

Chapter-I

Finances of the State Government

Profile of Assam

Assam is a Special Category State¹ and is situated in the North-East region of India bordering seven States viz., Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya and West Bengal and two countries viz., Bangladesh and Bhutan. With a geographical area of 78,438 sq. kms i.e., about 2.4 per cent of country's total geographical area, Assam provides shelter to 2.58 per cent population of the Country. According to the Census of India, 2011 the population of Assam stands at 3,11,69,272 of which 51.19 per cent are males and 48.81 per cent females. As per 2011 Census, the density of population of Assam is 397 as against India's density of 382. According to Census 2011, the literacy rate of Assam was 73.18 per cent against all India percentage of 74.04. Similarly, the infant mortality rate at 58 per 1,000 live births and life expectancy at birth at 58.9 years during 2011-12 is far below the all India average of 47 per 1,000 live births and 63.5 years respectively. The decadal population growth of India in 2011 over 2001 stood at 17.64 per cent while Assam registered population growth of 16.93 per cent during the same period. State's Gross Domestic Product (GSDP) at current prices during 2011-12 was ₹1,15,408 crore (base year 2004-05) (*Appendix 1.1 Part-D*). The per capita income of Assam on the basis of Net State Domestic Product stood at ₹33,633 as per advance estimates of 2011-12 as against ₹30,569 in 2010-11.

1.1 Introduction

This chapter is based on the audit of Finance Accounts and makes an assessment of the fiscal position of the Government of Assam as on 31 March 2012. It provides a broad perspective of the finances of the Government of Assam for the year 2011-12 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.1 Part-A* and the layout of the Finance Accounts is depicted in *Appendix 1.1 Part-B*. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are also shown in *Appendix 1.1 Part-C*.

¹ The Fifth Finance Commission accorded (1969) special status to three States on the basis of harsh terrain, backwardness and social problems prevailing in these States. Thereafter number of such States has increased to 11 including Assam.

1.1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the State Government's fiscal transactions during the current year (2011-12) *vis-à-vis* the previous year while **Appendix 1.2** provides details of receipts and disbursements as well as overall fiscal position during the current year.

Table 1.1: Summary of Current Year's Fiscal Operations

(₹ in crore)

2010-11	Receipts	2011-12	2010-11	Disbursements	2011-12		
					Non-Plan	Plan	Total
1	2	3	4	5	6	7	8
Section-A: Revenue							
23,004.94	Revenue receipts	27,455.40	22,951.82	Revenue expenditure	20,040.79	6,487.76	26,528.55
5,929.85(a)	Tax revenue	7,638.24 (a)	7,766.42	General services	9,239.47	504.21	9,743.68
2,373.33	Non-tax revenue	2,866.76	10,158.97	Social Services	7,402.35	4,063.43	11,465.78
7,968.61 (b)	Share of Union Taxes/Duties	9,283.53 (b)	4,668.86	Economic Services	2,743.15	1,920.12	4,663.27
6,733.15	Grants from Government of India	7,666.87	357.57	Grants-in-aid/Contributions	655.82	--	655.82
Section-B: Capital							
-	Miscellaneous Capital Receipts	-	2,000.89	Capital Outlay	74.67	2,431.34	2,506.01
28.09	Recoveries of Loans and Advances	21.38	70.88	Loans and Advances disbursed	6.47	81.81	88.28
2,045.32	Public Debt receipts	952.32	923.38	Repayment of Public Debt	-	-	1,146.09
-	Contingency Fund	-	-	Contingency Fund	-	-	-
10,403.89	Public Account receipts	12,175.57	10,537.20	Public Account disbursement	-	-	11,069.54
-	Closing overdraft from Reserve Bank of India	-	-	Opening overdraft from Reserve Bank of India	-	-	-
6,783.80	Opening Balance	5,781.87	5,781.87	Closing Balance	-	-	5,048.07
42,266.04	Total	46,386.54	42,266.04	Total			46,386.54

(a) Excluding share of net proceeds of taxes and duties assigned to State.

(b) Share of net proceeds assigned to State.

Following are the significant changes during 2011-12 over the previous year:

- Revenue receipts grew by ₹4,450 crore (19 per cent) over the previous year. The increase was contributed by tax revenue ₹1,708 crore (38 per cent), non-tax revenue ₹494 crore (11 per cent), State's share of Union Taxes and Duties ₹1,314 crore (30 per cent) and Grants-in-aid from Government of India (GOI) ₹934 crore (21 per cent). **The revenue receipts at ₹27,455 crore is, higher by ₹1,334 crore than the assessment made in Five Year Fiscal Plan (FYFP)² (₹26,121 crore).**
- The increase of 29 per cent (₹1,708 crore) in tax revenue in 2011-12 as compared to previous year was mainly on account of increase of (a) taxes on Sales, Trade etc., by ₹1,375 crore (32 per cent) due to increase in collection of receipts under Central Sales Tax and Trade tax, (b) State Excise by ₹180 crore (56 per cent) due to increase in collection of tax under country spirits, foreign liquors and spirits and commercial and denatured spirits and medicated wines, (c) taxes on vehicles by ₹62 crore (27 per cent) due to increase in overall collection of taxes, (d) Taxes on goods and passengers by ₹58 crore (12 per cent) due to increase in collection of tax on entry of goods into local area. **The tax revenue as a percentage of GSDP (6.62 per cent) was higher than the projections made by the State Government in its FYFP (5.59 per cent) and the assessment of Thirteenth Finance Commission (FC-XIII) (4.90 per cent).**
- The increase in non-tax revenue in 2011-12 by ₹494 crore (21 per cent) compared to previous year was mainly on account of increase of (a) interest receipts by ₹60 crore (14 per cent) due to increase in realization of interest on investment of cash balances, (b) petroleum fees by ₹345 crore (21 per cent) due to increase in collection of petroleum fees and royalties, and (c) toll on Roads and bridges by ₹57 crore (248 per cent) due to increase in collection of toll on National Highways Permanent Bridges and other miscellaneous receipts. **The non-tax revenue of the Government was, however, less than the projection made by the State Government in its FYFP by ₹285 crore but higher than the assessment of FC-XIII by ₹434 crore.**
- The increase in receipt of Grants-in-aid from Government of India by ₹934 crore (14 per cent) was due to more release of fund by Government of India for plan purposes.

² FYFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan along with Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

- Revenue expenditure increased by ₹3,576 crore (16 *per cent*) over the previous year. While 60 *per cent* (₹2,145 crore) of the increase was under non-plan heads the remaining 40 *per cent* (₹1,431 crore) was under plan heads. The major sectors that registered increases include Education, Sports, Art and Culture by seven *per cent* (₹461 crore), Water Supply, Sanitation, Housing and Urban Development by 18 *per cent* (₹125 crore), Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes by 51 *per cent* (₹200 crore), Social Welfare and Nutrition by 39 *per cent* (₹398 crore) and Energy by 257 *per cent* (₹73 crore).
- Recoveries of Loans and Advances decreased by 24 *per cent* (₹ seven crore). The decline in the recoveries was only due to decline in the recoveries from the Government Servants.
- The decrease in Public Debt Receipts by ₹1,093 crore (53 *per cent*) and increase in repayment of Public Debt by ₹223 crore (24 *per cent*) over the previous year showed improvement in the State's debt management.
- Public Account Receipts and Disbursement increased by ₹1,772 crore (17 *per cent*) and ₹532 crore (five *per cent*) respectively.
- Total inflow during 2011-12 was ₹40,604 crore against ₹35,482 crore in 2010-11 while total outflow during 2011-12 was ₹41,338 crore as against ₹36,484 crore in 2010-11 registering an increase of 14 *per cent* and 13 *per cent* respectively leading to decrease in the cash balances of the State by ₹734 crore (13 *per cent*) over the previous year.

1.2 Assam Fiscal Responsibility and Budget Management Act, 2005

To support the State Government towards urgent fiscal correction, FC-XIII had worked out a fiscal consolidation roadmap for Assam requiring the State to eliminate revenue deficit and achieve fiscal deficit of three *per cent* of GSDP in each year of the award period.

According to Assam Fiscal Responsibility and Budget Management (AFRBM) Amendment Act, 2011 that came into force with effect from 1st April 2010, the State Government was to eliminate revenue deficit by 2011-12 and maintain revenue balance or attain surplus thereafter and reduce fiscal deficit to three *per cent* of the estimated GSDP by 2010-11 and maintain the same level thereafter. Further, the Act envisaged that the State Government would attain the total outstanding debt to GSDP ratio at

28.3 per cent in 2011-12, 28.4 per cent in 2012-13 and 2013-14. The level of 28.5 per cent has to be maintained in 2014-15 and thereafter.

The performance of the State during 2011-12 in terms of key fiscal targets of the FC-XIII set for selected variables as laid down in AFRBM (Amendment) Act, 2011 *vis-à-vis* achievements are given in **Table 1.2**.

Table 1.2: Trends in major fiscal parameters/variables *vis-à-vis* projections for 2011-12

Fiscal variables	2011-12			
	Targets as prescribed in AFRBM Act	Assumptions made in Budget	Projections made in Five Year Fiscal plan	Actual
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Eliminate Revenue deficit by 31.3.2012 and attain surplus thereafter.	(+) 1,114	(+) 1,808	(+) 927
Fiscal Deficit/GSDP (In per cent)	3 per cent of GSDP by 31.3.2011 and to maintain the same level thereafter.	3.01	1.33	1.43
Ratio of total outstanding debt of the Government to GSDP (In per cent)	28.3 per cent (By 31.3.2012)	26.4	24	27.52

The above table indicates that the State has achieved all three fiscal variable targets prescribed in AFRBM Act, 2011.

1.2.1 Budget Analysis

The budget papers presented by State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Several reasons may account for the deviation of the actual realization from the budget estimates. It could be because of unanticipated and unforeseen events or under or over estimation of expenditure or revenue at the budget stage etc. Actual realization of revenue and its disbursement, however, depend on a variety of factors, some internal and others external. **Table 1.3** presents the consolidated picture of State Finances during 2010-11 (Actuals) and 2011-12 (Budget Estimates, Revised Estimates and Actuals).

Table 1.3: Variation in Major items – 2011-12 (Actuals) over 2010-12 (Budget Estimates, Revised Estimates and Actuals)

(₹ in crore)

Parameters	2010-11	2011-12		
	Actual	Budget Estimates	Revised Estimates	Actual
Tax Revenue	5,930	6,555	7,291	7,638
Non-Tax Revenue	2,373	3,326	2,708	2,867
Revenue Receipts	23,005	32,731	32,844	27,455
Non-debt Capital Receipts	28	36	30	21
Revenue Expenditure	22,952	31,617	32,557	26,528
Interest Payments	1,912	2,099	2,104	2,074
Capital Expenditure	2,001	4,501	4,720	2,506
Disbursement of Loans & Advances	71	122	123	88
Revenue Deficit/Surplus	(+) 53	(+) 1,114	(+) 287	(+) 927
Fiscal Deficit/Surplus	(-) 1,991	(-) 3,473	(-) 4,526	(-) 1,646
Primary Deficit/Surplus	(-) 79	(-) 1,374	(-) 2,422	(+) 428

- During 2011-12, the actual revenue receipts fell short of the budget estimates by 16.12 *per cent* while actual revenue expenditure was lesser by 16.10 *per cent* of the budgetary assumptions resulting in decrease in actual revenue surplus by 16.79 *per cent* with reference to the projection made in the budget estimates.
- During the current year the tax revenue of the State increased by 29 *per cent* (₹1,708 crore) over the previous year. The actual collection of tax revenue during the year also increased by 17 *per cent* (₹1,083 crore) over the budget estimates for the year mainly due to increased collection under taxes on sales, trade etc. The revenue from sales tax, trade etc., contributed the major share of tax revenue (75 *per cent*) and it increased by 32 *per cent* over the previous year. Taxes on vehicles, state excise, taxes on goods and passengers and stamps and registration of fees were the other major contributors in the State's tax revenue.
- The increase in non-tax revenue by ₹494 crore (21 *per cent*) during the current year was mainly due to increase in collection of petroleum concession fees and royalties by ₹345 crore (21 *per cent*). Interest receipts, dividends and profits also increased by ₹60 crore (14 *per cent*) during 2011-12 mainly because of increase in realization of interest on investment of cash balances.
- The increase in Central Tax Transfer by ₹1,314 crore (17 *per cent*) was mainly due to increase in Corporation tax (₹539 crore), Customs (₹216 crore), and Taxes on income other than Corporation tax (₹210 crore) and Union Excise Duties (₹28 crore).
- The increase of ₹934 crore in grants-in-aid during 2011-12 over the previous year was due to increase in Non-plan grants (₹18 crore), Grants for State Plan Schemes (₹385 crore) and grants for Centrally Sponsored Schemes (₹534 crore)

and grants for Special Plan Schemes (₹ one crore) which was, however, offset by decrease in grants for Central Plan Schemes (₹ four crore).

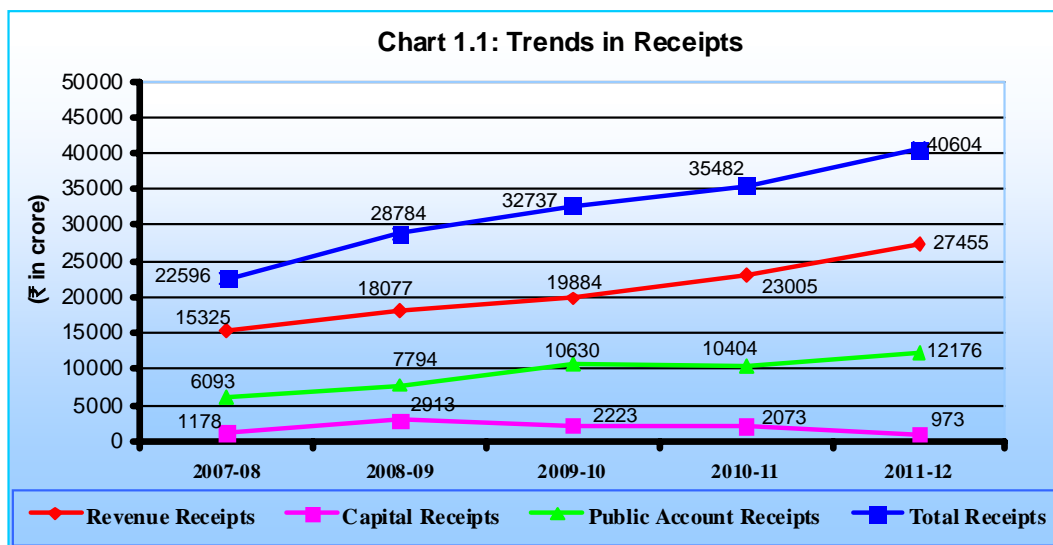
- The increase in revenue expenditure by 16 *per cent* (₹3,576 crore) during the current year over the previous year was the combined effect of more expenditure under general services by 25.46 *per cent* (₹1,977 crore), social services by 12.86 *per cent* (₹1,307 crore) and grants-in-aid contributions by 83.41 *per cent* (₹298 crore). The increases were, however, offset by decrease in expenditure under economic services by 0.12 *per cent* (₹ six crore) over the previous year.
- Significant increases in expenditure under general services were mainly under Administrative Services by 34 *per cent* (₹925 crore), Pensions and Miscellaneous General Services by 38 *per cent* (₹940 crore) and interest payment and servicing of debt by nine *per cent* (₹175 crore). The increases were, however, offset by decrease in expenditure under Organs of State by 22 *per cent* (₹71 crore).
- The increases in revenue expenditure under social services were mainly under Education, Sports, Art and Culture by seven *per cent* (₹461 crore), Health and Family Welfare by eight *per cent* (₹123 crore), Water Supply, Sanitation, Housing and Urban Development by 18 *per cent* (₹125 crore), Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes by 51 *per cent* (₹201 crore) and Social Welfare and Nutrition by 39 *per cent* (₹398 crore).
- Similarly, the partial decreases in expenditure under economic services were mainly due to decreases under Agriculture and Allied activities by nine *per cent* (₹148 crore) and Rural Development by nine *per cent* (₹88 crore). The decreases were, however, mainly offset by increases under Special Areas Programmes by 50 *per cent* (₹62 crore), Irrigation and Flood Control by 10 *per cent* (₹52 crore) and Power sector by 257 *per cent* (₹73 crore).
- The capital expenditure as compared to budget estimates was less by 44 *per cent* (₹1,995 crore). The increase of capital expenditure by ₹505 crore (25 *per cent*) during 2011-12 over the previous year was the net result of increase in capital expenditure under General Services by 28 *per cent* (₹15 crore) and Economic Services by 28 *per cent* (₹504 crore) which was, however, offset by decrease in Social Services by eight *per cent* (₹14 crore).
- Actual fiscal deficit improved with reference to the assessment made in the budget estimates by 52.61 *per cent* and revised estimates by 63.63 *per cent* mainly due to decrease in revenue expenditure and capital expenditure. Decrease in fiscal deficit together with decrease in interest payment of ₹30 crore (revised estimates) not only wiped out primary deficit of ₹2,422 crore as assessed in the Revised estimates but resulted in primary surplus of ₹428 crore also.

