



# **Executive Summary**



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### *About the Report*

*This Report of the CAG of India is on the State Finances for the year 2022-23. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.*

*This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and its impact.*

Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 11.89 *per cent* from ₹ 3,09,336.32 crore in 2018-19 to ₹ 4,93,166.60 crore in 2022-23. Budget Outlay of the State grew at an average growth rate of 8.86 *per cent* from ₹ 1,08,490.35 crore in 2018-19 to ₹ 1,56,525.63 crore in 2022-23.

There was 19.52 *per cent* growth in GSDP over 2021-22. The revenue receipts grew at 12.44 *per cent* during the year however, the percentage of revenue receipts over GSDP decreased from 19.34 *per cent* in 2021-22 to 18.20 *per cent* in 2022-23. The tax revenue increased by 13.66 *per cent* during the period and the State's own tax revenue increased by 25.44 *per cent*. The total expenditure (revenue expenditure, capital expenditure, loans and advances and appropriation to contingency fund) of the State of Assam increased from ₹ 1,02,777.80 crore in 2021-22 to ₹ 1,19,952.20 crore in 2022-23 increasing by 16.71 *per cent*. Of this, revenue expenditure showed 23.34 *per cent* increase over 2021-22. Revenue deficit increased from ₹ 2,732.77 crore to ₹ 12,072.35 crore registering 341.76 *per cent* increase over 2021-22, while fiscal deficit increased from ₹ 19,863.12 crore in 2021-22 to ₹ 30,204.83 crore in 2022-23 increasing by 52.06 *per cent*.

### *Receipts-Expenditure Mismatch*

The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Devolution of States' share in taxes, Grants in aid and transfers from the Union Government and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, *etc.*).

From 2018-19 to 2022-23, revenue receipts grew from ₹ 63,479.16 crore to ₹ 89,742.30 crore, with an average annual growth rate of 8.27 *per cent*. Capital receipts also increased from ₹ 11,757.58 crore to ₹ 28,275.09 crore during this period. The share of Grants-in-aid in revenue receipts rose from 22.24 *per cent* in 2018-19 to

33.19 *per cent* in 2022-23, indicating increased reliance on support from the Government of India. The State Government received ₹ 21,557.33 crore as Central share for Centrally Sponsored Schemes (CSSs) during the year.

Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network. Between 2018-19 and 2022-23, revenue expenditure increased from ₹ 56,899.00 crore (18.39 *per cent* of GSDP) to ₹ 1,01,814.65 crore (20.65 *per cent* of GSDP). It consistently made up a significant portion (80 to 85 *per cent*) of the total expenditure during this period, growing at an average annual rate of 15.79 *per cent*.

### *Result of expenditure beyond means*

The gap between the revenue receipt and revenue expenditure results in revenue deficit. The revenue deficit of the State increased to ₹ 12,072.35 crore (2.45 *per cent* of GSDP) in the current year from Revenue Surplus of ₹ 6,580.16 crore (2.13 *per cent* of GSDP) in the year 2018-19.

The State Government spent ₹ 15,997.71 crore only on capital account. This was 13.34 *per cent* of the total expenditure in the year 2022-23. Capital expenditure was 56.59 *per cent* of the total borrowings made during 2022-23. Thus, a portion of borrowed funds was used for meeting current consumption and repayment of earlier borrowings during the year.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal deficit. The fiscal deficit of the State increased to ₹ 30,204.83 crore (6.12 *per cent* of GSDP) in 2022-23 from ₹ 4,779.06 crore (1.54 *per cent* of GSDP) in 2018-19.

Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of expenditure on salaries and wages, pensions and interest payments. Committed expenditure on salaries and wages, pensions and interest payments constituted 54 to 68 *per cent* of revenue expenditure during 2018-19 (68 *per cent*) and 2022-23 (54 *per cent*). The Committed expenditure increased at an average rate of 8.58 *per cent* *i.e.*, from ₹ 38,574.00 crore in 2018-19 to ₹ 55,122.72 crore in 2022-23 {an increase of 4.74 *per cent* over 2021-22 (₹ 52,626.30 crore)}.

In addition to the committed expenditure, inflexible expenditure increased from 10.60 *per cent* to 12.68 *per cent* of revenue expenditure during 2018-19 to 2022-23, indicating a rising trend. The inflexible expenditure increased from ₹ 10,364.13 crore in 2021-22 to ₹ 12,911.90 crore in 2022-23 registering an increase of 24.58 *per cent*. The average growth of inflexible expenditure during the period from 2018-19 (₹ 6,029.90 crore) to 2022-23 (₹ 12,911.90 crore) was 22.83 *per cent*.

