

CHAPTER-I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

Introduction

1.1 This chapter discusses the financial position of the state government, based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the state government. In addition, the Chapter also contains a section on the analysis of financial performance of the government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the state government. Some of the terms used in this chapter are described in the Appendix-I.

Financial position of the State

1.2 In the government accounting system comprehensive accounting of the fixed assets like land and buildings etc., 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 by the government. **Exhibit-I** shows an abstract of such liabilities and assets as on 31 March 2001, compared with their corresponding position on 31 March 2000. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the state government and the cash balances. It would be seen from the statement that while the liabilities grew by 17.95 per cent, the assets grew only by 10.11 per cent during 2000-2001 over the previous year.

Financial operations of the state government

1.3 Exhibit-II gives the details of receipts and disbursements made by the state government. The revenue expenditure (Rs.6417.12 crore) during the year exceeded the revenue receipt (Rs.5637.64 crore) resulting in a revenue deficit of Rs.779.48 crore. The revenue receipts comprised tax revenue (Rs.1409.69 crore), non-tax revenue (Rs.526.77 crore), State's share of Union taxes and duties (Rs.1682.93 crore) and grants-in-aid from the central government (Rs.2018.25 crore). The main sources of tax revenue were sales tax (65 per cent), state excise (10 per cent) other taxes (22 per cent) and taxes on agricultural income (3 per cent). Non-tax revenue came mainly from petroleum (70 per cent) and coal and lignite (6 per cent).

1.4 Against the receipts of Rs.17.92 crore from recoveries of loans and advances and Rs.1530.39 crore from public debt, the expenditure was Rs.561.46 crore on capital outlay, Rs. 216.92 crore on disbursement of loans and advances and Rs.435.41 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.2344.55 crore, against which the disbursements of Rs.1969.39 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account increased the cash balance from a negative figure of Rs.125.33 crore at the beginning of the year to a negative figure of Rs.119.84 crore at the end of the year.

1.5 The financial operations of the state government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in **Exhibit-II** and the time series data for the five years period from 1996-97 to 2000-2001 presented in **Exhibit-III**.

Exhibit I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF ASSAM
AS ON 31 MARCH 2001
(Reference: Paragraph 1.2; Pages 1)

| Amount as on 31 March 2000 | Liabilities | Amount as on 31 March 2001 |
|-------------------------------|---|-------------------------------|
| 2199.60 | Internal Debt | 2768.64 |
| | (i) Market Loans bearing interest | 2280.52 |
| | (ii) Market Loans not bearing interest | 0.66 |
| | (iii) Loans from L.I.C. | 6.63 |
| | (iv) Loans from General Insurance Corporation of India | 19.72 |
| | (v) Loans from NABARD | 136.85 |
| | (vi) Compensation and other Bonds | 0.08 |
| | (vii) Loans from NCDC* | (-)19.74 |
| | (viii) Loans from other Institutions | 167.46 |
| | (ix) Ways and Means Advances from Reserve Bank of India | 175.72 |
| | (x) Other Loans | 0.74 |
| 4802.85 | Loans & Advances from Central Government | 5328.79 |
| | (i) Pre 1984-85 Loans | 761.66 |
| | (ii) Non-Plan Loans | 2748.20 |
| | (iii) Loans for State Plan Schemes | 1086.68 |
| | (iv) Loans for Central Plan Schemes | 256.07 |
| | (v) Loans for Centrally Sponsored Plan Schemes | 32.44 |
| | (vi) Loans for Special Plan Schemes | 20.74 |
| | (vii) Ways and Means Advances | 423.00 |
| 1013.30 | Small Savings Provident Funds etc | 1468.73 |
| 450.81 | Deposits | 423.59 |
| 230.08 | Reserve Funds | 272.08 |
| 15.00 | Contingency Fund | 15.00 |
| - | Surplus on Government Account | |
| 425.58 | Overdraft with Reserve Bank of India | 500.87 |
| 9137.22 | | 10777.70 |
| | Assets | |
| 4975.82 | Gross Capital Outlay on Fixed Assets | 5537.30 |
| | (i) Investment in shares of Companies, Corporations etc. | 475.98 |
| | (ii) Other Capital Outlay | 5061.32 |
| 2579.20 | Loans and Advances | 2778.20 |
| | (i) Loans for Power Project | 2111.23 |
| | (ii) Other Development loans | 440.74 |
| | (iii) Loans to Government Servants and Misc. Loans | 226.23 |
| 309.25 | Civil Advances | 369.02 |
| 312.93 | Remittance Balances | 330.87 |
| 453.34 | Suspense and Miscellaneous Balances | 450.99 |
| 17.93 | Investments out of Reserve Funds | 37.93 |
| 614.08 | Deficit on Government Account | 1393.23 |
| | Deficit of Current year | 779.48 |
| | Less: Miscellaneous Government Account | 0.33 |
| | Add: Accumulated deficit upto 31 st March 2000 | 614.08 |
| (-)125.33 | Closing Cash Balances | (-) 119.84 |
| | (i) Departmental Cash Balances including permanent Advances | 9.88 |
| | (ii) Cash Balance Investment | 11.20 |
| | (iii) Deposit with Reserve Bank of India | (-)140.92 |
| 9137.22 | | 10777.70 |

* Note: Minus balance is under investigation.

Explanatory Notes for Exhibit-I

1. The summarised financial statements are based on the Finance Accounts and the Appropriation Accounts of the state government and are subject to notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Although a part of revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of state government remains unaffected by end use.
4. Under the Government system of accounting, the revenue surplus or deficit is closed annually to government account with the result that cumulative position of such surplus or deficit is not ascertainable. The balancing figure Rs.17.18 crore as on 31 March 1983, was, therefore, treated as cumulative surplus for drawing up the first installment of financial position for 1983-84 which took the place of a Balance Sheet.
5. The closing cash balance as per Reserve Bank of India was (-) Rs.629.32 crore against the general cash balance of (-) Rs.140.92 crore shown in the accounts. The difference of Rs.488.40 crore has been explained in Statement No.6 of Finance Accounts.

Exhibit-II

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2000-2001

(Reference: Paragraphs 1.3 & 1.5; Pages 1 and 2)

SECTION-A-REVENUE

(Rupees in crore)

| Receipts | | | | Disbursements | | | | |
|-----------|--|---------|-----------|---------------|---|-----------------|----------------|----------------|
| 1999-2000 | | | 2000-2001 | 1999-2000 | | | | 2000-2001 |
| 4840.94 | I. Revenue Receipts | | 5637.64 | 5845.67 | I. Revenue Expenditure | | | 6417.12 |
| | (i) Tax Revenue* | 1409.69 | | | Sector | Non-plan | Plan | Total |
| | (ii) Non-Tax Revenue | 526.77 | | | (i) General Services | 2544.48 | 3.37 | 2547.85 |
| | (iii) State's Share of Union Taxes & Duties | 1682.93 | | | (ii) Social Services | 1880.45 | 934.15 | 2814.60 |
| | (iv) Non-Plan Grants | 274.32 | | | (iii) Economic Services | | | |
| | (v) Grants for State Plan Schemes | 1466.44 | | | (a) Agriculture and Allied Activities | 246.40 | 159.81 | 406.21 |
| | (vi) Grants for Special Plan Schemes | 24.68 | | | (b) Rural Development | 39.62 | 62.16 | 101.78 |
| | (vii) Grants for Central and Centrally Sponsored Schemes | 252.81 | | | (c) Special Areas Programme | 0.91 | 12.11 | 13.02 |
| | | | | | (d) Irrigation and Flood Control | 147.18 | -- | 147.18 |
| | | | | | (e) Energy | -- | 0.12 | 0.12 |
| | | | | | (f) Industry and Minerals | 41.35 | 52.89 | 94.24 |
| | | | | | (g) Transport | 201.60 | 6.58 | 208.18 |
| | | | | | (h) Science, Technology and Environment | 0.34 | 0.77 | 1.11 |
| | | | | | (i) General Economic Services | 36.15 | 37.85 | 74.00 |
| | | | | - | (iv) Grants-in-aid and Contributions | 8.83 | - | 8.83 |
| | | | | | Total | 5147.31 | 1269.81 | 6417.12 |
| 1004.73 | II. Revenue Deficit carried over to Section B | | 779.48 | | II. Revenue Surplus carried over to Section B. | | | -- |
| 5845.67 | | | 6417.12 | 5845.67 | | | | 6417.12 |

* Total tax receipt minus 901-share of net proceeds assigned to states under various heads viz., 0020, 0021, 0028, 0032, 0037, 0038, 0044 & 0045.

