

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 40.9 per cent was higher than the all-India average of 30 per cent. State's Gross Domestic Product (GSDP) at current prices increased from ₹ 1,59,460 crore in 2013-14 to ₹ 1,83,798 crore in 2014-15 recording a growth of 15.26 per cent. The State's literacy rate increased from 63 per cent (as per 2001 census) to 72 per cent (as per 2011 census). State's per capita income at current prices also increased from ₹ 44,263 in 2013-14 to ₹ 49,480 in 2014-15. General and financial data relating to the State are given in **Appendix 1.1 (Part-D), Appendix 1.3 and Appendix 1.4.**

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 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|-----------|-----------|-----------|-------------|--------------------------|
| India's GDP | 71,67,053 | 83,14,861 | 92,72,110 | 1,03,44,507 | 1,15,09,810 [#] |
| Growth rate of GDP over previous year (In per cent) | 18.06 | 16.02 | 11.51 | 11.57 | 11.26 |
| State's GSDP | 1,12,688 | 1,25,903 | 1,38,401 | 1,59,460 | 1,83,798 |
| Growth rate of GSDP over previous year (In per cent) | 17.41 | 11.73 | 9.93 | 15.22 | 15.26 |

Source of data: Central Statistics Office (CSO) and Accountants General (A&E)/Department of Economics and Statistics of the respective States

[#]Exclude three States/Union Territories namely, Goa, A & N Islands and Chandigarh.

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 2015.

It provides a broad perspective of the finances of the Government of Assam for the year 2014-15 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 (2014-15) *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)

| Receipts | | | Disbursements | | | | |
|--------------------|--|-----------|---------------|--|-----------|----------|-----------|
| 2013-14 | -- | 2014-15 | 2013-14 | -- | 2014-15 | | |
| 1 | 2 | 3 | 4 | 5 | Non-Plan | Plan | Total |
| Section-A: Revenue | | | | | | | |
| 32,212.79 | Revenue receipts | 38,181.49 | 31,989.88 | Revenue expenditure | 29687.35 | 9390.82 | 39,078.17 |
| 8,994.92 | Tax revenue | 9,449.81 | 10,928.50 | General services | 12,561.48 | 360.12 | 12,921.60 |
| 2,705.03 | Non-tax revenue | 2,412.89 | 14,850.09 | Social Services | 11,994.99 | 6,092.75 | 18,087.74 |
| 11,574.52 | Share of Union Taxes/Duties | 12,283.71 | 5,835.53 | Economic Services | 4,137.38 | 2,937.95 | 7,075.33 |
| 8,938.32 | Grants from Government of India | 14,035.08 | 375.76 | Grants-in-aid/Contributions | 993.50 | - | 993.50 |
| Section-B: Capital | | | | | | | |
| - | Miscellaneous Capital Receipts | - | 3,189.24 | Capital Outlay | 85.14 | 3827.13 | 3,912.27 |
| 6.07 | Recoveries of Loans and Advances | 10.13 | 822.03 | Loans and Advances disbursed | | | 630.71 |
| 1,196.07 | Public Debt receipts | 4,582.26 | 1,177.24 | Repayment of Public Debt | - | - | 1627.03 |
| - | Contingency Fund | - | -- | Contingency Fund | - | - | - |
| 14,948.25 | Public Account receipts | 17,789.87 | 13,276.81 | Public Account disbursement | - | - | 16,376.43 |
| - | Closing overdraft from Reserve Bank of India | - | - | Opening overdraft from Reserve Bank of India | - | - | - |
| 6,620.01 | Opening Balance | 4,527.99 | 4,527.99 | Closing Balance | - | - | 3,467.13 |
| 54,983.19 | Total | 65,091.74 | 54,983.19 | Total | - | - | 65,091.74 |

Following are the significant changes during 2014-15 over the previous year:

- Revenue receipts grew by ₹ 5,969 crore (19 *per cent*) over the previous year. The increase was contributed by tax revenue ₹ 455 crore (eight *per cent*), State's share of Union Taxes and Duties by ₹ 709 crore (12 *per cent*) and Grants-in-aid from Government of India (GOI) by ₹ 5,097 crore (85 *per cent*). The increase was however, offset by decrease in non-tax revenue by ₹ 292 crore (five *per cent*). **The revenue receipts at ₹ 38,181 crore was more by ₹ 891 crore than the assessment made in Medium Term Fiscal Plan (MTFP)¹ (₹ 37,290 crore).**
- The increase of ₹ 455 crore in tax revenue in 2014-15 as compared to previous year was mainly on account of increase of taxes on Sales, Trade etc., by ₹ 503 crore and State Excise by ₹ 54 crore. The increase was however, offset by decrease under Stamps and Registration Fees by ₹ 63 crore and taxes on Agriculture Income by ₹ 39 crore. **The tax revenue as a percentage of GSDP (5.14 *per cent*) was slightly lower than the assessment of Thirteenth Finance Commission (FC-XIII) (5.20 *per cent*). It was also lower than the projections made by the State Government in its MTFP (5.43 *per cent*).**
- The significant increase in receipt of Grants-in-aid from Government of India by ₹ 5,097 crore (57 *per cent*) was mainly due to more allocation of funds by Government of India for State non-plan and plan schemes.
- Revenue expenditure increased by ₹ 7,088 crore over the previous year. While ₹ 4,725 crore of the increase was under non-plan heads, ₹ 2,363 crore was under plan heads. The major sectors that registered significant increase include Miscellaneous General Services (₹ 497 crore), Water Supply and Sanitation (₹ 264 crore), Housing (₹ 852 crore), Relief on account of Natural Calamities (₹ 260 crore), Rural Employment (₹ 419 crore) and Compensation and Assignment to Local Bodies & Panchayati Raj Institutions (₹ 618 crore).
- Recoveries of Loans and Advances increased marginally by ₹ four crore (67 *per cent*) whereas disbursement of loans and advances decreased by ₹ 191 crore (23 *per cent*).
- Public Debt Receipts and Repayments increased by ₹ 3,386 crore (283 *per cent*) and ₹ 450 crore (38 *per cent*) respectively over the previous year.

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.

- Public Account Receipts increased by ₹ 2,842 crore (19 *per cent*) whereas Public Account Disbursement increased by ₹ 3,100 crore (23 *per cent*) over the previous year.
- Total inflow during 2014-15 was ₹ 60,563 crore against ₹ 48,363 crore in 2013-14 while total outflow during 2014-15 was ₹ 61,624 crore as against ₹ 50,455 crore in 2013-14 registering an increase of 25 *per cent* and 22 *per cent* respectively (*Appendix 1.3*).

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 retrospectively. 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 2014-15 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 2014-15**

| Fiscal variables | 2014-15 | | | |
|---|---|--------------------------------------|---|--------------------------------------|
| | Targets as prescribed in AFRBM Act, 2011 | 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. | (+) 9,384 | (+) 2,084 | (-) 897 |
| Fiscal Deficit (-) / Surplus (+) (In <i>per cent</i> of GSDP) | Three <i>per cent</i> of GSDP by 31.3.2011 and to maintain the same level thereafter. | (+) 1,640 (0.92 <i>per cent</i>) | (-) 1,621 | (-) 5,430 (2.95 <i>per cent</i>) |
| Ratio of total outstanding debt of the Government to GSDP (In <i>per cent</i>) | 28.50 <i>per cent</i> (In 2014-15) | 25.08 | 25.08 | 20.95 |

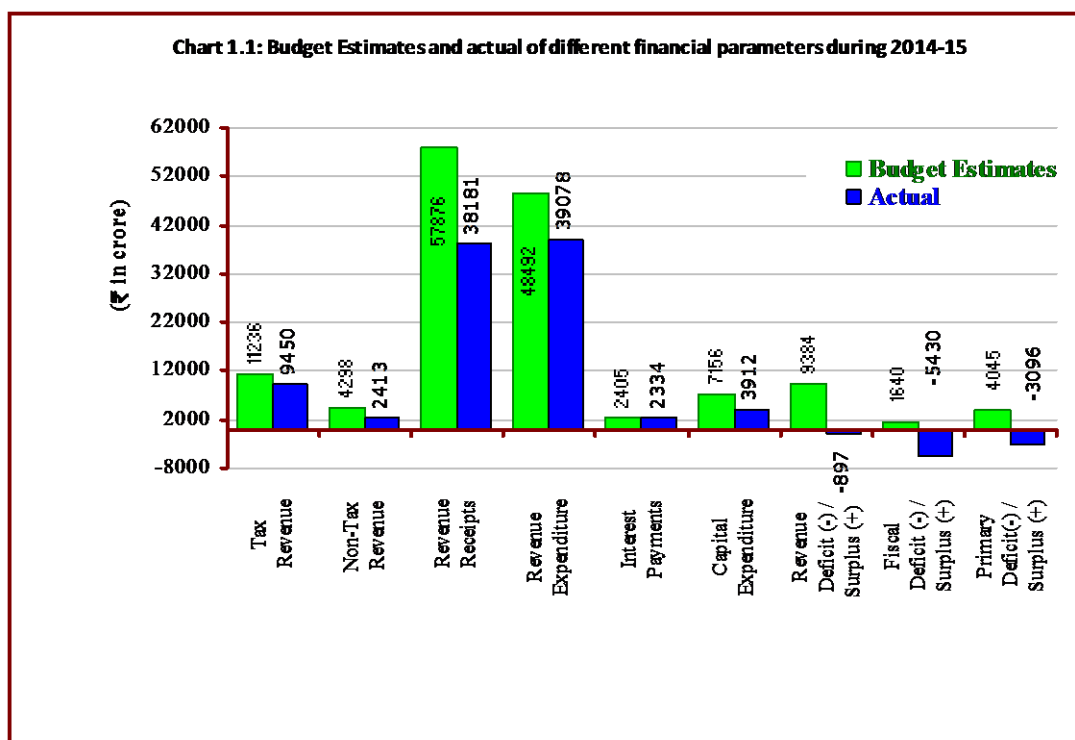
The above table indicates that the State had achieved two out of three AFRBM targets prescribed in the Act. During 2014-15, the State could not maintain revenue surplus and had a revenue deficit of ₹ 897 crore. Thus, the State should adopt measures to augment the revenue receipts and also to curtail the revenue expenditure to achieve surplus again on revenue account.

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 2013-14 (Actuals) and 2014-15 (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 2014-15.

Table 1.4: Variation in Major items –2013-14 (Actual) over 2014-15 (Budget Estimates, Revised Estimates and Actual)

| Sl. No. | Parameters | (₹ in crore) | | | |
|---------|----------------------------------|----------------|------------------|-------------------|-----------|
| | | 2013-14 Actual | 2014-15 | | |
| | | | Budget Estimates | Revised Estimates | Actual |
| 1 | Tax Revenue | 8,995 | 11,236 | 11,236 | 9,450 |
| 2 | Non-Tax Revenue | 2,705 | 4,298 | 4,298 | 2,413 |
| 3 | Revenue Receipts | 32,213 | 57,876 | 57,876 | 38,181 |
| 4 | Non-debt Capital Receipts | 6 | 5 | 7 | 10 |
| 5 | Revenue Expenditure | 31,990 | 48,492 | 52,429 | 39,078 |
| 6 | Interest Payments | 2,198 | 2,405 | 2,409 | 2,334 |
| 7 | Capital Expenditure | 3,189 | 7,156 | 10,133 | 3,912 |
| 8 | Disbursement of Loans & Advances | 822 | 593 | 777 | 631 |
| 9 | Revenue Deficit/Surplus | (+) 223 | (+) 9,384 | (+) 5,447 | (-) 897 |
| 10 | Fiscal Deficit/Surplus | (-) 3,782 | (+) 1,640 | (-) 5,456 | (-) 5,430 |
| 11 | Primary Deficit/Surplus | (-) 1,584 | (+) 4,045 | (-) 3,047 | (-) 3,096 |



- During 2014-15, both actual revenue receipts and actual revenue expenditure fell short of budget estimates by 34 per cent and 19 per cent respectively.
- During the current year the tax revenue of the State increased by ₹ 455 crore (five per cent) over the previous year. The actual collection of tax revenue during the year decreased significantly by ₹ 1,786 crore over the budget estimates which indicated that the projections for the budget estimates for tax revenue were unrealistic.
- Actual collection of non-tax revenue decreased by ₹ 292 crore (11 per cent) over the previous year. It also fell short of budget estimates by ₹ 1,885 crore (44 per cent).
- The increase in revenue expenditure by ₹ 7,088 crore (22 per cent) during the current year over the previous year was the combined effect of increase in expenditure under general services by ₹ 1,994 crore, social services by ₹ 3,238 crore, economic services by ₹ 1,239 crore and grants-in-aid contributions by ₹ 617 crore. During the year the actual revenue expenditure decreased by ₹ 9,414 crore (19.41 per cent) over the budget estimates.
- The capital expenditure as compared to budget estimates was less by ₹ 3,244 crore (45 per cent). The increase of capital expenditure by ₹ 723 crore (23 per cent) during 2014-15 over the previous year was the net

result of increase in capital expenditure under General Services by ₹ eight crore, Social Services by ₹ 375 crore and Economic Services by ₹ 340 crore.

- Against the estimated Revenue Surplus of ₹ 9,384 crore, Revenue deficit of ₹ 897 crore was registered during the current year. It was mainly due to decline in collection of both tax and non-tax revenues as estimated in the budget.
- Against the estimated fiscal surplus of ₹ 1,640 crore, the state ended up with a fiscal deficit of ₹ 5,430 crore. It was mainly due to decrease in actual revenue receipts with reference to assessment made in budget.

The above table also indicates that except on revenue account, the State by and large achieved targets marked for key fiscal indicators in the revised estimates. On revenue account, assessed revenue surplus of ₹ 5,447 crore finally resulted into revenue deficit of ₹ 897 crore during 2014-15. Thus, by pursuing the fiscal correction and consolidation process under a rule based fiscal framework, the State would achieve revenue surplus again. 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.

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 (2014-15) 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 in seven departments⁴ during the financial year 2014-15 involving an amount of ₹ 988.21 crore with a target to benefit 7,17,039 women as detailed in **Table 1.5**.

Table-1.5: Gender Budget

| Sl. No. | Name of Department | Grant No. | Total No. of schemes | Category-wise Budget allocation (₹ in crore) | | | | Total (₹ in crore) | Nos. of targeted beneficiaries | Expenditure |
|--------------|---------------------------------|-----------|----------------------|--|--------------|---------------|----------|--------------------|--------------------------------|---------------|
| | | | | 'A' | | 'B' | | | | |
| | | | | Plan | Non plan | Plan | Non plan | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1 | Excise | 8 | 1 | 0.10 | - | - | - | 0.10 | 50 | Not available |
| 2 | Political (A) | 14 | 1 | 1.50 | - | - | - | 1.50 | 300 | |
| 3 | Education (Technical) | 26 | 3 | 11.00 | 4.65 | - | - | 15.65 | NA | |
| 4 | Health & Family Welfare | 29 | 2 | 162.16 | 11.81 | - | - | 173.97 | 4,590 | |
| 5 | Cooperation | 43 | 2 | 0.50 | - | -- | - | 0.50 | 25 | |
| 6 | Fishery | 54 | 2 | 2.45 | - | - | - | 2.45 | 550 | |
| 7 | Panchayat and Rural Development | 56 | 1 | - | - | 566.04 | - | 566.04 | 4,18,643 | |
| | | 57 | 3 | - | - | 228.00 | - | 228.00 | 2,92,881 | |
| Total | | | 15 | 177.71 | 16.46 | 794.04 | - | 988.21 | 7,17,039 | |

Source: Gender Budget (2014-15)

Further analysis revealed that a performance report for the year 2013-14 (Allocated amount ₹ 850 crore against 14 departments) was required to be incorporated in the Gender Budget of 2014-15 to ascertain the effectiveness of the schemes targeted to benefit women. It was, however, noticed that no such report was incorporated in the Gender Budget of 2014-15. On this being pointed out, Finance Department stated that performance report of 2013-14 was not incorporated in the Gender budget 2014-15 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.

