

# CHAPTER I

## FINANCES OF THE STATE GOVERNMENT

### 1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (*Appendix-1.1 Part-A*). The Finance Accounts of the Government of Assam are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund and Public Account of the State of Assam. The lay out of the Finance Accounts is depicted in *Appendix-1.1 Part-B*.

#### 1.1.1 Summary of Receipts and Disbursements

Table-1 summarises the finances of the Government of Assam for the year 2006-07 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from **Statement-1** of Finance Accounts and other detailed statements.

**Table-1: Summary of receipts and disbursements for the year 2006-07**

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
					Non-Plan	Plan	Total
<b>Section-A: Revenue</b>							
<b>12045.39</b>	<b>Revenue receipts</b>	<b>13666.94</b>	<b>10536.31</b>	<b>Revenue expenditure</b>	<b>9794.02</b>	<b>1662.51</b>	<b>11456.53</b>
3232.21	Tax revenue	3483.32	4201.61	General services	4298.76	3.60	4302.36
1459.28	Non-tax revenue	1859.27	3987.10	Social Services	3724.83	752.65	4477.48
3056.78	Share of Union Taxes/Duties	3898.99	2336.71	Economic Services	1762.63	906.26	2668.89
4297.12	Grants from Government of India	4425.36	10.89	Grants-in-aid/Contributions	7.80	-	7.80
<b>Section-B: Capital</b>							
-	II. Miscellaneous Capital Receipts	-	1085.32	II. Capital Outlay	49.86	1403.12	1452.98
37.57	III. Recoveries of Loans and Advances	34.57	105.62	III. Loans and Advances disbursed	3.78	76.85	80.63
1379.26	IV. Public Debt receipts	1115.71	360.37	IV. Repayment of Public Debt	-	-	494.73
-	V. Contingency Fund	-	-	V. Contingency Fund			-
4146.26	VI. Public Account receipts	4846.21	4258.63	VI. Public Account disbursement	-	-	4501.58
-	VII. Closing overdraft from Reserve Bank of India	-	-	VII. Opening overdraft from Reserve Bank of India	-	-	-
(-) 236.52	Opening Balance	1025.71	1025.71	Closing Balance			2702.69
<b>17371.96</b>	<b>Total</b>	<b>20689.14</b>	<b>17371.96</b>	<b>Total</b>			<b>20689.14</b>

Revenue Receipts of the State consists mainly of its own tax, non-tax revenue, Central tax transfers and Grants-in-aid from Government of India (GOI). The overall revenue receipts increased by 13.47 percent from Rs.12,045 crore in 2005-06 to Rs.13,667 crore in 2006-07 mainly due to increase in, grants from GOI (Rs.129 crore); State's own tax revenue (Rs.251 crore); non-tax revenue (Rs.400 crore) and State's share of Union taxes and duties (Rs.842 crore). The revenue expenditure of the State, on the

other hand increased by around nine *percent* from Rs.10,536 crore in 2005-06 to Rs.11,457 crore in 2006-07.

The net public debt receipts of the Government increased by Rs.621 crore during the year 2006-07 and stood at Rs.15,178 crore at the end of the year. Public account disbursement increased by Rs.243 crore over previous year as against increase in the receipts of Rs.700 crore.

Cash balance of the State increased by Rs.1,677 crore during the current year by way of increase in cash balance investment (Rs.1,867 crore) and decrease in deposit with RBI (Rs.192 crore).

### **1.1.2 The Assam Fiscal Responsibility and Budget Management (AFRBM) Act, 2005**

The Assam Fiscal Responsibility and Budget Management (AFRBM) Act, 2005, as amended, was enacted to ensure fiscal stability, sustainability, improve efficiency and transparency in management of public finances of the State, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove the impediments to effective conduct of fiscal policy and prudent debt management for improving the social and physical infrastructure and human development in the State. The Act prescribed the following fiscal targets for the State Government:

- Eliminate revenue deficit within four financial years beginning on the 1<sup>st</sup> day of April, 2005 ending on the 31<sup>st</sup> day of March, 2009;
- By the year 2010, the expenditure on account of salary and wages of the employees of the State Government to be contained within 60 *percent* of the total tax and non-tax revenue of the State Government, including devolutions from the GOI but excluding the grants under the Annual Plan from the Planning Commission and other developmental grants;
- Restrict the revenue expenditure under Annual State Plan to one third of the Plan outlay in a financial year with a view to making more fund available for capital developmental expenditures;
- Reduce fiscal deficit to three *percent* of the estimated Gross State Domestic Product within a period of four financial years beginning on the 1<sup>st</sup> day of April, 2005 and ending 31<sup>st</sup> day of March, 2009;
- Restrict the total debt stock of the State Government including the Government guarantees to 45 *percent* of the GSDP of the previous year at current prices within a period of five years beginning on the 1<sup>st</sup> day of April, 2005.
- State Government Guarantees for the loans contracted by Public Sector Undertakings, Boards, Companies, Corporations, Cooperative societies or Autonomous organizations under the State Government, to be restricted at any point of time to fifty percent of State's own tax and non-tax revenue of the previous year or five percent of the GSDP of previous year at current prices, whichever is lower.

### **1.1.3 Roadmap to Achieve the Fiscal Targets as laid down in AFRBM Act/Rules**

Keeping in view the fiscal targets laid down in the AFRBM Act and the rules made thereunder and the anticipated annual rate of reduction of fiscal deficit of the State

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worked out by the GOI for the Twelfth Finance Commission (TFC) award period following its recommendation, the State Government has developed its Own Fiscal Correction Path (FCP) indicating the milestones of outcome indicators with target dates of implementation during the period from 2005-06 to 2009-10 (*Appendix-1.1 Part-C*).

#### **1.1.4 Fiscal Policy Statement(s) 2006-07**

As required under Section 3 of the Act, the State Government laid before the Legislative Assembly, the Five Year Fiscal Plan along with Annual Budget for the financial year 2006-07. The Five Year Fiscal Plan provided for the budget estimates for 2006-07 and projections for the next four years (2007-08 to 2010-11) for selected fiscal parameters and variables determining the fiscal performance of the State. The budget estimates for the year 2006-07 were the same as projected in the FCP by the State Government.

#### **1.1.5 Mid-Term Review of Fiscal Situation**

To enforce compliance with the fiscal principles and targets laid down in the AFRBM Act, 2005, the Finance Department of the State Government is to review every year the trends in receipts and expenditure including the fiscal indicator targets set for the current financial year and place before the State Legislature a statement containing the outcome of such reviews. However, the State Government is yet to enforce the provision of the Act in this regard.

The performance of the State in terms of the achievements vis-à-vis the corresponding targets fixed for selected fiscal variables in FRBM Act are given below:

**Table-2**

#### **Trends in Major Fiscal parameters/variables vis-à-vis projections for 2006-07**

Fiscal variations	Targets as Prescribed in FRBM Act	Projections in Five Year Plan/FCP for 2006-07	Actuals for 2006-07
Revenue Deficit (Rs. in crore)	0.0 (By 31.3.2010)	(-) 435	(+) 2211
Fiscal Deficit (Rs. in crore)	-	(-) 3319	(+) 712
Fiscal Deficit/GSDP ( <i>percent</i> )	<i>3 percent of GSDP</i> (By 31.3.2009)	(-) 7	(+) 1
Salary as percentage of State's own revenue	60 (By 31.3.2010)	84	88
Ratio of the Total Debt Stock including guarantees to GSDP	45	44	37
Ratio of State Guarantees to SOR of previous Year	50	25	19
Ratio of State Guarantees to SOR of GSDP	5	3	2

\*SOR is State's own revenue which consists of tax and non tax revenue of the State

The above table reveals that the State has achieved all the FRBM targets, except containing expenditure on salary, much before the time lines prescribed in the Act. The State Government has to initiate requisite measures to contain the expenditure on

salaries relative to its own SOR, to achieve the corresponding FRBM target within the time frame prescribed in the Act.

## **1.2 Overview of Fiscal Situation of the State**

### **1.2.1 Trends in Fiscal Aggregates**

The fiscal position of the State during the current year as compared to the previous year is given in Table-3.