SECTION-B-OTHERS

(Rupees in crore)

| Receipts | | | | Disbursements | | | |
|-----------|--|------------|-----------|---|-----------------|---------------|---------------|
| 1999-2000 | | 2000-2001 | 1999-2000 | | | 2000-2001 | |
| (-) 93.33 | III. Opening Cash Balance Departmental Balances including Permanent Advance and Cash Balance Investment | (-) 125.33 | | III Opening Overdraft from Reserve Bank of India | | 425.58 | |
| -- | IV. Misc. Capital Receipts | -- | 482.48 | IV. Capital Outlay | | 561.46 | |
| | | | | Sector | Non-Plan | Plan | Total |
| | | | | (i) General Services | 2.14 | 5.73 | 7.87 |
| | | | | (ii) Social Services | 8.89 | 25.80 | 34.69 |
| | | | | (iii) Economic Services | | | |
| | | | | (a) Agriculture and Allied Activities | 0.08 | 60.24 | 60.32 |
| | | | | (b) Rural Development | -- | -- | -- |
| | | | | (c) Special Areas programme | -- | 74.82 | 74.82 |
| | | | | (d) Irrigation and Flood Control | -- | 150.02 | 150.02 |
| | | | | (e) Energy | -- | -- | -- |
| | | | | (f) Industry and Minerals | -- | 9.31 | 9.31 |
| | | | | (g)Transport | 30.47 | 191.74 | 222.21 |
| | | | | (i) General Economic Services | -- | 2.22 | 2.22 |
| | | | | | 41.58 | 519.88 | 561.46 |
| 14.44 | V. Recoveries of Loans and Advances | 17.92 | 133.04 | V. Loans and advances Disbursed | | | 216.92 |
| | (i) From Government Servants | 17.78 | | (i) To Government Servants | | | 111.96 |
| | (ii) From Others | 0.14 | | (ii) For Power Projects | | | 89.80 |
| | | | | (iii) To others | | | 15.16 |
| -- | VI. Revenue Surplus brought down | -- | 1004.73 | VI. Revenue Deficit brought down | | -- | 779.48 |

(Rupees in crore)

| Receipts | | | | Disbursements | | | |
|-----------|---|--------|-----------|---------------|---|------------|------------|
| 1999-2000 | | | 2000-2001 | 1999-2000 | | | 2000-2001 |
| 1604.61 | VII. Public Debt Receipts | | 1530.39 | 625.04 | VII. Repayment of Public Debt | | 435.41 |
| | (i) Internal Debt other than Ways & Means Advances & Overdrafts | 560.82 | | | (i) Internal Debt other than Ways and Means Advances and Overdrafts | 39.54 | |
| | (ii) Net transactions under Ways & Means Advances | 47.76 | | | (ii) Net transactions under Ways & Means Advances | | |
| | (iii) Loans and Advances from Central Government | 921.81 | | | (iii) Repayment of Loans and Advances to Central Government | 395.87 | |
| 1963.07 | VIII Public Account Receipts | | 2344.55 | 1794.41 | VIII Public Account Disbursements | | 1969.39 |
| | (i) Small Savings and Provident Funds etc., | 559.54 | | | (i) Small Savings and provident funds etc. | 104.12 | |
| | (ii) Reserve Funds | 42.01 | | | (ii) Reserve Funds | 20.00 | |
| | (iii) Deposits | 440.77 | | | (iii) Deposits | 467.99 | |
| | (iv) Advances | 287.20 | | | (iv) Advances | 346.98 | |
| | (v) Suspense and Miscellaneous | 47.97 | | | (v) Suspense and Miscellaneous | 45.29 | |
| | (vi) Remittances | 967.06 | | | (vi) Remittances | 985.01 | |
| | IX. Contingency Fund | | | | IX. Contingency Fund | - | |
| 425.58 | X. Closing Overdraft from Reserve Bank of India | | 500.87 | (-) 125.33 | X. Closing Cash Balance | | (-) 119.84 |
| | | | | | (i) Departmental Cash Balance including Permanent Advances | 9.88 | |
| | | | | | (ii) Cash Balance Investment | 11.20 | |
| | | | | | (iii) Deposit with Reserve Bank of India | (-) 140.92 | |
| 3914.37 | | | 4268.40 | 3914.37 | | | 4268.40 |

Exhibit-III
TIME SERIES DATA ON STATE GOVERNMENT FINANCES
(Reference: Paragraphs 1.5, 1.9 and 1.34; Pages 2, 11 and 16)

(Rupees in crore)

| | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 |
|--|------------------|------------------|------------------|------------------|------------------|
| Part A. Receipts | | | | | |
| 1. Revenue Receipts | 3855.81 | 4325.65 | 4506.54 | 4840.94 | 5637.64 |
| (i) Tax Revenue | 766.90(20) | 881.94(20) | 982.56(22) | 1224.76(25) | 1409.69(25) |
| Taxes on Agricultural Income | 35.36(5) | 84.30(9) | 103.26(11) | 74.82(6) | 40.70(3) |
| Taxes on Sales, Trade etc. | 517.41(67) | 507.66(58) | 550.40(56) | 742.32(61) | 917.89(65) |
| State Excise | 29.42(4) | 77.73(9) | 100.46(10) | 117.74(10) | 137.56(10) |
| Taxes on vehicles | 51.98(7) | 43.26(5) | 40.83(4) | 68.69(5) | 73.77(5) |
| Stamps and Registration fees | 22.56(3) | 24.50(3) | 29.66(3) | 34.96(3) | 38.63(3) |
| Land Revenue | 38.97(5) | 60.89(7) | 65.95(7) | 69.08(5) | 67.20(5) |
| Taxes on duties on Electricity | 2.29 | 1.86 | 1.69 | 11.80(1) | 13.22(1) |
| Other Taxes | 68.91(9) | 81.73(9) | 90.31(9) | 105.35(9) | 120.72(9) |
| (ii) Non Tax Revenue | 322.13(8) | 381.21(9) | 451.97(10) | 444.92(9) | 526.77(9) |
| (iii) State's share of Union taxes and duties | 1175.56(30) | 1475.25(24) | 1349.33(30) | 1448.78(30) | 1682.93(30) |
| (iv) Grants-in-aid from GOI | 1591.22(41) | 1587.25(37) | 1722.68(38) | 1722.48(36) | 2018.25(36) |
| 2. Misc. Capital Receipts | - | - | - | - | - |
| 3. Total revenue and non-debt capital receipts (1+2) | 3855.81 | 4325.65 | 4506.54 | 4840.94 | 5637.64 |
| 4. Recoveries of Loans and Advances | 8.17 | 9.13 | 11.31 | 14.44 | 17.92 |
| 5. Public Debt Receipts | 656.35 | 886.12 | 918.07 | 1604.61 | 1530.39 |
| Internal Debt (excluding Ways & Means advances overdrafts) | 178.89 | 214.49 | 463.13 | 470.89 | 560.82 |
| Net transactions under Ways and Means Advances and Overdraft | 32.20 | -- | 4.58 | 43.38 | 47.76 |
| Loans and Advances from Government of India | 445.26 | 671.63 | 450.36 | 1090.34 | 921.81 |
| 6. Total receipts in the consolidated fund (3+4+5) | 4520.33 | 5220.90 | 5435.92 | 6459.99 | 7185.95 |
| 7. Contingency Fund Receipts | NA | NA | NA | NA | NA |
| 8. Public Account Receipts | 1173.87 | 1648.47 | 1504.38 | 1963.07 | 2344.55 |
| 9. Total receipts of the state (6+7+8) | 5694.20 | 6869.37 | 6940.30 | 8423.06 | 9530.50 |
| Part B. Expenditure/Disbursement | | | | | |
| 10. Revenue expenditure | 3571.30 | 4038.55 | 4416.34 | 5845.67 | 6417.12 |
| Plan | 856.14(24) | 973.05(24) | 1038.74(24) | 1239.57(21) | 1269.81(20) |
| Non Plan | 2715.16(76) | 3065.50(76) | 3377.60(76) | 4606.10(79) | 5147.31(80) |
| General Services (including Interest payment) | 1316.39(37) | 1558.20(39) | 1593.55(36) | 2461.90(42) | 2547.85(40) |
| Social Services | 1553.34(43) | 1745.28(43) | 1962.08(45) | 2377.55(41) | 2814.60(44) |
| Economic Service | 697.51(19) | 735.07(18) | 850.61(19) | 999.59(17) | 1045.84(16) |
| Grants-in-aid and Contributions | 4.06(1) | -- | 10.10 | 6.63 | 8.83 |
| 11. Capital Expenditure | 242.19(6) | 329.31(8) | 363.79(8) | 482.48(8) | 561.46(9) |
| Plan | 219.92(91) | 309.85(94) | 332.97(91) | 448.79(93) | 519.88(93) |
| Non Plan | 22.27(9) | 19.46(6) | 30.82(9) | 33.69(7) | 41.58(7) |
| General Services | 4.84(2) | 6.08(2) | 3.40(1) | 10.54(2) | 7.87(1) |
| Social Services | 16.35(7) | 28.00(8) | 46.42(13) | 51.52(11) | 34.69(6) |