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) Excise, (ii) Political (A), (iii) Education (Technical), (iv) Health & Family Welfare, (v) Cooperation, (vi) Fishery and (vii) Panchayat & Rural Development.

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 are 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

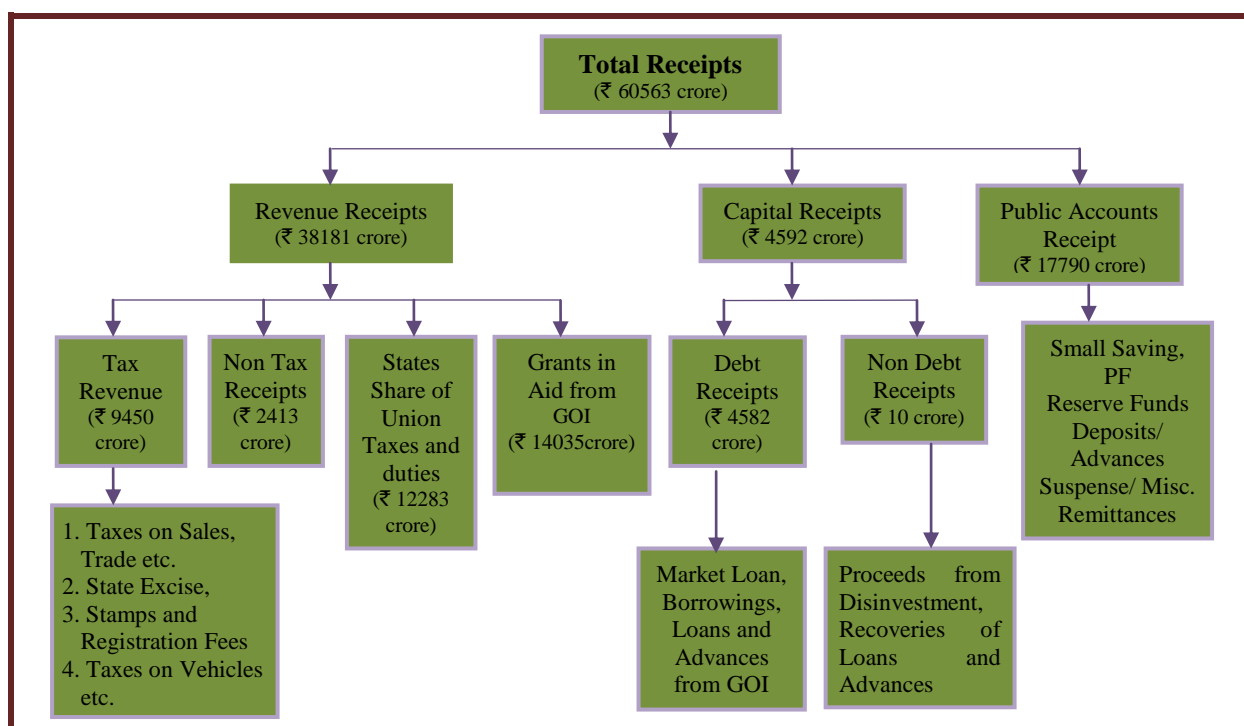
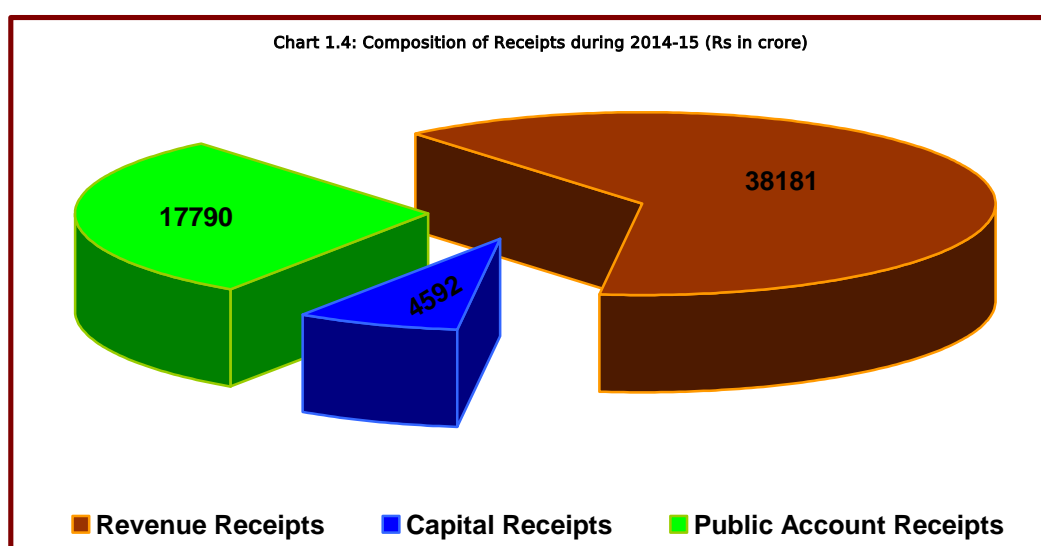
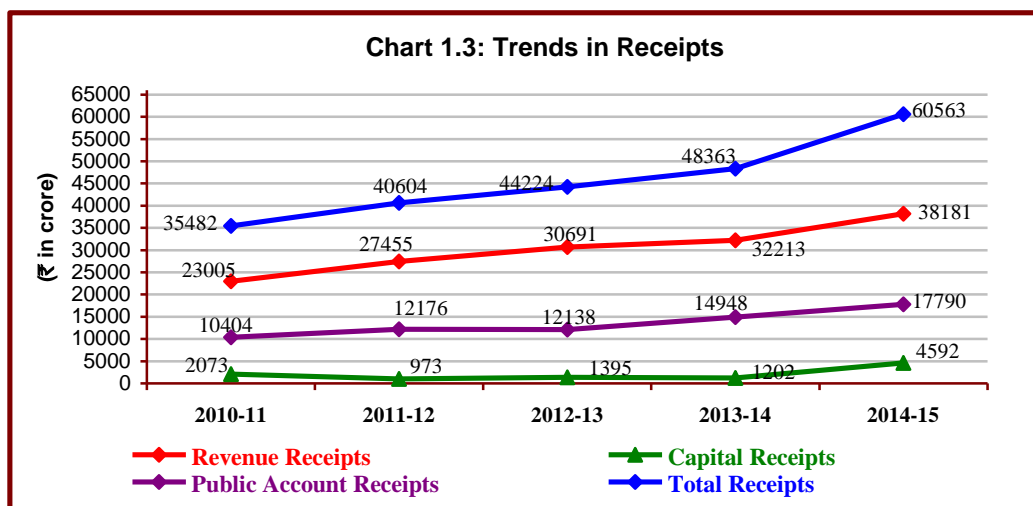


Table-1.2 presents the receipts and disbursements of the State during the current year *vis-a-vis* the previous year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during 2010-15 and **Chart 1.4** depicts the composition of resources of the State during the current year.



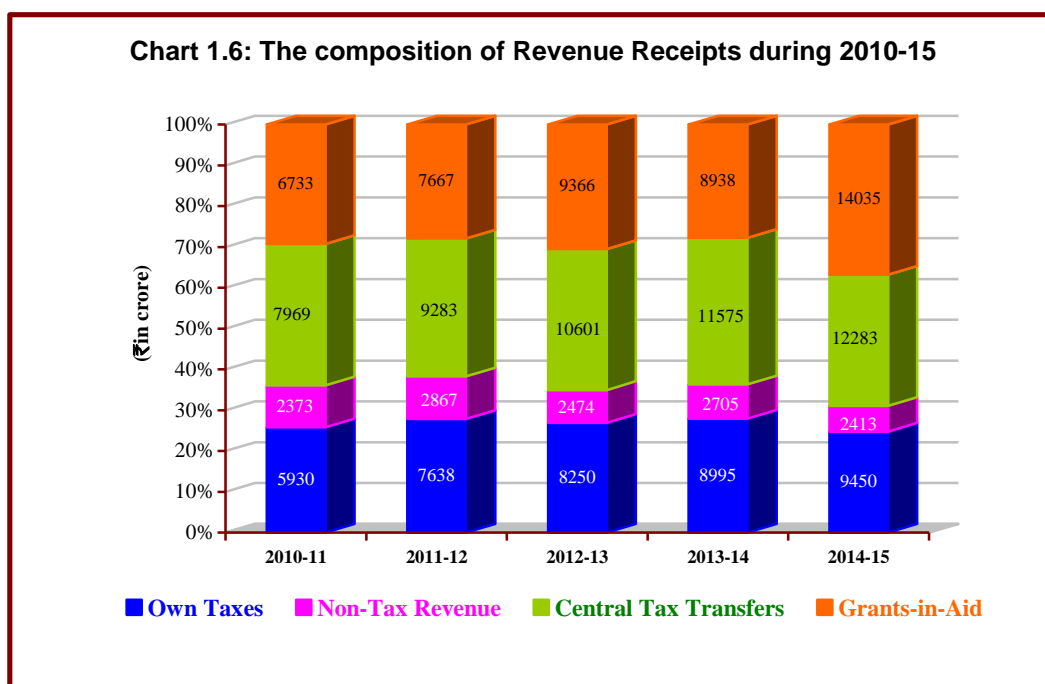
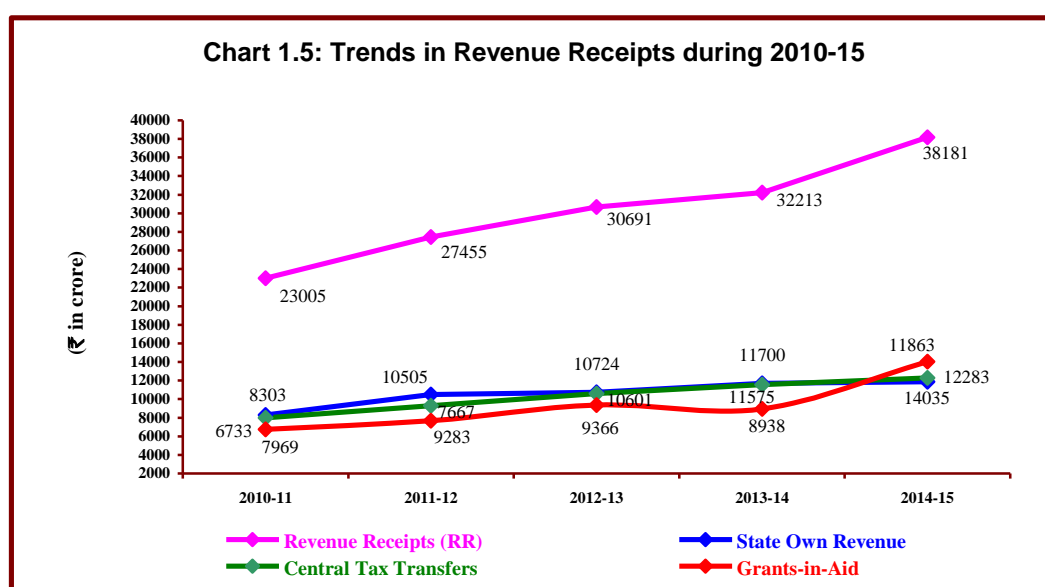
The total receipts of the State Government for 2014-15 was ₹ 60,563 crore of which ₹ 38,181 crore (63 per cent) came from revenue receipts and balance ₹ 22,382 crore (37 per cent) came from borrowings, Public Account and recoveries of loans and advances. The total receipts of the State increased by 71 per cent from ₹ 35,482 crore in 2010-11 to ₹ 60,563 crore in 2014-15. The share of revenue receipts in total receipts of the State decreased by two per cent from 65 per cent in 2010-11 to 63 per cent in 2014-15. On the other hand, share of other receipts i.e., Capital receipts and Public Account receipts ranged between 31 and 37 per cent of the total receipts during 2010-15.

Revenue receipts increased by 66 per cent from ₹ 23,005 crore in 2010-11 to ₹ 38,181 crore in 2014-15 whereas debt capital receipts (a component of capital receipts) which create future repayment obligation varied from two to eight per cent of total receipts during the period 2010-15 and increased by ₹ 3,386 crore (283 per cent) from ₹ 1,196 crore in 2013-14 to ₹ 4,582 crore in 2014-15.

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money which increased steadily from ₹ 10,404 crore (30 per cent of total receipts) in 2010-11 to ₹ 17,790 crore (29 per cent of total receipts) in 2014-15.

1.3 Revenue Receipts

Statement-14 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 2010-15 are presented in *Appendix 1.3* and also depicted in **Charts 1.5** and **1.6** respectively.



General Trends:

- During 2014-15, revenue receipts of the State grew by ₹ 5,968 crore over the previous year. The revenue receipts of the State showed progressive increase from ₹ 23,005 crore in 2010-11 to ₹ 38,181 crore in 2014-15 with inter-year fluctuations in the growth rate.
- About 31 *per cent* of the revenue receipts during 2014-15 came from State's own resources while central tax transfers and grants-in-aid together contributed 69 *per cent*. This is indicative of the fact that the Government of Assam's fiscal position is largely influenced by the tax transfers and Grants-in-aid from Government of India.
- During the current year, increase of ₹ 5,968 crore (18.53 *per cent*) in revenue receipts did not keep pace with the increase of ₹ 7,088 crore (22.16 *per cent*) in revenue expenditure.
- Tax revenue constituted 24.75 *per cent* of the total revenue receipts and increased by ₹ 455 crore during 2014-15 recording a growth rate of 5.06 *per cent* over the previous year. The percentage of tax revenue to total revenue receipts showed stability and remained in the range of 25 *per cent* to 28 *per cent* during 2010-15.
- Non-tax revenue receipts constituted 6.32 *per cent* of the total revenue receipts and decreased by ₹ 292 crore over the previous year. Non-tax revenue as a percentage of revenue receipts ranged between six and 10 *per cent* during 2010-15.

The trends in revenue receipts relative to GSDP are presented in **Table 1.6**.

