

**Chapter 1**  
**Overview of**  
**State Finances**



## 1.1 Profile of the State

Assam is the largest State in terms of population and second largest State, after Arunachal Pradesh, in terms of area in the North Eastern Region of India and is, in fact, the gateway to this Region. The State is spread over a geographical area of 78,438 sq.km. (2.4 *per cent* of the country's total geographical area) and is home to around 3.12 crore persons (2.6 *per cent* of the population of the country) as per Census 2011. The decadal (2001-2011) growth rate of population for the State was 16.93 *per cent* against the national decadal growth rate of 17.64 *per cent*. The population of the State during 2021-22 was 3.54 crore. The decadal (2012-2022) growth rate of the State's population was 11.96 *per cent* which was marginally lower than the all India growth rate of 12.30 *per cent*.

The State has 34 districts and three Autonomous District Councils (ADCs) namely (i) Karbi Anglong Autonomous Council (ii) North Cachar Hills Autonomous Council and (iii) Bodoland Territorial Council. Assam was designated as a Special Category State (SCS) in 1969 in terms of the Gadgil formula, which ensured that 90 *per cent* of funding for centrally sponsored schemes is received as grants from Central Government. The net per capita income of the State at current prices was ₹ 1,23,138 in 2021-22, which was significantly lower than the all-India average of ₹ 1,72,913 reported during the year.

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

### 1.1.1 Gross State Domestic Product of Assam

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

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

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

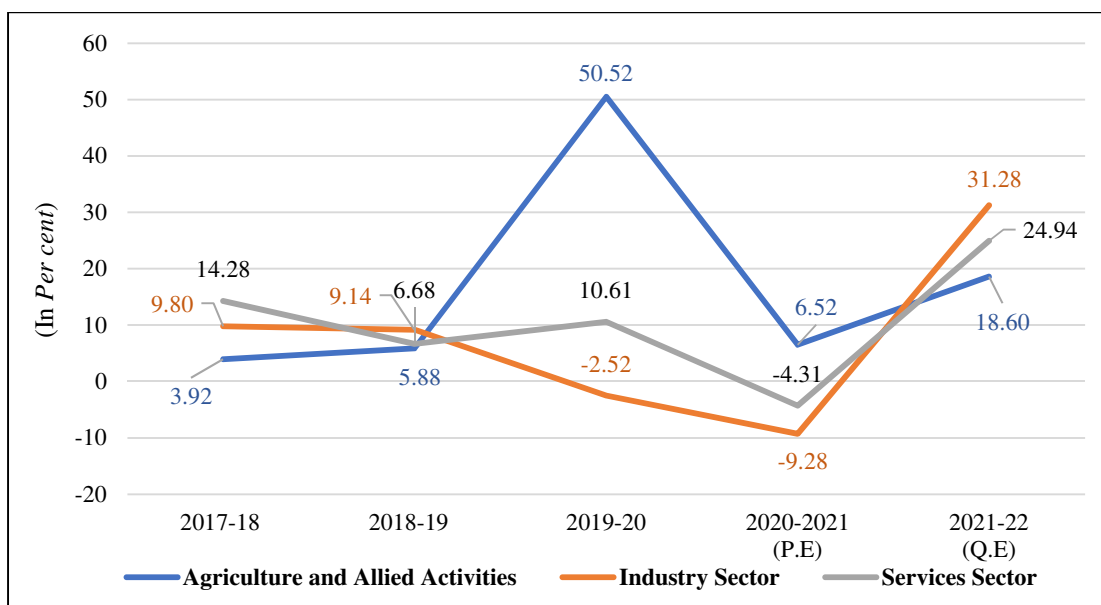
(₹ in crore)						
Year	2017-18	2018-19	2019-20	2020-21	2021-22	CAGR
<b>GDP (2011-12 Series)</b>	<b>1,70,90,042</b>	<b>1,88,99,668</b>	<b>2,00,74,856</b>	<b>1,98,00,914</b>	<b>2,36,64,637</b>	--
		<b>(R.E.-III)</b>	<b>(R.E.-II)</b>	<b>(R.E.-I)</b>	<b>(P.E.-I)</b>	
Growth rate of GDP ( <i>per cent</i> )	11.03	10.59	6.22	(-)1.36	19.51	<b>8.48</b>
<b>GSDP (2011-12 Series)</b>	<b>2,83,165</b>	<b>3,09,336</b>	<b>3,46,851</b>	<b>3,40,177</b>	<b>4,33,925</b>	--
				<b>(P.E.)</b>	<b>(Q.E.)</b>	
Growth rate of GSDP ( <i>per cent</i> )	11.31	9.24	12.13	(-) 1.92	27.56	<b>11.26</b>