The above table also indicates that at the consolidated level, the State witnessed a marked improvement in key fiscal indicators when the revised estimates of 2011-12 were translated into accounts. The improvement in the fiscal situation during the current year was achieved by the State by pursuing the fiscal correction and consolidation process under a rule based fiscal framework coupled with larger devolution and transfer by the FC-XIII through share of net proceeds of sharable taxes. Consequent upon these developments, the State achieved revenue surplus during 2011-12. **However, in order to ensure sustainable progress towards fiscal consolidation, State needs to explore sources of non-tax revenues and ensure a pattern of expenditure that not only ensures better growth but also enhances public welfare.**

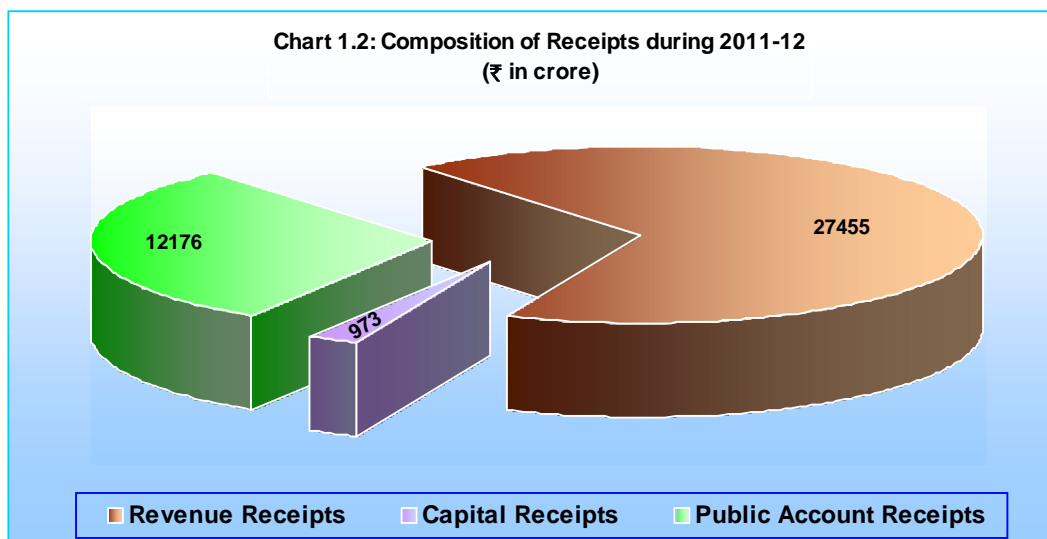
1.3 Resources of the State

1.3.1 Resources of the State as per Annual Finance Accounts

Table 1.1 presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts³ while **Chart 1.1** and **Table 1.4** depicts the trends in various components of the receipts of the State during 2007-12. **Chart 1.2** depicts the composition of resources of the State during the current year.



³ Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GOI as well as accruals from Public Account.

**Table 1.4: Trends in growth and composition of receipts**

		(₹ in crore)				
	Sources of State's Receipts	2007-08	2008-09	2009-10	2010-11	2011-12
I	Revenue Receipts	15,325	18,077	19,884	23,005	27,455
II	Capital Receipts (CR)	1,178	2,913	2,223	2,073	973
	Miscellaneous Capital Receipts	-	-	-	-	-
	Recovery of Loans and Advances	40	35	33	28	21
	Public Debt Receipts	1,138	2,878	2,190	2,045	952
	Rate of growth of debt capital receipts	1.97	152.90	(-) 23.91	(-) 6.62	(-) 53.45
	Rate of growth of non-debt capital receipts	14.29	(-) 12.50	(-) 5.71	(-) 15.15	(-) 25
	Rate of growth of GSDP	9.87	14.07	14.39	12.16	10.95
	Rate of growth of CR (per cent)	2.34	147.28	(-) 23.69	(-) 6.75	(-) 53
III	Contingency Fund	-	-	-	-	-
IV	Public Account Receipts	6,093	7,794	10,630	10,404	12,176
	a. Small Savings, Provident Fund etc.	608	628	755	953	1,162
	b. Reserve Fund	506	318	733	256	1,108
	c. Deposits and Advances	2,739	3,852	5,580	5,480	6,364
	d. Suspense and Miscellaneous	(-) 3	87	(-) 136	81	(-) 122
	e. Remittances	2,243	2,909	3,698	3,634	3,664
	Total Receipts	22,596	28,784	32,737	35,482	40,604

The total receipts of the State Government for 2011-12 was ₹40,604 crore, of which ₹27,455 crore (68 per cent) came from revenue receipts and balance ₹13,149 crore (32 per cent) came from borrowings and Public Account. The total receipts of the State increased by 80 per cent from ₹22,596 crore in 2007-08 to ₹40,604 crore in 2011-12. The share of revenue receipts in total receipts of the State remained the same in 2011-12 (68 per cent) as it was in 2007-08 (68 per cent). On the other hand, the Capital receipts together with Public Account receipts ranged between 32 and 39 per cent of the total receipts during 2007-12.

Revenue receipts increased by more than 79 per cent from ₹15,325 crore in 2007-08 to ₹27,455 crore in 2011-12, whereas debt capital receipts which create future repayment obligation varied from two to 10 per cent of total receipts during the period 2007-12 but decreased considerably from ₹2,045 crore in 2010-11 to ₹952 crore in 2011-12. However, the Public Account receipts increased steadily from ₹6,093 crore (27 per cent of total receipts) in 2007-08 to ₹12,176 crore (30 per cent of total receipts) during 2011-12.

The rate of growth of debt capital receipts decreased from (-) 6.62 per cent in 2010-11 to (-) 53.45 per cent in 2011-12 and the ratio of growth of non-debt capital receipts also decreased from (-) 15.15 per cent in 2010-11 to (-) 25 per cent in 2011-12.

The rate of growth of debt capital receipts decreased from 1.97 per cent in 2007-08 to (-) 53.45 per cent in 2011-12 while the rate of growth of GSDP increased from 9.87 per cent in 2007-08 to 10.95 per cent in 2011-12.

1.3.2 Funds Transferred to State Implementing Agencies outside the State Budgets

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies⁴ for implementation of various schemes/ programmes in social and economic sectors critical for the human and social development of population. During 2011-12, the Government of India has transferred approximately ₹7,501.13 crore directly to the Implementing Agencies as detailed in **Table 1.5**.

Table 1.5: Funds transferred directly to State Implementing Agencies

			(₹ in crore)
Sl No.	Programme/Scheme	Implementing Agency in the State	Fund transferred by the GOI during 2011-12
1	2	3	4
1	Assam Gas Cracker Project	Brahmaputra Cracker and Polymer Limited	875.44
2	Central Rural Sanitation Programme	Rajiv Gandhi Rural Water and Sanitation Mission	122.51
3	CIT Kokrajhar	Central Institute of Technology, Kokrajhar	20.00
4	DRDA Administration	District Rural Development Agencies, Assam	28.96
5	Electronic Governance	Assam Electronics Development Corporation Ltd.	23.77
6	IITs (including OSC)	Indian Institute of Technology, Guwahati	110.00
7	Integrated Watershed Management Programme (IWMP)	District Rural Development Agencies, Assam, State Level Nodal Agency, Assam	45.83
8	Mahatma Gandhi National Rural Employment Guarantee Scheme	District Rural Development Agencies, Assam	426.86
9	MPs Local Area Development Scheme (MPLADs)	Deputy Commissioners	74.50
10	National Aids Control Programme III	Assam State Aids Control Society	16.12

⁴ State Implementing Agencies include Organisation/Institution including Non-Government Organisation, which is authorized by the State Government to receive the funds from the Government of India for implementing specific programmes in the State e.g., State Health Society for NRHM and State Implementing Society for SSA etc.

1	2	3	4
11	National Food Security Mission	Assam Seeds Corporation Limited, Assam Small Farmers' Agri-Business Consortium, North Eastern Regional Agricultural Marketing Corporation Ltd.	41.74
12	National Institute of Technology (NIT)	National Institute of Technology, Silchar	80.54
13	National Rural Drinking Water Programme	State Water and Sanitation Mission, Assam	522.44
14	National Rural Health Mission (NRHM) Centrally Sponsored	State Health Society, Assam	848.25
15	NEIIPP, 2007	North Eastern Development Finance Corporation Ltd.	59.99
16	North Eastern Areas	Cane and Bamboo Technology Centre, Director of Information & Public Relations, Dr. B. Borooah Cancer Institute, Eastern Beats Music Society, Eclectic Publications Pvt. Ltd., Institute of Hotel Management, Catering Technology & Applied Nutrition, North Eastern Handicrafts and Handlooms Development Corporation Ltd., North Eastern Regional Agricultural Marketing Corporation Ltd., North Eastern Regional Institute of Water and Land Management, North-East Institute of Science & Technology (CSIR), NSS Regional Centre, Government of India, Sri Kanchi Sankara Health & Education Foundation (Sri Sankardeva Netralaya), State Sports Council of Assam, Tattva Creations Pvt. Ltd.	92.92
17	Pradhan Mantri Gram Sadak Yojana (PMGSY)	Assam State Road Board, Guwahati	1,682.84
18	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Axom Sarba Siksha Abhijan Mission	83.46
19	Redevelopment of Hospitals Institutions	Lokopriya Gopinath Bordoloi Regional Institute of Mental Health	19.52
20	Rural Housing - IAY	District Rural Development Agencies, Assam	750.61
21	Sarva Shiksha Abhiyan (SSA)	Axom Sarba Siksha Abhiyan Mission	1,069.21
22	Swarna Jayanti Shahari Rojgar Yojana (SJSRY)	Indian Institute of Entrepreneurship, State Urban Development Authority (SUDA)	32.95
23	Transport Subsidy Scheme	North Eastern Development Finance Corporation Ltd.	331.03
24	30 Other Schemes		141.64
Total			7,501.13

Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Accounts' website

Table 1.5 shows that out of the total funds transferred (₹7,501.13 crore) (Details in *Appendix 1.3*), sizeable quantum of funds were transferred to (i) Assam Gas Cracker Project (11.67 per cent), (ii) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (5.69 per cent), (iii) National Rural Health Mission (NRHM) (11.31 per cent), (iv) Pradhan Mantri Gram Sadak Yojana (PMGSY) (22.43 per cent), (v) Rural Housing (Indira Awaas Yojana) (10 per cent) and (vi) Sarva Shiksha Abhiyan (SSA) (14.25 per cent) during 2011-12. With the transfer of ₹7,501.13 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2011-12 had increased from ₹40,604 crore to ₹48,105 crore. There is no single agency monitoring the funds directly transferred by the GOI and also there is no data readily available on how much money is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by the State Implementing Agencies and funded directly by the GOI. Therefore, utilization of these funds remains to be verified by Audit to establish accountability of the State Government for these funds.

An analysis as to how these funds were being transferred and utilized for the purposes for which they were sanctioned, was carried out based on the data/information obtained

from two units viz., National Rural Health Mission (NRHM) and Sarva Siksha Abhiyan (SSA) which revealed the following:

- **National Rural Health Mission (NRHM)**

The State Health Society is registered under the Societies Registration Act, 1860. The activities of NRHM in the State are carried out through the Society headed by the Mission Director, NRHM, Assam at the State level.

Records of the Society disclosed that during 2011-12, ₹848.53 crore was received by the Society from GOI for implementation of various programmes under NRHM. Programme-wise details of receipt and expenditure are given in **Table 1.6:**

Table 1.6: Scheme-wise receipt and expenditure under NRHM for the year 2011-12

		(₹ in crore)	
Name of the Implementing Agency	Name of the Scheme/Programme	Amount released by GOI and received by the Implementing Agency during 2011-12	Expenditure incurred during the year
State Health Society	(i) Reproductive and Child Health II Programme	331.90	404.49
	(ii) NRHM Additionalities Programme	391.32	422.22
	(iii) Routine Immunization	14.17	19.17
	(iv) Integrated Pulse Polio Immunization	9.17	8.46
	(v) Integrated Disease Surveillance Project	1.51	1.41
	(vi) Revised National Tuberculosis Control Programme	6.31	7.03
	(vii) National Vector Borne Disease Control Programme	10.60	8.87
	(viii) National Leprosy Elimination Programme	0.56	1.02
	(ix) National Programme for Control of Blindness	6.62	10.04
	(x) NIDDCP	0.32	Nil
	(xi) Infrastructure maintenance	76.05	76.05
Total		848.53	958.76

Source: As per information furnished by the Mission Director, NRHM, Assam

It was observed that the State Health Society incurred expenditure of ₹958.76 crore on the various components under NRHM during 2011-12. The excess of ₹110.23 crore was stated (October 2012) to have been met from the funds received from GOA and other sources. However, the Utilisation Certificates (UCs) to the Ministry/GOI for ₹958.76 crore for the year 2011-12 have not been submitted by the Society (October 2012).

On this being pointed out, the Society stated (October 2012) that the Utilisation Certificates for the year 2011-12 would be furnished after finalization of annual accounts.

- **Sarva Siksha Abhiyan (SSA)**

The SSA programme is implemented by the State Implementing Society headed by the Mission Director, Assam Sarva Siksha Abhiyan Mission, Assam.

The component-wise total availability of funds and expenditure thereagainst under SSA Programme during 2011-12 is shown in **Table 1.7**.

