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# **Chapter - I**

## **Finances of the State Government**

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## 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 ₹ 2,54,341 crore in 2016-17 to ₹ 2,83,821 crore in 2017-18 (Base year – 2011-12) recording a growth of 11.59 *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 ₹ 65,698 in 2016-17 to ₹ 70,658 in 2017-18. Still, it was lower than all India average of ₹ 1,29,800. 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	2013-14	2014-15	2015-16	2016-17	2017-18
India's GDP Base Year (2011-12)	1,12,33,522	1,24,67,959	1,37,64,037	1,52,53,714	1,67,73,145
Growth rate of GDP over previous year (In <i>per cent</i> )	12.97	10.99	10.40	10.82	9.96
State's GSDP Base Year (2011-12)	1,77,745	1,95,723	2,27,959	2,54,341 (P.E.)	2,83,821 (Q.E.)
Growth rate of GSDP over previous year (In <i>per cent</i> )	13.31	10.11	16.47	11.57	11.59

Source of data: Central Statistics Office (CSO) and Department of Economics and Statistics, Assam  
P.E. - Provisional Estimates; Q.E. - Quick Estimates

During 2017-18, the State achieved higher growth rate of GSDP (11.59 per cent) than the projection of Fourteenth Finance Commission (14<sup>th</sup> FC) (10.88 per cent) and also higher than all India average (9.96 per cent).

## 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 2018.

It provides a broad perspective of the finances of the Government of Assam for the year 2017-18 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 (2017-18) *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		
2016-17	--	2017-18	2016-17	--	2017-18
1	2	3	4	5	6
<b>Section-A: Revenue</b>					
49,219.81	<b>Revenue Receipts</b>	<b>54,130.94</b>	<b>49,362.72</b>	<b>Revenue Expenditure</b>	<b>55,480.94</b>
12,079.56	Tax Revenue	13,215.52	17,123.19	General Services	22,057.80
4,353.13	Non-Tax Revenue	4,071.97	22,673.14	Social Services	21,373.17
20,188.64	Share of Union Taxes/Duties	22,301.54	8,914.03	Economic Services	11,924.92
12,598.48	Grants from Government of India	14,541.91	652.36	Grants-in-Aid/Contributions	125.05
<b>Section-B: Capital</b>					
Nil	Miscellaneous Capital Receipts	Nil	5,502.08	Capital Outlay	7,692.84
18.60	Recoveries of Loans and Advances	4.71	499.38	Loans and Advances disbursed	254.07
3,901.71	Public Debt Receipts	8,447.08	2,042.63	Repayment of Public Debt	1,958.60
Nil	Contingency Fund	50.00	Nil	Contingency Fund	50.00
19,977.59	Public Account Receipts	20,337.78	17,015.81	Public Account disbursement	20,920.63

Nil	Closing overdraft from Reserve Bank of India	Nil	Nil	Opening overdraft from Reserve Bank of India	Nil
10,056.46	Opening Balance	8,751.55	8,751.55	Closing Balance	5,364.98
83,174.17	Total	91,722.06	83,174.17	Total	91,722.06

Following were the significant changes during 2017-18 over the previous year:

- Revenue Receipts grew nearly by ₹ 4,911 crore (10 per cent) over the previous year. The increase was contributed by Tax Revenue by ₹ 1,136 crore (23 per cent), State's share Union Taxes and Duties by ₹ 2,112 crore (43 per cent) and Grants-in-Aid from Government of India (GOI) by ₹ 1,944 crore (40 per cent). The increase was, however, marginally offset by decrease in Non-Tax Revenue by ₹ 281 crore (six per cent). The Revenue Receipts at ₹ 54,131 crore was, however, lower by ₹ 16,589 crore than the assessment made in Medium Term Fiscal Plan (MTFP)<sup>1</sup> (₹ 70,720 crore).
- The increase of ₹ 1,136 crore (nine per cent) in Tax Revenue in 2017-18 as compared to previous year was mainly on account of contribution of State Goods and Services Tax (SGST) by ₹ 4,078 crore and increase in State Excise by ₹ 131 crore, which was, however, offset by decrease in Tax on Sales, Trades etc., by ₹ 2,379 crore and Taxes on Goods and Passengers by ₹ 807 crore. The Tax Revenue as a percentage of GSDP (4.66 per cent) was significantly lower than the assessment of 14<sup>th</sup> FC (7.93 per cent). It was also lower than the projections made by the State Government in its MTFP (6.36 per cent).
- The decrease in Non-Tax Revenue in 2017-18 by ₹ 281 crore (six per cent) over the previous year was mainly on account of decrease in receipt of royalties on crude oil from GOI by ₹ 569 crore and Interest Receipts by ₹ 170 crore, which was, however offset by increases under Food Storage & Warehousing and Dividends and Profits by ₹ 406 crore and ₹ 102 crore respectively. Actual Non-Tax Revenue at ₹ 4,072 crore during 2017-18 was lower by ₹ 627 crore than the assessment of 14th FC (₹ 4,699 crore).
- The increase in receipt of State's share in Union Taxes and Duties by ₹ 2,112 crore (10 per cent) was mainly due to new assignment of net proceeds under Central Goods and Services Tax (CGST) (₹ 316 crore), Integrated Goods and Services Tax (IGST) (₹ 2,251 crore) and increase in Taxes on Income other than Corporation Tax (₹ 1,270 crore). The increase in the State's share of net proceeds of Taxes was, however, offset by decrease in Customs (₹ 533 crore), Union Excise Duties (₹ 826 crore) and Service Tax (₹ 620 crore) during the year.
- Grants-in-Aid from GOI increased significantly by ₹ 1,944 crore (15 per cent) during the year. The increase was mainly due to new allocation of funds for

<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.

Centrally Sponsored Schemes (₹ 11,600 crore), Finance Commission Grants (₹ 1,283 crore) and Other Grants to the State with Legislature (₹ 1,659 crore).

- Revenue Expenditure increased significantly by ₹ 6,118 crore (12 per cent) over the previous year. The increase in expenditure was mainly contributed by General Services by ₹ 4,935 (81 per cent) and Economic Services by ₹ 3,011 crore (49 per cent). This increase was, however, offset by decrease in contribution by Social Services by ₹ 1,300 crore (21 per cent) and Grants-in-aid and contribution by ₹ 528 crore (nine per cent).
- The major functions of Revenue Expenditure that registered significant increases include Pension and other Retirement Benefits (₹ 1,823 crore) under General Services, General Education (₹ 1,467 crore) and Medical and Public Health (₹ 1,005 crore) under Social Services, and Power (₹ 1,144 crore) under Economic Services.
- During the year, both Recoveries and disbursement of Loans and Advances decreased by ₹ 14 crore (75 per cent) and ₹ 245 crore (49 per cent) respectively.
- The increase in receipts of Public Debt by ₹ 4,545 crore (116 per cent) and decrease in repayment of Public Debt by ₹ 84 crore (four per cent) over the previous year indicated the State's poor debt management.
- During 2017-18, both Public Account Receipts and Disbursement increased by ₹ 360 crore (two per cent) and ₹ 3,905 crore (23 per cent), respectively over the previous year.
- Total inflow during 2017-18 was ₹ 82,921 crore against ₹ 73,119 crore in 2016-17 while total outflow during 2017-18 was ₹ 86,358 crore as against ₹ 74,423 crore in 2016-17 registering an increase of 13 per cent and 16 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).

For achieving fiscal consolidation, the State enacted Assam Fiscal Responsibility and Budget Management (AFRBM) Act in 2005 which was 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.

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 (i) 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 (ii) the State will be further eligible for an additional borrowing limit of 0.25 *per cent* of GSDP in a given year for which the borrowing limits are to be fixed if the interest payments are less than or equal to 10 *per cent* of the Revenue Receipts in the preceding year (iii) the flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no Revenue Deficit in the year in which borrowing limits are to be fixed and the immediately preceding year.

The performance of the State during 2017-18 in terms of key fiscal targets of the 14<sup>th</sup> FC fixed 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 2017-18**

Fiscal variables	2017-18			
	Targets as prescribed in AFRBM Act, 2011	Assumptions made in Budget	Projections made in MTFP	Actual
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Eliminate Revenue Deficit by 2011-12 and attain Surplus thereafter.	(+) 2,401	(+) 2,400	(-) 1,350
Fiscal Deficit (-) / Surplus (+) (In <i>per cent</i> of GSDP)	Three <i>per cent</i> of GSDP by 2010-11 and to maintain the same level thereafter.	2.98	2.98	3.29
Ratio of total outstanding debt of the Government to GSDP (In <i>per cent</i> )	28.50 <i>per cent</i> (In 2017-18)	19.31	19.31	18.85

The above table indicated that during 2017-18, the State had achieved only one out of three AFRBM targets prescribed in the Act. As prescribed under the Act, the State could not attain Revenue Surplus and had a Revenue Deficit of ₹ 1,350 crore. Fiscal Deficit of the State as a percentage of GSDP stood at 3.29 *per cent*, which exceeded by 0.29 *per cent*<sup>2</sup> from the target fixed under the Act (3 *per cent*). The outstanding liabilities of the State stood at 18.85 *per cent* at the end of 2017-18 which was well within the norms (28.50 *per cent*), prescribed under the Act.

Thus, the State should adopt measures to augment the revenue receipts and also to curtail the revenue expenditure to achieve surplus on revenue account.

<sup>2</sup> The flexibility of 0.5 *per cent* (0.25+0.25) allowed by the 14<sup>th</sup> FC could not be extended to the State as it had a Revenue Deficit of ₹ 143 crore in 2016-17 and ₹ 1350 crore in 2017-18.

### 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 reasons, 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 2016-17 (Actuals) and 2017-18 (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 2017-18.

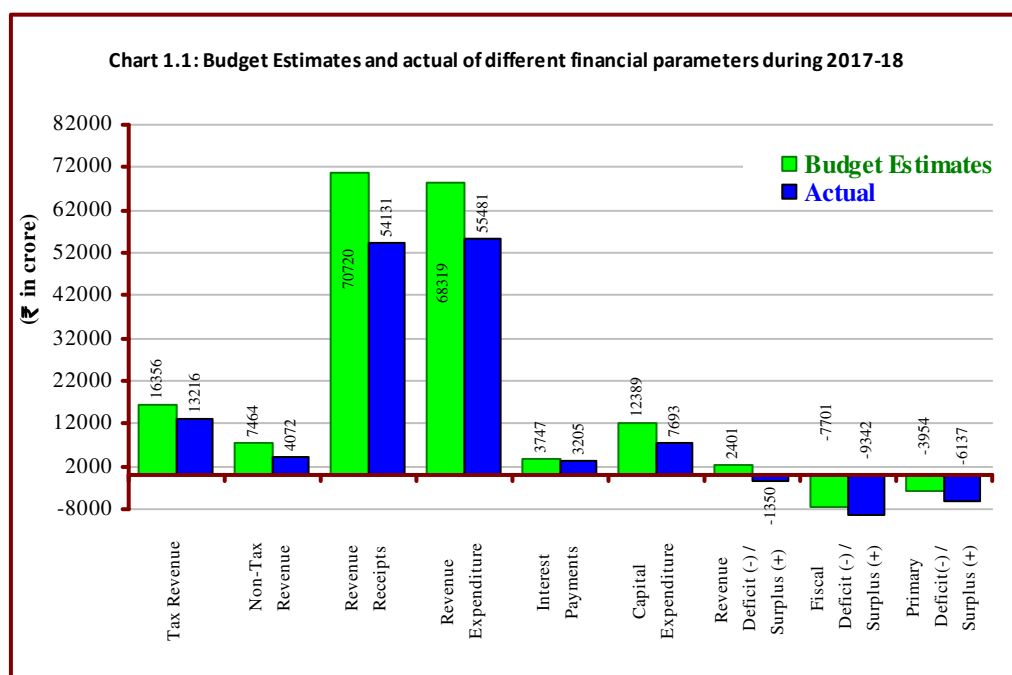
**Table 1.4: Variation in Major items –2017-18 (Actual) over Budget Estimates, Revised Estimates (2017-18) and Actual (2016-17)**

(₹ in crore)

Sl. No.	Parameters	2016-17	2017-18			Variation (In per cent) in Actual of 2017-18 with reference to		
		Actual	Budget Estimates (BE)	Revised Estimates (RE)	Actual	Actual (2016-17)	BE	RE
1	Tax Revenue	12,080	16,356	15,010	13,216	(+) 9.40	(-) 19.20	(-) 11.95
2	Non-Tax Revenue	4,353	7,464	6,409	4,072	(-) 6.46	(-) 45.44	(-) 36.46
3	Revenue Receipts	49,220	70,720	55,905	54,131	(+) 9.98	(-) 23.46	(-) 3.17
4	Non-Debt Capital Receipts	19	2,747	2,142	5	(-) 73.68	(-) 99.82	(-) 99.77
5	Revenue Expenditure	49,363	68,319	79,257	55,481	(+) 12.39	(-) 18.79	(-) 30.00
6	Interest Payments	2,964	3,747	3,747	3,205	(+) 8.13	(-) 14.46	(-) 14.46
7	Capital Expenditure	5,502	12,389	14,860	7,693	(+) 39.82	(-) 37.90	(-) 48.23
8	Disbursement of Loans & Advances	499	460	533	254	(-) 49.10	(-) 44.78	(-) 52.35
9	Revenue Deficit (-) /Surplus (+)	(-) 143	(+) 2,401	(-) 23,352	(-) 1,350	(+)844.06	(-) 156.23	(-) 94.22
10	Fiscal Deficit (-) /Surplus (+)	(-) 6,125	(-) 7,701	(-) 36,603	(-) 9,342*	(+) 52.52	(+) 21.32	(-) 74.48
11	Primary Deficit (-) /Surplus (+)	(-) 3,161	(-) 3,954	(-) 32,856	(-) 6,137	(+) 94.15	(+) 55.21	(-) 81.32

Source: Annual Financial Statement and Finance Accounts \*Inclusive of ₹50 crore transferred to Contingency Fund





- During 2017-18, both actual Revenue Receipts and actual Revenue Expenditure fell short of Budget Estimates by 23 per cent and 19 per cent respectively.
- Drastic fall in Revenue Receipts was due to overestimation of Revenue Receipts by the Government. During the year, the Government estimated 43.7 per cent growth in Revenue Receipt over and above the actuals of 2016-17 in spite of the fact that the average growth rate of actual Revenue Receipts during 2013-18 was 12.48 per cent only. Actual Revenue Receipts grew by only 9.98 per cent during the year.
- During the current year, the Tax Revenue of the State increased by ₹ 1,136 crore (nine per cent) over the previous year. However, the actual collection of Tax Revenue during the year decreased significantly by ₹ 3,140 crore (19 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 decreased by ₹ 281 crore (six per cent) over the previous year. It also fell short of Budget Estimates by ₹ 3,392 crore (45 per cent).
- Actual Revenue Expenditure increased significantly by ₹ 6,118 crore (12 per cent) during the current year over the previous year. However, it was lower by ₹ 12,838 crore (19 per cent) over the Budget Estimates.
- Actual Capital Expenditure of the State showed significant improvement during the year as it increased by 40 per cent (₹ 2,191 crore) over the previous year. However, it fell short of Budget Estimates by ₹ 4,696 crore (38 per cent).

- Against the estimated Revenue Surplus of ₹ 2,401 crore, the State ended up with the Revenue Deficit of ₹ 1,350 crore during the current year.
- Actual Fiscal Deficit increased with reference to the assessment made in the Budget during the year as against the estimated Fiscal Deficit of ₹ 7,701 crore, the state had the Fiscal Deficit of ₹ 9,342 crore.

**Table 1.4** however, indicates that the State showed improvement on all three key fiscal parameters i.e., Revenue Deficit, Fiscal Deficit and Primary Deficit during 2017-18 with respect to Revised Estimates.

During Exit Conference, Audit pointed (January 2019) out that in spite of increase in Grants-in-Aid (GIA) from Government of India during the year, the State had revenue deficit of ₹ 1,350 crore.

The Principal Secretary agreed with the audit observations and stated that the trend on Revenue Account was not healthy in spite of increase in GIA during the year. Further, it was stated that budget should be more realistic and the Government was focusing on small size of budget.

