



# **Chapter 1**

## **Overview of State Finances**



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## 1.1 Profile of the State

Assam is the largest State in terms of population and second largest State, after Arunachal Pradesh, in terms of area in the North Eastern Region of India and is, in fact, the gateway to this Region. The State is spread over a geographical area of 78,438 sq.km. (2.4 per cent of the country's total geographical area) and is home to around 3.12 crore persons (2.6 per cent of the population of the country) as per Census 2011. The decadal (2001-2011) growth rate of population for the State was 16.93 per cent against the national decadal growth rate of 17.64 per cent. The projected population of the State during 2022-23 was 3.57 crore. The decadal (2013-2023) growth rate of the State's population was 11.63 per cent which was marginally lower than the all India growth rate of 11.68 per cent. As per census 2011, State's literacy rate at 72.19 per cent was marginally lower than all India average of 73 per cent.

The State has 31 districts<sup>1</sup> and three Autonomous District Councils (ADCs) namely (i) Karbi Anglong Autonomous Council (ii) North Cachar Hills Autonomous Council and (iii) Bodoland Territorial Council. Assam was designated as a Special Category State (SCS)<sup>2</sup> in 1969 in terms of the Gadgil formula, which ensured that 90 per cent of funding for centrally sponsored schemes is received as grants from Central Government.

General and financial data relating to the State is given in *Appendix 1.1* and *Appendix 1.2* respectively.

### 1.1.1 Gross State Domestic Product of Assam

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time.

Trends in annual growth of Assam's GSDP *vis-à-vis* that of the country's Gross Domestic Product (GDP) are given in **Table 1.1**.

**Table 1.1: Trends in growth of GSDP (at current prices) compared to the GDP**

(₹ in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
<b>INDIA</b>						
<b>GDP (2011-12 Series)</b>	<b>1,88,99,668</b>	<b>2,01,03,593</b>	<b>1,98,29,927</b>	<b>2,34,71,012</b>	<b>2,72,40,712</b>	<b>9.57</b>
<b>Gross Value Added (GVA)</b>	<b>1,71,75,128</b>	<b>1,83,81,117</b>	<b>1,81,88,780</b>	<b>2,14,38,883</b>	<b>2,47,42,871</b>	
Growth rate of GDP over previous year ( <i>per cent</i> )	10.59	6.37	-1.36	18.36	16.06	
Growth rate of GVA over previous year ( <i>in per cent</i> )	10.77	7.02	-1.05	17.87	15.41	
Per Capita GDP (in ₹)	1,42,424	1,49,915	1,46,301	1,71,498	1,96,983	

<sup>1</sup> Economic Survey, Assam 2022-23

<sup>2</sup> Now known as North Eastern & Himalayan States (NE&HS)

Year	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR
<b>ASSAM</b>						
<b>GSDP (2011-12 Series)</b>	<b>3,09,336.32</b>	<b>3,46,850.68</b>	<b>3,53,605.42 (P.E-II)</b>	<b>4,12,611.87 (Q.E)</b>	<b>4,93,166.60 (A.E)</b>	<b>12.37</b>
<b>Gross State Value Added (GSVA)</b>	<b>2,82,148.00</b>	<b>3,18,971.11</b>	<b>3,21,996.70</b>	<b>3,75,033.98</b>	<b>4,46,324.44</b>	
Growth rate of GSDP over previous year (in per cent)	9.24	12.13	1.95	16.69	19.52	
Growth rate of GSVA over previous year (in per cent)	7.40	13.05	0.95	16.47	19.01	
Per Capita GSDP (in ₹)	90,616	1,00,501	1,01,357	1,16,986	1,36,819	

**Source of data:** Ministry of Statistics and Programme Implementation, GoI & Directorate of Economics and Statistics, Assam

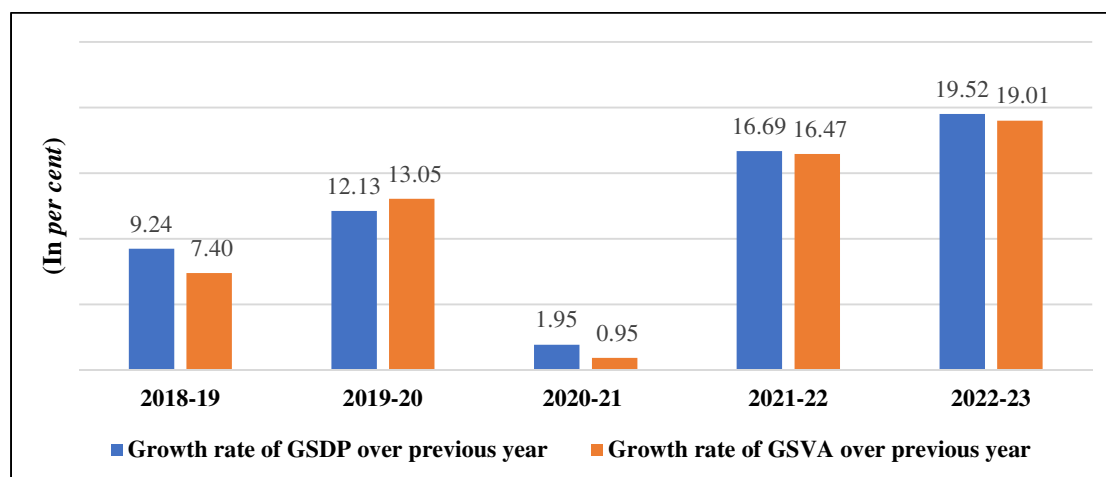
RE- Revised Estimates, PE- Provisional Estimates, QE- Quick Estimates, AE- Advance Estimates

In 2022-23, GSDP of Assam at current prices was ₹ 4,93,166.60 crore and the GDP in 2022-23 at current prices was ₹ 2,72,40,712 crore. Further, per capita GSDP of the State for the year 2022-23 was ₹ 1,36,819.00 while that of the Country was ₹ 1,96,983. However, growth in Per Capita GSDP of the State (50.99 per cent) during the period from 2018-19 to 2022-23 was significantly more than the growth in per capita GDP of the country (38.31 per cent) during the same period.