**Table-3**

(Rupees in crore)

2005-06	Sl. No.	Major Aggregates	2006-07
<b>12045</b>	<b>1.</b>	<b>Revenue Receipts (2+3+4)</b>	<b>13667</b>
3232	2.	Tax Revenue	3483
1459	3.	Non-Tax Revenue	1859
7354	4.	Other Receipts	8325
<b>38</b>	<b>5.</b>	<b>Non-Debt Capital Receipts</b>	<b>35</b>
38	6.	Of which, Recovery of Loans	35
<b>12083</b>	<b>7.</b>	<b>Total Receipts (1+5)</b>	<b>13702</b>
<b>8482</b>	<b>8.</b>	<b>Non-Plan Expenditure</b>	<b>9848</b>
8407	9.	On Revenue Account	9794
1510	10.	Of which, Interest Payments	1516
72	11.	On Capital Account	50
3	12.	On Loans disbursed	4
<b>3245</b>	<b>13.</b>	<b>Plan Expenditure</b>	<b>3142</b>
2129	14.	On Revenue Account	1662
1013	15.	On Capital Account	1403
103	16.	On Loans disbursed	77
<b>11727</b>	<b>17.</b>	<b>Total Expenditure (13+8)</b>	<b>12990</b>
(+) 1509	18.	Revenue Deficit (-)/Surplus (+) {1- (9+14)}	(+) 2211
(+) 356	19.	Fiscal Deficit (-)/Surplus (+) {(1+5)-17)}	(+) 712
(+) 1866	20.	Primary Deficit (-) /Surplus (+) (10+19)	(+) 2228

During the current year revenue receipts increased by 13.5 percent (Rs.1,622 crore) while revenue expenditure increased by 9 percent (Rs.920 crore) over the previous year resulting in an increase in revenue surplus by Rs.702 crore during 2006-07 over the previous year. Increase in revenue surplus and a marginal decline of Rs.3 crore in non-debt capital receipts along with the combined increase of Rs.343 crore in capital expenditure and loans and advances disbursed during 2006-07 over the previous year, led to an increase in fiscal surplus by Rs.356 crore during the current year. The increase in fiscal surplus accompanied by a marginal increase of Rs.6 crore in interest payments during 2006-07 over the previous year led to an increase in primary surplus by Rs.362 crore during the year.

## **1.3 Methodology adopted for the assessment of fiscal position**

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analyzed wherever necessary over the period 2001-07 and observations have been made on their behaviour. In its Restructuring Plan of State finances, TFC recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States enact the Fiscal Responsibility Acts and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so

that fiscal position of State could be improved as committed in their respective FR Acts/Rules covering medium to long term periods. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their FR Acts and in other Statements required to be laid in the legislature under the Act, have been used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP) is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP<sup>1</sup> at current market prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc., with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc., are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP. The New GSDP series with 1999-2000 as base (Table-4) as published by the Director of Economics and Statistics of the State Government have been used in estimating these percentages and buoyancy ratios.

**Table – 4: Trends in Growth and Composition of GSDP**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Gross State Domestic Product (GSDP)	38245	43332	47191	51322	57597	63428
Rate of growth of GSDP (percent)	9.12	13.30	8.91	8.75	12.23	10.12

The key fiscal aggregates for the purpose are grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits (*Appendix 1.2 to 1.5*). The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in *Appendix 1.1 Part D*.

#### **1.4 Trends and composition of aggregate Receipts**

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GOI as well as accruals from Public Account. Table-5 shows that the total receipts of the State Government for the year 2006-07 were Rs.19,664 crore. Of these, revenue

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<sup>1</sup> GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production.

receipts comprised Rs.13,667 crore, constituting 70 per cent. The balance came from borrowings and receipts from the Public Account.

**Table-5: Trends in Growth and Composition of Aggregate Receipts**

(Rupees in crore)

Sources of Receipts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>I Revenue Receipts</b>	<b>5965</b>	<b>6793</b>	<b>7765</b>	<b>9937</b>	<b>12045</b>	<b>13667</b>
<b>II Capital Receipts</b>	<b>1975</b>	<b>3062</b>	<b>2344</b>	<b>4600</b>	<b>1417</b>	<b>1151</b>
Recovery of Loans and Advances	29	28	40	1389	38	35
Public Debt Receipts	1946	3034	2304	3211	1379	1116
Miscellaneous Capital Receipts	--	--	--	--	--	--
<b>III Contingency Fund</b>	<b>--</b>	<b>35</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>IV Public Account Receipts</b>	<b>2276</b>	<b>2290</b>	<b>3957</b>	<b>2988</b>	<b>4146</b>	<b>4846</b>
a. Small Savings, Provident Fund etc.	402	407	746	610	617	566
b. Reserve Fund	113	184	135	478	149	370
c. Deposits and Advances	935	(-) 10	926	1349	1637	2150
d. Suspense and Miscellaneous	17	858	1138	(-) 901	(-) 155	(-) 158
e. Remittances	809	851	1012	1452	1898	1918
<b>Total Receipts</b>	<b>10216</b>	<b>12180</b>	<b>14066</b>	<b>17525</b>	<b>17608</b>	<b>19664</b>

#### 1.4.1 Revenue Receipts

**Statement-11** of the Finance Accounts details the revenue receipts of the Government. The overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in Table-6.

**Table-6: Revenue Receipts - Basic parameters**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Revenue Receipts (RR) (Rupees in crore)</b>	<b>5965</b>	<b>6793</b>	<b>7765</b>	<b>9937</b>	<b>12045</b>	<b>13667</b>
Own Taxes ( <i>per cent</i> )	1557 (26.10)	1935 (28.49)	2070 (26.66)	2713 (27.30)	3232 (26.83)	3483 (25.48)
Non-Tax Revenue ( <i>per cent</i> )	533 (8.94)	693 (10.20)	946 (12.18)	1070 (10.77)	1459 (12.11)	1859 (13.60)
Central Tax Transfers ( <i>percent</i> )	1706 (28.60)	1814 (26.70)	2162 (27.84)	2584 (26.00)	3057 (25.38)	3899 (28.53)
Grants-in-aid ( <i>percent</i> )	2169 (36.36)	2351 (34.61)	2587 (33.32)	3570 (35.93)	4297 (35.68)	4426 (32.38)
<b>Rate of growth of RR (<i>percent</i>)</b>	<b>5.80</b>	<b>13.88</b>	<b>14.31</b>	<b>27.97</b>	<b>21.21</b>	<b>13.46</b>
<b>RR/GSDP (<i>per cent</i>)</b>	<b>15.60</b>	<b>15.68</b>	<b>16.45</b>	<b>19.36</b>	<b>20.91</b>	<b>21.55</b>
<b>Revenue Buoyancy (ratio)</b>	<b>0.64</b>	<b>1.04</b>	<b>1.61</b>	<b>3.20</b>	<b>1.73</b>	<b>1.33</b>
<b>State's own taxes Buoyancy (ratio)</b>	<b>1.143</b>	<b>1.83</b>	<b>0.78</b>	<b>3.55</b>	<b>1.56</b>	<b>0.77</b>
<b>GSDP Growth (<i>Per cent</i>)</b>	<b>9.12</b>	<b>13.30</b>	<b>8.91</b>	<b>8.75</b>	<b>12.23</b>	<b>10.12</b>

The revenue receipts of the State increased from Rs.5,965 crore in 2001-02 to Rs.13,667 crore in 2006-07 at an annual average rate of 25.82 per cent. While 39 per cent of the revenue receipts during 2006-07 have come from the State's own resources comprising taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 61 per cent. The share of non tax revenue in the total revenue receipts of the State has increased by five percentage points while that of grants-in-aid declined by four percentage points during the period 2001-07 with slight inter year

variations. The share of other two components – State’s own taxes and State’s share in Central taxes and duties exhibited only marginal changes during the period.

• **Tax Revenue**

The tax revenue has increased by Rs.251 crore (7.77 percent) from Rs.3,232 crore in 2005-06 to Rs.3,483 crore in 2006-07. The share of sales tax in total tax revenue has been more than 68 percent throughout the period 2001-07 but it sharply increased since 2004-05 to 80 percent in 2006-07. The increase in sales tax of Rs.215 crore from Rs.2,568 crore in 2005-06 to Rs.2,783 crore in 2006-07 was mainly due to collection of trade tax. State Excise (Rs.175 crore), taxes on Vehicles (Rs.151 crore), Stamps and Registration (Rs.97 crore) taxes and duties on Electricity (Rs.16 crore) were the other contributors in the State’s tax revenue. Table-7 below presents the trends in growth and composition of tax revenue during 2001-07.