#### **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 released to the implementing agencies through the Consolidated Fund of the States and not directly to them.

Contrary to this decision, as per Public Management Finance System (PMFS) portal of Controller General of Accounts, GOI transferred ₹ 8,826.01 crore<sup>3</sup> directly to the State Implementing Agencies/Non-Government Organisations of Assam during last three years i.e., 2015-18 for implementation of various schemes/programmes in social and economic sectors critical for the human and social development.

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.

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 taken by the State Government, if any, had not been communicated (December 2018).

<sup>3</sup> 2015-16: ₹ 1,277.60 crore  
2016-17: ₹ 2,846.20 crore  
2017-18: ₹ 4,702.21 crore  
**Total ₹ 8,826.01 crore**

During Exit Conference, the Principal Secretary, Finance stated (January 2019) that funds were relating to the work in progress and the Department will monitor the transfer of funds through PMFS portal.

### 1.1.5 Gender Budgeting

Gender Budgeting is a part of the Government of India's Policies and approach towards women for their overall development. 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 Budgeting 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 (2017-18) disclosed that the expenditure was proposed to be incurred within the overall budget on schemes designed to benefit women under category 'A'<sup>4</sup> and category 'B'<sup>5</sup>. Test-check of records revealed that Gender Budget was prepared in 25 departments during the financial year 2017-18 involving an amount of ₹ 3,532.00 crore with a target to benefit 84.60 lakh women as detailed in *Appendix 1.4*.

Further analysis revealed that a performance report for the year 2016-17 (Allocated amount ₹ 2,321.67 crore against 28 departments) was required to be incorporated in the Gender Budget of 2017-18 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 2017-18.

On this being pointed out, Finance Department, GOA stated (October 2018) that the no performance report of Gender Budget (2016-17) was received from any of the Administrative Departments concerned and there was no monitoring cell in the Department to analyse the impact of Gender Budget. Further, it was stated that such cell would start working from the year 2019-20 onwards.

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

During Exit Conference, the Principal Secretary, Finance stated (January 2019) that Gender Budget is one of the pro-active measures of the Government and the Performance Reports would be sought from the Departments concerned.

<sup>4</sup> Budgetary allocations for schemes designed to benefit women to the extent of 100 per cent of allocation.

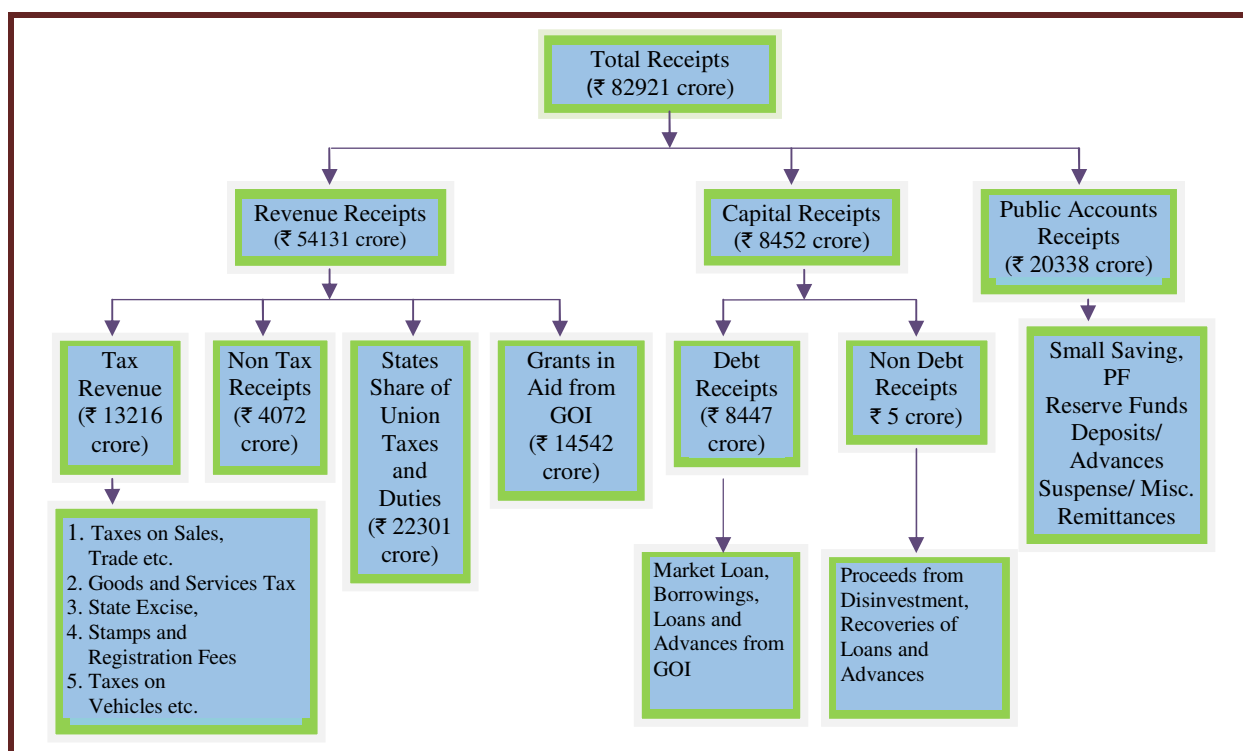
<sup>5</sup> Budgetary allocations for schemes designed to benefit women to the extent of 30 per cent of allocation.

## 1.2 Resources of the State

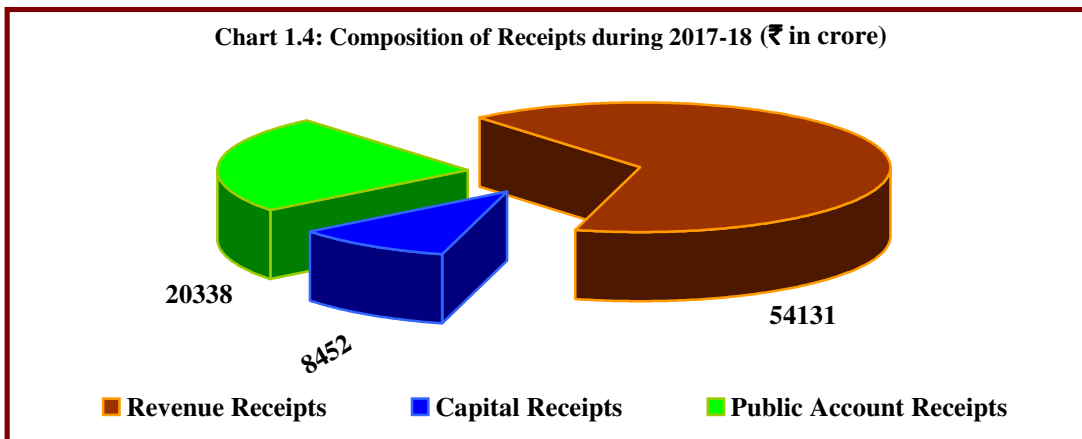
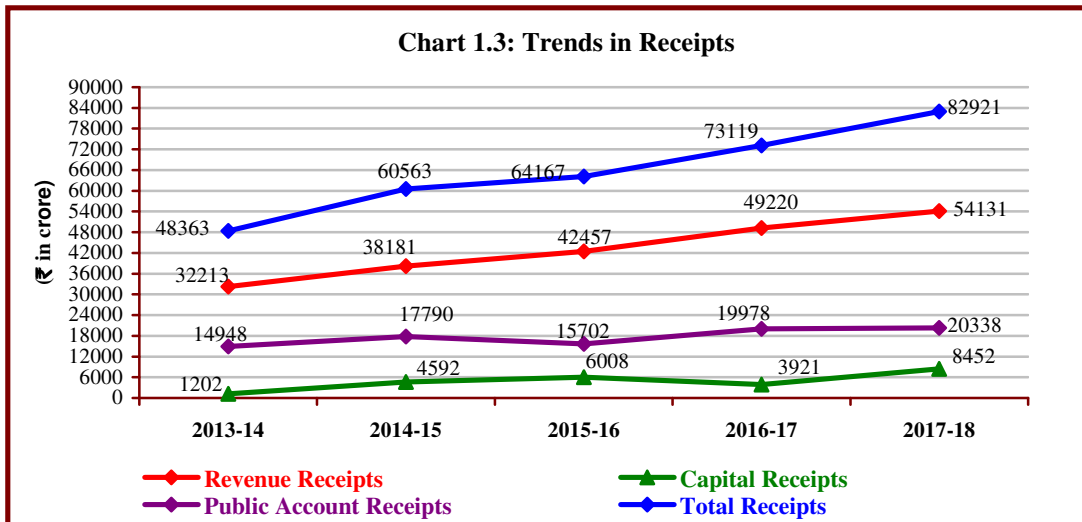
### 1.2.1 Resources of the State as per Annual Finance Accounts

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 2013-18 and **Chart 1.4** depicts the composition of resources of the State during the current year.



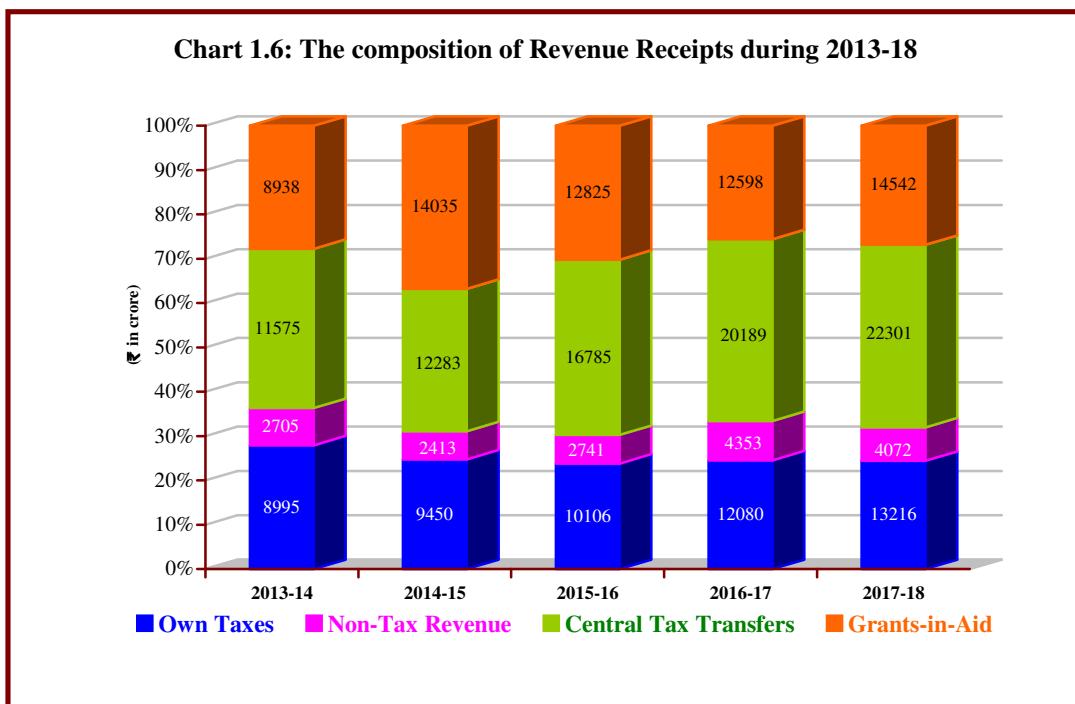
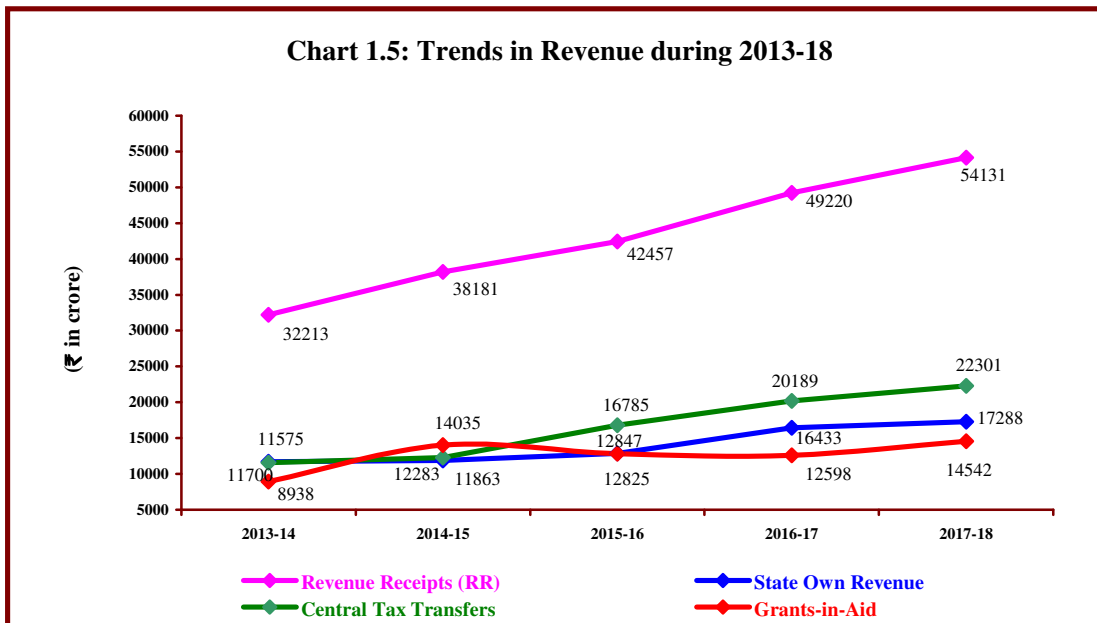
The total receipts of the State Government for 2017-18 was ₹ 82,921 crore of which ₹ 54,131 crore (65 per cent) came from Revenue Receipts. Balance ₹ 28,790 crore (35 per cent) came from Borrowings, Public Account and recoveries of Loans and Advances. The total receipts of the State increased by 71 per cent from ₹ 48,363 crore in 2013-14 to ₹ 82,921 crore in 2017-18. The share of Revenue Receipts in total receipts of the State decreased by two per cent from 67 per cent in 2013-14 to 65 per cent in 2017-18. On the other hand, share of other receipts i.e., Capital Receipts and Public Account Receipts ranged between 33 and 37 per cent of the total receipts during 2013-18.

Revenue Receipts increased by 68 per cent from ₹ 32,213 crore in 2013-14 to ₹ 54,131 crore in 2017-18. Debt Receipts (a component of Capital Receipts) which create future repayment obligation varied from two to 10 per cent of total receipts during the period 2013-18 and increased by ₹ 7,251 crore (606 per cent) from ₹ 1,196 crore in 2013-14 to ₹ 8,447 crore in 2017-18.

Public Account Receipts refer to those receipts for which the Government acts as a banker/trustee. It increased steadily from ₹ 14,948 crore in 2013-14 to ₹ 20,338 crore in 2017-18. During 2013-18, it ranged between 24 per cent and 31 per cent of the total receipts of the State.

### 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 2013-18 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 68.04 *per cent* from ₹ 32,213 crore in 2013-14 to ₹ 54,131 crore in 2017-18 at an annual average rate of 13.61 *per cent*. During 2017-18, Revenue Receipts grew nearly by ₹ 4,911 crore (9.98 *per cent*) over the previous year.
- About 32 *per cent* of the Revenue Receipts during 2017-18 came from State's own resources while Central Tax Transfers and Grants-in-Aid together contributed 68 *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 ₹ 4,911 crore (9.98 *per cent*) in Revenue Receipts did not keep pace with the increase of ₹ 6,118 crore (12.39 *per cent*) in Revenue Expenditure.
- Tax Revenue constituted 24.41 *per cent* of the total Revenue Receipts and increased by ₹ 1,136 crore during 2017-18 recording a growth rate of 9.40 *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 2013-18.
- Non-Tax Revenue constituted 7.52 *per cent* of the total Revenue Receipts and decreased by ₹ 281 crore over the previous year. Non-Tax Revenue as a percentage of Revenue Receipts ranged between six and nine *per cent* during 2013-18.