| | | | | | |
|---|-------------------|-------------------|-------------------|----------------|----------------|
| Economic Services | 221.00(91) | 295.23(90) | 313.97(86) | 420.42(87) | 518.90(92) |
| 12. Disbursement of Loans and Advances | 124.26 | 109.01 | 75.92 | 133.04 | 216.92 |
| 13. Total (10+11+12) | 3937.75 | 4476.87 | 4856.05 | 6461.19 | 7195.50 |
| 14. Repayment of Public Debt | 330.26 | 589.72 | 462.97 | 625.04 | 435.41 |
| Internal Debt (excluding Ways & Means Advances and Overdraft) | 19.03 | 28.87 | 39.61 | 45.91 | 39.54 |
| Net transactions under Ways and Means Advances and Overdraft | -- | 43.01 | 113.00 | -- | -- |
| Loans and Advances from Government of India | 311.23 | 517.84 | 310.36 | 579.13 | 395.87 |
| 15. Appropriation of Contingency Fund | -- | | | -- | -- |
| 16. Total Disbursement out of Consolidated Fund (13+14+15) | 4268.01 | 5066.59 | 5319.02 | 7086.23 | 7630.91 |
| 17. Contingency Fund disbursements | | | | | -- |
| 18. Public Account disbursements | 1426.28 | 1880.99 | 1665.73 | 1794.41 | 1969.39 |
| 19. Total disbursement by the state (16+17+18) | 5694.29 | 6947.58 | 6984.75 | 8880.64 | 9600.30 |
| Part C. Deficit/Surplus | | | | | |
| 20. Revenue Deficit (1-10) | * | * | * | 1004.73 | 779.48 |
| 21. Fiscal Deficit (3+4-13) | 73.77 | 142.09 | 338.20 | 1605.81 | 1539.94 |
| 22. Primary Deficit (21-23) | (-) 486.13 | (-) 496.84 | (-) 182.49 | 634.93 | 654.83 |
| Part D. Other data | | | | | |
| 23. Interest Payments (included in revenue expenditure) | 559.90 | 638.93 | 520.69 | 970.88 | 885.11 |
| 24. Arrears of Revenue (Percentage of Tax & non-tax Revenue Receipts) | 229.52(6) | 208.40(5) | 0.04 | NA | NA |
| 25. Financial Assistance to local bodies etc. | -- | 83.57 | 25.85 | 183.08 | 412.91 |
| 26. Ways and Means Advances/ Overdraft availed (days) | 136 | 137 | 66 | 113 | 293 |
| 27. Interest on WMA/Overdraft | 5.84/5.50 | 6.48/9.51 | 6.14/13.97 | 8.77/11.55 | 6.78/18.10 |
| 28. Gross State Domestic Product (GSDP) | 19903.50 | 23053.04 | 25380.94 | NA | NA |
| 29. Outstanding Debt (year end) | 5115.36 | 5454.77 | 6022.88 | 7002.45 | 8097.43 |
| 30. Outstanding guarantees (year end) | NA | NA | NA | 1477.50 | 1583.32 |
| 31. Maximum guaranteed amount (year end) | NA | NA | NA | 1737.93 | 1943.55 |
| 32. Number of incomplete projects | 56 | 297 | 209 | 143 | 314 |
| 33. Capital blocked in incomplete projects. | 14.50 | 59.90 | 62.37 | 31.53 | 89.74 |

Note: Figures in brackets represent percentages (rounded) to total of each sub-heading.

*There was Revenue Surplus

Sources and applications of fund

1.6 The sources and applications of funds during the current and the preceding year are shown in the table below. The main sources of funds include the revenue receipts of the government, recoveries of the loans and advances, public debt, receipts in Public Account and overdraft from RBI. These are applied mainly on revenue and capital expenditure and lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of fund for the state government but their relative

share went down from 74.92 per cent in 1999-2000 to 73.98 per cent during 2000-2001. The share of recoveries of loans and advances went up marginally from 0.23 per cent to 0.24 per cent. As a result, the Government had to meet its requirement through increased borrowings, receipt from small savings, Provident Funds etc., overdraft from Reserve Bank of India and depletion in cash reserves.

SOURCES AND APPLICATION OF FUNDS FOR 2000-2001

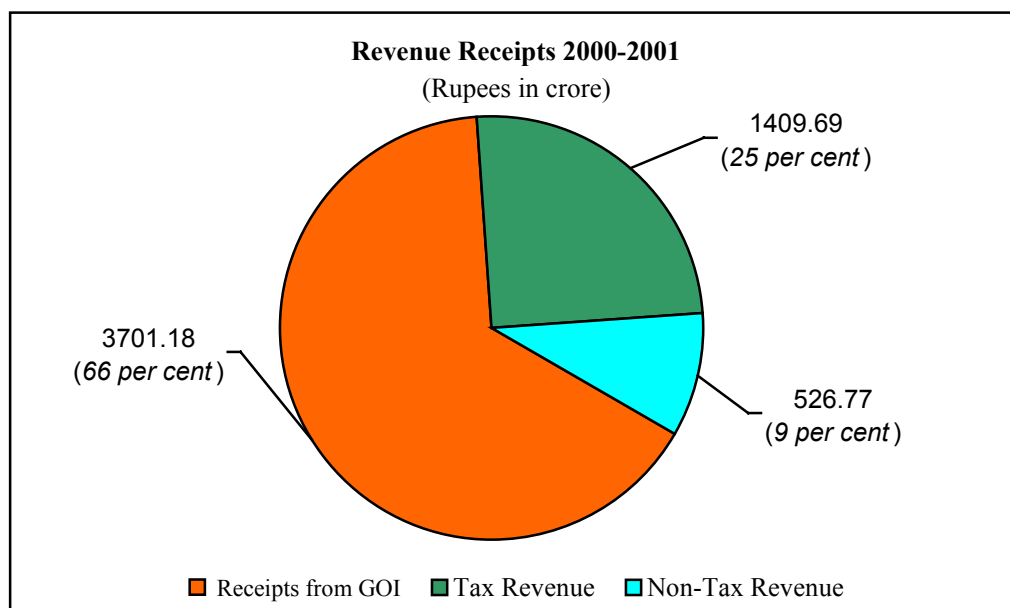
(Rupees in crore)

