.

Thus, in case of ULBs, the process of decentralisation has just been initiated with the recent amendment of AMA.

- For devolution of fund, GOA created a panchayat/municipality window in the State Budget earmarking every year substantial outlays under Plan and Non-plan in the revenue account for panchayats and municipalities. In the absence of suitable administrative machinery due to non-transfer of 3Fs to PRIs and ULBs the amount earmarked was spent through the functionaries of the respective line departments.

Thus, the objective of creating the panchayat/municipality window in the State Budget was frustrated due to lack of effective and prompt action on the part of the Government to implement its own decisions on devolution of 3Fs to the local bodies.

1.6.6.4 Accounting and Auditing Arrangement

Accounting Arrangement: The GOA accepted the Model Accounting System prescribed by Ministry of Panchayati Raj (MoPR) in consultation with

the C&AG of India for PRIs and accordingly amended the Assam Panchayat (Financial) Rules 2002. However, neither the formats for preparation of Monthly and Annual Accounts, as prescribed by the C&AG of India, were incorporated in the Assam Panchayat (Financial) Rules 2002 nor was any provision made in the said Rules for preparation and submission of monthly and annual accounts.

However, the accounts of PRIs are not maintained as per the prescribed format. In absence of accounts the actual financial position of PRIs could not be ascertained.

Assam Municipal (Accounts) Rules 1961 framed under AMA, 1956, provides for maintenance of accounts of municipalities on cash basis and does not prescribe formats for preparation of annual accounts by ULBs. The State Government, in the line of National Municipal Accounting Manual (NMAM), prepared the draft State Municipal Accounting Manual (SMAM) in July 2010, which is based on accrual based accounting system and amended the AMA, 1956 in May 2011, to provide for maintenance of accounts on accrual basis and preparation of Receipt and Payment Accounts, Income and Expenditure Account and the Balance Sheet.

However, the accounts of ULBs continued to be maintained on cash basis and thereby true and fair view of financial affairs of ULBs and their assets and liabilities were not disclosed.

Auditing Arrangement: As per recommendation of FC-XIII, the GOA had entrusted the audit of accounts of PRIs and ULBs to the C&AG under Section 20 (1) of the CAG's (DPC) Act, 1971 under standard terms and conditions of Technical Guidance and Support (TGS) module (May 2011). Accordingly, the CAG conducts audit of PRIs and ULBs in the State.

1.6.6.5 Reporting Arrangement

Audit findings of test-check of accounts of LBs conducted by the CAG are presented in the form of Annual Technical Inspection Reports (ATIRs). ATIRs on LBs for the years 2004-05 to 2011-12 have been submitted to the State Government. It was for the first time that ATIR for the year 2009-10 was laid before the State Legislature on 19 December 2011. Subsequent two ATIRs i.e., ATIRs for the year 2010-11 and 2011-12 have also been laid before the State Legislature on 04 April 2013 and 19 July 2013 respectively.

Government of Assam had constituted (October 2012) Local Fund Accounts Committee (LFAC) to discuss the ATIRs on LBs. As of December 2013, only ATIR for the year 2009-10 was discussed by the LFAC. Moreover, Action Taken Report (ATR) on the ATIRs submitted to Government is still awaited.

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure.

1.7.1 Adequacy 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 rationalisation measures and lay emphasis on provision of core public and merit goods. Apart from improving the allocation towards development expenditure⁹, 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 1.26** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years, **Table 1.27** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

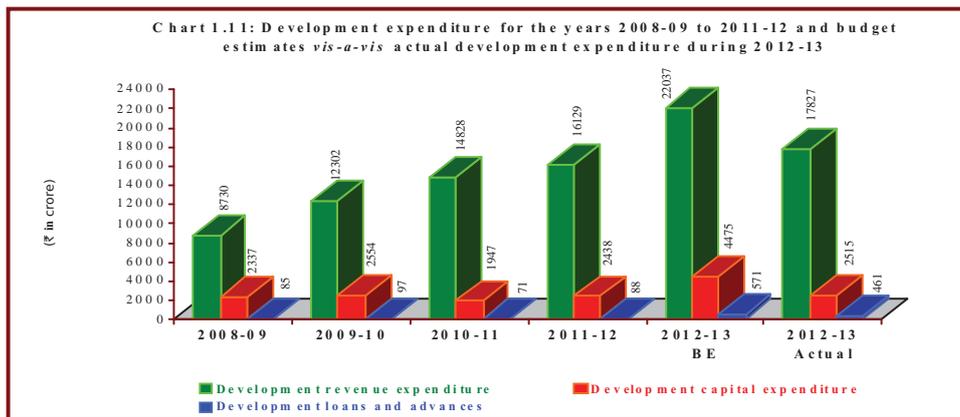
Table 1.26: Development Expenditure

Components of Development Expenditure	2008-09	2009-10	2010-11	2011-12	₹ in crore)	
					2012-13	
					BE	Actual
Development Expenditure (a to c)	11,152 (67)	14,953 (62)	16,846 (67)	18,655 (64)	27,083 (63)	20,803 (65)
a. Development Revenue Expenditure	8,730 (52)	12,302 (51)	14,828 (59)	16,129 (55)	22,037 (51)	17,827 (55)
b. Development Capital Expenditure	2,337 (14)	2,554 (11)	1,947 (8)	2,438 (8)	4,475 (10)	2,515 (8)
c. Development Loans and Advances	85 (1)	97 (-)	71 (-)	88 (1)	571 (2)	461 (2)

Figures in parentheses indicate percentage to aggregate expenditure

The share of development expenditure to aggregate expenditure exhibited relative stability during the period 2008-13 and increased in 2012-13 by ₹ 2,148 crore (11.51 *per cent*) over the previous year. During the current year, though the State Government earmarked 63 *per cent* of the estimated aggregate expenditure for development expenditure, this assessment was exceeded by two *per cent* at the end of the year. The relative share of development expenditure to total expenditure during 2008-13 is presented in **Chart 1.11**.

⁹ The 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 categorised 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.



The development revenue expenditure increased by ₹ 1,698 crore (10.53 per cent) from ₹ 16,129 crore in 2011-12 to ₹ 17,827 crore in 2012-13. The increase under social services was ₹ 1,152 crore and under economic services was ₹ 546 crore. The actual development revenue expenditure was less than the State's projection in budget by ₹ 4,210 crore.