**Table-7: Trends in Growth and Composition of Tax Revenue**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Sales Tax	1073	1441	1551	2099	2568	2783
State Excise	151	122	129	144	160	175
Taxes on vehicles	94	116	124	135	156	151
Stamps and Registration fees	42	50	62	72	86	97
Land Revenue	63	62	62	58	75	74
Taxes and duties on Electricity	3	13	3	62	13	16
Other taxes	116	128	136	138	167	184
<b>Total</b>	<b>1557</b>	<b>1935</b>	<b>2070</b>	<b>2713</b>	<b>3232</b>	<b>3483</b>

• **Non-Tax Revenue**

The State has shown a sharp increase of Rs.400 crore (27 percent) in 2006-07 over the previous year mainly due to increase in interest receipts (Rs.131 crore) on investment of cash balances by State government, royalty of crude oil (Rs.170 crore) due to enhancement in rates and general education (Rs.94 crore).

The tax and non-tax revenue receipts vis-à-vis the assessments made by the TFC and the State Government in its FCP/Fiscal FYP for 2006-07 were as under:

(Rupees in crore)

	Projections by TFC	Projections as per Five Year Plan/FCP	Actuals Receipts
Own Tax Revenue	3538	3827	3483
Own Non-Tax Revenue	1287	1470	1859

Own tax revenue was less by Rs.344 crore than assessed (Rs.3827 crore) in Five Year Plan/FCP and Rs.55 crore less than the normative assessment of TFC, while non-tax revenue was Rs.389 crore more than assessed in Five Year Plan/FCP and Rs.572 crore more than assessed by TFC.

• **Central Tax Transfers**

Central transfers to the State increased from Rs.7,354 crore in 2005-06 to Rs.8,325 crore in 2006-07, of which, Central tax transfers increased by Rs.842 crore

(27.55 percent). The increase in Central tax transfer was mainly due to increase in Corporation tax (Rs.373 crore), taxes on income other than Corporation tax (Rs.144 crore), Customs (Rs.165 crore) and Service Tax (Rs.149 crore).

- **Grants-in-aid**

The grants-in-aid from GOI increased from Rs.4,297 crore in 2005-06 to Rs.4,425 crore in 2006-07. The increase was mainly under State Plan Scheme (Rs.81 crore) and Centrally Sponsored Schemes (Rs.344 crore). The grants for non-plan schemes decreased by Rs.239 crore from Rs.948 crore in 2005-06 to Rs.709 crore in 2006-07. The decrease was mainly due to decrease in grants under the Proviso to Article 275(1) of the Constitution (Rs.268 crore). As per recommendation of TFC, GOI released Rs.28.89 crore under non-plan grants for specific purposes for construction of roads, side drains (Rs.27.20 crore) and development of Srimanta Sankardev Netralaya (Rs.1.69 crore).

## 1.5 Application of resources

### 1.5.1 Growth of Expenditure

**Statement 12** of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs.7,441 crore in 2001-02 to Rs.12,990 crore in 2006-07. Total expenditure, its annual growth rate and 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-8.

**Table-8: Total Expenditure - Basic Parameters**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total Expenditure (TE)* (Rupees in crore)	7441	7750	9200	13384	11727	12990
Rate of Growth ( <i>per cent</i> )	3.42	4.15	18.71	45.48	(-) 12.38	10.77
TE/GSDP Ratio ( <i>per cent</i> )	19.46	17.89	19.50	26.08	20.36	20.48
RR/TE Ratio ( <i>per cent</i> )	80.16	87.65	84.40	74.25	102.71	105.21
<b>Buoyancy of Total Expenditure with reference to:</b>						
GSDP (ratio)	0.375	0.312	2.099	5.198	**	1.06
RR (ratio)	0.589	0.299	1.308	1.626	**	0.80

\* Total Expenditure includes revenue expenditure, capital expenditure and loans and advances.

\*\* Rate of growth of Total Expenditure was negative.

Total expenditure during 2006-07 at Rs.12,990 crore increased by Rs.1,263 crore (11 percent) over the previous year. Out of the total expenditure, the revenue expenditure formed 88 percent (Rs.11,456 crore) while capital expenditure excluding Loan and advances formed 11 percent (Rs.1,453 crore). The break up of total expenditure in terms of plan and non-plan expenditure reveals that while the share of plan expenditure constituted 24 percent (Rs.3,142 crore), the remaining 76 percent was non-plan expenditure (Rs.9,848 crore).

The increase in total expenditure during 2006-07 over previous year was due to increase of revenue expenditure by Rs.920 crore and capital expenditure by Rs.368



crore. The increase in revenue expenditure was mainly due to increase in the expenditure on superannuation and retirement allowances and gratuity (Rs.166 crore), General Education (Rs.159.04 crore), Medical and Public Health (Rs.163 crore), Welfare of SC/ST/OBC (Rs.105 crore), transfer to reserve fund and deposit accounts – natural calamities fund (Rs.193 crore), special programmes for rural development (Rs.107 crore), and Roads and Bridges (Rs.31 crore). Increase in capital expenditure was mainly due to increase in plan capital outlay on Public Works (Rs.13 crore), Water Supply, Sanitation and Housing (Rs.149 crore), Special areas programme (Rs.125 crore) and Irrigation and Flood Control (Rs.85 crore).

### 1.5.2 Trends in Total Expenditure by 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. The relative share of these components in total expenditure is indicated in Table-9.

**Table-9: Components of Expenditure-Relative share**

	<i>(in per cent)</i>					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>General Services</b>	<b>39.45</b>	<b>40.31</b>	<b>38.56</b>	<b>27.73</b>	<b>35.91</b>	<b>33.30</b>
Of which,						
Interest payments	14.27	16.06	15.72	10.49	12.88	11.67
<b>Social Services</b>	<b>36.77</b>	<b>37.68</b>	<b>36.96</b>	<b>32.20</b>	<b>34.38</b>	<b>35.66</b>
<b>Economic Services</b>	<b>22.63</b>	<b>20.22</b>	<b>22.96</b>	<b>32.69</b>	<b>28.71</b>	<b>30.36</b>
<b>Grants-in-aid</b>	<b>0.05</b>	<b>0.10</b>	<b>0.13</b>	<b>0.10</b>	<b>0.10</b>	<b>0.06</b>
<b>Loans and Advances</b>	<b>1.10</b>	<b>1.69</b>	<b>1.39</b>	<b>7.28</b>	<b>0.90</b>	<b>0.62</b>

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. But expenditure on General Services and interest payments which are considered as non-developmental, together accounted for 33.30 *percent* in 2006-07 as against 35.91 *percent* in 2005-06. On the other hand, developmental expenditure i.e., on Social and Economic Services together accounted for 66.02 *percent* in 2006-07 as against 63.09 *percent* in 2005-06. This indicates that there was decrease in non-developmental expenditure and increase in developmental expenditure in comparison to the previous year.

### 1.5.3 Incidence of Revenue expenditure

Revenue expenditure had predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in Table-10.

**Table-10: Revenue Expenditure - Basic Parameters**

	(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE)	6846	7113	8450	10229	10536	11456
Of which,						
Non-Plan Revenue Expenditure (NPRE)	5400	5781	7021	8208	8407	9794
Plan Revenue Expenditure (PRE)	1446	1332	1429	2021	2129	1662
Rate of Growth (per cent) NPRE	4.92	7.06	21.45	16.91	2.42	16.50
PRE	13.86	(-) 7.88	7.28	41.43	5.34	(-) 21.94
NPRE/GSDP (per cent)	14.12	13.34	14.87	15.99	14.60	15.44
NPRE as per cent of TE	72.57	74.59	76.32	61.33	71.69	75.40
NPRE as per cent of RR	90.53	85.10	90.42	82.60	69.80	71.66
<b>Buoyancy of Revenue Expenditure with</b>						
GSDP (ratio)	0.733	0.293	2.109	2.401	0.245	0.863
Revenue Receipts (ratio)	1.153	0.281	1.314	0.753	0.141	0.648

The overall revenue expenditure of the State has increased by 67.34 percent from Rs.6,846 crore in 2001-02 to Rs.11,456 crore in 2006-07 at an average annual rate of 13.47 percent. The revenue expenditure of the state has increased from Rs.10536 crore in 2005-06 to Rs.11,456 crore in 2006-07. In 2006-07, non-plan revenue expenditure was Rs.9,794 crore (85 percent) and plan revenue expenditure Rs.1,662 crore (15 percent). The non-plan expenditure increased continuously from Rs.5,400 in 2001-02 to Rs.9,794 crore in 2006-07 while the plan expenditure increased from Rs.1,446 crore in 2001-02 to Rs.1,662 crore with wide inter year variations. The increase of Rs.1,387 crore in NPRE during 2006-07 over previous year was mainly due to increase in Education, Sports, Art and Culture (Rs.334 crore) Agriculture and Allied Activities (Rs.231 crore), Social Welfare and Nutrition (Rs.166 crore), Health and Family Welfare (Rs.187 crore), Welfare of SC/ST/OBC (Rs.110 crore), Water Supply, Sanitation, Housing and Urban Development (Rs.27 crore), Irrigation and Flood Control (Rs.50 crore), Transport (Rs.57 crore) and General Economic Services (Rs.75 crore).