Table 1.6: Trends in Revenue Receipts relative to GSDP

| Parameters | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|----------|----------|----------|----------|----------|
| Revenue Receipts (RR) (₹ in crore) | 23,005 | 27,455 | 30,691 | 32,213 | 38,181 |
| Rate of growth of RR (<i>per cent</i>) | 15.70 | 19.34 | 11.79 | 4.96 | 18.53 |
| Rate of growth of Own Taxes (<i>per cent</i>) | 18.91 | 28.80 | 8.01 | 9.03 | 5.06 |
| RR/GSDP (<i>per cent</i>) | 20.41 | 21.81 | 22.18 | 20.20 | 20.77 |
| Buoyancy Ratios⁵ | | | | | |
| Revenue Buoyancy w.r.t GSDP | 0.90 | 1.65 | 1.19 | 0.33 | 1.21 |
| State's Own Tax Buoyancy w.r.t GSDP | 1.09 | 2.46 | 0.81 | 0.59 | 0.33 |
| Gross State Domestic Product (₹ in crore) | 1,12,688 | 1,25,903 | 1,38,401 | 1,59,460 | 1,83,798 |
| Rate of growth of GSDP (<i>per cent</i>) | 17.41 | 11.73 | 9.93 | 15.22 | 15.26 |

Source of GSDP figures: CSO website

⁵ 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 1.21 implies that revenue receipts tend to increase by 1.21 percentage points, if the GSDP increases by one *per cent*.

The GSDP at current prices increased from ₹ 1,59,460 crore in 2013-14 to ₹ 1,83,798 crore in 2014-15 representing an increase of 15.26 *per cent*. Ideally growth rate of revenue should be higher than the growth of GSDP 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 to improve welfare of the people. During the current year this ideal situation was regained by the State as the growth in revenue receipts (18.53 *per cent*) was more than that of GSDP (15.26 *per cent*). As a result revenue buoyancy with respect to GSDP also increased significantly from 0.33 in 2013-14 to 1.21 in 2014-15. But State's own tax buoyancy with reference to GSDP decreased from 0.59 in 2013-14 to 0.33 in 2014-15.

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 2010-15 are presented in **Appendix 1.3**. The State's actual tax and non-tax revenue for the year 2014-15 *vis-à-vis* assessment made by FC-XIII and MTFP (2012-17) are given in the **Table 1.7**.

Table 1.7: State's own tax revenue *vis-à-vis* projections

| Parameters | ₹ in crore) | | | |
|-----------------|---------------------|------------------|-----------------|--------|
| | FC-XIII projections | Budget Estimates | MTFP projection | Actual |
| Tax revenue | 8,634 | 11,236 | 9,684 | 9,450 |
| Non-tax revenue | 3,124 | 4,298 | 2,890 | 2,413 |

The tax revenue of the State in 2014-15 exceeded the assessment of FC-XIII by ₹ 816 crore. However, it fell short of budget estimates and MTFP projection by ₹ 1,786 crore and by ₹ 234 crore respectively during the year.

The non-tax revenue of the Government was lesser than the assessment of FC-XIII by ₹ 711 crore. It also fell short of budget estimates by ₹ 1,885 crore and projection of the State Government in its MTFP by ₹ 477 crore.

1.3.1.1 Tax revenue

Gross collection in respect of tax revenue for the years 2010-15 is given component-wise in **Table 1.8**.

Table 1.8: Tax Revenue for the years 2010-15

| Heads | (₹ in crore) | | | | | |
|------------------------------|--------------|--------------|--------------|--------------|------------------|--------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
| | | | | | Budget Estimates | Actual |
| Taxes on Sales, Trade, etc. | 4,319 | 5,694 | 6,223 | 6,848 | 8,367 | 7,351 |
| State Excise | 323 | 503 | 568 | 610 | 764 | 665 |
| Taxes on Vehicle | 232 | 294 | 328 | 351 | 441 | 365 |
| Stamps and Registration Fees | 123 | 175 | 252 | 252 | 554 | 189 |
| Land Revenue | 142 | 140 | 146 | 156 | 202 | 142 |
| Other Taxes ⁶ | 791 | 832 | 733 | 778 | 908 | 738 |
| Total | 5,930 | 7,638 | 8,250 | 8,995 | 11,236 | 9,450 |

Source: Memorandum of Budget Estimates & Finance Accounts

The tax revenue of the State increased from ₹ 5,930 crore in 2010-11 to ₹ 9,450 crore in 2014-15 at an annual average rate of 11.87 per cent. During the current year, the maximum share of tax revenue was contributed by Taxes on Sales, Trade etc., (77.79 per cent).

1.3.1.2 Non-tax revenue

Gross collection in respect of non-tax revenue for the years 2010-15 is given component-wise in **Table 1.9**.

Table 1.9: Non-tax Revenue for the years 2010-15

| Heads | (₹ in crore) | | | | | |
|--|--------------|--------------|--------------|--------------|------------------|--------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
| | | | | | Budget Estimates | Actual |
| Interest receipts, dividends and profits | 431 | 490 | 522 | 431 | 643 | 330 |
| General Services | 91 | 89 | 102 | 191 | 126 | 388 |
| Social Services | 27 | 27 | 31 | 30 | 37 | 29 |
| Economic Services | 1,824 | 2,261 | 1,819 | 2,053 | 3,492 | 1,666 |
| Total | 2,373 | 2,867 | 2,474 | 2,705 | 4,298 | 2,413 |

Source: Memorandum of Budget Estimates & Finance Accounts.

The non-tax revenue, which ranged between six and 10 per cent of total revenue receipts of the State during the last five years decreased by ₹ 292 crore (11 per cent) in 2014-15 over the previous year. During the current year, major contributors of non-tax revenue were petroleum concession fees and royalties (₹ 1,421 crore), interest receipts (₹ 314 crore), Miscellaneous General Services (₹ 268 crore) and forestry and wild life (₹ 116 crore).

⁶ 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.

1.3.2 Grants-in-aid from GOI

The details of Grants-in-aid received from the GOI during 2010-15 are given in **Table 1.10**.

Table 1.10: Grants-in-aid from the GOI

| Head | (₹ in crore) | | | | |
|--|--------------|--------------|--------------|--------------|---------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Non-Plan Grants | 944 | 962 | 1,422 | 681 | 1,491 |
| Grants for State Plan Schemes | 4,374 | 4,759 | 5,996 | 6,059 | 12,376 |
| Grants for Central Plan Schemes | 23 | 19 | 46 | 30 | 19 |
| Grants for Centrally Sponsored Schemes | 1,341 | 1,875 | 1,860 | 2,103 | 17 |
| Grants for Special Plan Schemes | 51 | 52 | 42 | 65 | 132 |
| Total | 6,733 | 7,667 | 9,366 | 8,938 | 14,035 |
| Percentage of increase over previous year | (-) 1.06 | 13.87 | 22.16 | (-) 4.57 | 57.03 |
| Percentage of Revenue Receipts | 29 | 28 | 31 | 28 | 37 |

Grants-in-aid from the GOI increased significantly (57 per cent) by ₹ 5,097 crore from ₹ 8,938 crore in 2013-14 to ₹ 14,035 crore in 2014-15. Within the plan grants, while grants for State Plan Schemes and Special Plan Schemes increased by ₹ 6,317 crore (104.26 per cent) and ₹ 67 crore (103.08 per cent) respectively, grants for Centrally Plan Schemes and Central Sponsored Schemes decreased by ₹ 11 crore (36.67 per cent) and ₹ 2,086 crore (99.19 per cent) respectively. However, non-plan grants increased significantly by ₹ 810 crore (118.94 per cent) from ₹ 681 crore in 2013-14 to ₹ 1,491 crore in 2014-15.

The significant increase in State Plan Schemes was mainly under Integrated Child Development Services (ICDS) (₹ 1,035 crore), Indira Gandhi National Old Age Pension Scheme (₹ 143 crore), Rastriya Krishi Vikash Yojana (₹ 268 crore), Mahatma Gandhi National Rural Employment Guarantee Scheme (₹ 500 crore), Accelerated Irrigation Benefit & Flood Management Programme (₹ 481 crore), National Rural Drinking Water Programme (₹ 585 crore), Pradhan Mantri Gram Sadak Yojana (₹ 316 crore), Indira Awas Yojana (₹ 929 crore), Nirmal Bharat Abhiyan (₹ 186 crore) and National Rural Health Mission (₹ 860 crore).

The Non-Plan grants (₹ 1,491 crore) to the State constituted 10.62 per cent of the total grants during the year of which ₹ 704 crore (47.22 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 (₹ 426 crore), (ii) grants towards improvement in the pay scale of University & Colleges teachers (₹ 155 crore), (iii) grants for Security Related Expenditure (₹ 26 crore) and (iv) grants towards Reimbursement of Security Related Expenditure (₹ 81 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 National Small Savings Fund (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. Regarding actual receipt of up to date debt relief, the Director, {Finance (Economic Affairs) Department} intimated (September 2014) that the State Government had received an amount of ₹ 35.20 crore as debt relief for the years 2010-11 to 2012-13. During 2013-14 no debt relief was provided to the State Government. The State Government however, could not furnish the information regarding the debt relief, if any, received during 2014-15.

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. Information obtained from the Finance Department revealed that a loan amount of ₹ 306 crore was waived by the GoI during 2011-12 in respect of centrally sponsored and central sector schemes only.

1.3.4 Central Tax transfer

Central tax transfers increased by ₹ 708 crore from ₹ 11,575 crore in 2013-14 to ₹ 12,283 crore in 2014-15 and constituted 32.17 *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 ₹ 708 crore (six *per cent*) was mainly due to increase in Corporation tax (₹ 397 crore), Taxes on income other than Corporation tax (₹ 500 crore) and Customs (₹ 98 crore), which was, however, offset by decrease under Union Excise Duties (₹ 212 crore) and Service Tax (₹ 75 crore).

1.3.5 Optimisation of Thirteenth Finance Commission grants

During the period of implementation (2010-15) of FC-XIII recommendations, GoI released a total grant of ₹ 2,525.06 crore to the GoA for various sectors. In terms of Rule 212 (1) of the General Financial Rules, Utilisation Certificate in respect of grants released is required to be submitted within twelve months of the closure of the financial year. **Table 1.11** provides the sector wise release of funds by GoI and their utilisation by the GoA during 2010-15.

Table 1.11: Sector-wise position of Grants-in-aid released as recommended by the 13th Finance Commission during 2010-15

(₹ in crore)

| Sl No. | Sectors | FC XIII recommendations | Release by GoI | Release by Finance, GoA | Balance Exchequer | UC submitted | UC Outstanding as on September 2015 |
|--------------|---|-------------------------|-----------------|-------------------------|-------------------|-----------------|-------------------------------------|
| 1 | Elementary Education | 238.00 | 179.00 | 179.00 | 0.00 | 179.00 | 0.00 |
| 2 | Environment & Forest | 184.64 | 80.78 | 42.19 | 38.59 | 41.93 | 0.26 |
| 3 | Political Department (UID) | 55.80 | 5.58 | 0.00 | 5.58 | 0.00 | 0.00 |
| 4 | Improvement of Justice Delivery | 121.10 | 30.12 | 24.83 | 5.29 | 11.19 | 13.64 |
| 5 | Employment & Pensioner database | 5.00 | 2.50 | 1.28 | 1.22 | 0.90 | 0.38 |
| 6 | Improvement of statistical system (P&D) | 27.00 | 16.20 | 10.80 | 5.40 | 10.80 | 0.00 |
| 7 | PWD | 336.00 | 336.00 | 204.07 | 131.93 | 198.42 | 5.65 |
| 8 | Water Sector (Irrigation) | 88.00 | 22.00 | 18.32 | 3.68 | 18.32 | 0.00 |
| 9 | District Innovation Fund (H &FW) | 27.00 | 13.50 | 0.00 | 13.50 | 0.00 | 0.00 |
| 10 | State specific needs | 190.00 | 33.75 | 28.76 | 4.99 | 25.00 | 3.76 |
| 11 | Vith Schedule | 130.00 | 52.51 | 30.00 | 22.51 | 30.00 | 0.00 |
| 12 | Border Areas | 230.00 | 115.00 | 62.42 | 52.58 | 55.26 | 7.16 |
| 13 | Tourism | 50.00 | 12.50 | 0.00 | 12.50 | 0.00 | 0.00 |
| 14 | Local Bodies (PRI & ULBs) | 1,978.63 | 1,625.62 | 1,517.04 | 108.58 | 1,295.37 | 221.67 |
| Total | | 3,661.17 | 2,525.06 | 2,118.71 | 406.35 | 1,866.19 | 252.52 |

Source of data: Finance (Economic Affairs) Department, GoA

It would be seen from the above table that during 2010-15 GoI released ₹ 2,525.06 crore to the GoA under 14 sectors of which ₹ 2,118.71 crore was released retaining ₹ 406.35 crore by the GoA. Utilisation Certificates amounting to ₹ 252.52 crore pertaining to seven sectors were outstanding for submission as of September 2015.

1.3.6 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: 2014-15

(₹ in crore)

| Parameters | Non-tax revenue receipts | Non-plan revenue expenditure | Cost Recovery (per cent) |
|--------------------------------------|--------------------------|------------------------------|--------------------------|
| Water Supply & Sanitation | 0.66 | 733.41 | 0.09 |
| Roads & Bridges | 42.18 | 1,261.30 | 3.34 |
| Minor Irrigation | 0.37 | 354.55 | 0.10 |

As can be seen from above table, the cost recovery for Roads and Bridges during 2014-15 was 3.34 *per cent* and the same for Water Supply & Sanitation and Minor Irrigation were 0.09 and 0.10 respectively. While cost recovery from social services is expected to be lower than that of economic services, it was revealed that compared to 2010-11⁷, cost recovery had reduced in all categories in 2014-15. Incremental increase in user charges would facilitate sustainable provision of these services over a period of time.

1.3.7 Evasion of taxes

The Taxation Department detected 2,389 cases of evasion of taxes and raised additional demand of ₹ 23.21 crore during 2014-15.

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 capital receipts

| | (₹ in crore) | | | | |
|---|-----------------|------------------|------------------|------------------|-------------------|
| Sources of State's Receipts | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Capital Receipts (CR) | 2,073 | 973 | 1,395 | 1,202 | 4,592 |
| Miscellaneous Capital Receipts | -- | -- | -- | -- | -- |
| Recovery of Loans and Advances | 28 | 21 | 7 | 6 | 10 |
| Public Debt Receipts | 2,045 | 952 | 1,388 | 1,196 | 4,582 |
| Rate of growth of debt capital receipts | (-) 6.62 | (-) 53.45 | 45.80 | (-) 13.83 | 283.11 |
| Rate of growth of non-debt capital receipts | (-) 15.15 | (-) 25 | (-) 66.67 | (-) 14.29 | 66.67 |
| Rate of growth of GSDP | 17.41 | 11.73 | 9.93 | 15.22 | 15.26 |
| Rate of growth of CR (<i>per cent</i>) | (-) 6.75 | (-) 53.06 | (+) 43.37 | (-) 13.84 | (+) 282.03 |

Capital receipts increased by more than 121 *per cent* from ₹ 2,073 crore in 2010-11 to ₹ 4,592 crore in 2014-15. During the current year the capital receipts increased by ₹ 3,390 crore (282 *per cent*). Public Debt Receipts which create future repayment obligation varied between two to eight *per cent* of total receipts during the period 2010-15 and increased considerably by ₹ 3,386 crore (283 *per cent*) from ₹ 1,196 crore in 2013-14 to ₹ 4,582 crore in 2014-15.