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	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue Receipts (RR) (₹ in crore)	32,213	38,181	42,457	49,220	54,131
Rate of growth of RR ( <i>per cent</i> )	4.96	18.53	11.20	15.93	9.98
Rate of growth of Own Taxes (Tax and Non-tax Revenue) ( <i>per cent</i> )	9.03	5.06	8.30	27.91	5.20
RR/GSDP ( <i>per cent</i> )	18.12	19.51	18.62	19.35	19.07
<b>Buoyancy Ratios<sup>6</sup></b>					
Revenue Buoyancy w.r.t GSDP	0.37	1.83	0.68	1.38	0.86
State's Own Tax Buoyancy w.r.t GSDP	0.68	0.50	0.50	2.41	0.45
Gross State Domestic Product (₹ in crore) (Base year 2011-12)	1,77,745	1,95,723	2,27,959	2,54,341 (P.E.)	2,83,821 (Q.E.)
Rate of growth of GSDP ( <i>per cent</i> )	13.31	10.11	16.47	11.57	11.59

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

P.E. - Provisional Estimates; Q.E. - Quick Estimates

<sup>6</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 0.86 implies that Revenue Receipts tend to increase by 0.86 percentage points, if the GSDP increases by one *per cent*.



The GSDP at current prices (Base year 2011-12) increased from ₹ 2,54,341 crore in 2016-17 to ₹ 2,83,821 crore in 2017-18 representing an increase of 11.59 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 could not achieve this ideal situation as the growth in Revenue Receipts (9.98 per cent) was less than that of GSDP (11.59 per cent). As a result, revenue buoyancy with respect to GSDP decreased significantly from 1.38 in 2016-17 to 0.86 in 2017-18. State's own tax buoyancy with reference to GSDP also reduced from 2.41 in 2016-17 to 0.45 in 2017-18, which was a matter of concern.

### 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 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 2013-18 are presented in **Appendix 1.3**. The State's actual Tax and Non-Tax Revenue for the year 2017-18 *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 2017-18**

Parameters	(₹ in crore)			
	14 <sup>th</sup> FC projections	Budget Estimates	MTFP projection	Actual
Tax Revenue	17856	16,356	16,434	13216
Non-Tax Revenue	4699	7,464	7,464	4072

The Tax Revenue of the State in 2017-18 fell short of the assessment of 14<sup>th</sup> FC by ₹ 4,640 crore. It also fell short of Budget Estimates and MTFP projection by ₹ 3,140 crore and ₹ 3,218 crore respectively during the year.

The Non-Tax Revenue of the Government was less than the assessment of 14<sup>th</sup> FC by ₹ 627 crore. It also fell short of Budget Estimates and projection of the State Government in its MTFP by ₹ 3,392 crore in each case.

Moreover, State's own Tax Revenue as a percentage of GSDP stood at 6.09 per cent during 2017-18, which was lower than that of North Eastern States<sup>7</sup> (8.71 per cent).

<sup>7</sup> Except Mizoram



**1.3.1.1 Tax Revenue**

Gross collection in respect of Tax Revenue for the years 2013-18 is given component-wise in **Table 1.7**.

**Table 1.7: Tax Revenue for the years 2013-18**

Heads	2013-14	2014-15	2015-16	2016-17	2017-18	
					Budget Estimates	Actual
Taxes on Sales, Trade, etc.	6,848	7,351	7,494	8,752	1,713	6,373
State Goods and Services Tax (SGST)	--	--	--	--	11,223	4,078 <sup>8</sup>
State Excise	610	665	808	964	1,713	1,095
Taxes on Vehicle	351	365	443	522	692	647
Stamps and Registration Fees	252	189	225	227	351	239
Land Revenue	156	142	229	210	359	219
Other Taxes <sup>9</sup>	778	738	907	1,405	305	565
<b>Total</b>	<b>8,995</b>	<b>9,450</b>	<b>10,106</b>	<b>12,080</b>	<b>16,356</b>	<b>13,216</b>

Source: Annual Financial Statement & Finance Accounts

The Tax Revenue of the State increased by ₹ 4,221 crore from ₹ 8,995 crore in 2013-14 to ₹ 13,216 crore in 2017-18 at an annual average rate of 9.39 per cent. During the current year, major contributors of Tax Revenue were Taxes on Sales, Trade etc., (48.22 per cent), Goods and Services Tax (30.86 per cent) and State Excise (8.29 per cent).

**1.3.1.2 Non-Tax Revenue**

Gross collection in respect of Non-Tax Revenue for the years 2013-18 is given component-wise in **Table 1.8**.

8 SGST (Major Head - 0006)	(₹ in crore)
101-Tax	1826.96
102-Interests	0.84
103-Penalty	0.22
104-Fees	9.71
105-Input Tax Credit cross utilisation of SGST and IGST	1786.52
106-Appportionment of IGST-Transfer-in of Tax Component	191.39
110-Advance apportionment from IGST	262.00
800-Other Receipts	0.03
<b>Total -</b>	<b>4077.67</b>

<sup>9</sup> Other Taxes include taxes on agricultural income, taxes on goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services etc.

**Table 1.8: Non-Tax Revenue for the years 2013-18**

(₹ in crore)

Heads	2013-14	2014-15	2015-16	2016-17	2017-18	
					Budget Estimates	Actual
Interest receipts, dividends and profits	431	330	369	600	491	531
General Services	191	388	416	281	551	169
Social Services	30	29	75	44	99	74
Economic Services	2,053	1,666	1,881	3,428	6,323	3,298
<b>Total</b>	<b>2,705</b>	<b>2,413</b>	<b>2,741</b>	<b>4,353</b>	<b>7,464</b>	<b>4,072</b>

Source: Annual Financial Statement &amp; 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 decreased by ₹ 281 crore (six *per cent*) in 2017-18 over the previous year.

During the current year, major contributors of Non-Tax Revenue were arrears of royalties on crude oil received from GOI (₹ 2,533 crore) under Petroleum, Food Storage and Warehousing (₹ 408 crore), Interest Receipts (₹ 305 crore), Forestry and Wildlife (₹ 251 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	0006-State Goods and Services Tax (SGST)	4,077.67	Due to collection taxes under this new nomenclature.
2	0039-State Excise	131.34	Due to increase in collection of taxes under Country Spirits and Foreign Liquors and Spirits.
3	0041-Taxes on Vehicles	125.36	Due to increase in collection of taxes under State Motor Vehicles Taxation Acts and other miscellaneous receipts.
4	0050-Dividends and Profits	101.11	Due to increase in dividends from Investments.
5	0408-Food Storage and Warehousing	406.82	Mainly due to increase in receipt from storage of Food and other miscellaneous receipts.
Sl No.	Major Heads of Accounts	Decrease (₹ in crore)	Main Reasons
6	0040-Taxes on Sales, Trade etc	2,378.63	Due to decrease in collection of Trade Tax and collection of receipt under Central and State Sales Tax Act and also some taxes got subsumed under SGST from July 2017
7	0042-Taxes on Goods and Passengers	807.18	Mainly due to decrease in collection of taxes on entry of Goods into Local Areas.
8	0802-Petroleum	568.76	Due to decrease in receipt of Royalties of oil and receipt under the Petroleum Act.

Source: Finance Accounts

### 1.3.1.4 Position of protected revenue to actual collection after implementation of GST

The Assam Goods and Services Tax (GST) Act, 2017 was passed by the State Legislature in June 2017 and made effective from 01 July 2017 in the State. The protected revenue<sup>10</sup> of the State for the 2017-18 in accordance with Section 6 of GST (Compensation to States) Act, 2017, was fixed at ₹ 7,778.76 crore with an average<sup>11</sup> protected revenue amounting to ₹ 648.23 crore per month for 2017-18.

Accordingly, the protected revenue of the State during the period from July 2017 to March 2018 was worked out to ₹ 5,834.07 crore (₹ 648.23 crore x 9 months). The actual revenue received under State Goods and Services Tax (SGST) was ₹ 4,077.67 crore including an amount of ₹ 191.39 crore on account of apportionment of Integrated Goods and Services Tax (IGST) and advance apportionment of Taxes ₹ 262.00 crore. Details of different components of SGST and pre-GST arrears<sup>12</sup> received by the State during the corresponding period are shown in **Table 1.10**.

**Table 1.10: Details of SGST receipt and pre-GST arrears of the Government of Assam during July 2017 to March 2018**

		(₹ in crore)
Sl. No.	Components	Amount
1	<b>State Goods and Services Tax (SGST)</b>	
	(a) Tax	1,826.96
	(b) Apportionment of Taxes from IGST	191.39
	(c) Advance apportionment of Taxes from IGST	262.00
	(d) Others	1,797.32
	<b>SGST collection</b>	<b>4,077.67</b>
2	<b>Pre-GST arrears</b>	<b>775.05</b>
<b>Total collection</b>		<b>4,852.72</b>

Source: Finance Accounts (2017-18) and Commissioner of Taxes, Assam

Thus, total Revenue under SGST and pre-GST arrears received during July 2017 to March 2018 was less than the protected Revenue of the State for the same period by ₹ 981.35 crore. During 2017-18, the State Government received compensation of ₹ 886.00 crore from the GoI as Grants-in-Aid up to February 2018. Compensation of ₹ 94.00 crore for the month of March 2018 was received in May 2018, which is to be accounted in financial year 2018-19. As such, compensation received by GoA from the GoI for the financial year 2017-18, was short by ₹ 1.35 crore.

<sup>10</sup> The GST (Compensation to State) Act, 2017 provides that Union Government shall compensate the states for loss of revenue due to implementation of GST. Base year for calculating the compensation shall be the revenue collection of the State during 2015-16. Protected revenue is calculated by taking into consideration the revenue collection of the base year plus 14 per cent increase for every following year.

<sup>11</sup> Ministry of Finance, GoI Office Memorandum No. S-31011/03/2014-SO (ST)-Pt-1 dated 29 August 2017.

<sup>12</sup> Revenue pertained to pre-GST regime i.e., up to June 2017 but collected by the State during the period July 2017 to March 2018 under all subsumed Acts under GST

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

The details of Grants-in-Aid received from GOI during 2013-18 are given in **Table 1.11**.

**Table 1.11: Grants-in-Aid from GOI**

(₹ in crore)					
Head	2013-14	2014-15	2015-16	2016-17	2017-18
Non-Plan Grants	681	1,491	3,330	2,154	*
Grants for State Plan Schemes	6,059	12,376	8,737	9,111	*
Grants for Central Plan Schemes	30	19	572	979	*
Grants for Centrally Sponsored Schemes	2,103	17	15	207	*
Grants for Special Plan Schemes	65	132	171	147	*
Grants for Centrally Sponsored Scheme (CSS)	--	--	--	--	11,600
Finance Commission Grants	--	--	--	--	1,283
Other transfer/Grants to States/Union Territories with Legislature	--	--	--	--	1,659
<b>Total</b>	<b>8,938</b>	<b>14,035</b>	<b>12,825</b>	<b>12,598</b>	<b>14,542</b>
Percentage of increase over previous year	(-) 4.57	57.03	(-) 8.62	(-) 1.77	(+) 15.43
Percentage of Revenue Receipts	<b>28</b>	<b>37</b>	<b>30</b>	<b>26</b>	<b>27</b>

\*There are no figures since Grants under plan and non-plan nomenclatures were removed from the year 2017-18 and same were replaced by Grants for CSS, Finance Commission Grants and Other Grants to the State.

Grants-in-Aid from GOI increased significantly by ₹ 1,944 crore (15 per cent) from ₹ 12,598 crore in 2016-17 to ₹ 14,542 crore in 2017-18. It constituted 27 per cent of Revenue Receipts during the year 2017-18.

Grants for Centrally Sponsored Scheme (₹ 11,600 crore) to the State constituted 80 per cent of the total grants during the year. Centrally Sponsored Schemes which got majority of the grants were (i) National Health Mission (₹ 1,246 crore), (ii) Accelerated Irrigation Benefit & Flood Management Programme (₹ 245 crore), (iii) Mid-day Meal Programme (₹ 529 crore), (iv) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) (₹ 322 crore), (v) Pradhan Mantri Gram Sadak Yojana (PMGSY) (₹ 576 crore), (vi) National Rural Drinking Water Mission (₹ 475 crore), (vii) Swachh Bharat Mission (SBM) (₹ 1,190 crore), (viii) Sarva Shiksha Abhiyan (₹ 1,182 crore), (ix) Integrated Child Development Service Schemes (ICDS) (₹ 773 crore), (x) Pradhan Mantri Krishi Sinchai Yojana (PMKSY) (₹ 444 crore) and (xi) Pradhan Mantri Awas Yojana (PMAY) (₹ 1830 crore).

Finance Commission Grants (₹ 1,283 crore) to the State constituted nine per cent of total grants during the year. Components of Finance Commission Grants during the year were Grants for Rural Local Bodies, Grants for Urban Local Bodies and Grants-in-aid for State Disaster.

Main components of other grants were (i) grants to recover gap in resources (₹ 16.71 crore), (ii) grants for compensation for loss of revenue on account of roll out of GST (₹ 886 crore) and (iii) grants for creation of Capital Assets (₹ 176 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 ₹ 1,283.06 crore to Assam during 2017-18. **Table 1.12** compares the extent of grants which was given to the State by GOI during 2016-17 and 2017-18.

**Table 1.12: Sector-wise position of Grants-in-Aid released by GOI as per recommendation of the 14<sup>th</sup> Finance Commission**

(₹ in crore)					
Sl No.	Department	Sectors	2016-17	2017-18	Increase
1	Panchayat and Rural Development	Panchayati Raj Institutions (PRIs)	511.10	740.89	229.79
2	Urban Development, Guwahati Development	Urban Local Bodies (ULBs)	49.86	85.87	36.01
3	Revenue and Disaster Management	State Disaster Response Fund (SDRF)	434.70	456.30	21.60
<b>Total</b>			<b>995.66</b>	<b>1,283.06</b>	<b>287.40</b>

Source of data: Finance (Economic Affairs) Department, GOA and Finance Accounts

It could be seen from the above table that total grants to the State had increased by ₹ 287.40 crore during 2017-18 as compared to the previous year.

### 1.3.3 Central Tax transfer

Central Tax transfers increased by ₹ 2,112 crore (10.46 *per cent*) from ₹ 20,189 crore in 2016-17 to ₹ 22,301 crore in 2017-18 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 ₹ 2,112 crore was mainly due to new assignment of net proceeds under Central Goods and Services Tax (CGST) (₹ 316 crore), Integrated Goods and Services Tax (IGST) (₹ 2,251 crore) and increase in Taxes on Income other than Corporation Tax (₹ 1,270 crore). The increase in the Central Tax Transfer was, however, offset by decrease in Customs (₹ 533 crore), Union Excise Duties (₹ 826 crore) and Service Tax (₹ 620 crore) during the year.

### 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>13</sup> and services of three selected Socio-Economic Services by Government are depicted in **Table 1.13**.

**Table 1.13: Cost recovery: 2017-18**

Parameters	Non-Tax Revenue Receipts	Total Expenditure	Cost Recovery ( <i>per cent</i> )
Water Supply & Sanitation	0.93	391.06	0.24
Roads & Bridges	27.42	1523.06	1.80
Minor Irrigation	0.22	399.26	0.06

(₹ in crore)

**Table 1.13** highlights the status of cost recovery for Water Supply & Sanitation under Social Services and Roads and Bridges and Minor Irrigation under Economic Services. Cost recovery from Social Services is expected to be lower than that of Economic Services. However, compared to 2013-14<sup>14</sup>, cost recovery had reduced in Roads & Bridges and Minor Irrigation under Economic Services whereas there was a marginal increase in Water Supply & Sanitation under Social Services during 2017-18. 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 1.14: Trends in growth and composition of Capital Receipts**

Sources of State's Receipts	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Receipts	1,202	4,592	6,008	3,921	8,452
Miscellaneous Capital Receipts	Nil	Nil	Nil	Nil	Nil
Recovery of Loans and Advances	6	10	510	19	5
Public Debt Receipts	1,196	4,582	5,498	3,902	8,447
Rate of growth of Debt Capital Receipts	(-) 13.83	283.11	19.99	(-) 29.03	116.48
Rate of growth of Non-Debt Capital Receipts	(-) 14.29	66.67	5000.00	(-) 96.27	(-) 73.68
Rate of growth of GSDP	13.31	10.11	16.47	11.57	11.59
Rate of growth of Capital Receipts ( <i>per cent</i> )	(-) 13.84	(+) 282.03	(+) 30.84	(-) 34.74	(+) 115.56

(₹ in crore)

Capital Receipts increased by more than 603 *per cent* from ₹ 1,202 crore in 2013-14 to ₹ 8,452 crore in 2017-18. During the current year, the Capital Receipts increased by ₹ 4,531 crore (116 *per cent*) over the previous year. Public Debt Receipts

<sup>13</sup> Merit goods are commodities that the public sector provides free of cost 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>14</sup> Water Supply & Sanitation: 0.23 *per cent*; Roads & Bridges: 4.91 *per cent* and Minor Irrigation: 0.11 *per cent*.

which create future repayment obligation varied between two and 10 *per cent* of total receipts during the period 2013-18. It increased considerably by ₹ 4,545 crore (116 *per cent*) from ₹ 3,902 crore in 2016-17 to ₹ 8,447 crore in 2017-18.

