

Chapter 1

Overview of

State Finances

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1.1 Profile of the State

Assam is the second largest State in the North Eastern region of India and is, in fact, the gateway to this region. The State is spread over a geographical area of 78,438 sq.km. (2.4 per cent of the country's total geographical area) and is home to around 3.12 crore persons (2.6 per cent of the population of the country) as per Census 2011. The decadal (2001-2011) growth rate of population for the State was 16.93 per cent against the National decadal growth rate of 17.64 per cent. The population of the State during 2020-21 was 3.52 crore. The decadal (2011-2021) growth rate of State's population was 12.10 per cent which was marginally lower than the all India growth rate of 12.30 per cent.

The State has 34 districts and three Autonomous District Councils (ADCs) namely (i) Karbi Anglong Autonomous Council (ii) North Cachar Hills Autonomous Council and (iii) Bodoland Territorial Council. It was designated as a Special Category State (SCS) in 1969 in terms of the Gadgil formula, which ensured that 90 per cent of funding for centrally sponsored schemes is received as grants from Central Government. The net per capita income of the State at current prices was ₹ 99,006 in 2020-21, which was significantly lower than all India average of ₹ 1,28,829 reported during the year.

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

1.1.1 Gross State Domestic Product of Assam

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

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

Table 1.1: Trends in growth of GDP and GSDP at current prices

(₹ in crore)

Year	2016-17	2017-18	2018-19	2019-20	2020-21	CAGR
National GDP (2011-12 Series)	1,53,91,669	1,70,90,042	1,88,86,957	2,03,51,013	1,97,45,670	--
Growth rate of GDP (per cent)	11.76	11.03	10.51	7.75	-2.97	6.43
State's GSDP (2011-12 Series)	2,54,478	2,83,165	3,09,336	3,35,238 (P.E.)	3,48,277 (Q.E.)	--
Growth rate of GSDP (per cent)	11.63	11.27	9.24	8.37	3.89	8.16

Source of data: GoI's Economic Survey (2020-21) and Directorate of Economics and Statistics, Assam

As can be seen from the details tabulated above, the GSDP of Assam grew at a higher rate during three years of the last five-year period from 2016-17 to 2020-21 compared to the national growth rate of GDP, with a Compound Annual Growth Rate (CAGR) of

8.16 *per cent* against the national CAGR of 6.43 *per cent*. However, during the five-year period, the GSDP growth rate declined from 11.63 *per cent* in 2016-17 to 3.89 *per cent* in 2020-21. Above table also shows that during 2020-21, while National GDP shrank due to impact of COVID-19, State's GSDP exhibited a small positive growth.

The economic activity of a State is generally divided into Primary, Secondary and Tertiary Sectors, which correspond to Agriculture and allied activities, Industry and Services sectors. Changes in sectoral contribution to the GSDP are indication of the changing structure of the economy. Sectoral growth of GSDP over the past five years is detailed in **Chart 1.1** whereas change in sectoral contribution to GSDP in 2020-21 over 2016-17 is given in **Chart 1.2**.

Chart 1.1: Sectoral growth in GSDP

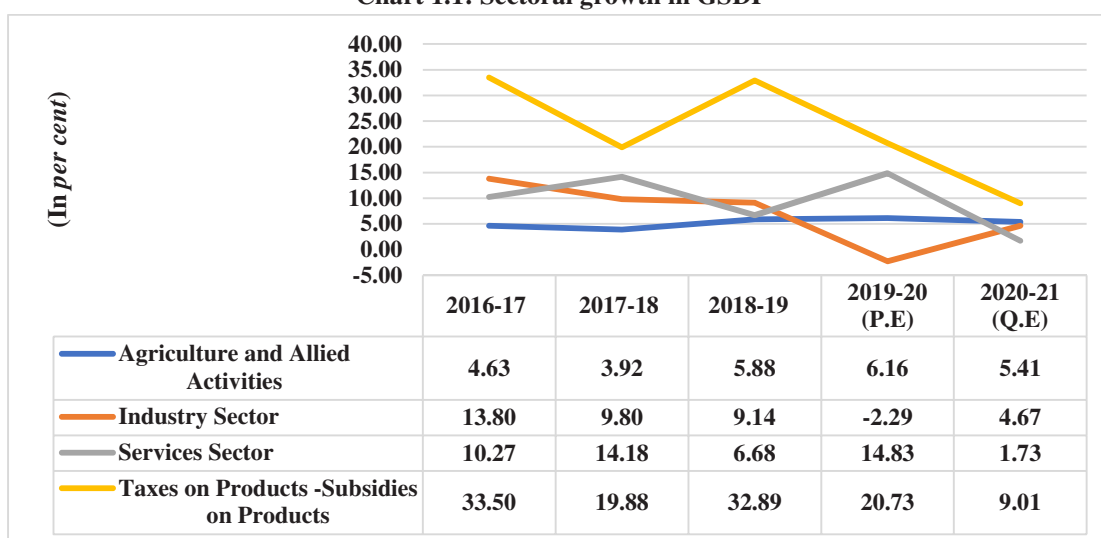


Chart 1.2: Change in sectoral contribution to GSDP (2016-17 to 2020-21)