Gross Value Added (GVA) is being used for economic analysis by GoI and international organisations like International Monetary Fund (IMF) and World Bank as GVA is considered to be a better indicator of economic growth compared to GDP, as it ignores the impact of taxes and subsidies. While GDP can be and is also computed as the sum total of various expenditure incurred in the economy including private consumption spending, government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand conditions in the economy. Both measures have difference in treatment of net taxes, as a result of which, the inclusion of taxes in GDP may differ from the real output situation. From a policymaker's perspective, it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and making policy interventions.

The trends of GSDP and GSVA for the period from 2018-19 to 2022-23 are indicated in the following Chart:

**Chart 1.1: Growth rate of GSDP vs GSVA (2018-19 to 2022-23)**

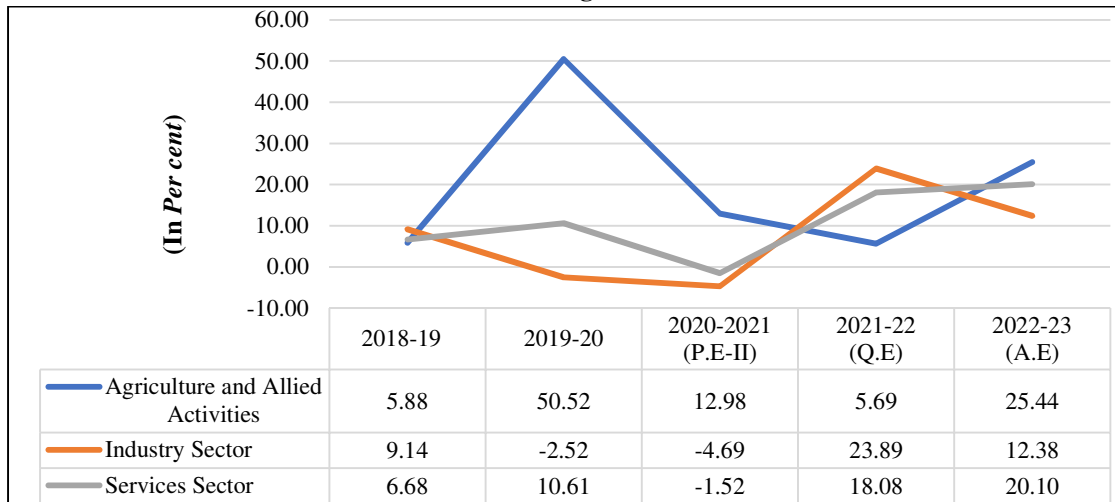


As can be seen from **Table 1.1**, GSDP of Assam grew at a higher rate during three years of the five-year period from 2018-19 to 2022-23, as compared to the growth rate of GDP, with a Compounded Annual Growth Rate (CAGR) of 12.37 *per cent* against GDP CAGR of 9.57 *per cent*. Further, during the five-year period, the GSDP growth rate increased from 9.24 *per cent* in 2018-19 to 19.52 *per cent* in 2022-23 with the highest increase recorded during the year.

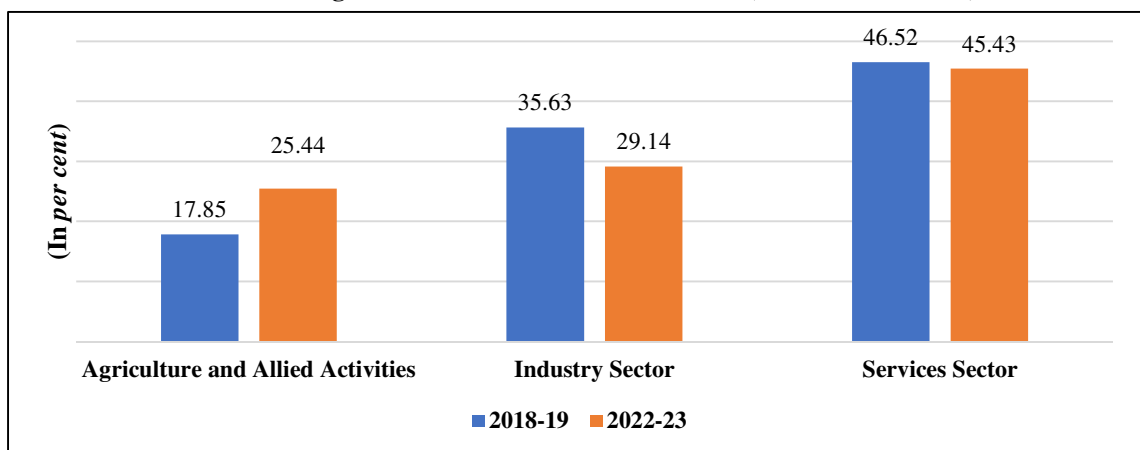
The economic activity of a State is generally divided into Primary, Secondary and Tertiary sectors, which correspond largely to Agriculture and allied activities, Industry and Services sectors. These three sectors form GSVA of the State. Further, GSDP of the State is the total of GSVA and net of taxes on products and subsidies on products.

Sectoral growth of GSDP over the past five years is detailed in **Chart 1.2** whereas changes in sectoral contribution to GSVA in 2022-23 over 2018-19 are given in **Chart 1.3** as these changes are an indication of the changing structure of the economy.

**Chart 1.2: Sectoral growth in GSDP**



**Chart 1.3: Change in sectoral contribution to GSVA (2018-19 to 2022-23)**



**Chart 1.2** shows that growth of all three sectors contributing to GSDP increased significantly during 2022-23 with minimum increase of 12.38 *per cent* recorded under Industry Sector and maximum increase of 25.44 *per cent* recorded under Agriculture and Allied Activities. Further, **Chart 1.3** shows that the relative share of Industry and

Services sector in GSVA declined during the five-year period from 2018-19 to 2022-23, whereas relative share of Agriculture and Allied Activities to GSVA had a matching increase during the same period. The significant increase under Agriculture and Allied Activities was mainly recorded under livestock, forestry & logging and Fishing and aquaculture pertaining to the sector.

## **1.2 Basis and Approach to State Finances Audit Report**

In terms of Article 151 (2) of the Constitution of India, Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. State Finances Audit Report (SFAR) of Assam for the year ending 31 March 2023 has been prepared by the CAG for submission to the Governor of Assam under Article 151 (2) of the Constitution of India.