Table 1.7: Status of total availability of funds and expenditure thereagainst during 2011-12 under SSA

(₹ in crore)

Name of the Scheme	Fund Released			Opening Balance	Fund Received by the Director			Expenditure incurred
	Central	State	Total		Central	State	Total	
Sarva Siksha Abhiyan	1188.21	222.84	1411.05	23.93	1188.21	222.84	1434.98	1240.88
*National Programme of Education for Girls at Elementary Level (NPEGEL)								0.60
*Kasturba Gandhi Balika Vidyalaya (KGBV)								7.83
Total	1188.21	222.84	1411.05	23.93	1188.21	222.84	1434.98	1249.31

Source: As per information furnished by the Mission Director, SSA

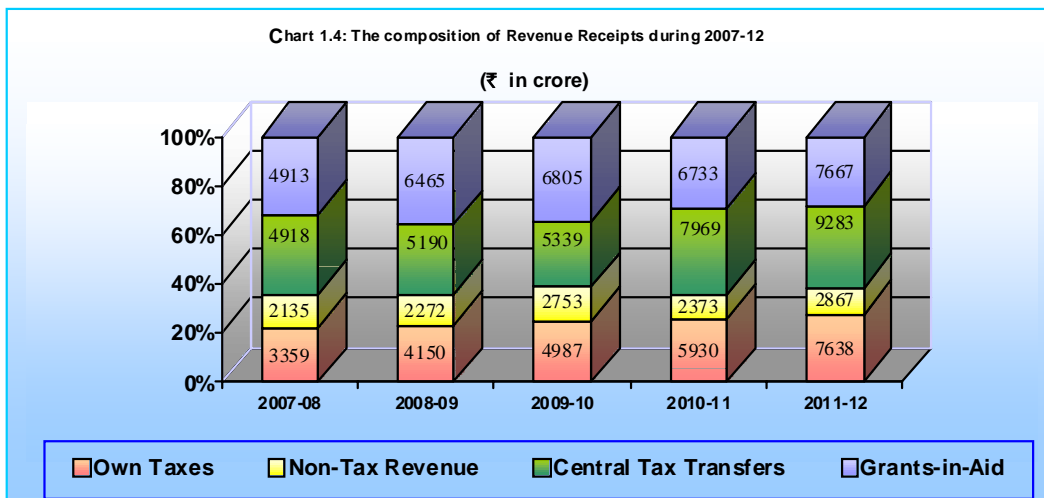
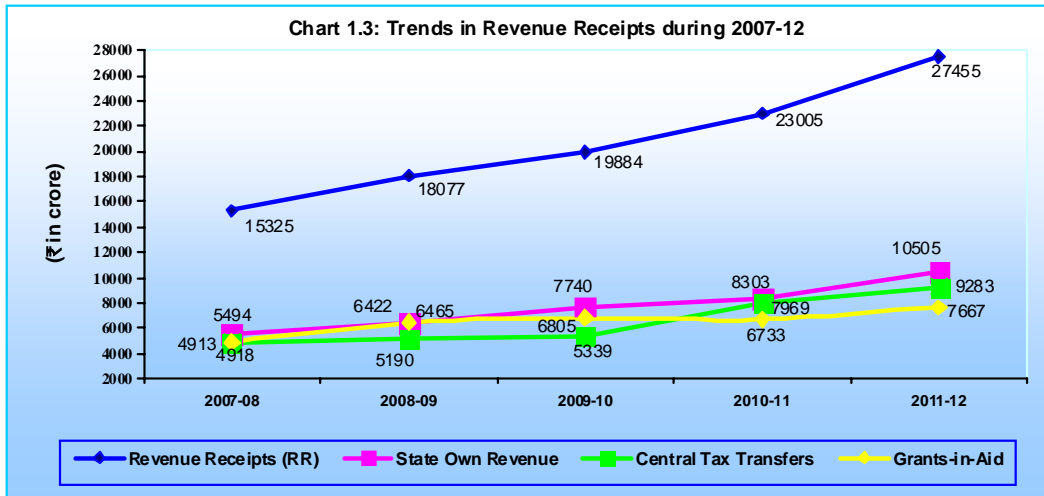
* During the year 2011-12, GOI had released share for National Programme of Education for Girls at Elementary Level (NPEGEL) and Kasturba Gandhi Balika Vidyalaya (KGBV) along with SSA.

During 2011-12, Government of India (GOI) released ₹1,188.21 crore⁵ (against total sanction of ₹1,069.21 crore) for implementation of various programmes under SSA in the State and the State Implementing Society received the same amount. The above table shows that the Mission Director could utilize ₹1,249.31 crore (SSA: ₹1,240.88 crore; NPEGEL: ₹0.60 crore and KGBV: ₹7.83 crore) of total available funds (₹1,434.98 crore) during 2011-12 leaving an unspent balance of ₹185.67 crore. However, the information regarding submission of Utilization Certificates of the fund received from the Ministry of Human Resource Development is yet to be furnished (October 2012) by the Mission Director, SSA. Also, the information regarding utilization of balance amount of ₹185.67 crore (₹1,434.98 crore - ₹1,249.31 crore) could not be furnished by the Mission Director, SSA.

⁵ Includes ₹119 crore sanctioned in 2010-11

1.4 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from the GOI. The trends and composition of revenue receipts over the period 2007-12 are presented in *Appendix 1.4* and also depicted in **Chart 1.3** and **1.4** respectively.



1.4.1 General Trends

- During 2011-12, revenue receipts of the State grew by ₹4,450 crore over the previous year. The revenue receipts of the State showed progressive increase from ₹15,325 crore in 2007-08 to ₹27,455 crore in 2011-12 with inter year fluctuations in the growth rate. The healthy growth in revenue receipts was mainly due to higher devolution recommended by the FC-XIII in the share of net proceeds of sharable taxes.

- About 38 *per cent* of the revenue receipts during 2011-12 came from State's own resources while central tax transfers and grants-in-aid together contributed 62 *per cent*.
- During the current year, increase of ₹4,450 crore in revenue receipts (19.34 *per cent*) kept pace with the increase of ₹3,576 crore (15.58 *per cent*) in revenue expenditure.
- Tax revenue constituted 27.82 *per cent* of the total revenue receipts and increased by ₹1,708 crore during 2011-12 recording a growth rate of 28.80 *per cent* over the previous year. The percentage of tax revenue to total revenue receipts showed a gradual increase during 2007-12 and reached at 27.82 *per cent* in 2011-12 from 21.92 *per cent* in 2007-08.
- Non-tax revenue receipts constituted 10.44 *per cent* of the total revenue receipts and increased by ₹494 crore over the previous year. Non-tax revenue as a percentage of revenue receipts ranged between 10.32 and 13.93 *per cent* during 2007-12.

The trends in revenue receipts relative to GSDP are presented in **Table 1.8**.

Table 1.8: Trends in Revenue Receipts relative to GSDP

	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Receipts (RR) (₹ in crore)	15,325	18,077	19,884	23,005	27,455
Rate of growth of RR (<i>per cent</i>)	12.13	17.96	10.00	15.70	19.34
Rate of growth of Own Taxes (<i>per cent</i>)	(-) 3.56	23.55	20.17	18.91	28.80
RR/GSDP (<i>per cent</i>)	21.56	22.30	21.44	22.12	23.79
Buoyancy Ratios ⁶					
Revenue Buoyancy w.r.t GSDP	1.23	1.28	0.69	1.29	1.77
State's Own Tax Buoyancy w.r.t GSDP	(-) 0.36	1.67	1.40	1.56	2.63
Gross State Domestic Product (₹ in crore)	71,076	81,074	92,737 (P)	1,04,015 (Q)	1,15,408 (Adv)
Rate of growth of GSDP (<i>per cent</i>)	9.87	14.07	14.39	12.16	10.95

- The GSDP at current prices was estimated to increase from ₹1,04,015 crore in 2010-11 to ₹1,15,408 crore in 2011-12, representing an increase of 10.95 *per cent*. Higher growth of revenue receipts (19.34 *per cent*) compared to growth rate of GSDP during the current year reflects the State's inclination to revert to the path of fiscal consolidation suggested by the FC-XIII.

⁶ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 1.77 implies that revenue receipts tend to increase by 1.77 percentage points, if the GSDP increases by one *per cent*.

- Revenue buoyancy with reference to GSDP and State own tax buoyancy with respect to GSDP improved significantly during the current year. Ideally growth rate of revenue should be higher than GSDP growth rate so that over the time, the budget can be better balanced. If the State's own taxes are buoyant, then the Government will be in a better position to plan expenditure and improve welfare of the people.

1.4.2 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes etc., the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and non-tax revenue and their percentage and also expenditure during 2007-12 is presented in **Appendix 1.4. Appendix 1.5 (A) & (B)** also presents the component-wise tax and non-tax revenue for the years 2007-12.

The tax revenue of the State increased from ₹3,359 crore in 2007-08 to ₹7,638 crore in 2011-12 at an annual average rate of 25.48 *per cent*. During the current year, the lion's share of tax revenue was contributed by Taxes on Sales, Trade etc., (74.55 *per cent*) followed by State Excise (6.59 *per cent*) and Taxes on Vehicles (3.85 *per cent*). Increase in Taxes on Sales, Trade etc., was mainly on account of higher collection of receipt under Central Sales Tax and Trade Tax by ₹1,375 crore over the previous year. Increase in the collection of State Excise during the current year was mainly on account of rationalization of the duty structure. State's own tax revenue (₹7,638 crore) during the current year was more than the assessment of FC-XIII (₹5,869 crore) and projections of FYFP (₹6,111 crore).

The non-tax revenue, which constituted 10 to 14 *per cent* of total revenue receipts during the last five years, increased by ₹494 crore during the current year recording an increase of 21 *per cent* over the previous year. During the current year, non-tax revenue was mainly contributed by petroleum fees (₹1,971 crore), interest receipts (₹476 crore) and Forestry and Wild life (₹153 crore). Non-tax revenue (₹2,867 crore) was, however, more than the assessment of FC-XIII (₹2,433 crore) but less than the projections of FYFP (₹3,152 crore).

Central tax transfers increased by ₹1,314 crore from ₹7,969 crore in 2010-11 to ₹9,283 crore in 2011-12 and constituted 33.81 *per cent* of the revenue receipts during the year. Increase in Central tax transfers during the current year was due to higher devolution in the share of net proceeds of sharable taxes recommended by the FC-XIII.

The details of Grants-in-aid from the GOI are given in **Table 1.9**.

Table 1.9: Grants-in-aid from the GOI

	(₹ in crore)				
	2007-08	2008-09	2009-10	2010-11	2011-12
Non-Plan Grants	886	1,021	1,593	944	962
Grants for State Plan Schemes	2,979	4,191	3,995	4,374	4,759
Grants for Central Plan Schemes	134	55	40	23	19
Grants for Centrally Sponsored Schemes	722	993	1,032	1,341	1,875
Grants for Special Plan Schemes	192	205	145	51	52
Total	4,913	6,465	6,805	6,733	7,667
Percentage of increase over previous year	11.00	31.59	5.26	(-) 1.06	13.87
Percentage of Revenue Receipts	32	36	34	29	28

Grants-in-aid from the GOI increased by 13.87 *per cent* from ₹6,733 crore in 2010-11 to ₹7,667 crore in 2011-12. Within the plan grants, while grants for Central Plan Schemes decreased by ₹ four crore (17.39 *per cent*), grants for State Plan Schemes and Centrally Sponsored Schemes increased by ₹385 crore (8.8 *per cent*) and ₹534 crore (39.82 *per cent*) respectively. The major increases under grants for State Plan Schemes were in Special Central Assistance for State's Annual Plan (₹561 crore), Additional Central Assistance for Externally Aided Projects (₹136 crore) which were, however, offset by decreases under Grants for development of North Eastern Region (₹65 crore), National Social Assistance Programme (₹56 crore), Central Road Fund (₹12 crore) and Special Plan Assistance (₹185 crore). The major increases under Centrally Sponsored Schemes were in Integrated Child Development Schemes (₹108 crore), Mid-day Meal Scheme (₹191 crore) and Multi Sectoral Development Programme for Minorities (₹117 crore). The Non-Plan grants (₹962 crore) to the State constitute 12.55 *per cent* of the total grants during the year, of which 63 *per cent* (₹608 crore) was provided under the proviso to Article 275 (1) of the Constitution. Other components of non-plan grants were (i) grants towards contribution to State Disaster Response Fund (₹125 crore), (ii) grants towards compensation for loss of revenue on account of CST/VAT (₹35 crore), (iii) grants towards Modernization of Police Force (₹35 crore) and (iv) grants for security related expenditure (₹96 crore).

1.4.3 Cost recovery in supply of merit goods and services

The current levels of cost recovery (non-tax revenue receipts as a percentage of non-plan revenue expenditure) in supply of merit goods and services by Government were negligible, as depicted in **Table 1.10**.

Table 1.10: Cost recovery: 2011-12

	(₹ in crore)		
	Non-tax revenue receipts	Non-plan revenue expenditure	Cost Recovery (<i>per cent</i>)
Elementary Education	1.25	2936.82	0.04
Medical and Public Health	10.42	969.58	1.07
Water Supply & Sanitation	1.00	339.26	0.29
Roads & Bridges	79.19	659.40	12.01
Minor Irrigation	0.40	270.61	0.15

As can be seen from above table, while the cost recovery for Roads and Bridges during 2011-12 was 12.01 *per cent*, for Elementary Education, Medical and Public Health, Water Supply & Sanitation and Minor Irrigation the percentages were 0.04, 1.07, 0.29 and 0.15 respectively. While cost recovery from social services like education and health are expected to be lower than that of economic services, it is a matter of concern that compared to 2007-08⁷, cost recovery has fallen in all categories in 2011-12 except Roads and Bridges. Incremental raising of user charges will facilitate sustainable provision of these services over a period of time.

1.4.4 Evasion of taxes

During 2011-12, evasion of tax (including interest) amounting to ₹1.87 crore due to concealment of turnover (₹8.47 crore) in four cases were reported by the Government. Thus, the State had suffered a revenue loss of ₹1.87 crore.

1.4.5 Write off / waivers of revenue

During the year 2011-12, demands for ₹1,325.25 lakh in 50 cases relating to Assam General Sales Tax (AGST) were written off by the Finance (Taxation) Department/ Government as irrecoverable due to the reasons indicated in **Table 1.11**.