Source of data: MoSPI and Directorate of Economics and Statistics, Assam

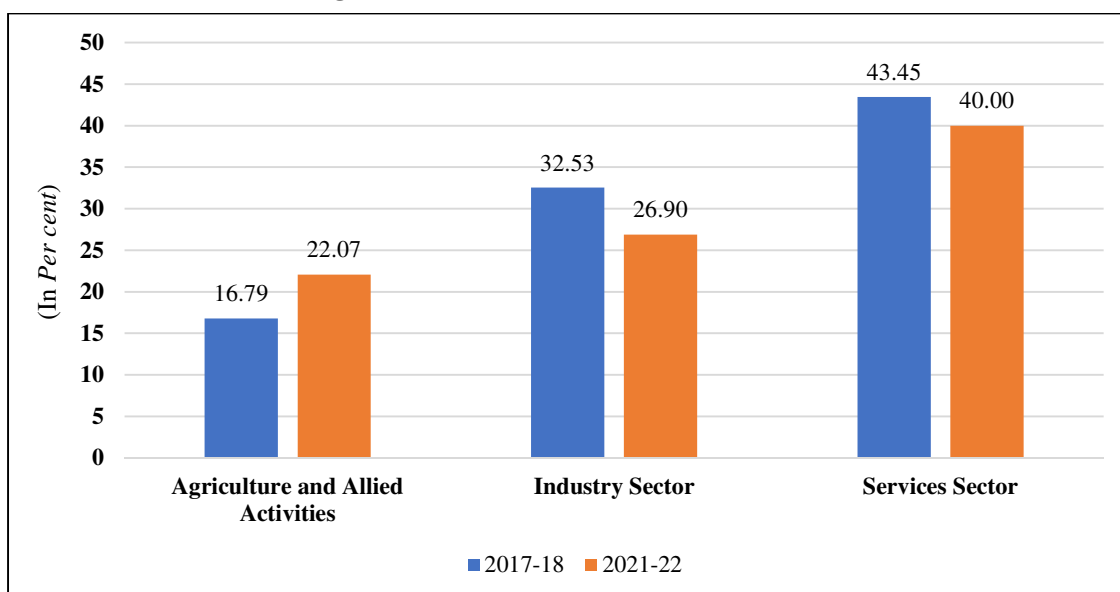
As can be seen from **Table 1.1**, GSDP of Assam grew at a higher rate during three years of the five-year period from 2017-18 to 2021-22 compared to the growth rate of GDP, with a Compound Annual Growth Rate (CAGR) of 11.26 *per cent* against the national CAGR of 8.48 *per cent*. Further, during the five-year period, the GSDP growth rate increased from 11.31 *per cent* in 2017-18 to 27.56 *per cent* in 2021-22 with the highest increase recorded during the year.

The economic activity of a State is generally divided into Primary, Secondary and Tertiary sectors, which correspond largely to Agriculture and allied activities, Industry and Services sectors. Changes in sectoral contribution to the GSDP are an indication of the changing structure of the economy. Sectoral growth of GSDP over the past five years is detailed in **Chart 1.1** whereas change in sectoral contribution to GSDP in 2021-22 over 2017-18 is given in **Chart 1.2**.