Rate of growth of Debt Capital Receipts became positive and stood at 116.48 *per cent* whereas Non-Debt Capital Receipts remained negative and stood at 73.68 *per cent* during the year.

The increase in Capital Receipts (₹ 4,531 crore) was mainly due to more Internal Debt of the Government comprising of Market Loan, Loans from Financial Institutions etc., (₹ 4,532 crore) and Loans and Advances from the Central Government (₹ 13 crore), offset by less receipt of fund under Recovery of Loans and Advances (₹ 14 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 for various purposes. The trends in growth and composition of Public Account Balances are given in **Table 1.15**.

**Table 1.15: Trends in growth and composition of Public Account Balances**

	(₹ in crore)				
Resources under various Heads	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Public Account Balances</b>	<b>1,671.44</b>	<b>1,413.44</b>	<b>(-) 191.93</b>	<b>4,861.96</b>	<b>3,205.63</b>
a. Small Savings, Provident Fund etc.	837.17	890.13	860.14	796.46	1,027.66
b. Reserve Fund	543.44	818.51	230.02	1,240.52	(-) 2,294.54
c. Deposits and Advances	157.47	(-) 233.54	(-) 1,005.83	345.65	(-) 443.61
d. Suspense and Miscellaneous	123.04	(-) 91.92	(-) 228.60	2,551.67	4,895.62
e. Remittances	10.32	30.26	(-) 47.66	(-) 72.34	20.50

Public Account Balances of the Government increased from ₹ 1,671.44 crore in 2013-14 to ₹ 3,205.63 crore in 2017-18. However, during current year, the balances decreased significantly by ₹ 1,656.33 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 2013-14 to 2017-18 are presented in **Table 1.16** as well as in **Appendix 1.3**.



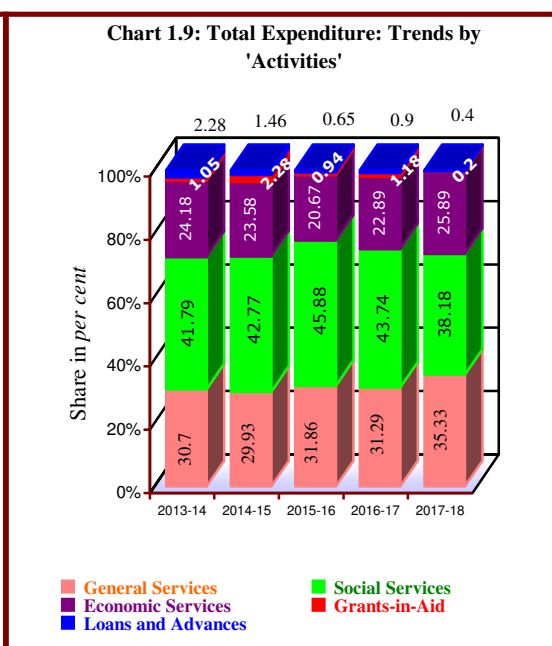
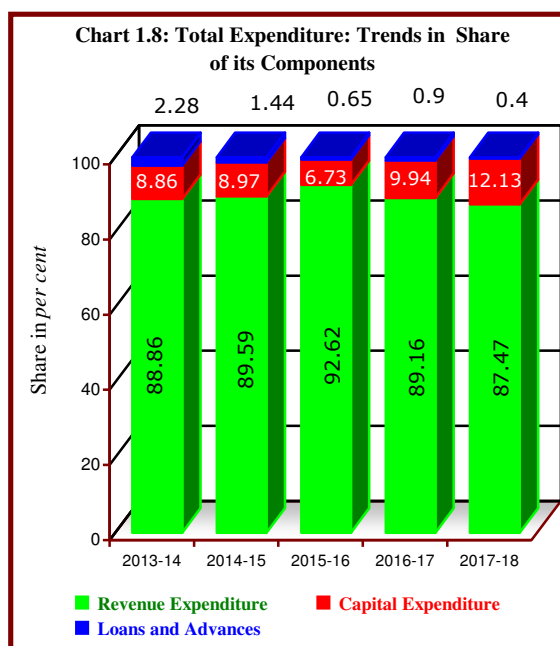
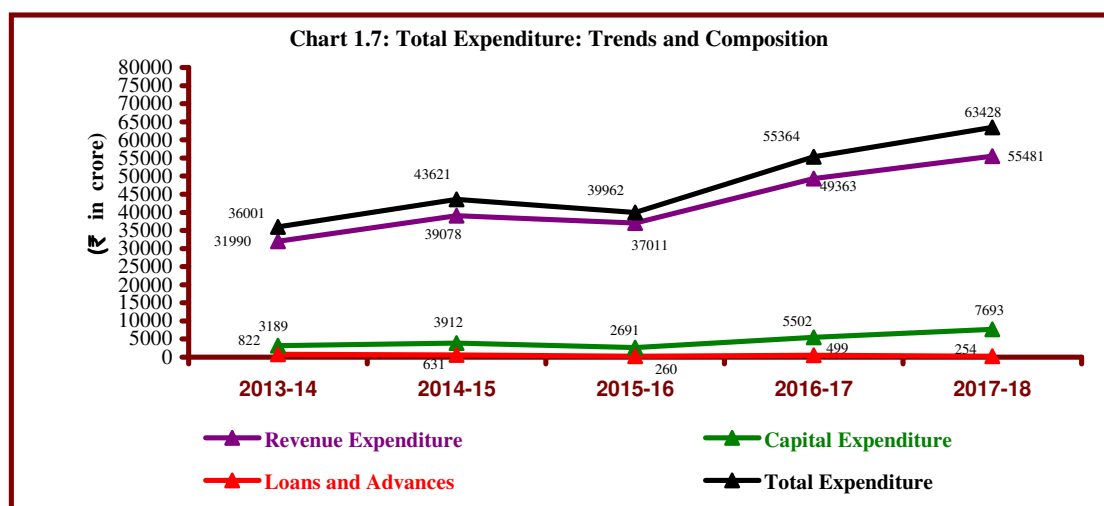
**Table 1.16: Total expenditure and its compositions**

Parameters	2013-14	2014-15	2015-16	2016-17	2017-18
Total Expenditure	36,001	43,621	39,962	55,364	63,428
Revenue Expenditure	31,990	39,078	37,011	49,363	55,481
Of which, Non-Plan Revenue Expenditure	24,962	29,687	27,576	35,929	*
Capital Expenditure	3,189	3,912	2,691	5,502	7,693
Loans and Advances	822	631	260	499	254

(₹ in crore)

\*Plan and Non-plan nomenclatures were removed from the year 2017-18

Chart 1.7 presents the trends in total expenditure over a period of five years (2013-18). 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 76 *per cent* from ₹ 36,001 crore in 2013-14 to ₹ 63,428 crore in 2017-18. 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 1.17**.

**Table 1.17: Total expenditure – basic parameters**

Parameters	2013-14	2014-15	2015-16	2016-17	2017-18
Total Expenditure (TE) (₹ in crore)	36,001	43,621	39,962	55,364	63,428
Rate of growth ( <i>per cent</i> )	11.75	21.17	(-) 8.39	38.54	14.57
TE/GSDP ratio ( <i>per cent</i> )	20.25	22.29	17.53	21.77	22.35
RR/TE ratio ( <i>per cent</i> )	89.48	87.53	106.24	88.90	85.34
Rate of Growth of GSDP	13.31	10.11	16.47	11.57	11.59
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	0.88	2.09	(-) 0.51	3.33	1.26
RR (ratio)	2.37	1.14	(-) 0.82	2.42	1.46

The increase of ₹ 8,064 crore (14.57 *per cent*) in total expenditure in 2017-18 over previous year (2016-17) was due to increase of ₹ 6,118 crore in Revenue Expenditure and ₹ 2,191 crore in Capital Expenditure. The increase was, however, offset by decrease in disbursement of Loans and Advances by ₹ 245 crore during the year.

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

**(A) General Services:**

- **Miscellaneous-General Services (₹ 3,276 crore)** - The increase was mainly due to increase in Other Expenditure.
- **Pensions and Other Retirement Benefits (₹ 1,723 crore)** – The increase was mainly due to increase under (i) Government Contribution for Defined Contribution Pension Scheme (ii) Leave Encashment Benefits (iii) Gratuities and (iv) Superannuation and Retirement Allowances.

**(B) Social Services:**

- **General Education (₹ 1,467 crore)** - The increase was mainly due to increase under (i) Government Primary Schools (ii) Other Expenditure and (iii) Assistance to Non-Government Secondary Schools.

**(C) Economic Services:**

- **Power (₹ 1,144 crore)** – The increase was mainly due to increase in Other Expenditure.

- **Special Programmes for Rural Development (₹ 267 crore)** - The increase was mainly due to increase under (i) Direction of Administration and (ii) Other Expenditure.

The significant increase in Capital expenditure by 39.82 *per cent* (₹ 2,191 crore) during 2017-18 was mainly due to increase in expenditure on Capital Outlay on Police by ₹ 128 crore, Capital Outlay on Medical and Public Health by ₹ 195 crore, Capital Outlay on Water Supply and Sanitation by ₹ 1,033 crore and Capital Outlay on Power Projects by ₹ 286 crore.

The pattern of total expenditure in the form of Revenue Expenditure and Capital Expenditure & Others revealed that Revenue Expenditure contributed dominant share of 87 *per cent*, followed by Capital and other expenditure by 13 *per cent* during 2017-18.

The growth of Total expenditure declined during the current year as it decreased from 38.54 *per cent* in 2016-17 to 14.57 *per cent* in 2017-18. The decrease in ratio of Revenue Receipts to total expenditure from 88.90 *per cent* in 2016-17 to 85.34 *per cent* in 2017-18 was mainly due to decrease in receipt of Non-Tax Revenue of ₹ 281 crore during the current year. The buoyancy of total expenditure with reference to GSDP stood at 1.26 during 2017-18. 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 1.46 in 2017-18 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 ₹ 63,428 crore during 2017-18 (refer **Chart 1.9** and **Appendix 1.3**) are indicated in **Table 1.18**.

**Table 1.18: Components of expenditure – relative share**

Parameters	(In per cent)				
	2013-14	2014-15	2015-16	2016-17	2017-18
General Services	30.70	29.93	31.86	31.29	35.33
<i>Of which, Interest Payments</i>	6.11	5.35	6.55	5.35	5.05
Social Services	41.79	42.77	45.88	43.74	38.18
Economic Services	24.18	23.58	20.67	22.89	25.89
Grants-in-Aid	1.05	2.28	0.94	1.18	0.20
Loans and Advances	2.28	1.46	0.65	0.90	0.40

The relative share of the above components of expenditure indicated that the share of General and Economic Services in the total expenditure increased during 2017-18 over

the previous year. These increases were, however, set off by decreases in the respective share of Social Services, Grants-in-Aid and Loans and Advances.

The expenditure on General Services, which are considered as non-developmental, increased from 31.29 *per cent* in 2016-17 to 35.33 *per cent* in 2017-18. On the other hand, Developmental Expenditure *i.e.*, expenditure on Social and Economic Services decreased from 66.63 *per cent* in 2016-17 to 64.07 *per cent* in 2017-18. Interest Payments as a percentage of Total Expenditure ranged between 5.05 *per cent* and 6.55 *per cent* during 2013-18.

### 1.6.3 Revenue Expenditure

Revenue Expenditure is a component of total expenditure. Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure had the predominant share of 89 *per cent* in the total expenditure during the period 2013-18. The overall Revenue Expenditure, its rate of growth, the ratio of Revenue Expenditure to total expenditure and buoyancy ratio of Revenue Expenditure with GSDP and Revenue Receipts are indicated in **Table 1.19**.

**Table 1.19: Revenue Expenditure – basic parameters**

Parameters	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Total Expenditure (TE)	36,001	43,621	39,962	55,364	63,428
Revenue Expenditure (RE), of which	31,990	39,078	37,011	49,363	55,481
Non-Plan Revenue Expenditure (NPRE)	24,962	29,687	27,576	35,929	*
Plan Revenue Expenditure (PRE)	7,028	9,391	9,435	13,434	*
Rate of Growth of					
RE ( <i>per cent</i> )	9.79	22.16	-5.29	33.37	12.39
NPRE ( <i>per cent</i> )	10.25	18.93	-7.11	30.29	*
PRE ( <i>per cent</i> )	8.21	33.62	0.47	42.38	*
Revenue Expenditure as percentage to TE	88.86	89.59	92.62	89.16	87.47
NPRE/GSDP ( <i>per cent</i> )	14.04	15.17	12.19	13.95	*
NPRE as percentage of TE	69.34	68.06	69.01	64.90	*
NPRE as percentage of RR	77.49	77.75	64.95	73.00	*
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.74	2.19	-0.32	2.88	1.07
Revenue Receipts (ratio)	1.97	1.20	-0.47	2.09	1.24

\*Plan and Non-plan nomenclatures were removed from the year 2017-18

The overall Revenue Expenditure of the State increased by 73.43 *per cent* from ₹ 31,990 crore in 2013-14 to ₹ 55,481 crore in 2017-18 at an annual average rate of 14.69 *per cent*. During 2017-18, it increased by ₹ 6,118 crore (12.39 *per cent*) over the previous year. However, the Revenue Expenditure at ₹ 55,481 crore was lower by

₹ 12,838 crore than the assessment made in Medium Term Fiscal Plan (MTFP) (₹ 68,319 crore).

**Table 1.20** provides the comparative position of Revenue Expenditure with reference to assessment made by 14<sup>th</sup> FC and projection of the State Government in its budget during 2017-18.

**Table 1.20: Revenue Expenditure vis-à-vis assessment of the Fourteenth Finance Commission and State's Projections**

(₹ in crore)			
Year	Assessment of XIV FC	Budget Estimates	Actual
2017-18	48,006	68,319	55,481

Source: Annual Financial Statement and Finance Accounts

It could be seen from the above Table that during 2017-18, Revenue Expenditure was lower by ₹ 12,838 crore (18.79 per cent) than the projections of the State Government made in its Budget. However, it was higher by ₹ 7,475 crore (15.57 per cent) than the assessment made by the Fourteenth Finance Commission.