| 1999-2000 | A. SOURCES | 2000-2001 |
|----------------|---|----------------|
| 4840.94 | 1. Revenue Receipts | 5637.64 |
| 14.44 | 2. Recoveries of Loans and Advances | 17.92 |
| 979.57 | 3. Increase in Public Debt | 1094.98 |
| | 4. Net receipts from Public Account | |
| 331.48 | Increase in Small Savings, Provident Funds etc., | 455.42 |
| (-) 81.97 | Effect in Deposits and Advances | (-) 87.00 |
| (-) 0.01 | Increase in Reserve Funds | 22.01 |
| (-) 10.84 | Effect on Remittance Balance | (-) 17.95 |
| (-) 70.00 | Effect on Suspense and Miscellaneous Balance | 2.68 |
| 32.00 | 5. Decrease in Cash balance | (-) 5.49 |
| 425.58 | 6. Overdraft from RBI. | 500.87 |
| 6461.19 | TOTAL | 7621.08 |
| 1999-2000 | B. APPLICATION | 2000-2001 |
| 5845.67 | 1. Revenue Expenditure | 6417.12 |
| 133.04 | 2. Lending for Development and other purposes | 216.92 |
| 482.48 | 3. Capital Expenditure | 561.46 |
| - | 4. Repayment of overdraft | 425.58 |
| 6461.19 | TOTAL | 7621.08 |

1.7 The funds were mainly applied for revenue expenditure whose share though came down from 90.50 per cent to 84.20 per cent yet remained significantly higher than the share of revenue receipts (73.98 per cent) in the total receipts of the state government. Revenue expenditure exceeded revenue receipts resulting in huge revenue deficit of Rs.779.48 crore. The increase in revenue expenditure and consequent revenue deficit was mainly due to high expenditure on Social Services and General Services including interest payment (44 per cent & 40 per cent respectively of total revenue expenditure). Percentage of capital expenditure came down marginally from 7.47 per cent to 7.37 per cent, whereas lending for development purposes went up from 2.06 per cent to 2.85 per cent.

Revenue receipts

1.8 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India. Their relative shares are shown in Figure-I below. The growth rate of revenue receipts has gone up from 14 per cent in 1996-97 to 16 per cent in 2000-2001.

**Figure-I*****Tax revenue***

1.9 These constitute the major share (25 per cent) of the revenue receipts. This was mainly due to increase in growth rate of sales tax from 11 per cent in 1996-97 to 24 per cent in 2000-2001 and that of state excise from 2 per cent to 17 per cent during the period. **Exhibit-III** shows that the relative contribution of agricultural income tax has come down from 6 per cent in 1999-2000 to 3 per cent in 2000-2001. The relative contribution from stamps and registration have remained static at 3 per cent during the five years period.

Non-tax revenue

1.10 The non-tax revenue constituted 9 per cent of the revenue receipts of the Government. The growth rate, however, was static during last two years ending 2001.

State's share of union taxes and duties and grants-in-aid from the central government

1.11 The State's share of union taxes and duties increased by 43 per cent during the years 1996-97 to 2000-2001 while the grants in aid from the central government increased by 27 per cent. As a percentage of revenue receipts the grants-in-aid from central government decreased from 41 per cent in 1996-97 to 36 per cent in 2000-2001 while the share of union taxes remained static at 30 per cent.

Revenue expenditure

1.12 The revenue expenditure accounted for 92 per cent of the total revenue and capital expenditure of the State Government during the three years ending 2000-2001 with a growth rate of 10 per cent during 2000-2001 as compared to the previous year. A comparison shows that the rate of growth in Non-Plan

component (90 per cent) of revenue expenditure far surpassed that in Plan expenditure (48 per cent), as can be seen in Figure-II below:

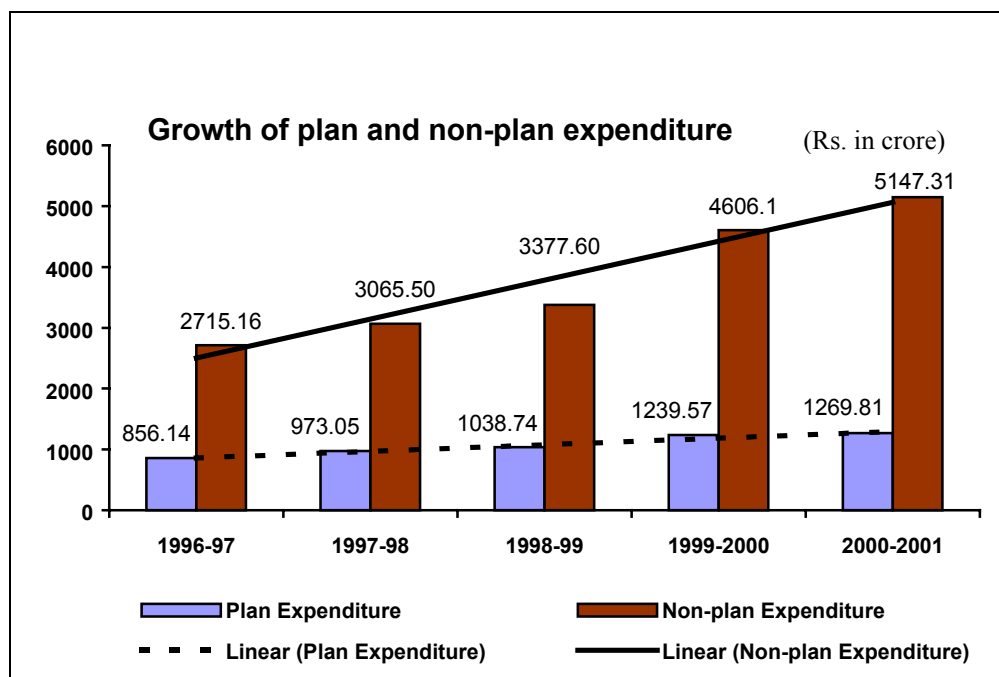


Figure-II

1.13 Though the revenue expenditure increased from Rs 3571.30 crore in 1996-97 to Rs. 6417.12 crore in 2000-2001, its share in the total revenue and capital expenditure remained static (92 per cent) in all the years except 1996-97.

1.14 Sector-wise analysis shows that while the expenditure on General Services increased by 94 per cent, from Rs.1316.39 crore in 1996-97 to Rs. 2547.85 crore in 2000-2001, the corresponding increases in expenditure on Social Services and Economic Services were 81 and 50 per cent respectively. As a proportion to total expenditure*, the share of General Services increased from 35 per cent in 1996-97 to 37 per cent in 2000-2001 whereas, that of Economic Services decreased from 18 per cent to 15 per cent during the same period. Revenue expenditure during 2000-2001 in comparison to the previous year increased due to increase in expenditure of Rs. 85.95 crore under General Services, Rs.437.05 crore under Social Services and Rs.46.25 crore under Economic Services.

1.15 The increase under General Services was mainly due to steep rise in the interest payment liability of the state government owing to increased dependence on borrowed funds. The increase under Social Services was mainly due to increased expenditure under General Education. The rise in interest payment was mainly due to increased interest payment liability under internal debt, small savings and provident fund and loans and advances from central government.

* Revenue and Capital expenditure.

Interest payments

1.16 Interest payments increased by 58 per cent from Rs.559.90 crore in 1996-97 to Rs.885.11 crore in 2000-2001. Interest payment accounted for 14 per cent of revenue expenditure against 16 per cent in 1996-97. This is further discussed in the section on financial indicators.

(a) While a substantial portion of revenue expenditure was towards interest payments on public debt, the general fiscal management of state government left much to be desired. In offices of 3 of the 12 departments (detailed in Appendix-II) test-checked by audit at random sums totalling Rs.17.53 crore were drawn by respective sanctioning authorities and parked in revenue deposits for various duration during the period from 1994-95 to 2000-2001. The fiscal and social costs of such irregular withdrawals of funds and their parking in the revenue deposits is discussed in transactional audit observations within the following chapters. The total fiscal cost of parking funds in revenue deposits in test-check cases alone would come to about Rs.3.21 crore.