**Chart 1.1: Sectoral growth in GSDP**

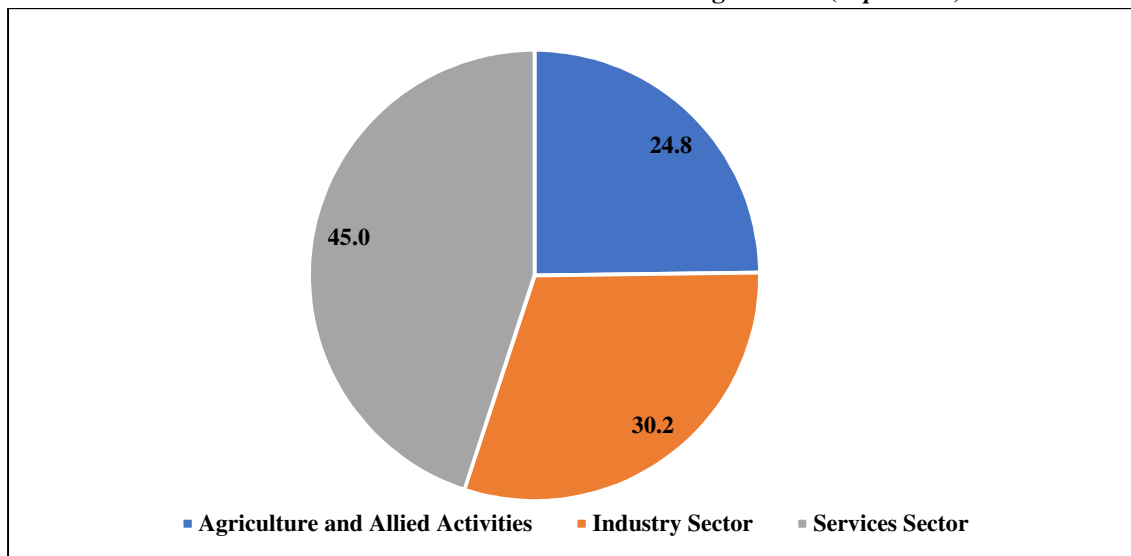


**Chart 1.2: Change in sectoral contribution to GSDP (2017-18 to 2021-22)**



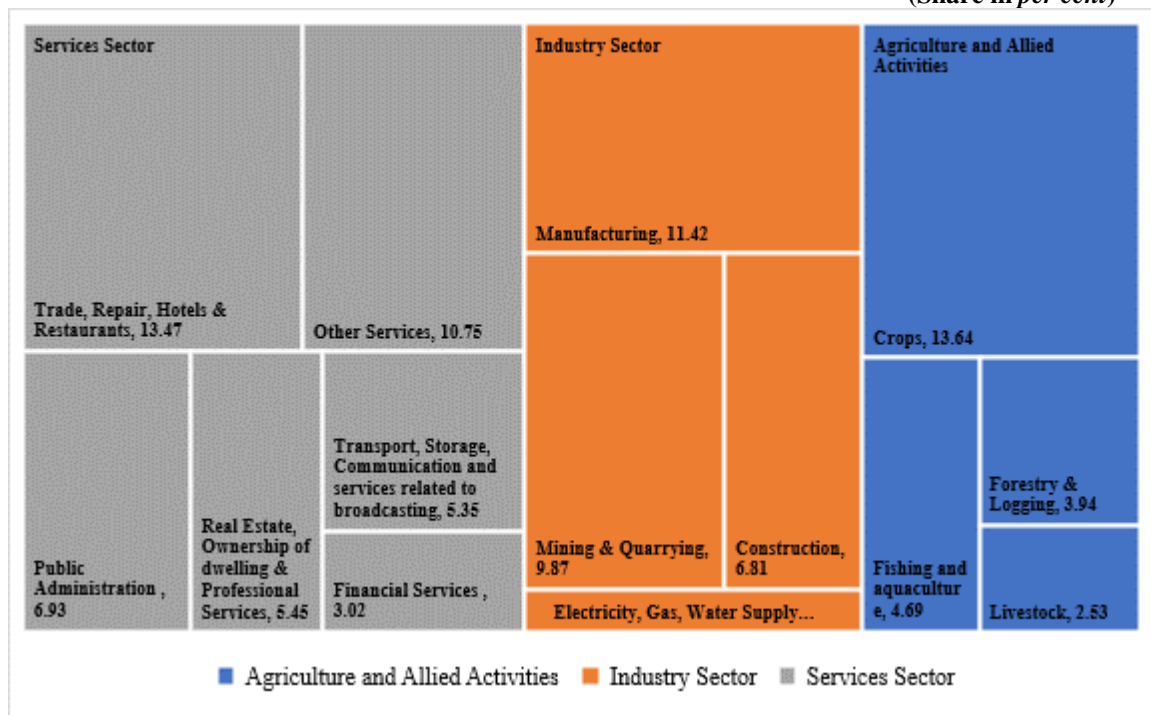
**Chart 1.1** shows that growth of all sectors contributing to GSDP increased significantly during 2021-22 in comparison to the previous year. Out of that, Industry sector recorded maximum increase in growth during the year. Further, **Chart 1.2** shows that the relative share of Industry and Services sector in GSDP declined during the five-year period from 2017-18 to 2021-22, whereas relative share of Agriculture and Allied Activities to GSDP increased marginally during the same period. The increase was mainly recorded under the components of livestock and forestry pertaining to the sector. Sectoral contribution to GSDP during 2021-22 is also given in **Chart 1.3** and further details *i.e.*, Sub-sectoral contribution to State's GSDP, are depicted in **Chart 1.4**.