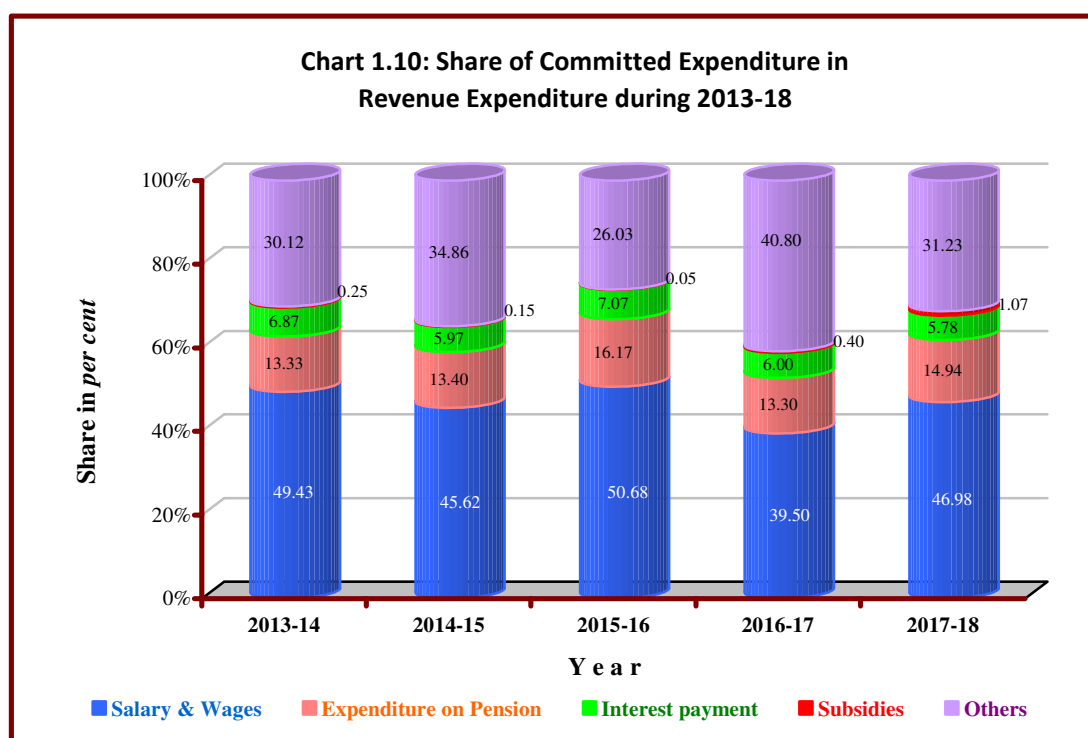
#### 1.6.4 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Table 1.21** and **Chart 1.10** present the trends in the expenditure on these components during 2013-18.

**Table 1.21: Components of Committed Expenditure**

(₹ in crore)					
Components of Committed Expenditure	2013-14	2014-15	2015-16	2016-17	2017-18
Salaries & Wages, Of which	15,814	17,829	18,758	19,498	26,068
Non-Plan Head	14,999	16,853	18,485	17,951	*
Plan Head	815	976	273	1,546	*
Expenditure on Pensions	4,264	5,237	5,985	6,565	8,287
Interest Payments	2,198	2,334	2,618	2,964	3,205
Subsidies	81	58	19	196	591
<b>Total</b>	<b>22,357</b>	<b>25,458</b>	<b>27,380</b>	<b>29,223</b>	<b>38,151</b>
<b>As per cent of RR</b>					
Salaries & Wages	49.09	46.69	44.18	39.61	48.16
Expenditure on Pensions	13.24	13.72	14.10	13.34	15.31
Interest Payments	6.82	6.11	6.17	6.02	5.92
Subsidies	0.25	0.15	0.04	0.40	1.09

Source: Finance Accounts \*Plan and non-plan nomenclatures were removed from 2017-18



#### 1.6.4.1 Salary and Wage expenditure

Salaries and Wage expenditure alone accounted for 48 *per cent* of Revenue Receipts and 47 *per cent* of the Revenue Expenditure during 2017-18. It increased by ₹ 10,253 crore (65 *per cent*) from ₹ 15,814 crore in 2013-14 to ₹ 26,068 crore in 2017-18. During the current year, it increased by ₹ 6,570 crore (34 *per cent*) from ₹ 19,498 crore in 2016-17 to ₹ 26,068 crore in 2017-18. Expenditure on Salaries (₹ 25,752 crore) during 2017-18 was more by ₹ 741 crore (three *per cent*) than the projection of ₹ 25,011 crore made in MTFP.

#### 1.6.4.2 Interest Payments

Interest Payments increased by ₹ 241 crore (8.13 *per cent*) from ₹ 2,964 crore in 2016-17 to ₹ 3,205 crore in 2017-18. During the current year, the Interest Payments were made on internal debt (₹ 2,381 crore), Small Savings, Provident Fund etc., (₹ 724 crore) and Loans and Advances from Central Government (₹ 100 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 1.22**. The table indicates that the State Government was successful in restricting the Interest Payments within the assessments of 14<sup>th</sup> FC and their own projections during 2017-18.

**Table 1.22: Interest Payments vis-à-vis assessment of the Fourteenth Finance Commission and State's Projections**

(₹ in crore)

Year	Assessment made by the 14 <sup>th</sup> FC	Assessment made by the State Government in		Actual
		Budget	MTFP	
2017-18	3,380	3,747	3,747	2,964

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 2017-18, the State Government borrowed ₹ 7,760 crore from open market. Further, the Government also borrowed an amount of ₹ 618 crore from National Bank for Agriculture and Rural Development (NABARD) and ₹ 69 crore from GOI.

#### 1.6.4.3 Pension Payments

Pension Payments increased from ₹ 4,264 crore in 2013-14 to ₹ 8,287 crore in 2017-18 recording a total increase of 94 *per cent* in five years. Pension Payments alone accounted for more than 15 *per cent* of Revenue Receipts of the State during the year and increased significantly by ₹ 1,722 crore (26.23 *per cent*) over the previous year.

Increase of ₹ 1,722 crore in Pension Payments during 2017-18 over the previous year was mainly due to increase in expenditure under Superannuation and Retirement Allowances (₹ 1,038 crore), Gratuities (₹ 164 crore) and Leave Encashment Benefits (₹ 175 crore).

**Table 1.23** shows the actual pension payments with reference to assessment made by the 14<sup>th</sup> FC and projections of the State Government.

**Table 1.23: Actual Pension Payments vis-à-vis assessment of the Fourteenth Finance Commission and State's Projections**

(₹ in crore)

Year	Assessment made by the 14 <sup>th</sup> FC	Assessment made by the State Government in		Actual
		Budget	MTFP	
2017-18	4,671	9,682	9,768	8,287

Pension Payments was ₹ 3,616 crore (77.41 *per cent*) more than the assessments of 14<sup>th</sup> FC. However, it was less by ₹ 1,395 crore (14.41 *per cent*) than the estimates made by the State Government in its budget and ₹ 1,481 crore (15.16 *per cent*) less than the projections made in its MTFP and during 2017-18.

### 1.6.4.3.1 National Pension System

Government of Assam introduced (January 2010) 'National Pension System' (NPS) applicable to all new entrants joining State Government Service on regular basis against vacant sanctioned post(s) on or after 1 February 2005. The State Government gave an option to the existing employees to either opt for the system with retrospective effect (from February 2005) or from January 2010.

Under this system, employees contribute 10 *per cent* basic pay and dearness allowance, which is matched by the State Government and both employee's and employer's contributions are at first transferred to the Public Account under the Major Head '8342-117-Defined Contributory Pension Scheme'. The State Government has the responsibility to deposit both employee's and employer's shares with the designated authority i.e., National Securities Depository Limited (NSDL)/trustee bank for further investment as per guidelines of NPS. NSDL allots a Permanent Retirement Account Number (PRAN) to each employee enrolled under the System on receipt of requisite information/documents from Government.

Audit analysed overall functioning of NPS, which revealed that:

As of 31 March 2018, Government of Assam collected ₹ 1,998.45 crore from employees as contribution towards NPS and contributed only ₹ 1,782.52 crore as Government's Share towards the Scheme. Thus, Government did not discharge its statutory liability as it failed to contribute ₹ 215.93 crore as Government's matching share under NPS. Further, against the total collected funds of ₹ 3,780.97 crore (Employees share - ₹ 1,998.45 crore *plus* Government share - ₹ 1,782.52 crore), the Government transferred ₹ 3,531.53 crore only to designated authority (NSDL) and did not transfer ₹ 249.44 crore to NSDL for further investment as per the provisions of the scheme. Thus, there was a short transfer of ₹ 465.37 crore (₹ 249.44 crore not transferred *plus* ₹ 215.93 crore short transfer) to the NSDL and the current liability stands deferred to future year (s).

On this being pointed out, the Director of Accounts and Treasuries stated (September 2018) that PRANs to all employees were not issued as a large number of forms were returned for want of required documents.

Non-compliance with statutory requirements by the Government has the impact of deferring Government liabilities to future years and also affect accuracy and transparency of accounts. Moreover, the State Government has created interest liability on the amount not transferred to NSDL, as the above Major Head is classified as 'Deposits bearing Interest' in the Government Accounts. Further, delays in investment of NPS contributions with Fund Managers also create an atmosphere of uncertainty about:

- i) the rate of return to be accrued to the employees concerned for such periods on the investment of their NPS contribution, and



- ii) the amount of avoidable financial liability to be borne by the Government on account of non-deposit of the NPS contributions with the designated authorities.

Non-contribution of ₹ 215.93 crore by Government towards NPS apart from understating liabilities of the Government would also deprive the subscribers of their benefits on time. Further, there was short transfer to the NSDL to the tune of ₹ 249.44 crore and parking of NPS funds in Public Account. Thus, as a whole, an amount of ₹ 465.37 crore, which was required to be transferred to NSDL has not been transferred to NSDL, which would inevitably lead to bankruptcy of the NPS corpus and eventual failure of the Scheme itself.

During Exit Conference, the Commissioner and Secretary, Finance stated (January 2019) that one cell had been constituted which would address the issues raised by Audit.

*Recommendation: The State Government needs to ensure that Government contribution is fully matched with that of the employees' contribution and that the entire amount is transferred to NSDL in a timely manner to avoid unlimited liability on the State exchequer as well as to provide an assurance to the pensioners about the returns on their investment.*

#### 1.6.4.4 Subsidies

**Table 1.21** indicated that subsidies as a percentage of Revenue Receipts increased significantly from 0.40 *per cent* in 2016-17 to 1.09 *per cent* in 2017-18. In absolute terms, expenditure on payment of subsidies increased significantly from ₹ 196 crore in 2016-17 to ₹ 591 crore in 2017-18.

During 2017-18, the major Departments which received subsidy were Power (₹ 527.00 crore), Industries and Commerce (₹ 42.64 crore) and Co-operation Department (₹ 14.25 crore). The State Government had not made any projection for subsidy in its MTFP during 2017-18.

During Exit Conference, Audit pointed out (January 2019) that the committed expenditure of the State had touched the level of 60 *per cent* of the Total Expenditure leaving only 40 *per cent* for other development expenditure.

The Principal Secretary, (Finance) agreed with the audit observation and stated that this issue would be looked into.

#### 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 1.24**.



**Table 1.24: Financial Assistance to Boards and other institutions**

(₹ in crore)

Financial Assistance to Institutions	2013-14	2014-15	2015-16	2016-17	2017-18	
					Final Grant	Actual
Municipal Corporations/Urban Sewerage Board	62.20	93.47	0	6.43	191.20	15.35
Co-operative Societies and Co-operative Institutions	5.50	12.53	108.12	11.50	83.97	69.08
Universities and Educational Institutions	2,760.62	1,267.36	589.33	578.03	942.33	519.63
Public Sector Undertakings (PSUs)	278.76	652.38	25.00	407.51	1,441.23	591.74
Assam State Housing Board (ASHB) etc.	4.58	5.22	0	0.99	16.00	15.97
Assam Khadi & Village Industries Board	24.77	23.37	14.37	19.54	48.61	47.38
Urban Development Authority	11.52	23.94	17.29	70.58	678.21	171.68
Autonomous and Development Councils	393.42	308.17	282.67	851.46	938.78	515.27
Other Institutions	671.91	329.78	627.46	291.35	216.04	181.23
<b>Total</b>	<b>4,213.28</b>	<b>2,716.22</b>	<b>1,664.24</b>	<b>2,237.38</b>	<b>4,556.37</b>	<b>2,127.33</b>
Assistance as percentage of RE	13.17	6.95	4.50	4.53	6.67	3.83

The total assistance during 2017-18 had decreased by ₹ 110 crore (five per cent) over the level of 2016-17. Assistance to Boards and other institutions, as a percentage of total Revenue Expenditure, was 3.83 per cent during 2017-18. Financial assistance to Public Sector Undertakings constituted 28 per cent of the total assistance of the State Government during 2017-18.

## 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 to the passage of the 73<sup>rd</sup> Constitutional Amendment Act, 1992, the Government of Assam 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 2018, 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 mentioned 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 2018, there were 100 ULBs in the State comprising of one Municipal Corporation, 35 MBs and 64 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 2013-18 is presented in **Tables 1.25** and **1.26**.

**Table 1.25: Resources of PRIs**

Source	2013-14	2014-15	2015-16	2016-17	2017-18
Own Revenue (Local Bodies)	30.13	35.25	41.36	43.60	43.31
State Finance Commission (SFC) transfers	158.23	298.84	147.36	72.13	29.80
Central Finance Commission (CFC) transfers	201.93	270.54	292.40	511.10	740.89
Interest for delayed payment of CFC grants	4.97	1.45	10.28	16.65	0.00
Grants for State Sponsored schemes	197.29	147.04	486.00	0.00	11.36
GOI grants for Centrally Sponsored Schemes	2,169.83	1,896.38	2,069.59	3,367.81	3,444.71
<b>Total</b>	<b>2,762.38</b>	<b>2,649.50</b>	<b>3,046.99</b>	<b>4,011.29</b>	<b>4,270.07</b>

Source: Commissioner P&RD, Assam; Finance (Economics Affairs) Department, GoA; The FASFC Report; DMA and Director, T&CP GoA and Finance Accounts

**Table 1.26: Resources of ULBs**

Source	2013-14	2014-15	2015-16	2016-17	2017-18
Own Revenue	50.61	56.05	80.34	93.59	82.35
SFC transfers	133.11	169.07	0.00	92.59	142.88
CFC transfers	0.00	39.74	46.57	49.86	85.87
Interest for delayed payment of CFC grants	0.12	0.18	0.00	1.51	0.00
Grants for State Sponsored Schemes	8.22	12.29	0.91	2.28	72.90
GOI grants for Centrally Sponsored Schemes	25.57	11.03	15.17	111.29	266.48
<b>Total</b>	<b>217.63</b>	<b>288.36</b>	<b>142.99</b>	<b>351.12</b>	<b>650.48</b>

Source: Commissioner P&RD, Assam; Finance (Economics Affairs) Department, GoA; The FASFC Report; DMA and Director, T&CP GoA and Finance Accounts

It would be seen from **Table 1.25** that total resources of PRIs increased by ₹ 1,507.69 crore (55 per cent) over a period of five years *i.e.*, 2013-18. Total resources

of ULBs also increased by ₹ 432.85 crore (199 *per cent*) over the same five-year period. During the current year, GOI grants for Centrally Sponsored Schemes for PRIs and ULBs increased by ₹ 76.90 crore and ₹ 155.19 crore respectively.

### **1.6.6.3 Devolution of funds, functions and functionaries (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 by way of recommendations of 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 providing Funds, Functions and Functionaries (3Fs) 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. Though, the Government of Assam had constituted the said committee but 3Fs to ULBs had not been transferred.

Thus, the process of decentralisation commenced partially with the amendment of AMA, with major milestones yet to be achieved.

- For devolution of fund, GOA created a panchayat/municipality window in the State Budget earmarking every year, substantial outlays under 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, which was against the spirit of the enactment under the Constitution.

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

#### 1.6.6.4 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. Moreover, National Information Centre (NIC) developed a software 'PRIASOFT' which is a model accounting system to be used by the PRIs to manage their accounts. However, only three out of eight formats prescribed by the C&AG were generated through PRIASOFT.

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

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 tune with the 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 recommendations of 11<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 2016-17 was laid before the State Legislature on 24 September 2018.

Government of Assam had constituted (October 2012) Committee on Local Fund Accounts (CoLFA) to discuss the Audit Reports on PRIs and ULBs. In August 2018, Audit Report on Local Bodies for the year 2013-14 was discussed by the CoLFA.

During October 2018, CoLFA had issued 20 recommendations pertaining to the ATIR of the year 2009-10. However, against the recommendations made by CoLFA, no ATN was received from the Government (December 2018).

## 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>15</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 1.27** 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 2017-18, taking 2013-14 as base year.

**Table 1.27: Fiscal Priority of the State in 2013-14 and 2017-18**

(In per cent)							
Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Educatio n/AE	Health/ AE
<b>Average (Ratio) 2013-14 of</b>							
Special Category States	23.50	37.60	29.30	64.00	13.80	18.30	5.40
Assam	20.25	49.30	26.44	75.74	8.86	26.53	5.22
<b>Average (Ratio) 2017-18 of</b>							
Special Category States	25.80	34.90	28.90	58.90	15.50	18.20	6.20
Assam	22.35	38.19	26.27	64.46	12.13	22.21	6.64
AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.							