The development capital expenditure increased by ₹ 77 crore (3.16 per cent) from ₹ 2,438 crore in 2011-12 to ₹ 2,515 crore in 2012-13. The increase of ₹ 77 crore in development capital expenditure was due to increase of expenditure in economic services by ₹ 63 crore and expenditure under social services by ₹ 14 crore.

The development loans and advances increased by ₹ 373 crore from ₹ 88 crore in 2011-12 to ₹ 461 crore in 2012-13. The actual development loans and advances was also less than the State's projection in budget by ₹ 110 crore.

1.7.2 Efficiency of Expenditure Use

Table 1.27: Efficiency of expenditure use in selected social and economic services

(In per cent)

Social/ Economic Infrastructure	2011-12			2012-13		
	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 [¥]
Social Services (SS)						
Education, Sports, Art and Culture	--	19.91	0.28	0.03	21.20	0.41
Health and Family Welfare	0.61	3.41	0.67	0.72	3.54	0.77
Water Supply, Sanitation & Housing & Urban Development	15.76	1.15	2.49	19.17	1.20	1.99
Other Social Services	0.02	1.93	0.10	--	2.01	2.33
Total (SS)	1.39	26.40	3.54	1.38	27.95	5.50
Economic Services (ES)						
Agriculture & Allied Activities	1.79	2.87	2.08	0.63	3.49	1.72
Irrigation and Flood Control	60.02	1.89	0.48	53.48	1.90	0.80
Special Areas Programmes	66.33	0.04	--	78.92	0.01	--
Transport	48.88	1.82	7.10	52.92	1.90	2.13
Other Economic Services	13	1.43	0.39	16.03	1.45	0.58
Total (ES)	32.79	8.05	10.05	30.99	8.75	5.23

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation & Maintenance.

[@]Total revenue and capital expenditure of the services concerned. [¥] Appendix XII of Finance Accounts.

The trends presented in **Table 1.27** reveal that the percentage of capital expenditure on social services to total expenditure on social services decreased marginally from 1.39 *per cent* in 2011-12 to 1.38 *per cent* in 2012-13 and percentage of capital expenditure on economic services to total expenditure decreased from 32.79 *per cent* in 2011-12 to 30.99 *per cent* in 2012-13. The decrease was mainly under agriculture & allied activities and irrigation and flood control under economic services.

The share of salary and wages in revenue expenditure on social services increased from 26.40 *per cent* in 2011-12 to 27.95 *per cent* in 2012-13 and the share of salary and wages in revenue expenditure on economic services also increased from 8.05 *per cent* in 2011-12 to 8.75 *per cent* in 2012-13. The increase was mainly under education, sports, art and culture under social services and agriculture and allied activities under economic services.

The share of operations and maintenance in revenue expenditure on social services increased from 3.54 *per cent* in 2011-12 to 5.50 *per cent* in 2012-13 while the share of operations and maintenance in revenue expenditure on economic services decreased from 10.05 *per cent* in 2011-12 to 5.23 *per cent* in 2012-13. The decrease was mainly under water supply, sanitation, housing and urban development under social services and agriculture & allied services and transport under economic services.

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

(A) Impact of expenditure on various Sectors

Appendix 1.5 depicts the progress achieved during 2012-13 as compared to 2011-12 in various sectors. In the health sector, the number of allopathic dispensaries increased from 239 to 242 and that of primary health centres from 73 to 204 during the year. Further, the number of civil hospitals also increased from 22 to 25. In the education sector, so far as enrollment of students in schools is concerned, it increased marginally in lower primary schools but decreased in upper primary level. In Power Sector, the rural electrification improved marginally from 94 *per cent* in 2011-12 to 94.5 *per cent* in 2012-13. During the period, generation of power decreased but its consumption increased substantially. In the Irrigation Sector, 0.20 lakh hectares new irrigation potential was created and the total irrigation potential of the State increased from 8.12 lakh hectares in 2011-12 to 8.32 lakh hectares 2012-13.

(B) Performance Audit of Accelerated Irrigation Benefits Programme

Besides the above, a Performance Audit of Accelerated Irrigation Benefits Programme (AIBP) was included in the Audit Report on Social, General and

Economic (Non-PSUs) Sectors for the year ended 31 March 2013. The effectiveness of the expenditure as brought out in the review taken up during 2012-13 covering the period from 2008-13 is summarised below.

AIBP was launched (1996-97) with the main objective of accelerating the completion of ongoing irrigation/ multipurpose projects on which substantial investment had already been made and were beyond the resource capability of the State Governments. Subsequently Minor Irrigation Projects (MIPs) were included for implementation under AIBP in 1999-2000. Eleven major¹⁰/medium¹¹ and 1,383 minor irrigation projects (MIPs)¹² were included under AIBP in the State (up to 2012-13) of which, seven major/medium (64 *per cent*) and 712 minor irrigation projects (51 *per cent*) were completed up to March 2013. Against the targeted potential of 1,344.70 thousand hectare, irrigation potential of 380.77 thousand hectare (28 *per cent*) could only be created (March 2013) since inception of the scheme in the State.

During 2008-13, irrigation potential of 258.45 thousand Ha (26 *per cent*) was achieved against the target of 985.47 thousand Ha. Implementation of the programme suffered due to lack of proper survey and investigation before selection of the projects, non-release/delay in release of funds, land acquisition problems, taking up of new projects without completing the ongoing projects etc.

1.8 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.

¹⁰ Major irrigation projects have a Culturable Command Area of more than 10,000 hectares.

¹¹ Medium irrigation projects have a Culturable Command Area of 2,000 -10,000 hectares.

¹² Minor irrigation projects have a Culturable Command Area up to 2,000 hectares.

1.8.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2013 is given in **Table 1.28**.

Table 1.28: Department-wise profile of Incomplete Projects

Department	No. of Incomplete Projects	Initial Budgeted Cost	Cost Overrun	(₹ in crore)
				Cumulative actual expenditure (March 2013)
Public Works (Roads)	22	86.73	--	38.92
Public Works (Buildings)	2	168.75	11.53*	20.69
Public Health Engineering	10	77.57	293.88**	156.68
Irrigation	30	165.73	--	87.39
Water Resources	3	28.75	--	9.43
Inland Water Transport	2	12.92	--	2.85
Total	69	540.45	305.41	315.96

Source: Finance Accounts 2012-13.