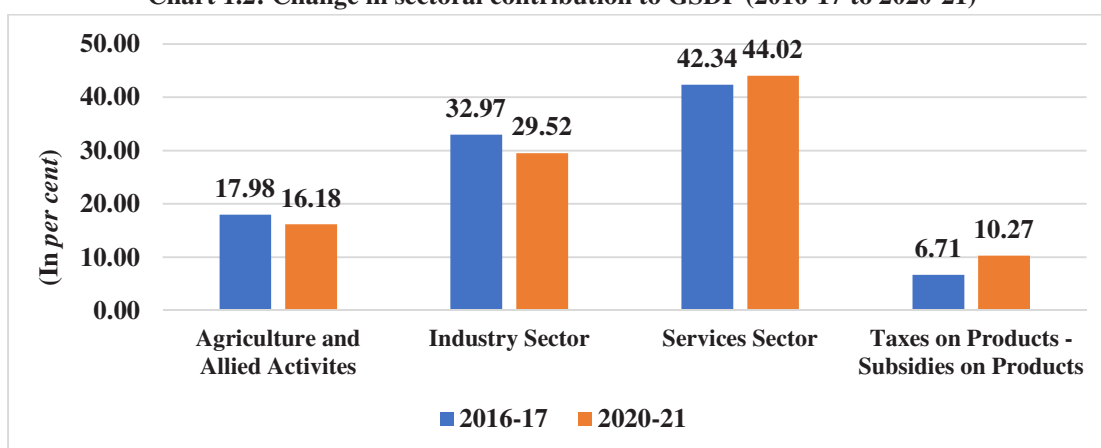


Chart 1.1 shows that except for industry sector, growth of all sectors contributing to GSDP showed decline during 2020-21 in comparison to previous year. Out of that, Service sector recorded maximum decline in growth during the year. Further **Chart 1.2** highlights that the relative share of Agriculture and Industry in GSDP declined during the five-year period from 2016-17 to 2020-21, whereas relative share of Service Sector to GSDP increased marginally during the same period.

Sectoral contribution to GSDP during 2020-21 is also given in **Chart 1.3** and further details *i.e.*, Sub-sectoral contribution to State’s GSDP during the year is detailed in **Chart 1.4**.

Chart 1.3: Sectoral Contribution to GSDP during 2020-21

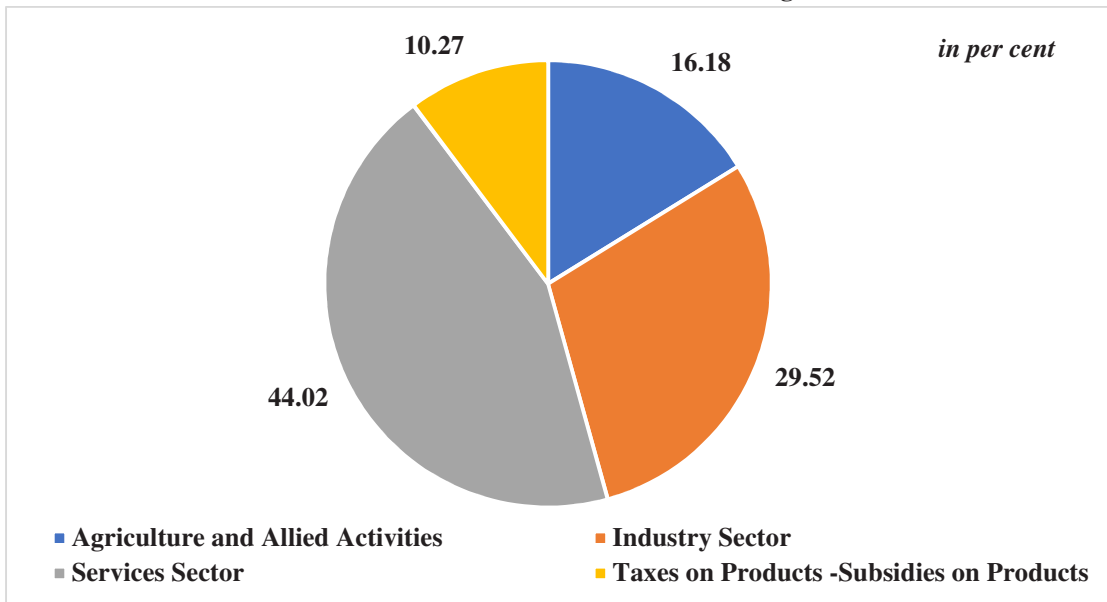
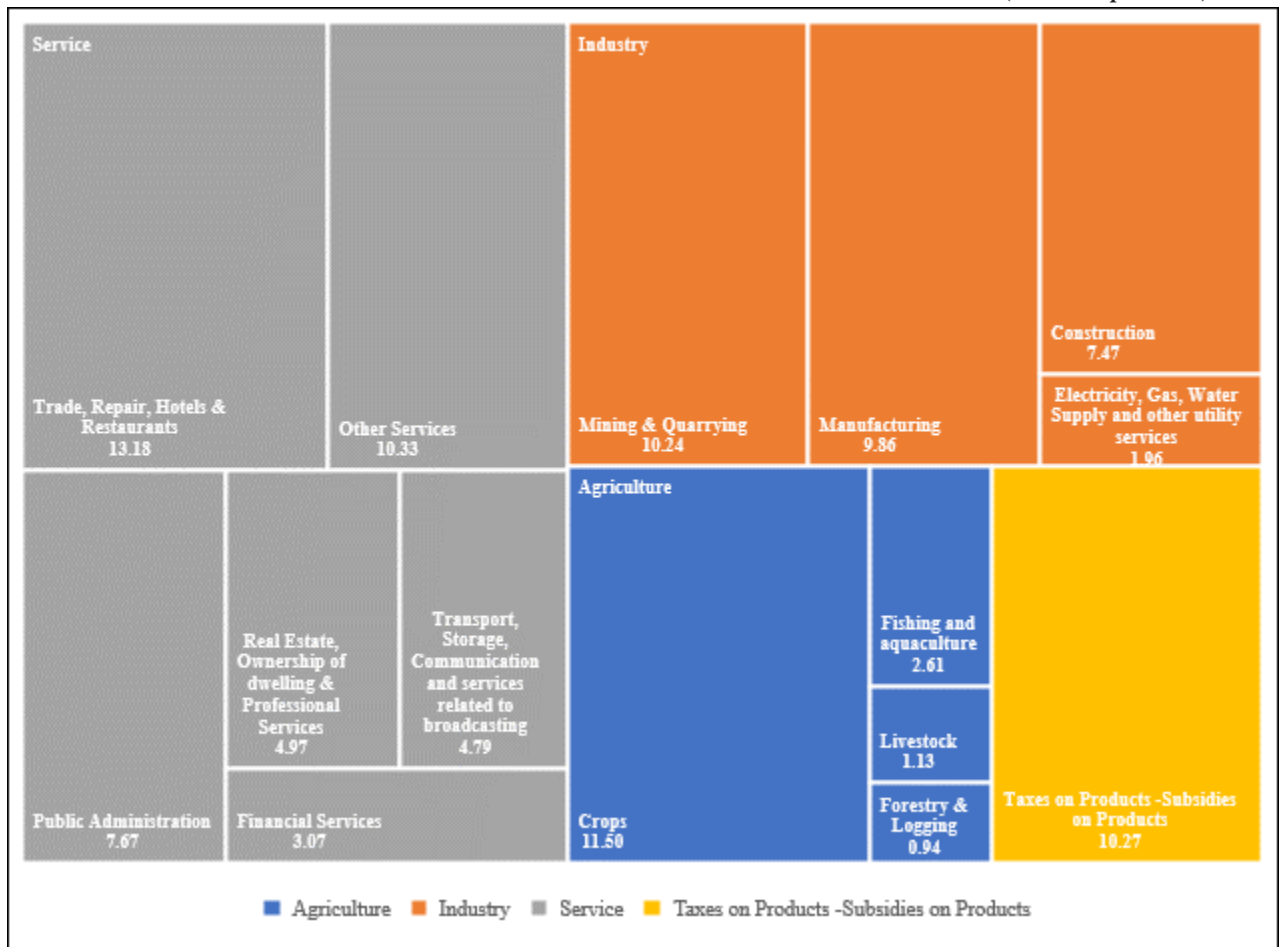