**Table 1.27** reveals that Development Expenditure, as a ratio of aggregate expenditure of the State of Assam, was more than that of Special Category States (SCS) during the year 2013-14 and 2017-18. During the current year, it was more than that of SCS by

<sup>15</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.

5.56 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 of the State on education was more than that of SCS during both the years. Expenditure on health was less than that of SCS in 2013-14. However, it improved subsequently and exceeded the expenditure of SCS on health during the current year i.e., 2017-18.

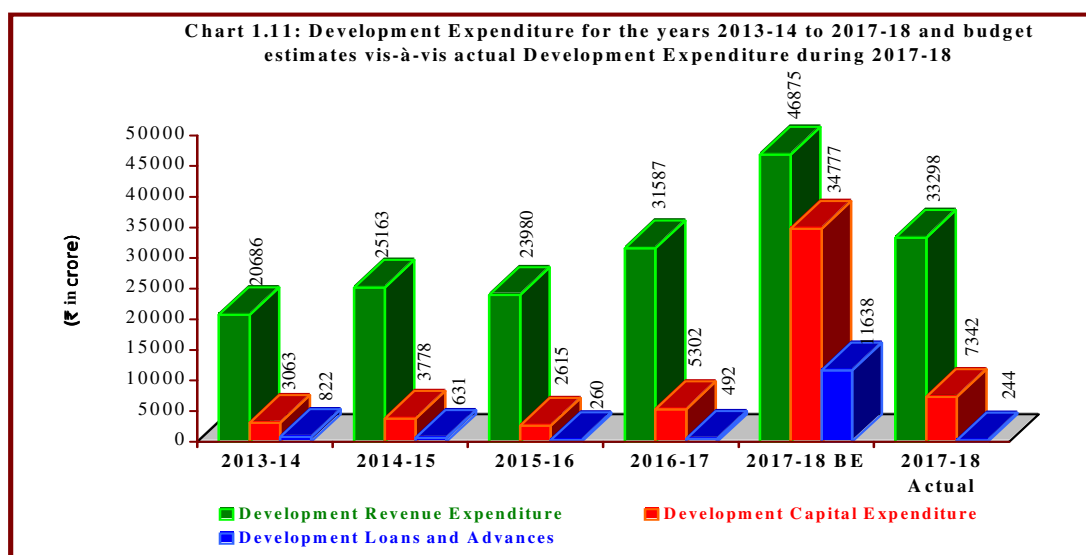
Further, **Table 1.28** presents the trends in Development Expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years while **Table 1.29** provides the details of Capital Expenditure and the components of Revenue Expenditure incurred on the maintenance of the selected Social and Economic Services.

**Table 1.28: Development Expenditure**

Components of Development Expenditure	2013-14	2014-15	2015-16	2016-17	₹ in crore)	
					2017-18	
					BE	Actual
Development Expenditure (a to c)	24,571 (68)	29,572 (68)	26,855 (67)	37,381 (68)	46,875 (58)	40,884 (64)
a. Development Revenue Expenditure	20,686 (57)	25,163 (58)	23,980 (60)	31,587 (57)	34,777 (43)	33,298 (52)
b. Development Capital Expenditure	3,063 (9)	3,778 (9)	2,615 (6)	5,302 (10)	11,638 (14)	7,342 (12)
c. Development Loans and Advances	822 (2)	631 (1)	260 (1)	492 (1)	460 (1)	244

Figures in parentheses indicate percentage to aggregate expenditure

The share of Development Expenditure to aggregate expenditure exhibited relative stability during 2013-18 as it ranged between 64 per cent to 68 per cent during the period. In absolute term, Development Expenditure increased by ₹ 3,503 crore (nine per cent) in 2017-18 over the previous year. During the current year, the State Government earmarked 58 per cent of the estimated aggregate expenditure for Development Expenditure and this assessment was achieved at the end of the year as the actual Development Expenditure of the State stood at 64 per cent during the year. The relative share of Development Expenditure to total expenditure during 2013-18 is presented in **Chart 1.11**.



The Development Revenue Expenditure increased by ₹ 1,711 crore (5.42 per cent) from ₹ 31,587 crore in 2016-17 to ₹ 33,298 crore in 2017-18. The increase under Economic Services was ₹ 3,011 crore which was offset by decrease under social services by ₹ 1,300 crore during 2017-18. The actual Development Revenue Expenditure was less than the State's projection in budget by ₹ 1,479 crore.

The Development Capital Expenditure also increased by ₹ 2,040 crore (38.48 per cent) from ₹ 5,302 crore in 2016-17 to ₹ 7,342 crore in 2017-18. The increase of ₹ 2,040 crore in Development Capital Expenditure was due to increases in expenditure under Social and Economic Services by ₹ 1,304 crore and ₹ 736 crore respectively. The actual Development Capital Expenditure was also less than the State's projection in budget by ₹ 4,296 crore.

The Development Loans and Advances, however, decreased by ₹ 248 crore from ₹ 492 crore in 2016-17 to ₹ 244 crore in 2017-18. The actual Development Loans and Advances were also less than the State's projection in budget by ₹ 216 crore.

### 1.7.1.1 Increase in Capital Expenditure

Capital Expenditure of the State showed significant improvement during the year as it increased by 40 per cent (₹ 2,191 crore) over the previous year.



## 1.7.2 Efficiency of Expenditure Use

Table 1.29: Efficiency of expenditure use in selected Social and Economic Services

(In per cent)

Social/ Economic Infrastructure	2016-17			2017-18		
	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	0.00	19.67	0.33	0.43	21.22	0.09
Health and Family Welfare	1.08	3.00	0.51	5.17	3.08	0.28
Water Supply, Sanitation & Housing & Urban Development	33.08	0.91	1.16	47.45	0.93	0.58
Other Social Services	0.00	1.56	0.67	3.96	1.52	0.63
<b>Total (SS)</b>	<b>6.37</b>	<b>25.15</b>	<b>2.66</b>	<b>11.75</b>	<b>26.75</b>	<b>1.57</b>
<b>Economic Services (ES)</b>						
Agriculture & Allied Activities	2.12	2.69	0.79	8.28	2.75	0.72
Irrigation and Flood Control	51.20	1.31	0.51	43.91	1.32	0.35
Special Areas Programmes	63.09	0.01	0.00	50.15	0.01	0.00
Transport	42.74	1.46	0.44	55.93	1.52	0.45
Other Economic Services	18.39	1.38	0.03	13.32	1.45	0.06
<b>Total (ES)</b>	<b>29.67</b>	<b>6.85</b>	<b>1.77</b>	<b>27.38</b>	<b>7.05</b>	<b>1.58</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 1.29** revealed that the percentage of Capital Expenditure on Social Services to total expenditure on Social Services increased significantly from 6.37 per cent in 2016-17 to 11.75 per cent in 2017-18. 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 decreased from 29.67 per cent in 2016-17 to 27.38 per cent in 2017-18. The decrease was mainly recorded under Irrigation and Flood Control and Special Areas Programmes.

The share of salary and wages in Revenue Expenditure on Social Services increased from 25.15 per cent in 2016-17 to 26.75 per cent in 2017-18 and the share of salary and wages in Revenue Expenditure on Economic Services also increased from 6.85 per cent in 2016-17 to 7.05 per cent in 2017-18. The increase was mainly recorded in Education, Sports, Arts and Culture under Social Services and Agriculture and Allied Activities under Economic Services.

The share of operations and maintenance in Revenue Expenditure on Social Services decreased significantly from 2.66 per cent in 2016-17 to 1.57 per cent in 2017-18 while the same on Economic Services decreased from 1.77 per cent in 2016-17 to



1.58 per cent in 2017-18. The decrease was recorded across all sectors under Social Services and under Economic Services, decrease was mainly under Agriculture & Allied Services and Irrigation and Flood Control.

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

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

*Appendix 1.5* depicts the progress achieved during 2017-18 as compared to 2016-17 in various sectors. In the Education sector, number of lower primary schools decreased from 39,986 in 2016-17 to 39,304 in 2017-18 and number of upper primary schools decreased from 7,832 in 2016-17 to 6,449 in 2017-18. The decrease was mainly due to amalgamation of schools in both the cases. Enrollment of students in lower primary schools decreased by 3.51 lakh whereas same in upper primary schools decreased by 2.6 lakh during the year as compared to previous year.

Number of villages connected with roads increased by 318 from 9,157 in 2016-17 to 9,475 in 2017-18. As far as health sector was concerned, there was no infrastructural improvement during the year. Infant Mortality Rate of the State improved as it got reduced from 47 per thousand in 2016-17 to 44 per thousand in 2017-18.

In the Irrigation sector, new irrigation potential of 0.15 lakh hectares was created in 2017-18. Per capita income of the State increased significantly from ₹ 65,698 in 2016-17 to ₹ 70,658 in 2017-18.

## **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 2018 is given in **Table 1.30**.

**Table 1.30: Department-wise profile of Incomplete Projects**

(₹ in crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Cost Overrun	Cumulative actual expenditure (March 2018)
Public Works (Roads)	152	728.55	NA	329.76
Irrigation	14	82.93	NA	30.94
<b>Total</b>	<b>166</b>	<b>811.48</b>	<b>--</b>	<b>360.70</b>

Source: Appendix IX of Finance Accounts (2017-18); NA: Not Available

As on 31 March 2018, 166 projects which were due to be completed by March 2018 remained incomplete in which ₹ 360.70 crore was blocked. Of these, 132 projects involving ₹ 267.96 crore remained incomplete for less than three years, 24 projects involving an amount of ₹ 65.59 crore remained incomplete for periods ranging from three to five years and 10 projects involving ₹ 27.15 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 was not furnished to Audit, though called for.

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

During Exit Conference, the Principal Secretary stated (January 2019) that the Department was also concerned about the issue and stated that the efforts will be made to complete the projects.

### 1.8.2 Investment and returns

As of 31 March 2018, Government had invested ₹ 2,525.13 crore in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies (**Table 1.31**). The average return on this investment was 8.93 per cent while the Government paid an average interest rate of 6.33 per cent on its borrowings during 2017-18.

Table 1.31: Return on Investment

		(₹ in crore)				
		2013-14	2014-15	2015-16	2016-17	2017-18
1		2	3	4	5	6
(a)	<b>Statutory Corporations<sup>16</sup></b> (No. of concerns)	1,967.11 (4)	2,077.41 (4)	2,077.41 (4)	2,136.13 (4)	2,136.13 (4)
(b)	<b>Banks<sup>17</sup></b> (No. of concerns)	11.16 (1)	11.16 (1)	11.16 (1)	21.26 (2)	21.76 (2)
(c)	<b>Joint Stock Companies</b> (No. of concerns)	18.04 (15)	29.05 (16)	29.05 (16)	65.81 (17)	80.49 (17)
(d)	<b>Co-operatives</b> (No. of concerns)	109.83 (18)	110.23 (18)	109.84 (18)	109.83 (18)	109.83 (18)
(e)	<b>Government Companies<sup>18</sup></b> (No. of concerns)	176.05 (24)	176.05 (24)	176.91 (24)	176.92 (24)	176.92 (24)
<b>Total Investment</b>		<b>2,282.19</b>	<b>2,403.90</b>	<b>2,404.37</b>	<b>2,509.95</b>	<b>2,525.13</b>
<b>Return (₹ in crore)</b>		12.05	16.23	70.06	124.44	225.55
<b>Return (per cent)</b>		0.53	0.68	2.91	4.96	8.93
<b>Average rate of interest on Government borrowing (per cent)</b>		6.53	6.40	6.47	6.57	6.33
<b>Difference between interest rate and return (per cent)</b>		6.00	5.72	3.56	1.61	2.6

Source: Statement 8 and 19 of Finance Accounts

During the last five years, *i.e.*, 2013-18, the State Government's investments had increased by ₹ 242.94 crore. During the current year, Government invested ₹ 14.68 crore in Joint Stock Companies and ₹ 0.50 crore in Co-operative Banks and Societies.

Out of four Statutory Corporations, three were incurring losses and their accumulated losses amounted to ₹ 856.60 crore<sup>19</sup> and the investment in those loss making Corporations was ₹ 737.38 crore. Similarly, out of 24 Government Companies in the State, 16 companies were incurring losses and their accumulated losses amounted to ₹ 587.73 crore and the investment in these Companies was ₹ 115.58 crore as per their last finalized accounts.

The major loss incurring Government Companies were Assam Industrial Development Corporation Ltd., (Investment: ₹ 29.71 crore; accumulated loss: ₹ 110.24 crore), Assam Agro Industries Development Corporation Ltd., (Investment: ₹ 22.08 crore; accumulated loss: ₹ 22.56 crore), Assam Seed Corporation Ltd., (Investment:

<sup>16</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 Companies are awaited from Government.

<sup>17</sup> It includes the Rural Bank and Urban and Industrial Co-operative Bank.

<sup>18</sup> As recorded in the Finance Accounts (2017-18):

No. of Companies – 24 { Working: 21; Non-working: 3} and No. of Corporations – 4. However, Audit Report on PSUs (2017-18) shows no. of Government Companies as 46 (Working: 30; Non-working: 16) and no. of Statutory Corporation as 3 (all working) as per data collected directly from the Companies/Corporations.

<sup>19</sup> Assam State Ware-housing Corporation : ₹ 11.35 crore ;  
Assam State Transport Corporation (ASTC) : ₹ 839.53 crore ;  
Assam Financial Corporation, Guwahati : ₹ 5.72 crore .

₹ 1.25 crore; accumulated loss: ₹ 13.18 crore), Assam Tea Corporation Ltd., (Investment: ₹ 8.07 crore; accumulated loss: ₹ 305.77 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).

Accountant General (A&E), Assam requested (June 2018 and September 2018) the Government to furnish the latest status regarding the number of entities and investments therein for incorporation in the Finance Accounts (2017-18). But, the Government did not furnish (January 2019) any reply. Thus, the Audit could not ascertain the latest status on the investment and return of all the entities.

Thus, it is recommended that Government of Assam should provide latest data on number of entities and investments therein to the Accountant General (A&E), Assam immediately for their incorporation in the Finance Accounts.

### 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 1.32** presents the outstanding Loans and Advances as on 31 March 2018, interest receipts *vis-à-vis* interest payments during the last five years.

**Table 1.32: Average Interest received on Loans Advanced by the State Government**

	(₹ in crore)				
Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2013-14	2014-15	2015-16	2016-17	2017-18
Opening Balance	3,507	4,323	4,944	4,694	5,174
Amount advanced during the year	822	631	260	499	254
Amount recovered during the year	6	10	510	19	5
Closing Balance	<b>4,323</b>	<b>4,944</b>	<b>4,694</b>	<b>5,174</b>	<b>5,423</b>
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	Nil	Nil	Nil	Nil	Nil
Net addition	816	621	-250	480	249
Interest Receipts	18	15	14	17	19
Interest receipts as <i>per cent</i> to outstanding Loans and Advances	0.42	0.30	0.30	0.33	0.35
Average rate of interest on Government borrowing ( <i>per cent</i> )	6.53	6.40	6.47	6.57	6.33
Difference between Interest Payments and Interest Receipts ( <i>per cent</i> )	6.11	6.10	6.17	6.24	5.98

The total amount of outstanding Loans and Advances as on 31 March 2018 was ₹ 5,423 crore. The amount of loans disbursed during the year decreased by 49.10 *per cent* from ₹ 499 crore in 2016-17 to ₹ 254 crore in 2017-18.

Out of the total amount of loans advanced during the year, ₹ 2.61 crore went to Social Sector, ₹ 240.75 crore went to Economic Services and remaining ₹ 10.71 crore to Government servants. Under Social Services, majority of the loan went to Urban

Development (52 per cent) and under Economic Services, the major portion of loans went to Power Projects (78 per cent) followed by loans to Industry and Minerals (17 per cent).

Recovery of Loans and Advances decreased by ₹ 14 crore from ₹ 19 crore in 2016-17 to ₹ five crore in 2017-18. However, interest receipt against the Loans and Advances increased by ₹ two crore during the year.

During 2016-17, fresh Loans and Advances (₹ 243.36 crore) were made in seven cases<sup>20</sup> against whom repayments of earlier loans (₹ 4,326.21 crore) were in arrears. Out of those seven cases, loans in respect of Assam Hills Small Industries Development Corporation Limited (₹ 33.32 crore) were in arrears since 1976-77.