Table 1.11: Reasons for write off/waiver of revenue

Reasons	No. of cases		Amount	
	AGST/VAT	CST	AGST/VAT	CST
Whereabouts of defaulters not known	1	-	0.46	-
Other reason (re-assessment)	1	-	9.00	-
Remission of Penalty	48		1315.79	
Total	50		1325.25	

Source: Commissioner of Taxes, Assam

1.5 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.5.1 Growth and composition of expenditure

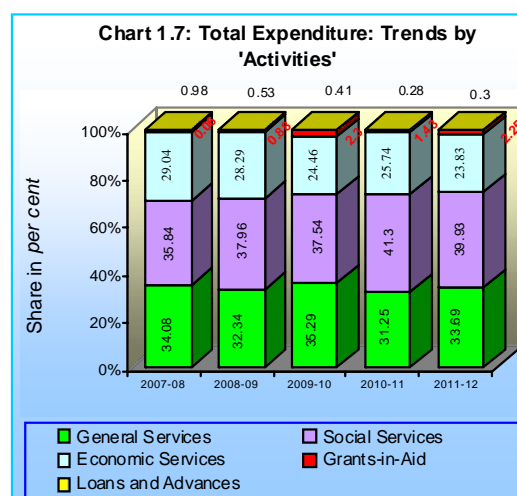
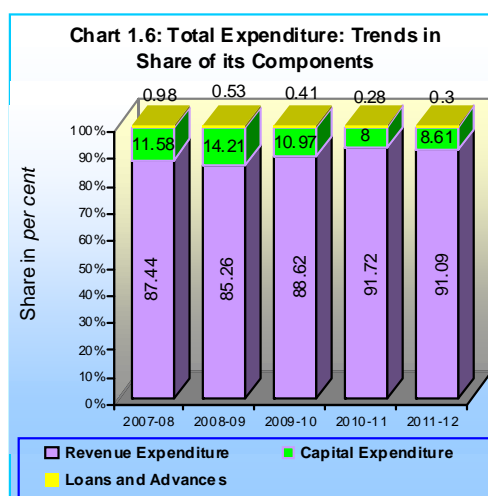
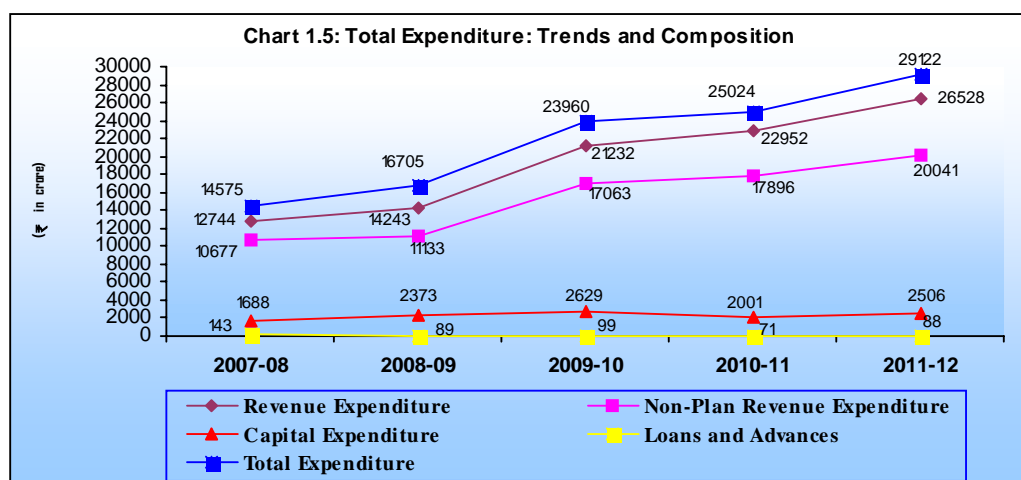
The total expenditure and its compositions during the years 2007-08 to 2011-12 are presented in the **Table 1.12**.

⁷ Elementary Education: 0.13 *per cent*; Medical and Public Health: 1.44 *per cent*; Water Supply & Sanitation: 0.45 *per cent*; Roads & Bridges: 10.69 *per cent* and Minor Irrigation: 0.24 *per cent*.

Table 1.12: Total expenditure and its compositions

	(₹ in crore)				
	2007-08	2008-09	2009-10	2010-11	2011-12
Total Expenditure	14,575	16,705	23,960	25,024	29,122
Revenue Expenditure	12,744	14,243	21,232	22,952	26,528
Of which, Non-plan Revenue Expenditure	10,677	11,133	17,063	17,896	20,041
Capital Expenditure	1,688	2,373	2,629	2,001	2,506
Loans and Advances	143	89	99	71	88

Chart 1.5 presents the trends in total expenditure over a period of five years (2007-12) and its composition both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Chart 1.6** and **Chart 1.7** respectively.



The total expenditure of the State increased from ₹14,575 crore in 2007-08 to ₹29,122 crore in 2011-12 at an annual average rate of 20 per cent and increased by 16.38 per cent from ₹25,024 crore in 2010-11 to ₹29,122 crore in 2011-12. The total expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.13**.

Table 1.13: Total expenditure – basic parameters

	2007-08	2008-09	2009-10	2010-11	2011-12
Total Expenditure (TE) (₹ in crore)	14,575	16,705	23,960	25,024	29,122
Rate of growth (<i>per cent</i>)	12.20	14.61	43.43	4.44	16.38
TE/GSDP ratio (<i>per cent</i>)	20.51	20.60	25.84	24.06	25.23
RR/TE ratio (<i>per cent</i>)	105.15	108.21	82.99	91.93	94.28
Rate of Growth of GSDP	9.87	14.07	14.39	12.16	10.95
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	1.24	1.04	3.02	0.37	1.50
RR (ratio)	1.01	0.81	4.34	0.28	0.85

The increase of ₹4,098 crore (16.38 *per cent*) in total expenditure in 2011-12 was due to increase of ₹3,576 crore in revenue expenditure, ₹505 crore in Capital expenditure and ₹17 crore in disbursement of loans and advances.

The components of increase in revenue expenditure were mainly:

- **Interest payment (₹162 crore).** The major increase of interest payment was on special securities issued to National Small Savings Fund and state provident fund.
- **Secretariat-General Services (₹577 crore).** The increase of the expenditure was mainly under Secretariat and attached offices.
- **Police (₹206 crore).** The major increase of the expenditure was under Criminal Investigation, Vigilance and District Police.
- **Pension and Other Retirement Benefits (₹751 crore).** The major increase of the expenditure was under superannuation and retirement allowances, gratuities, family pensions and leave encashment benefits.
- **Miscellaneous General Services (₹189 crore).** The major increase of the expenditure was under other expenditure.
- **General Education (₹472 crore)** of which major increase of expenditure of ₹446 crore was under Elementary Education due to increase in expenditure against Government Primary Schools and Text Books, assistance to Universities offset by decrease in expenditure on assistance on Non-Government Primary Schools.
- **Welfare of SC, ST and OBC (₹201 crore).** The increase was for the welfare of SC by ₹30 crore, welfare of ST by ₹179 crore and there was decrease for the welfare of OBC by ₹10 crore.
- **Nutrition (₹176 crore).** The increase was mainly due to increase in special nutrition programme by ₹175 crore.
- **Relief on Account of Natural Calamities (₹138 crore).** The increase was mainly due to increase in transfer of fund to State Disaster Response Fund.

The increase in Capital expenditure during 2011-12 was mainly due to increase in expenditure on Capital outlay on North Eastern Areas by ₹155 crore (30.69 per cent), Capital outlay on Major and Medium Irrigation projects by ₹41 crore (8.12 per cent), Other Capital outlay on Industries and Minerals by ₹51 crore (10.10 per cent) and Capital outlay on Roads and Bridges by ₹204 crore (40.40 per cent). The increase in expenditure was mainly due to increase in expenditure against various projects and schemes for BTAC as per memorandum of settlement and Non-lapsable Central Pool of Resource (NLCPR) under North Eastern Areas, Burdikharai Irrigation project, Irrigation projects in Hill districts and Dhansiri Irrigation Project under Major and Minor Irrigation, Assam Vikash Yojana, Mukhya Mantrir Paki Dalong Nirman Achan and Grants-in-aid to ARIASP Society under Roads and Bridges.

The increase in disbursement of loans and advances during 2011-12 was mainly due to increase in loans for Power Projects (₹13.89 crore).

The pattern in total expenditure in the form of plan and non-plan expenditure during 2011-12 revealed that non-plan expenditure contributed dominant share of 69 per cent while the plan expenditure was 31 per cent.

The increase in ratio of revenue receipts to total expenditure from 91.93 per cent in 2010-11 to 94.27 per cent in 2011-12 is the result of increase of ₹1,315 crore in State's share in Union taxes and duties during 2011-12 over 2010-11. The buoyancy of total expenditure with reference to GSDP increased to 1.50 during 2011-12 due to increase in the rate of growth of total expenditure as compared to the rate of growth of GSDP. Similarly, the buoyancy ratio of total expenditure to revenue receipts at 0.85 in 2011-12 indicated increase in the receipt at a pace greater than the expenditure.

1.5.2 Trends in total expenditure in terms of activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, Grants-in-aid and loans and advances. Relative shares of these components in the total expenditure (refer **Chart 1.7** and **Appendix 1.4**) are indicated in **Table 1.14**.

Table 1.14: Components of expenditure – relative shares

	2007-08	2008-09	2009-10	2010-11	2011-12
	(In per cent)				
General Services	34.08	32.34	35.29	31.25	33.69
Of which, Interest Payments	10.37	9.54	7.65	7.64	7.12
Social Services	35.84	37.96	37.54	41.30	39.93
Economic Services	29.04	28.29	24.46	25.74	23.83
Grants-in-aid	0.06	0.88	2.30	1.43	2.25
Loans and Advances	0.98	0.53	0.41	0.28	0.30

The movement of the relative shares of the above components of expenditure indicated that the shares of social services and economic services in the total expenditure decreased during 2011-12 over the previous year. These decreases were set off by increase in the respective shares of general services, grants-in-aid and loans and advances.

The expenditure on general services and interest payments, which are considered as non-developmental, together contributed 33.69 *per cent* in 2011-12 as against 31.25 *per cent* in 2010-11. On the other hand, development expenditure *i.e.*, expenditure on social and economic services together accounted for 63.76 *per cent* in 2011-12 as against 67.04 *per cent* in 2010-11. This indicates that there was decrease in development expenditure and increase in non-development expenditure as compared to previous year.

1.5.3 Revenue Expenditure

Revenue expenditure had predominant share in total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation and as such does not result in any addition to the State's infrastructure and service network. Revenue expenditure had the predominant share of nearly 89 *per cent* in the total expenditure during the period 2007-12. The overall revenue expenditure, its rate of growth, the ratio of revenue expenditure (non-plan) to GSDP, to total expenditure and to revenue receipts and its buoyancy is indicated in **Table 1.15**.

Table 1.15: Revenue expenditure – basic parameters

	(₹ in crore)				
	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue Expenditure (RE), of which	12,744	14,243	21,232	22,952	26,528
Non-Plan Revenue Expenditure (NPRE)	10,677	11,133	17,063	17,896	20,041
Plan Revenue Expenditure (PRE)	2,067	3,110	4,169	5,056	6,487
Rate of Growth of					
RE (<i>per cent</i>)	11.24	11.76	49.07	8.10	15.58
NPRE (<i>per cent</i>)	9.02	4.27	53.27	4.88	11.99
(PRE) (<i>per cent</i>)	24.37	50.46	34.05	21.28	28.30
Revenue Expenditure as percentage to TE	87.44	85.26	88.61	91.72	91.09
NPRE/GSDP (<i>per cent</i>)	15.02	13.73	18.40	17.21	17.37
NPRE as percentage of TE	73.26	66.64	71.21	71.52	68.82
NPRE as percentage of RR	69.67	61.59	85.81	77.79	73.00
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.14	0.84	3.41	0.67	1.42
Revenue Receipts (ratio)	0.93	0.65	4.91	0.52	0.81

The overall revenue expenditure of the State increased by 108.16 *per cent* from ₹12,744 crore in 2007-08 to ₹26,528 crore in 2011-12 at an annual average rate of 21.63 *per cent* and increased from ₹22,952 crore in 2010-11 to ₹26,528 crore in 2011-12.

The NPRE constituted a dominant share of nearly 76 *per cent* in the revenue expenditure and has increased by ₹2,145 crore over the previous year. The increase in NPRE during the current year was mainly due to increase in expenditure in interest payment on internal debt (₹111 crore) under interest payment and servicing of debt, Secretariat-General Services (₹136 crore), Criminal Investigation and Vigilance (₹45 crore) and District Police (₹87 crore) under Administrative Services, Superannuation and retirement allowances (₹487 crore), Gratuities (₹124 crore), Family Pensions (₹87 crore) and Leave Encashment Benefits (₹45 crore) under Pensions and Other Retirement Benefits, Other expenditure (₹152 crore) under Miscellaneous General Services, Government Primary Schools (₹143 crore), Text Books (₹56 crore) and other expenditure (₹29 crore) under Elementary Education, assistance to Non-Government Secondary Schools (₹58 crore) under Secondary Education, Government Colleges and Institutes (₹18 crore) under Higher Education, State Disaster Response Fund (₹138 crore) under Social Welfare and Nutrition, Irrigation and Flood Control (₹53 crore), other expenditure (₹86 crore) under Power, other expenditure (₹36 crore) under Industries and Other Miscellaneous compensation and assignments (₹299 crore) under Compensation & Assignment to Local Bodies & Panchayati Raj Institutions. The increase in NPRE during 2011-12 was, however, offset by decrease in expenditure on Agriculture and Allied Activities (₹220 crore) and Food Storage and Warehousing (₹226 crore).

The PRE increased by ₹1,431 crore from ₹5,056 crore in 2010-11 to ₹6,487 crore in 2011-12 mainly due to increase in expenditure in Education, Sports, Art & Culture (₹177 crore), Health and Family Welfare (₹216 crore), Water Supply, Sanitation, Housing and Urban Development (₹119 crore), Welfare of Scheduled Caste, Scheduled Tribes and Other Backward Classes (₹211 crore), Social Welfare & Nutrition (₹242 crore), Agriculture and Allied Activities (₹72 crore) and Special Areas Programmes (₹67 crore) which was, however, partly offset by decrease in expenditure under Rural Development (₹88 crore) and Industry & Minerals (₹41 crore).

The buoyancy of revenue expenditure with reference to both GSDP and revenue receipts fluctuated widely. The increase in buoyancy ratio of revenue expenditure to GSDP and to revenue receipts during 2011-12 over previous year indicates increase in revenue expenditure at a pace faster than the increase in total income of the State.

Table 1.16 provides the comparative position of Non-Plan Revenue Expenditure (NPRE) with reference to assessment made by FC-XIII and State Government in its budget during 2011-12.

Table 1.16: Comparative position of Non-Plan Revenue Expenditure vis-a-vis assessment made by FC-XIII and projections of the State Government in its budget

(₹ in crore)

Year	Assessment made by the FC-XIII	Assessment made by the State Government in Budget	Actual
2011-12	15,513	21,501	20,041

The NPRE remained significantly higher than the normative assessments made by FC-XIII while it was lower than the projections of the State Government made in its Budget during 2011-12.

1.5.4 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.17** and **Chart 1.8** present the trends in the expenditure on these components during 2007-12.

Table 1.17: Components of Committed Expenditure

(₹ in crore)

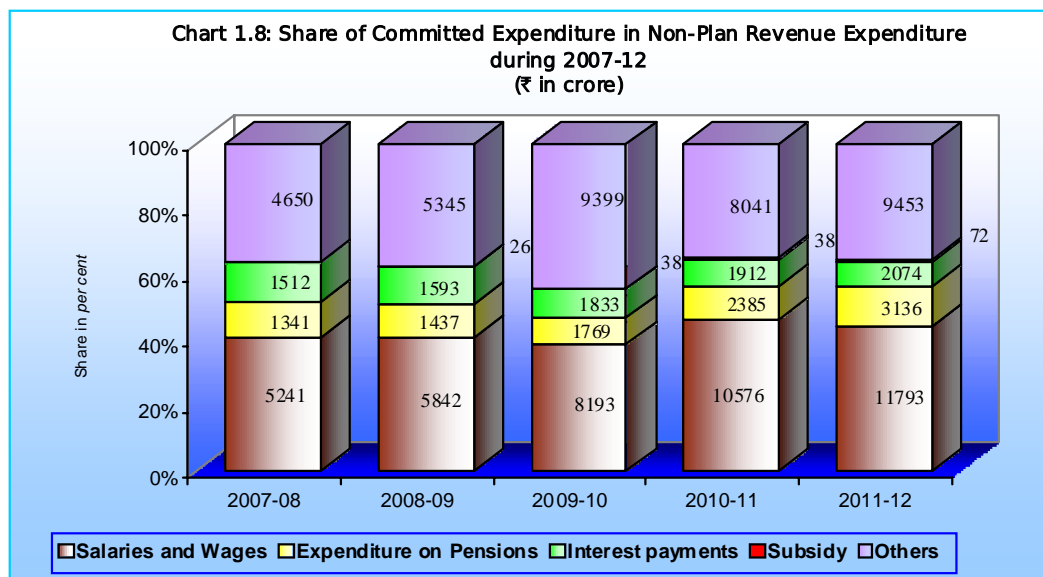
Components of Committed Expenditure	2007-08	2008-09	2009-10	2010-11	2011-12
Salaries & Wages, <i>Of which</i>	5,241 (34.20)	5,842 (32.32)	8,193 (41.20)	10,576 (45.97)	11,793 (42.95)
Non-Plan Head	5,068	5,584	7,866	10,131	11,094
Plan Head*	173	258	327	445	699
Expenditure on Pensions	1,341 (8.75)	1,437 (7.95)	1,769 (8.90)	2,385 (10.37)	3,136 (11.42)
Interest Payments	1,512 (9.87)	1,593 (8.81)	1,833 (9.22)	1,912 (8.31)	2,074 (7.55)
Subsidy	NA	26 (0.14)	38 (0.19)	38 (0.17)	72 (0.26)
Other Components, <i>i.e.</i> other than committed expenditure	4,650 (30.34)	5,345 (29.57)	9,399 (47.27)	8,041 (34.95)	9,453 (34.43)
Total	12,744 (83.16)	14,243 (78.79)	21,232 (106.78)	22,952 (99.77)	26,528 (96.62)

Figures in the parentheses indicate percentage to Revenue Receipts

* Plan Head includes the salaries paid under Centrally Sponsored Schemes

NA: Not available

Source: Finance Accounts and information furnished by PAG (A&E), Assam.