During the current year rate of growth of both debt and non-debt capital receipts turned positive and stood at 283.11 *per cent* and 66.67 *per cent* respectively.

During the period 2010-15, the rate of growth of debt capital receipts remained negative except for the years 2012-13 and 2014-15. During the current year it increased significantly from (-) 13.83 *per cent* in 2013-14 to 283.11 *per cent* in 2014-15. Rate of growth of GSDP increased marginally from 15.22 *per cent* in 2013-14 to 15.26 *per cent* in 2014-15.

⁷ Water Supply & Sanitation: 0.31 *per cent*; Roads & Bridges: 3.50 *per cent* and Minor Irrigation: 0.16 *per cent*.

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

| | (₹ in crore) | | | | |
|--|------------------|-----------------|-----------------|-----------------|-----------------|
| Resources under various heads | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Public Account Balances | (-)133.31 | 1,939.38 | 1,229.55 | 1,671.44 | 1,413.44 |
| a. Small Savings, Provident Fund etc. | 540.41 | 634.98 | 807.52 | 837.17 | 890.13 |
| b. Reserve Fund | (-) 153.12 | 901.23 | 201.08 | 543.44 | 818.51 |
| c. Deposits and Advances | (-) 728.61 | 437.17 | 413.21 | 157.47 | (-) 233.54 |
| d. Suspense and Miscellaneous | 180.04 | 16.84 | (-) 156.99 | 123.04 | (-) 91.92 |
| e. Remittances | 27.97 | (-) 50.84 | (-) 35.27 | 10.32 | 30.26 |

Public Account balances of the Government increased significantly from ₹ (-) 133.31 crore in 2010-11 to ₹ 1,413.44 crore in 2014-15 at an annual average rate of 232 *per cent*. During the current year, the balances however, decreased by ₹ 258 crore (15.44 *per cent*) as compared to 2013-14.

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.

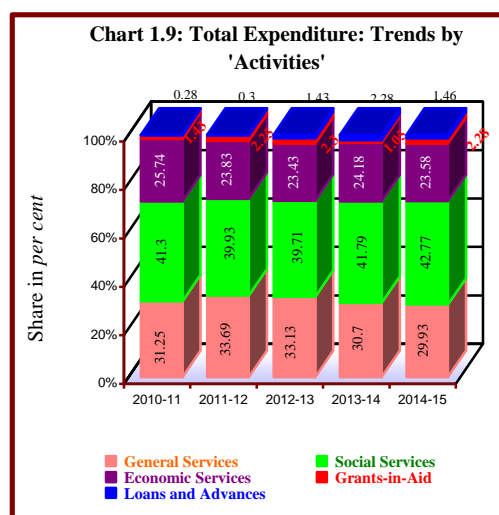
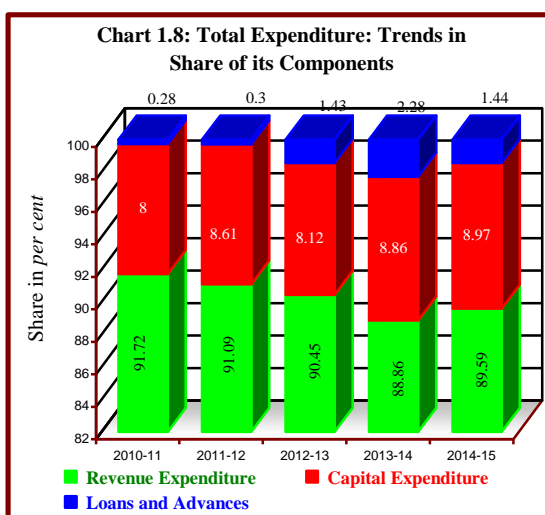
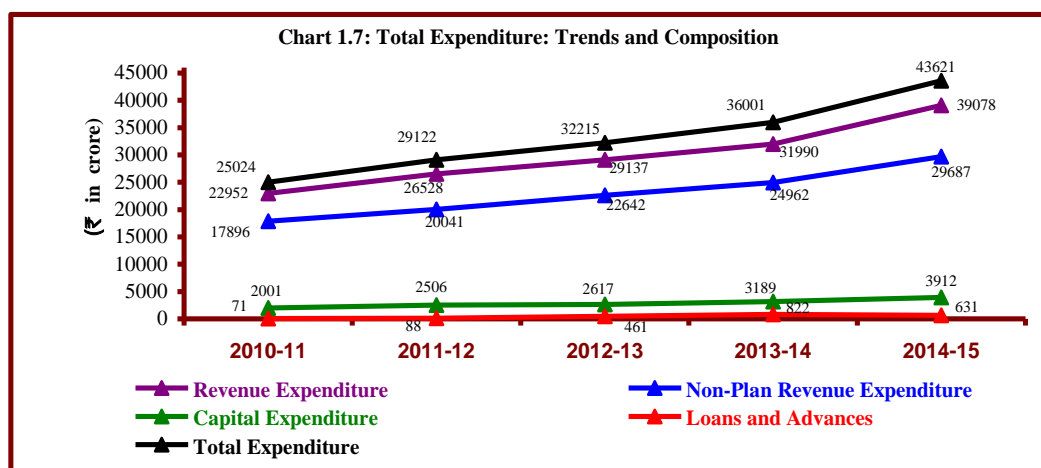
1.6.1 Growth and composition of expenditure

The total expenditure and its composition during the years 2010-11 to 2014-15 are presented in **Table 1.15**.

Table 1.15: Total expenditure and its compositions

| Parameters | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total Expenditure | 25,024 | 29,122 | 32,215 | 36,001 | 43,621 |
| Revenue Expenditure | 22,952 | 26,528 | 29,137 | 31,990 | 39,078 |
| <i>Of which, Non-plan Revenue Expenditure</i> | 17,896 | 20,041 | 22,642 | 24,962 | 29,687 |
| Capital Expenditure | 2,001 | 2,506 | 2,617 | 3,189 | 3,912 |
| Loans and Advances | 71 | 88 | 461 | 822 | 631 |

Chart 1.7 presents the trends in total expenditure over a period of five years (2010-15) 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 ₹ 25,024 crore in 2010-11 to ₹ 43,621 crore in 2014-15 at an annual average rate of 15 per cent. 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

| Parameters | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---------|---------|---------|---------|---------|
| Total Expenditure (TE) (₹ in crore) | 25,024 | 29,122 | 32,215 | 36,001 | 43,621 |
| Rate of growth (per cent) | 4.44 | 16.38 | 10.62 | 11.75 | 21.17 |
| TE/GSDP ratio (per cent) | 22.21 | 23.13 | 23.28 | 22.58 | 23.73 |
| RR/TE ratio (per cent) | 91.93 | 94.28 | 95.27 | 89.48 | 87.53 |
| Rate of Growth of GSDP | 17.41 | 11.73 | 9.93 | 15.22 | 15.26 |
| Buoyancy of Total Expenditure with reference to: | | | | | |
| GSDP (ratio) | 0.26 | 1.40 | 1.07 | 0.77 | 1.39 |
| RR (ratio) | 0.28 | 0.85 | 0.90 | 2.37 | 1.14 |

The increase of ₹ 7,620 crore (21.17 per cent) in total expenditure in 2014-15 was due to increase of ₹ 7,088 crore in revenue expenditure and ₹ 723 crore in capital expenditure, which was however, offset by decrease of ₹ 191 crore in disbursement of loans and advances.

The components of the increase in revenue expenditure were mainly:

(A) General Services:

- **Pension and Other Retirement Benefits (₹ 973 crore)** - The major increase of the expenditure was under gratuities, family pensions and leave encashment benefits.

(B) Social Services:

- **General Education (₹ 1,709 crore)** - The major increase of expenditure was due to increase in expenditure under Elementary Education (₹ 1,334 crore) as well as assistance to Non-Government Secondary Schools (₹ 283 crore) under Secondary Education.
- **Water Supply and Sanitation (₹ 264 crore)** - The major increase of expenditure was due to increase in expenditure in suspense under water supply.

(C) Economic Services:

- **Crop Husbandry (₹ 142 crore)** - The increase in this component was mainly on commercial crops and agricultural engineering.
- **Rural Employment (₹ 419 crore)** – The increase in this component was mainly on National Rural Employment Guarantee Scheme.
- **Roads and Bridges (₹ 270 crore)** - The major increase of the expenditure was on Road Works under State Highways.

The increase in Capital expenditure (₹ 723 crore) during 2014-15 was mainly due to increase in expenditure on Capital outlay on Water Supply and Sanitation by ₹ 374 crore and Capital outlay on Flood Control Projects by ₹ 321 crore.

The increase in expenditure was mainly on operation and maintenance in Rural Water supply and sewerage and sanitation services in Nirmal Bharat Abhiyan under Water Supply and Sanitation, anti-erosion measures under various Flood Control Projects.

The increase in disbursement of loans and advances during 2014-15 was mainly due to fresh loans given to Assam Power Distribution Company Ltd (₹ 606.32 crore).

The pattern of total expenditure in the form of plan and non-plan expenditure during 2014-15 revealed that non-plan expenditure contributed dominant share of 70 per cent while the plan expenditure was 30 per cent.

The decrease in ratio of revenue receipts to total expenditure from 89.48 per cent in 2013-14 to 87.53 per cent in 2014-15 was the result of decrease of ₹ 292 crore in Non-tax revenue during 2014-15 over 2013-14. The buoyancy of total expenditure with reference to GSDP increased to 1.39 during 2014-15 due to increase in the rate of growth of total expenditure as compared to the rate of growth of GSDP. Similarly, the buoyancy ratio of total expenditure to revenue receipts at 1.14 in 2014-15 indicated increase in the expenditure at a pace greater than that of receipt.

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 (₹ 43,621 crore) (refer **Chart 1.7** and **Appendix 1.3**) are indicated in **Table 1.17**.

Table 1.17: Components of expenditure – relative share

| Parameters | (In per cent) | | | | |
|------------------------------------|---------------|---------|---------|---------|---------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| General Services | 31.25 | 33.69 | 33.13 | 30.70 | 29.93 |
| <i>Of which, Interest Payments</i> | 7.64 | 7.12 | 6.56 | 6.11 | 5.35 |
| Social Services | 41.30 | 39.93 | 39.71 | 41.79 | 42.77 |
| Economic Services | 25.74 | 23.83 | 23.43 | 24.18 | 23.58 |
| Grants-in-aid | 1.43 | 2.25 | 2.30 | 1.05 | 2.28 |
| Loans and Advances | 0.28 | 0.30 | 1.43 | 2.28 | 1.46 |

The relative share of the above components of expenditure indicated that the share of general services, economic services and loans and advances in the total expenditure decreased during 2014-15 over the previous year. These decreases were set off by increase in the respective share of social services and grants-in-aid.

The expenditure on general services, which are considered as non-developmental, decreased from 30.70 *per cent* in 2013-14 to 29.93 *per cent* in 2014-15. On the other hand, developmental expenditure *i.e.*, expenditure on social and economic services together accounted for 66.35 *per cent* in 2014-15 as against 65.97 *per cent* in 2013-14. This indicates that while there was increase in developmental expenditure, there was decrease in non-developmental 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 91 *per cent* in the total expenditure during the period 2010-15. 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

| Parameters | ₹ in crore) | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Total Expenditure (TE) | 25,024 | 29,122 | 32,215 | 36,001 | 43,621 |
| Revenue Expenditure (RE), of which | 22,952 | 26,528 | 29,137 | 31,990 | 39,078 |
| <i>Non-Plan Revenue Expenditure (NPRE)</i> | <i>17,896</i> | <i>20,041</i> | <i>22,642</i> | <i>24,962</i> | <i>29,687</i> |
| <i>Plan Revenue Expenditure (PRE)</i> | <i>5,056</i> | <i>6,487</i> | <i>6,495</i> | <i>7,028</i> | <i>9,391</i> |
| Rate of Growth of | | | | | |
| RE (per cent) | 8.10 | 15.58 | 9.83 | 9.79 | 22.16 |
| NPRE (per cent) | 4.88 | 11.99 | 12.98 | 10.25 | 18.93 |
| PRE (per cent) | 21.28 | 28.30 | 0.12 | 8.21 | 33.62 |
| Revenue Expenditure as percentage to TE | 91.72 | 91.09 | 90.45 | 88.86 | 89.59 |
| NPRE/GSDP (per cent) | 15.88 | 15.92 | 16.36 | 15.65 | 16.15 |
| NPRE as percentage of TE | 71.52 | 68.82 | 70.28 | 69.34 | 68.06 |
| NPRE as percentage of RR | 77.79 | 73.00 | 73.77 | 77.49 | 77.75 |
| Buoyancy of Revenue Expenditure with | | | | | |
| GSDP (ratio) | 0.47 | 1.33 | 0.99 | 0.64 | 1.45 |
| Revenue Receipts (ratio) | 0.52 | 0.81 | 0.83 | 1.97 | 1.20 |

The overall revenue expenditure of the State increased by 70.26 *per cent* from ₹ 22,952 crore in 2010-11 to ₹ 39,078 crore in 2014-15 at an annual average rate of 14.05 *per cent*.

The NPRE constituted a dominant share of nearly 76 *per cent* in the revenue expenditure and increased by ₹ 4,725 crore (18.93 *per cent*) over the previous year. The increase in NPRE during the current year was mainly due to increase in expenditure in (i) Administration of Justice (₹ 55 crore), Interest payment (₹ 135 crore), Police (₹ 169 crore), Public Works (₹ 121 crore) and Pension and Other

Retirement Benefits (₹ 973 crore) under General Services, (ii) General Education (₹ 928 crore), Water Supply and Sanitation (₹ 299 crore), Social Security & Welfare (₹ 83 crore), Relief on account of Natural Calamities (₹ 261 crore) under Social Services and (iii) Minor Irrigation (₹ 91 crore), Roads and Bridges (₹ 234 crore) and Compensation & Assignment to Local Bodies (₹ 618 crore) under Economic Services.

The PRE increased by ₹ 2,363 crore (33.62 per cent) from ₹ 7,028 crore in 2013-14 to ₹ 9,391 crore in 2014-15. The increase was mainly due to increase in expenditure in General Education (₹ 782 crore), Housing (850 crore), Crop Husbandry (₹ 130 crore), Rural Employment (₹ 419 crore) and Secretariat - Economic Services (₹ 163 crore).

The buoyancy of revenue expenditure with reference to both GSDP and revenue receipts fluctuated during 2010-15. Buoyancy ratio of revenue expenditure to GSDP increased significantly during the year whereas its significant decrease with respect to revenue receipts during 2014-15 over the previous year indicated that revenue expenditure of the State increased at a pace faster than the revenue receipts.

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 2014-15.

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 |
| 2014-15 | 20,982 | 31,044 | 29,687 |

The NPRE remained significantly higher than the normative assessments made by FC-XIII. However, it was lower than the projections of the State Government made in its Budget during 2014-15.