Chart 1.4: Contribution of Sub-sectors in GSDP during 2020-21

(Share in per cent)



Source of data: Directorate of Economics and Statistics, Assam

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Assam for the year ending 31 March 2021 has been prepared by the CAG for submission to the Governor of Assam under Article 151 (2) of the Constitution of India.

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

Finance Accounts and Appropriation Accounts of the State for the year 2020-21 constitute the core data for this Report. Other sources include the following:

- Budget of the State for the year 2020-21 forms an important source of data – both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit), Assam at the State Secretariat as well as at the field level during the year;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India during 2016-21 have also been used to prepare this analysis/ commentary as appropriate.

The analysis has been carried out in the context of recommendations of the Finance Commission (FC), Assam Fiscal Responsibility and Budget Management (AFRBM) Act, and best practices and guidelines of the Government of India. An entry conference was held on 11 October 2021 with the Commissioner and Secretary to the Government of Assam, Finance Department wherein the audit approach was explained and the draft Report was forwarded to the State Government on 02 December 2021 for comments. Subsequently, an exit conference of the Report was also held on 20 December 2021 with the Principal Secretary to the Government of Assam, Finance Department. The replies of the Government, where received, have been incorporated in this Report at appropriate places.

1.3 Report Structure

The SFAR is structured into the following four Chapters:

Chapter - 1	Overview of State Finances This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - 2	Finances of the State This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - 3	Budgetary Management This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - 4	Quality of Accounts & Financial Reporting Practices This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of Government Account Structure and Budgetary Processes

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

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

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

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

This Fund is in the nature of an imprest which is established by the State Legislature by

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

3. Public Account of the State {Article 266 (2) of the Constitution}

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

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

Revenue Receipts consists of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

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

The **Capital receipts** consist of:

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

Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

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

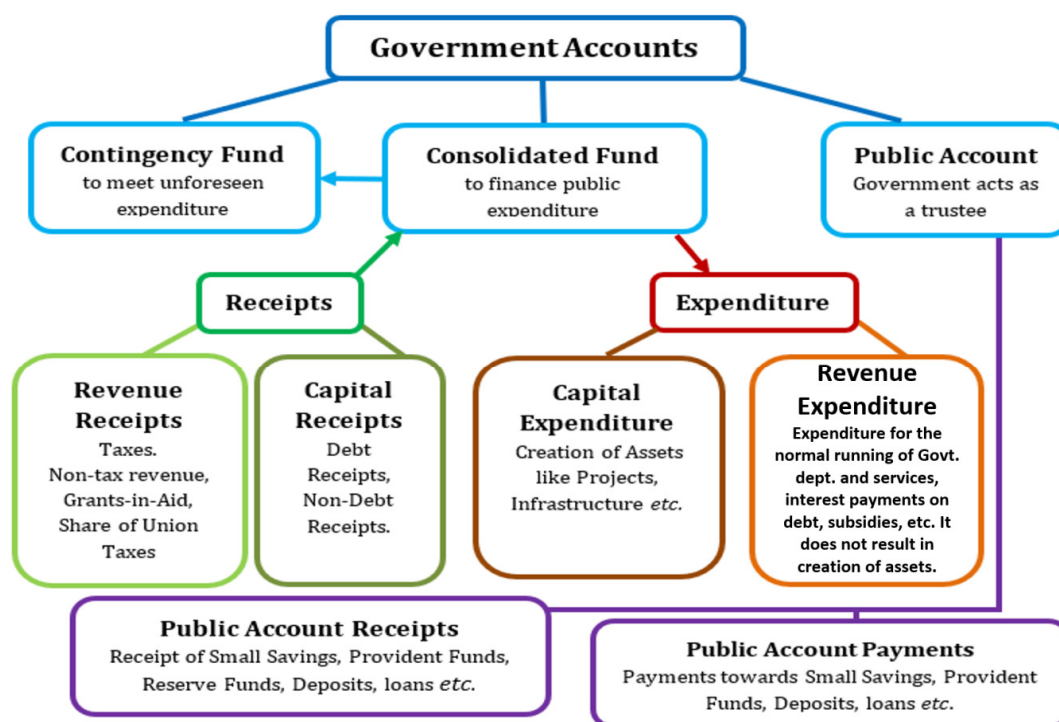
Attribute of transaction		Classification followed in Assam Government Accounts
Standardised in List of Major and Minor Heads by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)

Attribute of transaction		Classification followed in Assam Government Accounts
Flexibility left for States	Programme	Minor Head (3-digit)
	Scheme	Sub-Head (4-digit)
	Sub scheme	Sub-Sub-Head (3-digit)
	Economic nature/Activity	Detailed Head (2-digit); Sub-Detailed Head (2-digit)

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

A pictorial depiction of the structure of Government Accounts is given in **Chart 1.5**.