Taken together, the committed and inflexible expenditure as percentage of revenue expenditure decreased from 78.39 *per cent* in 2018-19 (₹ 44,603.90 crore) to 66.82 *per cent* in 2022-23 (₹ 68,034.62 crore). The downward trend on committed and

inflexible expenditure leaves the Government with more flexibility for other priority sectors and capital creation.

#### *Subsidies constitute major portion of the non-committed expenditure*

Within the non-committed expenditure, there is an increasing trend of subsidies, which increased from ₹ 1,464.93 crore in 2018-19 to ₹ 1,662.58 crore in 2022-23. Power subsidies constituted a significant portion, ranging from 37.59 per cent to 58.17 per cent of the total subsidies during this period.

#### *Off-budget borrowings*

As on 31 March 2023, the State Government, through Public Sector Undertaking and para-statal, raised ₹ 1,091.24 crore as off-budget borrowings; which did not flow into the Consolidated Fund of the State but are required to be repaid and serviced through budget. Out of which, ₹ 852.61 crore was raised during 2022-23. During the year, the State Government paid an interest of ₹ 34.71 crore towards off-budget borrowing.

#### *Contingent Liabilities on account of Guarantees*

Government had guaranteed loans raised by various Corporations and Others which at the end of 2022-23 stood at ₹ 1,166.49 crore. It was 5.82 per cent of State's Own Tax and Non-Tax Revenue of the second preceding year (₹ 20,033.22 crore) i.e., well within the limit prescribed in the State FRBM Act (50 per cent of the State's Tax and Non-Tax Revenue of the second preceding year).

#### *Fiscal sustainability*

Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, etc. So far as revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, etc. and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds, transfer to local bodies, etc.

#### *FRBM requirements and compliance with fiscal parameters*

The FRBM Act/ Rules prescribes certain limits within which, revenue deficit, fiscal deficit, debt as a percentage of the Gross State Domestic Product (GSDP) should be, and similarly for guarantees as a percentage of revenue receipts of the previous year. In 2022-23, revenue deficit was 2.45 per cent as against the target of revenue surplus; fiscal deficit was 6.12 per cent as against the limit of 3.5 per cent; debt was 24.98 per cent as against limit of 32 per cent and guarantees given were 5.82 per cent as against the prescribed limit of 50 per cent of the State's Tax and Non-Tax Revenue of the second preceding year. Going by the fiscal trends, the State finances would be under stress in medium to long run.

As per the debt sustainability analysis, the public debt of the Government of Assam has grown on an average at a rate of 27.18 per cent annually of the outstanding public debt

between 2018-19 to 2022-23. Public debt-GSDP ratio of Assam has increased from 13.84 *per cent* in 2018-19 to 20.48 *per cent* in 2022-23, which indicates that debt stabilisation may not be possible in near future.

In the five years of the subject period *i.e.*, 2018-19 to 2022-23, the State had primary deficit. In the pre Covid period of 2018-19 and 2019-20, the real growth rate of the GSDP was 4.62 *per cent* on an average and Domar gap (expressed as  $g-r$ ) remained greater than 0. Covid-19 affected the real growth rate of the GSDP as it remained below one *per cent* and the Domar Gap turned negative. In the post Covid period, the Domar gap has remained positive indicating that real interest rates have remained below the GSDP growth rates. However, the sustainability of public debt depends on whether the State economy maintains the real growth rate in the long run.

### *Budget performance*

#### *Aggregate expenditure outturn*

Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In Revenue section, deviation in outturn compared with Budget Estimates (BE) was 7.31 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 43 grants, between  $\pm 25$  *per cent* and  $\pm 50$  *per cent* in 31 grants, between  $\pm 50$  *per cent* and  $\pm 100$  *per cent* in four grants and equal or more than 100 *per cent* in three grants. In Capital section, deviation in outturn compared with BE was 9.88 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 18 grants, between  $\pm 25$  *per cent* and  $\pm 50$  *per cent* in 14 grants, between  $\pm 50$  *per cent* and  $\pm 100$  *per cent* in 21 grants and equal or more than 100 *per cent* in 14 grants/appropriations.

#### *Expenditure composition outturn*

Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the final budget and the actual expenditure. In Revenue section, deviation in outturn compared with Revised Estimates (RE) was – 18.34 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 39 grants, between  $\pm 25$  *per cent* and  $\pm 50$  *per cent* in 34 grants, between  $\pm 50$  *per cent* and  $\pm 100$  *per cent* in six grants and equal or more than 100 *per cent* in two grants.

In Capital section, deviation in outturn compared with RE was – 14.77 *per cent*. This was due to deviation between 0 and  $\pm 25$  *per cent* in 16 grants, between  $\pm 25$  *per cent* and  $\pm 50$  *per cent* in 17 grants, between  $\pm 50$  *per cent* and  $\pm 100$  *per cent* in 24 grants and equal or more than 100 *per cent* in 10 grants.