**Chart 1.3: Sectoral Contribution to GSDP during 2021-22 (in per cent)**



**Chart 1.4: Contribution of Sub-sectors in GSDP during 2021-22**

(Share in per cent)



*Source of data: Directorate of Economics and Statistics, Assam*

## 1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, Reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. State Finances Audit Report (SFAR) of Assam for the year ending 31 March 2022 has been prepared by the CAG for submission to the Governor of Assam under Article 151 (2) of the Constitution of India.

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

Finance Accounts and Appropriation Accounts of the State for the year 2021-22 constitute the core data for this Report. Other sources include the following:

- Budget of the State for the year 2021-22 forms an important source of data, both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Pr. Accountant General (Audit), Assam at the State Secretariat as well as at the field level during the year;
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State-related statistics; and
- Various audit reports of the CAG of India during 2017-22 have also been used to prepare this analysis/ commentary as appropriate.

The analysis has been carried out in the context of recommendations of the Finance Commission (FC), Assam Fiscal Responsibility and Budget Management (AFRBM) Act, and best practices and guidelines of Government of India. An entry conference was held on 11 October 2022 with the Commissioner and Secretary to Government of Assam, Finance Department wherein the audit approach was explained and the draft Report was forwarded to the State Government on 14 November 2022 for comments. Subsequently, an exit conference of the Report was also held on 13 January 2023 with the Principal Secretary to Government of Assam, Finance Department. The replies of the Government, where received, have been incorporated in this Report at appropriate places.

### 1.3 Report Structure

The SFAR is structured into the following four Chapters:

<b>Chapter - 1</b>	<b>Overview of State Finances</b> This chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and the State's fiscal position including the deficits/ surplus.
<b>Chapter - 2</b>	<b>Finances of the State</b> This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2017-18 to 2021-22, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
<b>Chapter - 3</b>	<b>Budgetary Management</b> This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
<b>Chapter - 4</b>	<b>Quality of Accounts &amp; Financial Reporting Practices</b> This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

### 1.4 Overview of Government Account Structure and Budgetary Processes

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

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

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

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

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for

meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

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

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

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

**Revenue Receipts** consist of Tax Revenue comprising of Own Tax Revenue & State's Share of Union Taxes/ Duties, Non-Tax revenue and grants from Government of India.

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

**Capital Receipts** consist of:

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

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

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

Attribute of transaction		Classification followed in Assam Government Accounts
Standardised in List of Major and Minor Heads by CGA	Function- Education, Health, <i>etc.</i> / Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)