Chart 1.5: Structure of Government Accounts



Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Assam caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2020-21, in the form of an **Annual Financial Statement** (referred to as Budget) with estimates of expenditure,

- charged upon the Consolidated Fund of the State;

- the sums required to meet other expenditure proposed to be made from the Consolidated Fund of the State; and shall distinguish expenditure on Revenue Account from other expenditure.

In terms of Article 203, the above was submitted to the State Legislature in the form of 81 Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill was passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

As mentioned in Paragraph 1.2, Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2020-21 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI). Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2020-21 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The Assam Budget Manual details the budget formulation process and guides the State Government in preparing its budgetary estimates and monitoring its expenditure activities. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Summarised position of State Finances

Table 1.2 provides the details of actual audited financial results of 2020-21 *vis-à-vis* Budget Estimates for the year 2020-21 and actuals of 2019-20.

Table 1.2: Comparison with Budget Estimates and Actuals

Sl. No.	Components	2019-20* (Actuals)	2020-21 (Budget Estimates)	2020-21 (Actuals)	Percentage of Actuals to	
					BEs	GSDP
1	Own Tax Revenue	16,528.69	23,209.74	17,133.61	73.82	4.92
2	Non-Tax Revenue	5,539.34	7,303.79	2,899.61	39.70	0.83
3	Share of Union taxes/duties	21,721.44	26,775.56	18,629.32	69.58	5.35
4	Grants-in-aid and Contributions	20,705.61	34,641.72	26,239.65	75.75	7.53
5	Revenue Receipts (1+2+3+4)	64,495.08	91,930.81	64,902.19	70.60	18.64
6	Recovery of Loans and Advances	1,140.51	300.29	2.56	0.85	0.00
7	Other Receipts	0.00	0.00	0.00	0.00	0.00
8	Borrowings and other Liabilities (a)	19,707.82	9,382.69	8,448.01	90.04	2.43
9	Capital Receipts (6+7+8)	20,848.33	9,682.98	8,450.57	87.27	2.43
10	Total Receipts (5+9)	85,343.41	1,01,613.79	73,352.76	72.19	21.06
11	Revenue Expenditure	66,666.68	82,776.98	64,519.59	77.94	18.53
12	Interest payments	4,438.87	5,801.84	5,199.18	89.61	1.49
13	Capital Expenditure	13,468.55	18,520.53	12,399.39	66.95	3.56
14	Loan and advances	316.16	316.28	87.80	27.76	0.03
15	Appropriation to Contingency Fund	100.00	-	-	-	-
16	Total Expenditure (11+13+14+15)	80,551.39	1,01,613.79	77,006.78	75.78	22.11
17	Revenue Deficit (-)/ Surplus (+) (5-11)	-2,171.60	9,153.83	382.60	4.18	0.11
18	Fiscal Deficit (-)/ Surplus (+) {(5+6+7)-16}	-14,915.80	-9,382.69	-12,102.03	128.98	3.47

Sl. No.	Components	2019-20* (Actuals)	2020-21 (Budget Estimates)	2020-21 (Actuals)	Percentage of Actuals to	
					BEs	GSDP
19	Primary Deficit (-)/ Surplus (+) (18-12)	-10,476.93	-3,580.85	-6,902.85	192.77	1.98

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance.

*Includes audited figures of Recoveries of loans and advances, Revenue Expenditure, Capital Expenditure, Total expenditure, and Deficits due to inclusion of Uday transactions of ₹ 1,132.53 crore (Grants-in-Aid: ₹ 849.40 crore and Equity: ₹ 283.13 crore) during 2019-20.

1.4.2 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.3 provides a summarised position of Assets and Liabilities of the State during 2019-20 and 2020-21.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Asset			
Components	As on 31 March 2020	As on 31 March 2021	Increase (+)/ Decrease (-) (%)	Components	As on 31 March 2020	As on 31 March 2021	Increase (+)/ Decrease (-) (%)
Consolidated Fund							
Internal Debt	52,630.27	67,014.07	27.33	Gross Capital Outlay	72,918.30	85,317.70	17.00
Loans and Advances from GoI	1,270.29	2,678.68	110.87	Loans and Advances disbursed	6,056.99	6,142.23	1.41
Contingency Fund							
Contingency Fund	200.00	200.00	-	-	-	-	-
Public Account							
Small Savings, Provident Funds, etc.	13,156.52	14,045.37	6.76	Civil Advances	3,288.64	2,939.39	-10.62
Deposits	3,898.94	3,319.97	-14.85	Remittance	742.45	788.84	6.25
Reserve Funds	5,655.32	5,382.46	-4.82	Suspense and Miscellaneous	681.54	1,141.00	67.41
Remittances	-	-	-	-	-	-	-
Surplus on Government Account	17,156.16	18,338.77	6.89	Cash balances (including investment in Earmarked Fund)	10,279.58	14,650.16	42.52
Total	93,967.50	1,10,979.32	18.10	Total	93,967.50	1,10,979.32	18.10