1.6.4 Committed Expenditure

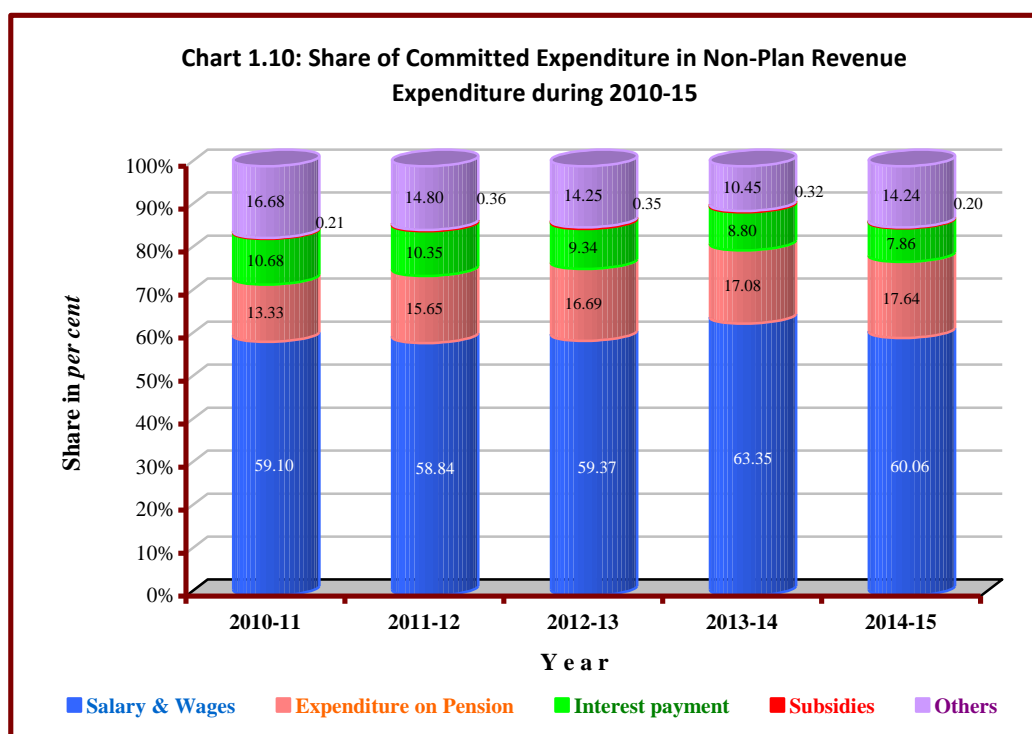
The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Table 1.20** and **Chart 1.10** present the trends in the expenditure on these components during 2010-15.

Table 1.20: Components of Committed Expenditure

| (₹ in crore) | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Components of Committed Expenditure | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Salaries & Wages, Of which | 10,576 | 11,793 | 13,442 | 15,814 | 17,829 |
| <i>Non-Plan Head</i> | 10,131 | 11,094 | 12,575 | 14,999 | 16,853 |
| <i>Plan Head*</i> | 445 | 699 | 867 | 815 | 976 |
| Expenditure on Pensions | 2,385 | 3,136 | 3,779 | 4,264 | 5,237 |
| Interest Payments | 1,912 | 2,074 | 2,115 | 2,198 | 2,334 |
| Subsidies | 38 | 72 | 80 | 81 | 58 |
| Total | 14,911 | 17,075 | 19,416 | 22,357 | 25,458 |
| As per cent of RR | | | | | |
| Salaries & Wages | 45.97 | 42.95 | 43.80 | 49.09 | 46.69 |
| Expenditure on Pensions | 10.37 | 11.42 | 12.31 | 13.24 | 13.72 |
| Interest Payments | 8.31 | 7.55 | 6.89 | 6.82 | 6.11 |
| Subsidies | 0.17 | 0.26 | 0.26 | 0.25 | 0.15 |

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 47 per cent of revenue receipts of the State during 2014-15. It increased by 13 per cent from ₹ 15,814 crore in 2013-14 to ₹ 17,829 crore in 2014-15. Salary and wage expenditure under Non-plan head during 2014-15 increased by ₹ 1,854 crore (12.36 per cent) over the previous year whereas the same on plan head increased by ₹ 161 crore (19.75 per cent) over the previous year. Non-plan salary and wage expenditure ranged between 94 per cent and 96 per cent of total expenditure on salaries and

wages during 2010-15. Although expenditure on salaries (₹ 17,582 crore) during 2014-15 was less by ₹ 3,153 crore (15 *per cent*) than assessed (₹ 20,735 crore) by the State Government in its budget, it was more by ₹ 1,525 crore (nine *per cent*) than the projection of ₹ 16,057 crore made in MTFP and by ₹ 10,067 crore (134 *per cent*) than the assessment made by the FC-XIII (₹ 7,515 crore).

(B) Interest Payments

Interest payments increased by ₹ 136 crore (6.19 *per cent*) from ₹ 2,198 crore in 2013-14 to ₹ 2,334 crore in 2014-15. During the current year the interest payment was made on internal debt (₹ 1,598 crore), Small Savings, Provident Fund etc., (₹ 619 crore) and loans and advances from Central Government (₹ 117 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 2014-15.

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

| Year | Assessment made by the FC-XIII | Assessment made by the State Government in | | Actual |
|---------|--------------------------------|--|-------|--------|
| | | Budget | MTFP | |
| | | | | |
| 2014-15 | 3,521 | 2,405 | 2,672 | 2,334 |

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 2014-15, the State Government raised ₹ 2,153 crore from open market. Further, the Government also borrowed an amount of ₹ 258 crore from National Bank for Agriculture and Rural Development (NABARD), ₹ 1,325 crore from National Small Savings Fund (NSSF) and ₹ 50 crore from Government of India.

(C) Pension Payments

Pension payments increased from ₹ 2,385 crore in 2010-11 to ₹ 5,237 crore in 2014-15 recording a total increase of 120 *per cent* in five years. Pension payments alone accounted for more than 13 *per cent* of revenue receipts of the State during the year and increased by ₹ 973 crore (22.82 *per cent*) over the previous year. Increase of ₹ 973 crore in pension payments during 2014-15 over the previous year was mainly due to increase in expenditure under Superannuation and Retirement Allowances (₹ 58 crore), Gratuities (₹ 114 crore), Family Pension (₹ 579 crore) and Leave Encashment Benefits (₹ 77 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. In terms of the scheme, employees contribute 10 *per cent* basic pay and dearness allowance, which is matched by the State Government and the entire amount, is transferred to the designated fund manager through the National Securities Depository Limited (NSDL). During 2014-15, the State Government contributed only ₹ 250.00 crore against employee’s contribution of ₹ 288.52 crore and thus, ₹ 38.52 crore remained a liability for the State Government.

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 | | (₹ in crore) |
|---------|--------------------------------|--|-------|--------------|
| | | Budget | MTFP | Actual |
| 2014-15 | 2,884 | 3,704 | 4,572 | 5,237 |

Pension payments was ₹ 2,353 crore (81.59 *per cent*) more than the assessments of FC-XIII, ₹ 665 crore (14.55 *per cent*) more than the projections made by the State Government in its MTFP and ₹ 1,533 crore (41.39 *per cent*) more than the projections made in its budget during 2014-15.

(D) Subsidies

Table 1.20 indicates that subsidies as a percentage of revenue receipts decreased from 0.25 *per cent* (2013-14) to 0.15 *per cent* in 2014-15. In absolute terms, expenditure on payment of subsidies decreased by ₹ 23 crore from ₹ 81 crore in 2013-14 to ₹ 58 crore in 2014-15. During 2014-15 the major Departments which received subsidy were Industries and Commerce (64 *per cent*), Co-operation (21 *per cent*) and Welfare of Plain Tribes and Backward Classes (9 *per cent*). The State Government had not made any projection for subsidy in its MTFP during 2014-15.

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 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
|--|-----------------|-----------------|-----------------|-----------------|----------------------------|-----------------|
| | | | | | Final Grant/ Appropriation | Actual |
| | | | | | | |
| Municipal Corporations/Urban Sewerage Board | 56.74 | 112.26 | 94.37 | 62.20 | 336.21 | 93.47 |
| Co-operative Societies and Co-operative Institutions | 1.00 | 1.18 | 7.88 | 5.50 | 13.31 | 12.53 |
| Universities and Educational Institutions | 1,539.47 | 1,602.93 | 2,239.27 | 2,760.62 | 1,632.60 | 1,267.36 |
| Power Companies etc. | 50.21 | 69.10 | 401.43 | 278.76 | 657.90 | 652.38 |
| Assam State Housing Board (ASHB) etc. | 0.40 | 0.46 | 2.11 | 4.58 | 5.42 | 5.22 |
| Assam Khadi & Village Industries Board | 12.18 | 21.56 | 27.01 | 24.77 | 23.37 | 23.37 |
| Urban Development Authority | 8.37 | 10.14 | 3.58 | 11.52 | 99.11 | 23.94 |
| Autonomous Councils | 127.58 | 123.88 | 404.88 | 393.42 | 427.04 | 308.17 |
| Other Institutions | 354.45 | 175.96 | 244.45 | 671.91 | 509.07 | 329.78* |
| Total | 2,150.40 | 2,117.47 | 3,424.98 | 4,213.28 | 3,704.03 | 2,716.22 |
| Assistance as percentage of RE | 9.37 | 7.98 | 11.75 | 13.17 | 7.64 | 6.95 |

*Financial assistance to Other Institutions was mainly under (i) Assistance to Anchalik Panchayat: ₹ 25.89 crore; (ii) Assistance to Gaon Panchayat: ₹ 79.56 crore; (iii) Infrastructure Development for Industries: ₹ 24.42 crore and (iv) Assistance for Tribal Sub-Plan ₹ 18.34 crore.

The total assistance at the end of the year 2014-15 had increased by 26 per cent over the level of 2010-11. However, the assistance to boards and other institutions as a percentage of total revenue expenditure had decreased from 9.37 per cent in 2010-11 to 6.95 per cent in 2014-15. Financial assistance to Educational Institutions alone constituted more than 46 per cent of the total assistance of the State Government during 2014-15.

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 2015, there were 21 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 2015, there were 94 ULBs in the State comprising of one Municipal Corporation, 34 MBs and 59 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 2010-11 to 2014-15 is presented in Tables 1.24 and 1.25.

Table 1.24: Resources of PRI

| Source | (₹ in crore) | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Own Revenue (Local Bodies) | 23.46 | 87.85 | 176.16 | NA | NA |
| State Finance Commission (SFC) transfers | 119.36 | 227.96 | 104.42 | 158.23 | 298.84 |
| Central Finance Commission (CFC) transfers | 73.44 | 196.01 | 362.05 | 201.93 | 270.54 |
| Grants for State sponsored schemes | 341.86 | 520.73 | 89.09 | 197.29 | 147.04 |
| GOI grants for Centrally Sponsored Schemes | 1,684.81 | 1,323.36 | 1,211.38 | 2,000.58 | 1,879.94 |
| Total | 2,242.93 | 2,355.91 | 1,943.10 | 2,558.03 | 2,596.36 |

Source: Commissioner, P & RD, Assam and information furnished by GoA.

Table 1.25: Resources of ULBs

| Source | (₹ in crore) | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Own Revenue | 128.78 | 151.57 | 190.04 | NA | NA |
| SFC transfers | 151.67 | 189.68 | 149.59 | 133.11 | 169.15 |
| CFC transfers | 12.04 | 31.97 | 44.28 | - | 39.74 |
| Interest for delayed payment of CFC grants | - | 0.11 | 0.20 | 0.12 | 0.18 |
| State sponsored schemes | 20.54 | 16.13 | - | 8.22 | 12.29 |
| GOI grants for Centrally Sponsored Schemes | 33.27 | 24.09 | 33.41 | 25.57 | 11.02 |
| Total | 346.30 | 413.55 | 417.52 | 167.02 | 232.38 |

Source: FASFC Report and information furnished by the Director, MA and the Director, T & CP, GoA.

During current year GOI grants for centrally sponsored schemes decreased significantly for 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 in respect of functioning enumerated in the Schedule XI and XII of the Constitution respectively.

- 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 16 subjects.
- GOA amended (May 2011) the Assam Municipal Act (AMA), 1956, which provided for transfer of 3Fs to ULBs relating to 18 subjects 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, 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.

Thus, the accounts of PRIs are not maintained as per the prescribed formats. 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 Assam Municipal Accounting Manual (AMAM) 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 PRIs and ULBs for the years 2004-05 to 2012-13 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 in December 2011. The latest Audit Report for the year 2013-14 was laid before the State Legislature on 10 August 2015.

Government of Assam had constituted (October 2012) Local Fund Accounts Committee (LFAC) to discuss the ATIRs on PRIs and ULBs. In December 2013, ATIR for the year 2009-10 was discussed by the LFAC. Moreover, Action Taken Report (ATR) on the ATIRs/Audit Report submitted to Government was still awaited (December 2015).

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 expenditure⁸, 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.

Table 1.26 compares the fiscal priority of the State Government with that of Special Category States regarding development expenditure, social sector expenditure, Economic Sector Expenditure and capital expenditure during 2014-15, taking 2011-12 as base year.

Table 1.26: Fiscal Priority of the State in 2011-12 and 2014-15

| Fiscal Priority of the State | (In per cent) | | | | | | |
|--|---------------|------------|------------|-----------|-----------|------------------|---------------|
| | AE/ GSDP | SSE/ AE | ESE/ AE | DE/ AE | CE/ AE | Education/ AE | Health/ AE |
| Average (Ratio) 2011-12 of | | | | | | | |
| Special Category States | 26.39 | 37.02 | 28.37 | 61.26 | 14.02 | 18.86 | 5.40 |
| Assam | 23.13 | 39.97 | 24.07 | 64.03 | 8.61 | 23.67 | 5.54 |
| Average (Ratio) 2014-15 of | | | | | | | |
| Special Category States | NA | 38.14 | 28.89 | 63.51 | 14.22 | 19.31 | 5.49 |
| Assam | 23.73 | 42.78 | 25.01 | 67.79 | 8.97 | 25.59 | 4.41 |
| AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure. | | | | | | | |

Table 1.26 reveals that development expenditure of the State of Assam was more than that of Special Category States (SCS) during both the years 2011-12 and 2014-15. However, capital expenditure during the same period was less than that of SCS.

⁸ 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.