* Cost Overrun of one incomplete project of PW (Building)
(initial budget cost: ₹83.35 crore; revised cost: ₹94.88 crore).

** Cost Overrun of one incomplete project of PHE
(initial budget cost: ₹15.34 crore; revised cost: ₹309.22 crore).

As on 31 March 2013 there were 69 incomplete projects (total cost more than ₹ one crore of each project) which were due to be completed by March 2013 in which ₹ 315.96 crore was blocked. Of these, 49 projects involving ₹ 255.22 crore remained incomplete for less than three years and seven projects involving an amount of ₹ 29.96 crore remained incomplete for periods ranging from three to five years. Details in respect of 13 projects involving ₹ 30.78 crore were not available. The revised cost of two incomplete projects increased by 309.46 per cent from ₹ 98.69 crore (initial budgeted cost) to ₹ 404.10 crore (total revised cost) and resulted in cost overrun of ₹ 305.41 crore.

Due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State.

1.8.2 Investment and returns

As on 31 March 2013, Government had invested ₹ 2,213 crore in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies (**Table 1.29**). The average return on this investment was 0.53 per cent while the Government paid an average interest rate of 6.57 per cent on its borrowings during 2012-13.

Table 1.29: Return on Investment

		(₹ in crore)				
		2008-09	2009-10	2010-11	2011-12	2012-13
1		2	3	4	5	6
(a)	Statutory Corporations (No. of concerns)	1,824.60 (4)	1,858.20 (4)	1,874.10 (4)	1,895.70 (4)	1,911.13 (4)
(b)	Rural Banks (No. of concerns)	8.40 (1)	10.54 (1)	11.16 (1)	11.16 (1)	11.16 (1)
(c)	Joint Stock Companies (No. of concerns)	18.04 (15)	18.04 (15)	18.04 (15)	18.04 (15)	18.04 (15)
(d)	Co-operatives (No. of concerns)	92.65 (18)	100.16 (18)	104.04 (18)	107.33 (18)	109.83 (18)
(e)	Government Companies (No. of concerns)	135.43 (24)	158.48 (24)	158.48 (24)	162.61 (24)	162.80 (24)
Total Investment		2,079.12	2,145.42	2,165.82	2,194.84	2,212.97
Return (₹ in crore)		19.45	14.92	14.98	13.64	11.64
Return (<i>per cent</i>)		0.94	0.70	0.69	0.62	0.53
Average rate of interest on Government borrowing (<i>per cent</i>)		6.76	6.83	6.58	6.78	6.57
Difference between interest rate and return (<i>per cent</i>)		5.82	6.13	5.89	6.16	6.04

During the last five years, *i.e.*, 2008-13, the State Government's investments had increased by ₹ 133.85 crore. During the current year, Government has invested ₹ 15.43 crore in Statutory Corporations, ₹ 2.50 crore in Co-operative Societies and ₹ 0.19 crore in Government Companies. The increase in investments of ₹ 15.43 crore in Statutory Corporations during 2012-13 was on account of increased capital contribution to Assam Financial Corporation (₹ 10 crore) and Assam State Transport Corporation (₹ 5.43 crore).

Out of four Statutory Corporations, three were incurring losses and their accumulated losses amounted to ₹ 579.26 crore¹³. Similarly, out of 24 Government Companies in the State, 18 companies were also incurring losses and their accumulated losses amounted to ₹ 316.07 crore. The major loss incurring organisations are Assam Industrial Development Corporation Ltd., (Investment: ₹ 29.71 crore; Loss: ₹ 123.94 crore), Assam State Textile Corporation Ltd., (Investment: ₹ 4.78 crore; Loss: ₹ 53.61 crore), Assam Seed Corporation Ltd., (Investment: ₹ 1.25 crore; Loss: ₹ 24.70 crore), Assam Tea Corporation Ltd., (Investment: ₹ 8.07 crore; Loss: ₹ 55.10 crore) and Assam Mineral Development Corporation Ltd., (Investment: ₹ 8.41 crore; Loss: ₹ 5.58 crore).

1.8.3 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 institutions/ organisations. **Table 1.30** presents the outstanding loans and

¹³ Assam State Ware-housing Corporation: ₹ 9.50 crore (as on 31-03-2008);
Assam State Transport Corporation (ASTC): ₹ 569.76 crore (as on 31-03-2010).

advances as on 31 March 2013, interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.30: Average Interest received on Loans Advanced by the State Government

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Opening Balance	2,824	2,878	2,944	2,987	3,054
Amount advanced during the year	89	99	71	88	461
Amount recovered during the year	35	33	28	21	7
Closing Balance	2,878	2,944	2,987	3,054	3,508
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	--	--	--	--	--
Net addition	54	66	43	67	454
Interest Receipts	81	12	8	11	27
Interest receipts as <i>per cent</i> to outstanding Loans and advances	2.81	0.41	0.27	0.36	0.77
Average rate of interest on Government borrowing (<i>per cent</i>)	6.76	6.83	6.58	6.78	6.57
Difference between interest payments and interest receipts (<i>per cent</i>)	3.95	6.42	6.31	6.42	5.80

The total amount of outstanding loans and advances as on 31 March 2013 was ₹ 3,508 crore. The amount of loans disbursed during the year increased by 424 *per cent* from ₹ 88 crore in 2011-12 to ₹ 461 crore in 2012-13. The unprecedented increase was mainly due to disbursement of loans of ₹ 401 crore to the Assam Power Distribution Company Ltd. Out of the total amount of loans advanced during the year, ₹ 4.25 crore went to social services, ₹ 453.27 crore to economic services and ₹ 3.12 crore to Government servants. Under social services, major portion of loan went to Urban Development (57.41 *per cent*), Housing (34.82 *per cent*) and in economic services, the major portion of loans went to Power Projects (88.56 *per cent*) followed by others (11.44 *per cent*). However, recovery of loans and advances decreased from ₹ 21 crore in 2011-12 to ₹ seven crore in 2012-13 mainly on account of decrease in recoveries from Government Servants (₹ seven crore). Interest received against the loans and advances increased by 145 *per cent* from ₹ 11 crore in 2011-12 to ₹ 27 crore in 2012-13. During 2012-13, only 0.23 *per cent* of outstanding loans were repaid by Institutions/ Organisations/ Government servants and fresh loans and advances (₹ 411 crore) were also made during the year to the five loanee entities¹⁴ from whom repayments of earlier loans (₹ 1,092 crore) were in arrears.