(b) Further, these departments retained the unutilised funds of Rs.42.91 crore in deposit-at-call/bank drafts/bank accounts/cash in hand etc., for periods varying between one to six years during 1994-95 to 2000-2001. The total fiscal cost of parking funds in deposit-at-call, bank drafts etc., in test-check cases alone worked out to Rs.5.34 crore.

Financial assistance to local bodies and others

1.17 The financial assistance provided to autonomous bodies and other institutions during the three years period ending 2000-2001 was as follows:

| Sl. No. | Category of Institution | Amount of assistance paid | | | | | |
|---|---|---------------------------|--------------|--------------|---------------|--------------|---------------|
| | | 1998-99 | | 1999-2000 | | 2000-2001 | |
| | | Loans | Grants | Loans | Grants | Loans | Grants |
| 1. | Universities and educational institutions | - | 1.30 | - | 120.60 | - | 253.54 |
| 2. | Municipal corporation/Urban Sewerage Board | - | 1.00 | 10.43 | 2.00 | 1.70 | 14.89 |
| 3. | Cultural institutions | - | - | - | 2.48 | - | 3.64 |
| 4. | Assam State Housing Board | - | - | - | - | 0.38 | 0.41 |
| 5. | Animal husbandry | - | - | - | - | - | 0.47 |
| 6. | Assam State Electricity Board | - | - | - | - | 89.80 | - |
| 7. | Assam Livestock and Poultry Corporation Limited | - | - | - | - | 2.19 | - |
| 8. | Other Institutions | - | 0.75 | - | 2.65 | 5.30 | 8.94 |
| 9. | Autonomous Councils | | | | | | |
| | (a) General area | - | 22.31 | - | 19.31 | - | 1.65 |
| | (b) Sixth Schedule area | - | 0.49 | - | 25.61 | 0.02 | 12.98 |
| | Total | - | 25.85 | 10.43 | 172.65 | 99.39 | 313.52 |
| Assistance as a percentage of revenue expenditure | | | | | 0.59 | 3.13 | 6.43 |
| Assistance as a percentage of revenue receipts | | | | | 0.57 | 3.78 | 7.32 |

Source: Detailed Appropriation Accounts.

The assistance during the year increased by Rs.229.83 crore (126 per cent) as compared to the previous year.

Loans and advances by the state government

1.18 The Government gives loans and advances to government companies, corporations, local bodies, autonomous bodies, co-operatives, non-government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that during 2000-2001 the net addition (after repayment) was Rs.199.00 crore against Rs.118.60 crore during the previous year.

1.19 The departmental officers have not furnished to the Accountant General (Accounts and Entitlements) the details of arrears in recovery of principal and interest as on 31 March 2001 in respect of the loans and advances to municipalities, local bodies, Panchayats and Autonomous District Councils etc., the detailed accounts of which were maintained by them.

| | (Rupees in crore) | | | | |
|---|-------------------|---------|---------|-----------|-----------|
| | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 |
| Opening Balance | 2180.02 | 2296.11 | 2395.99 | 2460.60 | 2579.20 |
| Amount advanced during the year | 124.26 | 109.01 | 75.91 | 133.04 | 216.92 |
| Amount repaid during the year | 8.17 | 9.13 | 11.31 | 14.44 | 17.92 |
| Closing balance | 2296.11 | 2395.99 | 2460.60 | 2579.20 | 2778.20 |
| Net addition | 116.09 | 99.88 | 64.60 | 118.60 | 199.00 |
| Interest received and credited to revenue | 0.40 | 0.51 | 0.48 | 0.63 | 2.54 |

Source: Finance Accounts of the state government.

1.20 It would be seen that while the percentage of loan advanced during the year as compared to the previous year increased by 63 the repayment received during the same period increased by only 24.

Outstanding loans

1.21 The state government had been advancing loans to government companies, corporations, autonomous bodies, co-operatives etc., for developmental and non-developmental activities. The position for the last five years given above shows that the poor position of recoveries had led to continuous increase in outstanding amounts from year to year.

1.22 Loans amounting to Rs.2109.32 crore were outstanding against Assam State Electricity Board (ASEB) at the end of March 2001. This constituted 76 per cent of the state government loans remaining outstanding with different units. According to Finance Accounts, state government released a huge sum of Rs.356.89 crore as loans to ASEB during the last five years ending March 2001 whereas no amount of outstanding loan was recovered during the corresponding period mentioned above. The loanee was liable to pay 12 per cent interest from the second year of disbursement of loan. In addition, penal interest @ 2.75 per cent was also liable to be charged for any delay/default in repayment of any installment of principal and interest. State government, however, did not invoke any of the two provisions mentioned above despite

failure of ASEB to repay any installment of principal during the last 5 years ending March 2001.

1.23 Besides, as per state government records, ASEB was given Rs.54.53 crore as loan during 1999-2000 whereas it was Rs.54.76 crore as per Finance Accounts. The discrepancy of Rs.0.23 crore remained unreconciled (October 2001).

1.24 On failure to recover any installment of principal, interest and penal interest from ASEB, the state government ultimately had to convert loan amounting to Rs.1350 crore (June 1991: Rs.800 crore; January 1997: Rs.550 crore) into capital. The amount of Rs.1350 crore had not, however, appeared in the Finance Accounts i.e., in the "Statement (No.13) showing the investments of the government". Besides, there were no departmental records showing any dividend received from the investments made over the years. The state government, however, did not work out the impact on the state finances arising out of such huge conversion of loans into equity.

1.25 The records of Power and Municipal Administration departments of government disclosed that none of the two departments maintained any detailed accounts of loans. As a result, the departments could not furnish details of loans disbursed, amount overdue, amount recovered, interest accrued etc.

1.26 In 18 major heads (minor heads: 44 Nos.) fresh loans amounting to Rs.385.79 crore were released during the last 5 years ending March 2001 whereas no recovery worth the name was made during the corresponding period out of the outstanding loans of Rs.1880.86 crore as shown in Appendix-III.

1.27 State government guaranteed loan repayment of Rs.1269.65 crore raised by ASEB from non-government agencies; out of which Rs.904.73 crore (principal: Rs.696.58 crore; interest: Rs.208.15 crore) was outstanding as on March 2001.

1.28 Out of loans and advances to municipalities, local bodies etc., the detailed accounts of which are maintained by the Accountant General (Accounts & Entitlement), recovery of Rs.19.52 crore (principal: Rs.16.68 crore, interest: Rs.2.84 crore) was in arrears as on 31 March 2001.

Loan administration

1.29 A study of the loan administration in three departments viz., Finance, Power and Municipal Administration revealed the following:

1.30 Accounts of loans were not maintained at all by the departments responsible for sanctioning the loans and effecting recovery thereof

notwithstanding the fact that proper accounting is an effective control mechanism for monitoring the recovery of loans and advances.

1.31 The records also disclosed that in most of the cases HODs failed to furnish annual statements of loans to the AG (A&E) in the prescribed proforma duly explaining the steps taken for recovery of arrears.

1.32 Detailed loan ledgers were not maintained by the departments nor certificates of acceptance of balances were obtained from the loanees.

1.33 Evidently effective evaluation and monitoring of outstanding loan were not carried out at government level.

Capital expenditure

1.34 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside government i.e., public sector undertakings (PSUs), corporations, etc., and loans and advances. During the last two years viz., 1999-2000 and 2000-2001, the capital expenditure had grown by 33 per cent and 16 per cent respectively, but its share in total expenditure had increased to 9 per cent during 2000-2001 as compared to 8 per cent during the last three years. Time series data (**Exhibit-III**) shows that for the last five years most of the capital expenditure has been on economic services and on the plan side.

Quality of expenditure

1.35 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into plan and non-plan and revenue and capital. While the plan and capital expenditure are usually associated with asset creation, the non-plan and revenue expenditure are identified with expenditure on establishment, maintenance and services.