A comparative position of NPRE vis-à-vis assessment made in TFC and FCP/BE reveal that NPRE was 23 percent (Rs.2,859 crore) less than the projection made in FCP/BE but higher by 20 percent (Rs.1612 crore) relative to TFC assessment.

	Assessment/Projections		Actual
	TFC	FCP/BE	
Non-plan revenue expenditure	8182	12653	9794

The PRE has decreased by Rs.467 crore from Rs.2,129 crore in 2005-06 to Rs.1,662 crore in 2006-07, mainly due to decrease in Education, Sports, Art and Culture (Rs.98 crore), Health and Family Welfare (Rs.58 crore), Water Supply, Sanitation Housing and Urban Development (Rs.121 crore), social welfare and nutrition (Rs.106 crore), Industry and Minerals (Rs.26 crore), Transport (Rs.18 crore) and General Economic Service (Rs.37 crore).

### 1.5.4 Committed Expenditure

**Expenditure on Salaries and Wages:** The expenditure on salaries increased from Rs.3,814 crore in 2001-02 to Rs.4,684 crore in 2006-07 as indicated in Table-11.

**Table-11: Expenditure on Salaries**

(Rupees in crore)						
Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Salaries <sup>2</sup> & Wages	3814	3883	4462	5194	4238 <sup>3</sup>	4684 <sup>3</sup>
Of which,						
Non-Plan Head	2876	3038	4005	4376	3883	4484
Plan Head	938	845	457	818	355	200
As <i>per cent</i> of GSDP	9.97	8.96	9.46	10.12	7.36	7.38
As <i>per cent</i> of RR	63.94	57.16	57.46	52.27	35.18	34.27

Source: Finance Accounts for 2005-06 and 2006-07 and for the years prior to that State Government figures were adopted.

The salary expenditure under non-plan has increased by more than 15 *percent* over the previous year. The expenditure of the State on salaries was 53 *percent* of the revenue expenditure net of interest payments and pensions as against the TFC norm of 35 *percent*. The expenditure on salaries constituted 88 *percent* of total tax and non tax revenue during 2006-07 requiring attention of the government to achieve the target of limiting it to 60 *percent* of the total tax and non-tax revenue by 2010 as laid down in FRBM Act, 2005.

**Expenditure on Pension payments:** Pension payments grew at an average rate of 12.23 *percent* from Rs.731 crore in 2001-02 to Rs.1,178 crore in 2006-07. The year-wise break up of expenditure incurred on pension payments during 2001-02 to 2006-07 is indicated in Table-12.

**Table-12: Expenditure on Pensions**

(Rupees in crore)						
Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pensions	731	776	909	1062	1011	1178
As <i>per cent</i> of GSDP	1.91	1.79	1.93	2.07	1.76	1.86
As <i>per cent</i> of RR	12.25	11.42	11.71	10.69	8.39	8.62

Source: Finance Accounts.

Though Pension payment was Rs.288 crore less than the projections made in the FCP (Rs.1,466 crore) for the year 2006-07 and Rs.283 crore less than the assessment made by TFC (Rs.1,461 crore), but it has increased by more than 16 *percent* from Rs.1,011 crore in 2005-06 to Rs.1,178 crore in 2006-07 mainly due to increase in the expenditure under superannuation and retirement benefits and for meeting the arrear

<sup>2</sup> Represents salaries only and includes salaries spent from grants-in-aid but excludes wages upto 2004-05.

<sup>3</sup> Represents salaries only but excludes wages and salaries spent from grants-in-aid. The salary expenditure figure shown in Appendix-III of Finance Accounts of Government of Assam for the years ended 2005-06 and 2006-07 do not include salaries spent from grants-in-aid.

payments. The State Government has not introduced the new Pension Policy so far to meet the increasing pension liabilities.

- **Interest payments:**

Interest payments made and their ratio to revenue receipts and revenue expenditure during the period 2001-07 are detailed in Table-13.

**Table-13: Interest payments**

Year	Total Revenue Receipts	Interest Payments	Percentage of Interest payments to	
	(Rupees in crore)		Revenue Receipts	Revenue Expenditure
2001-02	5965	1062	17.80	15.51
2002-03	6793	1245	18.33	17.50
2003-04	7765	1446	18.62	17.11
2004-05	9937	1404	14.13	10.49
2005-06	12045	1510	12.54	14.33
2006-07	13667	1516	11.09	13.23

Interest payments increased by 42.75 percent from Rs.1,062 crore in 2001-02 to Rs.1,516 crore in 2006-07. The interest payments during 2006-07 were on internal debt (Rs.1,103), loans from Central Government (Rs.182 crore) and Small Savings, Provident Fund, etc. (Rs.231 crore). The interest payment was Rs.798 crore less than that projected (Rs.2314 crore) in the FCP for the year 2006-07 and Rs.187 crore less than that projected (Rs.1,703 crore) by TFC.

The major sources of borrowings of the State Government were (i) Loans from the Centre, (ii) Loans from Market, (iii) Loans from Banks and Financial institutions and (iv) Loans from Small Savings and Provident Fund with interest rates ranging from 6.50 percent to 12.50 percent per annum during the period from 2001-02 to 2006-07.

- **Subsidies**

The State Government has been giving subsidies to various target groups but has not made any explicit provision for subsidies in its Annual Budget.

## **1.6 Expenditure by Allocative Priorities**

### **1.6.1 Quality of Expenditure**

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore the ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP, better is the quality of expenditure. Table-14 gives these ratios during 2001-07.

**Table-14: Indicators of Quality of Expenditure**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Capital Expenditure</b>	<b>513</b>	<b>506</b>	<b>622</b>	<b>2181</b>	<b>1085</b>	<b>1453</b>
<b>Revenue Expenditure</b>	<b>6846</b>	<b>7113</b>	<b>8450</b>	<b>10229</b>	<b>10536</b>	<b>11456</b>
Of which, Social and Economic Services with	3917	3993	4908	65217	6324	7146
(i) Salary & Wage Component	2804 (72)	2897 (73)	3302 (67)	4017 (62)	3411* (54)	3754* (53)
(ii) Non-Salary & Wage Component	1113 (28)	1095 (27)	1606 (33)	2510 (38)	2913 (46)	3392 (47)
<b>As per cent of Total Expenditure **</b>						
Capital Expenditure	6.97	6.64	6.86	17.57	9.34	11.26
Revenue Expenditure	93.03	93.36	93.14	82.43	90.66	88.74
<b>As per cent of GSDP</b>						
Capital Expenditure	1.34	1.17	1.32	4.25	1.88	2.29
Revenue Expenditure	17.90	16.42	17.91	19.93	18.29	18.06

\* Excludes wage component.

\*\* Total expenditure excludes Loans and Advances.

Table-14 shows that capital and revenue expenditure of the State for the year 2006-07 were Rs.1,453 crore and Rs.11,456 crore respectively, constituting 11.26 percent and 88.74 percent of the total expenditure indicating hardening of resources. The increasing pressure on revenue expenditure seems to have crowded out capital expenditure over the period. However, the salary and wage component of revenue expenditure incurred on social and economic services had decreased from 72 percent in 2001-02 to 53 percent in 2006-07 while that of non salary component has gradually increased from 28 per cent to 47 per cent which indicates the changing allocative priorities of the Government towards creating productive assets and developing social and economic infrastructure in the State.

### 1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. Table-15 summarizes the expenditure incurred by the State Government in expanding and strengthening the social services in the State during 2001-07.