1.5 Fiscal Balance: Achievement of Deficit and total debt targets

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

<p>Revenue Deficit/ Surplus (Revenue Expenditure – Revenue Receipts)</p>	<p><i>Refers to the difference between Revenue Expenditure and Revenue Receipts.</i></p> <ul style="list-style-type: none"> • When the government incurs a Revenue Deficit, it implies that the government is dissaving and is using up the savings of the other sectors of the economy to finance a part of its consumption expenditure. • Existence of Revenue Deficit is a cause of concern as Revenue Receipts were not able to meet even Revenue Expenditure. Moreover, part of capital receipts was utilised to meet Revenue Expenditure, reducing availability of capital resources to that extent for creation of capital assets. • This situation means that the government will have to borrow not only to finance its investment but also its consumption requirements. This leads to a build-up of stock of debt and interest liabilities and forces the government, eventually, to cut expenditure. <p>If major part of Revenue Expenditure is committed expenditure (interest liabilities, salaries, pensions), the government reduces productive expenditure or welfare expenditure. This would mean lower growth and adverse welfare implications.</p>
<p>Fiscal Deficit/ Surplus (Total expenditure – (Revenue Receipts + Non-debt creating capital receipts))</p>	<p><i>It is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. Fiscal Deficit (FD) is reflective of the total borrowing requirements of Government.</i></p> <ul style="list-style-type: none"> • Fiscal Deficit is the difference between the government's total expenditure and its total receipts excluding borrowing. • Non-debt capital receipts are those receipts, which are not borrowings, and, therefore, do not give rise to debt. Examples are recovery of loans and the proceeds from the sale of PSUs. • The fiscal deficit will have to be financed through borrowing. Thus, it indicates the total borrowing requirements of the government from all sources. <p>Governments usually run fiscal deficits and borrow funds for capital/ assets formation or for creation of economic and social infrastructure, so that assets created through borrowings could pay for themselves by generating an income stream. Thus it is desirable to fully utilise borrowed funds for the creation of capital assets and to use Revenue Receipts for the repayment of principal and interest.</p>
<p>Primary Deficit/ Surplus (Gross fiscal deficit – Net Interest liabilities)</p>	<p><i>Refers to the fiscal deficit minus the interest payments.</i></p> <ul style="list-style-type: none"> • Net interest liabilities consist of interest payments minus interest receipts by the government on net domestic lending. <p>The borrowing requirement of the government includes interest obligations on accumulated debt. To obtain an estimate of borrowing because of current expenditures exceeding revenues, we need to calculate the Primary Deficit.</p>

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

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

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

Government deficit can be reduced by an increase in taxes or reduction in expenditure. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

1.5.1 AFRBM Targets on key Fiscal Parameters and achievement thereon

The State Governments had passed Assam Fiscal Responsibility and Budget Management Act (AFRBM), 2005 with the objective of ensuring prudence in fiscal management by eliminating Revenue Deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level. The Act was subsequently amended six times, with the latest amendment being in October 2020.

As per the AFRBM Act¹, the State Government was to eliminate Revenue Deficit by 2011-12 and maintain Revenue Surplus thereafter; reduce Fiscal Deficit to three *per cent* of the estimated GSDP by 2010-11 and maintain the same level thereafter. Further, the Act also envisaged that the State Government would limit the total outstanding debt to GSDP to 28.40 *per cent* in 2012-13 and maintain that in 2013-14. With effect from 2014-15, this ratio was to be 28.50 *per cent* of GSDP.

The amendment to the AFRBM Act in April 2017 incorporated the recommendations of the XIV FC relating to limit of Fiscal Deficit recommended for the states during its award period (2015-16 to 2019-20). The Act provided room for deviation from the annual Fiscal Deficit target up to 3.50 *per cent* under certain conditions, with the Fiscal Deficit anchored to an annual limit of three *per cent* of GSDP in any financial year. Further, in view of Covid 19 Pandemic leading to highly stressed fiscal situation, the

¹ As amended in 2011

State Government, through its amended AFRBM Act 2020, became eligible for additional borrowing of 2.50 *per cent* of GSDP during 2020-21 as against the original AFRBM annual limit of fiscal deficit of three *per cent* of GSDP.

XV FC also recommended that the State Government should comply with the recommended path of debt consolidation and must abide by the definition of both debt and fiscal deficit as contained in the FRBM Act.

The Targets relating to key fiscal parameters envisaged in the amended AFRBM Act and their achievement during the five-year period from 2016-17 to 2020-21 are given in **Table 1.4**.

Table 1.4: Compliance with provisions of AFRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2016-17	2017-18	2018-19	2019-20	2020-21
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue	-143	-1,350	6,580	-2,172	383
	Surplus	X	X	✓	X	✓
Fiscal Deficit (-)/ Surplus (+) (as <i>per cent</i> of GSDP)	Three*	-6,125 (-2.41)	-9,342 (-3.30)	-4,779 (-1.54)	-14,916 (-4.45)	-12,102 (-3.47)
		✓	X	✓	X	✓
Ratio of total outstanding debt to GSDP (in <i>per cent</i>)	28.50 <i>per cent</i>	17.28	17.40	19.21	21.55	25.10**
		✓	✓	✓	✓	✓

* Target of three *per cent* as per AFRBM Act 2011, 3.5 *per cent* as per AFRBM amendment of 2017, and 5.5 *per cent* as per AFRBM amendment of 2020

**Outstanding debt excludes loan of ₹ 994.00 crore, which was passed on as back to back loans by GoI, in lieu of shortfall in GST Compensation vide GoI's letter No. F.No. 40(1)PF-S/2021-22 dated 10 December 2021

The State could achieve Revenue Surplus only during two out of the five-year period from 2016-17 to 2020-21. During 2020-21, the State recorded Revenue Surplus of ₹ 382.60 crore. However, this surplus has been overstated and it is to be viewed in the light of non-contribution to the required causes by the State Government, misclassification of revenue items under capital category and discrepancy related to non-reporting of pension payments as detailed in **Table 1.6** under paragraph 1.6.

The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act in three out of the last five years. During the current year *i.e.*, 2020-21, Fiscal Deficit of the State stood at 3.47 *per cent* of GSDP, which was below the borrowing limit of 5.50 *per cent* fixed under AFRBM Act, 2020.

During the five-year period from 2016-17 to 2020-21, outstanding debt of the State remained consistently below 28.50 *per cent* of GSDP, *i.e.*, within the norms prescribed in the AFRBM Act, 2011. The outstanding debt of the State as on 31 March 2021 was ₹ 87,407.79 crore.