1.36 Wastage in public expenditure, diversions of funds and funds locked up in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also to be considered as a negative factor in judging the quality of expenditure. As the expenditure was not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

The following table lists out the trend in these indicators:

| | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 |
|---|---------|---------|---------|-----------|-----------|
| 1. Plan expenditure as a percentage of : | | | | | |
| - Revenue expenditure | 24 | 24 | 24 | 21 | 20 |
| - Capital expenditure | 91 | 94 | 91 | 93 | 93 |
| 2. Capital expenditure (per cent) | 6 | 8 | 8 | 8 | 9 |
| 3. Expenditure on General Services (per cent) | | | | | |
| - Revenue | 37 | 39 | 36 | 42 | 40 |
| - Capital | 2 | 2 | 1 | 2 | 1 |
| 4. Amount of wastages and diversion of funds detected during test audit (Rupees in crore). | 33.80 | 33.22 | 60.80 | 196.14 | 276.48 |
| 5. Non-remunerative expenditure on incomplete projects (Rupees in crore). | 14.54 | 59.90 | 65.26 | 31.53 | 89.74 |
| 6. Unspent balances under deposit heads, booked as expenditure at the time of their transfer to deposit head (Rupees in crore). | 29.62 | - | 1.42 | 1.89 | 0.40 |

1.37 It would be seen that the share of plan expenditure on revenue side remained static since 1996-97 at 24 but declined to 21 per cent and 20 per cent during 1999-2000 and 2000-2001 respectively. On the capital side there was marginal variation. The percentage expenditure on General Services to Revenue expenditure was highest in 1999-2000 during the last five years period and on the Capital side it had remained almost static at 2 per cent during the last 5 years.

Financial management

1.38 The issue of financial management in the government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues especially as they relate to the expenditure management in the government, based on the findings of the test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the government, are discussed in this section.

Investments and returns

1.39 Investments are made out of the capital outlay by the government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

| Sl. No. | Sector | Number of concerns | Amount invested (Rupees in crore) | |
|--------------|---------------------------|--------------------|-----------------------------------|------------------|
| | | | As on 31-03-2001 | During 2000-2001 |
| 1. | Statutory corporations | 3 | 245.17 | 15.12 |
| 2. | Government companies | 23 | 130.42 | 0.29 |
| 3. | Joint stock companies | 15 | 18.04 | - |
| 4. | Co-operative institutions | 1448 | 82.35 | 0.19 |
| Total | | 1489 | 475.98 | 15.60 |

1.40 The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

(Rupees in crore)

| Year | Amount invested upto the end of the year | Return on investment | | |
|-----------|--|----------------------|-----------------------------|---|
| | | Amount | As percentage of investment | Rate of interest on government borrowing (Per cent) |
| 1996-97 | 401.94 | 0.37 | 0.09 | 7.50 to 14.00 |
| 1997-98 | 415.98 | 0.35 | 0.08 | 7.75 to 14.00 |
| 1998-99 | 429.19* | 0.02 | 0.005 | 8.75 to 14.00 |
| 1999-2000 | 460.38 | 0.44 | 0.10 | 8.75 to 14.00 |
| 2000-2001 | 475.98 | 0.73 | 0.15 | 8.75 to 14.00 |

1.41 Thus, while the government was raising high cost borrowings from the market, its investments in government companies etc., fetched insignificant returns. As on 31 March 2001, 24 of the government companies/corporation in which government had invested Rs.357.12 crore, were running under loss and the accumulated loss was Rs. 163.58 crore up to the period mentioned against each as detailed in Appendix-IV.

Incomplete projects

1.42 As of 31 March 2001 there were 314 incomplete projects in which Rs.89.74 crore were invested so far. The position had deteriorated as compared to the position as on 31 March 2000 (143 projects with investment of Rs.31.53 crore).

Arrears of revenue

1.43 Position of arrears of revenue, as per information available, for the last five years was as under:

(Rupees in crore)

| Year | Arrears of revenue |
|-----------|--------------------|
| 1996-97 | 229.52 |
| 1997-98 | 208.40 |
| 1998-99 | 0.04 ^s |
| 1999-2000 | NA |
| 2000-2001 | NA |

Arrears of revenue pending collection as on 31 March 2001 though called for, has not been intimated (September 2001) by the concerned departments.

* Please see footnote at page 196 of Finance Accounts.

^s Information in respect of only one department was furnished.

Ways and Means Advances and Overdraft

1.44 Under an agreement with the Reserve Bank of India, the state government had to maintain with the Bank a minimum daily cash balance of Rs. 108 lakh. If the balance falls below the agreed minimum on any day, the deficiency has to be made good by taking Ways and Means Advances (WMA)/Special Ways and Means Advances from the Bank. In addition, overdrafts are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the government, and hence reflects poorly on the financial management in government.

1.45 The position of ways and means advances/overdrafts taken by the state government and interest paid thereon during 1996-97 to 2000-2001 is detailed below:

| | (Rupees in crore) | | | | |
|------------------------------------|-------------------|---------|---------|-----------|-----------|
| | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 |
| <u>Ways and Means Advances</u> | | | | | |
| i) Taken during the year | 692.90 | 568.16 | 583.52 | 892.00 | 1054.60 |
| ii) Outstanding at the end of year | 80.00 | 80.00 | 84.58 | 127.96 | 175.72 |
| iii) Interest paid | 5.84 | 6.48 | 6.14 | 8.77 | 6.78 |
| <u>Overdraft</u> | | | | | |
| i) Taken during the year | 1811.97 | 2360.62 | 3053.80 | 3651.65 | 4187.61 |
| ii) Outstanding at the end of year | 160.59 | 117.58 | -- | 425.58 | 500.87 |
| iii) Interest paid | 5.50 | 9.51 | 13.97 | 11.55 | 18.10 |

1.46 The position indicates poor cash management by the state government leading to drawal of huge amount of Ways and Means Advances and Overdrafts and consequent payment of interest thereon. The annual interest liability had increased from Rs. 11.34 crore in 1996-97 to Rs.24.88 crore in 2000-2001.

Deficit

1.47 Deficit in government account represent gap between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management in the government. Further, the ways of financing the deficit and the application of the funds raised for the purpose are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz., Revenue Deficit, Fiscal Deficit and Primary Deficit.

1.48 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficit in government account.

(Rupees in crore)

| CONSOLIDATED FUND | | | | |
|---|-----------------|--|------------------------------|-----------------|
| Receipts | Amount | | Disbursements | Amount |
| Revenue | 5637.64 | Revenue Deficit: 779.48 | Revenue | 6417.12 |
| Misc. Capital receipts | - | | Capital | 561.46 |
| Recoveries of loans and advances | 17.92 | | Loans and advances | 216.92 |
| Sub-total | 5655.56 | Gross fiscal deficit:1539.94 | Sub-total | 7195.50 |
| Public debt receipts | 1530.39 | | Public debt repayment | 435.41 |
| Overdraft | 4187.61 | | Repayment of overdraft | 4112.32 |
| Total | 11373.56 | (A) Deficit 369.67 | Total | 11743.23 |
| PUBLIC ACCOUNT | | | | |
| Small Savings P.F etc. | 559.54 | | Small Savings P.F etc. | 104.12 |
| Deposits and advances | 727.97 | | Deposits and advances | 814.97 |
| Reserve funds | 42.01 | | Reserve funds | 20.00 |
| Suspense and Misc. | 47.97 | | Suspense and Misc. | 45.29 |
| Remittances | 967.06 | | Remittances | 985.01 |
| Total: Public Account | 2344.55 | (B) Deficit in Consolidated Fund financed by Public Account :375.16 | Total: Public Account | 1969.39 |
| Increase in cash balance (B minus A): 5.49 | | | | |

1.49 Even after meeting the gross fiscal deficit of Rs.1539.94 crore from borrowings and overdrafts, there was a deficit of Rs.369.67 crore under Consolidated Fund which was financed from Public Account.