**Table-15: Expenditure on Social Services**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Education, Sports, Art and Culture</b>						
<b>Revenue Expenditure</b>	<b>1871</b>	<b>1997</b>	<b>2362</b>	<b>2503</b>	<b>2516</b>	<b>2751</b>
Of which,						
(a) Salary & Wage Component	1684	1717	2044	2337	1999*	2080*
(b) Non-Salary & Wage Component	187	280	318	166	517	671
<b>Capital Expenditure</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>2</b>
<b>Total</b>	<b>1872</b>	<b>1998</b>	<b>2363</b>	<b>2504</b>	<b>2519</b>	<b>2753</b>
<b>Health and Family Welfare</b>						
<b>Revenue Expenditure</b>	<b>345</b>	<b>324</b>	<b>350</b>	<b>409</b>	<b>399</b>	<b>568</b>
Of which,						
(a) Salary & Wage Component	272	255	298	314	314*	357*
(b) Non-Salary & Wage Component	73	69	52	95	85	211
<b>Capital Expenditure</b>	<b>15</b>	<b>6</b>	<b>21</b>	<b>12</b>	<b>12</b>	<b>4</b>
<b>Total</b>	<b>360</b>	<b>330</b>	<b>371</b>	<b>421</b>	<b>411</b>	<b>572</b>
<b>Water Supply, Sanitation, Housing and Urban Development</b>						
<b>Revenue Expenditure</b>	<b>181</b>	<b>195</b>	<b>215</b>	<b>415</b>	<b>422</b>	<b>329</b>
Of which,						
(a) Salary & Wage Component	68	84	58	194	113*	139*
(b) Non-Salary & Wage Component	113	111	157	221	309	190
<b>Capital Expenditure</b>	<b>18</b>	<b>15</b>	<b>17</b>	<b>35</b>	<b>30</b>	<b>149</b>
<b>Total</b>	<b>299</b>	<b>210</b>	<b>232</b>	<b>450</b>	<b>452</b>	<b>478</b>
<b>Other Social Services</b>						
<b>Revenue Expenditure</b>	<b>305</b>	<b>381</b>	<b>434</b>	<b>935</b>	<b>650</b>	<b>829</b>
Of which,						
(a) Salary & Wage Component	40	82	98	135	133*	135*
(b) Non-Salary & Wage Component	265	299	336	800	517	694
<b>Capital Expenditure</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total</b>	<b>305</b>	<b>381</b>	<b>434</b>	<b>935</b>	<b>650</b>	<b>829</b>
<b>Total (Social Services)</b>						
<b>Revenue Expenditure</b>	<b>2702</b>	<b>2897</b>	<b>3361</b>	<b>4262</b>	<b>3987</b>	<b>4477</b>
Of which,						
(a) Salary & Wage Component	2064	2138	2498	2980	2559*	2711*
(b) Non-Salary & Wage Component	638	759	863	1282	1428	1766
<b>Capital Expenditure</b>	<b>34</b>	<b>22</b>	<b>39</b>	<b>48</b>	<b>45</b>	<b>155</b>
<b>Grand Total</b>	<b>2736</b>	<b>2919</b>	<b>3400</b>	<b>4310</b>	<b>4032</b>	<b>4632</b>

Source: Finance Accounts and State Government figures.

\* Excludes wage component.

The expenditure on Social Services increased from Rs.2,736 crore in 2001-02 to Rs.4,632 crore in 2006-07 and it constituted 35.88 percent of the total revenue and capital expenditure (Rs.12,909 crore) during 2006-07. Three major Social Services viz. General Education (Rs.2,751 crore), Health and Family Welfare (Rs.568 crore), Water Supply and Sanitation (Rs.329 crore) accounted for 81 percent of the total Expenditure on Social Services. Out of revenue expenditure on Social Services, the share of total salary component increased from Rs.2,064 crore in 2001-02 to Rs.2,711 crore in 2006-07 (31 percent) whereas non salary component increased by 177 percent from Rs.628 crore in 2001-02 to Rs.1,766 crore in 2006-07. Assuming that non-salary component of revenue expenditure is a proxy for the maintenance and efficient running of the services, the quality of these services seem to have improved over the period 2001-07.

To improve the quality of education and health services in the States, the TFC recommended that the non-plan salary expenditure under education, health and family welfare should increase only by 5 to 6 *percent* while non salary expenditure under non-plan heads should increase by 30 *percent* per annum during the award period. The trends in expenditure revealed that the salary and wage component of revenue expenditure under General Education increased by 4 *percent* in 2006-07 over the previous year, while the non salary component increased by 30 *percent*. Under Health sector, Salary and wage component increased by 14 *percent* while non salary component increased by 148 *percent*. The expenditure pattern in education sector seems to be in conformity with TFC norms, while in health services, attention is required for containing salary component of non plan revenue expenditure.

The capital expenditure on Social Services increased from Rs.34 crore in 2001-02 to Rs.155 crore in 2006-07 indicating improved quality of expenditure on these services.

### **1.6.3 Expenditure on Economic Services**

Expenditure on Economic Services includes all such expenditure as to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs.3,944 crore) accounted for 30.55 *percent* of the total expenditure (Table-16). Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed 58.92 *percent* of the total expenditure.

**Table-16: Expenditure on Economic Services**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Agriculture, Allied Activities</b>						
<b>Revenue Expenditure</b>	<b>425</b>	<b>362</b>	<b>478</b>	<b>488</b>	<b>548</b>	<b>614</b>
<i>Of which,</i>						
(a) Salary & Wage Component	282	284	304	396	318*	355*
(b) Non-Salary & Wage Component	143	78	174	92	230	259
<b>Capital Expenditure</b>	<b>--</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>--</b>	<b>1</b>
<b>Total</b>	<b>425</b>	<b>363</b>	<b>479</b>	<b>489</b>	<b>548</b>	<b>615</b>
<b>Irrigation and Flood Control</b>						
<b>Revenue Expenditure</b>	<b>126</b>	<b>129</b>	<b>177</b>	<b>208</b>	<b>219</b>	<b>269</b>
<i>Of which,</i>						
(a) Salary & Wage Component	87	112	154	200	195*	239*
(b) Non-Salary & Wage Component	39	17	23	8	24	30
<b>Capital Expenditure</b>	<b>141</b>	<b>112</b>	<b>82</b>	<b>110</b>	<b>112</b>	<b>197</b>
<b>Total</b>	<b>267</b>	<b>241</b>	<b>259</b>	<b>318</b>	<b>331</b>	<b>466</b>
<b>Power &amp; Energy</b>						
<b>Revenue Expenditure</b>	<b>18</b>	<b>5</b>	<b>142</b>	<b>312</b>	<b>323</b>	<b>291</b>
<i>Of which,</i>						
(a) Salary & Wage Component	--	--	--	--	--	--
(b) Non-Salary & Wage Component	18	5	142	312	323	291
<b>Capital Expenditure</b>	<b>39</b>	<b>64</b>	<b>82</b>	<b>1374</b>	<b>205</b>	<b>208</b>
<b>Total</b>	<b>57</b>	<b>69</b>	<b>224</b>	<b>1686</b>	<b>528</b>	<b>499</b>
<b>Transport</b>						
<b>Revenue Expenditure</b>	<b>205</b>	<b>222</b>	<b>247</b>	<b>309</b>	<b>347</b>	<b>387</b>
<i>Of which,</i>						
(a) Salary & Wage Component	104	113	141	201	161*	222*
(b) Non-Salary & Wage Component	101	109	106	108	186	165
<b>Capital Expenditure</b>	<b>187</b>	<b>186</b>	<b>186</b>	<b>299</b>	<b>434</b>	<b>357</b>
<b>Total</b>	<b>392</b>	<b>408</b>	<b>433</b>	<b>608</b>	<b>781</b>	<b>744</b>
<b>Other Economic Services</b>						
<b>Revenue Expenditure</b>	<b>441</b>	<b>377</b>	<b>503</b>	<b>948</b>	<b>900</b>	<b>1108</b>
<i>Of which,</i>						
(a) Salary & Wage Component	267	250	205	240	178*	226*
(b) Non-Salary & Wage Component	174	127	298	708	722	882
<b>Capital Expenditure</b>	<b>102</b>	<b>109</b>	<b>214</b>	<b>326</b>	<b>279</b>	<b>512</b>
<b>Total</b>	<b>543</b>	<b>486</b>	<b>717</b>	<b>1274</b>	<b>1179</b>	<b>1620</b>
<b>Total (Economic Services)</b>						
<b>Revenue Expenditure</b>	<b>1215</b>	<b>1095</b>	<b>1547</b>	<b>2265</b>	<b>2337</b>	<b>2669</b>
<i>Of which,</i>						
(a) Salary & Wage Component	740	759	804	1037	852*	1042*
(b) Non-Salary & Wage Component	475	336	743	1228	1485	1627
<b>Capital Expenditure</b>	<b>469</b>	<b>472</b>	<b>656</b>	<b>2110</b>	<b>1030</b>	<b>1275</b>
<b>Grand Total</b>	<b>1684</b>	<b>1567</b>	<b>2203</b>	<b>4375</b>	<b>3367</b>	<b>3944</b>

Source: Finance Accounts and State Government figures.

\* Excludes wage component.