1.5.2 Medium Term Fiscal Plan

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

Table 1.5 indicates the variation between the projections made for 2020-21 in MTFP presented to the State Legislature along with the Annual Budget for 2020-21 and Actuals for the year.

Table 1.5: Actuals vis-à-vis projection in MTFP for 2020-21

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2020-21)	Variation (in per cent)
1	Own Tax Revenue	23,209.74	17,133.61	-26.18
2	Non-Tax Revenue	7,303.79	2,899.61	-60.30
3	Share of Central Taxes	26,775.56	18,629.32	-30.42
4	Grants-in-Aid from GoI	34,641.71	26,239.65	-24.25
5	Revenue Receipts (1+2+3+4)	91,930.80	64,902.19	-29.40
6	Revenue Expenditure	82,776.98	64,519.59	-22.06
7	Revenue Deficit (-)/ Surplus (+) (5-6)	9,153.82	382.60	-95.82
8	Fiscal Deficit (-)/ Surplus (+)	-9,382.71	-12,102.03	28.98
9	Debt-GSDP ratio (per cent)	19.50	25.10	28.72
10	GSDP growth rate at current prices (per cent)	15.00	3.89	-74.07

As can be seen from the table above, the projections made in MTFP relating to two key fiscal parameters *i.e.*, Revenue Surplus and Fiscal Deficit deviated significantly by 96 per cent and 29 per cent respectively during 2020-21 as compared to the projections. Projections relating to Debt-GSDP ratio and growth rate of GSDP were not met, with the year ending at a higher Debt to GSDP ratio, and with lower growth in GSDP than was projected in the MTFP.

1.5.3 Trends of Deficit/ Surplus

The trends of key surplus and deficits parameters over the five-year period from 2016-17 to 2020-21 are depicted in **Chart 1.6** and trends in surplus or deficit relative to GSDP are given in **Chart 1.7**.

Chart 1.6: Trends in Surplus/ Deficit

(₹ in crore)

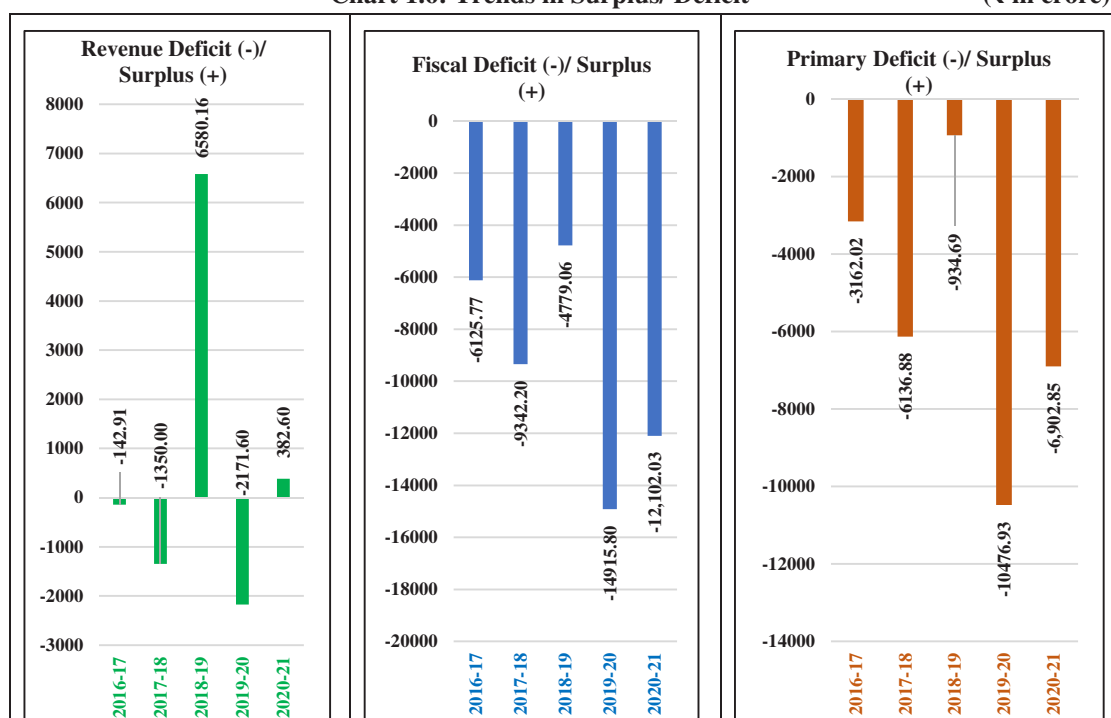
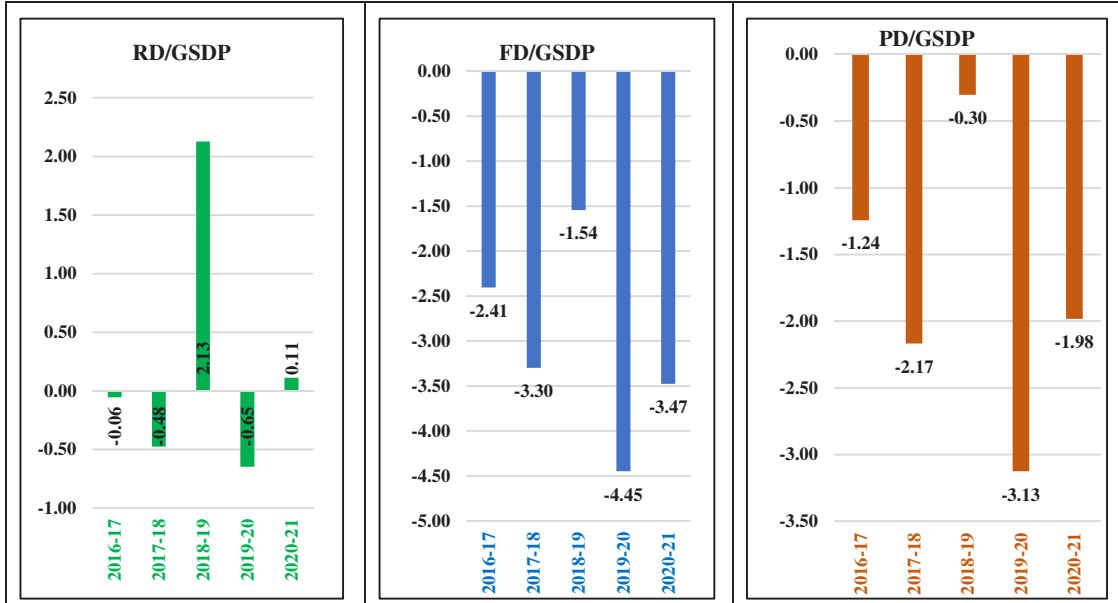