Application of the borrowed funds (Fiscal Deficit)

1.50 The fiscal deficit (FD) represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for making the Capital Expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the state government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position in respect of the Government of Assam for the last five years.

| Ratio | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 |
|--------------|-------------|-------------|-------------|-------------|-------------|
| RD/FD | (-) 3.86 | (-) 2.02 | (-) 0.27 | 0.63 | 0.51 |
| CE/FD | 3.28 | 2.32 | 1.08 | 0.30 | 0.36 |
| Net loans/FD | 1.58 | 0.70 | 0.19 | 0.07 | 0.13 |
| Total | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

1.51 It could be seen that during 1996-97 to 1998-99 there was revenue surplus to meet some portion of capital expenditure or for extending loans. During 1999-2000 and 2000-2001 borrowed funds have been applied for meeting the revenue expenditure. Its application to capital expenditure

declined during the year indicating that uncontrolled revenue expenditure led to reduction in capital formation.

Guarantees given by the state government

1.52 Guarantees are given by the state government for due discharge of certain liabilities like repayment of loans, share capital etc., raised by the statutory corporations, government companies and co-operative institutions etc., and payments of interest and dividend by them. They constitute contingent liability of the state. No law under Article 293 (I) of the Constitution of India has been passed by the state legislature laying down the maximum limits within which government may give guarantee on the security of the Consolidated Fund of the State.

1.53 The particulars showing the maximum amount guaranteed by the state government and the sum outstanding up to the end of 31 March 2001 are given below.

(Rupees in crore)

| Bodies/institutions on whose behalf the guarantee has been given and the nature of guarantee | Maximum amount guaranteed | Sum guaranteed outstanding as on 31 March 2001 | |
|--|---------------------------|--|---------------|
| | | Principal | Interest |
| A. Statutory corporation | 1326.38 | 752.21 | 222.47 |
| B. Government companies | 72.19 | 39.40 | 28.29 |
| C. Joint stock companies | 22.20 | 15.26 | 49.66 |
| D. Co-operatives, bank/ societies | 205.66 | 106.65 | 141.91 |
| E. Other local bodies | 317.12 | 181.91 | 45.56 |
| Total | 1943.55 | 1095.43 | 487.89 |

Public debt

1.54 The Constitution of India provides that a state may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an act of legislature of the state. No law had been passed by the state legislature laying down any such limit. The details of the total liabilities of the state government as at the end of the last five years are given in the following table. During the five-year period, the total liabilities of the government had grown by 57 per cent. This was on account of 148 per cent growth in internal debt, 33 per cent growth in loans and advances from Government of India and 54 per cent growth in other liabilities. During 2000-2001, government borrowed Rs. 379.90 crore in the open market at interest rates of 10.52 per cent and 12 per cent per annum.

(Rupees in crore)

| Year | Internal Debt | Loans & advances from GOI | Total Public Debt | Other liabilities* | Total liabilities | Ratio of debt to GSDP# |
|-----------|---------------|---------------------------|-------------------|--------------------|-------------------|------------------------|
| 1996-97 | 1117.52 | 3997.84 | 5115.36 | 1403.45 | 6518.81 | 0.33 |
| 1997-98 | 1303.14 | 4151.63 | 5454.77 | 1323.25 | 6778.02 | 0.29 [^] |
| 1998-99 | 1731.25 | 4291.63 | 6022.88 | 1385.41 | 7408.29 | 0.29 |
| 1999-2000 | 2199.60 | 4802.85 | 7002.45 | 1694.19 | 8696.64 | NA |
| 2000-2001 | 2768.64 | 5328.79 | 8097.43 | 2164.40 | 10261.83 | NA |

1.55 The amount of funds raised through Public Debt, the amount of repayment and net funds available are given in the following table:

(Rupees in crore)

| | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-2001 |
|--------------------------------------|---------------------|--------------------|---------------|----------------|----------------|
| Internal debt | | | | | |
| Receipt | 2683.76 | 3143.27 | 4100.45 | 5014.54 | 5803.03 |
| Payment (Principal + Interest) | 2622.89 | 3162.36 | 3957.42 | 4368.44 | 5483.06 |
| Net funds available (per cent) | 60.87 (2) | (-) 19.09 (1) | 143.03 (4) | 646.10 (13) | 319.97 (6) |
| Loans & Advances from GOI | | | | | |
| Receipt during the year | 445.26 | 671.63 | 450.36 | 1090.34 | 921.81 |
| Repayment | 695.11 | 944.69 | 612.38 | 1185.22 | 840.12 |
| Net funds available | (-) 249.85 | (-) 273.06 | (-) 162.02 | (-) 84.88 | 81.69 |
| Other liabilities* | | | | | |
| Receipt during the year | 448.97 | 588.46 | 612.79 | 839.17 | 1042.32 |
| Repayment | 601.22 | 668.66 | 599.16 | 647.32 | 688.60 |
| Net funds available (per cent) | (-) 152.25 (-34) | (-) 80.20 (-14) | 13.63 (2) | 191.85 (23) | 353.72 (34) |

1.56 It would be seen that very little of the borrowings are available for investment and other expenditure after meeting the repayment obligations. The entire loan received from the Government of India has been consumed for repayment of loans and interest thereon. Considering that the outstanding debt has been increasing year after year the net availability of funds through public borrowings is going to reduce further.

Indicators of the financial performance

1.57 A government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing. Finally, Government's increased vulnerability in the process. All the state governments

* Other liabilities includes Small Savings, Provident Fund, Deposit and Reserve Funds.

GSDP : Gross State Domestic Product

[^] Differs with previous figures due to adoption of revised GSDP figure.

continue to increase the level of their activity principally through five year plans which translate to annual development plans and are provided for in the state budget. Broadly, it can be stated that non-plan expenditure represents government maintaining the existing level of activity*, while plan expenditure entails expansion of activity. Both these activities require resource mobilization increasing government's vulnerability. In short, financial health of a government can be described in terms of sustainability, flexibility, vulnerability and transparency. These terms are defined as follows:

Sustainability

(i) Sustainability is the degree to which a government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

Flexibility

(ii) Flexibility is the degree to which a government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

Vulnerability

(iii) Vulnerability is the degree to which a government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

Transparency

(iv) The issue of transparency concerns the issue of financial information provided by the government. This consists of annual Financial Statement (Budget) and the Accounts. As regards the budget the important parameters are timely presentation indicating the efficiency of budgetary process and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.58 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility, and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix-V. **Exhibit-IV** indicates the behaviour of these indices/ratios over the period from 1996-97 to 2000-2001. The implications of these indices/ratios for the state of the financial health of the state government are discussed in the following paragraphs.

* There are exceptions to this, notably transfer of Plan to the Non-plan at the end of Plan period.

Exhibit-IV

(Reference: Paragraph 1.58; Page 23)

Financial indicators for Government of Assam

| (1) | 1996-97 | 1997-98** | 1998-99** | 1999-2000 | 2000-2001 |
|--|------------|------------|------------|-------------|-------------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| Sustainability | | | | | |
| BCR (Rs. in crore) | (-) 65.73 | (+) 15.52 | (-) 294.63 | (-) 1335.56 | (-) 1253.59 |
| Primary Deficit (PD) (Rs. in crore) | (-) 486.13 | (-) 496.84 | (-) 182.49 | 634.93 | 654.83 |
| Interest Ratio | 0.14 | 0.15 | 0.12 | 0.20 | 0.16 |
| Capital outlay/Capital receipts | 0.43 | 0.61 | 0.42 | 0.42 | 0.36 |
| Total Tax receipts/GSDP | 0.10 | 0.11 | 0.09 | - | - |
| State Tax Receipts/GSDP | 0.04 | 0.04 | 0.04 | - | - |
| Return on Investment ratio | 0.09 | 0.08 | 0.005 | 0.10 | 0.15 |
| Flexibility | | | | | |
| BCR (Rs. in crore) | (-) 65.73 | (+) 15.52 | (-) 294.63 | (-) 1335.56 | (-) 1253.59 |
| Capital repayments/ Capital borrowings | 1.00 | 0.54 | 0.26 | 0.40 | 0.29 |
| State tax receipts/GSDP | 0.04 | 0.04 | 0.04 | - | - |
| Debt/GSDP | 0.33 | 0.29 | 0.29 | - | - |
| Vulnerability | | | | | |
| Revenue Deficit (RD) (Rs. in crore) | * | * | * | 1004.73 | 779.48 |
| Revenue Surplus (Rs. in crore) | 284.51 | 287.10 | 90.20 | - | - |
| Fiscal Deficit (FD) (Rs. in crore) | 73.77 | 142.09 | 338.20 | 1605.81 | 1539.93 |
| Primary Deficit (PD) (Rs. in crore) | (-) 486.13 | (-) 496.84 | (-) 182.49 | 634.93 | 654.83 |
| PD/FD | (-) 6.59 | (-) 3.50 | (-) 0.54 | 0.40 | 0.43 |
| RD/FD | * | * | * | 0.63 | 0.51 |
| Outstanding Guarantees/ Revenue Receipts | | | | 0.31 | 0.28 |
| Assets/Liabilities | 1.04 | 1.04 | 1.05 | 0.93 | 0.87 |