It was noticed that supplementary provisions of ₹ 8,306.57 crore during the year 2022-23 in 65 cases proved unnecessary, as the expenditure did not come up even to the level of original provisions.

*Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and original budget as well as between the actual expenditure and the final budget were less than 5 per cent, there were deviations up to 25 per cent and even above in different grants. Moreover, it was also noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice is needed to deal with such deviations.*

### ***Regularisation of Excess over Grants/ Appropriations***

The State Government has to get excesses over grants/appropriations regularised by the State Legislature as per Article 204 and 205 (1) (b) of the Constitution. It was observed that in 2022-23 there was an excess expenditure of ₹ 4,607.94 crore under one Appropriation which requires regularisation. Further, excess disbursements of ₹ 5,215.48 crore pertaining to years from 2005-06 to 2021-22 were yet to be regularised.

### ***Quality of Accounts and Financial Reporting***

Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as incomplete reconciliation of accounts, non-compliance with the provision of IGAS, non-submission of UCs, DCC bills and annual accounts, non-discharging of interest liabilities *etc.*

### ***Reconciliation***

The PAC in its 161<sup>st</sup> Report recommended (March 2020) that the departments should reconcile their figures with the Principal Accountant General (A&E) on a monthly basis or at least quarterly basis to avoid wrong booking of figures. Despite the recommendations, 19.14 *per cent* of receipts and 45.28 *per cent* of disbursement figures booked by the Principal Accountant General (A&E) were not reconciled by the departmental authorities during 2022-23.

### ***Compliance with IGAS***

As against the requirements of the Indian Government Accounting Standards (IGAS), the State Government complied partly with IGAS 1: Guarantees given by the Government, IGAS 2: Accounting and classification of Grants-in-Aid and IGAS-3: Loans and Advances made by the Government during the year.

### ***Funds to Single Nodal Agency***

The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA lying outside the Government Account. As



per information available on the PFMS portal, ₹ 21,991.04 crore (₹ 18,951.91 crore share of the Government of India and ₹ 3,039.13 crore share of the State Government) was transferred to the SNAs during 2022-23. As per data available on PFMS Portal, ₹ 9,490.76 crore was lying unspent in the bank accounts of SNAs as on 31 March 2023. Detailed vouchers and supporting documents of actual expenditure were not received by the office of Principal Accountant General (A&E), Assam from the SNAs. The State Government has been requested to make the details of the bills drawn, as it is of importance for completeness of the accounts, financial reporting and transparent financial control.

### *Utilisation Certificates against conditional grants*

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 14,159 outstanding UCs of ₹ 37,991.70 crore were pending as on 31<sup>st</sup> March 2023.

### *DCC bills against AC bills*

Similarly, despite the requirement of submitting Detailed Countersigned Contingent (DCC) Bills against the advance money withdrawn through Abstract Contingency (AC) Bills, 1,419 AC bills of ₹ 899.59 crore were pending for submission of DCC bills as on 31 March 2023.

*Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants; non-submission of DCC bills against AC bills; non-compliance with the provisions of IGAS-1, IGAS-2 and IGAS-3; and non-supply of details of expenditure from SNAs have impacted the quality of accounts adversely.*

### *Working of State Public Sector Undertakings*

As on 31 March 2023, there were 52 SPSEs (36 working SPSEs and 16 non-working SPSEs). SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements as 45 SPSEs (29 working and 16 non-working) had a total of 410 accounts pending finalisation as on 30 September 2023. Further, 20 SPSEs (nine working and 11 non-working) had 348 accounts pending finalisation for more than five years as on 30 September 2023. Out of the total profit of ₹ 592.14 crore earned by 19 SPSEs 80.69 per cent was contributed by three SPSEs. Similarly, more than 89 per cent (₹ 173.89 crore) of the losses (₹ 195.37 crore) incurred by 17 SPSEs during 2022-23, were contributed by two SPSEs viz., Assam State Transport Corporation (₹ 106.53 crore) and Assam Petro-Chemicals Limited (₹ 67.36 crore). Further, out of 18 profit-making SPSEs in which GoA had direct equity infusion (total profit: ₹ 542.93 crore), only one SPSE (Assam Gas Company Limited) paid a total dividend of ₹ 5.07 crore to GoA while remaining 17 SPSEs which earned aggregate profits of ₹ 540.18 crore had not declared/ paid dividend.



*As 16 non-working SPSEs are neither contributing to the State economy nor meeting their intended objectives, State Government may expedite the process of their closure. The State Government may analyse the reasons of losses in those SPSEs whose net worth has been eroded and initiate steps to make their operations efficient and profitable; and considering huge pendency of accounts of SPSEs, the State Government may impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. In absence of the latest finalised accounts, Government investments in such arrears SPSEs remain outside the oversight of the State Legislature.*