Chart 1.7: Trends in Surplus/ Deficit relative to GSDP

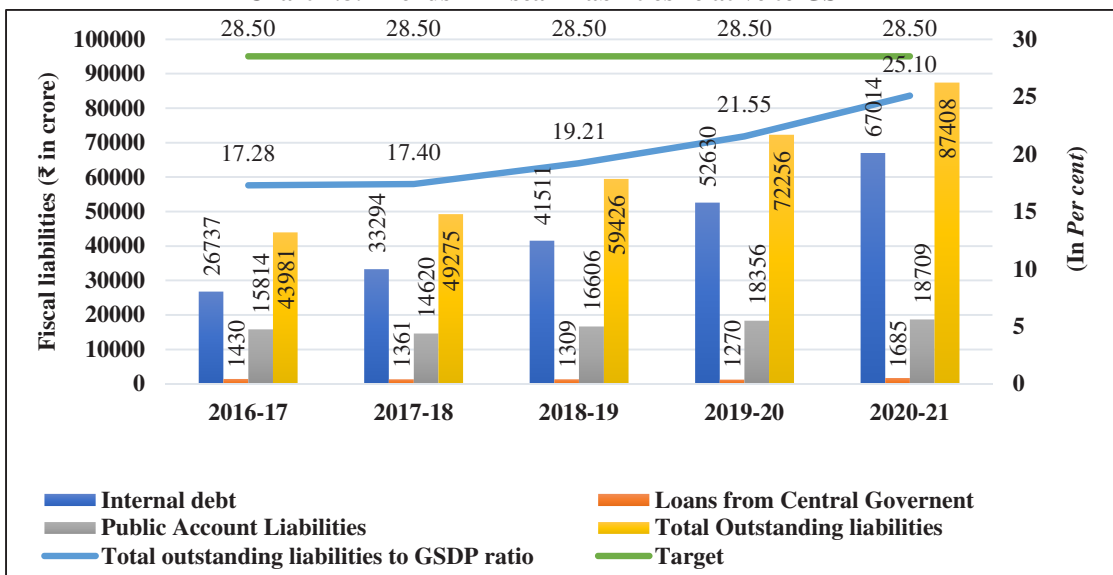


During the year, it achieved Revenue Surplus of ₹ 382.60 crore² as against the Revenue Deficit of ₹ 2,171.60 crore³ during the previous year. There was a slight fall in Fiscal Deficit of the State, which decreased to ₹ 12,102.03 crore during 2020-21, or 3.47 per cent of the GSDP, as compared to ₹ 14,916 crore during the previous year, and constituted 16 per cent of Total Expenditure. The Primary Deficit of the State decreased from ₹ 10,477 crore in 2019-20 to ₹ 6,903 crore in 2020-21 and stood at 1.98 per cent of GSDP.

1.5.4 Trends in Fiscal Liabilities relative to GSDP

Trends in fiscal liabilities of the State, its components and its ratio to GSDP during the last five years i.e., 2016-21 are given in Chart 1.8.

Chart 1.8: Trends in Fiscal Liabilities relative to GSDP



² To be read with post audit deficits as detailed in paragraph 1.6
³ It includes non-accountal of GIA of ₹ 849.40 crore under Uday

It is evident from **Chart 1.8** that over five-year period, fiscal liabilities of the State had increased by 98.74 *per cent* from ₹ 43,981 crore in 2016-17 to ₹ 87,408 crore in 2020-21. However, the ratio of fiscal liabilities with respect to GSDP during the period remained less than 28.50 *per cent i.e.*, limit fixed under AFRBM Act, 2011.

1.6 Deficits and Total Debt after examination in audit

In order to present a better picture of State Finances, there is a tendency to classify Revenue Expenditure as capital expenditure and to conduct off-budget fiscal operations.

1.6.1 Post audit – Deficits

Misclassification of Revenue Expenditure as capital and off-budget fiscal operations impacts deficit figures. Besides, deferment of clear cut liabilities, short contribution to National Pension System (NPS), sinking and redemption funds, *etc.* also impacts the revenue and fiscal deficit figures.

The impact on Revenue Surplus and Fiscal Deficit due to misclassification, short contribution to earmarked funds and non-discharge of interest liabilities during 2020-21 is shown in **Table 1.6**.

Table 1.6: Revenue and Fiscal Deficit, post examination by Audit

Sl. No.	Particulars	Impact on Revenue Surplus (Understated (-)/ overstated (+)) (₹ in crore)	Impact on Fiscal Deficit (Understated (+)) (₹ in crore)
1	Major works budgeted/ booked under Revenue Section instead of Capital	-386.56	0
2	Minor works budgeted/ booked under Capital Section instead of Revenue	80.75	0
3	Maintenance Expenditure classified as Capital instead of Revenue	2.06	0
4	Grants-in-Aid booked under Capital Section instead of Revenue	5,640.47	0
5	Non discharge of Interest liabilities on SDRF, NPS <i>etc.</i> ⁴	102.79	102.79
6	Short transfer of fund to SDRF	258.64	258.64
7	Non-transfer of Central Government grant towards CRF into Central Road Fund	43.78	43.78
8	Non-reporting of Pension payments	1,209.08	1,209.08
Total (Net) impact		6,951.01	1,614.29

Source: Finance Accounts

As per IGAS 2, Grants-in-aid disbursed by a grantor shall be classified and accounted for as Revenue Expenditure irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorised by President on the advice of the Comptroller and Auditor

⁴ Non-discharge of Interest on SDRF - ₹ 43.51 crore; Reserve Funds bearing interest on SCAF-₹ 30.84 crore; Deposit bearing Interest on NPS, *etc.*- ₹ 28.44 crore.