- Note: 1. The interest payment during 1996-97 to 1998-99 was more than the fiscal deficit, hence the negative figure for primary deficit.
2. Fiscal deficit has been calculated as: Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipts – Non-loan capital receipts.
3. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from small savings PF etc. + Repayments received from loans advanced by the State Government – Loans advanced by State Government.
4. GSDP figures for 2000-2001 have not been furnished by the state government. Figures for 1998-99 are on the basis of quick estimate and GSDP figures for 1997-98 are provisional.

The behavior of the indices/ratios is discussed below:

Balance from Current Revenues (BCR)

1.59 BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the state government has surplus from its revenues for meeting plan expenditure. The table shows that the state government has had negative BCRs in four out of the

** Figures of 1997-98 and 1998-99 recast based on availability of revised GSDP.

* There was no revenue deficit in the years 1996-97, 1997-98 and 1998-99.

five years (except 1997-98) suggesting that government had to depend only on borrowings for meeting its plan expenditure.

Interest ratio

1.60 The higher the ratio the lesser the ability of the government to service any fresh debt and meet its revenue expenditure from its revenue receipts. The ratio had shot up to 0.20 during 1999-2000 after having been in the range of 0.12 to 0.15 during the preceding three years. During the year the ratio stood at 0.16. A rising interest ratio has adverse implications for sustainability since it points to rising interest burden.

Capital outlay/Capital receipts

1.61 This ratio indicates to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt was being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments were being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the state government. A rising trend would mean an improvement in the performance. In the case of Assam, the ratio has all along been less than one and ranged between 0.36 and 0.61 indicating a part of capital receipt was being diverted to other than capital expenditure.

Tax receipts vs Gross State Domestic Product (GSDP)*

1.62 Tax receipts consist of state taxes and state's share of central taxes. The latter can also be viewed as central taxes paid by people living in the state. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for the flexibility as well. While a low ratio would imply that the Government can tax more, and hence its flexibility, a high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in case of Assam this ratio was between 0.11 and 0.10 during the period 1996-97 to 1998-99. Similarly, the ratio of state tax receipts compared to GSDP has also been constant at 0.04. The ratio suggests that while the state government had the option to raise more resources through taxation, it chose the easier option of borrowing to meet its fiscal deficit.

Return on Investment (ROI)

1.63 The ROI is the ratio of earnings to capital employed. A high ROI suggests sustainability. The table presents the return on government's investments in statutory corporations, government companies, joint stock companies and co-operative institutions. It shows that the ROI in case of

*GSDP for 1998-99 is a quick estimate furnished by (Director of Statistics, Government of Assam) GSDP for 1999-2000 and 2000-2001 not yet finalized by Government).

Government of Assam has been negligible and varied between 0.005 and 0.15 per cent from 1996-97 to 2000-2001.

Capital repayments vs capital borrowings

1.64 This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In case of Assam Government this ratio has been erratic being in the range of 0.26 to 1 per cent indicating reduced availability of the borrowings for investment.

Debt vs. Gross State Domestic Product (GSDP)

1.65 The GSDP is the total internal resource base of the state government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Assam, this ratio varied between 0.29 to 0.33 in all the years from 1996-97 to 1997-98 (GSDP figure for 1997-2000 and 2000-2001 not available with the state government). The ratio remained constant during 1997-98 and 1998-99 being 0.29.

Revenue deficit/fiscal deficit

1.66 The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the government are being used to finance non-productive revenue expenditure. Thus, the higher the ratio the worse off the state because that would indicate that the debt burden is increasing without adding to the repayment capacity of the state. The State has had revenue surplus 1997-98 and 1998-99. The ratio decreased from 0.63 in 1999-2000 to 0.51 in 2000-2001 indicating that the state continued to be vulnerable.

Primary deficit vs fiscal deficit

1.67 Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In case of Government of Assam, this ratio has been negative during the years from 1996-97 to 1998-99 indicating that there was no primary deficit during these years. However during 1999-2000 the ratio jumped to (+) 0.40 from (-) 0.54 of previous year i.e. the ratio increased by 0.94. During 2000-2001 the ratio stood at 0.43 suggesting that the sustainability is adversely affected. The heavy interest payments during these years had contributed to fiscal deficit.

Guarantees vs revenue receipts

1.68 Outstanding guarantees, including the letters of comfort issued by Government, indicate the risk exposure of a state government and should therefore be compared with the ability of the state government to pay viz., its revenue receipts. Thus the ratio of the outstanding guarantees to the total revenue receipts of the government would indicate the degree of vulnerability of the state government. In the case of Assam, information regarding maximum amount guaranteed by the state government during 1996-97 to 1998-99 was not furnished by the government. During 2000-2001 maximum amount guaranteed by the state government stood at Rs. 1943.56 crore. Sum guaranteed outstanding (including interest) as on 31 March 2001 was Rs. 1583.32, the ratio of guarantee vs. revenue receipt being 0.28.

Assets vs liabilities

1.69 This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the state government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. This ratio gradually increased from 1.04 to 1.05 indicating rising solvency of the state government from 1996-97 to 1998-99. However, the ratio dropped to 0.93 and 0.87 during 1999-2000 and 2000-2001 indicating reduced solvency due to huge revenue deficit.

Budget

1.70 here was no delay in submission of the budget and their approval. The detail are given in the following table:

| Preparation | Month of Submission | Month of approval |
|--------------------|----------------------------|--------------------------|
| Vote on account | March 2000 | March 2000 |
| Budget | March 2000 | March 2000 |
| Supplementary-I | September 2000 | September 2000 |
| Supplementary-II | February 2001 | February 2001 |

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidence by persistent resumption (surrenders) of significant amounts every year vis-a-vis the final modified grant. Significant variations (excess/saving) between the final modified grant and actual expenditure were also persistent.

Conclusion

1.71 The state which had revenue surplus between 1996-97 and 1998-99, became a revenue deficit one from 1999-2000. In 2000-2001 revenue deficit was Rs.779.98 crore. Increased revenue expenditure was mainly on Social Services (Rs.2814.60) and Interest payment (Rs.885.11). Though during 2000-2001, there was a decline in both revenue and fiscal deficits of the government, there has been a continuous increase in indebtedness owing to

huge interest payment liability on borrowed funds. Further, most of the borrowings have been applied for debt service and revenue expenditure, leaving little for capital investment and thus severely impairing sustainability of government's finances. Though the growth in total expenditure was a modest 10 per cent only over the previous year the state government was unable to meet it from its own sources and had to be bailed out by Central Government and RBI through non-plan loans, ways and means advances/overdrafts on 293 days indicating that this facility from RBI was used as a regular means of financing the state governments' expenditure. The modest capital outlay has yielded negligible returns. Further, the funds were inefficiently employed as seen from insignificant returns on investments and locked up funds in incomplete projects. Further, to meet the deficit, governments preference was to rely on borrowed funds rather than improving the tax compliance.