

**Chapter - I**  
**Finances of the State Government**



## Chapter I Finances of the State Government

### Profile of Assam

Assam is a Special Category State 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 is home to 2.58 *per cent* population of the Country.

As indicated in *Appendix 1.1 (Part-D)*, the State's population increased from 2,66,55,528 in 2001 to 3,11,69,272 in 2011 recording a decadal growth of 16.93 *per cent*. The percentage of population below the poverty line at 31.9 *per cent* was higher than the all India average of 21.9 *per cent*.

State's Gross Domestic Product (GSDP) at current prices increased from ₹ 2,26,276 crore in 2015-16 to ₹ 2,57,510 crore in 2016-17 (Base year – 2011-12) recording a growth of 13.80 *per cent*. The State's literacy rate increased from 63 *per cent* (as per 2001 census) to 72.2 *per cent* (as per 2011 census) which was marginally lower than all India Average of 73 *per cent*. State's per capita income at current prices also increased from ₹ 60,526 in 2015-16 to ₹ 67,620 in 2016-17. General and financial data relating to the State are given in *Appendix 1.1 (Part-D)*, *Appendix 1.3* and *Appendix 1.5*.

### Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population.

The trends in the annual growth of India's Gross Domestic Product (GDP) and Assam's GSDP at current prices are indicated in **Table 1.1**.

**Table 1.1: Trends in growth of GDP and GSDP**

(₹ in crore)

Year	2012-13	2013-14	2014-15	2015-16	2016-17
India's GDP Base Year (2011-12)	99,44,013	1,12,33,522	1,24,45,128	1,36,82,035	1,51,83,709
Growth rate of GDP over previous year (In per cent)	13.82	12.97	10.79	9.94	10.98
State's GSDP Base Year (2011-12)	1,56,864	1,77,745	1,95,723	2,26,276 (P)	2,57,510 (Q)
Growth rate of GSDP over previous year (In per cent)	9.56	13.31	10.11	15.61	13.80

Source of data: Central Statistics Office (CSO) and Department of Economics and Statistics, Assam

**During 2016-17, the State achieved higher growth rate of GSDP (13.80 per cent) than the projection of Fourteenth Finance Commission (10.88 per cent) and also higher than all India average.**

## 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 2017.

It provides a broad perspective of the finances of the Government of Assam for the year 2016-17 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)*.

### 1.1.1 Summary of Current Year's Fiscal Transactions

**Table 1.2** presents the summary of the State Government's fiscal transactions during the current year (2016-17) *vis-à-vis* the previous year. *Appendix 1.2* provides details of receipts and disbursements as well as overall fiscal position during the current year *vis-à-vis* the previous year.

Table 1.2: Summary of Current Year's Fiscal Operations

(₹ in crore)

Receipts			Disbursements				
2015-16	--	2016-17	2015-16	--	2016-17		
					Non-Plan	Plan	Total
1	2	3	4	5	6	7	8
<b>Section-A: Revenue</b>							
42,457.70	Revenue Receipts	49,219.81	37,011.41	Revenue Expenditure	35,929.09	13,433.63	49,362.72
10,106.50	Tax Revenue	12,079.56	12,656.03	General Services	15,561.75	1,561.44	17,123.19
2,741.57	Non-Tax Revenue	4,353.13	17,740.36	Social Services	14,254.36	8,418.78	22,673.14
16,784.88	Share of Union Taxes/Duties	20,188.64	6,239.86	Economic Services	6,000.41	2,913.62	8,914.03
12,824.75	Grants from Government of India	12,598.48	375.16	Grants-in-Aid/Contributions	112.57	539.79	652.36
<b>Section-B: Capital</b>							
Nil	Miscellaneous Capital Receipts	Nil	2,690.91	Capital Outlay	231.83	5270.25	5,502.08
510.09	Recoveries of Loans and Advances	18.60	260.09	Loans and Advances disbursed	271.06	228.32	499.38
5,497.99	Public Debt Receipts	3,901.71	1,968.90	Repayment of Public Debt	*	*	2,042.63
Nil	Contingency Fund	Nil	Nil	Contingency Fund	Nil	Nil	Nil
15,702.12	Public Account Receipts	19,977.59	15,647.26	Public Account disbursement	*	*	17,015.81
Nil	Closing overdraft from Reserve Bank of India	Nil	Nil	Opening overdraft from Reserve Bank of India	Nil	Nil	Nil
3,467.13	Opening Balance	10,056.46	10,056.46	Closing Balance	*	*	8,751.55
67,635.03	<b>Total</b>	<b>83,174.17</b>	<b>67,635.03</b>	<b>Total</b>	NA	NA	<b>83,174.17</b>

\*Finance Accounts do not contain these figures; NA: Not Applicable

Following were the significant changes during 2016-17 over the previous year:

- Revenue Receipts grew nearly by ₹ 6,763 crore (16 per cent) over the previous year. The increase was contributed by Tax Revenue by ₹ 1,974 crore (29 per cent), Non-Tax Revenue by ₹ 1,612 crore (24 per cent) and State's share Union Taxes and Duties by ₹ 3,404 crore (50 per cent). The increase was however, marginally offset by decrease in Grants-in-Aid from Government of India (GOI) by ₹ 227 crore (three per cent). **The Revenue Receipts at ₹ 49,220 crore was, however, lower by ₹ 16,960 crore than the assessment made in Medium Term Fiscal Plan (MTFP)<sup>1</sup> (₹ 66,180 crore).**

<sup>1</sup> MTFP: 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.

- The increase of ₹ 1,974 crore (20 per cent) in Tax Revenue in 2016-17 as compared to previous year was mainly on account of increase of taxes on Sales, Trade etc., by ₹ 1,258 crore, Taxes on Good and Passengers by ₹ 487 crore and State Excise by ₹ 156 crore. The Tax Revenue as a percentage of GSDP (4.69 per cent) was significantly lower than the assessment of 14th FC (7.56 per cent). It was also lower than the projections made by the State Government in its MTFP (6.96 per cent).
- The significant increase in Non-Tax Revenue in 2016-17 by ₹1,612 crore (59 per cent) over the previous year was mainly on account of increase in receipt of royalties on crude oil from GOI by ₹ 1,393 crore and Interest Receipts by ₹ 176 crore. Actual Non-Tax Revenue at ₹ 4,353 crore during 2016-17 was higher by ₹ 158 crore than the assessment of 14th FC (₹ 4,195 crore).
- The significant increase in receipt of State's share in Union Taxes and Duties by ₹ 3,404 crore (20 per cent) was mainly due to more assignment of net proceeds under Corporation Tax (₹ 1,198 crore), Union Excise Duties (₹ 928 crore), Taxes on Income other than Corporation Tax (₹ 844 crore), Service Tax (₹ 251 crore) and Customs (₹ 95 crore). However, decrease in receipt of Grants-in-Aid from GOI by ₹ 227 crore (two per cent) was mainly due to less allocation of funds for Non-plan Grants.
- Revenue Expenditure increased significantly by ₹ 12,352 crore (33 per cent) over the previous year. While 68 per cent (₹ 8,353 crore) of the increase was under Non-Plan heads, the remaining 32 per cent (₹ 3,999 crore) was under Plan heads.
- The major sectors that registered significant increases include Secretariat-General Services (₹ 1,948 crore), Police (₹ 435 crore) and Interest payment (₹ 346 crore) under General Services, Relief on Account of Natural Calamities (₹ 1,301 crore), Urban Development (₹ 652 crore), Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 556 crore), Water Supply and Sanitation (₹ 323 crore) and Technical Education (₹ 103 crore) under Social Services and Food Storage and Warehousing (₹ 353 crore), Power (₹ 415 crore) and Roads and Bridges (₹ 868 crore) under Economic Services.
- Recoveries of Loans and Advances decreased by ₹ 491 crore (96 per cent) during the year whereas disbursement of Loans and Advances increased by ₹ 239 crore (92 per cent) during the same period.

- The decrease in receipts of Public Debt by ₹ 1,596 crore (29 per cent) and increase in repayment of Public Debt by ₹ 74 crore (four per cent) over the previous year showed improvement in the State's debt management.
- During 2016-17, both Public Account Receipts and Disbursement increased by ₹ 4,276 crore (27 per cent) and ₹ 1,369 crore (nine per cent), respectively over the previous year.
- Total inflow during 2016-17 was ₹ 73,119 crore against ₹ 64,167 crore in 2015-16 while total outflow during 2016-17 was ₹ 74,423 crore as against ₹ 57,578 crore in 2015-16 registering an increase of 14 per cent and 29 per cent respectively (*Appendix 1.3*).

### 1.1.2 Review of the fiscal situation

To support the State Government towards urgent fiscal correction, Thirteenth Finance Commission (13<sup>th</sup> FC) 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 (2011-15). Further, 14<sup>th</sup> FC also kept the target for the Fiscal Deficit-GSDP ratio as three per cent of GSDP only. Moreover, it stated that the State will be eligible for flexibility of 0.25 per cent over three per cent for any given year for which borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 per cent in the preceding year.

For achieving fiscal consolidation, the State enacted Assam Fiscal Responsibility and Budget Management (AFRBM) Act in 2005 and amended subsequently in 2011. As per the amended Act 2011, 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 also envisaged that the State Government would attain the total outstanding debt to GSDP ratio at 28.40 per cent in 2012-13 and maintain the same level in 2013-14. Further, the level of 28.50 per cent had to be maintained in 2014-15 and thereafter.

The performance of the State during 2016-17 in terms of key fiscal targets of the 14<sup>th</sup> FC set for selected variables as laid down in AFRBM (Amendment) Act, 2011 *vis-à-vis* achievements are given in **Table 1.3**.

**Table 1.3: Trends in major fiscal parameters/variables vis-à-vis projections for 2016-17**

Fiscal variables	2016-17			
	Targets as prescribed in AFRBM Act, 2011	Assumptions made in Budget	Projections made in Medium Term Fiscal Plan	Actual
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Eliminate Revenue Deficit by 2011-12 and attain Surplus thereafter.	(+) 3,721	(+) 3,721	(-) 142.91
Fiscal Deficit (-)/ Surplus (+) (In per cent of GSDP)	Three per cent of GSDP by 2010-11 and to maintain the same level thereafter.	2.97	2.97	2.38
Ratio of total outstanding debt of the Government to GSDP (In per cent)	28.50 per cent (In 2016-17)	18.80	17.16	18.54

The above table indicated that the State had achieved two out of three AFRBM targets prescribed in the Act. During 2016-17, Fiscal Deficit as a percentage of GSDP was contained at 2.38 per cent i.e., within three per cent prescribed under the Act. The outstanding liabilities of the State stood at 18.54 per cent at the end of 2016-17 which was also well within the norms (28.50 per cent), prescribed under the Act. However, the State could not maintain Revenue Surplus during the year and had a Revenue Deficit of ₹ 143 crore.

14<sup>th</sup> FC however, recommended the State to maintain Revenue Surplus. Thus, the State should adopt measures to augment the revenue receipts and also to curtail the revenue expenditure to achieve surplus again on revenue account.

### 1.1.3 Budget Estimates and Actual

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. Deviations from the Budget Estimates are indicative of the non-attainment and non-optimization of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government.

**Table 1.4** presents the consolidated picture of State Finances during 2015-16 (Actuals) and 2016-17 (Budget Estimates, Revised Estimates and Actual) whereas **Chart 1.1** shows the picture of Budget Estimates and Actual of different financial parameters for the year 2016-17.

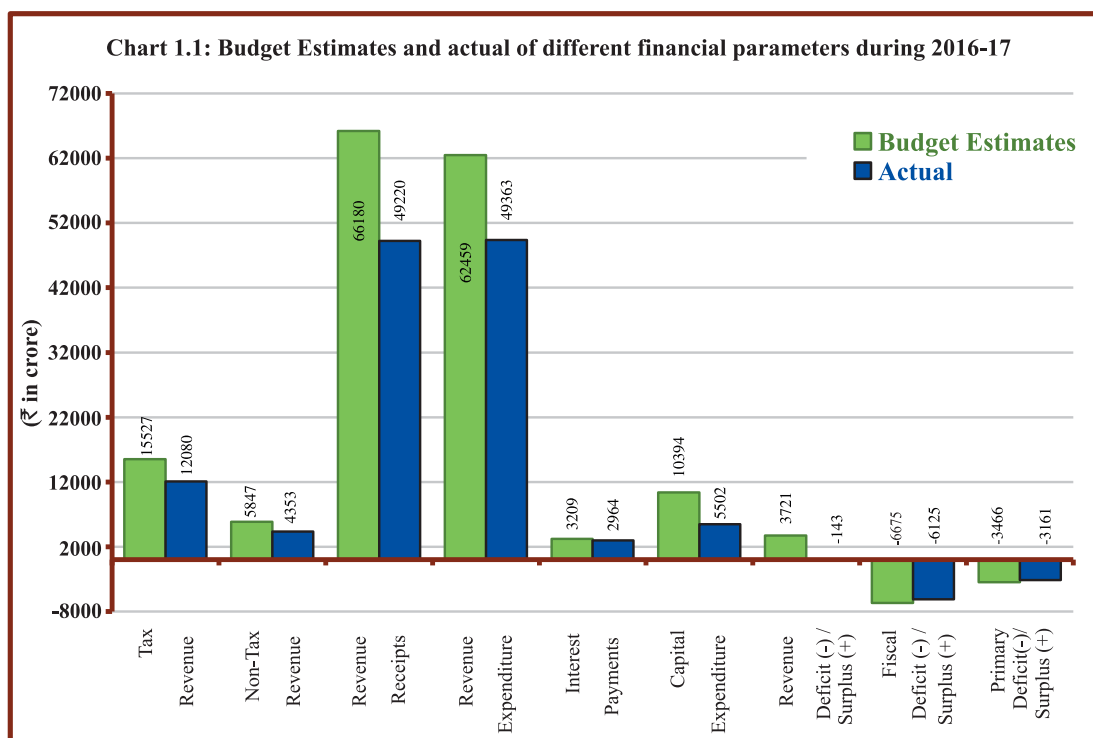


**Table 1.4: Variation in Major items –2016-17 (Actual) over 2015-16 (Budget Estimates, Revised Estimates and Actual)**

(₹ in crore)

Sl. No.	Parameters	2015-16	2016-17			Variation in Actual with respect to Actual of 2015-16 (In per cent)
		Actual	Budget Estimates (BE)	Revised Estimates (RE)	Actual	
1	Tax Revenue	10,106	15,527	12,557	12,080	(+) 19.53
2	Non-Tax Revenue	2,741	5,847	4,513	4,353	(+) 58.81
3	Revenue Receipts	42,457	66,180	59,008	49,220	(+) 15.93
4	Non-Debt Capital Receipts	510	569	558	19	(-) 96.27
5	Revenue Expenditure	37,011	62,459	65,677	49,363	(+) 33.37
6	Interest Payments	2,618	3,209	3,209	2,964	(+) 13.22
7	Capital Expenditure	2,691	10,394	11,936	5,502	(+) 104.46
8	Disbursement of Loans & Advances	260	571	575	499	(+) 91.92
9	Revenue Deficit/Surplus	(+) 5,446	(+) 3,721	(-) 6,669	(-) 143	(-) 102.63
10	Fiscal Deficit/Surplus	(+) 3,005	(-) 6,675	(-) 18,622	(-) 6,125	(-) 303.83
11	Primary Deficit/Surplus	(+) 5,623	(-) 3,466	(-) 15,413	(-) 3,161	(-) 156.22

Source: Annual Financial Statement and Finance Accounts



- During 2016-17, both actual Revenue Receipts and actual Revenue Expenditure fell short of Budget Estimates by 22 per cent and 21 per cent respectively.

- During the current year the Tax Revenue of the State increased by ₹ 1,974 crore (20 per cent) over the previous year. However, the actual collection of Tax Revenue during the year decreased significantly by ₹ 3,447 crore (22 per cent) over the Budget Estimates which indicated that the projection for the Budget Estimates for Tax Revenue was unrealistic.
- Actual collection of Non-Tax Revenue increased by ₹ 1,612 crore (59 per cent) over the previous year. However, it fell short of Budget Estimates by ₹ 1,494 crore (26 per cent).
- Actual Revenue Expenditure increased significantly by ₹ 12,352 crore (33 per cent) during the current year over the previous year. However, it was lower by ₹ 13,096 crore (21 per cent) over the Budget Estimates.
- Actual Capital Expenditure of the State showed significant improvement during the year as it increased by 104 per cent (₹ 2,811 crore) over the previous year. However, it fell short of Budget Estimates by ₹ 4,892 crore (47 per cent).
- Against the estimated Revenue Surplus of ₹ 3,721 crore, the State ended up with the Revenue Deficit of ₹ 143 crore during the current year.
- Actual Fiscal Deficit improved with reference to the assessment made in the Budget during the year as against the estimated Fiscal Deficit of ₹ 6,675 crore, the state achieved the Fiscal Deficit of ₹ 6,125 crore.