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

Table 1.33 and Chart 1.12 depict the Cash Balances and investments made by the State Government out of Cash Balances during the year.

**Table 1.33: Cash Balances and investment of Cash Balances**

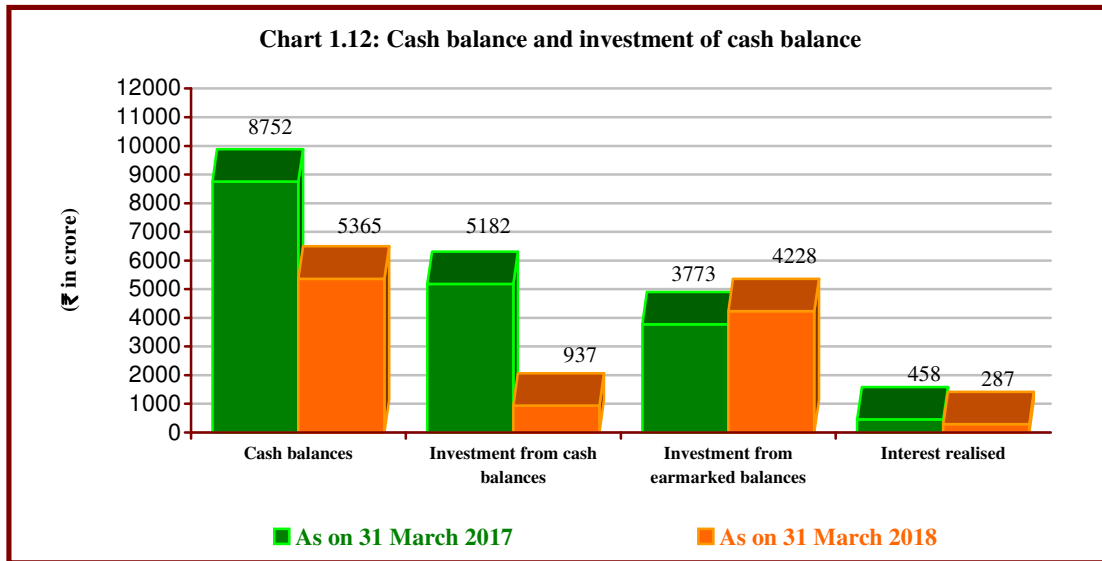
(₹ in crore)

	Opening balance on 1 April 2017	Closing balance on 31 March 2018
<b>General Cash Balance</b>		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	(-) 220.92	180.98
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
<b>Total</b>	<b>(-) 220.92</b>	<b>180.98</b>
Investments held in Cash Balance investment account	5,181.64	936.95
<b>Total (a)</b>	<b>4,960.72</b>	<b>1,117.93</b>
<b>Other Cash Balances and Investments</b>		
Cash with departmental officers viz., Public Works, Forest Officers	17.81	18.43
Permanent advances for contingent expenditure with department officers	0.46	0.46
Investment of earmarked funds	3,772.56	4,228.16
<b>Total (b)</b>	<b>3,790.83</b>	<b>4,247.05</b>
<b>Total (a) + (b)</b>	<b>8,751.55</b>	<b>5,364.98</b>
<b>Interest realized</b>	<b>458.12</b>	<b>286.53</b>

Source: Finance Accounts

20

		(₹ in crore)
1.	Assam Tea Corporation Limited	36.15
2.	Assam Power Distribution and Power Generation Company Ltd.	188.35
3.	General Financial and Trading Institutions	11.95
4.	Assam Urban Water Supply and Sewerage Board	1.35
5.	Assam Crop Development Corporation Limited	0.47
6.	Assam Hills, Small Industries Development Corporation Limited	4.30
7.	Housing Loan	0.79
		<b>243.36</b>



Cash Balances of the State Government at the end of the current year decreased by ₹ 3,387 crore from ₹ 8,752 crore in 2016-17 to ₹ 5,365 crore in 2017-18. The State Government from the investments made in GOI Securities and Treasury Bills, had earned an interest of ₹ 287 crore during 2017-18. Out of investment from earmarked balances, ₹ 4,188 crore was invested in the Consolidated Sinking Fund and ₹ 40 crore in Guarantee Redemption Fund during the year.

Audit observed that in spite of having ₹ 936.95 crore in Cash Balance Investment Account yielding interest around @ 6.25 per cent, the State borrowed ₹ 1,000 crore (two loans @ ₹ 500 crore each) from market in February 2018 at 8.05 and 8.36 per cent respectively, which could have been avoided.

General Cash Balance reduced by 77 per cent in 2018 from ₹ 4,960.72 crore in 2016-17 to ₹ 1,117.93 crore in 2017-2018. This indicates less reliance on borrowings and better utilization of Cash available with the Government.

### 1.8.5 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of State.

As on 31 March 2018, there were 14 Reserve Funds in the State. Out of these, six Reserve Funds were active and eight Reserve Funds were inactive for period ranging between 16 to 22 years. The total accumulated balance in these funds, at the end of 31 March 2018, was ₹ 4,738.72 crore (₹ 4,731.89 crore in active funds and ₹ 6.83 crore in inactive funds) of which ₹ 4,228.16 crore (89.23 per cent) was invested.

Details of transactions made during the year under six active and eight inactive Reserve Funds is detailed below:

### 1.8.5.1 Consolidated Sinking Fund

The State Government had set up the Sinking Fund (Reserve Fund) in line with the recommendations of the Twelfth Finance Commission (12<sup>th</sup> FC) 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 2018, the balance in the sinking fund was ₹ 4,195.15 crore, of which ₹ 4,187.91 crore had been invested.

### 1.8.5.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 1 April 2010. In terms of the guidelines of the Fund, the Centre and Special Category States are required to contribute to the Fund, in the proportion of 90:10 and the contributions are to be transferred to the Public Account under the Major Head – 8121.

As on 1 April 2017, the Fund had a balance of ₹ 2,790.65 crore. During 2017-18, an amount of ₹ 507.00 crore (GoI share: ₹ 456.30 crore + State's share: ₹ 50.70 crore) was transferred to the Fund. Further, the State Government carried out adjustment ₹ 2,240.58 crore of expenditure pertaining to years 1990-91 to 2016-17 and ₹ 560.98 crore pertaining to 2017-18 by inter account transfer of expenditure to the Major Head-8121. Consequently, the balance under the fund account considerably reduced. The adjustments were carried out to rectify the non-adjustment of such expenditure in the respective years previously and as advised by the Accountant General (A&E) to the Government of Assam. As on 31 March 2018, a balance of ₹ 496.10 crore remained uninvested in the fund, which was not a prudent action on the part of the GoA. As the SDRF is an interest bearing fund, liability of interest payment rests with the State Government. The accrued interest would also lead to understatement of Revenue Deficit to that extent.

### 1.8.5.3 Guarantee Redemption Fund

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 2017-18, the State Government contributed ₹ 4.29 crore to the Fund, which was 3 *per cent* of ₹ 143 crore (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 2018, the total amount lying in the Fund was ₹ 39.83 crore (including the accrued interest of ₹ 2.65 crore for 2017-18) and the entire amount has been invested by the Reserve Bank of India.

#### 1.8.5.4 General and Other Reserve Funds

There were three active Reserve Funds<sup>21</sup> (not bearing interest) which had a cumulative balance of ₹ 0.82 crore as on 31 March 2018. No transaction was, however, made from these Funds since 2015-16.

#### 1.8.5.5 Inactive Reserve Funds

There were eight inactive Reserve Funds<sup>22</sup> having aggregate balance of ₹ 6.83 crore at the end of 2017-18 which were lying dormant for period ranging from 16 to 22 years. Thus, the Finance Department should close these funds and credit the balances to the Consolidated fund of State.

During Exit Conference, Commissioner and Secretary, Finance stated (January 2019) that steps had been taken up to close these inoperative funds.

## 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 2018 compared with the corresponding position as on 31 March 2017. 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.

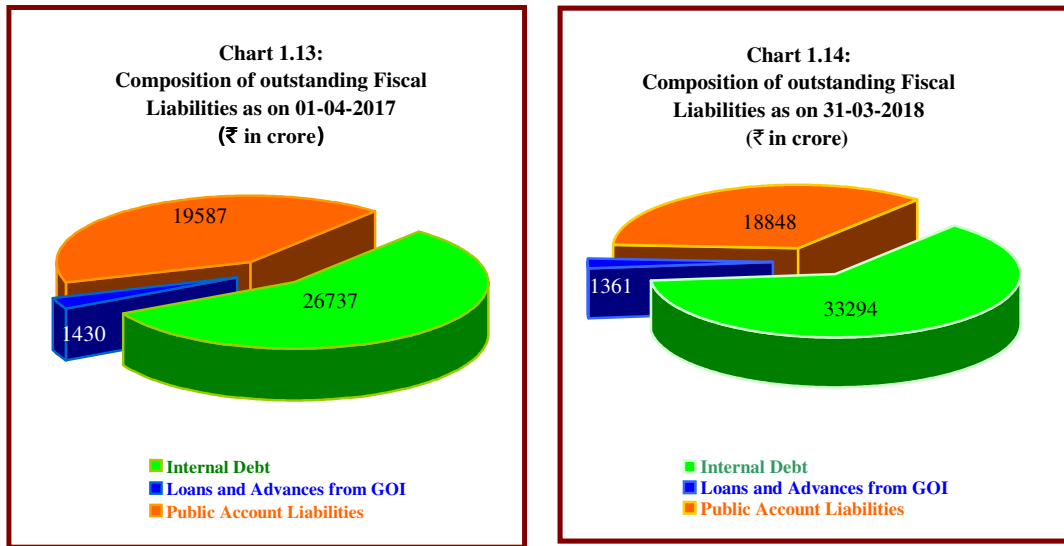
According to the Assam FRBM Act, 2005 (amended in 2011), the “total liabilities of the State” means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

<sup>21</sup> i) General Reserve Funds of Government Commercial Departments/Undertakings  
ii) Religious and Charitable Endowment Funds iii) Other Funds

<sup>22</sup> i) State Roads and Bridges Fund ii) Depreciation Reserve Fund of Government Commercial Department/Undertakings iii) Depreciation Reserve Fund of Government Non-Commercial Department/Undertakings iv) Development Funds for Educational purposes v) Development Funds for Agricultural purposes vi) Development Funds for Animal Husbandry purposes vii) Other Development and Welfare Funds viii) Zamindari Abolition Fund

## 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 1.34** 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 1.34: Fiscal Liabilities-Basic Parameters**

Parameters	2013-14	2014-15	2015-16	2016-17	2017-18
Fiscal Liabilities <sup>23</sup> (₹ in crore)	34,376	38,512	42,409	47,754	53,503
Rate of Growth ( <i>per cent</i> )	4.50	12.03	10.12	12.60	12.04
Ratio of Fiscal Liabilities to:					
GSDP ( <i>per cent</i> )	19.34	19.68	18.60	18.78	18.85
Revenue Receipts ( <i>per cent</i> )	106.71	100.86	99.89	97.02	98.84
Own Resources ( <i>per cent</i> )	293.81	324.64	330.11	290.60	309.48
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (ratio)	0.34	1.19	0.61	1.09	1.04
Revenue Receipts (ratio)	0.91	0.65	0.90	0.79	1.21
Own Resources (ratio)	0.50	8.66	1.22	0.45	2.32

The overall fiscal liabilities of the State increased at an average annual rate of 11.13 *per cent* during the period 2013-18. During the current year, the fiscal liabilities of the State Government increased by ₹ 5,749 crore (12.04 *per cent*) from ₹ 47,754 crore in 2016-17 to ₹ 53,503 crore in 2017-18.

<sup>23</sup> Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Fund etc., Reserve Funds (Gross) and Deposits.

The increase in fiscal liabilities was mainly due to increase in the internal debt (₹ 6,557 crore) which was, however, offset by decrease in Public Account liabilities (₹ 739 crore) and Loans and Advances from GOI (₹ 69 crore). The ratio of fiscal liabilities to GSDP had increased marginally from 18.78 *per cent* in 2016-17 to 18.85 *per cent* in 2017-18 which was well within the norms (27.53 *per cent*), prescribed by the 14<sup>th</sup> FC.

The fiscal liabilities of the State stood nearly 98.84 *per cent* of Revenue Receipts and 309.48 *per cent* of the State's own resources at the end of 2017-18. The buoyancy of the liabilities with respect to GSDP during the year was 1.04 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.04 *per cent*.

### 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 1.35**.

**Table 1.35: Guarantees given by the Government of Assam**

Guarantees	(₹ in crore)		
	2015-16	2016-17	2017-18
Maximum amount guaranteed	482	482	482
Outstanding amount of guarantees including interest	143	130	90
Percentage of maximum amount guaranteed to total Revenue Receipts	1.14	0.98	0.89
Criteria as per the Assam Fiscal Responsibility and Budget Management Act, 2005.	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 guaranteed loans raised by various Corporations and others which at the end of 2017-18 stood at ₹ 90 crore. It was 0.70 *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, ₹ 31.29 crore (35 *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 2018, the total DISCOM debt of Government of Assam was ₹ 1,752.21 crore. But after joining the scheme, Government of Assam had not issued any bond during the years 2016-17 and 2017-18 for taking over the outstanding debt under UDAY. Thus, the liability of the State on account of joining the scheme for the above years was nil.

## 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 1.36** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2013-14.

**Table 1.36: Debt Sustainability: Indicators and Trends**

	(₹ in crore)				
Indicators of Debt sustainability	2013-14	2014-15	2015-16	2016-17	2017-18
Outstanding debt <sup>24</sup> (year end)	34,376	38,512	42,409	47,754	53,503
Rate of growth of outstanding debt	4.50	12.03	10.12	12.60	12.04
Gross State Domestic Product (GSDP)	1,77,745	1,95,723	2,27,959	2,54,341 (P.E.)	2,83,821 (Q.E.)
Rate of growth of GSDP	13.31	10.11	16.47	11.57	11.59
Debt/GSDP ( <i>per cent</i> )	19.34	19.68	18.60	18.78	18.85
Average interest rate of Outstanding debt ( <i>per cent</i> )	6.53	6.40	6.47	6.57	6.33
Burden of Interest Payments (Interest Payments/Revenue Receipts Ratio)	6.82	6.11	6.17	6.02	5.92
Total Debt Receipts	8,629.19	14,374.17	13,340.80	13,533.75	18,848.20
Total Debt Repayments	7,437.66	10,736.36	9,689.38	8,607.78	13,553.87
Total Debt Available	1,191.53	3,637.81	3,651.42	4,925.97	5,294.33
Interest Payment	2198	2334	2618	2964	3205
Net Debt Available	-1,006.47	1,303.81	1,033.42	1,961.97	2,089.33
Debt Repayments/Debt Receipts ( <i>Per cent</i> )	86.19	74.69	72.63	63.60	71.91

P.E. - Provisional Estimates; Q.E. - Quick Estimates

**Table 1.36** reveals that the rate of growth of GSDP ranged between 10.11 *per cent* and 16.47 *per cent* whereas average interest rate on outstanding debt ranged between 6.33 *per cent* and 6.57 *per cent* during 2013-18. GSDP growth was much more than the average interest paid by the State Government on outstanding debt during the period. During 2017-18, interest payment of the State as a percentage of its Revenue Receipts was 5.92 *per cent*, which was within the target fixed by the 14<sup>th</sup> FC (6 *per cent*).

Further, the debt-GSDP ratio had declined from 19.34 in 2013-14 to 18.85 in 2017-18, which was well within the norms (27.53 *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 2013-18 and increased from 63.60 *per cent* in 2016-17 to 71.91 *per cent* in 2017-18. During the year 2017-18, the Government had repaid the loans to an extent of ₹ 13,554 crore only against the outstanding debt of ₹ 47,754 crore on 01 April 2017, which was more than the amount repaid during the previous year 2016-17 (₹ 8,608 crore). Debt redemption as a percentage of own tax revenue<sup>25</sup> stood at 102.56 *per cent* during 2017-18. So far as year-end cash balance of the State is

<sup>24</sup> Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Fund etc., Reserve Funds (Gross) and Deposits.