(A) Salary and Wage expenditure

Salaries and wages alone accounted for nearly 43 per cent of revenue receipts of the State during the year. It increased by more than 11 per cent from ₹10,576 crore in 2010-11 to ₹11,793 crore in 2011-12. Salary expenditure under Non-plan head during 2011-12 increased by ₹963 crore (9.51 per cent) over the previous year whereas the salary expenditure on plan head increased by ₹254 crore (57.08 per cent) over the previous year. Non-plan salary expenditure ranged between 94.07 and 96.70 per cent of total expenditure on salaries during 2007-12. Although expenditure on salaries (₹11,651 crore) during 2011-12 was less by ₹2,311 crore (16.55 per cent) than assessed (₹13,962 crore) by the State Government in its budget, it was more by ₹2,198 crore (23.25 per cent) than the projection of ₹9,453 crore in FYFP. It was also more by 67 per cent (₹4,681 crore) than the assessment made by the FC-XIII (₹6,970 crore). Increase of ₹1,205 crore in salary expenditure during 2011-12 was mainly due to implementation of State Pay Commission by the State Government during 2009-10.

(B) Interest Payments

Interest payments increased by 8.47 per cent from ₹1,912 crore in 2010-11 to ₹2,074 crore in 2011-12. The interest payment was made on internal debt (₹1,531 crore), loans and advances from Central Government (₹136 crore) and Small Savings, Provident Fund etc. (₹407 crore).

The interest payments with reference to assessment made by the FC-XIII and the projections of the State Government in its budget and FYFP (Table 1.18) indicate that the State Government was successful in restricting the interest payment within the assessments of FC-XIII and State projections during 2011-12.

Table 1.18: Interest Payments vis-à-vis Thirteenth Finance Commission assessment and State Projections

Year	Assessment made by the FC-XIII	Assessment made by the State Government in		Actual
		Budget	FYFP	
		2011-12	2,511	

The major sources of borrowings of the State Government were (i) Loans from the Centre, (ii) Loans from the Banks and Financial Institutions, (iii) Loans from Small Savings and Provident Funds and (iv) Loans from National Small Savings Fund of Central Government.

During 2011-12, the State Government did not raise any market loan. The Government, however, borrowed ₹217 crore from NABARD, ₹706 crore from National Small Savings Fund (NSSF) and ₹30 crore from Government of India.

(C) Pension Payments

Pension payments grew at an annual average rate of 27 per cent from ₹1,341 crore in 2007-08 to ₹3,136 crore in 2011-12. Pension payments alone accounted for more than 11 per cent of revenue receipts of the State during the year and increased by ₹751 crore (31.49 per cent) over the previous year. Increase of ₹751 crore in pension payments during 2011-12 over the previous year was mainly due to increase in expenditure under Superannuation and Retirement Allowances (₹487 crore), Gratuities (₹124 crore), Family Pensions (₹87 crore) and Leave Encashment Benefits (₹45 crore). The State Government had introduced 'The New Defined Contribution Pension Scheme', that would be applicable to all new entrants joining State Government Services on regular basis against vacant sanctioned post(s) on or after 1 February 2005 in order to limit future pension liabilities. The New Pension Schemes was, however, implemented provisionally in the State with effect from January 2010.

Table 1.19 below shows the actual pension payments with reference to assessment made by the FC-XIII and projections of the State Government.

Table 1.19: Actual Pension Payments vis-à-vis FC-XIII assessment and State Projections

Year	Assessment made by the FC-XIII	Assessment made by the State Government in		Actual
		Budget	FYFP	
		2011-12	2,166	

Pension payments was ₹970 crore (44.78 per cent) more than the assessments of FC-XIII, ₹995 crore (46.47 per cent) more than the

projections made by the State Government in its FYFP and ₹761 crore (32.04 per cent) more than the projections made in its budget during 2011-12. The effect of implementation of State Pay Commission had impacted the pension liabilities of the Government as evident from the table above. However, the large gap of pension payments with reference to assessments of the FC-XIII further emphasized the need of working out the pension liabilities on actuarial basis.

(D) Subsidies

Table 1.17 indicates that subsidies as a percentage of revenue receipts increased from 0.17 per cent in 2010-11 to 0.26 per cent in 2011-12. However, in absolute terms expenditure on payment of subsidies increased from ₹38 crore in 2010-11 to ₹72 crore in 2011-12. During the current year the Departments, which received subsidy, include Co-operation (Five per cent), Industries (73 per cent) and Welfare of Plain Tribes and Backward Classes (22 per cent). The State Government had not made any projection for subsidy in its FYFP during 2011-12.

1.5.5 Financial Assistance by State Government to boards and other institutions

The quantum of assistance provided by way of grants and loans to boards and others during the current year relative to the previous years is presented in **Table 1.20**.

Table 1.20: Financial Assistance to boards and other institutions

Financial Assistance to Institutions	2007-08	2008-09	2009-10	2010-11	₹ in crore	
					2011-12	
					BE	Actual
Municipal Corporations/Urban Sewerage Board	24.47	9.25	105.41	56.74	51.92	112.26
Co-operative Societies and Co-operative Institutions	1.64	0.10	0.34	1.00	1.33	1.18
Universities and Educational Institutions	822.57	829.40	955.46	1,539.47	1,601.86	1,602.93
Assam State Electricity Board (ASEB)	102.36	3.10	42.24	50.21	92.00	69.10
Assam State Housing Board (ASHB)	1.34	0.08	1.64	0.40	0.46	0.46
Assam Khadi & Village Industries Board	11.25	5.90	11.87	12.18	20.82	21.56
Urban Development Authority	0.12	10.10	13.28	8.37	13.30	10.14
Other Institutions	109.22	191.49	281.52	354.45	181.65	175.96*
Autonomous Councils	83.86	92.54	102.09	127.58	354.49	123.88
Total	1,150.83	1,141.96	1,513.85	2,150.40	2,317.83	2,117.47
Assistance as percentage of RE	9.03	8.02	7.13	9.37	7.33	7.98

* Financial assistance to Other Institutions was mainly under (i) Road Transport: ₹23 crore; (ii) Welfare of SC, ST & OBC: ₹88.65 crore; (iii) Agricultural Research & Education: ₹26.37 crore and (iv) Capital Outlay on Roads & Bridges (ARIASP): ₹26.55 crore.

The total assistance at the end of the year 2011-12 had increased by 84 *per cent* over the level of 2007-08. The assistance to boards and other institutions as a percentage of total revenue expenditure had decreased from 9.03 *per cent* in 2007-08 to 7.98 *per cent* in 2011-12. Financial assistance to universities and educational institutions alone constituted more than 76 *per cent* of the total assistance of the State Government during 2011-12.

1.5.6 Local Bodies

Major issues relating to Local Bodies, *i.e.*, Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) are summarised in the following paragraphs.

1.5.6.1 Classification of Local Bodies

Panchayati Raj Institutions (PRIs): The 73rd Constitutional Amendment Act, 1992 provided for the creation of a three-tier system of Panchayati Raj Institutions (PRIs). In keeping with the 73rd Constitutional Amendment Act, the Assam Panchayat Act (APA), 1994 was enacted and it replaced the Assam Panchayati Raj Act, 1986. The APA, 1994 provided for a three-tier panchayat system comprising Gaon Panchayat (GP) at the village level, Anchalik Panchayat (AP) at the block level and Zilla Parishad (ZP) at the district level. As of 31 March 2012, there are 20 ZPs, 185 APs and 2,202 GPs.

Urban Local Bodies (ULBs): In consonance with the 74th Constitutional Amendment Act, 1992 the municipal administration in Assam is based on three categories of ULBs as noted below:

- (i) Town Committee (TC) for a transitional or emerging urban area;
- (ii) Municipal Board (MB) for a comparatively small urban area, and
- (iii) Municipal Corporation *i.e.*, Guwahati Municipal Corporation (GMC) for a larger urban area.

As of 31 March 2012, there are 89 ULBs in the State comprising of one Municipal Corporation, 33 MBs and 55 TCs.

1.5.6.2 Financial Profile of Local Bodies

The quantum of funds from own resources (Local Bodies) and assistances provided by way of grants to local bodies during 2007-08 to 2011-12 is presented in **Table 1.21** and **1.22**.

Table 1.21: Time series data on PRI resources

(₹ in crore)					
Source	2007-08	2008-09	2009-10	2010-11	2011-12
Own Revenue (Local Bodies)	16.00	13.90	17.03	21.80	NA
State Finance Commission (SFC) transfers	Nil	48.60	295.68	119.36	227.96
Central Finance Commission (CFC) transfers	55.17	52.60	152.71	73.44	196.01
Grants for State sponsored schemes	166.14	207.82	123.69	341.86	NA
GOI grants for Centrally Sponsored Schemes	1382.50	1184.95	1712.18	1684.81	NA
Total	1619.81	1507.87	2301.29	2241.27	

Source: 2007-08 to 2008-09: Commissioner P&RD, Assam, 2009-10 & 2010-11: Appropriation & Finance Accounts.

NA: Not available

Sharp decline in receipts under Centrally Sponsored Schemes in 2008-09 in comparison to the previous year was mainly due to deduction of central share for less utilization of funds in previous years by PRIs.

Table 1.22: Time series data on ULBs resources

(₹ in crore)					
Source	2007-08	2008-09	2009-10	2010-11	2011-12
Own Revenue	NA	31.77	NA	NA	NA
SFC transfers	Nil	48.61	96.15	151.67	189.68
CFC transfers	Nil	8.65	24.35	12.04	31.97
Interest for delayed payment of CFC grants	-	-	0.84	-	0.11
State sponsored schemes	37.19	7.52	33.31	20.54	16.13
GOI grants for Centrally Sponsored Schemes	48.65	52.77	88.83	33.27	24.10

Source: Fourth Assam State Finance Commission Report and information furnished by State Government.

NA: Not available

Sharp decline in receipts under Centrally Sponsored Schemes during 2010-11 and 2011-12 in comparison to previous years was mainly due to deduction of central share for less/non-utilisation of funds by ULBs.

1.5.6.3 Devolution of functions, functionaries and fund (3Fs) to PRIs and ULBs

The 73rd and 74th Constitutional amendment gave the constitutional status to PRIs and ULBs and established a system of uniform structure, holding of regular elections, regular flow of funds through Finance Commissions, etc. As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable them to function as institutions of self-government. In particular, the PRIs and ULBs are required to prepare plans and implement schemes for economic development and social justice including those enumerated in the Schedule XI and XII of the Constitution.

- In June 2007, Government of Assam (GOA) issued notification regarding activity mapping for 23 subjects out of 29 as listed in Schedule XI of the Constitution for devolution of 3Fs to the PRIs. Following the activity mapping which defined the functions and functionaries that are to be devolved to each tier of PRIs, Government orders were issued for devolution in respect of only seven subjects out of 23 notified. Orders are yet to be issued in respect of remaining already notified subjects. Further, activity mapping in respect of remaining six subjects are yet to be completed.
- GOA amended (May 2011) the Assam Municipal Act (AMA), 1956, which provided for transfer of 3Fs to ULBs relating to 18 subject listed in the Twelfth Schedule of the Constitution and also for the constitution of a committee under the Chairmanship of Minister in charge, Urban Development Department to monitor the matter for early and smooth transfer of 3Fs.

Thus, in case of ULBs, the process of decentralization has just been initiated with the recent amendment of AMA.

- For devolution of fund, GOA created a panchayat/municipality window in the State Budget earmarking every year substantial outlays under plan and non-plan in the revenue account for panchayats and municipalities. In the absence of suitable administrative machinery due to non-transfer of 3Fs to PRIs and ULBs the amount earmarked was spent through the functionaries of the respective line departments.

Thus, the objective of creating the panchayat/municipality window in the State Budget was frustrated due to lack of effective and prompt action on the part of the Government to implement its own decisions on devolution of 3Fs to the local bodies.

1.5.6.4 Accounting and Auditing Arrangement

Accounting Arrangement: The GOA accepted (August 2004) the Model Accounting System prescribed by Ministry of Panchayati Raj (MoPR) in consultation with the C&AG of India for PRIs and accordingly amended the Assam Panchayat (Financial) Rules 2002 in August 2004. However, neither the formats for preparation of Monthly and Annual Accounts, as prescribed by the C&AG of India, were incorporated in the Assam Panchayat (Financial) Rules 2002 nor any provision was made in the said Rules for preparation and submission of monthly and annual accounts.

However, the accounts of PRIs are not maintained as per the prescribed format. In absence of accounts of PRIs their accounts were not compiled at District and State level and there were huge arrears.

Assam Municipal (Accounts Rules 1961) framed under AMA, 1956, provides for maintenance of accounts of municipalities on cash basis and did not prescribe formats for preparation of annual accounts by ULBs. The State Government, in the line of National Municipal Accounting Manual (NMAM), prepared the draft State Municipal Accounting Manual (SMAM) in July 2010 which is based on accrual based accounting system and amended the AMA, 1956 in May 2011, to provide for maintenance of accounts on accrual basis and preparation of Receipt and Payment Accounts, Income and Expenditure Account and the Balance Sheet.

However, the accounts of ULBs continued to be maintained on cash basis due to late amendment of the AMA and thereby true and fair view of financial affairs of ULBs and their assets and liabilities were not disclosed.

Auditing Arrangement: As per recommendation of Eleventh Finance Commission, the CAG was entrusted with Technical Guidance and Support (TGS) over the proper maintenance of accounts and their audit, including providing technical guidance to the Director of Local Fund Audit in May 2002. GOA again entrusted (May 2011) audit of PRIs and ULBs to CAG under Section 20 (1) of the CAG's (DPC) Act, as per standard terms and conditions in view of the recommendations of Thirteenth Finance Commission.

1.5.6.5 Reporting Arrangement

Under TGS arrangement, audit findings of test-check of accounts of LBs conducted by the CAG are presented in the form of Annual Technical Inspection Reports (ATIRs) in the State Legislature. ATIRs on Local Bodies for the years 2004-05 to 2010-11 have been submitted to the State Government. It was for the first time that the ATIR for the year 2009-10 was laid before the State Legislature on 19 December 2011. The ATIR for the year 2010-11 (submitted to the State Government on 18 July 2012) has not yet been placed before the State Legislature (December 2012).