**Table 1.4** also indicates that the State showed improvement on all three key fiscal parameters during 2016-17 with respect to Revised Estimates.

#### **1.1.4 Funds transferred to State Implementing Agencies outside the State Budget**

Government of India decided that from 1 April 2014, transfer of funds would be through the Consolidated Fund of the States and not directly to the implementing agencies.

Contrary to this decision, as per Public Management Finance System (PMFS) portal of Controller General of Accounts, GOI transferred ₹ 5,296.01 crore<sup>2</sup> directly to the State Implementing Agencies/Non-Government Organisation of Assam during last three years i.e., 2014-17 for implementation of various schemes/programmes in social and economic sectors critical for the human and social development.

<sup>2</sup> 2014-15: ₹ 1,172.21 crore  
2015-16: ₹ 1,277.60 crore  
2016-17: ₹ 2,846.20 crore  
**Total ₹ 5,296.01 crore**

The State Government had little control over the receipt and utilisation of directly transferred GOI funds as the above funds were not routed through the Consolidated Fund of the State. Further, there was no data available to ascertain as to how much money was actually spent in any particular year on the earmarked schemes/programmes. Thus, such direct transfer was fraught with the risk of misutilisation of funds.

The Accountant General (A&E), Assam intimated (October 2017) the matter of direct transfer of funds to the Finance Department, Government of Assam. The action initiated from State level, if any, had not been communicated (October 2017).

### 1.1.5 Gender Budgeting

Gender Budgeting is a part of the Government of India's Policies and approach towards women. The Government of India, Ministry of Human Resource Development (MHRD) issued (October 2004) instructions and guidelines along with checklist to watch the modalities and performance of the Gender Budgeting which seeks to establish accountability and transparency in policy formulation and decision making. Gender Budget was incorporated in the State Budget as a significant statement highlighting the need to segregate budgetary allocations on the basis of gender under the demands for grants.

Gender Budget of the State (2016-17) disclosed that the expenditure was proposed to be incurred within the overall budget on schemes designed to benefit women under category 'A'<sup>3</sup> and category 'B'<sup>4</sup>. Test-check of records revealed that Gender Budget was prepared in 28 departments during the financial year 2016-17 involving an amount of ₹ 2,321.67 crore with a target to benefit 86.87 lakh women as detailed in *Appendix 1.4*.

Further analysis revealed that a performance report for the year 2015-16 (Allocated amount ₹ 5,103.38 crore against 28 departments) was required to be incorporated in the Gender Budget of 2016-17 to ascertain the effectiveness of the schemes targeted to benefit women. It was, however, noticed that no such report was incorporated in the Gender Budget of 2016-17.

On this being pointed out, Finance Department, GOA stated (August 2017) that the expenditure was incurred by the respective departments only and there was no monitoring cell in the Department to analyse the impact of Gender Budget.

Thus, in the absence of any performance reports/records including the actual expenditure incurred, the effectiveness of the schemes targeted to extend benefit to women under Gender Budgeting could not be ascertained in audit. Thus, the

<sup>3</sup> Budgetary allocations for schemes designed to benefit women to the extent of 100 per cent of allocation.

<sup>4</sup> Budgetary allocations for schemes designed to benefit women to the extent of 30 per cent of allocation.

Finance Department should insist upon the respective Departments to submit performance report of previous year along with the proposal for Gender Budget of current year.

## 1.2 Resources of the State

### 1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and Capital are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, State's share of Union Taxes and Duties and Grants-in-Aid from 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 GOI. Besides, the funds available in the Public Accounts after disbursement are also utilised by the Government to finance its Deficit. The components and sub-components of resources have been shown in Chart 1.2.

Chart 1.2: Components and sub-components of Resources

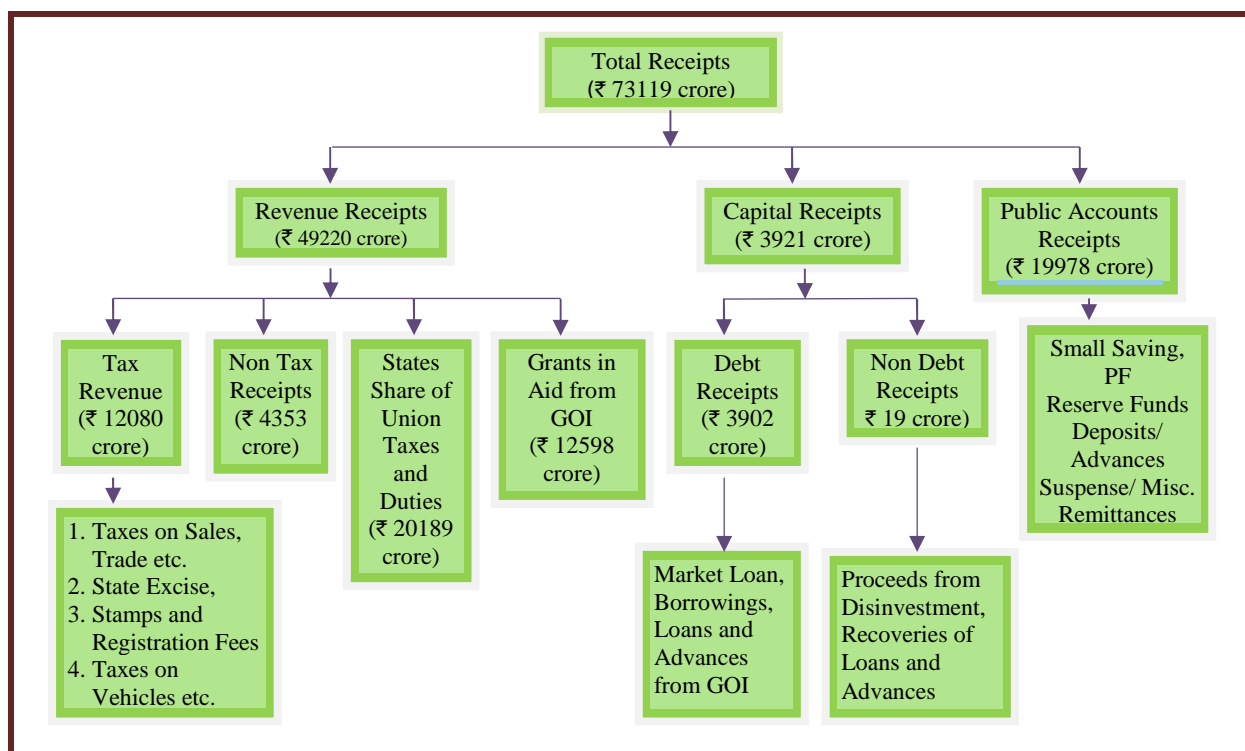
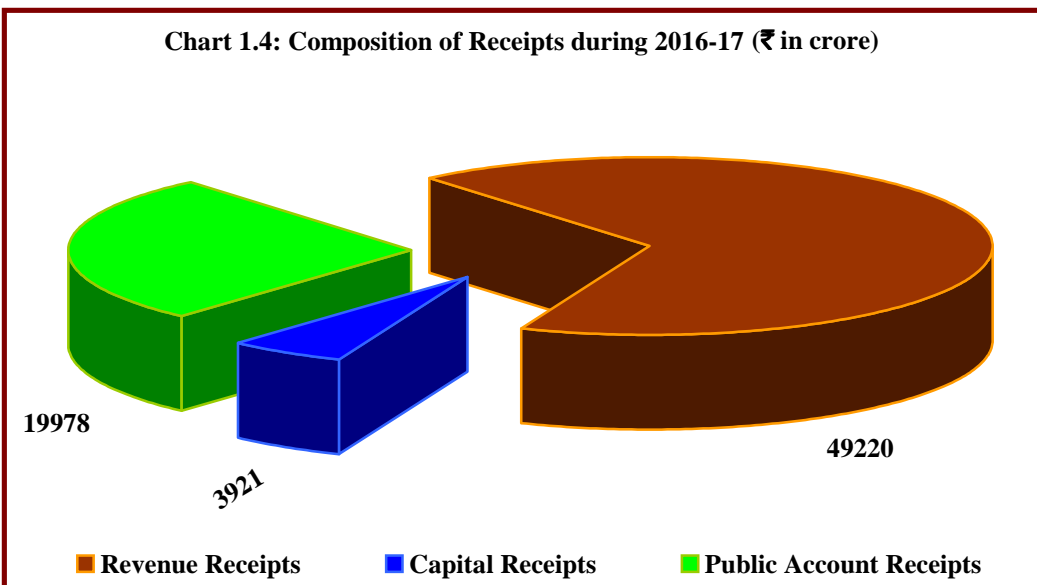
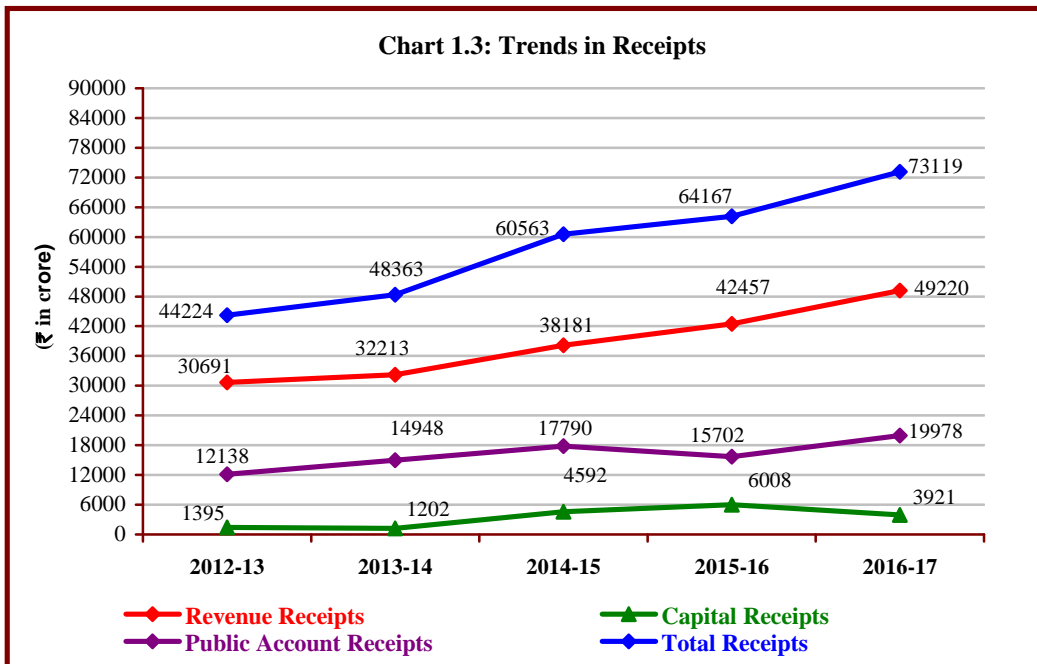


Table-1.2 presents the receipts and disbursements of the State during the current year *vis-a-vis* the previous year as recorded in its Annual Finance Accounts. Chart 1.3 depicts the trends in various components of the receipts of the State during 2012-17 and Chart 1.4 depicts the composition of resources of the State during the current year.



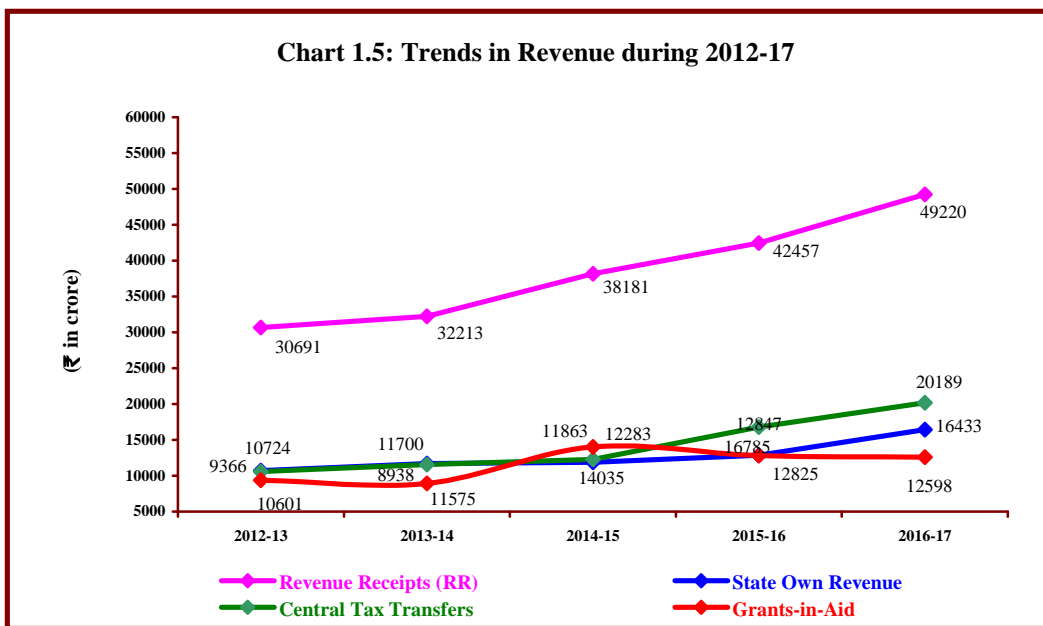
The total receipts of the State Government for 2016-17 was ₹ 73,119 crore of which ₹ 49,220 crore (67 per cent) came from Revenue Receipts. Balance ₹ 23,899 crore (33 per cent) came from Borrowings, Public Account and recoveries of Loans and Advances. The total receipts of the State increased by 65 per cent from ₹ 44,224 crore in 2012-13 to ₹ 73,119 crore in 2016-17. The share of Revenue Receipts in total receipts of the State decreased by two per cent from 69 per cent in 2012-13 to 67 per cent in 2016-17. On the other hand, share of other receipts i.e., Capital Receipts and Public Account Receipts ranged between 31 and 37 per cent of the total receipts during 2012-17.

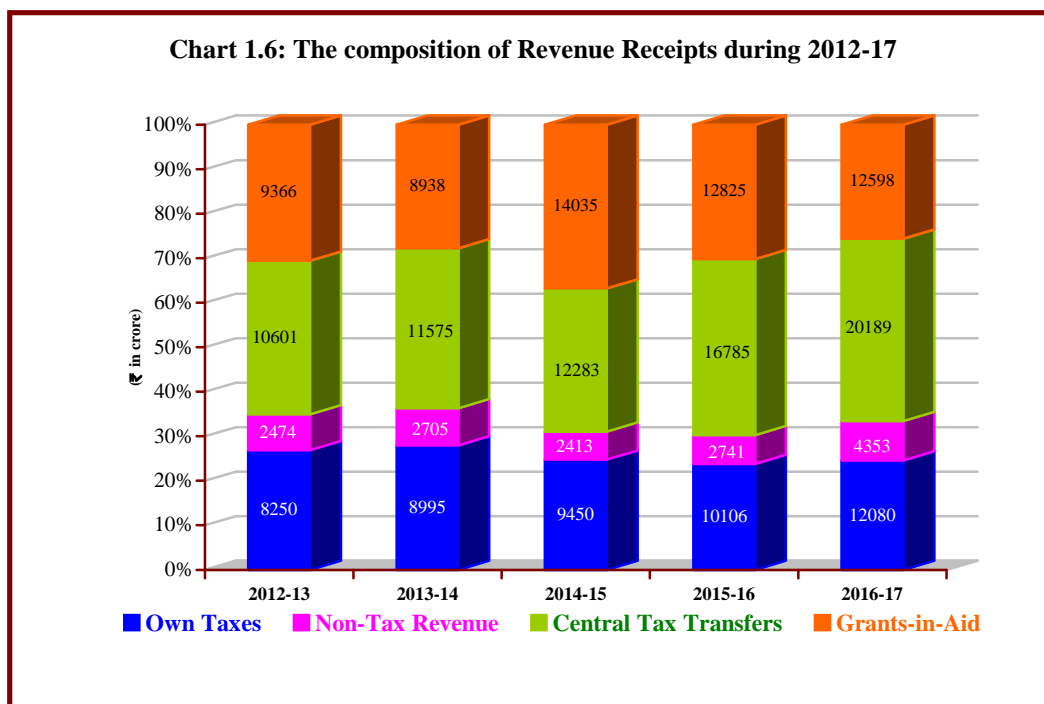
Revenue Receipts increased by 60 per cent from ₹ 30,691 crore in 2012-13 to ₹ 49,220 crore in 2016-17. Debt Capital Receipts (a component of Capital Receipts) which create future repayment obligation varied from two to nine per cent of total receipts during the period 2012-17 and decreased by ₹ 1,596 crore (29 per cent) from ₹ 5,498 crore in 2015-16 to ₹ 3,902 crore in 2016-17.