Principal Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State for the year 2022-23 constitute the core data for this Report. Other sources include the following:

- Budget of the State for the year 2022-23 forms an important source of data, both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Accountant General (Audit), Assam at the State Secretariat as well as at the field level during the year;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State-related statistics; and
- Various audit reports of the CAG of India during 2018-23 have also been used to prepare this analysis/ commentary as considered appropriate.
- The analysis has been carried out in the context of recommendations of the Finance Commission (FC), Assam Fiscal Responsibility and Budget Management (AFRBM) Act, and best practices and guidelines of Government of India.

A Joint meeting among the Officers of the O/o the AG (Audit), Assam, O/o the PAG (A&E), Assam and Finance Department, Government of Assam was held on 08 September 2023 wherein audit approach was explained to the Finance Department and subsequently, the draft Report was forwarded to the State Government on 06 November 2023 for comments. Further, an exit conference was also held on

01 December 2023 with the Secretary to Government of Assam, Finance Department. The replies of the Government, where received, have suitably been incorporated in this Report.

### **1.3 Overview of Government Account Structure and Budgetary Processes**

The Accounts of the State Government are kept in three parts:

#### **I. Consolidated Fund of the State {Article 266 (1) of the Constitution of India}**

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, *etc.*), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

#### **II. Contingency Fund of the State {Article 267 (2) of the Constitution of India}**

This Fund is in the nature of an imprest, which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

#### **III. Public Account of the State {Article 266 (2) of the Constitution}**

Apart from the above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

#### **Budget Document**

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditure of the Government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on revenue account from other expenditure.

**Revenue Receipts** consist of Tax Revenue comprising Own Tax Revenue & State’s Share of Union Taxes/ Duties, Non-Tax revenue and grants from Government of India.

**Revenue Expenditure** consists of all those expenditures of the Government, which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

**Capital Receipts** consist of:

- **Debt receipts:** Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*; and
- **Non-debt receipts:** Proceeds from disinvestment, Recoveries of loans and advances.

**Capital Expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to Public Sector Enterprises (PSEs) and other parties.

At present, we have an accounting classification system in government that is both functional and economic.

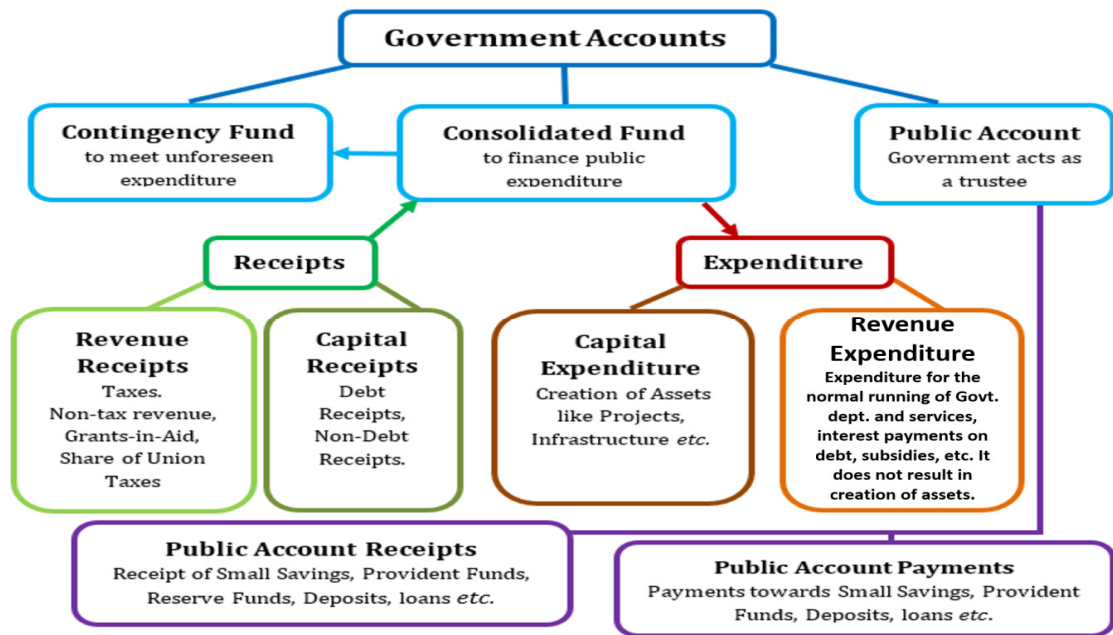
Attribute of transaction		Classification followed in Assam Government Accounts
Standardised in List of Major and Minor Heads by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (4-digit)
	Sub scheme	Sub-Sub-Head (3-digit)
	Economic nature/ Activity	Detailed Head (2-digit); Sub-Detailed Head (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for Revenue Receipts, 2 and 3 for Revenue Expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, generally “salary” object head is Revenue Expenditure, “construction” object head is capital expenditure. Object head is the primary unit of appropriation in the budget documents. It also indicates the economic activity of the Government.

A pictorial depiction of the structure of Government Accounts is given in **Chart 1.4**.



Chart 1.4: Structure of Government Accounts



**Public Debt and Public Liability:** In this Report, ‘Public Debt’ has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loan given by Central Government, *etc.* For this purpose, the Major Heads (MH) 6003 and 6004- Public Debt have been taken into consideration.

Further, the transactions relating to ‘Small Savings, Provident Fund, *etc.*’, ‘Reserve Funds’ and ‘Deposit and Advances’ under Public Account are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid. The transactions relating to ‘Remittances’ and ‘Suspense’ under Public Account, includes merely adjusting heads such as transaction as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this Report, ‘Public Liability’ has been taken to include the transactions under MHs 8001 to 8554 relating to ‘Small Savings, Provident Fund, *etc.*’, ‘Reserve Funds’ and ‘Deposit and Advances’ along with the transactions under MHs 6003 and 6004.

### Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Assam causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State in the form of an Annual Financial Statement. In terms of Article 203, the Statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

Assam Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of the budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter III** of this Report.