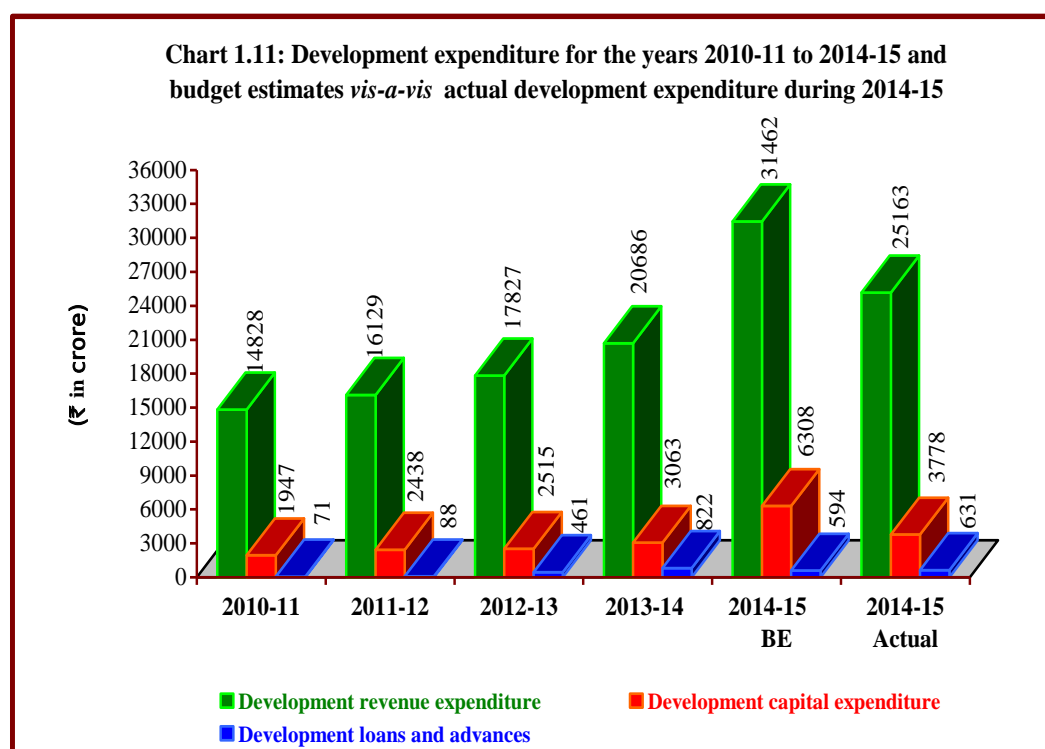
Further, **Table 1.27** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years while **Table 1.28** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.27: Development Expenditure

| Components of Development Expenditure | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | | | | BE | Actual |
| Development Expenditure (a to c) | 16,846 (67) | 18,655 (64) | 20,803 (65) | 24,571 (68) | 38,364 (68) | 29,572 (68) |
| a. Development Revenue Expenditure | 14,828 (59) | 16,129 (55) | 17,827 (55) | 20,686 (57) | 31,462 (56) | 25,163 (58) |
| b. Development Capital Expenditure | 1,947 (8) | 2,438 (8) | 2,515 (8) | 3,063 (9) | 6,308 (11) | 3,778 (9) |
| c. Development Loans and Advances | 71 (-) | 88 (1) | 461 (2) | 822 (2) | 594 (1) | 631 (1) |

Figures in parentheses indicate percentage to aggregate expenditure

The share of development expenditure to aggregate expenditure exhibited relative stability during the period 2010-15 and increased in 2014-15 by ₹ 5,001 crore (20.35 per cent) over the previous year. During the current year, the State Government earmarked 68 per cent of the estimated aggregate expenditure for development expenditure and this assessment was achieved at the end of the year. The relative share of development expenditure to total expenditure during 2010-15 is presented in **Chart 1.11**.



The development revenue expenditure increased significantly by ₹ 4,477 crore (21.64 per cent) from ₹ 20,686 crore in 2013-14 to ₹ 25,163 crore in 2014-15.

The increases under social and economic services were ₹ 3,238 crore and ₹ 1,239 crore respectively. The actual development revenue expenditure was less than the State's projection in budget by ₹ 6,299 crore.

The development capital expenditure also increased significantly by ₹ 715 crore (23.34 per cent) from ₹ 3,063 crore in 2013-14 to ₹ 3,778 crore in 2014-15. The increase of ₹ 715 crore in development capital expenditure was due to increase of expenditure under social services by ₹ 375 crore and economic services by ₹ 340 crore.

The development loans and advances decreased by ₹ 191 crore from ₹ 822 crore in 2013-14 to ₹ 631 crore in 2014-15. The actual development loans and advances was however, more than the State's projection in budget by ₹ 37 crore.

1.7.2 Efficiency of Expenditure Use

Table 1.28: Efficiency of expenditure use in selected Social and Economic services

(In per cent)

| Social/ Economic Infrastructure | 2013-14 | | | 2014-15 | | |
|---|--------------------------------|---------------------|--------------------|--------------------------------|---------------------|--------------------|
| | 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 | -- | 24.37 | 0.05 | -- | 22.21 | 0.39 |
| Health and Family Welfare | 0.67 | 3.57 | 0.77 | 0.68 | 3.25 | 0.19 |
| Water Supply, Sanitation & Housing & Urban Development | 18.27 | 1.20 | 2.45 | 22.80 | 1.05 | 1.59 |
| Other Social Services | 0.02 | 1.97 | 0.41 | -- | 1.87 | 0.06 |
| Total (SS) | 1.29 | 31.11 | 3.68 | 3.05 | 28.38 | 2.22 |
| Economic Services (ES) | | | | | | |
| Agriculture & Allied Activities | 0.50 | 3.59 | 3.22 | 0.52 | 3.07 | 2.23 |
| Irrigation and Flood Control | 58.00 | 1.85 | 0.60 | 67.25 | 1.61 | 0.48 |
| Special Areas Programmes | 58.62 | 0.01 | -- | 71.49 | 0.01 | -- |
| Transport | 44.19 | 1.89 | 2.51 | 40.23 | 1.64 | 5.43 |
| Other Economic Services | 23.76 | 1.71 | 0.46 | 10.82 | 1.56 | 0.41 |
| Total (ES) | 32.96 | 9.05 | 6.79 | 31.20 | 7.89 | 8.54 |
| 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 X of Finance Accounts. | | | | | | |

The trends presented in **Table 1.28** reveals that the percentage of capital expenditure on social services to total expenditure on social services increased from 1.29 per cent in 2013-14 to 3.05 per cent in 2014-15. The increase was mainly under Water Supply, Sanitation and Housing & Urban Development sector under social services. However, the percentage of capital expenditure on economic services to total expenditure decreased from 32.96 per cent in 2013-14 to 31.20 per cent in 2014-15. The decrease was mainly under Transport and other economic services sector under economic services.

The share of salary and wages in revenue expenditure on social services decreased from 31.11 *per cent* in 2013-14 to 28.38 *per cent* in 2014-15 and the share of salary and wages in revenue expenditure on economic services also decreased from 9.05 *per cent* in 2013-14 to 7.89 *per cent* in 2014-15. The decrease was mainly in education, sports, art and culture sector under social services and agriculture and allied activities sector under economic services.

The share of operations and maintenance in revenue expenditure on social services also decreased from 3.68 *per cent* in 2013-14 to 2.22 *per cent* in 2014-15 while the share of operations and maintenance in revenue expenditure on economic services increased from 6.79 *per cent* in 2013-14 to 8.54 *per cent* in 2014-15. The decrease was mainly under Water Supply, Sanitation and Housing & Urban Development sector under social services and the increase was under transport sector under economic services.

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

Impact of expenditure on various Sectors

Appendix 1.4 depicts the progress achieved during 2014-15 as compared to 2013-14 in various sectors. In the education sector, number of upper primary schools increased from 7,646 in 2013-14 to 7,775 in 2014-15. However, enrollment of students in both lower and upper primary schools decreased nominally by 0.51 lakh and 0.01 lakh respectively during the year as compared to previous year 2013-14. There was no infrastructural improvement in the health sector during the year. In the power sector, the rural electrification improved marginally from 96.92 *per cent* in 2013-14 to 99.22 *per cent* in 2014-15. During the period, generation, purchase and consumption of power increased by 58 Million kWh, 1,029 Million kWh and 722 Million kWh respectively. In the Irrigation Sector, new irrigation potential of 0.55 lakh hectares was created in 2014-15 as compared to 0.20 lakh hectares only in 2013-14. Per capita income of the State increased significantly from ₹ 44,263 to ₹ 49,480 during the year.

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.

1.8.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2015 is given in **Table 1.29**.

Table 1.29: Department-wise profile of Incomplete Projects

(₹ in crore)

| Department | No. of Incomplete Projects | Initial Budgeted Cost | Cost Overrun | Cumulative actual expenditure (March 2015) |
|--|----------------------------|-----------------------|--------------|--|
| Public Works (Roads) | 37 | 205.24 | * | 96.77 |
| Public Works (Buildings & National Highways) | 8 | 452.90 | * | 233.85 |
| Irrigation | 17 | 128.94 | * | 78.18 |
| Total | 62 | 787.08 | -- | 408.80 |

Source: Finance Accounts 2014-15.

* Information awaited from Government

As on 31 March 2015 there were 62 projects which were due to be completed by March 2015 remained incomplete and in which ₹ 408.80 crore was blocked. Of these, 48 projects involving ₹ 279.09 crore remained incomplete for less than three years, 10 projects involving an amount of ₹ 104.45 crore remained incomplete for periods ranging from three to five years and four projects involving ₹ 25.26 crore remained incomplete for more than five years. The cost overrun of incomplete projects could not be determined as the revised cost of incomplete projects could not be furnished to Audit, though called for.

Delay in completion of works/projects invites the risk of escalation in the cost of the works, besides the intended benefits from these projects did not reach the beneficiaries in the State.

1.8.2 Investment and returns

As of 31 March 2015, Government had invested ₹ 2,403.90 crore in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies (**Table 1.30**). The average return on this investment was 0.68 *per cent* while the Government paid an average interest rate of 6.40 *per cent* on its borrowings during 2014-15.

Table 1.30: Return on Investment

| | | (₹ in crore) | | | | |
|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| 1 | | 2 | 3 | 4 | 5 | 6 |
| (a) | Statutory Corporations (No. of concerns) | 1,874.10 (4) | 1,895.70 (4) | 1,911.13 (4) | 1,967.11 (4) | 2,077.41 (4) |
| (b) | Rural Banks (No. of concerns) | 11.16 (1) | 11.16 (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) | 29.05 (16) |
| (d) | Co-operatives (No. of concerns) | 104.04 (18) | 107.33 (18) | 109.83 (18) | 109.83 (18) | 110.23 (18) |
| (e) | Government Companies (No. of concerns) | 158.48 (24) | 162.61 (24) | 162.80 (24) | 176.05 (24) | 176.05 (24) |
| Total Investment | | 2,165.82 | 2,194.84 | 2,212.97 | 2,282.19 | 2,403.90 |
| Return (₹ in crore) | | 14.98 | 13.64 | 11.64 | 12.05 | 16.23 |
| Return (per cent) | | 0.69 | 0.62 | 0.53 | 0.53 | 0.68 |
| Average rate of interest on Government borrowing (per cent) | | 6.58 | 6.78 | 6.57 | 6.53 | 6.40 |
| Difference between interest rate and return (per cent) | | 5.89 | 6.16 | 6.04 | 6.00 | 5.72 |

During the last five years, *i.e.*, 2010-15, the State Government's investments had increased by ₹ 238.08 crore. During the current year, Government has invested ₹ 110.30 crore in Statutory Corporations and ₹ 11.01 crore in Joint Stock Companies. The increase in investments of ₹ 110.30 crore in Statutory Corporations during 2014-15 was mainly on account of increased capital contribution to Assam State Transport Corporation (₹ 110.30 crore).

Out of four Statutory Corporations, three were incurring losses and their accumulated losses amounted to ₹ 748.61 crore⁹. Similarly, out of 24 Government Companies in the State, 16 companies were incurring losses and their accumulated losses amounted to ₹ 423.38 crore. The major loss incurring Government Companies were Assam Industrial Development Corporation Ltd., (Investment: ₹ 29.71 crore; accumulated loss: ₹ 123.32 crore), Assam Agro Industries Development Corporation Ltd., (Investment: ₹ 22.08 crore; accumulated loss: ₹ 20.58 crore), Assam Seed Corporation Ltd., (Investment: ₹ 1.25 crore; accumulated loss: ₹ 19.95 crore), Assam Tea Corporation Ltd., (Investment: ₹ 8.07 crore; accumulated loss: ₹ 169.82 crore), Assam State Textile Corporation Ltd., (Investment: ₹ 4.77 crore; accumulated loss: ₹ 27.42 crore) and Assam State Development Corporation for Scheduled Caste Ltd., (Investment: ₹ 4.88 crore; accumulated loss: ₹ 23.74 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

⁹ Assam State Ware-housing Corporation : ₹ 12.39 crore (as on 31-03-2010);
Assam State Transport Corporation (ASTC) : ₹ 732.85 crore (as on 31-03-2012);
Assam Financial Corporation, Guwahati : ₹ 3.37 crore (as on 31-03-2015).

institutions/ organisations. **Table 1.31** presents the outstanding loans and advances as on 31 March 2015, interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.31: Average Interest received on Loans Advanced by the State Government

| | (₹ in crore) | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Quantum of Loans/ Interest Receipts/ Cost of Borrowings | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Opening Balance | 2,944 | 2,987 | 3,054 | 3,507 | 4,323 |
| Amount advanced during the year | 71 | 88 | 460 | 822 | 631 |
| Amount recovered during the year | 28 | 21 | 7 | 6 | 10 |
| Closing Balance | 2,987 | 3,054 | 3,507 | 4,323 | 4,944 |
| Of which Outstanding balance for which terms and conditions have been settled | -- | -- | -- | -- | |
| Net addition | 43 | 67 | 453 | 816 | 621 |
| Interest Receipts | 8 | 11 | 27 | 18 | 15 |
| Interest receipts as per cent to outstanding Loans and advances | 0.27 | 0.36 | 0.77 | 0.42 | 0.30 |
| Average rate of interest on Government borrowing (per cent) | 6.58 | 6.78 | 6.57 | 6.53 | 6.40 |
| Difference between interest payments and interest receipts (per cent) | 6.31 | 6.42 | 5.80 | 6.11 | 6.10 |

The total amount of outstanding loans and advances as on 31 March 2015 was ₹ 4,944 crore. The amount of loans disbursed during the year decreased by 23 per cent from ₹ 822 crore in 2013-14 to ₹ 631 crore in 2014-15. Out of the total amount of loans advanced during the year, ₹ 3.83 crore went to social services, ₹ 626.35 crore to economic services and ₹ 0.53 crore to Government servants. Under social services, major portion of loan went to Housing (60 per cent) and Urban Development (34 per cent) and in economic services, the major portion of loans went to loans for Power Projects (97 per cent) followed by loans to consumer industries (two per cent). Recovery of loans and advances increased from ₹ six crore in 2013-14 to ₹ 10 crore in 2014-15. However, interest receipt against the loans and advances decreased by 17 per cent from ₹ 18 crore in 2013-14 to ₹ 15 crore in 2014-15. During 2014-15, fresh loans and advances (₹ 630 crore) were made during the year to the eight loanee entities¹⁰ from whom repayments of earlier loans (₹ 2,679.30 crore) were in arrears. Out of

10

| | | |
|--|----------|-----------------------|
| 1. Assam Urban Water Supply and Sewerage Development Board | : ₹ | 45.00 crore |
| 2. Assam Tea Corporation Ltd. | : ₹ | 28.11 crore |
| 3. Assam Hills Small Industries Development Corporations | : ₹ | 26.21 crore |
| 4. Assam Plantation Crops Development Corporations Ltd. | : ₹ | 1.61 crore |
| 5. Assam Power Distribution Company Ltd. | : ₹ | 1,982.74 crore |
| 6. Assam State Housing Board | ₹ | 3.43 crore |
| 7. Assam Financial Corporation | ₹ | 563.96 crore |
| 8. Co-operative Societies | ₹ | 28.24 crore |
| | ₹ | 2,679.30 crore |

eight entities, loans in respect of Assam Hills Small Industries Development Corporations (₹ 26.21 crore) were in arrears since 1976-77.