Public Account Receipts refer to those receipts for which the Government acts as a banker/trustee. It increased steadily from ₹ 12,138 crore (27 per cent of total receipts) in 2012-13 to ₹ 19,978 crore (27 per cent of total receipts) in 2016-17.

### 1.3 Revenue Receipts

Statement-14 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts consist of the State's own Tax and Non-Tax Revenues, Central Tax Transfers and Grants-in-Aid from GOI. The trends and composition of Revenue Receipts over the period 2012-17 are presented in *Appendix 1.3* and also depicted in **Charts 1.5** and **1.6** respectively.





### General Trends:

- The Revenue Receipts of the State increased by 60.37 per cent from ₹ 30,691 crore in 2012-13 to ₹ 49,220 crore in 2016-17 at an annual average rate of 12.07 per cent. During 2016-17, Revenue Receipts grew nearly by ₹ 6,763 crore (16 per cent) over the previous year.
- **About 33 per cent of the Revenue Receipts during 2016-17 came from State's own resources while Central Tax Transfers and Grants-in-Aid together contributed 67 per cent. This was indicative of the fact that the Government of Assam's fiscal position is largely influenced by the Tax Transfers and Grants-in-Aid from GOI.**
- During the current year, increase of ₹ 6,763 crore (15.93 per cent) in Revenue Receipts did not keep pace with the increase of ₹ 12,352 crore (33.37 per cent) in Revenue Expenditure.
- Tax Revenue constituted 24.54 per cent of the total Revenue Receipts and increased by ₹ 1,974 crore during 2016-17 recording a growth rate of 19.53 per cent over the previous year. The percentage of Tax Revenue to total Revenue Receipts showed stability and remained in the range of 24 per cent to 28 per cent during 2012-17.
- Non-Tax Revenue constituted 8.84 per cent of the total Revenue Receipts and increased by ₹ 1,612 crore over the previous year. Non-Tax Revenue as a percentage of Revenue Receipts ranged between six and nine per cent during 2012-17.

The trends in Revenue Receipts relating to GSDP are presented in Table 1.5.

**Table 1.5: Trends in Revenue Receipts relative to GSDP**

Parameters	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue Receipts (RR) (₹ in crore)	30,691	32,213	38,181	42,457	49,220
Rate of growth of RR ( <i>per cent</i> )	11.79	4.96	18.53	11.20	15.93
Rate of growth of Own Taxes (Tax and Non-tax Revenue) ( <i>per cent</i> )	8.01	9.03	5.06	8.30	27.91
RR/GSDP ( <i>per cent</i> )	19.57	18.12	19.51	18.76	19.11
<b>Buoyancy Ratios<sup>5</sup></b>					
Revenue Buoyancy w.r.t GSDP	1.23	0.37	1.83	0.72	1.15
State's Own Tax Buoyancy w.r.t GSDP	0.84	0.68	0.50	0.53	2.02
Gross State Domestic Product (₹ in crore) (Base year 2011-12)	1,56,864	1,77,745	1,95,723	2,26,276 (P)	2,57,510 (Q)
Rate of growth of GSDP ( <i>per cent</i> )	9.56	13.31	10.11	15.61	13.80

Source of GSDP figures: Directorate of Economics and Statistics, Assam

The GSDP at current prices (Base year 2011-12) increased from ₹ 2,26,276 crore in 2015-16 to ₹ 2,57,510 crore in 2016-17 representing an increase of 13.80 *per cent*. Ideally growth rate of revenue should be higher than the growth of GSDP so that over a period of time the Budget can be better balanced. If the State's own taxes are buoyant, then the Government would be in a better position to plan expenditure and to improve welfare of the people. During the current year, the State achieved this ideal situation as the growth in Revenue Receipts (15.93 *per cent*) was more than that of GSDP (13.80 *per cent*). As a result, revenue buoyancy with respect to GSDP increased significantly from 0.72 in 2015-16 to 1.15 in 2016-17. State's own tax buoyancy with reference to GSDP showed a remarkable positive sign as it had increased from 0.53 in 2015-16 to 2.02 in 2016-17.

### 1.3.1 State's Own Resources

State's share in Central Taxes and Grants-in-Aid are determined on the basis of recommendations of the Finance Commission, collection of Central Taxes Receipts and Central Assistance for plan schemes etc. Moreover, 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 2012-17 are presented in **Appendix 1.3**.

<sup>5</sup> 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 with respect to GSDP at 1.15 implies that Revenue Receipts tend to increase by 1.15 percentage points, if the GSDP increases by one *per cent*.



The State's actual Tax and Non-Tax Revenue for the year 2016-17 *vis-à-vis* assessment made by 14<sup>th</sup> FC and Medium Term Fiscal Plan (MTFP) are given in the **Table 1.6**.

**Table 1.6: State's own Tax Revenue *vis-à-vis* projections during 2016-17**

Parameters	14 <sup>th</sup> FC projections	Budget Estimates	MTFP projection	(₹ in crore)
				Actual
Tax Revenue	15,351	15,527	15,634	12,080
Non-Tax Revenue	4,195	5,847	5,847	4,353

The Tax Revenue of the State in 2016-17 fell short of the assessment of 14<sup>th</sup> FC by ₹ 3,271 crore. It also fell short of Budget Estimates and MTFP projection by ₹ 3,447 crore and ₹ 3,554 crore respectively during the year.

The Non-Tax Revenue of the Government was more than the assessment of 14<sup>th</sup> FC by ₹ 158 crore. However, it fell short of Budget Estimates and projection of the State Government in its MTFP by ₹ 1,494 crore in each case.

### 1.3.1.1 Tax Revenue

Gross collection in respect of Tax Revenue for the years 2012-17 is given component-wise in **Table 1.7**.

**Table 1.7: Tax Revenue for the years 2012-17**

Heads	2012-13	2013-14	2014-15	2015-16	(₹ in crore)	
					2016-17	
					Budget Estimates	Actual
Taxes on Sales, Trade, etc.	6,223	6,848	7,351	7,494	11,583	8,752
State Excise	568	610	665	808	1,300	964
Taxes on Vehicle	328	351	365	443	578	522
Stamps and Registration Fees	252	252	189	225	479	227
Land Revenue	146	156	142	229	396	210
Other Taxes <sup>6</sup>	733	778	738	907	1,191	1,405
<b>Total</b>	<b>8,250</b>	<b>8,995</b>	<b>9,450</b>	<b>10,106</b>	<b>15,527</b>	<b>12,080</b>

Source: Annual Financial Statement & Finance Accounts

The Tax Revenue of the State increased from ₹ 8,250 crore in 2012-13 to ₹ 12,080 crore in 2016-17 at an annual average rate of 9.28 *per cent*. During the

<sup>6</sup> Other Taxes include taxes on agricultural income, taxes on professions, trades, callings and employment, taxes on goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services.

current year, the maximum share of Tax Revenue was contributed by Taxes on Sales, Trade etc., (72.45 per cent).

### 1.3.1.2 Non-Tax Revenue

Gross collection in respect of Non-Tax Revenue for the years 2012-17 is given component-wise in **Table 1.8**.

**Table 1.8: Non-Tax Revenue for the years 2012-17**

Heads	2012-13	2013-14	2014-15	2015-16	2016-17	
					Budget Estimates	Actual
Interest receipts, dividends and profits	522	431	330	369	447	600
General Services	102	191	388	416	521	281
Social Services	31	30	29	75	39	44
Economic Services	1,819	2,053	1,666	1,881	4,840	3,428
<b>Total</b>	<b>2,474</b>	<b>2,705</b>	<b>2,413</b>	<b>2,741</b>	<b>5,847</b>	<b>4,353</b>

Source: Annual Financial Statement & Finance Accounts.

The Non-Tax Revenue, which ranged between six and nine per cent of total Revenue Receipts of the State during the last five years increased by ₹ 1,612 crore (59 per cent) in 2016-17 over the previous year.

During the current year, major contributors of Non-Tax Revenue were arrears of royalties on crude oil received from GOI (₹ 3,065 crore) under Petroleum, Interest Receipts (₹ 475 crore), Forestry and Wildlife (₹ 216 crore) and Other Administrative Services (₹ 210 crore).

### 1.3.1.3 Major increase/decrease in current year's Own Revenue

**Table 1.9** details some significant increase/decrease occurred in current year's own revenue as well as the reason behind such increase/decrease.

**Table 1.9: Major increase/decrease in current year's Own Revenue**

Sl No.	Major Heads of Accounts	Increase (₹ in crore)	Main Reasons
1	0039-State Excise	155.85	Due to increase in collection of taxes under Foreign Liquors and Spirits, Country Spirits and also increase in other miscellaneous receipts.
2	0040-Taxes on Sales, Trade etc	1257.91	Due to increase in collection of Trade Tax and collection of receipts under State Sales Tax Act.
3	0042-Taxes on Goods and Passengers	486.69	Due to increase in collection of taxes on Entry of Goods into Local Areas.

4	0049-Interest Receipts	176.60	Due to increase in interest realized on Investment of Cash Balances.
5	0802-Petroleum	1429.94	Due to increase in receipts of royalties of oil and receipts under the Petroleum Act.
<b>Sl No.</b>	<b>Major Heads of Accounts</b>	<b>Decrease (₹ in crore)</b>	<b>Main Reasons</b>
6	0070-Other Administrative Services	118.70	Due to significant decline in other miscellaneous receipts.
7	0235-Social Security and Welfare	21.24	Due to decline in collection of other miscellaneous receipts.

### 1.3.2 Grants-in-Aid from Government of India

The details of Grants-in-Aid received from GOI during 2012-17 are given in **Table 1.10**.

**Table 1.10: Grants-in-Aid from GOI**

Head	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Plan Grants	1,422	681	1,491	3,330	2,154
Grants for State Plan Schemes	5,996	6,059	12,376	8,737	9,111
Grants for Central Plan Schemes	46	30	19	572	979
Grants for Centrally Sponsored Schemes	1,860	2,103	17	15	207
Grants for Special Plan Schemes	42	65	132	171	147
<b>Total</b>	<b>9,366</b>	<b>8,938</b>	<b>14,035</b>	<b>12,825</b>	<b>12,598</b>
Percentage of increase over previous year	22.16	(-) 4.57	57.03	(-) 8.62	(-) 1.77
Percentage of Revenue Receipts	31	28	37	30	26

Grants-in-Aid from GOI decreased by ₹ 227 crore (two per cent) from ₹ 12,825 crore in 2015-16 to ₹ 12,598 crore in 2016-17. Grants for State Plan, Central Plan, Central Sponsored Schemes increased by ₹ 374 crore (four per cent), ₹ 407 crore (71 per cent) and ₹ 192 crore (1,280 per cent) respectively. But Special Plan Schemes decreased by ₹ 24 crore (14 per cent) during the year. Non-Plan Grants also decreased significantly by ₹ 1,176 crore (35 per cent) from ₹ 3,330 crore in 2015-16 to ₹ 2,154 crore in 2016-17.

The significant increase in Centrally Sponsored Schemes was mainly due to increase in grants for Mission for one Hundred Smart Cities (₹ 187 crore).

The Non-Plan grants (₹ 2,154 crore) to the State constituted 17 per cent of the total grants during the year. GOI provided ₹ 1,294 crore (60 per cent) of Non-

Plan grants under the proviso to Article 275 (1) of the Constitution to cover deficit on Revenue Account as well as grants to Local Bodies. Grants to cover deficit on Revenue Account decreased significantly by ₹ 1,003 crore (46 per cent) from ₹ 2,191 crore in 2015-16 to ₹ 1,188 crore in 2016-17. Grant-in-aid to Local Bodies also decreased by ₹ 233 crore (69 per cent) from ₹ 339 crore in 2015-16 to ₹ 106 crore in 2016-17.

Other components of non-plan grants were (i) grants towards contribution to State Disaster Response Fund (SDRF) (₹ 435 crore), (ii) grants for compensation for loss of revenue on account of CST/VAT (₹ 116 crore) and (iii) grants for Security Related Expenditure (₹ 127 crore), and (iv) grants for inter-State movement and handling of food grains (₹ 174 crore).

### 1.3.2.1 Fourteenth Finance Commission Grants

14<sup>th</sup> FC recommended grants to be given to the States in respect of some sectors. Accordingly, GOI released grants of ₹ 945.10 crore to Assam during 2016-17. Table 1.11 compares the extent of grants which was given to the State by GOI during 2015-16 and 2016-17.

**Table 1.11: Sector-wise position of Grants-in-Aid released by GOI as per recommendation of the 14<sup>th</sup> Finance Commission**

Sl No.	Sectors	2015-16				2016-17				Increase/Decrease
		PRIs	ULBs	Others	Total	PRIs	ULBs	Others	Total	
1	General Basic Grants	584.80	82.57	Nil	667.37	404.88	Nil	Nil	404.88	(-) 262.49
2	General Performance Grants	Nil	Nil	Nil	Nil	106.22	Nil	Nil	106.22	106.22
3	State Disaster Response Fund (SDRF)	NA	NA	414.00	414.00	NA	NA	434.00	434.00	20.00
	<b>Total</b>	<b>584.80</b>	<b>82.57</b>	<b>414.00</b>	<b>1081.37</b>	<b>511.10</b>	<b>Nil</b>	<b>434.00</b>	<b>945.10</b>	<b>(-) 136.27</b>

Source of data: Finance (Economic Affairs) Department, GOA; NA: Not Applicable

It could be seen from the above table that total grants to the State had reduced by ₹ 136.27 crore during 2016-17 as compared to the previous year.

### 1.3.3 Central Tax transfer

Central Tax transfers increased significantly by ₹ 3,404 crore from ₹ 16,785 crore in 2015-16 to ₹ 20,189 crore in 2016-17 and constituted 41 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 Union Taxes recommended by the 14<sup>th</sup> FC.

The increase in Central Tax Transfer by ₹ 3,404 crore (20 per cent) was mainly due to increase in Corporation Tax (₹ 1,198 crore), Union Excise Duties (₹ 929 crore), Taxes on income other than Corporation Tax (₹ 844 crore), Service Tax (₹ 251 crore) and Customs (₹ 95 crore).

### 1.3.4 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<sup>7</sup> and services of three selected Socio-Economic Services by Government are depicted in **Table 1.12**.

**Table 1.12: Cost recovery: 2016-17**

Parameters	(₹ in crore)		
	Non-Tax Revenue Receipts	Non-Plan Revenue Expenditure	Cost Recovery (per cent)
Water Supply & Sanitation	1.10	924.59	0.12
Roads & Bridges	41.10	2,073.08	1.98
Minor Irrigation	0.33	373.96	0.09

**Table 1.12** reveals that during 2016-17, the cost recovery for Water Supply & Sanitation under Social Services was 0.12 and the same for Roads and Bridges and Minor Irrigation were 1.98 per cent and 0.09 per cent respectively. Cost recovery from Social Services is expected to be lower than that of Economic Services. But above table showed that compared to 2012-13<sup>8</sup>, the cost recovery had reduced in Roads and Bridges under Economic Services and Water Supply & Sanitation under Social Services whereas no increase was recorded in Minor Irrigation under Economic Services in 2016-17. Incremental increase in user charges would facilitate sustainable provision of these Services over a period of time.

## 1.4 Capital Receipts

The following table shows the trends in growth and composition of Capital Receipts.

**Table 1.13: Trends in growth and composition of Capital Receipts**

Sources of State's Receipts	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Receipts	1,395	1,202	4,592	6,008	3,921
Miscellaneous Capital Receipts	Nil	Nil	Nil	Nil	Nil
Recovery of Loans and Advances	7	6	10	510	19
Public Debt Receipts	1,388	1,196	4,582	5,498	3,902
Rate of growth of Debt Capital	45.80	(-) 13.83	283.11	19.99	(-) 29.03

<sup>7</sup> Merit goods are commodities that the public sector provides free or at subsidised 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.

<sup>8</sup> Water Supply & Sanitation: 0.14 per cent; Roads & Bridges: 8.17 per cent and Minor Irrigation: 0.09 per cent.

Receipts					
Rate of growth of Non-Debt Capital Receipts	(-) 66.67	(-) 14.29	66.67	5000.00	(-) 96.27
Rate of growth of GSDP	9.56	13.31	10.11	15.61	13.80
Rate of growth of Capital Receipts (per cent)	(+) 43.37	(-) 13.84	(+) 282.03	(+) 30.84	(-) 34.74

Capital Receipts increased by more than 181 per cent from ₹ 1,395 crore in 2012-13 to ₹ 3,921 crore in 2016-17. However, during the current year the Capital Receipts reduced by ₹ 2,087 crore (35 per cent) over the previous year. Public Debt Receipts which create future repayment obligation varied between two and nine per cent of total receipts during the period 2012-17. It decreased considerably by ₹ 1,596 crore (29 per cent) from ₹ 5,498 crore in 2015-16 to ₹ 3,902 crore in 2016-17.