<sup>25</sup> ₹ 13,216 crore (2017-18)

concerned, it decreased by ₹ 3,387 crore from ₹ 8,752 crore in 2016-17 to ₹ 5,365 crore in 2017-18.

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 six and 12 *per cent* during the period from 2013-18.

### 1.10.2 Debt Profile

As per Statement 17 of the Finance Accounts for the year 2017-18, the maturity profile of the State debt is as indicated in **Table 1.37**.

**Table 1.37: Maturity Profile of State Debt**

(₹ in crore)

Date maturity	Maturity Profile	Amount			Per cent
		Internal Debt	Loans & Advances from GOI	Total	
By 2018-19	0-1 year	3,148.98	264.36	3,413.34	<b>9.85</b>
Between 2019-20 & 2020-21	Over 1 year to 3 years	4,087.22	309.31	4,396.53	<b>12.69</b>
Between 2021-22 & 2022-23	Over 3 years to 5 years	1,743.69	310.82	2,054.51	<b>5.93</b>
Between 2023-24 & 2024-25	Over 5 years to 7 years	5,409.93	207.91	5,617.84	<b>16.21</b>
2025-26 onwards	Above 7 years	18,903.91	268.78	19,172.69	<b>55.32</b>
<b>Total</b>		<b>33,293.73</b>	<b>1,361.18</b>	<b>34,654.91</b>	<b>100.00</b>

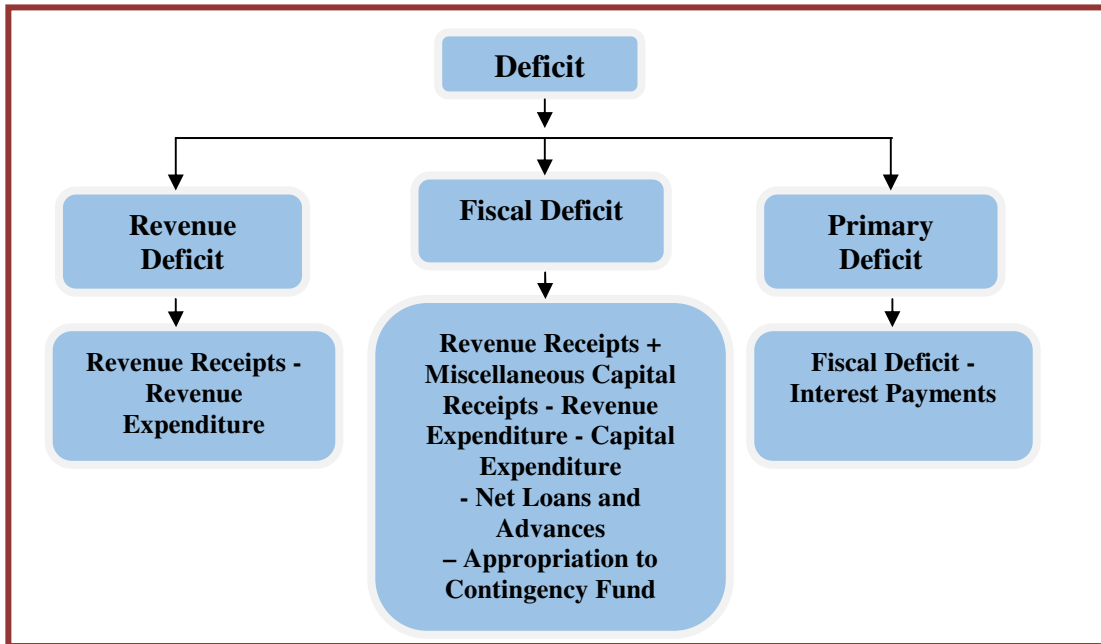
The maturity profile of outstanding stock of public debt as on 31 March 2018 indicates that out of the outstanding public debt of ₹ 34,654.91 crore, 44.68 *per cent* (₹ 15,482.22 crore) was payable within the next seven years while the remaining 55.32 *per cent* (₹ 19,172.69 crore) was in the maturity 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 96.07 *per cent* (₹ 33,293.73 crore).

Public Debt redemption as percentage of State's own taxes ranged between 10 and 15 *per cent* during 2013-18.

### 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.

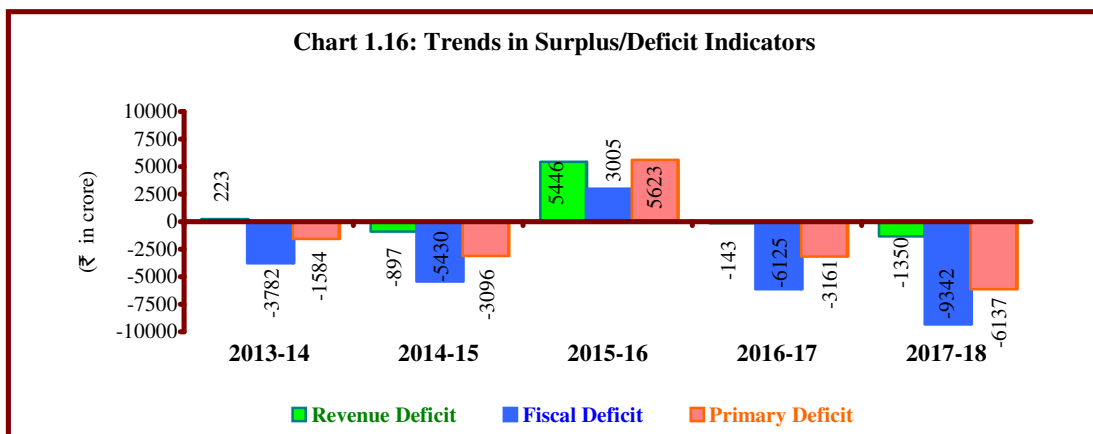
Chart 1.15: Type of deficits



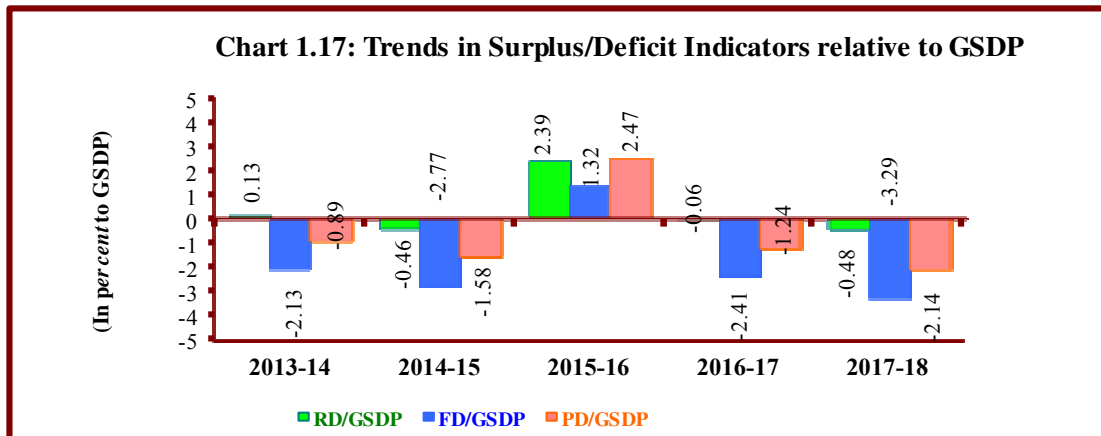
The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing 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 2017-18.

**1.11.1 Trends in Surplus/Deficit**

Charts 1.16 and 1.17 present the trends in deficit indicators over the period 2013-18.







**Chart 1.16** reveals Surplus/Deficit on Revenue account showed a fluctuating trend during 2013-18. During this five-year period, the State exhibited Revenue Surplus only in 2013-14 and 2015-16. During the current year the State had Revenue Deficit of ₹ 1,350 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 9.98 per cent (₹ 4,911 crore) over the previous year whereas Revenue Expenditure increased by 12.39 per cent (₹ 6,118 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 2013-18. In absolute term, the Fiscal deficit of ₹ 6,125 crore in 2016-17 further increased and stood at ₹ 9,342 crore in 2017-18 which was 3.29 per cent of GSDP.

Primary Deficit refers to the difference between Fiscal Deficit and interest payments. During the last five-year period i.e., 2013-18, the State exhibited Primary Surplus in 2015-16. During the current year, Primary Deficit of the State stood at ₹ 6,137 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 1.38**.

**Table 1.38: Components of Fiscal Deficit and its financing pattern**

		(₹ in crore)				
Particulars		2013-14	2014-15	2015-16	2016-17	2017-18
1		2	3	4	5	6
<b>Composition of Fiscal Deficit (FD/GSDP) Deficit (-)/ Surplus (+)</b>		(-) 3,782 (2.13)	(-) 5,430 (2.77)	(+) 3,005 (**)	(-) 6,125 (2.41)	(-) 9,342 <sup>^</sup> (3.29)
1	Revenue Deficit (-) /Surplus(+)	(+) 223	(-) 897	(+) 5,446	(-) 143	(-) 1,350
2	Net Capital Expenditure	(-) 3,189	(-) 3,912	(-) 2,691	(-) 5,502	(-) 7,693
3	Net Loans & Advances	(-) 816	(-) 621	(+) 250	(-) 480	(-) 249
<b>Financing Pattern of Fiscal Deficit*</b>						
1	Market Borrowings	(+) 585.66	(-) 2,152.93	(-) 1,896.75	(-) 1,994.34	(+) 6,796.87
2	Loans from GOI	(+) 113.31	(+) 351.89	(+) 83.50	(+) 78.38	(-) 68.60
3	Special Securities Issued to NSSF	(-) 668.57	(-) 1,078.14	(-) 1,512.63	(+) 630.19	(-) 665.47
4	Loans from Financial Institutions	(-) 49.24	(-) 76.05	(-) 203.20	(-) 573.31	(+) 425.67
5	Small Savings, PF etc.	(-) 837.17	(-) 890.13	(-) 860.14	(-) 796.46	(+) 1,027.66
6	Deposit & Advances	(-) 157.47	(+) 233.54	(+) 1,005.83	(-) 345.65	(-) 443.61
7	Suspense and Misc.	(-) 2,786.10	(-) 1,518.87	(+) 5,734.83	(-) 2,551.67	(+) 4,895.62
8	Remittances	(-) 10.32	(-) 30.26	(+) 47.66	(+) 72.34	(+) 20.50
9	Reserve Fund	(-) 255.66	(-) 320.62	(-) 230.02	(-) 1,240.52	(-) 2,294.54
10	Decrease (+)/increase (-) in cash balance with RBI	(+) 283.26	(+) 52.04	(+) 836.41	(+) 595.26	(-) 401.90
11	Contingency Fund	Nil	Nil	Nil	Nil	(+) 50.00
*All these figures are net of disbursements/outflows during the year						
** There was Fiscal Surplus ^ Inclusive of ₹ 50 crore transferred to the Contingency Fund during the year.						

It could be seen from **Table 1.38** that there was increasing trend in Fiscal Deficit during the years 2013-14 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., 2017-18 the State again ended up with Fiscal Deficit of ₹ 9,342 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. This would either provide returns directly or result in increased productivity of the economy. It may also 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) indicates 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) was not having any asset backup.

The bifurcation of the Primary Deficit (**Table 1.39**) 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 1.39: 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)
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
2017-18	54,136	52,276	7,693	254	60,223	(+) 1,860	(-) 6,137*

\*Inclusive of ₹ 50 crore transferred to the Contingency Fund

During the five-year period 2013-18, the State had Primary Deficit except for the year 2015-16. During 2015-16, the State exhibited Primary Surplus of ₹ 5,623 crore. During the current year, the Primary Deficit of the State stood at ₹ 6,137 crore since non-debt receipts were less than the Primary Expenditure.

During 2017-18, non-debt receipts were adequate to cover Primary Revenue Expenditure but were not adequate enough to meet Capital Expenditure also. Over the period 2013-18, Primary Expenditure of the State increased by ₹ 26,420 crore (78 per cent) from ₹ 33,803 crore in 2013-14 to ₹ 60,223 crore in 2017-18.

### 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 and introduction of GST in the State.

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 1.40** indicates that Government of Assam had taken up various PPP projects for implementation. But no project was completed during the last two years i.e., 2016-17 and 2017-18. Although, as of 31 March 2018, six projects were under implementation and eight projects were under planning/pipeline. Details of such projects i.e., name of the project, name of the department and estimated cost are given in **Appendix I.7**.

**Table 1.40: Status of implementation of PPP projects**

Sl No.	Particulars	2016-17	2017-18
1.	<b>No. of completed projects</b>	<b>Nil</b>	<b>Nil</b>
	<i>Cost incurred of which (₹ in crore)</i>	<i>Nil</i>	<i>Nil</i>
	<i>Government's contribution (₹ in crore)</i>	<i>Nil</i>	<i>Nil</i>
2.	<b>No. of projects under implementation</b>	<b>6</b>	<b>6</b>
	<i>Cost incurred of which (₹ in crore)</i>	<i>2248.62</i>	<i>2248.62</i>
	<i>Government's contribution (₹ in crore)</i>	<i>Land</i>	<i>Land</i>
3.	<b>Under Planning/ Pipeline projects (No.)</b>	<b>8</b>	<b>8</b>
	<i>Cost of the project of which</i>	<i>2449.15</i>	<i>2449.15</i>
	<i>Government's contribution</i>	<i>Not finalised</i>	<i>Not finalised</i>

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

The State Government had not completed any PPP project during last two years i.e., 2016-18 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 2017-18, the State had achieved only one out of three fiscal targets prescribed under Assam Fiscal Responsibility and Budget Management Act, 2011.
- As prescribed under the Act, the State could not attain Revenue Surplus and had a Revenue Deficit of ₹ 1,350 crore. Fiscal Deficit of the State as a percentage of GSDP stood at 3.29 *per cent*, which exceeded by 0.29 *per cent* from the target fixed under the Act (3 *per cent*). The outstanding liabilities of the State stood at 18.85 *per cent* at the end of 2017-18 which was well within the norms (28.50 *per cent*), prescribed under the Act.
- During the current year, the State's Revenue Receipts recorded the growth of 9.98 *per cent*, which was less than that of GSDP (11.59 *per cent*).
- About 32 *per cent* of the Revenue Receipts during 2017-18 came from State's own resources while Central Tax Transfers and Grants-in-Aid together contributed 68 *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.
- Revenue Receipts of the State increased by ₹ 4,911 crore (10 *per cent*) from ₹ 49,220 crore in 2016-17 to 54,131 crore in 2017-18. The Revenue Receipts at ₹ 54,131 crore was, however, lower by ₹ 16,589 crore than the assessment made in Medium Term Fiscal Plan (MTFP)<sup>26</sup> (₹ 70,720 crore). Revenue Expenditure increased by ₹ 6,118 crore (12 *per cent*) from ₹ 49,363 crore in 2016-17 to ₹ 55,481 crore in 2017-18.
- Capital Expenditure of the State increased significantly by 40 *per cent* (₹ 2,191 crore) from ₹ 5,502 crore in 2016-17 to ₹ 7,693 crore in 2017-18. However, during the current year its ratio to total expenditure stood at 12.13 *per cent* which was lower than combined average (15.50 *per cent*) of Special Category States.
- The increase in receipts of Public Debt by ₹ 4,545 crore (116 *per cent*) and decrease in repayment of Public Debt by ₹ 84 crore (four *per cent*) over the previous year indicated the State's poor debt management.
- The maturity profile of outstanding stock of public debt as on 31 March 2018 indicates that out of the outstanding public debt of ₹ 34,654.91 crore, 44.68 *per cent* (₹ 15,482.22 crore) is payable within the next seven years.

<sup>26</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.

- As on 31 March 2018, 166 projects were due to be completed by March 2018 which remained incomplete and in which an amount of ₹ 360.70 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 8.93 *per cent* in the last five years whereas the State Government's average interest outgo was in the range of 6.33 to 6.57 *per cent* during the corresponding period.
- Cash Balances of the State Government at the end of the current year decreased by ₹ 3,387 crore from ₹ 8,752 crore in 2016-17 to ₹ 5,365 crore in 2017-18. The State Government from the investments made in GOI Securities and Treasury Bills, had earned an interest of ₹ 287 crore during 2017-18.