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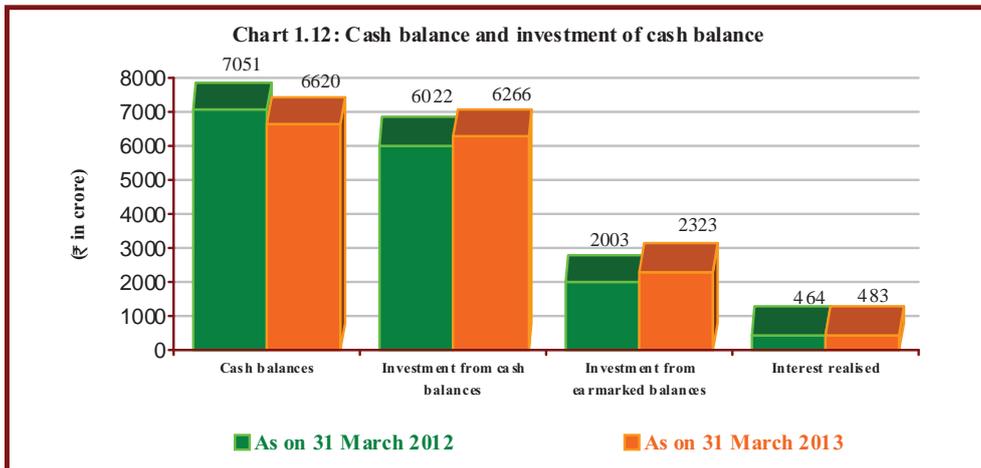
1. Assam Urban Water Supply and Sewerage Development Board	: ₹	32.73 crore
2. Assam Tea Corporation Ltd.	: ₹	3.91 crore
3. Assam Hills Small Industries Development Corporations	: ₹	20.08 crore
4. Assam Plantation Crops Development Corporations Ltd.	: ₹	0.75 crore
5. Assam Power Distribution Company Ltd.	: ₹	1,034.36 crore
Total	: ₹	1,091.83 crore

1.8.4 Cash Balances and Investment of Cash Balances

Table 1.31 and Chart 1.12 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.31: Cash balances and investment of cash balances

	(₹ in crore)	
	Opening balance on 01-04.2012	Closing balance on 31.03.2013
General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	(-) 989.13	(-) 1,987.89
Deposits with other Banks	0.00	0.00
Remittances in transit □Local	0.00	0.00
Total	(-) 989.13	(-) 1,987.89
Investments held in Cash Balance investment account	6,022.05	6,266.41
Total (a)	5,032.92	4,278.52
Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	14.70	18.32
Permanent advances for contingent expenditure with department officers	0.45	0.46
Investment of earmarked funds	2,003.28	2,322.71
Total (b)	2,018.43	2,341.49
Total (a) + (b)	7,051.35	6,620.01
Interest realised	464.44	483.26



Cash balances of the State Government at the end of the current year decreased from ₹ 7,051 crore in 2011-12 to ₹ 6,620 crore in 2012-13. The State Government had invested ₹ 6,266 crore in GOI Treasury Bills and ₹ 0.85 crore in GOI Securities and earned an interest of ₹ 483 crore during 2012-13. Further, the Government invested ₹ 2,323 crore in Sinking Fund and Development and

Welfare Fund as of March 2013. The interest receipts against investment on cash balance was 7.71 per cent during 2012-13 while Government paid interest at the rate of 6.57 per cent only on its borrowings during the year.

1.9 Assets and Liabilities

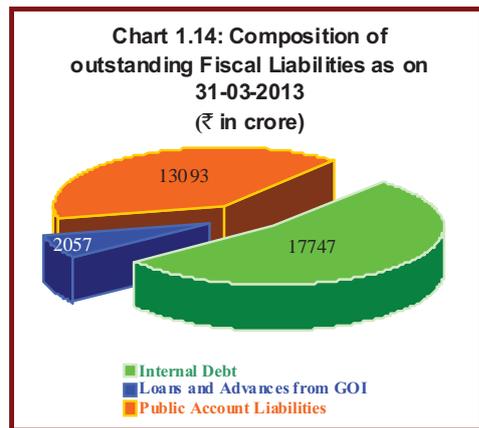
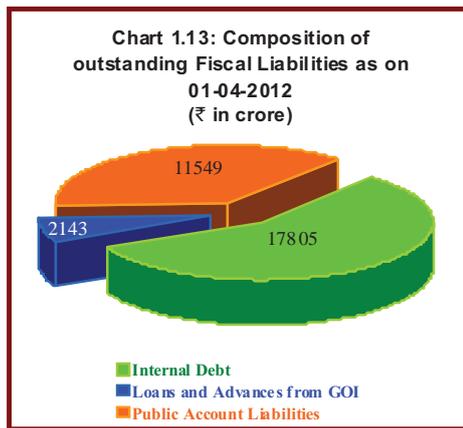
1.9.1 Growth and composition of Assets and Liabilities

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 1.7* gives an abstract of such liabilities and assets as on 31 March 2013 compared with the corresponding position as on 31 March 2012. While the liabilities shown in the Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances.

According to the Assam FRBM 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.