During the current year, rate of growth of both Debt and Non-Debt Capital Receipts became negative and stood at (-) 29.03 per cent and (-) 96.27 per cent respectively.

The shortfall in Capital Receipts (₹ 2,087 crore) was mainly due to less Internal Debt of the Government comprising of Market Loan, Loans from Financial Institutions etc., (₹ 1,603 crore) and Recovery of Loans and Advances (₹ 491 crore), partly offset by receipt of more fund under Loans and Advances from the Central Government (₹ seven crore).

## 1.5 Public Account Receipts

Receipts and Disbursements in respect of certain transactions such as small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements during the year is the fund available with the government for use. The trends in growth and composition of Public Account Balances are given in Table 1.14.

**Table 1.14: Trends in growth and composition of Public Account Balances**

	(₹ in crore)				
Resources under various Heads	2012-13	2013-14	2014-15	2015-16	2016-17
Public Account Balances	1,229.55	1,671.44	1,413.44	(-) 191.93	4,861.96
a. Small Savings, Provident Fund etc.	807.52	837.17	890.13	860.14	796.46
b. Reserve Fund	201.08	543.44	818.51	230.02	1240.52
c. Deposits and Advances	413.21	157.47	(-) 233.54	(-) 1,005.83	345.65
d. Suspense and Miscellaneous	(-) 156.99	123.04	(-) 91.92	(-) 228.60	2551.67
e. Remittances	(-) 35.27	10.32	30.26	(-) 47.66	(-) 72.34

Public Account Balances of the Government increased significantly from ₹ 1,229.55 crore in 2012-13 to ₹ 4,861.96 crore in 2016-17 at an annual average rate of 59.09 per cent. During the current year, the balances increased by ₹ 5,053.89 crore as compared to previous year.

## 1.6 Application of Resources

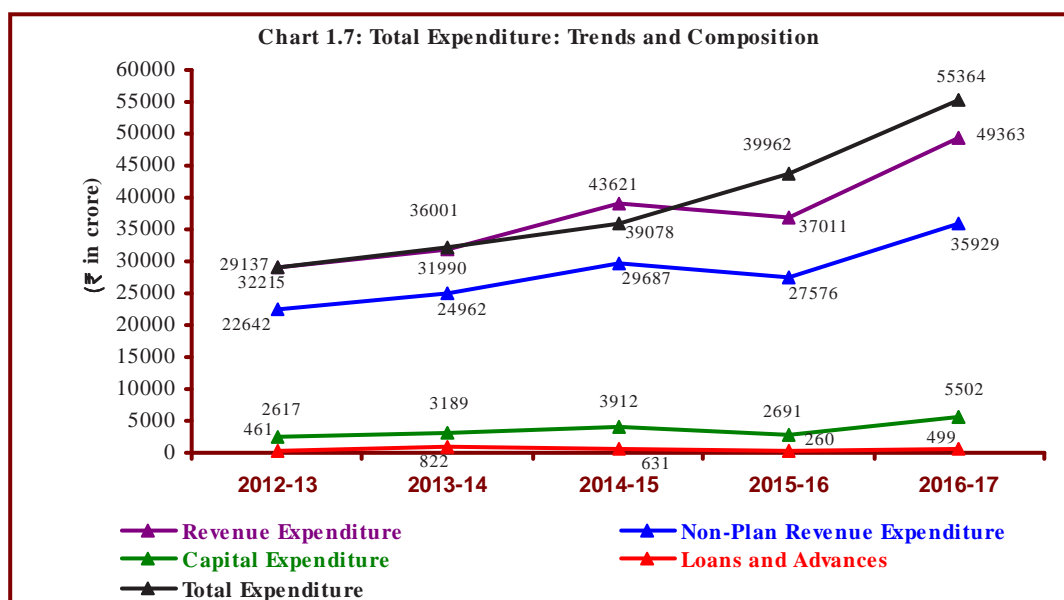
### 1.6.1 Growth and composition of expenditure

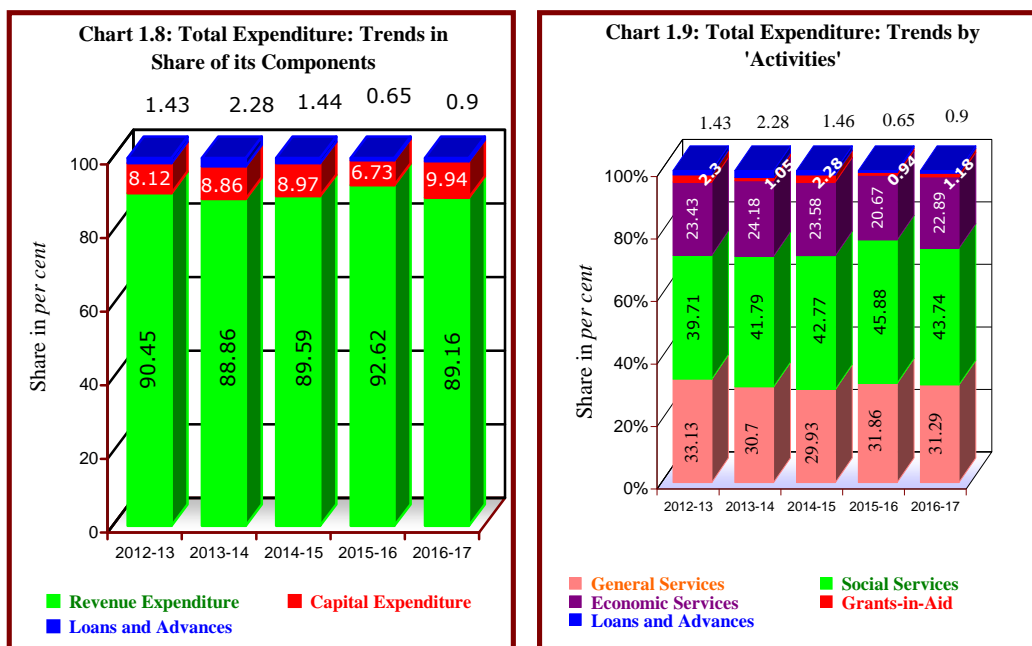
The total expenditure and its composition during the years 2012-13 to 2016-17 are presented in **Table 1.15** as well as in *Appendix 1.3*.

**Table 1.15: Total expenditure and its compositions**

Parameters	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Total Expenditure</b>	<b>32,215</b>	<b>36,001</b>	<b>43,621</b>	<b>39,962</b>	<b>55,364</b>
Revenue Expenditure	29,137	31,990	39,078	37,011	49,363
Of which, Non-Plan Revenue Expenditure	22,642	24,962	29,687	27,576	35,929
Capital Expenditure	2,617	3,189	3,912	2,691	5,502
Loans and Advances	461	822	631	260	499

**Chart 1.7** presents the trends in total expenditure over a period of five years (2012-17). Composition of total expenditure both in terms of 'economic classification' and 'expenditure by activities' is depicted in **Charts 1.8** and **1.9** respectively.





The total expenditure of the State increased by 90 per cent from ₹ 29,137 crore in 2012-13 to ₹ 55,364 crore in 2016-17. 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 1.16.

**Table 1.16: Total expenditure – basic parameters**

Parameters	2012-13	2013-14	2014-15	2015-16	2016-17
Total Expenditure (TE) (₹ in crore)	32,215	36,001	43,621	39,962	55,364
Rate of growth (per cent)	10.62	11.75	21.17	(-) 8.39	38.54
TE/GSDP ratio (per cent)	20.54	20.25	22.29	17.66	21.50
RR/TE ratio (per cent)	95.27	89.48	87.53	106.24	88.90
Rate of Growth of GSDP	9.56	13.31	10.11	15.61	13.80
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	1.11	0.88	2.09	(-) 0.54	2.79
RR (ratio)	0.90	2.37	1.14	(-) 0.82	2.42

The increase of ₹ 15,402 crore (38.54 per cent) in total expenditure in 2016-17 was due to increase of ₹ 12,352 crore in Revenue Expenditure, ₹ 2,811 crore in Capital Expenditure and ₹ 239 crore in disbursement of Loans and Advances.

**The components of Services of Revenue Expenditure which recorded increase were mainly as under:**

**(A) General Services:**

- **Secretariat-General Services (₹ 1,948 crore)** - The increase was mainly due to fresh expenditure under (i) Mega Mission for Samagra Gramya Unnayan



Yojana, (ii) One time ex-gratia payment under implementation of Assam Accord and (iii) increase in expenditure under development of Infrastructure for trade and Commerce.

- **Police (₹ 435 crore)** – The increase was mainly due to increase in expenditure towards Special Police and District Police.
- **Interest Payment (₹ 346 crore)** – The increase was mainly due to increase in interest payment on Market Loans as well as Special Securities.

**(B) Social Services:**

- **Relief on Account of Natural Calamities (₹ 1,301 crore)** – The increase was mainly due to increase in expenditure under (i) Rehabilitation Grants (Flood & Cyclone), (ii) Gratuitous Relief (Flood) and (iii) repairs and restoration of damaged Roads and Bridges due to floods.
- **Urban Development (₹ 652 crore)** – The increase was mainly due to fresh expenditure under (i) Smart City Mission, (ii) Atal Mission for Rejuvenation & Urban Transformation, (iii) Housing for All under Pradhan Mantri Awas Yojana, (iv) General Basic Grants to the Municipalities under Swatchh Bharat Abhijan etc.
- **Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities (₹ 556 crore)** - The increase was mainly due to increase in Assistance to Autonomous Councils, fresh expenditure under (i) Scholarship for SC students, (ii) Special Central Assistance for TSP, (iii) Restoration of damage of Infrastructure in BTC Riot Affected Areas in 2012-13.
- **Water Supply and Sanitation (₹ 323 crore)** – The increase was mainly due to fresh expenditure under Rural Water Supply scheme and also placement of significant funds under the Miscellaneous Works Advances.
- **Technical Education (₹ 103 crore)** – The increase was mainly due to fresh Grants-in-Aid released for (i) Engineering Colleges and establishment of 21 new polytechnic colleges and (ii) significant increase in expenditure under Direction and Administration.

**(C) Economic Services:**

- **Roads and Bridges (₹ 868 crore)** – The increase was mainly due to increase in expenditure under (i) maintenance expenditure by ASRB under PMGSY, (ii) Road works of State Highways under Award of 13<sup>th</sup> FC and (iii) settlement of court cases recoveries etc.
- **Power (₹ 415 crore)** - The increase was mainly due to fresh expenditure under (i) Operational funding requirement (ii) Targeted subsidy to APDCL, (iii) Contribution to pension of ASEB etc.

- **Food Storage and Warehousing (₹ 353 crore)** – The increase was mainly due to increase in expenditure under National Food Security Scheme and fresh expenditure under implementation of computerization of TPDS Project and distribution of Rice through Antyodaya Anna Yojana.

**(D) Grants-in-Aid and Contribution:**

- **Compensation & Assignment to Local Bodies & Panchayati Raj Institutions (₹ 294 crore)** - The increase in expenditure was mainly due to increase in expenditure towards compensation and assignment to PRIs and ULBs as per recommendation by State Finance Commission and special assistance to the Councils under Sixth Schedule Areas.

**The significant increase in Capital expenditure** by 104.46 *per cent* (₹ 2,811 crore) during 2016-17 was mainly due to increase in expenditure on Capital Outlay on Roads and Bridges by ₹ 958 crore, Capital Outlay on Water Supply and Sanitation by ₹ 641 crore, Capital Outlay on Power Projects by ₹ 353 crore and Capital outlay on Flood Control Projects by ₹ 282 crore.

The pattern of total expenditure in the form of plan and non-plan expenditure during 2016-17 revealed that non-plan expenditure contributed dominant share of 66 *per cent* while the plan expenditure was 34 *per cent*.

Total expenditure exhibited positive growth during the current year as it increased from (-) 9.17 *per cent* in 2015-16 to 38.54 *per cent* in 2016-17. The decrease in ratio of Revenue Receipts to total expenditure from 106.24 *per cent* in 2015-16 to 88.90 *per cent* in 2016-17 was mainly the result of decrease of ₹ 227 crore in Grants-in-Aid from Government of India. The buoyancy of total expenditure with reference to GSDP turned positive and stood at 2.79 during 2016-17. It was due to significant increase in the rate of growth of total expenditure as compared to increase in the rate of growth of GSDP. Similarly, the buoyancy ratio of total expenditure to Revenue Receipts at 2.42 in 2016-17 indicated increase in the expenditure at a pace greater than that of receipts.

### **1.6.2 Trend in total expenditure in terms of activities**

In terms of activities, total expenditure is composed of expenditure on General Services including Interest Payments, Social and Economic Services, Grants-in-Aid and Loans and Advances. Relative share of these components in the total expenditure of ₹ 55,364 crore during 2016-17 (refer **Chart 1.7** and **Appendix 1.3**) are indicated in **Table 1.17**.

**Table 1.17: Components of expenditure – relative share**

Parameters	(In per cent)				
	2012-13	2013-14	2014-15	2015-16	2016-17
General Services	33.13	30.70	29.93	31.86	31.29
<i>Of which, Interest Payments</i>	6.56	6.11	5.35	6.55	5.35
Social Services	39.71	41.79	42.77	45.88	43.74
Economic Services	23.43	24.18	23.58	20.67	22.89
Grants-in-Aid	2.30	1.05	2.28	0.94	1.18
Loans and Advances	1.43	2.28	1.46	0.65	0.90

The relative share of the above components of expenditure indicated that the share of Economic Services, Grants-in-Aid and Loans and Advances in the total expenditure increased during 2016-17 over the previous year. These increases were, however, set off by decreases in the respective share of General and Social Services.

The expenditure on General Services, which are considered as non-developmental, decreased marginally from 31.86 *per cent* in 2015-16 to 31.29 *per cent* in 2016-17. On the other hand, Developmental Expenditure *i.e.*, expenditure on Social and Economic Services together accounted for 66.63 *per cent* in 2016-17 which was approximately equivalent to 66.55 *per cent* in 2015-16.

This was indicative of the fact that there was marginal decrease in Non-Developmental Expenditure, however, the Developmental Expenditure remained constant in the current year as compared to previous year.

### 1.6.3 Revenue Expenditure

Revenue Expenditure is a component of 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 90 *per cent* in the total expenditure during the period 2012-17. 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 1.18**.

**Table 1.18: Revenue Expenditure – basic parameters**

Parameters	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Total Expenditure (TE)	32,215	36,001	43,621	39,962	55,364
Revenue Expenditure (RE), of which	29,137	31,990	39,078	37,011	49,363
<i>Non-Plan Revenue Expenditure (NPRE)</i>	22,642	24,962	29,687	27,576	35,929
<i>Plan Revenue Expenditure (PRE)</i>	6,495	7,028	9,391	9,435	13,434

Rate of Growth of					
RE (per cent)	9.83	9.79	22.16	-5.29	33.37
NPRE (per cent)	12.98	10.25	18.93	-7.11	30.29
PRE (per cent)	0.12	8.21	33.62	0.47	42.38
Revenue Expenditure as percentage to TE	90.45	88.86	89.59	92.62	89.16
NPRE/GSDP (per cent)	14.43	14.04	15.17	12.19	13.95
NPRE as percentage of TE	70.28	69.34	68.06	69.01	64.90
NPRE as percentage of RR	73.77	77.49	77.75	64.95	73.00
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	1.03	0.74	2.19	-0.34	2.42
Revenue Receipts (ratio)	0.83	1.97	1.20	-0.47	2.09

The overall Revenue Expenditure of the State increased by 69.42 per cent from ₹ 29,137 crore in 2012-13 to ₹ 49,363 crore in 2016-17 at an annual average rate of 13.88 per cent.

**During 2016-17, it increased significantly by ₹ 12,352 crore (33.37 per cent) over the previous year.** However, the Revenue Expenditure at ₹ 49,363 crore was lower by ₹ 13,096 crore than the assessment made in Medium Term Fiscal Plan (MTFP) (₹ 62,459 crore).

Out of the Revenue Expenditure, Non-Plan Revenue Expenditure (NPRE) constituted a dominant share of 75 per cent during the last five-year period i.e., 2012-17. It increased by ₹ 8,353 crore (30.29 per cent) during the current year over the previous year.

The increase in NPRE during the current year was mainly due to increase in expenditure in (i) Secretariat-General Services (₹ 453 crore), Police (₹ 426 crore), Pension and Other Retirement Benefits (₹ 579 crore), Miscellaneous General Services (₹ 726 crore), General Education (₹ 661 crore), Medical and Public Health (₹ 430 crore), Relief on account of Natural Calamities (₹ 1,301 crore), Food Storage and Warehousing (₹ 352 crore), Power (₹ 415 crore) and Roads and Bridges (₹ 911 crore).