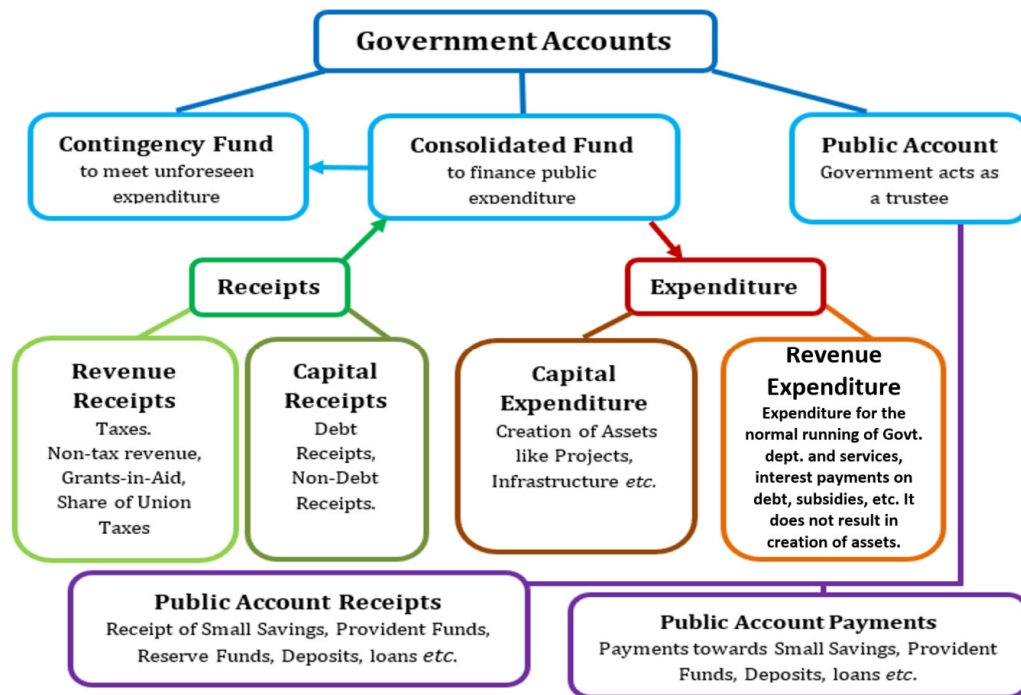


Attribute of transaction		Classification followed in Assam Government Accounts
Flexibility left for States	Scheme	Sub-Head (4-digit)
	Sub scheme	Sub-Sub-Head (3-digit)
	Economic nature/ Activity	Detailed Head (2-digit); Sub-Detailed Head (2-digit)

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

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

Chart 1.5: Structure of Government Accounts



## b) Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Assam caused to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year 2021-22, in the form of an **Annual Financial Statement** (referred to as Budget) with estimates of expenditure,

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

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

As mentioned in Paragraph 1.2, Finance Accounts and Appropriation Accounts encompass the core data for preparation of the SFAR. These Accounts are based on actual receipts and expenditure of the State during the year 2021-22 including various inter-governmental and other adjustments carried out by the Reserve Bank of India (RBI). Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2021-22 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

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

#### 1.4.1 Summarised position of State Finances

**Table 1.2** provides the details of actual audited financial results of 2021-22 *vis-à-vis* Budget Estimates for the year 2021-22 and actuals of 2020-21.

**Table 1.2: Comparison with Budget Estimates and Actuals**

Sl. No.	Components	2020-21 (Actuals)	2021-22 (Budget Estimates)	2021-22 (Actuals)	Percentage of Actuals to	
					BEs	GSDP
<b>1</b>	Tax Revenue (i + ii)	<b>35,762.93</b>	<b>41,996.37</b>	<b>47,683.65</b>	<b>113.54</b>	<b>10.99</b>
	(i) Own Tax Revenue	17,133.61	21,177.55	19,533.10	92.23	4.50
	(ii) Share of Union taxes/duties	18,629.32	20,818.82	28,150.55	135.22	6.49
<b>2</b>	Non-Tax Revenue	2,899.61	6,097.60	3,579.75	58.71	0.82
<b>3</b>	Grants-in-Aid and Contributions	26,239.65	40,885.44	28,551.79	69.83	6.58
<b>4</b>	<b>Revenue Receipts (1+2+3)</b>	<b>64,902.19</b>	<b>88,979.41</b>	<b>79,815.19</b>	<b>89.70</b>	<b>18.39</b>
<b>5</b>	Recovery of Loans and Advances	2.56	12.61	3,099.49	24,579.62	0.71
<b>6</b>	Other Receipts	0.00	0.00	0.00	0.00	0.00
<b>7</b>	Borrowings	17,940.18	18,325.53	16,670.15	90.97	3.84
<b>8</b>	<b>Capital Receipts (5+6+7)</b>	<b>17,942.74</b>	<b>18,338.14</b>	<b>19,769.64</b>	<b>107.81</b>	<b>4.56</b>
<b>9</b>	<b>Total Receipts (4+8)</b>	<b>82,844.93</b>	<b>1,07,317.55</b>	<b>99,584.83</b>	<b>92.79</b>	<b>22.95</b>
<b>10</b>	<b>Revenue Expenditure</b>	<b>64,519.59</b>	<b>84,405.47</b>	<b>82,547.96</b>	<b>97.80</b>	<b>19.02</b>
<b>11</b>	Of which, Interest payments	5,199.18	7,063.73	6,051.47	85.67	1.39
<b>12</b>	<b>Capital Expenditure</b>	<b>12,399.39</b>	<b>19,490.99</b>	<b>20,125.83</b>	<b>103.26</b>	<b>4.64</b>
<b>13</b>	<b>Loan and advances disbursed</b>	<b>87.80</b>	<b>123.60</b>	<b>104.01</b>	<b>84.15</b>	<b>0.02</b>
<b>14</b>	<b>Total Expenditure (10+12+13)</b>	<b>77,006.78</b>	<b>1,04,020.06</b>	<b>1,02,777.80</b>	<b>98.81</b>	<b>23.69</b>
<b>15</b>	<b>Revenue Deficit (-)/ Surplus (+) (4-10)</b>	<b>382.60</b>	<b>4,573.94</b>	<b>-2,732.77</b>	<b>-59.75</b>	<b>-0.63</b>
<b>16</b>	<b>Fiscal Deficit {(4+5+6)-14}</b>	<b>12,102.03</b>	<b>15,028.04</b>	<b>19,863.12</b>	<b>132.17</b>	<b>4.58</b>
<b>17</b>	<b>Primary Deficit (15-11)</b>	<b>6,902.85</b>	<b>7,964.31</b>	<b>13,811.65</b>	<b>173.42</b>	<b>3.18</b>