1.9.2 Fiscal Liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.13** and **1.14**.



The trends in outstanding fiscal liabilities of the State are presented in *Appendix 1.4*. **Table 1.32** shows 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 and also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.32: Fiscal Liabilities-Basic Parameters

	2008-09	2009-10	2010-11	2011-12	2012-13
Fiscal Liabilities [#] (₹ in crore)	25,234	28,465	29,693	31,497	32,897
Rate of Growth (<i>per cent</i>)	15.38	12.80	4.31	6.08	4.44
Ratio of Fiscal Liabilities to:					
GSDP (<i>per cent</i>)	31.12	29.66	26.40	24.89	22.91
Revenue Receipts (<i>per cent</i>)	139.59	143.16	129.07	114.72	107.19
Own Resources (<i>per cent</i>)	392.93	367.76	357.62	299.83	306.76
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (ratio)	1.093	0.890	0.354	0.555	0.330
Revenue Receipts (ratio)	0.856	1.280	0.274	0.314	0.377
Own Resources (ratio)	0.910	0.623	0.592	0.229	2.135

[#] 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 6.07 *per cent* during the period 2008-13. During the current year, the fiscal liabilities of the State Government increased by ₹ 1,400 crore from ₹ 31,497 crore in 2011-12 to ₹ 32,897 crore in 2012-13. The increase in fiscal liabilities was mainly due to increase in the Public Account liabilities (₹ 1,544 crore) which was however, offset by decrease in the internal debt (₹ 58 crore) and loans and advances from the GOI (₹ 86 crore). The ratio of fiscal liabilities to GSDP has improved and come down from 24.89 *per cent* in 2011-12 to 22.91 *per cent* in 2012-13 which was well within 25 *per cent*, the norms prescribed by the FC-XIII. The fiscal liabilities stood at nearly 1.07 times of the revenue receipts and three times of the State's own resources at the end of 2012-13. The buoyancy of the liabilities with respect to GSDP during the year was 0.33 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.33 *per cent*. The State Government had set up the sinking fund in line with the recommendations of the Twelfth Finance Commission (TFC) for amortisation of market borrowings as well as other loans and debt obligations. As on 31 March 2013, the balance in the sinking fund was ₹ 2,309.11 crore. During 2012-13, ₹ 299.01 crore had been invested in the sinking fund.

1.9.3 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 had 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.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are shown in **Table 1.33**.

Table 1.33: Guarantees given by the Government of Assam

Guarantees	(₹ in crore)		
	2010-11	2011-12	2012-13
Maximum amount guaranteed	652	652	599
Outstanding amount of guarantees including interest	247	259	114
Percentage of maximum amount guaranteed to total revenue receipts	2.83	2.37	1.95
Criteria as per the Assam Fiscal Responsibility and Budget Management Act, 2005.	State Government guarantees shall be restricted at any point of time to 50 <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 Principal Accountant General (A&E).		

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 invoked by the beneficiaries. The accumulations in the Fund would be utilised only towards 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 Principal Accountant General (A&E). During 2012-13, the State Government contributed ₹ 19.74 crore to the Fund, which had been invested. No guarantees were invoked during the year. As on 31 March 2013, the total amount lying in the Fund was ₹ 20.41 crore and the entire amount had been invested.

Government had guaranteed loans raised by various Corporations and others which at the end of 2012-13 stood at ₹ 114 crore. It was 1.37 *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, ₹ 58.26 crore (51 *per cent*) pertained to Power sector.

1.10 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation; sufficiency of non-debt receipts; net availability of borrowed funds; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.34** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2008-09.

Table 1.34: Debt Sustainability: Indicators and Trends

(₹ in crore)					
Indicators of Debt sustainability	2008-09	2009-10	2010-11	2011-12	2012-13
Debt Stabilisation {Quantum Spread + Primary Deficit (-)/ Surplus (+)}	989+3,000 = 3,989	1,196+ (-) 2,210 = (-) 1,014	1,817+(-) 79 = 1,738	1,313+428 = 1,741	2,263+598 = 2,861
Sufficiency of Non-debt Receipts (Resource Gap)	(+) 617	(-) 5,450	(+) 2,052	(+) 345	(+) 129
Net Availability of Borrowed Funds	(+) 1,771	(+) 1,398	(-) 682	(-) 1,238	(-) 1,765
Burden of Interest Payments (IP/RR Ratio)	8.81	9.22	8.31	7.55	6.89
IP/Own Tax Ratio	38.39	36.76	32.24	27.15	19.72
Maturity Profile of State					
0 □ 1 Year	1,246.50	340.32	432.61	453.59	475.30
1 □ 3 Years	1,850.85	1,527.30	1,843.08	2,312.18	2,055.47
3 □ 5 Years	2,806.13	2,646.25	2,620.42	2,546.94	2,868.46
5 □ 7 Years	2,671.10	2,523.26	2,863.98	3,099.21	2,439.83
7 Years and above	9,263.12	11,983.29	12,382.27	11,536.67	11,965.13

Table 1.34 reveals that quantum spread together with primary deficit/surplus was positive in 2008-09 but turned negative in 2009-10. However, it turned positive in the year 2010-11 and maintained it in the years 2011-12 and 2012-13 indicating that the debt-GSDP ratio was stable. The sum of quantum spread and primary deficit at ₹ 2,861 crore during 2012-13 was a positive sign towards fiscal balances 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. Except during 2009-10, the State had a positive resource gap in all the years from 2008-09 to 2012-13. The positive resource gap at ₹ 345 crore in 2011-12 had decreased to ₹ 129 crore in 2012-13. However, the incremental non-debt receipts were sufficient to cover incremental interest liabilities and incremental primary expenditure during 2012-13. The positive resource gap during 2012-13 strengthened the capacity of the State to sustain the debt in the medium to long term.

The Public Debt Receipts of the State decreased from ₹ 2,878 crore in 2008-09 to ₹ 1,388 crore in 2012-13 at an annual average rate of 10.35 *per cent*. However, the Public Debt Receipts increased significantly by 46 *per cent* (₹ 436 crore) from ₹ 952 crore in 2011-12 to ₹ 1,388 crore in 2012-13. So far as year-end cash balance of the State is concerned, it decreased by ₹ 431 crore from ₹ 7,051 crore in 2011-12 to ₹ 6,620 crore in 2012-13.

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 ranged between a meagre eight and 14 *per cent* during the period from 2008-09 to 2012-13.

In view of the comfortable cash balances, the State may consider to defer and/or resort to more need based borrowing programmes 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 by realistic assessment of cash needs with effective cash management for better synchronisation of cash inflows and outflows. This would at the same time curb unwarranted build-up of cash surplus as well.

1.11 Market Borrowings

Market borrowings are controlled by the Central Government and are managed by the Reserve Bank of India (RBI). The Reserve Bank of India manages the domestic borrowings of each State through separate agreements with them. The Central Government fixes the ceiling limit of market borrowing for each State on yearly basis. The State Government is at liberty to borrow money within the ceiling limit. The States should endeavour to maintain the balance between revenue receipts and revenue expenditure and use capital receipts including borrowings only for generation of productive assets.