The Plan Revenue Expenditure (PRE) increased significantly by ₹ 3,999 crore (42.38 per cent) from ₹ 9,435 crore in 2015-16 to ₹ 13,434 crore in 2016-17. The significant increase in PRE was mainly due to increase under Secretariat-General Services (₹ 1,495 crore), General Education (₹ 1,047 crore), Housing (₹ 279 crore), Urban Development (₹ 536 crore), Welfare of SC, ST and OBC (₹ 351 crore), Forestry and Wildlife (₹ 158 crore) and Secretariat-Economic Services (₹ 196 crore).

The buoyancy of Revenue Expenditure with reference to both GSDP and Revenue Receipts fluctuated widely during 2012-17. Buoyancy ratio of Revenue Expenditure with respect to GSDP increased significantly and became positive during the year. Further, its significant increase with respect to Revenue Receipts

indicated that the Revenue Expenditure of the State increased at a pace faster than the Revenue Receipts.

**Table 1.19** provides the comparative position of Non-Plan Revenue Expenditure (NPRE) with reference to assessment made by the State Government in its budget during 2016-17.

**Table 1.19: Comparative position of Non-Plan Revenue Expenditure vis-a-vis projections of the State Government in its budget**

(₹ in crore)			
Year	Budget Estimates	Revised Estimates	Actual
2016-17	43,310	44,190	35,929

Source: Memorandum of Budget Estimates and Finance Accounts

It could be seen from the above Table that NPRE was lower than the projections of the State Government made in its Budget Estimates as well as in Revised Estimates during 2016-17.

#### 1.6.4 Committed Expenditure

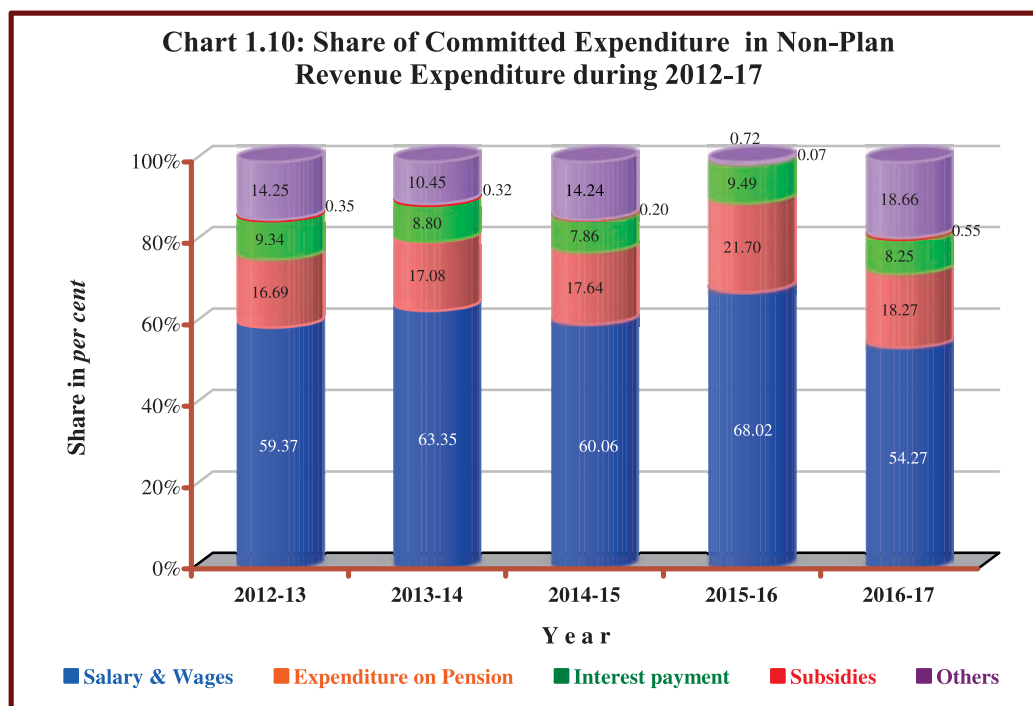
The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Table 1.20** and **Chart 1.10** present the trends in the expenditure on these components during 2012-17.

**Table 1.20: Components of Committed Expenditure**

(₹ in crore)					
Components of Committed Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17
Salaries & Wages, Of which	13,442	15,814	17,829	18,758	19,498
<i>Non-Plan Head</i>	12,575	14,999	16,853	18,485	17,951
<i>Plan Head*</i>	867	815	976	273	1,546
Expenditure on Pensions	3,779	4,264	5,237	5,985	6,565
Interest Payments	2,115	2,198	2,334	2,618	2,964
Subsidies	80	81	58	19	196
<b>Total</b>	<b>19,416</b>	<b>22,357</b>	<b>25,458</b>	<b>27,380</b>	<b>29,223</b>
<i>As per cent of RR</i>					
Salaries & Wages	43.80	49.09	46.69	44.18	39.61
Expenditure on Pensions	12.31	13.24	13.72	14.10	13.34
Interest Payments	6.89	6.82	6.11	6.17	6.02
Subsidies	0.26	0.25	0.15	0.04	0.40

Source: Finance Accounts

\* Plan Head includes the salaries paid under Centrally Sponsored Schemes



**(A) Salary and Wage expenditure**

Salaries and Wages alone accounted for 40 per cent of Revenue Receipts of the State during 2016-17. It increased by four per cent from ₹ 18,758 crore in 2015-16 to ₹ 19,498 crore in 2016-17.

Salary and Wage expenditure under Non-Plan head during 2016-17 decreased by ₹ 534 crore (three per cent) over the previous year. Under plan head it increased by ₹ 1,273 crore (466 per cent) over the previous year. Non-Plan Salary and Wage expenditure ranged between 94 per cent and 99 per cent of total expenditure on Salaries and Wages during 2012-17.

Expenditure on Salaries (₹ 19,210 crore) during 2016-17 was less by ₹ 5,199 crore (21 per cent) than assessed (₹ 24,409 crore) by the State Government in its budget. It was also less by ₹ 3,289 crore (15 per cent) than the projection of ₹ 22,499 crore made in MTFP.

**(B) Interest Payments**

Interest Payments increased by ₹ 346 crore (13.22 per cent) from ₹ 2,618 crore in 2015-16 to ₹ 2,964 crore in 2016-17. During the current year the Interest Payments was made on internal debt (₹ 2,172 crore), Small Savings, Provident Fund etc., (₹ 686 crore) and Loans and Advances from Central Government (₹ 106 crore).

The Interest Payments with reference to assessment made by the 14<sup>th</sup> FC and the projections of the State Government in its Budget and MTFP are given in **Table 1.21**. The table indicates that the State Government was by and large successful in restricting the Interest Payments within the assessments of 14<sup>th</sup> FC and State projections during 2016-17.

**Table 1.21: Interest Payments *vis-à-vis* Fourteenth Finance Commission assessment and State Projections**

Year	Assessment made by the 14 <sup>th</sup> FC	Assessment made by the State Government in		(₹ in crore)
		Budget	MTFP	Actual
		2016-17	2,971	

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

During 2016-17, the State Government borrowed ₹ 3,090 crore from open market. Further, the Government also borrowed an amount of ₹ 754 crore from National Bank for Agriculture and Rural Development (NABARD) and ₹ 57 crore from GOI.

### (C) Pension Payments

Pension Payments increased from ₹ 3,779 crore in 2012-13 to ₹ 6,565 crore in 2016-17 recording a total increase of 74 *per cent* in five years. Pension Payments alone accounted for more than 13 *per cent* of Revenue Receipts of the State during the year and increased by ₹ 580 crore (9.69 *per cent*) over the previous year.

Increase of ₹ 580 crore in Pension Payments during 2016-17 over the previous year was mainly due to increase in expenditure under Superannuation and Retirement Allowances (₹ 513 crore) and Gratuities (₹ 55 crore).

The State Government had introduced 'The New Defined Contribution Pension Scheme' applicable to all new entrants joining State Government Service on regular basis against vacant sanctioned post(s) on or after 1 February 2005 in order to limit future pension liabilities. The New Pension Scheme was however, implemented provisionally in the State with effect from January 2010. In terms of the scheme, employees contribute 10 *per cent* basic pay and dearness allowance, which is matched by the State Government and the entire amount, is transferred to the designated fund manager through the National Securities Depository Limited (NSDL).

During 2016-17, against employee's contribution of ₹ 396.69 crore the State Government contributed ₹ 308.12 crore only to the Scheme which resulted in short contribution of ₹ 88.57 crore.

**Table 1.22** shows the actual pension payments with reference to assessment made by the 14<sup>th</sup> FC and projections of the State Government.

**Table 1.22: Actual Pension Payments vis-à-vis 14<sup>th</sup> FC assessment and State Projections**

Year	Assessment made by the 14 <sup>th</sup> FC	Assessment made by the State Government in		(₹ in crore)
		Budget	MTFP	Actual
		2016-17	4,246	7,680

Pension Payments was ₹ 2,319 crore (54.62 per cent) more than the assessments of 14<sup>th</sup> FC. However, it was less by ₹ 1,115 crore (14.52 per cent) than the estimates made by the State Government in its budget and ₹ 1,201 crore (15.46 per cent) than the projections made in its MTFP and during 2016-17.

**(D) Subsidies**

**Table 1.20** indicated that subsidies as a percentage of Revenue Receipts increased further from 0.04 per cent in 2015-16 to 0.40 per cent in 2016-17. In absolute terms, expenditure on payment of subsidies increased from ₹ 19 crore in 2015-16 to ₹ 196 crore in 2016-17.

During 2016-17 the major Departments which received subsidy were Power (₹ 150.00 crore), Industries and Commerce (₹ 29.06 crore) and Co-operation Department (₹ 11.43 crore). The State Government had not made any projection for subsidy in its MTFP during 2016-17.

**1.6.5 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 1.23**.



**Table 1.23: Financial Assistance to Boards and other institutions**

Financial Assistance to Institutions	2012-13	2013-14	2014-15	2015-16	₹ in crore)	
					2016-17	
					Final Grant/Appropriation	Actual
Municipal Corporations/Urban Sewerage Board	94.37	62.20	93.47	0	59.44	6.43
Co-operative Societies and Co-operative Institutions	7.88	5.50	12.53	108.12	11.50	11.50
Universities and Educational Institutions	2,239.27	2,760.62	1,267.36	589.33	1,134.64	578.03
Power Companies etc.	401.43	278.76	652.38	25.00	388.25	407.51
Assam State Housing Board (ASHB) etc.	2.11	4.58	5.22	0	0.87	0.99
Assam Khadi & Village Industries Board	27.01	24.77	23.37	14.37	19.88	19.54
Urban Development Authority	3.58	11.52	23.94	17.29	245.37	70.58
Autonomous and Development Councils	404.88	393.42	308.17	282.67	878.10	851.46
Other Institutions	244.45	671.91	329.78	627.46	328.03	291.35
<b>Total</b>	<b>3,424.98</b>	<b>4,213.28</b>	<b>2,716.22</b>	<b>1,664.24</b>	<b>3,066.08</b>	<b>2,237.38</b>
Assistance as percentage of RE	11.75	13.17	6.95	4.50	4.91	4.53

The total assistance during 2016-17 had increased by ₹ 573 crore (34 per cent) over the level of 2015-16. Assistance to Boards and other institutions as a percentage of total Revenue Expenditure was 4.53 per cent during 2016-17. Financial assistance to Educational Institutions constituted more than 25 per cent of the total assistance of the State Government during 2016-17.

## 1.6.6 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.

### 1.6.6.1 Classification of Local Bodies

**Panchayati Raj Institutions (PRIs):** Consequent upon the 73<sup>rd</sup> Constitutional Amendment Act, 1992 the Government of Assam had created the Assam Panchayati Raj Act (APA) 1994, replacing the Assam Panchayati Raj Act, 1986. The APA, 1994 provided for a three-tier panchayat system comprising Gram 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 2017, there were 21 ZPs, 189 APs and 2,202 GPs in the State.

**Urban Local Bodies (ULBs):** In consonance with the 74<sup>th</sup> 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 2017, there were 100 ULBs in the State comprising of one Municipal Corporation, 34 MBs and 65 TCs.

### 1.6.6.2 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 2012-13 to 2016-17 is presented in **Tables 1.24** and **1.25**.

**Table 1.24: Resources of PRIs**

Source	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Own Revenue (Local Bodies)	176.16	193.80	213.18	8.16	NA
State Finance Commission (SFC) transfers	104.42	158.23	298.84	147.36	73.13
Central Finance Commission (CFC) transfers	362.05	201.93	270.54	584.80	511.10
Grants for State sponsored schemes	89.09	197.29	147.04	486.00	Nil
GOI grants for Centrally Sponsored Schemes	1,211.38	2,000.58	1,879.94	2,070.00	3,367.81
<b>Total</b>	<b>1,943.10</b>	<b>2,751.83</b>	<b>2,809.54</b>	<b>3,296.32</b>	<b>3,952.04</b>

Source: Commissioner, P&RD, Assam and information furnished by GOA.  
NA: Not Available

**Table 1.25: Resources of ULBs**

Source	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Own Revenue	248.07	50.61	56.05	80.34	93.59
SFC transfers	149.59	133.11	169.07	Nil	92.59
CFC transfers	44.28	Nil	39.74	82.57	Nil
Interest for delayed payment of CFC grants	0.20	0.12	0.18	Nil	1.51
State Sponsored Schemes	4.14	8.22	12.29	0.91	2.28
GOI grants for Centrally Sponsored Schemes	33.41	25.57	11.03	15.17	111.29
<b>Total</b>	<b>479.69</b>	<b>217.63</b>	<b>288.36</b>	<b>178.99</b>	<b>301.26</b>

Source: Information furnished by DMA, Director, T&CP & Finance (Economic Affairs) Department, GOA.  
NA: Not Available

It would be seen from **Table 1.24** that data of own resources with respect to PRIs (2016-17) were not included in the table as the same were not available. However, total resources under both PRIs and ULBs increased significantly

during 2016-17. The increase was mainly due to increase in GOI grants for Centrally Sponsored Schemes.

### **1.6.6.3 Devolution of funds, functions and functionaries and (3Fs) to PRIs and ULBs**

The 73<sup>rd</sup> and 74<sup>th</sup> 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 in respect of functions enumerated in the Schedule XI and XII of the Constitution respectively.

- 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<sup>9</sup> to the PRIs. Following the activity mapping which defined the functions and functionaries that are to be devolved to each tier of PRIs, the Government issued orders for devolution in respect of only seven out of 23 notified subjects. The Government did not issue orders in respect of remaining 16 subjects.
- GOA amended (May 2011) the Assam Municipal Act (AMA), 1956, which provided for transfer of 3Fs to ULBs relating to 18 subjects listed in the Twelfth Schedule of the Constitution. It also provided 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. The Government of Assam though constituted the committee but yet to transfer the 3Fs to ULBs.

Thus, the process of decentralisation commenced partially with the 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.

<sup>9</sup> Funds, Functions and Functionaries

#### **1.6.6.4 Accounting and Auditing Arrangement**

**Accounting Arrangement:** The GOA accepted 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. However, Government of Assam did not incorporate the formats for preparation of Monthly and Annual Accounts as prescribed by the C&AG of India in the Assam Panchayat (Financial) Rules 2002. Besides, Government did not make any provision for preparation and submission of monthly and annual accounts in the said Rules.

Thus, the accounts of PRIs were not maintained as per the prescribed formats. In absence of accounts the actual financial position of PRIs could not be ascertained.

Assam Municipal (Accounts) Rules 1961 framed under AMA, 1956, provides for maintenance of accounts of municipalities on cash basis and does not prescribe formats for preparation of annual accounts by ULBs. In the line of National Municipal Accounting Manual (NMAM), the State Government prepared the draft Assam Municipal Accounting Manual (AMAM) in July 2010. The draft Manual was based on accrual based accounting system. Further, the State Government amended (May 2011) the AMA, 1956, 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 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 13<sup>th</sup> FC, the GOA had entrusted the audit of accounts of PRIs and ULBs to the C&AG of India under Section 20 (1) of the C&AG's (DPC) Act, 1971 under standard terms and conditions of Technical Guidance and Support (TGS) module (May 2011). Accordingly, the C&AG of India conducts audit of PRIs and ULBs in the State.

#### **1.6.6.5 Reporting Arrangement**

Audit findings of test-check of accounts of LBs conducted by the C&AG of India are presented in the form of Audit Reports. The latest Audit Report for the year 2015-16 was laid before the State Legislature on 10 March 2017.

Government of Assam had constituted (October 2012) Committee on Local Fund Accounts (CoLFA) to discuss the Audit Reports on PRIs and ULBs. In July 2017, Audit Report on Local Bodies for the year 2013-14 was discussed by the CoLFA.