### 1.3.1 Snapshot of State Finances

**Table 1.2** provides the details of actual audited financial results of 2022-23 *vis-à-vis* Budget Estimates (BEs) for the year 2022-23 and actuals of 2021-22.

**Table 1.2: Comparison with Budget Estimates and Actuals**

Sl. No.	Components	(₹ in crore)					Growth over previous year
		2021-22 (Actuals)	2022-23 (BEs)	2022-23 (Actuals)	Percentage of Actuals to		
					BEs	GSDP	
<b>1</b>	Tax Revenue (i + ii)	<b>47,683.65</b>	<b>47,930.04</b>	<b>54,196.28</b>	<b>113.07</b>	<b>10.99</b>	<b>13.66</b>
	(i) Own Tax Revenue	19,533.10	22,385.24	24,502.02	109.46	4.97	25.44
	(ii) Share of Union taxes/duties	28,150.55	25,544.80	29,694.26	116.24	6.02	5.48
<b>2</b>	Non-Tax Revenue	3,579.75	6,676.66	5,761.31	86.29	1.17	60.94
<b>3</b>	Grants-in-Aid and Contributions	28,551.79	45,055.82	29,784.71	66.11	6.04	4.32
<b>4</b>	<b>Revenue Receipts (1+2+3)</b>	<b>79,815.19</b>	<b>99,662.52</b>	<b>89,742.30</b>	<b>90.05</b>	<b>18.20</b>	<b>12.44</b>
<b>5</b>	Recovery of Loans and Advances	3,099.49	11.84	5.07	42.82	0.00	-99.84
<b>6</b>	Other Receipts	0.00	0.00	0.00	0.00	0.00	0.00
<b>7</b>	Borrowings	16,670.15	19,353.59	28,270.02	146.07	5.73	69.58
<b>8</b>	<b>Capital Receipts (5+6+7)</b>	<b>19,769.64</b>	<b>19,365.43</b>	<b>28,275.09</b>	<b>146.01</b>	<b>5.73</b>	<b>43.02</b>
<b>9</b>	<b>Total Receipts (4+8)</b>	<b>99,584.83</b>	<b>1,19,027.95</b>	<b>1,18,017.39</b>	<b>99.15</b>	<b>23.93</b>	<b>18.51</b>
<b>10</b>	<b>Revenue Expenditure</b>	<b>82,547.96</b>	<b>96,367.05</b>	<b>1,01,814.65</b>	<b>105.65</b>	<b>20.65</b>	<b>23.34</b>
<b>11</b>	Of which, Interest payments	6,051.47	7,533.65	6,874.97	91.26	1.39	13.61
<b>12</b>	<b>Capital Expenditure</b>	<b>20,125.83</b>	<b>18,371.01</b>	<b>15,997.71</b>	<b>87.08</b>	<b>3.24</b>	<b>-20.51</b>
<b>13</b>	<b>Loan and advances disbursed</b>	<b>104.01</b>	<b>290.27</b>	<b>339.84</b>	<b>117.08</b>	<b>0.07</b>	<b>226.74</b>
<b>14</b>	<b>Appropriation to Contingency Fund</b>	<b>-</b>	<b>1,800.00</b>	<b>1,800.00</b>	<b>100.00</b>	<b>0.36</b>	<b>0.00</b>
<b>15</b>	<b>Total Expenditure (10+12+13+14)</b>	<b>1,02,777.80</b>	<b>1,16,828.33</b>	<b>1,19,952.20</b>	<b>102.67</b>	<b>24.32</b>	<b>16.71</b>
<b>16</b>	<b>Revenue Deficit (-)/ Surplus (+) (4-10)</b>	<b>-2,732.77</b>	<b>3,295.47</b>	<b>-12,072.35</b>	<b>-366.33</b>	<b>-2.45</b>	<b>341.76</b>
<b>17</b>	<b>Fiscal Deficit {(4+5+6)-15}</b>	<b>-19,863.12</b>	<b>-17,153.97</b>	<b>-30,204.83</b>	<b>176.08</b>	<b>-6.12</b>	<b>52.06</b>
<b>18</b>	<b>Primary Deficit (17+11)</b>	<b>-13,811.65</b>	<b>-9,620.32</b>	<b>-23,329.86</b>	<b>242.51</b>	<b>-4.73</b>	<b>68.91</b>

Source: Finance Accounts and Budget documents

During 2022-23, Revenue Receipts of the State though increased by 12 *per cent* over the previous year, fell short of BEs by 10 *per cent* during the year. During 2022-23, Revenue Expenditure (₹ 1,01,814.65 crore) exceeded the Revenue Receipts (₹ 89,742.30 crore), thereby resulting into revenue deficit of ₹ 12,072.35 crore.

### 1.3.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.3** gives an abstract of such liabilities and assets as on 31 March 2023, compared with the corresponding position of previous year. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital expenditure and loans and advances given by the State Government and cash balances.

**Table 1.3** provides a summarised position of Assets and Liabilities of the State during 2021-22 and 2022-23.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Asset			
Components	As on 31 March 2022	As on 31 March 2023	Increase (+)/ Decrease (-) (%)	Components	As on 31 March 2022	As on 31 March 2023	Increase (+)/ Decrease (-) (%)
<b>Consolidated Fund</b>							
Internal Debt	77,780.15	94,443.49	21.42	Gross Capital Outlay	1,05,443.53	1,21,441.23	15.17
Loans and Advances from GoI*	5,055.86	9,331.68	84.57	Loans and Advances disbursed	3,146.76	3,481.53	10.64
<b>Contingency Fund</b>							
Contingency Fund	200.00	2,000.00	900.00	-	-	-	-
<b>Public Account</b>							
Small Savings, Provident Funds, etc.	14,646.90	14,747.07	0.68	Civil Advances	3,482.07	2,921.43	-16.10
Deposits	3,909.17	4,370.94	11.81	Remittances	765.08	827.21	8.12
Reserve Funds	4,251.16	7,226.70	69.99	Suspense and Miscellaneous	1,179.10	952.53	-19.22
Remittances	-	-	-	-	-	-	-
Surplus on Government Account	17,606.00	3,733.65	-78.79	Cash balances (incl. investment in Earmarked Fund)	9,432.70	6,229.60	-33.96
<b>Total</b>	<b>1,23,449.24</b>	<b>1,35,853.53</b>	<b>10.05</b>	<b>Total</b>	<b>1,23,449.24</b>	<b>1,35,853.53</b>	<b>10.05</b>

Source: Finance Accounts

\* It includes back-to-back loans in lieu of GST Compensation shortfall of ₹2,767.87 crore received from GoI during 2020-21 (₹ 994.00 crore) and 2021-22 (₹ 1,773.87 crore).