1.11.1 Borrowing against ceiling

As a part of the exercise to bring about debt sustainability over the medium term and to keep State's debt to a prudential level, annual borrowing ceiling for each State is fixed by the Government of India. The position of State's market borrowing against ceiling fixed by Central Government is shown below in **Table 1.35**.

Table 1.35: Borrowing against ceiling

Description	(₹ in crore)				
	2008-09	2009-10	2010-11	2011-12	2012-13
Ceiling fixed by Central Government	3,689	3,223	2,951	3,447	3,115
Amount of loan raised	2,506	1,910	800	0	300

It is clear from above table that the actual market borrowings raised by the State Government during 2008-13 were much below the ceiling fixed by the Central Government.

1.11.2 Profile of market loans

Details of market loans taken, discharged and outstanding during 2008-13 were indicated in **Table 1.36**.

Table 1.36: Profile of market loans raised, repayments and outstanding balance

(₹ in crore)					
Year	Opening balance	Amount raised	Amount repaid	Closing balance	Net increase(+)/ decrease(-)
2008-09	7,841	2,506	491	9,856	2,015
2009-10	9,856	1,910	504	11,262	1,406
2010-11	11,262	800	500	11,562	300
2011-12	11,562	0	655	10,907	(-) 655
2012-13	10,907	300	996	10,211	(-) 696
Total		5,516	3,146		

Source: Finance Accounts

It would be seen from **Table 1.36** that during the period 2008-13, the State Government borrowed ₹ 5,516 crore from the open market and repaid ₹ 3,146 crore during the years resulting in net addition to the liability of the State amounting to ₹ 2,370 crore during the period. Interest rates on the market borrowings ranged between 8.40 per cent and 8.95 per cent during 2008-13. Total internal debt of the State at the end of 31 March 2013 stood at ₹ 17,747 crore including market loan of ₹ 10,211 crore.

1.11.3 Cash balance investment

The position of the cash balance investment account during 2008-13 is detailed in **Table 1.37**.

Table 1.37: Year wise position of cash balance investment account

(₹ in crore)				
Year	Opening Balance	Closing Balance	Interest received on investment	Interest paid on market loan
2008-09	4,793	9,034	352	635
2009-10	9,034	7,834	482	792
2010-11	7,834	6,952	408	901
2011-12	6,952	7,051	465	925
2012-13	7,051	6,620	483	874

Source: Finance Accounts

It can be seen from the above that balance of the cash balance investment account was on a decreasing trend during 2008-13.

1.11.4 State's Fiscal position and market borrowing

Table 1.38 indicates the fiscal position of the State at the end of each year as well the market borrowings raised and capital expenditure incurred by the State Government during 2008-13.

Table 1.38: Market borrowing and capital expenditure

(₹ in crore)

Year	Revenue Surplus/ deficit	Cash Balance at the end of year	Market borrowing Amount	Actual capital expenditure	Date of market borrowings
2008-09	(+) 3,834	9,034	2,506	2,373	12.3.2009 & 25.3.2009
2009-10	(-) 1,348	7,834	1,910	2,629	3.2.2010 & 24.2.2010
2010-11	(+) 53	6,952	800	2,001	3.3.2011
2011-12	(+) 927	7,051	Nil	2,506	--
2012-13	(+) 1,554	6,620	300	2,617	5.9.2012

From the above table, it can be seen that except for the year 2009-10, the State had revenue surplus during 2008-13. Further, it is also clear that year ending cash balance of the State ranged between ₹ 6,620 crore and ₹ 9,034 crore during the period indicating sufficient cash balance. Despite having revenue surplus (except 2009-10) and sufficient cash balance during 2008-13, the State resorted to fresh market borrowings in four years during the period with no borrowing in 2011-12. Those borrowings added to interest burden of the State. As such, the State Government could have avoided borrowings at a higher rate of interest (8.40 per cent and 8.95 per cent) especially from open market in some of the years.

Thus, market borrowings without proper assessment of requirements would result in additional interest burden.

1.12 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 account 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 2012-13.

1.12.1 Trends in Surplus/Deficit

Charts 1.15 and **1.16** present the trends in deficit indicators over the period 2008-13.

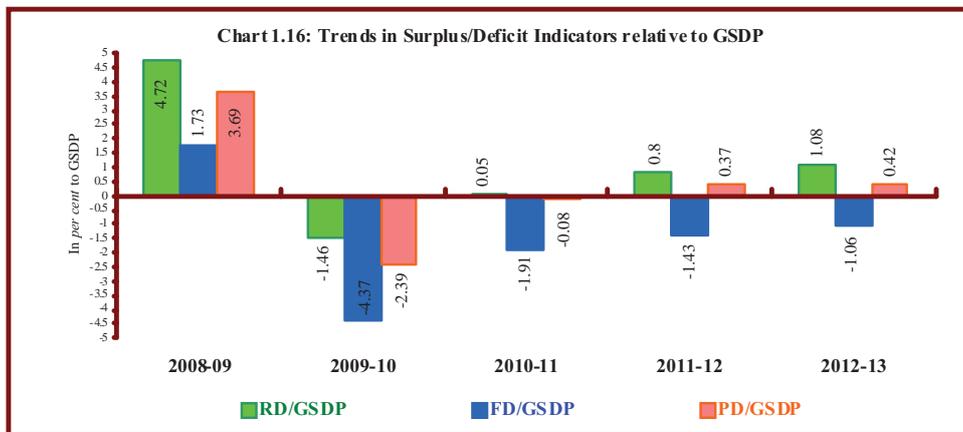
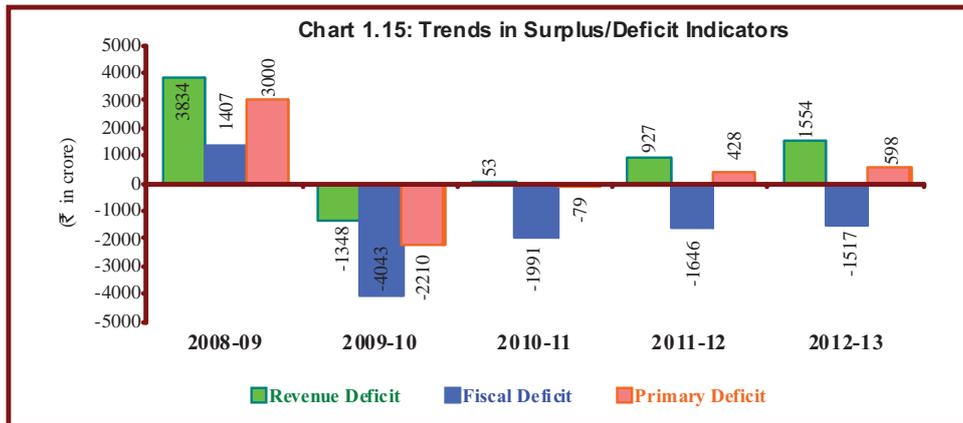