As per para 101(i) of Assam Audit Manual, Director of Audit, Local Fund (DALF) is also required to prepare an Annual Report for submission to Finance Department by 30 September each year incorporating major audit objections relating to Local Bodies. However, no consolidated Annual Report had so far been sent to Finance Department. Further, the State Government did not set up any committee for discussion of Annual Report of DALF, which could have imparted a greater sense of urgency to the requirement.

1.6 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure.

1.6.1 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods⁸. Apart from improving the allocation towards development expenditure⁹, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.23** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years, **Table 1.24** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table 1.23: Development Expenditure

Components of Development Expenditure	(₹ in crore)					
	2007-08	2008-09	2009-10	2010-11	2011-12	
					BE	Actual
Development Expenditure (a to c)	9,596 (66)	11,152 (67)	14,953 (62)	16,846 (67)	22,764 (61)	18,655 (64)
a. Development Revenue Expenditure	7,811 (54)	8,730 (52)	12,302 (51)	14,828 (59)	18,331 (49)	16,129 (55)
b. Development Capital Expenditure	1,645 (11)	2,337 (14)	2,554 (11)	1,947 (8)	4,311 (12)	2,438 (8)
c. Development Loans and Advances	140 (1)	85 (-)	97 (-)	71 (-)	122 (-)	88 (-)

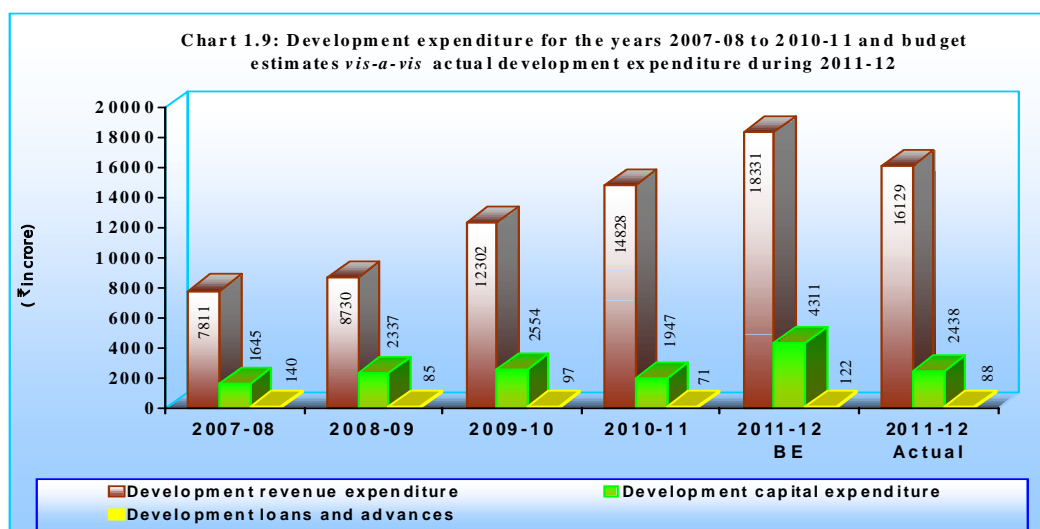
Figures in parentheses indicate percentage to aggregate expenditure

The share of development expenditure to aggregate expenditure exhibited relative stability during the period 2007-12 and increased by ₹1,809 crore (10.74 *per cent*) over the previous year. During the current year, though the State Government earmarked 61 *per cent* of the estimated aggregate expenditure for development expenditure, this

⁸ *Core public goods* are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g., enforcement of law and order, security and protection of our rights, pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

⁹ The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

assessment was exceeded by three *per cent* at the end of the year. The relative share of development expenditure to total expenditure during 2007-12 is presented in **Chart 1.9**



The development revenue expenditure increased by ₹1,301 crore (8.77 *per cent*) from ₹14,828 crore in 2010-11 to ₹16,129 crore in 2011-12. The increase under social services was ₹1,307 crore while decrease under economic services was ₹ six crore. The actual development revenue expenditure was less than the State's projection in budget by ₹2,202 crore.

The development capital expenditure increased by ₹491 crore (25.22 *per cent*) from ₹1,947 crore in 2010-11 to ₹2,438 crore in 2011-12. The increase of ₹491 crore in development capital expenditure was due to increase in economic services by ₹505 crore offset by decrease in expenditure under social services by ₹14 crore.

The development loans and advances increased by ₹17 crore from ₹71 crore in 2010-11 to ₹88 crore in 2011-12. The actual development loans and advances was also less than the State's projection in budget by ₹34 crore.

Table 1.24 –Efficiency of expenditure use in selected social and economic services

(In per cent)

Social/ Economic Infrastructure	2010-11			2011-12		
	Ratio of CE to TE [@]	In RE, the share of		Ratio of CE to TE	In RE, the share of	
1	2	S & W	O & M [¥]	5	S & W	O & M [¥]
		3	4		6	7
Social Services (SS)						
Education, Sports, Art and Culture	--	21.35	0.85	--	19.91	0.28
Health and Family Welfare	0.36	3.44	0.75	0.61	3.41	0.67
Water Supply, Sanitation & Housing & Urban Development	19.92	1.25	3.23	15.76	1.15	2.49
Other Social Services	--	1.31	0.36	0.02	1.93	0.10
Total (SS)	1.70	27.35	5.19	1.39	26.40	3.54
1	2	3	4	5	6	7
Economic Services (ES)						

Audit Report (State Finances) for the year ended 31 March 2012

Agriculture & Allied Activities	0.12	2.19	1.27	1.79	2.87	2.08
Irrigation and Flood Control	59.22	2.02	0.44	60.02	1.89	0.48
Special Areas Programmes	62.99	0.01	-	66.33	0.04	--
Transport	40.99	1.97	7.87	48.88	1.82	7.10
Other Economic Services	12.74	2.99	5.52	13	1.43	0.39
Total (ES)	27.50	9.18	15.10	32.79	8.05	10.05

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation & Maintenance

® Total revenue and capital expenditure of the services concerned

¥ Appendix XII of Finance Accounts

The trends presented in **Table 1.24** reveal that the percentage of capital expenditure on social services to total expenditure on social services decreased from 1.70 *per cent* in 2010-11 to 1.39 *per cent* in 2011-12 and percentage of capital expenditure on economic services to total expenditure increased from 27.50 *per cent* in 2010-11 to 32.79 *per cent* in 2011-12. The decrease was mainly seen under water supply, sanitation, housing and urban development under social services.

The share of salary and wages in revenue expenditure on social services decreased from 27.35 *per cent* in 2010-11 to 26.40 *per cent* in 2011-12 and the share of salary and wages in revenue expenditure on economic services also decreased from 9.18 *per cent* in 2010-11 to 8.05 *per cent* in 2011-12. The decrease was mainly seen under education, sports, art and culture under social services and irrigation and flood control and other economic services under economic services.

The share of operations and maintenance in revenue expenditure on social services decreased from 5.19 *per cent* in 2010-11 to 3.54 *per cent* in 2011-12 while the share of operations and maintenance in revenue expenditure on economic services decreased from 15.10 *per cent* in 2010-11 to 10.05 *per cent* in 2011-12. The decrease was mainly seen under education, sports, art & culture and water supply, sanitation, housing and urban development under social services while the increase was seen under agriculture & allied services under economic services.

1.6.2 Effectiveness of the Expenditure, i.e., Outlay-Outcome Relationship

(A) Construction of Roads and Bridges funded from Central Road Fund

Results of performance review on **Construction of Roads and Bridges funded from Central Road Fund (CRF)** indicating the outlay-outcome relationship are *inter-alia* included in the Audit Report on Social, General and Economic (Non-PSUs) Sectors for the year ended 31 March 2012. The effectiveness of the expenditure as brought out in the review taken up during 2011-12 covering the period from 2007-12 is summarized below:

- The primary requirement of survey and investigation for balanced development of infrastructure in the road communication network of the State was not conducted by the Department. In the absence of survey and investigation to identify the road projects, 70 *per cent* of the state road projects were selected despite not fulfilling the criteria under the provision of CRF Rules.
- There were inherent deficiencies in strategic planning as apparent from the records that no new project was approved during 2009-12 by the Government of India (GOI) for want of submission of proposals by the Government of Assam (GOA). Thus, commitments made by the State Government in successive budget speeches to increase road infrastructure through arrangement of funds from different central schemes including CRF, had not materialized, so far as CRF is concerned.
- The objective of CRF for balanced development in road communication network of intra and inter-state connectivity had not been achieved in the State to the desired extent. During 2007-12, 42 projects (15 new projects and ongoing 27 projects) were taken up for execution for creation of 562.45 km of road and construction of one RCC bridge. Only 27 projects (22 projects sanctioned prior to March 2007 + five projects sanctioned during 2007-12) could be completed after incurring an expenditure of ₹83.62 crore and creating 195.527 km of road.

The Major hurdles in the timely completion of projects were absence of systematic work plan, non-release/delayed release of funds by GOA, delays in payment to contractors and lack of proper initiative by the executing divisions. Contract and works management were not satisfactory. In the absence of provision of funds from GOA for maintenance of CRF projects, completed roads created through CRF got damaged. These issues could have been addressed suitably with special care and due emphasis on effective planning, supervision and monitoring mechanism at all levels in the State.

(B) *Impact of expenditure on various Sectors*

Appendix 1.6 depicts the progress achieved during 2011-12 as compared to 2010-11 in various sectors. Except establishment of a new medical college and a civil hospital, no new institutions were opened in Health Sector. Enrollment of students in schools increased considerably in lower primary but decreased in upper primary level during 2011-12 compared to previous year. In Power Sector, rural electrification had significantly improved from 77.28 *per cent* in 2010-11 to 94 *per cent* in 2011-12. Both generation of power and its consumption also increased substantially. In the Irrigation Sector, 0.15 lakh hectares irrigation potential was created which was increased from 7.97 lakh hectares (2010-11) to 8.12 lakh hectares (2011-12).

1.7 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.7.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2012 is given in **Table 1.25**.

Table 1.25: Department-wise profile of Incomplete Projects

(₹ in crore)					
Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Overrun	Cumulative actual expenditure (March 2012)
Public Works (Roads)	159	807.86	139.55*	22.63	318.51
Public Works (Buildings)	17	70.34	--	--	12.89
Public Health Engineering	2	7.30	--	--	3.82
Irrigation	134	587.19	--	--	194.72
Water Resources	36	356.30	--	--	139.27
Total	348	1828.99	139.55	22.63	669.21

* Pertaining to three incomplete projects (initial budget cost: ₹116.92 crore; revised cost: ₹139.55 crore).
Source: Finance Accounts 2011-12.

According to Appendix-X of Finance Accounts of 2011-12, as of 31 March 2012, there were 348 incomplete projects (total cost more than ₹ one crore of each project) in which ₹669.21 crore was blocked. Of these, 290 projects involving ₹592.12 crore remained incomplete for less than five years and 16 projects involving an amount of ₹39.37 crore remained incomplete for periods ranging from five to 10 years and four projects involving ₹26.06 crore beyond 10 years. Details in respect of 38 projects involving ₹11.66 crore were not available. The revised cost of three incomplete projects increased by 19.36 *per cent* from ₹116.92 crore (initial budgeted cost) to ₹139.55 crore (total revised cost) and resulted in cost overrun of ₹22.63 crore. Due to delay in completion of the projects, the intended benefits from these projects did not reach the beneficiaries in the State. The reasons for delay and cost/time overrun were, however, not stated.

1.7.2 Investment and returns

As of 31 March 2012, Government had invested ₹2,195 crore in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies (Table 1.26). The average return on this investment was 0.83 per cent during 2007-2012 while the Government paid an average interest rate of 6.82 per cent on its borrowings during 2007-2012.

Table 1.26: Return on Investment

Investment/Return/Cost of Borrowings at the end of the year		(₹ in crore)				
		2007-08	2008-09	2009-10	2010-11	2011-12
1		2	3	4	5	6
(a)	Statutory Corporations (No. of concerns)	1,683.45 (4)	1,824.60 (4)	1,858.20 (4)	1,874.10 (4)	1,895.70 (4)
(b)	Rural Banks (No. of concerns)	8.40 (1)	8.40 (1)	10.54 (1)	11.16 (1)	11.16 (1)
(c)	Joint Stock Companies (No. of concerns)	77.59 (15)	18.04 (15)	18.04 (15)	18.04 (15)	18.04 (15)
(d)	Co-operatives (No. of concerns)	86.89 (17)	92.65 (18)	100.16 (18)	104.04 (18)	107.33 (18)
(e)	Government Companies (No. of concerns)	132.99 (24)	135.43 (24)	158.48 (24)	158.48 (24)	162.61 (24)
Total Investment		1,989.32	2,079.12	2,145.42	2,165.82	2,194.84
Return (₹ in crore)		24.00	19.45	14.92	14.98	13.64
Return (per cent)		1.21	0.94	0.70	0.69	0.62
Average rate of interest on Government borrowing (per cent)		7.14	6.76	6.83	6.58	6.78
Difference between interest rate and return (per cent)		5.93	5.82	6.13	5.89	6.16

During the last five years, *i.e.*, 2007-12, the State Government's investments have increased by ₹205.52 crore. During the current year, Government has invested ₹21.60 crore in Statutory Corporations, ₹3.29 crore in Co-operative Societies and ₹4.13 crore in Government Companies. The increase in investments of ₹21.60 crore in Statutory Corporations during 2011-12 was attributable to increased capital contribution to Assam State Ware-housing Corporation (₹15.50 crore) and Assam State Transport Corporation (₹6.10 crore) as compared to previous year.

Three Statutory Corporations were incurring losses and their accumulated losses amounted to ₹578.29 crore¹⁰. Similarly, 20 Government Companies in the State were also incurring losses and their accumulated losses amounted to ₹330.67 crore. The major loss incurring organizations are Assam Industrial Development Corporation Ltd. (Investment: ₹29.71 crore; Loss: ₹123.94 crore), Assam Agro Industries Development Corporation Ltd. (Investment: ₹22.08 crore; Loss: ₹30.69 crore), Assam Seed

¹⁰ Assam Financial Corporation: ₹0.80 crore (as on 31-03-2011),
Assam State Ware-housing Corporation: ₹7.73 crore (as on 31-03-2007),
Assam State Transport Corporation (ASTC): ₹569.76 crore (as on 31-03-2010).

Corporation Ltd. (Investment: ₹0.87 crore; Loss: ₹24.70 crore), Assam Tea Corporation Ltd. (Investment: ₹8.07 crore; Loss: ₹55.10 crore) and Assam Mineral Development Corporation Ltd. (Investment: ₹8.41 crore; Loss: ₹4.76 crore). The Government stated (August 2012) that preparation of disinvestments policies of the State Government Public Sector Undertakings (PSU's) was under process so as to wipe out their losses.