## 1.4 Fiscal Balance: Achievement of Deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

Deficits are financed by borrowing giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which add to the stock of debt. If the government continues to borrow year after year, it leads to accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government entails the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, Government borrowings from people reduce the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if Government deficits succeed in their goal of raising production, there will be more income and, therefore, more savings. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management (FRBM) Act with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium-term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level.

In May 2005, the State Government enacted AFRBM Act to ensure long-term financial stability by achieving revenue surplus, containing fiscal deficit and prudent debt management. The Act was subsequently amended eight times, with the latest amendment being in April 2022.

As per the AFRBM Act, 2011, the State Government was to eliminate Revenue Deficit by 2011-12 and maintain Revenue Surplus thereafter; reduce Fiscal Deficit to three *per cent* of the estimated GSDP by 2010-11 and maintain the same level thereafter. Further, the Act envisaged that the State Government would limit the total outstanding debt to GSDP to 28.40 *per cent* in 2012-13 and maintain that in 2013-14. With effect from 2014-15, this ratio was to be 28.50 *per cent* of GSDP. Further, as per AFRBM Act, 2022, target for outstanding debt to GSDP ratio was enhanced from 28.50 *per cent* to 32 *per cent* for the next five years starting from the financial year 2022-23.

The amendment to the AFRBM Act in April 2017 incorporated the recommendations of the XIV FC relating to limit of Fiscal Deficit recommended for the States during its award period (2015-16 to 2019-20). The Act provided room for deviation from the annual Fiscal Deficit target up to 3.50 *per cent* under certain conditions, with the Fiscal Deficit anchored to an annual limit of three *per cent* of GSDP in any financial year. The XV FC also recommended that the State Government should comply with the recommended path of debt consolidation and must abide by the definition of both debt and fiscal deficit as contained in the FRBM Act.

Further, as per AFRBM Act, 2021, the State shall be allowed normal Net Borrowing Ceiling (NBC) of four *per cent* of projected GSDP for the year 2021-22. In the beginning of the financial year 2021-22, the State shall be allowed borrowing permission based on 3.50 *per cent* of GSDP. The remaining borrowing ceiling of 0.50 *per cent* of GSDP is earmarked for incremental Capital Expenditure by the State and shall be allowed on the basis of Capital Expenditure incurred by the State during the year 2021-22.

Further, as per AFRBM Act, 2022, the additional borrowing ceiling of 0.50 *per cent* of GSDP over and above the prescribed limit of fiscal deficit for the financial years 2022-23 to 2024-25 shall be allowed based on Power Sector based performance.

The targets relating to key fiscal parameters envisaged in the amended AFRBM Act and their achievement during the five-year period from 2018-19 to 2022-23 are given in **Table 1.4**.

**Table 1.4: Compliance with provisions of AFRBM Act**

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2018-19	2019-20	2020-21	2021-22	2022-23
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	6,580	-1,322 <sup>#</sup>	383	-2,733	-12,072
		✓	✗	✓	✗	✗
Fiscal Deficit (-) (as per cent of GSDP)	3.5 per cent (2017-20)	-4,779	-14,916	-12,102	-19,863	-30,205
	5.5 per cent (2020-21)	(-1.54)	(-4.30)	(-3.42)	(-4.81)	(-6.12)
	4.5 per cent (2021-22)	✓	✗	✓	✗	✗
	3.5 per cent (2022-23)*	✓	✗	✓	✗	✗
Ratio of total outstanding liability to GSDP (in per cent)	28.50 per cent (up to 2021-22)	19.21	20.83	24.72	24.22	24.98**
	32.00 per cent (2022-23 to 2026-27)	✓	✓	✓	✓	✓

Source: Finance Accounts

\* Target of three per cent as per AFRBM Act, 2022.

\*\*Outstanding liability includes off-budget borrowing of ₹ 1091.24 crore and excludes back-to-back loan by GoI in lieu of GST Compensation shortfall

<sup>#</sup>The figure and other related figures in the Report was modified due to accounting of UDAY transactions in FY 2021-22 instead of FY 2019-20 as communicated vide GoA order dated 30 March 2022.

The State could achieve Revenue Surplus only during two years out of the five-year period from 2018-19 to 2022-23. During 2022-23, the State had a Revenue Deficit of ₹ 12,072.35 crore. However, this deficit was understated and is to be viewed in the light of non-discharge of Interest liabilities by the State Government, misclassification of revenue items under capital category and *vice versa*, short contribution of Government share to NPS, *etc.*, as detailed in **Table 1.7**.

The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act only in two years out of the last five years. During the current year *i.e.*, 2022-23, Fiscal Deficit of the State stood at 6.12 per cent of GSDP, which was significantly above the target of 3.5 per cent fixed under AFRBM Act, 2022.

During the five-year period from 2018-19 to 2022-23, outstanding liability of the State remained consistently below 28.50 per cent of GSDP from 2018-19 to 2021-22 and below 32.00 per cent of GSDP of 2022-23, *i.e.*, within the norms prescribed in the AFRBM Act, 2011 and AFRBM Act, 2022 respectively. The outstanding liability of the State as on 31 March 2023 was ₹ 1,23,214.80 crore.

During Exit Conference (December 2023), the Secretary to the Finance Department stated that the significant borrowings made by the State led to higher Fiscal Deficit to GSDP ratio during the year.

The projections made in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2022-23 are given in **Table 1.5**.