Chart 1.15 reveals that the State had a revenue surplus during 2008-09 but the surplus turned into deficit in the years 2009-10 and 2010-11. However, the State again attained revenue surplus in 2011-12 and 2012-13. The surplus in revenue account (₹ 1,554 crore) during the current year was mainly on account of increase in revenue receipts by ₹ 3,236 crore (11.79 per cent) against an increase of ₹ 2,609 crore (9.83 per cent) in revenue expenditure over the previous year. The increase in revenue account (₹ 3,236 crore) in the current year was on account of sufficient growth rate of 17.80 per cent (₹ 3,017 crore) in central transfers and two per cent (₹ 219 crore) in State's own resources.

The fiscal deficit which represents the total borrowings of the Government and its total resource gap improved marginally and decreased to the level of ₹ 1,517 crore in 2012-13 from fiscal deficit of ₹ 1,646 crore in 2011-12. This was the result of increase of ₹ 874 crore in revenue surplus as well as marginal decrease of ₹ 14 crore in non-debt capital receipts along with increase of ₹ 111 crore in capital expenditure and ₹ 373 crore in net disbursement of loans and advances in 2012-13.

During 2008-09 the State had primary surplus which took a turnaround and became primary deficit during the years 2009-10 and 2010-11. Subsequently, the State again came back to the path of having primary surplus and attained ₹ 428 crore and ₹ 598 crore as primary surplus during the years 2011-12 and

2012-13 respectively. Reduction of ₹ 129 crore in fiscal deficit and an increase of ₹ 41 crore in interest payment resulted in increase in primary surplus of ₹ 170 crore from 2011-12 to 2012-13.

1.12.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.39**.

Table 1.39: Components of fiscal deficit and its financing pattern

Particulars		(₹ in crore)				
		2008-09	2009-10	2010-11	2011-12	2012-13
1	2	3	4	5	6	
Decomposition of Fiscal Deficit (FD/GSDP) Deficit (+)/Surplus (-)		(-) 1,407 (1.74)	4,043 (4.36)	1,991 (1.91)	1,646 (1.43)	1,517 (1.06)
1	Revenue Deficit	(-) 3,834	1,348	(-) 53	(-) 927	(-) 1,554
2	Net Capital Expenditure	(+) 2,373	(+) 2,629	(+) 2,001	(+) 2,506	(+) 2,617
3	Net Loans & Advances	(+) 54	(+) 66	(+) 43	(+) 67	(+) 453
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	(+)2,014.77	(+)1,405.45	(+) 300.03	(-)654.77	(-) 696.40
2	Loans from GOI	(-) 68.88	(-) 293.19	(-) 107.69	(-) 95.21	(-) 86.62
3	Special Securities Issued to NSSF	(+) 17.37	(+) 24.79	(+) 860.47	(+)474.85	(+)643.25
4	Loans from Financial Institutions	(+) 133.46	(+) 46.40	(+) 69.12	(+) 81.36	(-) 4.62
5	Small Savings, PF etc.	(+) 390.23	(+) 489.55	(+) 540.41	(+)634.98	(+) 807.52
6	Deposit & Advances	(+) 30.47	(+) 568.13	(-) 728.61	(+)437.17	(+) 413.21
7	Suspense and Misc.	(-)3,549.14	(+) 980.13	(+)1613.13	(+) 34.76	(-) 404.99
8	Remittances	(+) 99.12	(-) 164.64	(+) 27.97	(-) 50.84	(-) 35.27
9	Reserve Fund	(-) 109.97	(+) 413.92	(-) 153.12	(+) 67.87	(-) 118.35
10	Decrease/increase in cash balance with RBI	(-) 364.21	(+) 573.61	(-) 431.16	(+) 15.88	(+) 998.76
11	Others	-	(-) 0.74	-	-	-

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

It can be seen from **Table 1.39** that there was fiscal surplus during the year 2008-09 but it took a turnaround from 2009-10 and became fiscal deficit during the years 2009-10 to 2012-13. During 2012-13, the fiscal deficit was mainly financed by Special Securities issued to NSSF, Small Savings, PF etc., and Deposits and Advances.

The increase in capital expenditure indicated that borrowed funds were being utilised for productive uses more than that of previous year and the Government should continue this trend as 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.

1.12.3 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, persistent 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 1.40**) 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 1.40: 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)
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
2010-11	23,033	21,040	2,001	71	23,112	(+) 1,993	(-) 79
2011-12	27,476	24,454	2,506	88	27,048	(+) 3,022	(+) 428
2012-13	30,698	27,022	2,617	461	30,100	(+) 3,676	(+) 598

There was a primary surplus in the State during 2008-09 but it became primary deficit in 2009-10 and the deficit remained till 2010-11. However, during 2011-12 and 2012-13 there was primary surplus because non-debt receipts were more than primary expenditure. In the current year non-debt receipts were sufficient to cover primary revenue expenditure as well as capital expenditure. Over the period 2008-13, the percentage of capital expenditure in primary expenditure had shown inter-year fluctuation and reduced from 15.70 *per cent* in 2008-09 to 8.69 *per cent* in 2012-13 which is a matter of concern. The State should reverse this trend and increase the percentage of capital expenditure in primary expenditure as increase in this regard indicates improvement in the productive capacity of the State's economy.

1.13 Institutional measures

Towards strengthening fiscal discipline 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 (amended in 2011). 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 formulated the policy on public private partnership in Infrastructure Development in the State and the policy came into force with effect from 16 February 2008 (from the date of publication of Gazette Notification). **Table 1.41** indicates that as on 31 March 2013, Government of Assam had taken up 13 PPP projects for implementation of which five projects¹⁵ had been completed and eight were under implementation/construction. Further details regarding total cost of the projects and Government contribution thereto are given in *Appendix 1.6*.