Source: Finance Accounts and Budget documents

## 1.4.2 Snapshot of Assets and Liabilities of the Government

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

**Table 1.3** provides a summarised position of Assets and Liabilities of the State during 2020-21 and 2021-22.

**Table 1.3: Summarised position of Assets and Liabilities**

(₹ in crore)

Liabilities				Asset			
Components	As on 31 March 2021	As on 31 March 2022	Increase (+)/ Decrease (-) (%)	Components	As on 31 March 2021	As on 31 March 2022	Increase (+)/ Decrease (-) (%)
<b>Consolidated Fund</b>							
Internal Debt	67,014.07	77,780.15	16.07	Gross Capital Outlay	85,317.70	1,05,443.53	23.59
Loans and Advances from GoI	2,678.68	5,055.86	88.74	Loans and Advances disbursed	6,142.23	3,146.76	-48.77
<b>Contingency Fund</b>							
Contingency Fund	200.00	200.00		-	-	-	-
<b>Public Account</b>							
Small Savings, Provident Funds, etc.	14,045.37	14,646.90	4.28	Civil Advances	2,939.39	3,482.07	18.46
Deposits	3,319.97	3,909.17	17.75	Remittance	788.84	765.08	-3.01
Reserve Funds	5,382.46	4,251.16	-21.02	Suspense and Miscellaneous	1,141.00	1,179.10	3.34
Remittances	-	-		-	-	-	-
Surplus on Government Account	18,338.77	17,606.00	-4.00	Cash balances (incl. investment in Earmarked Fund)	14,650.16	9,432.70	-35.61
<b>Total</b>	<b>1,10,979.32</b>	<b>1,23,449.24</b>	<b>11.24</b>	<b>Total</b>	<b>1,10,979.32</b>	<b>1,23,449.24</b>	<b>11.24</b>

Source: Finance Accounts

## 1.5 Fiscal Balance: Achievement of Deficit and total debt targets

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

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

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

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

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

Government deficit can be reduced by an increase in taxes or reduction in expenditure. This could be achieved through making government activities more efficient through

better planning of programmes and better administration.

### 1.5.1 AFRBM Targets on key Fiscal Parameters and achievement thereon

The State Governments had passed Assam Fiscal Responsibility and Budget Management Act (AFRBM), 2005 with the objective of ensuring prudence in fiscal management by eliminating Revenue Deficit, reducing Fiscal Deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context, the Act provides quantitative targets to be adhered by the State with regard to deficit measures and debt level. The Act was subsequently amended seven times, with the latest amendment being in September 2021.