**Table 1.5: Targets *vis-à-vis* achievements in respects of major fiscal aggregates during 2022-23**

Fiscal variable	Projections in the Budget	Actuals	Percentage variation of actuals over projections
Revenue Deficit/ GSDP (per cent)	(-) 0.68	(-) 2.45	(-) 1.77
Fiscal Deficit/ GSDP (per cent)	(-) 3.19	(-) 6.12	(-) 2.93
Total Outstanding liability/ GSDP (per cent)	25.74	24.98	(-) 0.76

Source: Annual Financial Statement and Finance Accounts

During the year 2022-23, Government of Assam was unable to contain the revenue deficit-GSDP and fiscal deficit-GSDP ratios within those projected in the BEs. However, ratio of total outstanding liability to GSDP of the State during the year remained within the projections made in the budget.

As per the AFRBM Act, the State Government has to lay before the State Legislature, a five-year Fiscal Plan along with the Annual Budget. The Medium-Term Fiscal Plan (MTFP) has to set forth a five-year rolling target for the prescribed fiscal indicators.

**Table 1.6** indicates the variation between the projections made for 2022-23 in MTFP presented to the State Legislature along with the Annual Budget for 2022-23 and Actuals for the year.

**Table 1.6: Actuals vis-à-vis projection in MTFP for 2022-23**

(₹ in crore)				
Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2022-23)	Variation (in per cent)
1	<b>Tax Revenue (i + ii)</b>	47,930.04	54,196.28	13.07
	(i) Own Tax Revenue	22,385.24	24,502.02	9.46
	(ii) Share of Central Taxes	25,544.80	29,694.26	16.24
2	<b>Non-Tax Revenue</b>	6,676.66	5,761.31	(-) 13.71
3	<b>Grants-in-Aid from GoI</b>	45,055.82	29,784.71	(-) 33.89
4	<b>Revenue Receipts (1+2+3)</b>	99,662.52	89,742.30	(-) 9.95
5	<b>Revenue Expenditure</b>	96,367.05	1,01,814.65	5.65
6	<b>Revenue Deficit (-)/ Surplus (+) (4-5)</b>	3,295.47	(-) 12,072.35	(-) 466.33
7	<b>Fiscal Deficit (-)/ Surplus (+)</b>	(-) 15,353.97	(-) 30,204.83	96.72
8	<b>Debt-GSDP ratio (per cent)</b>	25.74	24.98	(-) 2.95
9	<b>GSDP growth rate at current prices (per cent)</b>	27.73	19.52	(-) 29.61

Source: Finance Accounts and Budget documents

As can be seen from **Table 1.6**, the projections made in MTFP relating to two key fiscal parameters *i.e.*, Revenue Surplus and Fiscal Deficit deviated significantly by 466 per cent and 97 per cent respectively during 2022-23. MTFP projection relating to Debt-GSDP ratio was met, with the year ending at a lower Debt-GSDP ratio. However, MTFP projection towards GSDP growth was not met as the actual GSDP growth was lower than that of projection under MTFP.

The trends of key surplus and deficits parameters over the five-year period from 2018-19 to 2022-23 are depicted in **Chart 1.5** and trends in surplus or deficit relative to GSDP are given in **Chart 1.6**.

Chart 1.5: Trends in Surplus/ Deficit

(₹ in crore)

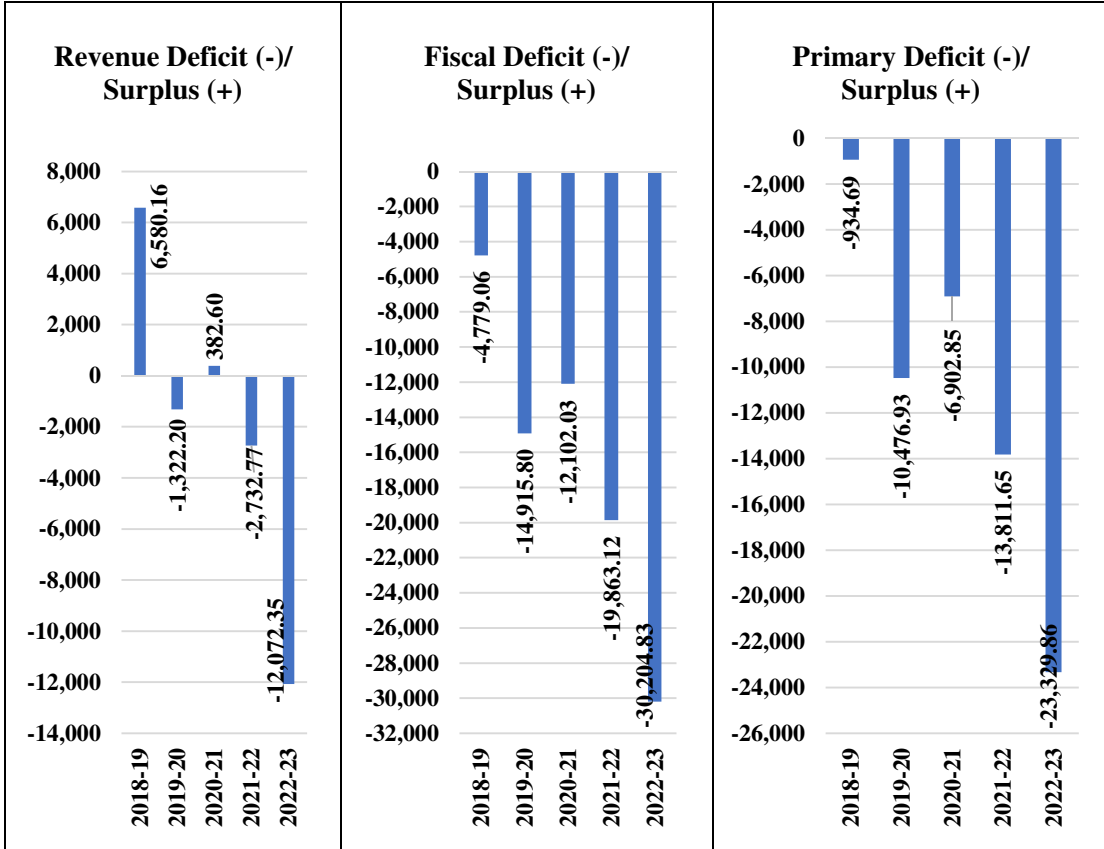
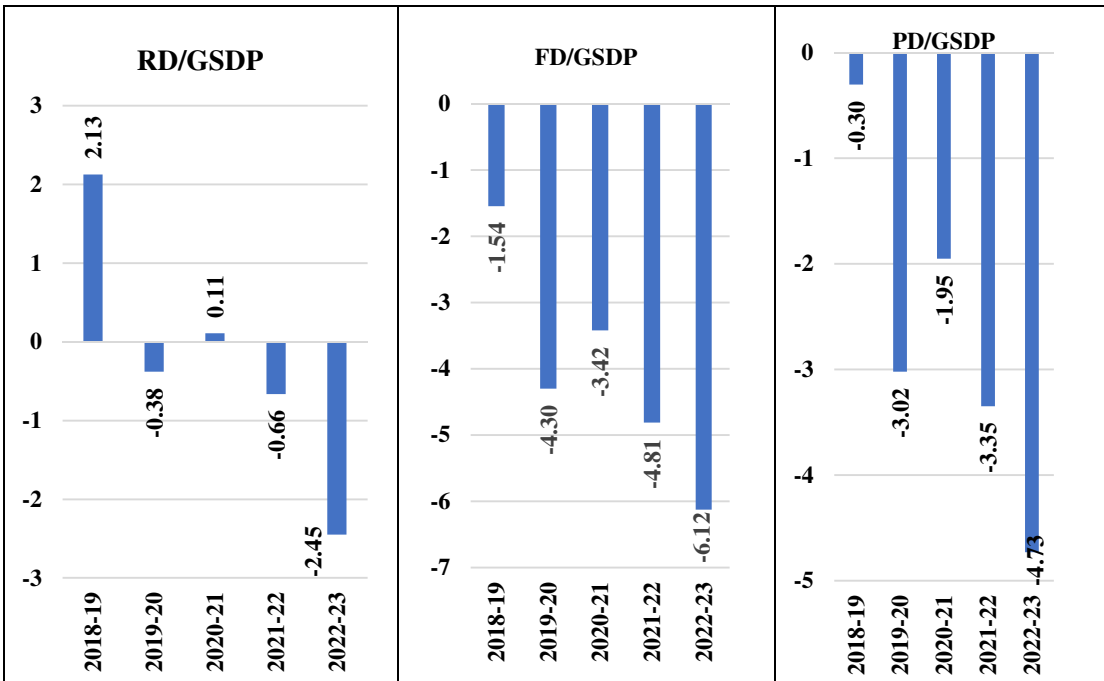