## 1.7 Quality of Expenditure

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

### 1.7.1 Adequacy of Expenditure Use

It is important for the State Governments to take appropriate expenditure rationalization by focusing more on Development Expenditure<sup>10</sup>.

Apart from improving the allocation towards Development Expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to total expenditure. It is also reflected by 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, the better would be the quality of expenditure.

**Table 1.26** compares the fiscal priority of the State Government with that of Special Category States regarding Development Expenditure, Social Sector Expenditure, Economic Sector Expenditure and Capital Expenditure during 2016-17, taking 2012-13 as base year.

**Table 1.26: Fiscal Priority of the State in 2012-13 and 2016-17**

(In per cent)							
Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education /AE	Health/ AE
Average (Ratio) 2012-13 of							
Special Category States	24.80	34.30	30.70	61.10	15.10	18.10	5.30
Assam	20.54	23.12	14.45	37.57	4.73	14.03	3.06
Average (Ratio) 2016-17 of							
Special Category States	27.40	34.20	30.00	61.50	13.60	16.60	5.40
Assam	21.50	43.80	23.72	67.52	9.94	23.09	5.77
AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.							

**Table 1.26** reveals that Development Expenditure as a ratio of aggregate expenditure of the State of Assam was less than that of Special Category States (SCS) during the year 2012-13. But during 2016-17, it was more than that of SCS by 6.02 per cent. However, Capital Expenditure of the State during both the years was less than that of SCS, which is a matter of concern. Expenditure on education

<sup>10</sup> 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 categorised 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.

and health showed inclining trend as it was more than that of SCS in 2016-17 in comparison with 2012-13.

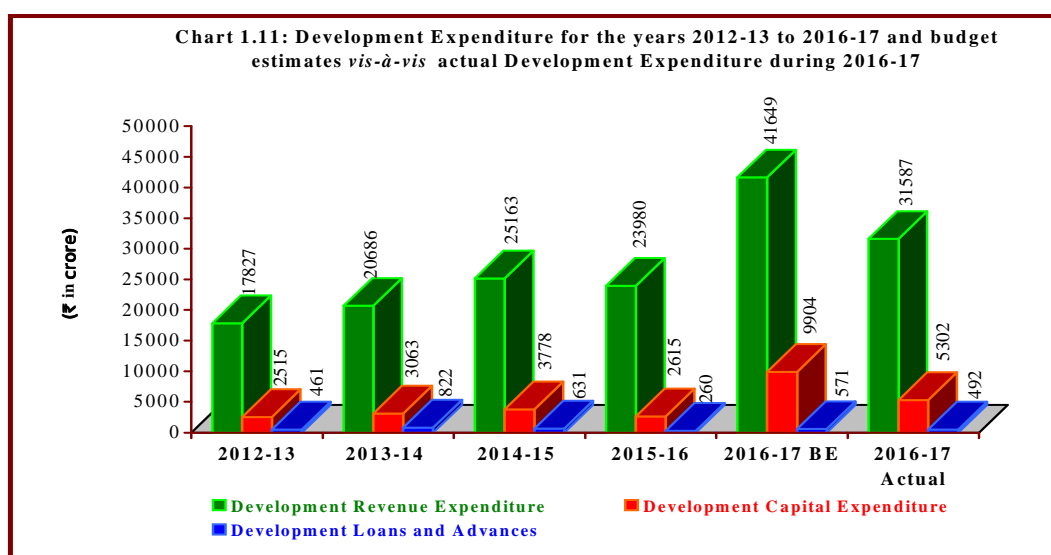
Further, **Table 1.27** presents the trends in Development Expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years while **Table 1.28** provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected Social and Economic Services.

**Table 1.27: Development Expenditure**

Components of Development Expenditure	2012-13	2013-14	2014-15	2015-16	2016-17	
					BE	Actual
Development Expenditure (a to c)	20,803 (65)	24,571 (68)	29,572 (68)	26,855 (67)	52,124 (71)	37,381 (68)
a. Development Revenue Expenditure	17,827 (55)	20,686 (57)	25,163 (58)	23,980 (60)	41,649 (57)	31,587 (57)
b. Development Capital Expenditure	2,515 (8)	3,063 (9)	3,778 (9)	2,615 (6)	9,904 (13)	5,302 (10)
c. Development Loans and Advances	461 (2)	822 (2)	631 (1)	260 (1)	571 (1)	492 (1)

Figures in parentheses indicate percentage to aggregate expenditure

The share of Development Expenditure to aggregate expenditure exhibited relative stability during the period 2012-17. However, in absolute term, Development Expenditure increased significantly by ₹ 10,533 crore (39 per cent) in 2016-17 over the previous year. During the current year, the State Government earmarked 71 per cent of the estimated aggregate expenditure for Development Expenditure and this assessment was not achieved at the end of the year. The relative share of Development Expenditure to total expenditure during 2012-17 is presented in **Chart 1.11**.



The Development Revenue Expenditure increased significantly by ₹ 7,607 crore (31.72 per cent) from ₹ 23,980 crore in 2015-16 to ₹ 31,587 crore in 2016-17. The increases under Social and Economic Services during the year were ₹ 4,933 crore and ₹ 2,674 crore respectively. The actual Development Revenue Expenditure was less than the State's projection in budget by ₹ 10,062 crore.

The Development Capital Expenditure also increased by ₹ 2,687 crore (102.75 per cent) from ₹ 2,615 crore in 2015-16 to ₹ 5,302 crore in 2016-17. The increase of ₹ 2,687 crore in Development Capital Expenditure was due to increase in expenditure under Social and Economic Services by ₹ 946 crore and ₹ 1,741 crore respectively. The actual Development Capital Expenditure was also less than the State's projection in budget by ₹ 4,602 crore.

The Development Loans and Advances also increased by ₹ 232 crore from ₹ 260 crore in 2015-16 to ₹ 492 crore in 2016-17. The actual Development Loans and Advances was also less than the State's projection in budget by ₹ 79 crore.

### 1.7.2 Efficiency of Expenditure Use

**Table 1.28: Efficiency of expenditure use in selected Social and Economic Services**

(In per cent)

Social/ Economic Infrastructure	2015-16			2016-17		
	Ratio of CE to TE <sup>@</sup>	In RE, the share of		Ratio of CE to TE <sup>@</sup>	In RE, the share of	
		S & W	O & M <sup>¥</sup>		S & W	O & M <sup>¥</sup>
<b>Social Services (SS)</b>						
Education, Sports, Art and Culture	1.20	24.84	0.17	0.00	19.67	0.33
Health and Family Welfare	0.22	6.70	0.69	1.08	3.00	0.51
Water Supply, Sanitation & Housing & Urban Development	24.76	1.15	1.81	33.08	0.91	1.16
Other Social Services	0.00	2.01	0.01	0.00	1.56	0.67
<b>Total (SS)</b>	<b>3.25</b>	<b>31.69</b>	<b>2.68</b>	<b>6.37</b>	<b>25.15</b>	<b>2.66</b>
<b>Economic Services (ES)</b>						
Agriculture & Allied Activities	1.09	3.32	1.26	2.12	2.69	0.79
Irrigation and Flood Control	58.02	1.72	0.22	51.20	1.31	0.51
Special Areas Programmes	64.73	0.91	0.00	63.09	0.01	0.00
Transport	33.26	1.85	3.03	42.74	1.46	0.44
Other Economic Services	5.48	2.29	0.07	18.39	1.38	0.03
<b>Total (ES)</b>	<b>24.45</b>	<b>9.20</b>	<b>4.58</b>	<b>29.67</b>	<b>6.85</b>	<b>1.77</b>
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 X of Finance Accounts.						

The trends presented in **Table 1.28** reveals that the percentage of Capital Expenditure on Social Services to total expenditure on Social Services increased significantly from 3.25 *per cent* in 2015-16 to 6.37 *per cent* in 2016-17. The increase was mainly under Water Supply, Sanitation and Housing & Urban Development and Health and Family Welfare sectors under Social Services. The percentage of Capital Expenditure on Economic Services to total expenditure also increased from 24.45 *per cent* in 2015-16 to 29.67 *per cent* in 2016-17. The increase was recorded under Transport and Other Economic Services.

The share of salary and wages in Revenue Expenditure on Social Services decreased from 31.69 *per cent* in 2015-16 to 25.15 *per cent* in 2016-17 and the share of salary and wages in Revenue Expenditure on Economic Services also decreased from 9.20 *per cent* in 2015-16 to 6.85 *per cent* in 2016-17. The decrease was recorded in all the sectors under both Social and Economic Services.

The share of operations and maintenance in Revenue Expenditure on Social Services decreased marginally from 2.68 *per cent* in 2015-16 to 2.66 *per cent* in 2016-17 while the share of operations and maintenance in Revenue Expenditure on Economic Services decreased from 4.58 *per cent* in 2015-16 to 1.77 *per cent* in 2016-17. The decrease was mainly under Health and Family Welfare and Water Supply, Sanitation and Housing & Urban Development sectors under Social Services and Transport and Agriculture & Allied Services sectors under Economic Services.

### **1.7.3 Effectiveness of the Expenditure, i.e., Outlay-Outcome Relationship**

#### ***Impact of expenditure on various Sectors***

**Appendix 1.5** depicts the progress achieved during 2016-17 as compared to 2015-16 in various sectors. In the Education sector, number of upper primary schools increased by 20 from 7,812 in 2015-16 to 7,832 in 2016-17 mainly due to upgradation of lower primary schools to upper ones. Enrollment of students in lower primary schools decreased by 0.14 lakh whereas same in upper primary schools increased by 0.26 lakh during the year as compared to previous year. Number of villages connected with roads increased by 469 from 15,688 in 2015-16 to 16,157 in 2016-17. However, there was no infrastructural improvement in the Health sector during the year.

In the Power sector, only 63.70 *per cent* of the sanctioned villages were electrified during 2016-17. During the period, generation, purchase and consumption of power decreased by 200 Million kWh, 921 Million kWh and 1,062 Million kWh respectively. In the Irrigation sector, new irrigation potential



of 0.21 lakh hectares was created in 2016-17. Per capita income of the State increased significantly from ₹ 60,526 in 2015-16 to ₹ 67,620 in 2016-17.

## 1.8 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.

### 1.8.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2017 is given in **Table 1.29**.

**Table 1.29: Department-wise profile of Incomplete Projects**

(₹ in crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Cost Overrun	Cumulative actual expenditure (March 2017)
Public Works (Roads)	156	880.09	NA	267.26
Irrigation	21	94.32	NA	55.94
Water Resources	4	168.29	NA	78.88
<b>Total</b>	<b>181</b>	<b>1,142.70</b>	<b>NA</b>	<b>402.08</b>

Source: Appendix IX of Finance Accounts 2016-17; NA: Not Available

As on 31 March 2017, 181 projects which were due to be completed by March 2017 remained incomplete in which ₹ 402.08 crore was blocked. Of these, 142 projects involving ₹ 308.71 crore remained incomplete for less than three years, 20 projects involving an amount of ₹ 38.83 crore remained incomplete for periods ranging from three to five years and 19 projects involving ₹ 54.54 crore remained incomplete for more than five years. The cost overrun of incomplete projects could not be determined as the revised cost of incomplete projects could not be furnished to Audit, though called for.

**Delay in completion of works/projects invites the risk of escalation in the cost of the works, besides the intended benefits from these projects do not reach the beneficiaries in the State.**

### 1.8.2 Investment and returns

As of 31 March 2017, Government had invested ₹ 2,509.95 crore in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies (Table 1.30). The average return on this investment was 4.96 per cent only while the Government paid an average interest rate of 6.57 per cent on its borrowings during 2016-17.

**Table 1.30: Return on Investment**

		(₹ in crore)				
		2012-13	2013-14	2014-15	2015-16	2016-17
1		2	3	4	5	6
(a)	Statutory Corporations <sup>11</sup> (No. of concerns)	1,911.13 (4)	1,967.11 (4)	2,077.41 (4)	2,077.41 (4)	2,136.13 (4)
(b)	Banks <sup>12</sup> (No. of concerns)	11.16 (1)	11.16 (1)	11.16 (1)	11.16 (1)	21.26 (2)
(c)	Joint Stock Companies (No. of concerns)	18.04 (15)	18.04 (15)	29.05 (16)	29.05 (16)	65.81 (17)
(d)	Co-operatives (No. of concerns)	109.83 (18)	109.83 (18)	110.23 (18)	109.84 (18)	109.83 (18)
(e)	Government Companies <sup>13</sup> (No. of concerns)	162.80 (24)	176.05 (24)	176.05 (24)	176.91 (24)	176.92 (24)
<b>Total Investment</b>		<b>2,212.97</b>	<b>2,282.19</b>	<b>2,403.90</b>	<b>2,404.37</b>	<b>2,509.95</b>
Return (₹ in crore)		11.64	12.05	16.23	70.06	124.44
Return (per cent)		0.53	0.53	0.68	2.91	4.96
Average rate of interest on Government borrowing (per cent)		6.57	6.53	6.40	6.47	6.57
Difference between interest rate and return (per cent)		6.04	6.00	5.72	3.56	1.61

Source: Statement 8 and 19 of Finance Accounts

During the last five years, *i.e.*, 2012-17, the State Government's investments had increased by ₹ 296.98 crore. During the current year, Government invested ₹ 58.72 crore in Statutory Corporations, ₹ 10.10 crore in Rural Bank and ₹ 36.76 crore in Joint Stock Companies.

<sup>11</sup> Out of four, one Statutory Corporation *i.e.*, Assam State Electricity Board (ASEB) was reorganized into three entities namely (i) Assam Power Distribution Company Limited (APDCL) (ii) Assam Electricity Grid Corporation Limited (AEGCL) and (iii) Assam Power Generation Corporation Limited (APGCL) in March 2013. Present status of investment already made in erstwhile ASEB and up to date status of investments made in three Corporations are awaited from Government.

<sup>12</sup> It includes the Rural Bank and Urban and Industrial Co-operative Bank

<sup>13</sup> As recorded in the Finance Accounts (2016-17) {Working: 21; Non-working: 3}. However, Audit Report on PSUs (2016-17) shows no. of Companies as 46 (Working: 30; Non-working: 16) as per data collected directly from the Companies.

Out of four Statutory Corporations, three were incurring losses and their accumulated losses amounted to ₹ 796.47 crore<sup>14</sup>. Similarly, out of 24 Government Companies in the State, 16 companies were incurring losses and their accumulated losses amounted to ₹ 595.77 crore.

The major loss incurring Government Companies were Assam Industrial Development Corporation Ltd., (Investment: ₹ 29.71 crore; accumulated loss: ₹ 112.82 crore), Assam Agro Industries Development Corporation Ltd., (Investment: ₹ 22.08 crore; accumulated loss: ₹ 20.58 crore), Assam Seed Corporation Ltd., (Investment: ₹ 1.25 crore; accumulated loss: ₹ 13.18 crore), Assam Tea Corporation Ltd., (Investment: ₹ 8.07 crore; accumulated loss: ₹ 286.40 crore), Assam State Textile Corporation Ltd., (Investment: ₹ 4.78 crore; accumulated loss: ₹ 22.94 crore) and Assam State Development Corporation for Scheduled Caste Ltd., (Investment: ₹ 4.88 crore; accumulated loss: ₹ 23.74 crore).

### 1.8.3 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government had also provided Loans and Advances to many institutions/ organisations. **Table 1.31** presents the outstanding Loans and Advances as on 31 March 2017, interest receipts *vis-à-vis* interest payments during the last five years.

**Table 1.31: Average Interest received on Loans Advanced by the State Government**

Quantum of Loans/ Interest Receipts/ Cost of Borrowings	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Opening Balance	3,054	3,507	4,323	4,944	4,694
Amount advanced during the year	460	822	631	260	499
Amount recovered during the year	7	6	10	510	19
Closing Balance	<b>3,507</b>	<b>4,323</b>	<b>4,944</b>	<b>4,694</b>	<b>5,174</b>
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	Nil	Nil	Nil	Nil	Nil
Net addition	453	816	621	-250	480
Interest Receipts	27	18	15	14	17
Interest receipts as <i>per cent</i> to outstanding Loans and Advances	0.77	0.42	0.30	0.30	0.33
Average rate of interest on Government borrowing ( <i>per cent</i> )	6.57	6.53	6.40	6.47	6.57
Difference between Interest Payments and Interest Receipts ( <i>per cent</i> )	5.80	6.11	6.10	6.17	6.24

<sup>14</sup> Assam State Ware-housing Corporation : ₹ 12.54 crore (as on 31-03-2015);  
Assam State Transport Corporation (ASTC) : ₹ 779.90 crore (as on 31-03-2017);  
Assam Financial Corporation, Guwahati : ₹ 4.03 crore (as on 31-03-2017).