Out of total expenditure on Economic Services during 2006-07, 13 percent on Power and Energy, 12 percent on Irrigation and Flood Control and 19 percent on Transport and 16 percent on Agriculture and allied activities was incurred. As compared to 2001-02, significant increases were observed in 2006-07 in Power and Energy (775 percent), Transport services (90 percent), Agriculture and allied activities (45 percent) and Irrigation and Flood Control (75 percent).



The trends in revenue and capital expenditure on Economic Services indicate that the capital expenditure has increased from Rs.469 crore (28 percent) in 2001-02 to Rs.1,275 crore (32 percent) in 2006-07, while the revenue expenditure increased from Rs.1,215 crore (72 percent) in 2001-02 to Rs.2,669 crore (68 percent) in 2006-07. Of the revenue expenditure, salary component increased from Rs 740 crore (61 percent) in 2001-02 to Rs.1,042 crore (39 percent) in 2006-07 whereas non-salary component increased from Rs.475 crore (39 percent) to Rs.1,627 crore (61 percent) indicating allocative priorities probably towards their maintenance and better quality of services.

#### 1.6.4 Financial Assistance to local bodies and other institutions

The quantum of assistance provided by State Government by way of grants and loans to local bodies and others during the six-year period 2001-07 is presented in Table-17.

**Table-17: Financial Assistance**

Name	(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Zilla Parishads and other Panchayati Raj institutions	14.82	25.53	14.82	23.04	27.30	27.19
Municipal Corporations/Urban Sewerage Board	7.37	13.59	19.63	65.28	16.71	17.66
Co-operative Societies and Co-operative Institutions	8.09	10.49	3.82	1.85	0.04	0.04
Universities and Educational Institutions	199.24	761.40	841.75	919.04	922.90	892.58
Assam State Electricity Board (ASEB)	--	21.84	86.28	946.92	81.26	70.53
Assam State Housing Board (ASHB)	0.59	0.61	0.86	0.97	1.42	1.34
Assam Khadi and Village Industries Board	4.10	1.30	2.46	5.90	6.96	6.80
Guwahati Metropolitan Development Authority	0.10	0.50	8.86	26.13	33.88	27.79
Other Institutions	52.78	17.49	31.35	69.58	76.56	61.44
Autonomous Councils	13.12	23.45	11.66	135.24	83.28	167.75
<b>Total</b>	<b>300.12</b>	<b>876.20</b>	<b>1021.49</b>	<b>2193.95</b>	<b>1250.31</b>	<b>1273.12</b>
Assistance as percentage of RE	4.39	12.32	12.09	21.45	11.87	11.11

Source: Detailed Appropriation Accounts and Finance Accounts.

The total assistance at the end of 2006-07 had grown by 324 percent over the level of 2001-02. The assistance to local bodies as a percentage of total revenue expenditure had increased from 4.39 in 2001-02 to 11.11 in 2006-07. Although the financial assistance to educational institutions constitutes about 70 per cent of the total financial assistance by State Government during 2006-07, a significant increase in assistance to autonomous councils (Rs.84.5 crore) led to the net increase of Rs.23 crore in financial assistance during the year.

#### 1.6.5 Misappropriation, losses, defalcations, etc

The State Government reported 210 cases of misappropriation, defalcation, etc., involving Government money amounting to Rs.3.62 crore upto the period March 2007 on which final action was pending. The department-wise break up of pending cases is given in *Appendix-1.6*.

## 1.7 Assets and Liabilities

In 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 1.2** gives an abstract of such liabilities and the assets as on 31 March 2007 compared with the corresponding position on 31 March 2006. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix-1.5** depicts the time series data on State Government finances for the period 2001-2007.

### 1.7.1 Incomplete projects

As on 31 March 2007, there were 340 incomplete projects in which Rs.224.48 crore was blocked. Of these, 114 projects (expenditure: Rs.89.66 crore) were incomplete for less than five years, 25 projects (expenditure: Rs.10.52 crore) were incomplete for periods ranging from five to 10 years, 40 projects (expenditure: Rs.8.32 crore) were incomplete for periods ranging from 10 to 20 years and 11 projects (expenditure: Rs.75.74 crore) were incomplete for more than 20 years. This showed that the Government was spreading its resources thinly, without any yield or return. Reasons for incomplete projects were paucity of funds, works left incomplete by contractors, change in site/design of the projects, defective planning, lack of transportation and river course diversion due to floods etc. The department-wise information pertaining to incomplete projects as on 31 March 2007 is given in **Appendix-1.7**.

### 1.7.2 Investments and returns

As on 31 March 2007, the Government had invested Rs.1,984.46 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives (Table 18). The average return on this investment was less than one *percent* in the last six years while an average interest rate of 8.98 *percent* was being paid by the Government on its borrowings. Details are given in **Appendix-1.8**.

**Table-18: Return on Investment**

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowings	Difference between interest paid and return
	(Rupees in crore)		(per cent)		
2001-02	514.35	0.83	0.16	9.70	9.54
2002-03	570.35	5.93	1.04	9.82	8.78
2003-04	587.89	6.88	1.17	9.97	8.80
2004-05	1952.91	9.29	0.48	8.47	7.99
2005-06	1969.95	15.47	0.79	8.18	7.39
2006-07	1984.46	18.54	0.93	7.75	6.82

During the last three years, i.e. from 2004-05 to 2006-07, the State Government investments have increased only marginally by Rs.31.55 crore. During the current year, Government has invested Rs.0.13 crore in Government Companies, Rs.5.52

crore in Joint Stock Companies and Rs.8.86 crore in Cooperative Societies. The accumulated losses of the Statutory Corporations (Rs.5,812 crore), Government Companies (Rs.269 crore) etc. was Rs.6,081 crore as of March 2006. The major loss sustaining organizations are Assam State Transport Corporation (investment Rs.235 crore; loss Rs.38.70 crore) and Assam State Electricity Board (investment Rs.1,350 crore; loss Rs.5,705 crore).

### 1.7.3 Loans and Advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, the Government has also been providing loans and advances to many of them. Total amount of outstanding loans and advances as on 31 March 2007 was Rs.2,721 crore (Table-19). Interest received against these loans and advances continued to be negligible, i.e. even less than half a per cent of outstanding loans and advances during the period 2001-07.

**Table-19: Average Interest Received on Loans Advanced by the State Government**

	(Rupees in crore)					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	2778	2832	2935	3022	2607	2675
Amount advanced during the year	82	131	128	974	106	81
Amount repaid during the year	28	28	41	1389	38	35
Closing Balance	2832	2935	3022	2607	2675	2721
Net addition	54	103	87	-	68	46
Interest Received	1	1	4	7	6	8
Interest received as <i>percent</i> to outstanding Loans and advances	0.03	0.03	0.13	0.27	0.23	0.29
Average interest rate (in <i>percent</i> ) paid on borrowings by State Government	9.70	9.82	9.97	8.47	8.18	7.75
Difference between average interest paid and received ( <i>percent</i> )	9.67	9.79	9.84	8.20	7.95	7.46

Major recipients of loans during 2006-07 were Power projects (Rs.72.54 crore), Urban Development (Rs.1.64 crore) and Government servants (Rs.3.78 crore).

### 1.7.4 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) - ordinary and special- from Reserve Bank of India has been put in place. The operative limit for normal WMA is reckoned as the three year average of revenue receipts and the operative limit for special WMA is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. The limit in respect of Assam was Rs.295 crore for normal and Rs.299.84 crore for special WMA during 2006-07. The State Government did not avail of any WMA and overdrafts during the year. WMA and overdrafts availed; the number of occasions when these were availed and interest paid by the State is detailed in Table-20.

**Table-20: Ways and Means Advances and Overdrafts of the State**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Ways and Means Advances</b>						
Availed in the year	608.66	955.84	2092.32	4288.55	1652.63	--
Number of occasions	30	39	53	81	32	--
Outstanding WMA, if any	176.71	226.39	227.96	317.49	-	--
Interest Paid	121.53	11.60	14.26	10.15	3.15	--
Number of days	30	39	53	81	32	--
<b>Overdraft</b>						
Availed in the year	5749.87	4533.27	4343.54	1782.80	228.07	--
Number of occasions	111	116	104	64	08	--
Number of days	312	315	237	129	30	--
Interest Paid	17.70	32.68	23.10	3.69	0.63	--

### 1.8 Undischarged Liabilities

“Total liabilities” as defined in AFRBM Act, 2005 (FRBM Act) means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

#### 1.8.1 Fiscal Liabilities-Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund - Capital Account. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident funds and other deposits.