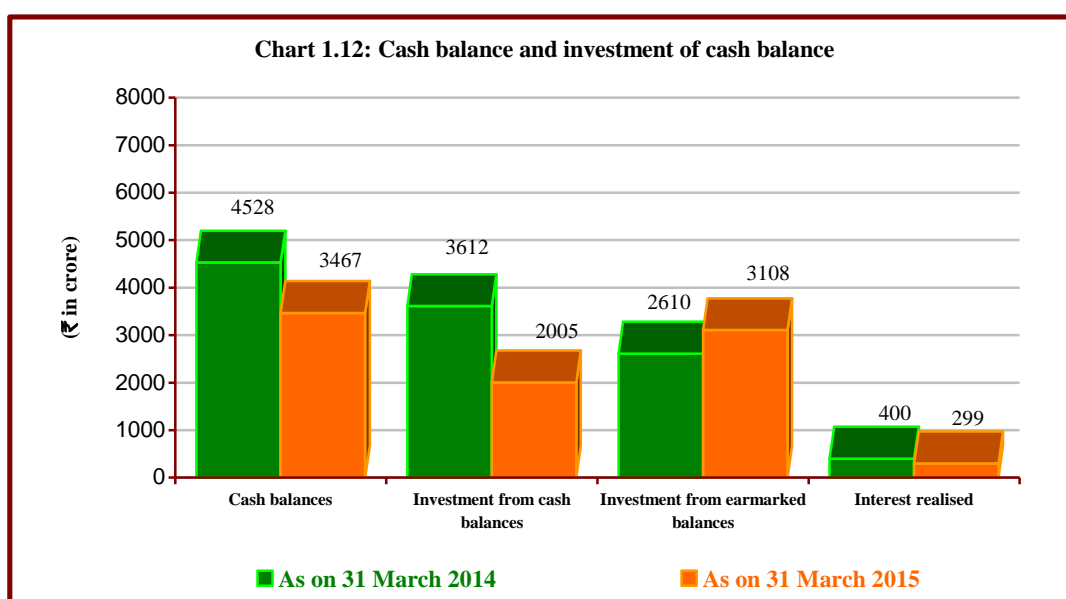
1.8.4 Cash Balances and Investment of Cash Balances

Table 1.32 and Chart 1.12 depict the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.32: Cash balances and investment of cash balances

(₹ in crore)

| | Opening balance on 01-04.2014 | Closing balance on 31.03.2015 |
|--|----------------------------------|----------------------------------|
| General Cash Balance | | |
| Cash in treasuries | 0.00 | 0.00 |
| Deposits with Reserve Bank | (-) 1,704.63 | (-) 1,652.59 |
| Deposits with other Banks | 0.00 | 0.00 |
| Remittances in transit – Local | 0.00 | 0.00 |
| Total | (-) 1,704.63 | (-) 1,652.59 |
| Investments held in Cash Balance investment account | 3,611.98 | 2,004.71 |
| Total (a) | 1,907.35 | 352.12 |
| Other Cash Balances and Investments | | |
| Cash with departmental officers viz., Public Works, Forest Officers | 9.69 | 6.18 |
| Permanent advances for contingent expenditure with department officers | 0.46 | 0.46 |
| Investment of earmarked funds | 2,610.49 | 3,108.37 |
| Total (b) | 2,620.64 | 3,115.01 |
| Total (a) + (b) | 4,527.99 | 3,467.13 |
| Interest realised | 400.17 | 298.76 |



Cash balances of the State Government at the end of the current year decreased from ₹ 4,528 crore in 2013-14 to ₹ 3,467 crore in 2014-15. The State Government from the investments made in GOI Treasury Bills, had earned an interest of ₹ 299 crore during 2014-15. Further, the Government invested ₹ 3,108 crore in Sinking Fund and Development and Welfare Fund as of 31 March 2015. The interest receipts against investment on cash balance was 14.90 per cent during 2014-15 while Government paid interest at the rate of 6.40 per cent only on its borrowings during the year.

1.9 Assets and Liabilities

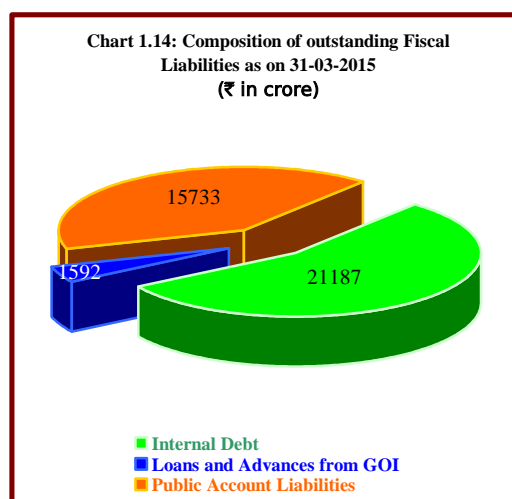
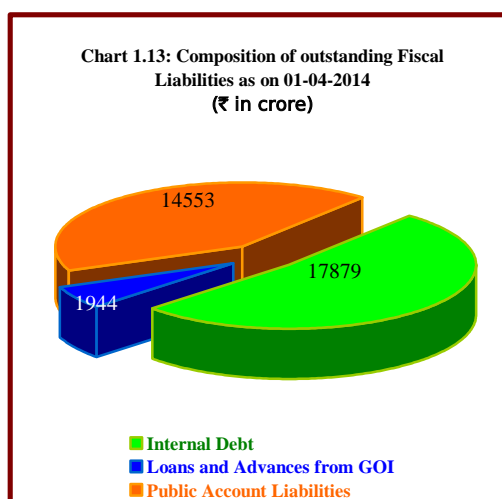
1.9.1 Growth and composition of Assets and Liabilities

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 1.5** gives an abstract of such liabilities and assets as on 31 March 2015 compared with the corresponding position as on 31 March 2014. 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 (amended in 2011), 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 1.3. Table 1.33** 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 1.33: Fiscal Liabilities-Basic Parameters

| Parameters | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|---------|---------|---------|---------|---------|
| Fiscal Liabilities[#] (₹ in crore) | 29,693 | 31,497 | 32,897 | 34,376 | 38,512 |
| Rate of Growth (per cent) | 4.31 | 6.08 | 4.44 | 4.50 | 12.03 |
| Ratio of Fiscal Liabilities to: | | | | | |
| GSDP (per cent) | 26.35 | 25.02 | 23.77 | 21.56 | 20.95 |
| Revenue Receipts (per cent) | 129.07 | 114.72 | 107.19 | 106.71 | 100.86 |
| Own Resources (per cent) | 357.62 | 299.83 | 306.76 | 293.81 | 324.64 |
| Buoyancy of Fiscal Liabilities with reference to: | | | | | |
| GSDP (ratio) | 0.248 | 0.518 | 0.447 | 0.296 | 0.788 |
| Revenue Receipts (ratio) | 0.275 | 0.314 | 0.377 | 0.907 | 0.649 |
| Own Resources (ratio) | 0.593 | 0.229 | 2.135 | 0.495 | 8.655 |

[#] 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 5.94 *per cent* during the period 2010-15. During the current year, the fiscal liabilities of the State Government increased by ₹ 4,136 crore from ₹ 34,376 crore in 2013-14 to ₹ 38,512 crore in 2014-15. The increase in fiscal liabilities was mainly due to increase in the internal debt (₹ 3,308 crore) and Public Account liabilities (₹ 1,180 crore), which was however, offset by decrease in loans and advances from the GOI (₹ 352 crore). The ratio of fiscal liabilities to GSDP had improved and decreased from 21.56 *per cent* in 2013-14 to 20.95 *per cent* in 2014-15 which was well within the norms (28.5 *per cent*), prescribed by the FC-XIII. The fiscal liabilities stood at nearly 1.01 times of the revenue receipts and 3.25 times of the State's own resources at the end of 2014-15. The buoyancy of the liabilities with respect to GSDP during the year was 0.788 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.788 *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 of 31 March 2015, the balance in the sinking fund was ₹ 3,091.20 crore, of which ₹ 3083.97 crore had been invested.

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 1.34**.

Table 1.34: Guarantees given by the Government of Assam

| Guarantees | 2012-13 | 2013-14 | 2014-15 |
|---|--|---------|---------|
| Maximum amount guaranteed | 599 | 582 | 582 |
| Outstanding amount of guarantees including interest | 114 | 90 | 143 |
| Percentage of maximum amount guaranteed to total revenue receipts | 1.95 | 1.81 | 1.52 |
| Criteria as per the Assam Fiscal Responsibility and Budget Management Act, 2011. | 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 maintained by 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 Accountant General (A&E). During 2014-15, the State Government contributed only ₹ one crore to the Fund against required amount of contribution of ₹ 3.42 crore (3 *per cent* of ₹ 114 crore). This led to short contribution of ₹ 2.42 crore by the State Government during the year. No guarantees were invoked during the year. As on 31 March 2015, the total amount lying in the Fund was ₹ 23.99 crore (including the interest of ₹ 1.68 crore for 2014-15) and the entire amount had been invested by the Reserve Bank of India.

Government had guaranteed loans raised by various Corporations and others which at the end of 2014-15 stood at ₹ 143 crore. It was 1.33 *per cent* of State's own tax and non-tax revenue of the second preceding year *i.e.*, well within the limit prescribed in the Act. Out of the total outstanding guarantees, ₹ 56.31 crore (39 *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 1.35** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2010-11.

Table 1.35: Debt Sustainability: Indicators and Trends

| (₹ in crore) | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|
| Indicators of Debt sustainability | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Debt/GSDP (<i>per cent</i>) | 26.35 | 25.02 | 23.77 | 21.56 | 20.95 |
| Sufficiency of Non-debt Receipts (Resource Gap) | (+) 2,052 | (+) 345 | (+) 129 | (-) 2,265 | (-) 1,649 |
| Net Availability of Borrowed Funds | (-) 682 | (-) 1,238 | (-) 1,765 | (-) 1,387 | (+) 1,240 |
| Burden of Interest Payments (IP/RR Ratio) | 8.31 | 7.55 | 6.89 | 6.82 | 6.11 |
| IP/Own Tax Ratio | 32.24 | 27.15 | 19.72 | 18.79 | 19.67 |
| Maturity Profile of State | | | | | |
| 0 – 1 Year | 432.61 | 453.59 | 475.30 | 330.50 | 101.51 |
| 1 – 3 Years | 1,843.08 | 2,312.18 | 2,055.47 | 2,505.94 | 2,743.02 |
| 3 – 5 Years | 2,620.42 | 2,546.94 | 2,868.46 | 3,102.00 | 2,431.96 |
| 5 – 7 Years | 2,863.98 | 3,099.21 | 2,439.83 | 3,867.58 | 5,640.36 |
| 7 Years and above | 12,382.27 | 11,536.67 | 11,965.13 | 10,017.00 | 11,861.41 |

Table 1.35 reveals that the debt-GSDP ratio had declined from 26.35 in 2010-11 to 20.95 in 2014-15, which was a positive sign towards fiscal consolidation 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. The State had a positive resource gap in three years from 2010-11 to 2012-13 during the five year period 2010-15. However, the positive resource gap turned negative during 2013-14 and remained the same during current year also at ₹ 1,649 crore.

The Public Debt Receipts of the State increased from ₹ 2,045 crore in 2010-11 to ₹ 4,582 crore in 2014-15 at an annual average rate of 24.81 *per cent*. It increased significantly by 283 *per cent* (₹ 3,386 crore) from ₹ 1,196 crore in 2013-14 to ₹ 4,582 crore in 2014-15. So far as year-end cash balance of the State is concerned, it decreased by ₹ 1,061 crore from ₹ 4,528 crore in 2013-14 to ₹ 3,467 crore in 2014-15.

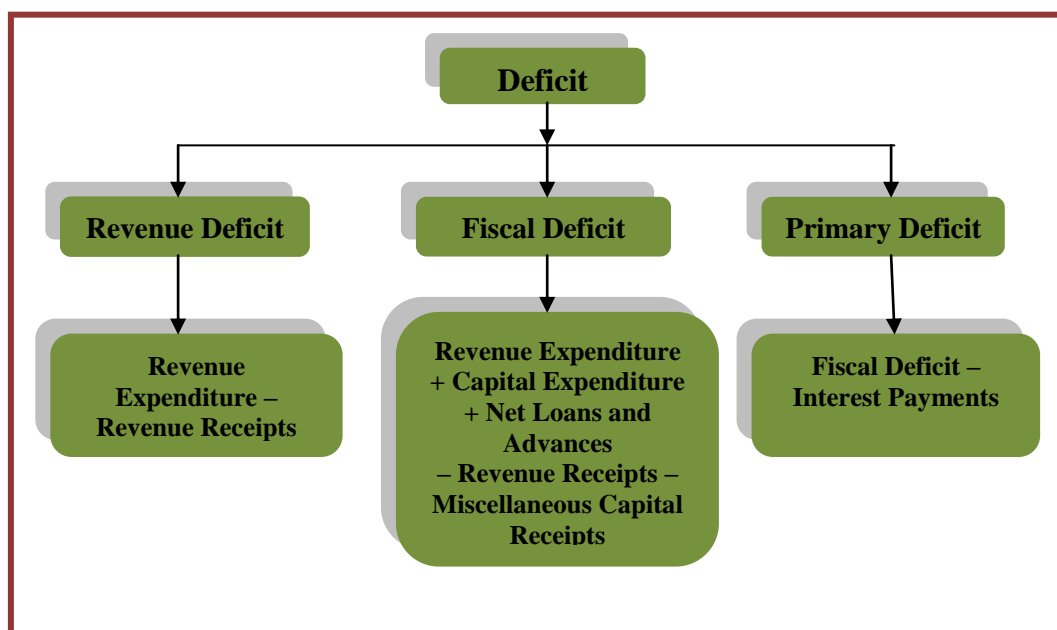
High level of surplus cash in recent past seems to provide some headroom to withstand pressure on finances. The reason for cash accumulation was attributed to conservative approach in capital spending since the capital outlay as a percentage of total expenditure ranged between a meagre eight to nine *per cent* during the period from 2010-15.

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 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. **Chart 1.15** gives an indication of various kinds of deficits that occur if the Government borrows excessively to balance the budget.

Chart 1.15: Type of deficits



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 2014-15.

1.11.1 Trends in Surplus/Deficit

Charts 1.16 and 1.17 present the trends in deficit indicators over the period 2010-15.