Chart 1.6: Trends in Surplus/ Deficit relative to GDP



During the year, the State had a Revenue Deficit of ₹ 12,072.35 crore<sup>3</sup> as against the Revenue Deficit of ₹ 2,732.77 crore during the previous year. There was a significant increase in Fiscal Deficit of the State during the year as it increased to ₹ 30,204.83 crore

<sup>3</sup> To be read with post audit deficits as detailed in paragraph 1.5

during 2022-23, or 6.12 *per cent* of the GSDP, as compared to ₹ 19,863.12 crore during the previous year, and constituted 25.18 *per cent* of Total Expenditure. The Primary Deficit of the State also increased significantly from ₹ 13,811.65 crore in 2021-22 to ₹ 23,329.86 crore in 2022-23 and stood at 4.73 *per cent* of GSDP.

### 1.4.1 Performance of the State Government with respect to borrowings according to the limits fixed by Government of India

Article 293 (3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of Government of India (GoI) if any part of a loan, which has been made to the State by GoI, is still outstanding.

The GoI, Ministry of Finance, Department of Expenditure fixed (₹ 20,092 crore) as Open Market Borrowing (OMB) ceiling of the State Government for the financial year 2022-23. This includes additional borrowing of 0.50 *per cent* of the GSDP allowed during the year for performance in power sector performance.

As per statement 6 of the Finance Accounts *viz.*, statement of borrowings and other liabilities, incremental borrowings and other liabilities of the State Government were ₹ 19,437.10 crore during the financial year 2022-23 which remained within the borrowing ceiling fixed by GoI.

### 1.5 Deficits post examination by Audit

As per the FRBM Act, the State Government must ensure compliance to the targets fixed for the fiscal indicators such as deficits, ceiling on debt and on guarantees, *etc.* The Revenue Deficit and Fiscal Deficit as worked out for the State get impacted due to various circumstances such as misclassification of Revenue Expenditure as capital and *vice-versa* and off-budget fiscal operations. Besides, deferment of clear-cut liabilities, short contribution to National Pension System (NPS), sinking and guarantee redemption funds, *etc.* also impacts the revenue and fiscal deficit figures.

The impact on Revenue Surplus and Fiscal Deficit due to misclassification, short contribution to earmarked funds and non-discharge of interest liabilities during 2022-23 is shown in **Table 1.7**.

**Table 1.7: Revenue and Fiscal Deficit, post examination by Audit**

(₹ in crore)

Sl. No.	Particulars	Impact on Revenue Deficit (Understated (-)/ overstated (+))	Impact on Fiscal Deficit (Understated (+))
1	Major works budgeted/ booked under Revenue Section instead of Capital	(+) 21.80	
2	Minor works budgeted/ booked under Capital Section instead of Revenue	(-) 72.51	
3	Maintenance Expenditure classified as Capital instead of Revenue	(-) 9.37	
4	Grants-in-Aid given by the State Government booked under Capital Section instead of Revenue Section	(-)6,668.99	
5	Non discharge of Interest liabilities	(-) 92.13	(+) 92.13



Sl. No.	Particulars	Impact on Revenue Deficit (Understated (-)/ overstated (+))	Impact on Fiscal Deficit (Understated (+))
6	Short contribution to Government share to NPS	(-) 28.88	(+) 28.88
7	Non-transfer of Central Government grant towards Central Road Infrastructure Fund (CRIF)	(-) 15.18	(+) 15.18
<b>Total (Net) impact</b>		<b>6,865.26</b>	<b>136.19</b>

Source: Finance Accounts

As per IGAS 2 notified by Government of India on 19 May 2011, Grants-in-Aid disbursed by a grantor shall be classified and accounted for as Revenue Expenditure irrespective of the purpose for which the funds disbursed as Grants-in-Aid are to be spent by the grantee, except in cases where it has been specifically authorised by the President on the advice of the Comptroller and Auditor General of India. It is observed that Grants-in-Aid of ₹ 6,668.99 crore was budgeted and expended under Capital Section instead of Revenue Section, in violation of IGAS-2. The issue of GIA being budgeted and expended under Capital Section year after year, but the State Government has not taken any remedial action in this regard.