The total amount of outstanding Loans and Advances as on 31 March 2017 was ₹ 5,174 crore. The amount of loans disbursed during the year increased by 91.92 per cent from ₹ 260 crore in 2015-16 to ₹ 499 crore in 2016-17.

Out of the total amount of loans advanced during the year, ₹ 35.36 crore went to Social Services, ₹ 457.20 crore to Economic Services and ₹ 6.82 crore to Government servants. Under Social Services, majority of the loan went to Urban Development (98.08 per cent) and under Economic Services, the major portion of loans went to loans for Power Projects (89 per cent) followed by loans to consumer industries (nine per cent).

Recovery of Loans and Advances decreased by ₹ 491 crore from ₹ 510 crore in 2015-16 to ₹ 19 crore in 2016-17. However, interest receipt against the Loans and Advances increased by ₹ three crore during the year.

During 2016-17, fresh Loans and Advances (₹ 492.56 crore) were made in seven cases<sup>15</sup> against whom repayments of earlier loans (₹ 3,527.46 crore) were in arrears. Out of those seven cases, loans in respect of Village and Small Industries (₹ 33.32 crore) were in arrears since 1976-77.

#### 1.8.4 Cash Balances and Investment of Cash Balances

Table 1.32 and Chart 1.12 depict the Cash Balances and investments made by the State Government out of Cash Balances during the year.

**Table 1.32: Cash Balances and investment of Cash Balances**

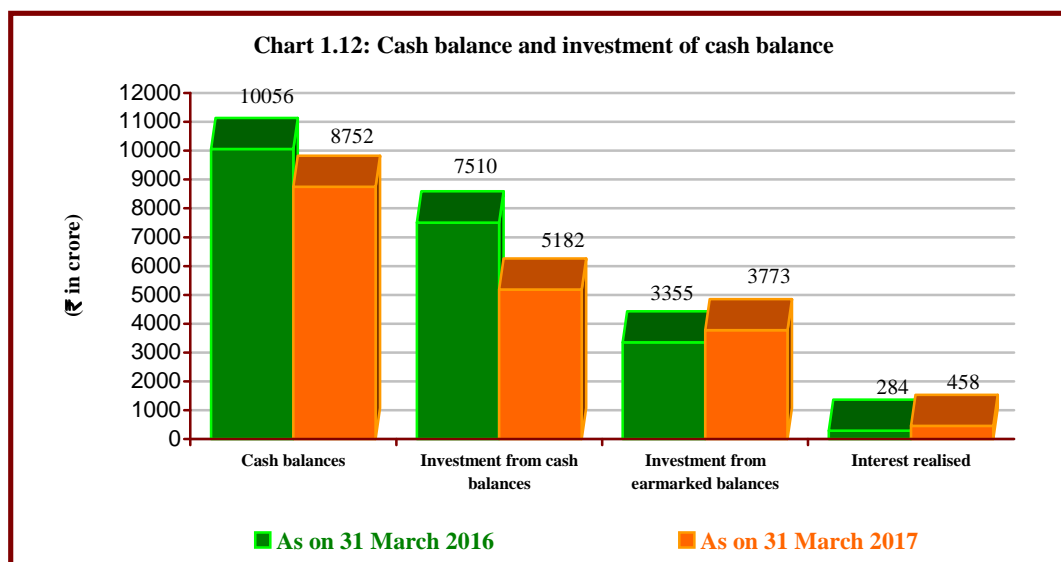
(₹ in crore)

	Opening balance on 1 April 2016	Closing balance on 31 March 2017
<b>General Cash Balance</b>		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	(-) 816.18	(-) 220.92
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
<b>Total</b>	<b>(-) 816.18</b>	<b>(-) 220.92</b>
Investments held in Cash Balance investment account	7,510.11	5,181.64
<b>Total (a)</b>	<b>6,693.93</b>	<b>4,960.72</b>
<b>Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public	7.01	17.81

15

	(₹ in crore)
1. Loans to Consumer Industries	: 208.67
2. Assam Power Distribution and Power Generation Company Ltd.	: 3,161.58
3. Loans for General Financial and Trading Institutions	: 53.16
4. Loans for Urban Development	: 55.46
5. Loans for Welfare of SC, ST, OBC and Minorities	: 9.55
6. Loans for Village and Small Industries	: 33.32
7. Loans for Housing	: 5.72
	<b>3,527.46</b>

Works, Forest Officers		
Permanent advances for contingent expenditure with department officers	0.46	0.46
Investment of earmarked funds	3,355.06	3,772.56
<b>Total (b)</b>	<b>3,362.53</b>	<b>3,790.83</b>
<b>Total (a) + (b)</b>	<b>10,056.46</b>	<b>8,751.55</b>
<b>Interest realized</b>	<b>284.35</b>	<b>458.12</b>



**Cash Balances of the State Government at the end of the current year decreased by ₹ 1,304 crore from ₹ 10,056 crore in 2015-16 to ₹ 8,752 crore in 2016-17.**

The State Government from the investments made in GOI Treasury Bills, had earned an interest of ₹ 458 crore during 2016-17. Further, the Government invested ₹ 3,739 crore in Sinking Fund and Development and Welfare Fund as of 31 March 2017. **The interest receipts against investment on cash balance was 8.84 per cent during 2016-17 while Government paid interest at the rate of 6.57 per cent only on its borrowings during the year.**

## 1.9 Assets and Liabilities

### 1.9.1 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.

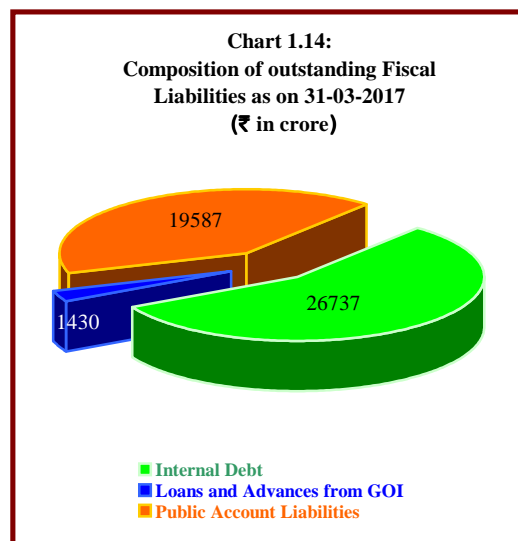
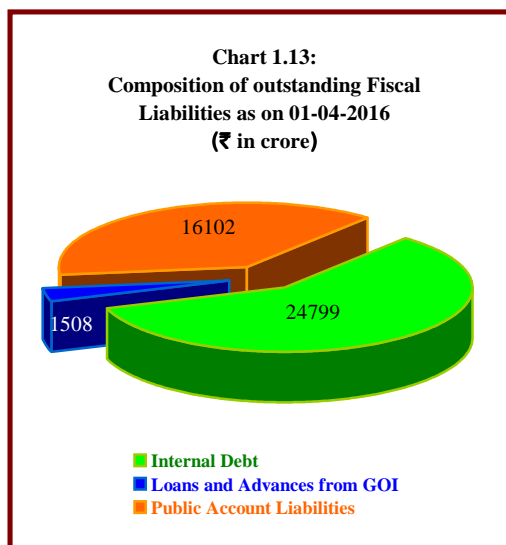
**Appendix 1.6** gives an abstract of such liabilities and assets as on 31 March 2017 compared with the corresponding position as on 31 March 2016. The liabilities shown in the Appendix consisted mainly of internal borrowings, Loans and Advances from GOI, receipts from the Public Account and Reserve Funds. The

assets comprised mainly of the Capital Outlay and Loans and Advances given by the State Government and Cash Balances.

According to the Assam FRBM Act, 2005 (amended in 2011), the “total liabilities of the State” means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

### 1.9.2 Fiscal Liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.13** and **1.14**.



The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.3. Table 1.33** 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 1.33: Fiscal Liabilities-Basic Parameters**

Parameters	2012-13	2013-14	2014-15	2015-16	2016-17
Fiscal Liabilities <sup>16</sup> (₹ in crore)	32,897	34,376	38,512	42,409	47,754
Rate of Growth ( <i>per cent</i> )	4.44	4.50	12.03	10.12	12.60
Ratio of Fiscal Liabilities to:					
GSDP ( <i>per cent</i> )	20.97	19.34	19.68	18.74	18.54
Revenue Receipts ( <i>per cent</i> )	107.19	106.71	100.86	99.89	97.02
Own Resources ( <i>per cent</i> )	306.76	293.81	324.64	330.11	290.60
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (ratio)	0.464	0.338	1.190	0.648	0.913
Revenue Receipts (ratio)	0.377	0.907	0.649	0.904	0.791
Own Resources (ratio)	2.135	0.495	8.655	1.221	0.451

<sup>16</sup> 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 9.03 *per cent* during the period 2012-17. During the current year, the fiscal liabilities of the State Government increased by ₹ 5,345 crore (12.60 *per cent*) from ₹ 42,409 crore in 2015-16 to ₹ 47,754 crore in 2016-17.

The increase in fiscal liabilities was mainly due to increase in the internal debt (₹ 1,938 crore) and Public Account liabilities (₹ 3,485 crore), which was however, offset by decrease in Loans and Advances from GOI (₹ 78 crore). The ratio of fiscal liabilities to GSDP had improved marginally as it decreased from 18.74 *per cent* in 2015-16 to 18.54 *per cent* in 2016-17 which was well within the norms (26.93 *per cent*), prescribed by the 14<sup>th</sup> FC.

The fiscal liabilities of the State stood nearly 0.97 times of Revenue Receipts and 2.91 times of the State's own resources at the end of 2016-17. The buoyancy of the liabilities with respect to GSDP during the year was 0.91 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.91 *per cent*.

The State Government had set up the sinking fund in line with the recommendations of the Twelfth Finance Commission (TFC) for amortisation of market borrowings as well as other loans and debt obligations. The fund is managed by the Reserve Bank of India. As of 31 March 2017, the balance in the sinking fund was ₹ 3,746.49 crore, of which ₹ 3,739.26 crore had been invested.

### 1.9.3 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 had 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.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are shown in **Table 1.34**.

**Table 1.34: Guarantees given by the Government of Assam**

Guarantees	(₹ in crore)		
	2014-15	2015-16	2016-17
Maximum amount guaranteed	582	482	482
Outstanding amount of guarantees including interest	143	143	130
Percentage of maximum amount guaranteed to total Revenue Receipts	1.52	1.14	0.98
Criteria as per the Assam Fiscal Responsibility and Budget Management Act, 2011.	State Government guarantees shall be restricted at any point of time to 50 <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 maintained by Accountant General (Accounts & Entitlement).		

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 invoked by the beneficiaries. The accumulations in the Fund would be utilised only towards 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 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 Accountant General (Accounts & Entitlement).

During 2016-17, the State Government contributed ₹ 4.29 crore to the Fund, which was 3 *per cent* of ₹ 143 crore (i.e., outstanding guarantee at the end of second financial year preceding the current financial year). No guarantee was invoked during the year. As on 31 March 2017, the total amount lying in the Fund was ₹ 32.88 crore (including the accrued interest of ₹ 1.78 crore for 2016-17) and the entire amount has been invested by the Reserve Bank of India.

Government had guaranteed loans raised by various Corporations and others which at the end of 2016-17 stood at ₹ 130 crore. It was 1.10 *per cent* of State's own Tax and Non-Tax Revenue of the second preceding year *i.e.*, well within the limit prescribed in the Act. Out of the total outstanding guarantees, ₹ 39.63 crore (30 *per cent*) pertained to Power sector.

#### **1.9.4 Ujwal Discom Assurance Yojana (UDAY)**

Government of India launched (November 2015) Ujwal Discom Assurance Yojana (UDAY) for financial turnaround of Power Distribution Companies (DISCOMs) and for improving operational and financial efficiency of the State DISCOMs. Its main objective is to provide affordable and accessible 24x7 power to all. One of the important provisions of the scheme is that the State shall take over 75 *per cent* of DISCOMs debt as on 30 September 2015 over two years – 50 *per cent* debt shall be taken in 2015-16 and 25 *per cent* in 2016-17.

Government of Assam entered the Yojana on 4 January 2017. As per Memorandum of Understanding (MoU) amongst Government of India, Government of Assam and Assam Power Distribution Company Limited (APDCL), GoA is required to take over 75 *per cent* of outstanding loan as on 30 September 2015 payable by APDCL and convert the same into grant and equity in 3:1 ratio and further, to waive the unpaid interest due from APDCL as on 30 September 2015.



As on 31 March 2017, the total DISCOM debt of Government of Assam was ₹ 1,647.11 crore. During 2016-17 financial liabilities of the State on account of joining UDAY was nil as Government of Assam had not issued any bond during the year for taking over the outstanding debt under UDAY.

## 1.10 Debt Management

### 1.10.1 Debt Sustainability

Debt sustainability is defined as the ability of the State to service its debt in future. Sustainability of debt therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between cost of additional borrowings and returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of growth rate of debt, debt/GSDP ratio, burden of interest payments (measured by interest payments to Revenue Receipts ratio) and maturity profile of State Government securities. **Table 1.35** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2012-13.

**Table 1.35: Debt Sustainability: Indicators and Trends**

Indicators of Debt sustainability	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Outstanding debt <sup>17</sup> (year end)	32,897	34,376	38,512	42,409	47,754
Rate of growth of outstanding debt	4.44	4.50	12.03	10.12	12.60
Gross State Domestic Product (GSDP)	1,56,864	1,77,745	1,95,723	2,26,276 (P)	2,57,510 (Q)
Rate of growth of GSDP	9.56	13.31	10.11	15.61	13.80
Debt/GSDP ( <i>per cent</i> )	20.97	19.34	19.44	18.74	18.54
Average interest rate of Outstanding debt ( <i>per cent</i> )	6.57	6.53	6.40	6.47	6.57
Burden of Interest Payments (Interest Payments/Revenue Receipts Ratio)	6.89	6.82	6.11	6.17	6.02
Total Debt Receipts	7,491.08	8,629.19	14,374.17	13,340.80	13,533.75
Total Debt Repayments	6,091.69	7,437.66	10,736.36	9,689.38	8,607.78
Net Debt Available	1,399.39	1,191.53	3,637.81	3,651.42	4,925.97
Debt Repayments/Debt Receipts ( <i>Per cent</i> )	81.32	86.19	74.69	72.63	63.60

<sup>17</sup> Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Fund etc., Reserve Funds (Gross) and Deposits.

**Table 1.35** reveals that the rate of growth of GSDP ranged between 9.56 *per cent* and 15.61 *per cent* whereas average interest rate on outstanding debt ranged between 6.40 *per cent* and 6.57 *per cent* during 2012-17. GSDP growth was much more than the average interest paid by the State Government on outstanding debt during the period.

Further, the debt-GSDP ratio had declined from 20.97 in 2012-13 to 18.54 in 2016-17, which was well within the norms (26.93 *per cent*), prescribed by the 14<sup>th</sup> FC. This was a positive sign towards fiscal consolidation for improving the debt sustainability position of the State.

The trends in outstanding debt redemption ratio fluctuated between 63.60 *per cent* and 86.19 *per cent* during 2012-17 and decreased from 72.63 *per cent* in 2015-16 to 63.60 *per cent* in 2016-17. During the year 2016-17, the Government has repaid the loans to an extent of ₹ 8,608 crore only against the outstanding debt of ₹ 42,409 crore on 01 April 2016, which is lower than the amount repaid during the previous year 2015-16 (₹ 9,689 crore). Debt redemption as a percentage of tax revenue<sup>18</sup> stood at 71.26 *per cent* during 2016-17. So far as year-end cash balance of the State is concerned, it also decreased by ₹ 1,304 crore from ₹ 10,056 crore in 2015-16 to ₹ 8,752 crore in 2016-17.

High level of surplus cash in recent past appeared to provide some headroom to withstand pressure on finances. 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 a meagre seven and ten *per cent* during the period from 2012-17.

### 1.10.2 Debt Profile

As per Statement 17 of the Finance Accounts for the year 2016-17, the maturity profile of the State debt is as indicated in **Table 1.36**.