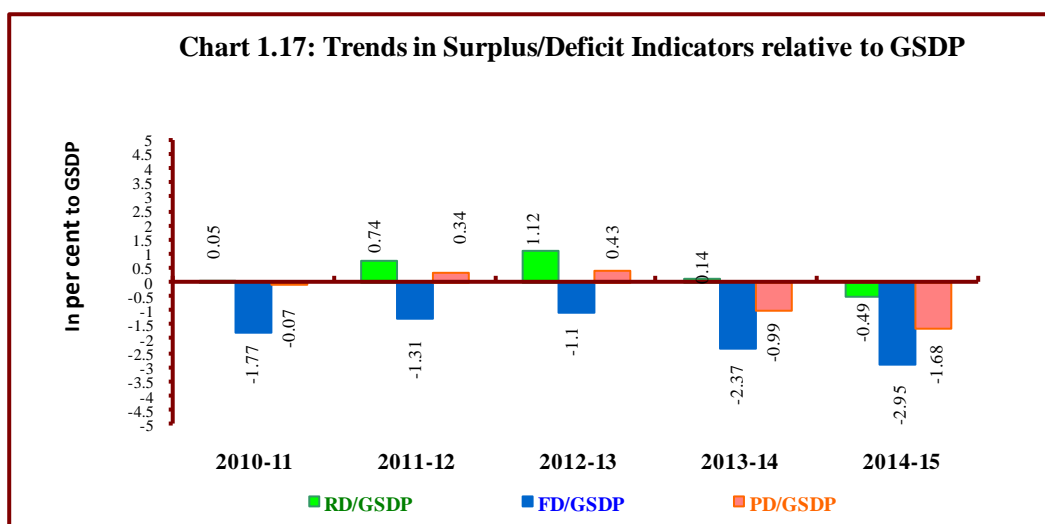
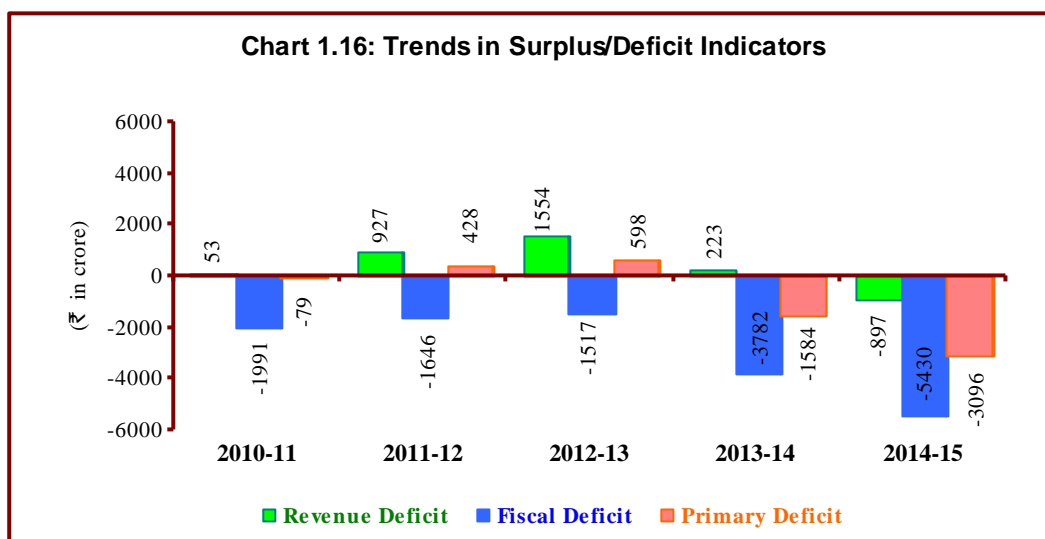


Chart 1.16 reveals that the State had a revenue surplus during last four years i.e., 2010-14, which turned into revenue deficit during the current year i.e., 2014-15. The deficit in revenue account (₹ 897 crore) during the current year was due to revenue receipts being less than revenue expenditure. During the current year revenue receipts increased only by 18.53 per cent (₹ 5,969 crore) over the previous year whereas revenue expenditure increased by 22.16 per cent (₹ 7,088 crore) during the same period. The increase in revenue expenditure (₹ 7,088 crore) in the current year was mainly on account of sufficient growth

rate of 21.80 *per cent* (₹ 3,238 crore) in social services and 21.23 *per cent* (₹ 1,239 crore) in economic services.

The fiscal deficit which represents the gap between the total resources and total expenditure decreased by ₹ 1,648 crore from the level of ₹ 3,782 crore in 2013-14 to ₹ 5,430 crore in 2014-15.

During 2010-11 the State had primary deficit which took a turnaround and became primary surplus during the years 2011-12 and 2012-13. In the subsequent two years i.e., 2013-14 and 2014-15 the State had primary deficit of ₹ 1,584 crore and ₹ 3,096 crore respectively. Increase in fiscal deficit and interest payment by ₹ 1,648 crore and ₹ 136 crore respectively resulted in increase in primary deficit of ₹ 1,512 crore from 2013-14 to 2014-15.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.36**.

Table 1.36: Components of fiscal deficit and its financing pattern

| | | (₹ in crore) | | | | |
|---|--|---------------|---------------|---------------|---------------|---------------|
| Particulars | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| 1 | | 2 | 3 | 4 | 5 | 6 |
| Composition of Fiscal Deficit | | 1,991 | 1,646 | 1,517 | 3,782 | 5,430 |
| (FD/GSDP) Deficit (+)/Surplus (-) | | (1.77) | (1.31) | (1.10) | (2.37) | (2.95) |
| 1 | Revenue Deficit | (-) 53 | (-) 927 | (-) 1,554 | (-) 223 | (+) 897 |
| 2 | Net Capital Expenditure | (+) 2,001 | (+) 2,506 | (+) 2,617 | (+) 3,189 | (+) 3,912 |
| 3 | Net Loans & Advances | (+) 43 | (+) 67 | (+) 453 | (+) 816 | (+) 621 |
| Financing Pattern of Fiscal Deficit* | | | | | | |
| 1 | Market Borrowings | (+) 300.03 | (-) 654.77 | (-) 696.40 | (-) 585.66 | (+) 2,152.93 |
| 2 | Loans from GOI | (-) 107.69 | (-) 95.21 | (-) 86.62 | (-) 113.31 | (-) 351.89 |
| 3 | Special Securities Issued to NSSF | (+) 860.47 | (+) 474.85 | (+) 643.25 | (+) 668.57 | (+) 1,078.14 |
| 4 | Loans from Financial Institutions | (+) 69.12 | (+) 81.36 | (-) 4.62 | (+) 49.24 | (+) 76.05 |
| 5 | Small Savings, PF etc. | (+) 540.41 | (+) 634.98 | (+) 807.52 | (+) 837.17 | (+) 890.13 |
| 6 | Deposit & Advances | (-) 728.61 | (+) 437.17 | (+) 413.21 | (+) 157.47 | (-) 233.54 |
| 7 | Suspense and Misc. | (+) 1,613.13 | (+) 34.76 | (-) 404.99 | (+) 2,786.10 | (+) 1,518.87 |
| 8 | Remittances | (+) 27.97 | (-) 50.84 | (-) 35.27 | (+) 10.32 | (+) 30.26 |
| 9 | Reserve Fund | (-) 153.12 | (+) 67.87 | (-) 118.35 | (+) 255.66 | (+) 320.62 |
| 10 | Decrease/increase in cash balance with RBI | (-) 431.16 | (+) 15.88 | (+) 998.76 | (-) 283.26 | (-) 52.04 |
| *All these figures are net of disbursements/outflows during the year | | | | | | |

It can be seen from **Table 1.36** that there was declining trend in fiscal deficit during the years 2010-11 to 2012-13 but it increased significantly during the years 2013-14 and 2014-15. During 2014-15, the fiscal deficit was mainly financed by Market Borrowings, Special Securities issued to NSSF, Small Savings, PF etc., and Suspense and Miscellaneous heads.

The increase in capital expenditure during the year indicated that borrowed funds were being utilised for productive uses more than that of previous year. 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.

1.11.3 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 1.37**) 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 1.37: 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) |
| 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 |
| 2013-14 | 32,219 | 29,792 | 3,189 | 822 | 33,803 | (+) 2,427 | (-) 1,584 |
| 2014-15 | 38,191 | 36,744 | 3,912 | 631 | 41,287 | (+) 1,447 | (-) 3,096 |

There was a primary deficit in the State during the year 2010-11 but the turnaround came in the years 2011-12 and 2012-13 when the State exhibited primary surplus. However, during the subsequent two years *i.e.*, 2013-14 and 2014-15 there were primary deficits again because non-debt receipts were less than the primary expenditure. In the current year non-debt receipts were sufficient to cover primary revenue expenditure but were not adequate enough to meet capital expenditure also. Over the period 2010-15, the percentage of capital expenditure in primary expenditure had shown inter-year fluctuation and increased marginally from 8.66 *per cent* in 2010-11 to 9.47 *per cent* in 2014-15.

The State should give more emphasis on increase in the percentage of capital expenditure in primary expenditure as it would indicate improvement in the productive capacity of the State's economy.

1.12 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 (February 2008) the policy on public private partnership in Infrastructure Development in the State. **Table 1.38** indicates that during 2013-14 and 2014-15, Government of Assam had taken up 19 PPP projects for implementation of which five projects¹¹ were completed, eight were under implementation/construction and remaining six were under planning/pipeline as on 31 March 2015.

¹¹ (i) Champamati Power Project, Kokrajhar (4 MW),
(ii) G.N.C Engineering Institute of Management and Technology, Tezpur,
(iii) O & M of Organic Agriculture Produces Market Complex at Sixmile, Guwahati;
(iv) North East Tribal Museum & Cultural Centre;
(v) O & M of Skilled Development Training Centre.

Table 1.38: Status of implementation of PPP projects

| Sl No. | Particulars | 2013-14 | 2014-15 |
|--------|--|---------------------------|--|
| 1. | No. of completed projects of which | 2 | 3 |
| | <i>Cost incurred of which (₹ in crore)</i> | 61.50 | 26.21 |
| | <i>Government's contribution (₹ in crore)</i> | land | 26.21 |
| 2. | No. of projects under implementation of which | 8 | 8 (same projects as in 2013-14) |
| | <i>Cost incurred of which (₹ in crore)</i> | 3201.70 | 3201.70 |
| | <i>Government's contribution (₹ in crore)</i> | 13.28/land | 13.28/land |
| 3. | Under Planning/ Pipeline projects of which (In No.) | 4 | 6 (includes 4 projects of 2013-14) |
| | <i>Cost of the project of which</i> | <i>Cost not finalised</i> | <i>Cost not finalised</i> |
| | <i>Government's contribution</i> | -- | -- |

Source: Planning and Development Department, Government of Assam.

Information for 2013-14 was revised at the instance of Planning and Development Department.

Although the State Government had completed five PPP projects during last two years i.e., 2013-15, the PPP cell under the control of Planning and Development Department could not furnish any information regarding the date of commission, revenue sharing pattern etc., of the completed projects, though called for.

1.13 Conclusion and Recommendations

The fiscal position of the State are viewed in terms of key fiscal parameters – revenue deficit, fiscal deficit and primary deficit. The State had been maintaining revenue surplus during the last four years of five year period – 2010-15, however, it turned into deficit during the current year i.e., 2014-15. The fiscal deficit of the State at 2.95 per cent was lower than 3 per cent of GSDP, the limit prescribed under the Assam Fiscal Responsibility and Budget Management (AFRBM) Act 2011. However, primary deficit of the last year further decreased and stood at ₹ 3,096 crore during 2014-15.

Revenue Receipts

Revenue receipts grew by ₹ 5,969 crore (19 per cent) over the previous year. The increase was contributed by tax revenue ₹ 455 crore (eight per cent), State's share of Union Taxes and Duties by ₹ 709 crore (12 per cent) and Grants-in-aid from Government of India (GOI) by ₹ 5,097 crore (85 per cent). The increase was however, offset by decrease in non-tax revenue by ₹ 292 crore (five per cent).

The revenue receipts at ₹ 38,181 crore was more by ₹ 891 crore than the assessment made in Medium Term Fiscal Plan (MTFP)¹² (₹ 37,290 crore).

(Para-1.1.1)

Revenue Expenditure

The overall revenue expenditure of the State increased by 70.26 per cent from ₹ 22,952 crore in 2010-11 to ₹ 39,078 crore in 2014-15 at an annual average rate of 14.05 per cent. The NPRES constituted a dominant share of nearly 76 per cent in the revenue expenditure and increased by ₹ 4,725 crore (18.93 per cent) over the previous year. The PRES increased by ₹ 2,363 crore (33.62 per cent) from ₹ 7,028 crore in 2013-14 to ₹ 9,391 crore in 2014-15.

(Para-1.6.3)

During 2014-15, the development expenditure (₹ 29,572 crore) increased by ₹ 5,001 crore (20.35 per cent) over the previous year. The relative share of the revenue developmental expenditure was 58 per cent of the total expenditure while this share in respect of capital development expenditure was only nine per cent. The expenditure pattern of the State revealed that there was an increasing pressure of revenue expenditure. Salaries and wages alone accounted for nearly 47 per cent of revenue receipts of the State during 2014-15. It increased by 13 per cent from ₹ 15,814 crore in 2013-14 to ₹ 17,829 crore in 2014-15. Although expenditure on salaries (₹ 17,582 crore) during 2014-15 was less by ₹ 3,153 crore (15 per cent) than assessed (₹ 20,735 crore) by the State Government in its budget, it was more by ₹ 1,525 crore (nine per cent) than the projection of ₹ 16,057 crore made in MTFP and by ₹ 10,067 crore (134 per cent) than the assessment made by the FC-XIII (₹ 7,515 crore).

(Paras-1.6.4 and 1.7.1)

Investment and Returns

As on 31 March 2015 there were 62 projects which were due to be completed by March 2015 remained incomplete and in which ₹ 408.80 crore was blocked. Of these, 48 projects involving ₹ 279.09 crore remained incomplete for less than three years, 10 projects involving an amount of ₹ 104.45 crore remained incomplete for periods ranging from three to five years and four projects involving ₹ 25.26 crore remained incomplete for more than five years. Delay in completion of works/projects invites the risk of escalation in the cost of the works, besides the intended benefits from those projects did not reach the beneficiaries in the State.

(Para-1.8.1)

¹² 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.

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 0.69 *per cent* in the last five years whereas the State Government's average interest outgo was in the range of 6.40 to 6.78 *per cent* during the corresponding period.

(Para-1.8.2)

Cash balances of the State Government at the end of the current year decreased from ₹ 4,528 crore in 2013-14 to ₹ 3,467 crore in 2014-15. The State Government from the investments made in GOI Treasury Bills, had earned an interest of ₹ 299 crore during 2014-15. Further, the Government invested ₹ 3,108 crore in Sinking Fund and Development and Welfare Fund as of 31 March 2015. The interest receipts against investment on cash balance was 14.90 *per cent* during 2014-15 while Government paid interest at the rate of 6.40 *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 5.94 *per cent* during the period 2010-15. During the current year, the fiscal liabilities of the State Government increased by ₹ 4,136 crore from ₹ 34,376 crore in 2013-14 to ₹ 38,512 crore in 2014-15. The ratio of fiscal liabilities to GSDP had improved and decreased from 21.56 *per cent* in 2013-14 to 20.95 *per cent* in 2014-15 which was well within the norms (28.5 *per cent*), prescribed by the FC-XIII. The fiscal liabilities stood at nearly 1.01 times of the revenue receipts and 3.25 times of the State's own resources at the end of 2014-15.

(Para-1.9.2)

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.