1.7.3 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/ organizations. **Table 1.27** presents the outstanding loans and advances as on 31 March 2012, interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.27: Average Interest received on Loans Advanced by the State Government

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	(₹ in crore)				
	2007-08	2008-09	2009-10	2010-11	2011-12
Opening Balance	2,721	2,824	2,878	2,944	2,987
Amount advanced during the year	143	89	99	71	88
Amount recovered during the year	40	35	33	28	21
Closing Balance	2,824	2,878	2,944	2,987	3,054
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	-	-	-	-	-
Net addition	103	54	66	43	67
Interest Receipts	8	81	12	8	11
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.28	2.81	0.41	0.27	0.36
Average rate of interest on Government borrowing (<i>per cent</i>)	7.14	6.76	6.83	6.58	6.78
Difference between interest payments and interest receipts (<i>per cent</i>)	6.86	3.95	6.42	6.31	6.42

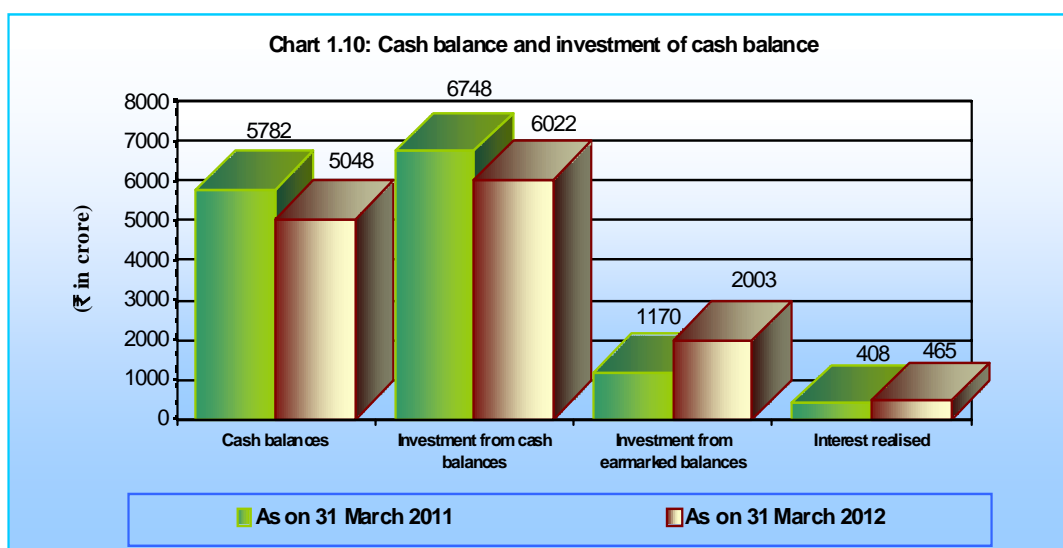
The total amount of outstanding loans and advances as on 31 March 2012 was ₹3,054 crore. The amount of loans disbursed during the year increased from ₹71 crore in 2010-11 to ₹88 crore in 2011-12. Out of the total amount of loans advanced during the year, ₹11.37 crore went to social services, ₹70.43 crore to economic services and ₹6.47 crore to Government servants. Under social services, major portion of loan went to Urban Development (89 *per cent*) and in economic services, the portion of loans went to Power Projects (91 *per cent*) followed by Others (nine *per cent*). However, recovery of loans and advances decreased from ₹28 crore in 2010-11 to ₹21 crore in 2011-12 mainly on account of decrease in recovery from Government Servants (₹ seven crore). Interest received against the loans and advances continued to be negligible which increased by 37.5 *per cent* from ₹ eight crore in 2010-11 to ₹11 crore in 2011-12. During 2011-12, only 0.70 *per cent* of outstanding loans were repaid by institutions/ organizations/ Government servants and ₹34.68 crore of loans were in arrears of which ₹3.64 crore was not repaid by Assam Tea Corporation Ltd., for last eight years.

1.7.4 Cash Balances and Investment of Cash Balances

Table 1.28 and **Chart 1.10** depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 1.28: Cash balances and investment of cash balances

Particulars	(₹ in crore)		
	As on 1 st April 2011	As on 31 st March 2012	Increase (+)/ Decrease (-)
Cash Balances	5,782.00	5,048.00	(-) 734.00
Investments from Cash Balances (a & b)	6,747.83	6,022.05	(-) 725.78
a. GOI Treasury Bills	6,746.98	6,021.20	(-) 725.78
b. GOI Securities	0.85	0.85	--
Funds-wise Break-up of Investment from Earmarked balances (a & b)	1,169.93	2,003.28	(+) 833.35
a. Sinking Fund	1,169.51	2,002.86	(+) 833.35
b. Development and Welfare Fund	0.42	0.42	--
Interest Realized	408.00	465.00	(+) 57.00



Cash balances of the State Government at the end of the current year decreased from ₹5,782 crore in 2010-11 to ₹5,048 crore in 2011-12. The State Government has invested ₹6,021 crore in GOI Treasury Bills and ₹0.85 crore in GOI Securities and earned an interest of ₹465 crore during 2011-12. Further, the Government invested ₹2,003 crore in Sinking Fund and Development and Welfare Fund as of March 2012. **The interest receipts against investment on cash balance was 7.72 per cent during 2011-12 while Government paid interest at the rate of 6.78 per cent only on its borrowings during the year.**

1.8 Assets and Liabilities

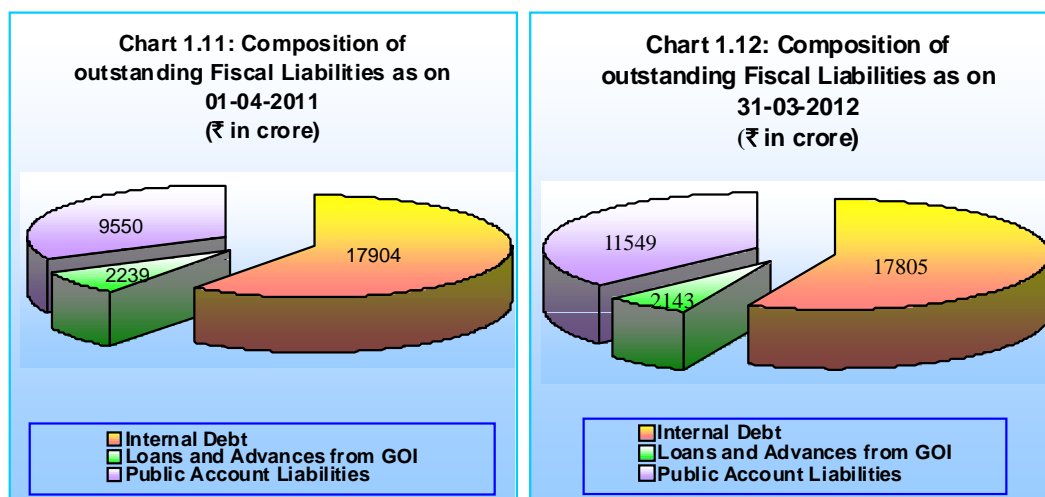
1.8.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.7** gives an abstract of such liabilities and the assets as on 31 March 2012, compared with the corresponding position on 31 March 2011. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise of mainly of the capital outlay and loans and advances given by the State Government and cash balances.

According to the Assam Fiscal Responsibility and Budget Management Act, 2005, the “total liabilities of the State” means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

1.8.2 Fiscal Liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.11** and **1.12**.



The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4**. **Table 1.29** shows the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to State’s own resources and also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.29: Fiscal Liabilities-Basic Parameters

	2007-08	2008-09	2009-10	2010-11	2011-12
Fiscal Liabilities [#] (₹ in crore)	21,871	25,234	28,465	29,693	31,497
Rate of Growth (<i>per cent</i>)	6.78	15.38	12.80	4.31	6.08
Ratio of Fiscal Liabilities to:					
GSDP (<i>per cent</i>)	30.77	31.12	30.69	28.55	27.29
Revenue Receipts (<i>per cent</i>)	142.71	139.59	143.16	129.07	114.72
Own Resources (<i>per cent</i>)	398.09	392.93	367.76	357.62	299.83
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (ratio)	0.686	1.093	0.890	0.354	0.555
Revenue Receipts (ratio)	0.558	0.856	1.280	0.274	0.314
Own Resources (ratio)	2.378	0.910	0.623	0.592	0.229

[#] Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Fund etc., Reserve Funds (Gross) and Deposits.

The overall fiscal liabilities of the State increased at an average annual rate of 8.80 *per cent* during the period 2007-12. During the current year, the fiscal liabilities of the State Government increased by ₹1,804 crore from ₹29,693 crore in 2010-11 to ₹31,497 crore in 2011-12. The increase in fiscal liabilities was mainly due to increase in the Public Account liabilities (₹1,998 crore), which was however, offset by decrease in the internal debt (₹99 crore) and loans and advances from the GOI (₹95 crore). *Although the ratio of fiscal liabilities to GSDP has improved and come down from 28.55 per cent in 2010-11 to 27.29 per cent in 2011-12 but, according to FC-XIII recommendations the State Government should bring the Fiscal Liabilities-GSDP ratio to around 25 per cent in the next five years. These fiscal liabilities stood at nearly 1.15 times the revenue receipts and 3 times of the State own resources at the end of 2011-12.* The buoyancy of these liabilities with respect to GSDP during the year was 0.555 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.555 *per cent*. *The State Government has set up the sinking fund in line with the recommendations of the Twelfth Finance Commission (TFC) for amortization of market borrowings as well as other loans and debt obligations. As of 31 March 2012, the balance in the sinking fund was ₹2,010.10 crore. During 2011-12, ₹833.35 crore has been invested in the sinking fund.*

1.8.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. According to FRBM Act, State Government guarantees shall be restricted to 50 *per cent* of State's tax and non-tax revenue of the second preceding year.

As per Statement-9 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years were as shown in **Table 1.30**.

Table 1.30: Guarantees given by the Government of Assam

Guarantees	2009-10	2010-11	2011-12
Maximum amount guaranteed	593	652	652
Outstanding amount of guarantees	299	247	259
Percentage of maximum amount guaranteed to total revenue receipts	2.98	2.83	2.37
Criteria as per the Assam Fiscal Responsibility and Budget Management Act, 2005.	State Government guarantees shall be restricted at any point of time to fifty <i>per cent</i> of State's own tax and non-tax revenue of the second preceding year, as reflected in the books of accounts as maintained by Principal Accountant General (A&E).		

- Government had constituted (September 2009) a '*Guarantee Redemption Fund*' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other bodies and stands invoked by the beneficiaries. The accumulations in the Fund would be utilized only towards the payment of the guarantees issued by the Government and not paid by the institution on whose behalf guarantee was issued. According to the scheme guidelines, the Fund should be set up by the Government with an initial contribution of ₹ five crore and during each year the Government should contribute an amount equivalent to at least three *per cent* of the outstanding guarantees at the end of the second financial year preceding the current financial year, as reflected in the books of accounts as maintained by the Principal Accountant General (A&E). During 2011-12, although the State Government made plan provision of ₹19.12 crore (ADB share) and non-plan provision of ₹38.23 crore (counterpart funding from the State Government) under Major Head 2075-Miscellaneous General Services for creation of corpus of Guarantee Redemption Fund, but no fund was transferred to the Fund Account.
- Government had guaranteed loans raised by various corporations and others, which at the end of 2011-12 stood at ₹259 crore. It was 3.35 *per cent* of State's own revenue of the second preceding year *i.e.*, well within the limit prescribed in the Act. Out of the total outstanding guarantees, ₹81 crore (31 *per cent*) pertained to Power sector.

1.9 Debt Sustainability

During 2011-12, Government raised internal debt of ₹922 crore, GOI loans of ₹30 crore and other obligations ₹6,415 crore. Government repaid internal debt of ₹1,021 crore, GOI loans of ₹125 crore and discharged other obligations of ₹5,117 crore along with interest of ₹2,074 crore resulting in net decrease in debt receipts by ₹970 crore during the year.

The maturity profile of the State Government indicates that 26.63 *per cent* of the total State debt is repayable within the next five years while the remaining 73.37 *per cent* are required to be paid in more than five years time.

Apart from the magnitude of debt of State Government, it is important to analyze various indicators that determine the debt sustainability¹¹ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization¹²; sufficiency of non-debt receipts¹³; net availability of borrowed funds¹⁴; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.31** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2007-08.

Table 1.31: Debt Sustainability: Indicators and Trends

	(₹ in crore)				
Indicators of Debt sustainability	2007-08	2008-09	2009-10	2010-11	2011-12
Debt Stabilization (Quantum Spread + Primary Deficit (-)/ Surplus (+))	881+2,302 = 3,183	989+3,000 = 3,989	1196+ (-) 2,210 = (-) 1,014	1,817+(-) 79 = 1,738	1,313+428 = 1,741
Sufficiency of Non-debt Receipts (Resource Gap)	(+) 78	(+) 617	(-) 5,450	(+) 2,052	(+) 345
Net Availability of Borrowed Funds	(-) 124	(+) 1,771	(+) 1,398	(-) 682	(-) 1,238
Burden of Interest Payments (IP/RR Ratio)	9.87	8.81	9.22	8.31	7.55
IP/Own Tax Ratio	45.01	38.39	36.76	32.24	27.15
Maturity Profile of State					
0 – 1 Year	1,121.86	1,246.50	340.32	432.61	453.59
1 – 3 Years	1,734.04	1,850.85	1,527.30	1,843.08	2,312.18
3 – 5 Years	2,029.07	2,806.13	2,646.25	2,620.42	2,546.94
5 – 7 Years	2,752.70	2,671.10	2,523.26	2,863.98	3,099.21
7 Years and above	8,103.32	9,263.12	11,983.29	12,382.27	11,536.67

¹¹The Debt sustainability is defined as the ability of the State to maintain a constant debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹²A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

¹³Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

¹⁴Net availability of borrowed fund is defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

Table 1.31 reveals that quantum spread together with primary deficit/surplus has been positive during the period from 2007-08 to 2008-09 but turned negative in 2009-10. However, it turned positive in the year 2010-11 and 2011-12 indicating that the debt-GSDP ratio is stable. The sum of quantum spread and primary deficit at ₹1,741 crore during 2011-12 is a positive sign towards fiscal balances for improving the debt sustainability position of the State.

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. Except during 2009-10, the State had a positive resource gap in all the years from 2007-08 to 2011-12. Though positive resource gap at ₹345 crore during 2011-12 decreased from ₹2,052 crore in 2010-11, yet it indicates that incremental non-debt receipts are sufficient to cover incremental interest liabilities and incremental primary expenditure during 2011-12. The positive resource gap during 2011-12 strengthened the capacity of the State to sustain the debt in the medium to long run.

The Public Debt Receipts of the State decreased from ₹1,138 crore in 2007-08 to ₹952 crore in 2011-12 at an annual average rate of 3.27 *per cent*. However, during the current year Public Debt Receipts decreased significantly and came down to ₹952 crore from ₹2,045 crore in 2010-11. The cash balance also came down to ₹5,048 crore in 2011-12 from ₹5,782 crore in 2010-11, yet the surplus cash balances continue to pose new challenges for State Government's financial and cash management.

High level of surplus cash in recent past seems to provide some headroom to withstand pressure on finances and the State was not resorting to ways and means advances or overdrafts. The reason for cash accumulation was attributed to conservative approach in capital spending since the capital outlay as a percentage of total expenditure ranged between eight to 14 *per cent* during the period from 2007-08 to 2011-12.

In view of the comfortable cash balances, the State may consider to defer and/or resort to more need based borrowing programmes in a cost effective manner. The State may consider identifying a clear shelf of projects which require capital investment and borrow only to that extent by realistic assessment of cash needs with effective cash management for better synchronization of cash inflows and outflows. This will at the same time curb unwarranted build-up of cash surplus as well.

1.10 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further,

the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2011-12.

1.10.1 Trends in Surplus/Deficit

Charts 1.13 and 1.14 present the trends in deficit indicators over the period 2007-12.