General of India. It is observed that grants-in-aid of ₹ 5,640.47 crore was erroneously booked under Capital Section instead of Revenue, in violation of IGAS 2.

As can be seen from the above table, there was an overstatement of Revenue Surplus by ₹ 6,951.01 crore during the year. Thus, after taking into account the items of misclassification/ non-reporting of expenditure during the year as brought out in the table above, the State could have ended in Revenue Deficit ₹ 6,568.41 crore during 2020-21.

Further, Fiscal Deficit of the State was also understated by ₹ 1,614.29 crore during 2020-21. If this is taken into account, the actual Fiscal Deficit would have been ₹ 13,716.32 crore instead of ₹ 12,102.03 crore as reported in the Finance Accounts of 2020-21. Further, ratio of Fiscal Deficit to GSDP could have been 3.94 *per cent* instead of 3.47 *per cent* as reported in the Finance Accounts of the year.

During the Exit Conference (December 2021), the Commissioner and Secretary, Finance Department assured to take necessary steps for correct classification and timely reporting of expenditure as pointed by Audit.

1.6.2 Total Outstanding Liabilities

The total outstanding liabilities of the State were ₹ 87,407.79 crore as of 31 March 2021. Further details *i.e.*, components and sub-components of outstanding liabilities are given in **Table 1.7**.

Table 1.7: Components of Outstanding Liabilities

Liabilities upon the Consolidated Fund (Public Debt)	Internal Debt: ₹ 67,014.07 crore
	<ul style="list-style-type: none"> ➤ Market Loans bearing interest: ₹ 55,781.00 crore ➤ Market Loans not bearing interest: ₹ 0.01 crore ➤ Loans from other Institutions, <i>etc.</i>: ₹ 4,788.41 crore ➤ Special Securities issued to the National Small Savings Fund of the Central Government: ₹ 6,444.65 crore
Liabilities upon Public Account	Loans and Advances from Central Government: ₹ 1,684.68 crore
	<ul style="list-style-type: none"> ➤ Non-plan Loans: ₹ 87.38 crore ➤ Loans for Central Plan Schemes: ₹ 0.08 crore ➤ Loans for Special Schemes: ₹ 61.57 crore ➤ Pre-1984-85 Loans: ₹ 0.24 crore ➤ Other loans for States/Union Territory with Legislative Scheme: ₹ 1,535.41 crore*
Borrowings by State Public Sector Companies, corporations and other bodies	Nil
Borrowing by SPVs and other equivalent instruments	

*Excludes loan of ₹ 994.00 crore given as back-to-back loan by Government of India during 2020-21

1.7 Conclusion

- The GSDP of Assam grew from ₹ 2,54,478 crore in 2016-17 to ₹ 3,48,277 crore in 2020-21 with Compounded Annual Growth Rate (CAGR) of 8.16 *per cent* against the national CAGR of 6.43 *per cent*. However, there was a significant decline in the growth rate of GSDP from 11.63 *per cent* in 2016-17 to 3.89 *per cent* in 2020-21 due to impact of pandemic Covid-19.
- The State could achieve Revenue Surplus in only two years out of the five-year period from 2016-17 to 2020-21. During 2020-21, the State achieved a Revenue Surplus of ₹ 382.60 crore against a Revenue Deficit of ₹ 2,171.60 crore in 2019-20.
- The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act in three out of the last five years. During the current year *i.e.*, 2020-21, Fiscal Deficit of the State stood at 3.47 *per cent* of GSDP, which was below the borrowing limit of 5.50 *per cent* fixed under AFRBM Act, 2020. In absolute terms, Fiscal Deficit decreased by ₹ 2,813.77 crore (18.86 *per cent*) from ₹ 14,915.80 crore in 2019-20 to ₹ 12,102.03 crore in 2020-21.
- During the five-year period 2016-21, outstanding debt of the State remained consistently below 28.50 *per cent* of GSDP, *i.e.*, within the norms prescribed in the AFRBM Act, 2011. However, the outstanding debt during 2020-21 (₹ 87,407.79 crore) increased by ₹ 15,151.27 crore (20.97 *per cent*) as compared to ₹ 72,256.52 crore during 2019-20.
- There was an overstatement of Revenue Surplus by ₹ 6,951.01 crore during the year. After taking into account the items of misclassification/non-reporting of expenditure during the year, the State could have ended in Revenue Deficit ₹ 6,568.41 crore instead of Revenue Surplus of ₹ 382.60 crore.
- Fiscal Deficit of the State was also understated by ₹ 1,614.29 crore during 2020-21. If this is taken into account, the actual Fiscal Deficit would have been ₹ 13,716.32 crore instead of ₹ 12,102.03 crore. Further, ratio of Fiscal Deficit to GSDP would have been 3.94 *per cent* instead of 3.47 *per cent*.

1.8 Recommendations

- i. The State Government may make concrete efforts to augment own resources of revenue, especially non-tax revenue to reduce its fiscal deficit.*
- ii. Considering the increasing outstanding debt of the State, the Government may take appropriate steps to rationalise its committed Revenue Expenditure.*
- iii. The State Government may book grants-in-aid as Revenue Expenditure to present correct financial position of the State. Similarly, it may consider discharging its interest liabilities on time, transfer money to the Consolidated Fund and reconcile the accounting discrepancies with the Reserve Bank of India/ Banks as regards pension payments of the State.*