Table-21 gives the fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

**Table-21: Fiscal Liabilities – Basic Parameters**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities* (Rupees in crore)	11633	13720	15285	17855	19082	20598
Rate of Growth ( <i>per cent</i> )	13.36	17.94	11.41	16.81	6.87	7.94
<b>Ratio of Fiscal Liabilities to</b>						
GSDP ( <i>per cent</i> )	30.42	31.66	32.39	34.79	33.13	32.47
Revenue Receipts ( <i>per cent</i> )	195.00	202.00	196.80	179.70	158.42	150.71
Own Resources ( <i>per cent</i> )	556.60	522.10	506.80	472.00	406.78	385.51
<b>Buoyancy of Fiscal Liabilities to</b>						
GSDP (ratio)	3.282	1.349	1.280	1.961	0.566	0.784
Revenue Receipts (ratio)	2.303	1.292	0.797	0.601	0.324	0.589
Own Resources (ratio)	1.691	0.697	0.773	0.661	0.286	0.572

\* Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Funds, etc., Reserve Funds (Gross) and Deposits.

The overall fiscal liabilities of the State increased from Rs.11,633 crore in 2001-02 to Rs.20,598 crore in 2006-07. The growth rate was 7.94 percent during 2006-07 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 30.42 percent in 2001-02 to 32.47 percent in 2006-07. These liabilities stood at nearly 1.50 times the revenue receipts (as against the projection of 3 times in FRBM Act by the year ending 2008-09) and 3.86 times of the States own resources at the end of 2006-07. Buoyancy of fiscal liabilities to GSDP, fiscal liabilities to revenue receipts and to own resources has increased during 2006-07.

In line with the recommendations of the TFC, the State Government set up the Sinking Fund for amortization of market borrowings as well as other loans and debt obligations at the rate of 2 percent of the total outstanding debt at the end of each year. As on 31 March 2007 the outstanding balance in the Sinking Fund was Rs.636.74 crore. During 2006-07, Rs.176 crore has been invested in the Sinking Fund.

### 1.8.2 Status of Guarantees-Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per **Statement-6** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of 2006-07 is given in Table-22.

**Table-22: Guarantees given by the Government of Assam**

Year	Maximum amount guaranteed	Outstanding amount of guarantees*	Percentage of maximum amount guaranteed to total revenue receipts	Outstanding guarantees as percentage of State's own Revenue** of previous year
2001-02	2865	1854	48.03	96
2002-03	2888	1881	42.51	90
2003-04	2904	1833	37.40	70
2004-05	1034	711	10.41	24
2005-06	1727	1273	14.34	34
2006-07	1563	904	11.44	19

\* Includes interest. \*\* State own revenue includes tax revenue and non tax revenue.

Government has guaranteed loans raised by various corporations and others, which at the end of 2006-07 stood at Rs.904 crore. Out of the total outstanding guarantees, Rs.664 crore (73 percent) were towards Assam State Electricity Board. The State Government is yet to implement the recommendation of the TFC by setting up Guarantee Redemption Fund through earmarked guarantee fees. As per FRBM Act, State Government guarantees shall be restricted to 50 percent of State's tax and non-tax revenue of previous year, which was within the limit during the last three years. During 2006-07, it was 19 percent of SOR showing significant improvement.

### 1.8.3 Debt Sustainability

Debt sustainability is defined as the ability to maintain a constant debt-GDP ratio over a period of time. In simple terms, public debt is considered sustainable as long as the growth of income exceeds the interest rate or cost of public borrowings subject to the condition that the primary balance is either positive or zero.

- **Debt Stabilisation**

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable, provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt\*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards debt stabilization are indicated in Table-23.

**Table-23: Debt Sustainability-Interest Rate and GSDP Growth (in per cent)**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate	9.70	9.82	9.97	8.47	8.18	7.75
GSDP Growth	9.12	13.30	8.91	8.75	12.23	10.12
Interest spread	(-) 0.58	3.48	(-) 1.06	0.28	4.05	2.37
Quantum spread (Rs. in crore)	(-) 67.47	477.46	(-) 162.02	49.99	772.82	488.17
Primary Deficit (-) /Surplus (+) (Rs. in crore)	(-) 385	316	51	(-) 654	1866	2228

Table-23 reveals that quantum spread together with primary deficit remained negative during 2001-02 and 2003-04 to 2004-05 resulting an increase in debt GSDP ratio. Since 2005-06, quantum spread together with primary deficit remained positive resulting in a decline in debt/GSDP ratio from 33.13 percent in 2005-06 to 32.47 percent in 2006-07. This trend indicates that the State is moving towards debt stabilization which in turn may improve the debt sustainability of the State.

- **Sufficiency of Non-debt Receipts**

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Table-24 indicates the resource gap as defined for the period 2002-07.

**Table-24: Incremental revenue receipts and Revenue Expenditure**

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
	827	126	183	309	(+) 518
2003-04	984	1249	201	1450	(-) 466
2004-05	3521	4426	(-) 42	4184	(-) 663
2005-06	757	(-) 1763	106	(-) 1657	(+) 2414
2006-07	1619	1257	6	1263	(+) 356

The trends in table-24 reveal that the incremental non-debt receipts of the State had been able to meet the incremental interest liabilities and incremental primary expenditure in three years out of the five year period 2002-07. Moreover, the

persistent positive resource gap during the last two years is a pointer towards fiscal and debt sustainability of the State.

#### 1.8.4 Net Availability of Funds

Another important indicator of debt sustainability is the net availability of funds after the payment of the principal on account of earlier contracted liabilities and interest. Table-25 below gives the position of the receipts and repayment of internal debt and other fiscal liabilities of the State over the last six years.

**Table-25: Net Availability of Borrowed Funds**

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Internal debt</b>						
Receipts	7045	6415	7286	7895	7495	1103
Repayment (Principal + Interest)	6355	6937	7599	7203	3484	1486
Net Funds Available	690	(-) 522	(-) 313	692	4011	(-)383
Net Funds Available ( <i>percent</i> )	9.79	-	-	8.77	53.52	-
<b>Loans and Advances from GOI</b>						
Receipts	1259	2058	1452	1297	(-) 3918	13
Repayment (Principal + Interest)	1538	1603	1670	1515	291	294
Net Funds Available	(-) 279	455	(-) 218	(-) 218	(-) 4209	(-)281
Net Funds Available ( <i>percent</i> )	-	22.11	-	-	-	-
<b>Other obligations</b>						
Receipts	1158	1133	1458	2053	1971	2552
Repayment (Principal + Interest)	794	1113	947	1430	2057	2003
Net Funds Available	364	20	511	623	(-) 86	549
Net Funds Available ( <i>percent</i> )	31.43	1.77	35.05	30.35	-	21.51
<b>Total liabilities</b>						
Receipts	9462	9606	10196	11245	5548	3668
Repayments (Principal+ Interest)	8687	9653	10216	10148	5832	3783
Net Funds Available	775	(-) 47	(-) 20	1097	(-) 284	(-)115
Net Funds Available ( <i>percent</i> )	8.19	-	-	9.76	-	-

The net funds available on account of the internal debt and loans and advances from GOI and other obligations after providing for the interests and repayments remained negative during the last two years. During the current year, the Government repaid principal plus interest on account of internal debt of Rs.1,486 crore, GOI loan of Rs.294 crore and also discharged other obligations of Rs.2,003 crore as a result of which payment exceeded the receipts during the year. During 2006-07, in view of the large cash balances, the focus of the Government seems to be on discharging the past debt obligations both on account of principal and interest payment on loans raised from the market as well as from the Government of India.

#### 1.9 Management of deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised and applied are important pointers to its fiscal health.

### 1.9.1 Trends in Deficits

The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in Table 26.

The State although continued to experience revenue deficit during 2001-02 to 2004-05 with inter year variations but took a turnaround in 2005-06 and showed a revenue surplus of Rs.1,509 crore in 2005-06 which further increased to Rs.2,211 crore in 2006-07. This improvement in revenue account during 2005-06 and 2006-07 was mainly on account of steep increase in Central transfers comprising of State's share in Central taxes and duties and grants-in-aid from GOI by Rs.1,200 crore in 2005-06 and Rs.971 crore in 2006-07 over the corresponding previous years. Moreover, the State's own resources comprising of tax and non tax revenue also increased by Rs.908 crore in 2005-06 and Rs.651 crore in 2006-07 over corresponding previous years. Revenue expenditure on the other hand increased by Rs.307 crore in 2005-06 and by Rs.920 crore in 2006-07 resulting in huge surplus on revenue account during the last two years.