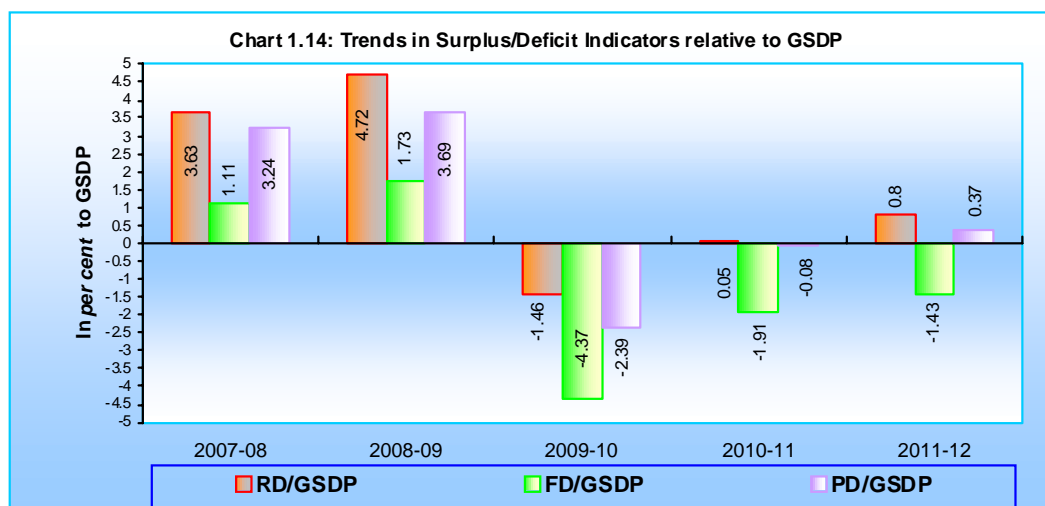
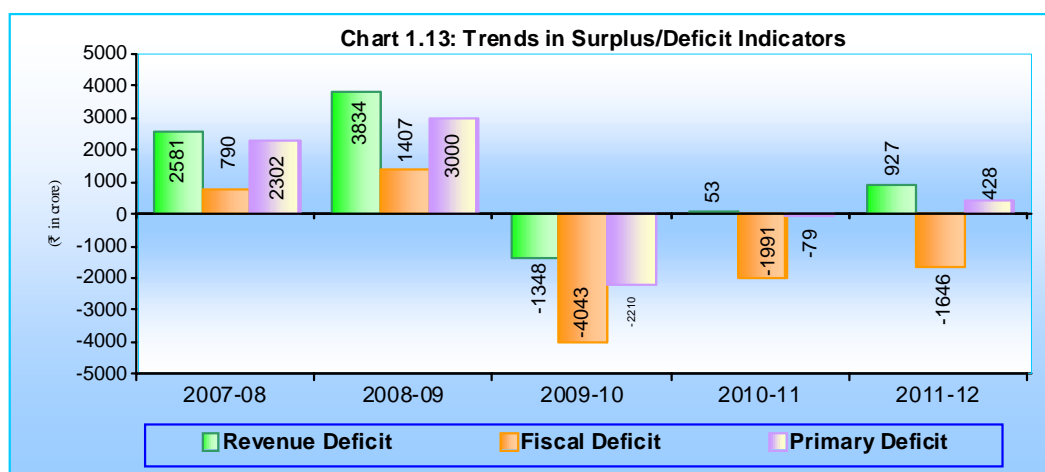


Chart 1.13 reveals that the revenue account experienced a surplus of ₹927 crore during 2011-12. The State had a revenue surplus during the periods 2007-08 to 2008-09 and 2011-12 and the revenue surplus increased from ₹2,581 crore in 2007-08 to ₹3,834 crore in 2008-09 and turned into deficit in 2009-10. The surplus in revenue account during the current year was mainly on account of increase in revenue receipts by ₹4,450 crore (19.34 per cent) against an increase of ₹3,576 crore (15.58 per cent) in revenue expenditure over the previous year. The increase in revenue account

(₹4,450 crore) in the current year was primarily on account of sufficient growth rate of 26.52 per cent (₹2,202 crore) in State's own resources and 15.29 per cent (₹2,248 crore) in central transfers.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, improved marginally and decreased to the level of ₹1,646 crore in 2011-12 from fiscal deficit of ₹1,991 crore in 2010-11. This was the result of increase of ₹874 crore in revenue surplus as well as marginal decrease (₹ seven crore) in non-debt capital receipts along with increases of ₹505 crore in capital expenditure and ₹17 crore in net disbursement of loans and advances in 2011-12.

The primary surplus that continued during 2007-09 took a turnaround from 2009-10 onwards and resulted into primary deficit¹⁵ during the years 2009-10 and 2010-11. However, during the current year the State again achieved a primary surplus of ₹428 crore. The reduction of fiscal deficit of ₹345 crore and an increase of ₹162 crore in interest payment resulted in primary surplus of ₹428 crore during the current year against primary deficit of ₹79 crore in 2010-11.

1.10.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.32**.

Table 1.32: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2007-08	2008-09	2009-10	2010-11	2011-12
1		2	3	4	5	6
Decomposition of Fiscal Deficit (FD/GSDP) Deficit (+)/Surplus (-)		(-) 790 (1.11)	(-) 1,407 (1.74)	4,043 (4.36)	1,991 (1.91)	1,646 (1.43)
1	Revenue Deficit	(-) 2,581	(-) 3,834	1,348	(-) 53	(-) 927
2	Net Capital Expenditure	(+) 1,688	(+) 2,373	(+) 2,629	(+) 2,001	(+) 2,506
3	Net Loans & Advances	(+) 103	(+) 54	(+) 66	(+) 43	(+) 67
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	(+) 544.56	(+) 2,014.77	(+) 1,405.45	(+) 300.03	(-) 654.77
2	Loans from GOI	(-) 66.86	(-) 68.88	(-) 293.19	(-) 107.69	(-) 95.21
3	Special Securities Issued to NSSF	(-) 8.60	(+) 17.37	(+) 24.79	(+) 860.47	(+) 474.85
4	Loans from Financial Institutions	(+) 94.06	(+) 133.46	(+) 46.40	(+) 69.12	(+) 81.36
5	Small Savings, PF etc.	(+) 317.96	(+) 390.23	(+) 489.55	(+) 540.41	(+) 634.98
6	Deposit & Advances	(-) 561.70	(+) 30.47	(+) 568.13	(-) 728.61	(+) 437.17
7	Suspense and Misc.	(-) 1,943.01	(-) 3,549.14	(+) 980.13	(+) 1613.13	(+) 734.76
8	Remittances	(+) 33.78	(+) 99.12	(-) 164.64	(+) 27.97	(-) 50.84
9	Reserve Fund	(+) 161.39	(-) 109.97	(+) 413.92	(-) 153.12	(+) 67.87
10	Decrease/increase in cash balance with RBI	(+) 638.35	(-) 364.21	(+) 573.61	(-) 431.16	(+) 15.88
11	Others	-	-	(-) 0.74	-	-

*All these figures are net of disbursements/outflows during the year

¹⁵ Primary deficit defined as the fiscal deficit net of interest payments indicates the extent of deficit, which is an outcome of the fiscal transactions of the State's during the course of the year.

It can be seen from **Table 1.32** that there was fiscal surplus during the years 2007-08 to 2008-09 but it took a turnaround from 2009-10 and became fiscal deficit during the years 2009-10 to 2011-12. During 2011-12, the fiscal deficit was mainly financed by Special Securities issued to NSSF, Loans from financial institutions, Small Savings, PF etc., Deposits and Advances and Suspense and Miscellaneous balances.

The increase in capital expenditure indicated that borrowed funds were being utilized for productive uses more than that of previous year and the Government should continue this trend as the solution to the Government debt problem lies on the method of application of borrowed funds *i.e.*, whether they are being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy which may result in increase in Government revenue in future, making debt payments manageable.

1.10.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistent high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.33**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure, which may be desirable to improve the productive capacity of the State's economy.

Table 1.33: Primary Deficit/Surplus – Bifurcation of factors

(₹ in crore)							
Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit(-)/ Surplus (+)	Primary Deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2007-08	15,365	11,232	1,688	143	13,063	(+) 4,133	(+) 2,302
2008-09	18,112	12,650	2,373	89	15,112	(+) 5,462	(+) 3,000
2009-10	19,917	19,399	2,629	99	22,127	(+) 518	(-) 2,210
2010-11	23,033	21,040	2,001	71	23,112	(+) 1,993	(-) 79
2011-12	27,476	24,454	2,506	88	27,048	(+) 3,022	(+) 428

There was a primary surplus in State during the period 2007-08 to 2008-09 but it became primary deficit in 2009-10 and 2010-11. However, during the current year there was a primary surplus because non-debt receipts were more than primary expenditure¹⁶. In the current year non-debt

¹⁶ Primary expenditure of the State defined as the total expenditure net of interest payments, indicates the expenditure incurred on the transactions undertaken during the year.

receipts were sufficient to cover primary revenue expenditure but not sufficient enough to meet capital expenditure. Over the period 2007-09, there has been an increase in the proportion of capital expenditure in primary expenditure but during 2009-11, the proportion reduced considerably. However, during 2011-12 the proportion improved marginally. The State should maintain this trend as it indicates improvement in the productive capacity of the State's economy.

1.11 Institutional measures

Towards strengthening fiscal disciplines in the State, the Government of Assam had taken certain institutional measures like legislation in respect of guarantees and fiscal responsibilities in the form of enactment of the Assam Fiscal Responsibility and Budget Management Act in 2005 (amended in 2011). Since then the Government had been undertaking measures like implementation of Consolidated Sinking Fund, introduction of VAT etc.

As a measure to improve fiscal transparency, the Government of India outlined several initiatives to assist the State Governments in their developmental and social roles. **Public Private Partnership (PPP)** is such an initiative that enables implementation of Governments programmes/schemes in partnership with the private sector. The potential benefits derived from PPP are cost effectiveness of the project, higher productivity, accelerated delivery, enhanced social service and recovery of user charges. It also allows the State Government to use limited budgetary resources on high priority schemes where private sector is not willing to enter.

In view of the above, several State Governments across India are entering into PPP agreements in the areas of infrastructure projects, survey and exploitation of mines and minerals, development of industrial estates, development of hydro-electricity projects etc.

The Government of Assam formulated the policy on public private partnership in Infrastructure Development in the State and the policy came into force with effect from 16 February 2008 (from the date of publication of Gazette Notification). As of 31 March 2012, Government of Assam had taken up 14 PPP projects for implementation. The status of implementation of the projects is given in **Table 1.34** below.

Table 1.34: Status of implementation of PPP projects

No. of projects	Status of the projects
4	Completed
10	Under implementation

Source: Information furnished by the Government

The status of implementation of PPP projects remained unchanged as compared to the previous year. This indicates that there was no progress in implementation of PPP projects in the State during 2011-12.

Although the State Government reported (May 2011) completion (between June 2010 and April 2011) of four¹⁷ PPP projects to Government of India but the PPP cell under the control of Planning and Development Department could not furnish any information regarding project-wise release of fund, expenditure, date of commission etc.

1.12 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters – revenue surplus, fiscal deficit and primary deficit etc., indicated that except during 2009-10 the State had maintained revenue surplus during the last five years. The fiscal deficit of the State was also reduced during the current year compared to previous year and the State also managed to exhibit primary surplus after a gap of two years.

Revenue Receipts

Revenue receipts grew by 19 *per cent* over the previous year. The increase was contributed by tax revenue (38 *per cent*), non-tax revenue (11 *per cent*), State's share of Union Taxes and Duties (30 *per cent*) and Grants-in-aid from Government of India (21 *per cent*). ***The revenue receipts at ₹27,455 crore is, higher by ₹1,334 crore than the assessment made in Five Year Fiscal Plan (FYFP)¹⁸ (₹26,121 crore).***

(Para-1.1.1)

Revenue Expenditure

The overall revenue expenditure of the State increased by 108.16 *per cent* from ₹12,744 crore in 2007-08 to ₹26,528 crore in 2011-12 at an annual average rate of 21.63 *per cent* and increased from ₹22,952 crore in 2010-11 to ₹26,528 crore in 2011-12. The NPRES constituted a dominant share of nearly 76 *per cent* in the revenue expenditure and has increased by ₹2,145 crore over the previous year. The Plan revenue expenditure increased by more than 28 *per cent* over the previous year whereas capital expenditure increased by 25.24 *per cent* over the previous year.

(Paras-1.5.3 and 1.5.1)

¹⁷ (i) Beautification of Guwahati City (Traffic Signal), (ii) Municipal Solid Waste Management, (iii) Champawati Power Project, Kokrajhar (4 MW) and (iv) G.N.C Engineering Institute of Management and Technology, Tezpur.

¹⁸ FYFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan along with Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

During 2011-12, though the development expenditure (₹18,655 crore) increased by ₹1,809 crore over the previous year, yet it was much below the budget estimate (₹22,764 crore) for 2011-12. The relative share of the revenue developmental expenditure was 55 *per cent* of the total expenditure while this share in respect of capital development expenditure was only eight *per cent*. The expenditure pattern of the State reveals that there is an increasing pressure on revenue expenditure. Salaries and wages alone accounted for nearly 43 *per cent* of revenue receipts of the State during the year. It increased by more than 11 *per cent* from ₹10,576 crore in 2010-11 to ₹11,793 crore in 2011-12. Although expenditure on salaries (₹11,651 crore) during 2011-12 was less by ₹2,311 crore (16.55 *per cent*) than assessed (₹13,962 crore) by the State Government in its budget, it was more by ₹2,198 crore (23.25 *per cent*) than the projection of ₹9,453 crore in FYFP. It was also more by 67 *per cent* (₹4,681 crore) than the assessment made by the FC-XIII (₹6,970 crore).

(Paras-1.6.1 and 1.5.4)

The State should initiate action to restrict the components of non-plan revenue expenditure by phasing out implicit subsidies and resort to need based borrowings to cut down interest and principal payments.

Fiscal liabilities

The overall fiscal liabilities of the State increased at an average annual rate of 8.80 *per cent* during the period 2007-12. During the current year, the fiscal liabilities of the State Government increased by ₹1,804 crore from ₹29,693 crore in 2010-11 to ₹31,497 crore in 2011-12. Although the ratio of fiscal liabilities to GSDP has decreased from 28.55 *per cent* in 2010-11 to 27.29 *per cent* in 2011-12 but it was higher than 25 *per cent*, the norms recommended by FC-XIII.

(Para-1.8.2)

Recourse to borrowed funds in future should be carefully assessed and managed so that the recommendations of the FC-XIII to bring Fiscal Liabilities-GSDP ratio to around 25 per cent could be achieved in next five years.

Investment and Returns

The average return on State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies varied between 0.62 to 1.21 *per cent* in the last five years whereas its average interest outgo was in the range of 6.58 to 7.14 *per cent*.

(Para-1.7.2)

A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability

and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non revenue generating investments through clear and transparent guidelines.

Debt sustainability

During 2011-12, fiscal deficit-GSDP ratio improved marginally compared to previous year indicating decrease in debt-GSDP ratio. The sum of quantum spread and primary deficit also improved marginally and stood at ₹1,741 crore during 2011-12 against ₹1,738 crore in 2010-11 which is a positive sign towards fiscal balances for improving the debt sustainability position of the State.

(Para-1.9)

The State Government may explore the possibility to mobilize additional resources both through tax and non-tax sources by expanding the tax base and rationalizing the user charges. Efforts should also be made to increase tax compliance, reduce tax administration costs, etc., so that deficits are contained. Ensuring that the Government of India releases all grants due to the State by timely action on all conditionalities that are pre-requisite to the release will also increase the total receipts of the State. There is an urgent need to improve collection of tax and non-tax revenue so that recourse to borrowed funds can be reduced. A clear understanding of the maturity profile of debt payments will go a long way in prudent debt management.