As can be seen from **Table 1.7**, there was an understatement of Revenue Deficit by ₹ 6,865.26 crore during the year. Thus, after taking into account the items of misclassification during the year as brought out in the table above, the State should have a Revenue Deficit of ₹ 18,937.61 crore during 2022-23 instead of reported Revenue Deficit of ₹ 12,072.35 crore.

Further, Fiscal Deficit of the State was also understated by ₹ 136.19 crore during 2022-23. If this is taken into account, the actual Fiscal Deficit would have been ₹ 30,341.02 crore instead of ₹ 30,204.83 crore as reported in the Finance Accounts of 2022-23. Further, ratio of Fiscal Deficit to GSDP could have been 6.15 *per cent* instead of 6.12 *per cent* as reported in the Finance Accounts of the year.

During Exit Conference (December 2023), the Secretary to the Finance Department assured that the Department would rectify the cases of misclassification in the next budget and would examine the issue of booking of expenditure incurred through GIA under Object Heads 31, 32 and 35 of Revenue Section only. However, the Secretary maintained that when ownership of capital assets created through GIA rests with the State Government, it may be classified as Capital Expenditure only. In this regard, the Secretary shared the OM dated 12<sup>th</sup> February 2010 of Ministry of Finance, Government of India which has allowed booking of expenditure relating to Grants for creation of capital assets under the object head 35.

Audit analysed GoI's above notification dated 12 February 2010 and noticed that the said Notification did not allow booking of expenditure from GIA under detailed head 35 of Capital Section and, thus, concluded that expenditure incurred from Grant-in-Aid should be booked under Revenue Section only under appropriate detailed heads *i.e.*, 31, 32 and 35 as per provision of IGAS 2 notified by GoI subsequently on 19<sup>th</sup> May 2011.

## 1.6 Total Outstanding Liabilities

The total outstanding liabilities of the State were ₹ 1,23,214.80 crore as of 31 March 2023. Further details *i.e.*, components and sub-components of outstanding liabilities are given in **Table 1.8**.

**Table 1.8: Components of Outstanding Liabilities**

<b>Borrowings and other liabilities as per Finance Accounts</b>	<b>Amount (₹ in crore)</b>
<b>Internal Debt (A)</b>	<b>94,443.52</b>
Market Loans bearing interest	82,639.00
Market Loans not bearing interest	0.01
Loans from other Institutions, <i>etc.</i>	6,869.77
Special Securities issued to the National Small Savings Fund of the Central Government	4,934.74
<b>Loans and Advances from Central Government (B)</b>	<b>6,563.82</b>
Non-plan Loans	87.38
Loans for Central Plan Schemes	0.08
Loans for Special Schemes	61.57
Pre-1984-85 Loans	0.25
Other loans for States/Union Territory with Legislative Scheme*	6,414.54
<b>Liabilities upon Public Account (C)</b>	<b>21,116.22</b>
Small Savings, Provident Funds, <i>etc.</i>	14,747.06
Deposits	4,370.94
Reserve Funds	1,998.22
<b>Off-budget borrowing (D)**</b>	<b>1,091.24</b>
<b>Total (A+B+C+D)</b>	<b>1,23,214.80</b>

Source: Finance Accounts

\*Excludes loan of ₹ 994.00 crore and ₹ 1,773.87 crore given as back-to-back loan by Government of India during 2020-21 and 2021-22 respectively.

\*\* As of 31 March 2023, Assam Infrastructure Financing Authority had made off-budget borrowing of ₹ 1,091.24 crore from NABARD

## 1.7 Conclusion

- The GSDP of Assam grew from ₹ 3,09,336.32 crore in 2018-19 to ₹ 4,93,166.60 crore in 2022-23 with CAGR of 12.37 *per cent* against the national CAGR of 9.57 *per cent*.
- The State could achieve Revenue Surplus in only two years out of the five-year period from 2018-19 to 2022-23. During 2022-23, the State had a Revenue Deficit of ₹ 12,072.35 crore against a Revenue Deficit of ₹ 2,732.77 crore in 2021-22.
- The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act in two out of the last five years. During the current year *i.e.*, 2022-23, Fiscal Deficit of the State stood at 6.12 *per cent* of GSDP, which was significantly above the borrowing limit of 3.50 *per cent* fixed under AFRBM Act, 2022. In absolute terms, Fiscal Deficit increased by ₹ 10,341.71 crore (52.06 *per cent*) from ₹ 19,863.12 crore in 2021-22 to ₹ 30,204.83 crore in 2022-23.
- During the five-year period 2018-23, outstanding debt of the State remained consistently below 28.50 *per cent* of GSDP, *i.e.*, within the norms prescribed in the AFRBM Act. However, the outstanding debt during 2022-23

(₹ 1,23,214.80 crore) increased by ₹ 23,296.26 crore (23.32 per cent) as compared to ₹ 99,918.54 crore during 2021-22.

- There was an understatement of Revenue Deficit by ₹ 6,865.26 crore during the year. After taking into account the items of misclassification during the year, the State should have a Revenue Deficit of ₹ 18,937.61 crore during 2022-23 instead of reported Revenue Deficit of ₹ 12,072.35 crore.
- Fiscal Deficit of the State was also understated by ₹ 136.19 crore during 2022-23. If this is taken into account, the actual Fiscal Deficit would have been ₹ 30,341.02 crore instead of ₹ 30,204.83 crore. Further, ratio of Fiscal Deficit to GSDP would have been 6.15 per cent instead of 6.12 per cent.

## **1.8 Recommendations**

- The State Government may make concrete efforts to augment own resources of revenue to bridge the mismatch between revenue receipts and expenditure and reduce its fiscal deficit.*
- The State Government needs to ensure budgeting and booking of Grants-in-Aid under Revenue Section as per IGAS-2.*
- The State Government may consider discharging of its interest liabilities on time.*