The revenue surplus in 2005-06 and 2006-07 accompanied by a substantial reduction in non-plan capital expenditure in 2005-06 (Rs.1,333 crore) moderate increase in plan capital expenditure together with disbursement of loans and advances resulted in a situation of fiscal surplus during 2005-06 and 2006-07. The interest payments amounting to Rs.1,510 crore in 2005-06 and Rs.1,516 crore in 2006-07 led to huge primary surplus of Rs.1,866 crore and Rs.2,227 crore in 2005-06 and 2006-07 respectively.

**Table-26: Fiscal Imbalances – Basic Parameters**

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Deficit (-)/Surplus(+) (Rupees in crore)	(-) 881	(-) 320	(-) 685	(-) 292	(+) 1509	(+) 2211
Fiscal Deficit (-)/Surplus(+) (Rupees in crore)	(-) 1447	(-) 929	(-) 1395	(-) 2058	(+) 356	(+) 712
Primary Deficit (-)/Surplus(+) (Rupees in crore)	(-) 385	(+) 316	(+) 51	(-) 654	(+) 1866	(+) 2228
RD/GSDP (per cent)	(-) 2.56	(-) 0.85	(-) 1.70	(-) 0.67	*	*
FD/GSDP (per cent)	(-) 4.21	(-) 2.47	(-) 3.47	(-) 4.73	*	*
PD/GSDP (per cent)	(-) 1.12	(+) 0.84	(+) 0.13	(-) 1.50	*	*
RD/FD (per cent)	60.88	34.45	49.10	14.19	*	*

(Negative figures indicate deficit)

\* There is revenue surplus

#### • Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of primary deficit into primary revenue deficit<sup>4</sup> and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit

<sup>4</sup> Primary revenue deficit defined as gap between non interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.



indicates the extent to which borrowed funds were used for current consumption. The ratio of RD to FD consistently declined during 2001-05 and thereafter revenue account has shown surplus during the succeeding two years. This trajectory shows a consistent improvement in the quality of the deficit and during the current year, the State has experienced a fiscal surplus indicating that non-debt receipts exceeded the total expenditure, leaving cash balance to meet the past debt obligations.

The bifurcation of the factors that resulted in primary deficit/surplus of the State during the period 2002-07 reveals (Table-27) that throughout this period, the primary deficit was experienced on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were not only sufficient to meet the primary expenditure<sup>5</sup> in the revenue account, but were able to meet the expenditure under the capital account to some extent except in 2001-02 and 2003-04.

**Table-27**

(Rupees 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)
2001-02	5994	5784	513	82	6379	(+) 210	(-) 385
2002-03	6821	5868	506	131	6505	(+) 953	(+) 316
2003-04	7805	7004	622	128	7754	(+) 801	(+) 51
2004-05	11326	8825	2184	974	11980	(+) 2501	(-) 654
2005-06	12083	9026	1085	106	10217	(+) 3057	(+) 1866
2006-07	13702	9940	1453	81	11474	(+) 3762	(+) 2228

### **1.10 Fiscal Ratios**

The finances of a State should be sustainable, flexible and non-vulnerable. Table-28 below presents a summarized position of Government finances over 2001-2007, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their application, highlights areas of concern and captures its important facts.

<sup>5</sup> Primary expenditure of the State is defined as the total expenditure net of the interest payments indicates the expenditure incurred on the transactions undertaken during the year.

**Table-28 Indicators of Fiscal Health (in per cent)**

Fiscal Indicators	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1	2	3	4	5	6	7
<b>I. Resource Mobilisation</b>						
Revenue Receipts/GSDP	15.60	15.68	16.45	19.36	20.91	21.55
Revenue Buoyancy	3.83	1.18	1.85	2.21	1.71	1.33
Own tax/GSDP	4.07	4.47	4.39	5.29	5.61	5.49
<b>II. Expenditure Management</b>						
Total Expenditure/GSDP	20.25	20.26	21.23	26.08	20.36	20.48
Total Expenditure/Revenue Receipts	124.74	114.09	118.48	134.69	97.36	95.05
Revenue Expenditure/Total Expenditure	92.00	91.78	91.85	76.43	89.84	88.19
Salary & Wage expenditure on Social and Economic Services/Revenue Expenditure	40.96	40.73	39.08	39.27	32.37	32.77
Non-Salary & Wage expenditure on Social and Economic Services/Revenue Expenditure	16.26	15.39	19.01	24.54	27.65	29.61
Capital Expenditure/Total Expenditure*	6.97	6.64	6.86	17.57	9.34	11.26
Capital Expenditure on Social and Economic Services/Total Expenditure*	6.84	6.48	6.66	17.39	9.25	11.08
Buoyancy of TE with RR	0.589	0.299	1.308	1.626	**	0.80
Buoyancy of RE with RR	1.153	0.281	1.314	0.753	0.141	0.648
<b>III. Management of Fiscal Imbalances</b>						
Revenue deficit/surplus (Rs. in crore)	(-) 881	(-) 320	(-) 685	(-) 292	(+) 1509	(+) 2211
Fiscal deficit/surplus (Rs. in crore)	(-) 1447	(-) 929	(-) 1395	(-) 2058	(+) 356	(+) 712
Primary deficit/surplus (Rs. in crore)	(-) 385	(+) 316	(+) 51	(-) 654	(+) 1866	(+) 2228
Revenue Deficit/Fiscal Deficit	60.88	34.45	49.10	14.19	***	***
<b>IV. Management of Fiscal Liabilities</b>						
Fiscal Liabilities/GSDP	30.42	31.66	32.39	34.79	33.13	32.47
Fiscal Liabilities/RR	195.00	202.00	196.80	179.70	158.42	150.71
Buoyancy of FL with RR	2.303	1.292	0.797	0.601	0.324	0.589
Buoyancy of FL with Own Receipts	1.691	0.697	0.773	0.661	0.286	0.572
Net Funds Available	8.19	(-) 0.49	(-) 0.20	9.76	-	-
<b>V. Other Fiscal Health Indicators</b>						
Return on Investment	0.16	1.04	1.17	0.48	0.79	0.93
Balance from Current Revenue (Rs. in crore)	(-) 1238	(-) 1095	(-) 1557	(-) 1383	(+) 433	(+) 332.27
Financial Assets/Liabilities	0.82	0.81	0.78	0.80	0.89	1.01

\* Total expenditure excludes Loans and Advances.

\*\* Rate of growth of Total Expenditure was negative.

\*\*\* There is revenue surplus.

The ratio of revenue receipts to GSDP during the current year is 22 percent, an increase of one percentage point over previous year. During 2001-07, the ratio of own taxes to GSDP showed continued improvement and increased from 4.07 percent in 2001-02 to 5.49 percent in 2006-07.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization efforts. The revenue expenditure as a percentage to total expenditure remained over 88 percent during the last two years 2005-07 indicating its dominant share in the total expenditure of the State leaving capital expenditure at relatively lower level in the State. The ratio of revenue receipts to total expenditure in 2006-07 was 105.21 percent which indicates that the State can meet its total expenditure out of its revenue receipts itself.

The revenue and fiscal surplus experienced by the State during the last two years indicates significant improvement in the fiscal position of the State. The increasing revenue receipts have been able to bring an improvement in the fiscal imbalances of the State which is also reflected by the decreasing ratio of financial liabilities to revenue receipts during the last five years (2002-03 – 2006-07) as well as by falling negative balance from the current revenues from 2002-03, which turned to positive during the last two years. A significant improvement in the fiscal position of the State is also reflected in the increasing assets to liabilities ratio during the last four years.

### **1.11 Conclusion**

The fiscal position of the State viewed in terms of key fiscal parameters showed a significant improvement as the State has been able to maintain revenue, fiscal and primary surpluses during 2005-06 and 2006-07 mainly on account of steep increase in Central transfers comprising State's share in Central taxes and duties and grants-in-aid from GOI as well as the State's own resources comprising tax and non tax revenue during these years. Although the fiscal parameters indicate improvement in fiscal health of the State, the non plan revenue expenditure continued to share 75 percent of total expenditure and consumed around 72 per cent of the revenue receipts of the State during the current year. Furthermore, NPRE not only remained significantly higher than the normative assessment of TFC for the State in 2006-07 but the salaries and wages, pension and interest payments continued to consume about 3/4<sup>th</sup> of the NPRE as committed expenditure during the year. Despite the fact that specific grants were recommended by TFC to improve the educational and health indicators in the State, the State has not been able to avail of the second installment of these grants during 2005-06 as well as the grants for the current year. The huge accumulated losses by Statutory Corporations and Government companies, especially in power and transport sectors resulted in negligible rate of return on Government's investment and inadequate interest cost recovery (both being less than one per cent) continued to be a cause of concern and needs attention of the State Government.