Table 1.41: Status of implementation of PPP projects

No. of projects	Status of the projects
5	Completed
8	Under implementation/construction
25	Under planning/pipeline

Source: Information furnished by the Government.

Although the State Government had completed five PPP projects as on 31 March 2013, the PPP cell under the control of Planning and Development Department could not furnish any information regarding project-wise release of funds, date of commission, revenue sharing pattern etc., of the completed projects though called for.

1.14 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters □ revenue surplus, fiscal deficit and primary deficit etc., indicated that except during 2009-10 the State had maintained revenue surplus during the last five years. The fiscal deficit of the State had also reduced during the current year compared to previous year and the State had managed to exhibit primary surplus during the last two years.

¹⁵ (i) Beautification of Guwahati City (Traffic Signal), (ii) Integrated Solid Waste Management, (iii) Champawati Power Project, Kokrajhar (4 MW), (iv) G.N.C Engineering Institute of Management and Technology, Tezpur and (v) O & M of Skilled Development Training Centre.

Revenue Receipts

Revenue receipts grew by ₹ 3,236 crore (12 per cent) over the previous year. The increase was contributed by tax revenue ₹ 612 crore (19 per cent), State's share of Union Taxes and Duties ₹ 1,318 crore (41 per cent) and Grants-in-aid from Government of India (GOI) ₹ 1,699 crore (52 per cent). The increase was however, offset by decrease in non-tax revenue by ₹ 393 crore (12 per cent). The revenue receipts at ₹ 30,691 crore was higher by ₹ 1,598 crore than the assessment made in Medium Term Fiscal Plan (MTFP)¹⁶ (₹ 29,093 crore).

(Para-1.1.1)

Revenue Expenditure

The overall revenue expenditure of the State increased by 104.57 per cent from ₹ 14,243 crore in 2008-09 to ₹ 29,137 crore in 2012-13 at an annual average rate of 20.91 per cent and increased from ₹ 26,528 crore in 2011-12 to ₹ 29,137 crore in 2012-13. The NPRE constituted a dominant share of nearly 78 per cent in the revenue expenditure and increased by ₹ 2,601 crore over the previous year. The PRE increased marginally by 0.12 per cent (₹ eight crore) from ₹ 6,487 crore in 2011-12 to ₹ 6,495 crore in 2012-13.

(Para-1.6.3)

During 2012-13, the development expenditure (₹ 20,803 crore) increased by ₹ 2,148 crore (11.51 per cent) over the previous year. The relative share of the revenue developmental expenditure was 55 per cent of the total expenditure while this share in respect of capital development expenditure was only eight per cent. The expenditure pattern of the State revealed that there was an increasing pressure on revenue expenditure. Salaries and wages alone accounted for nearly 44 per cent of revenue receipts of the State during the year. It increased by 14 per cent from ₹ 11,793 crore in 2011-12 to ₹ 13,442 crore in 2012-13. The expenditure on salaries (₹ 13,274 crore) during 2012-13 was less by ₹ 2,162 crore (14 per cent) than assessed (₹ 15,436 crore) by the State Government in its budget and it was less by ₹ 538 crore (3.90 per cent) than the projection of ₹ 13,812 crore in MTFP. It was however, more by 86 per cent (₹ 6,119 crore) than the assessment made by the FC-XIII (₹ 7,155 crore).

(Paras-1.6.4 and 1.7.1)

Investment and Returns

There were 69 incomplete projects (total cost more than ₹ one crore of each project) which were due to be completed by March 2013 in which ₹ 315.96 crore was blocked. Of these, 49 projects involving ₹ 255.22 crore remained incomplete for less than three years and seven projects involving an amount of ₹ 29.96 crore

¹⁶ MTFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan along with Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

remained incomplete for periods ranging from three to five years. Details in respect of 13 projects involving ₹ 30.78 crore were not available. The revised cost of two incomplete projects increased by 309.46 *per cent* from ₹ 98.69 crore (initial budgeted cost) to ₹ 404.10 crore (total revised cost) and resulted in cost overrun of ₹ 305.41 crore. Delay in completion of works invites the risk of escalation in the cost of the works. Besides, due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State.

(Para-1.8.1)

The average return on State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies varied between 0.53 and 0.94 *per cent* in the last five years whereas the State Government's average interest outgo was in the range of 6.57 to 6.83 *per cent*.

(Para-1.8.2)

Cash balances of the State Government at the end of the current year decreased from ₹ 7,051 crore in 2011-12 to ₹ 6,620 crore in 2012-13. The interest receipts against investment on cash balance was 7.71 *per cent* during 2012-13 while Government paid interest at the rate of 6.57 *per cent* only on its borrowings during the year.

(Para-1.8.4)

Fiscal liabilities

The overall fiscal liabilities of the State increased at an average annual rate of 6.07 *per cent* during the period 2008-13. During the current year, the fiscal liabilities of the State Government increased by ₹ 1,400 crore from ₹ 31,497 crore in 2011-12 to ₹ 32,897 crore in 2012-13. The ratio of fiscal liabilities to GSDP had improved and decreased from 24.89 *per cent* in 2011-12 to 22.91 *per cent* in 2012-13 which was well within 25 *per cent i.e.*, the norms prescribed by the FC-XIII. These fiscal liabilities stood at nearly 1.07 times the revenue receipts and three times of the State own resources at the end of 2012-13.

(Para-1.9.2)

Debt sustainability

During 2012-13, fiscal deficit-GSDP ratio improved marginally compared to previous year indicating decrease in debt-GSDP ratio. The sum of quantum spread and primary deficit also improved significantly and stood at ₹ 2,861 crore during 2012-13 against ₹ 1,741 crore in 2011-12 which was a positive sign towards fiscal balances for improving the debt sustainability position of the State.

(Para-1.10)

The State Government may explore the possibility to mobilise additional resources both through tax and non-tax sources by expanding the tax base and rationalising the user charges. Efforts should also be made to increase tax compliance, reduce tax administration costs, etc., so that deficits are contained. Further, in order to ensure sustainable progress towards fiscal consolidation, State needs to continue to ensure a pattern of expenditure that not only ensures better growth but also enhances public welfare.

Effective steps need to be taken for expeditious completion of the incomplete projects to avoid further cost overrun and delay in achieving the objectives.

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 clear and transparent guidelines.