**Table 1.36: Maturity Profile of State Debt**

Date maturity	Maturity Profile	Amount			(₹ in crore)
		Internal Debt	Loans & Advances from GOI	Total	Per cent
2017-18	0-1 year	1,316.36	148.40	1,464.76	5.22
Between 2018-19 & 2019-20	Over 1 year to 2 years	4,083.63	301.91	4,385.54	15.63
Between 2020-21 & 2022-23	Over 2 years to 5 years	5,208.42	460.57	5,668.99	20.20

<sup>18</sup> ₹ 12,079.56 crore (2016-17)

Between 2023-24 & 2024-25	Over 5 years to 7 years	4,459.93	199.29	4,659.22	16.61
2025-26 onwards	Above 7 years	11,668.24	213.13	11,881.37	42.34
Total		26,736.58	1,323.30	28,059.88	100.00

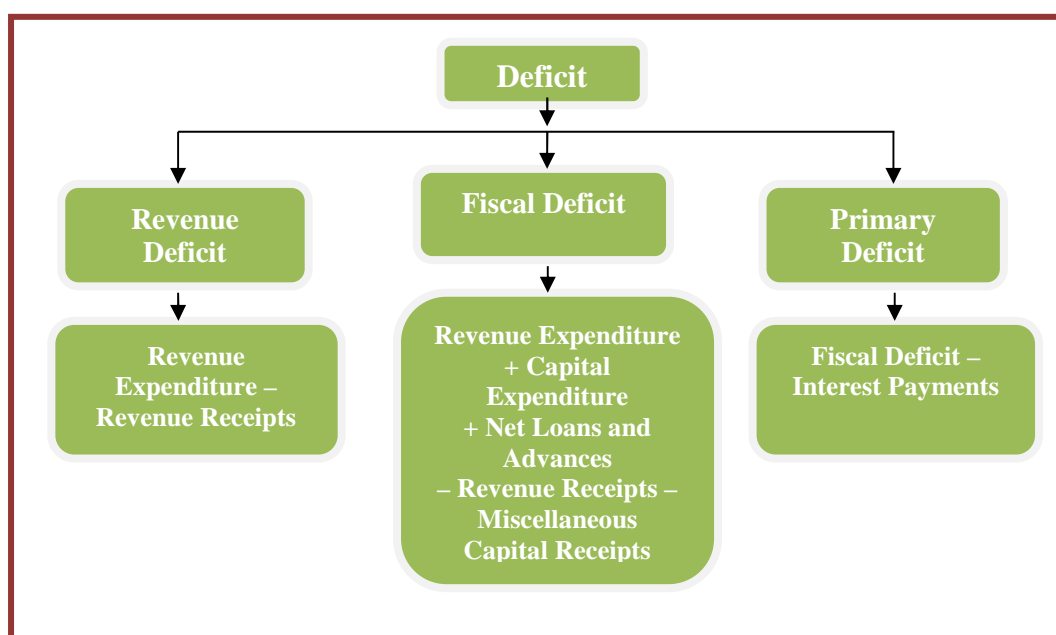
The maturity profile of outstanding stock of public debt as on 31 March 2017 indicates that out of the outstanding public debt of ₹ 28,059.88 crore, 57.66 per cent (₹ 16,178.51 crore) is payable within the next seven years while the remaining 42.34 per cent (₹ 11,881.37 crore) was in the maturity bracket of more than seven years. Of the total outstanding public debt, internal debt consisting of market borrowing, loans from LIC, GIC, NABARD etc., constituted 95.28 per cent (₹ 26,736.58 crore).

Debt redemption as percentage of State's own taxes ranged between 10 and 15 per cent during 2012-17.

### 1.11 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 account represents the gap between its receipts and expenditure. **Chart 1.15** gives an indication of various kinds of deficits that occur if the Government borrows excessively to balance the budget.

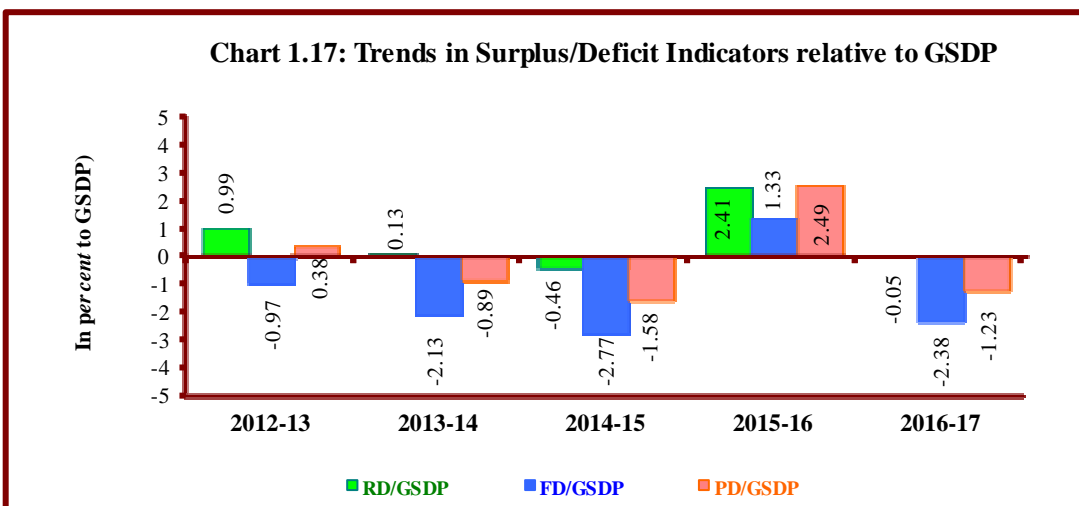
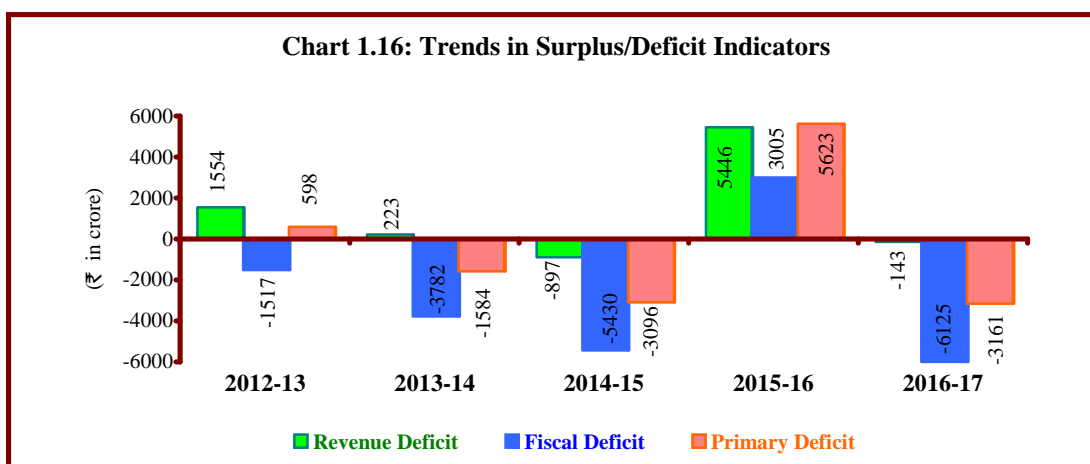
**Chart 1.15: Type of deficits**



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 2016-17.

### 1.11.1 Trends in Surplus/Deficit

Charts 1.16 and 1.17 present the trends in deficit indicators over the period 2012-17.



**Chart 1.16** reveals Surplus/Deficit on Revenue account showed a fluctuating trend during 2012-17. During this five-year period, the State exhibited Revenue Surplus only in 2012-13, 2013-14 and 2015-16. During the current year the State had Revenue Deficit of ₹ 143 crore. The deficit in revenue account during the current year was due to Revenue Receipts being less than Revenue Expenditure. During the current year Revenue Receipts increased by 15.93 per cent (₹ 6,763

crore) over the previous year whereas Revenue Expenditure increased significantly by 33.37 per cent (₹ 12,352 crore) during the same period.

Fiscal Deficit represents the gap between the non-debt receipts and total expenditure. **Chart 1.16** reveals that the State exhibited Fiscal Surplus for the first time in 2015-16 during the five-year period of 2012-17. In absolute term, the Fiscal Surplus of ₹ 3,005 crore in 2015-16 turned into Fiscal Deficit of ₹ 6,125 crore in 2016-17.

During 2012-17, the State exhibited Primary Surplus in two years i.e., 2012-13 and 2015-16 only. During the current year, the State was not able to manage Primary Surplus and showed Primary Deficit of ₹ 3,161 crore.

### 1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the Fiscal Deficit had undergone a compositional shift as reflected in **Table 1.37**.

**Table 1.37: Components of Fiscal Deficit and its financing pattern**

		(₹ in crore)				
Particulars		2012-13	2013-14	2014-15	2015-16	2016-17
1		2	3	4	5	6
<b>Composition of Fiscal Deficit (FD/GSDP) Deficit (-)/ Surplus (+)</b>		(-) 1,517 (1.10)	(-) 3,782 (2.37)	(-) 5,430 (2.95)	(+) 3,005 (**)	(-) 6,125
1	Revenue Deficit(-)/Surplus(+)	(+) 1,554	(+) 223	(-) 897	(+) 5,446	(-) 143
2	Net Capital Expenditure	(-) 2,617	(-) 3,189	(-) 3,912	(-) 2,691	(-) 5,502
3	Net Loans & Advances	(-) 453	(-) 816	(-) 621	(+) 250	(-) 480
<b>Financing Pattern of Fiscal Deficit*</b>						
1	Market Borrowings	(+) 696.40	(+) 585.66	(-) 2,152.93	(-) 1,896.75	(-) 1,994.34
2	Loans from GOI	(+) 86.62	(+) 113.31	(+) 351.89	(+) 83.50	(+) 78.38
3	Special Securities Issued to NSSF	(-) 643.25	(-) 668.57	(-) 1,078.14	(-) 1,512.63	(+) 630.19
4	Loans from Financial Institutions	(+) 4.62	(-) 49.24	(-) 76.05	(-) 203.20	(-) 573.31
5	Small Savings, PF etc.	(-) 807.52	(-) 837.17	(-) 890.13	(-) 860.14	(-) 796.46
6	Deposit & Advances	(-) 413.21	(-) 157.47	(+) 233.54	(+) 1,005.83	(-) 345.65
7	Suspense and Misc.	(+) 404.99	(-) 2,786.10	(-) 1,518.87	(+) 5,734.83	(-) 2,551.67
8	Remittances	(+) 35.27	(-) 10.32	(-) 30.26	(+) 47.66	(+) 72.34
9	Reserve Fund	(+) 118.35	(-) 255.66	(-) 320.62	(-) 230.02	(-) 1,240.52
10	Decrease (+)/increase (-) in cash balance with RBI	(-) 998.76	(+) 283.26	(+) 52.04	(+) 836.41	(+) 595.26
*All these figures are net of disbursements/outflows during the year						
** There was Fiscal Surplus						

It could be seen from **Table 1.37** that there was increasing trend in Fiscal Deficit during the years 2012-13 and 2014-15 but it improved significantly in 2015-16 as the State exhibited Fiscal Surplus during the year. During the current year i.e., 2016-17 the State again ended up with Fiscal Deficit of ₹ 6,125 crore.

The increase in Capital Expenditure during the year indicated that borrowed funds were being utilised for productive uses more than that of previous year. 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 or it may result in increase in Government revenue in future making debt payments manageable.

### 1.11.3 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 1.38**) 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 1.38: 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)
2012-13	30,698	27,022	2,617	461	30,100	(+) 3,676	(+) 598
2013-14	32,219	29,792	3,189	822	33,803	(+) 2,427	(-) 1,584
2014-15	38,191	36,744	3,912	631	41,287	(+) 1,447	(-) 3,096
2015-16	42,967	34,393	2,691	260	37,344	(+) 8,574	(+) 5,623
2016-17	49,239	46,399	5,502	499	52,400	(+) 2,840	(-) 3,161

During the five-year period 2012-17, the State exhibited Primary Surplus during the years 2012-13 and 2015-16 only. Primary Surplus of the last year turned into

Primary Deficit again during the current year and stood at ₹ 3,161 crore since non-debt receipts were less than the Primary Expenditure.

During 2016-17, non-debt receipts were adequate to cover Primary Revenue Expenditure but not adequate enough to meet Capital Expenditure also. Over the period 2012-17, the percentage of Capital Expenditure in Primary Expenditure had shown inter-year fluctuation and increased from 8.69 *per cent* in 2012-13 to 10.50 *per cent* in 2016-17.

The State should continue to give more emphasis on increase in the percentage of Capital Expenditure in Primary Expenditure as it would indicate improvement in the productive capacity of the State's economy.

### 1.12 Institutional Measures

Towards strengthening fiscal discipline 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, GOI 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 (February 2008) the policy on public private partnership in Infrastructure Development in the State. **Table 1.39** indicates that during 2015-16 and 2016-17, Government of Assam had taken up various PPP projects for implementation of which two<sup>19</sup> projects were completed in 2015-16. But, no project was completed in 2016-17. Further, as of 31 March 2017, six projects were under implementation/construction and eight projects were under planning/pipeline as detailed in **Appendix 1.7**.

<sup>19</sup> (i) Five Star Hotel at Guwahati;  
(ii) I.I.I.T., Guwahati.

**Table 1.39: Status of implementation of PPP projects**

Sl No.	Particulars	2015-16	2016-17
1.	<b>No. of completed projects</b>	<b>2</b>	<b>Nil</b>
	<i>Cost incurred of which (₹ in crore)</i>	230.50	Nil
	<i>Government's contribution (₹ in crore)</i>	0.5 & 15 Bighas of Land	Nil
2.	<b>No. of projects under implementation</b>	<b>6</b>	<b>6</b>
	<i>Cost incurred of which (₹ in crore)</i>	2,971.20	2,971.20
	<i>Government's contribution (₹ in crore)</i>	12.78 & land	12.78 & land
3.	<b>Under Planning/ Pipeline projects (No.)</b>	<b>8</b>	<b>8</b>
	<i>Cost of the project of which</i>	<i>Cost not finalised</i>	<i>Cost not finalised</i>
	<i>Government's contribution</i>		

Source: PPP Cell, Transformation and Development Department, Government of Assam.

The State Government had completed two PPP projects during last two years i.e., 2015-17 the PPP cell under the control of Transformation and Development Department could not furnish any information regarding the date of commission, revenue sharing pattern etc., of the completed projects, though called for.

### **1.13 Significant Findings**

- During 2016-17, the State had achieved two out of three fiscal targets prescribed under Assam Fiscal Responsibility and Budget Management Act, 2011.
- During the year, Fiscal Deficit as a percentage of GSDP was contained at 2.38 *per cent* i.e., within three per cent prescribed under the Act. The outstanding liabilities of the State stood at 18.54 *per cent* at the end of 2016-17 which was also well within the norms (28.50 *per cent*), prescribed under the Act. However, the State could not maintain Revenue Surplus during the year and had a Revenue Deficit of ₹ 143 crore.
- During the current year, the State's Revenue Receipts recorded the growth of 15.93 *per cent*, which was more than that of GSDP (13.80 *per cent*).
- About 33 *per cent* of the Revenue Receipts during 2016-17 came from State's own resources while Central Tax Transfers and Grants-in-Aid together contributed 67 *per cent*. This was indicative of the fact that the Government of Assam's fiscal position is largely influenced by the Tax Transfers and Grants-in-Aid from GOI.
- During 2016-17, Revenue Receipts increased by ₹ 6,763 crore (16 *per cent*) from ₹ 42,457 crore in 2015-16 to ₹ 49,220 crore in 2016-17.



The Revenue Receipts at ₹ 49,220 crore was, however, lower by ₹ 16,960 crore than the assessment made in Medium Term Fiscal Plan (MTFP)<sup>20</sup> (₹ 66,180 crore). Revenue Expenditure increased significantly by ₹ 12,352 crore (33 *per cent*) from ₹ 37,011 crore in 2015-16 to ₹ 49,363 crore in 2016-17.

- Capital Expenditure of the State increased significantly by 104 *per cent* (₹ 2,811 crore) from ₹ 2,691 crore in 2015-16 to ₹ 5,502 crore in 2016-17. However, during the current year its ratio to total expenditure stood at 9.94 *per cent* which was lower than combined average (13.60 *per cent*) of Special Category States.
- Decrease in receipts of Public Debt by ₹ 1,596 crore (29 *per cent*) and increase in repayment of Public Debt by ₹ 74 crore (four *per cent*) during the year over the previous year showed improvement in the State's debt management.
- The maturity profile of outstanding stock of public debt as on 31 March 2017 indicates that out of the outstanding public debt of ₹ 28,059.88 crore, 57.66 *per cent* (₹ 16,178.51 crore) is payable within the next seven years.
- As on 31 March 2017, 181 projects were due to be completed by March 2017 which remained incomplete and in which an amount of ₹ 402.08 crore was blocked.
- The average return on State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies varied between 0.53 and 4.96 *per cent* in the last five years whereas the State Government's average interest outgo was in the range of 6.40 to 6.57 *per cent* during the corresponding period.
- Cash Balances of the State Government at the end of the current year decreased by ₹ 1,304 crore from ₹ 10,056 crore in 2015-16 to ₹ 8,752 crore in 2016-17. The interest receipts against investment on cash balance was 8.84 *per cent* during 2016-17 which was higher than the interest paid at the rate of 6.57 *per cent* on its borrowings during the year.

<sup>20</sup> MTFP: 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.