As per the AFRBM Act<sup>1</sup>, the State Government was to eliminate Revenue Deficit by 2011-12 and maintain Revenue Surplus thereafter; reduce Fiscal Deficit to three *per cent* of the estimated GSDP by 2010-11 and maintain the same level thereafter. Further, the Act envisaged that the State Government would limit the total outstanding debt to GSDP to 28.40 *per cent* in 2012-13 and maintain that in 2013-14. With effect from 2014-15, this ratio was to be 28.50 *per cent* of GSDP.

The amendment to the AFRBM Act in April 2017 incorporated the recommendations of the XIV FC relating to limit of Fiscal Deficit recommended for the States during its award period (2015-16 to 2019-20). The Act provided room for deviation from the annual Fiscal Deficit target up to 3.50 *per cent* under certain conditions, with the Fiscal Deficit anchored to an annual limit of three *per cent* of GSDP in any financial year. The XV FC also recommended that the State Government should comply with the recommended path of debt consolidation and must abide by the definition of both debt and fiscal deficit as contained in the FRBM Act.

Further, as per AFRBM Act, 2021, the State shall be allowed normal Net Borrowing Ceiling (NBC) of 4 *per cent* of projected GSDP for the year 2021-22. In the beginning of the financial year 2021-22, the State shall be allowed borrowing permission based on 3.50 *per cent* of GSDP. The remaining borrowing ceiling of 0.50 *per cent* of GSDP is earmarked for incremental Capital Expenditure by the State and shall be allowed on the basis of Capital Expenditure incurred by the State during the year 2021-22. Additional borrowing ceiling of 0.50 *per cent* of GSDP over and above aforesaid ceiling of 4 *per cent* of GSDP shall also be allowed to the State based on power sector performance based on guidelines issued by Department of Expenditure, Ministry of Finance, Government of India.

The targets relating to key fiscal parameters envisaged in the amended AFRBM Act and their achievement during the five-year period from 2017-18 to 2021-22 are given in **Table 1.4**.

<sup>1</sup> As amended in 2011

Table 1.4: Compliance with provisions of AFRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2017-18	2018-19	2019-20	2020-21	2021-22
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue	-1,350	6,580	-1,322 <sup>#</sup>	383	-2,733
	Surplus	X	✓	X	✓	X
Fiscal Deficit (-) (as per cent of GSDP)	3.5 per cent (2017-20)	-9,342 (-3.30)	-4,779 (-1.54)	-14,916 (-4.30)	-12,102 (-3.56)	-19,863 (-4.58)
	5.5 per cent (2020-21)	✓	✓	X	✓	X
	4.5 per cent (2021-22)*					
Ratio of total outstanding debt to GSDP (in per cent)	28.50 per cent	17.40	19.21	20.83	25.69**	23.03**
		✓	✓	✓	✓	✓

Source: Finance Accounts

\* Target of three per cent as per AFRBM Act, 2011

\*\*Outstanding debt excludes back-to-back loan by GoI in lieu of GST Compensation shortfall

#The figure and other related figures in the Report was modified due to accounting of UDAY transactions in FY 2021-22 instead of FY 2019-20 as communicated vide GoA order dated 30 March 2022.

The State could achieve Revenue Surplus only during two out of the five-year period from 2017-18 to 2021-22. During 2021-22, the State ended up with Revenue Deficit of ₹ 2,732.77 crore. However, this deficit was understated and is to be viewed in the light of non-contribution to the required purposes by the State Government, misclassification of revenue items under capital category and discrepancy related to non-reporting of pension payments as detailed in **Table 1.6**.

The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act only in three out of the last five years. During the current year *i.e.*, 2021-22, Fiscal Deficit of the State stood at 4.58 per cent of GSDP, which was marginally above the borrowing limit of 4.50 per cent fixed under AFRBM Act, 2021.

During the five-year period from 2017-18 to 2021-22, outstanding debt of the State remained consistently below 28.50 per cent of GSDP, *i.e.*, within the norms prescribed in the AFRBM Act, 2011. The outstanding debt of the State as on 31 March 2022 was ₹ 99,918.54 crore.

During the Exit Conference (January 2023), the Secretary, Finance Department, stated that during 2021-22, the Fiscal Deficit-GSDP ratio of State was only marginally above 4.5 per cent *i.e.*, target fixed under AFRBM Act.

### 1.5.2 Medium Term Fiscal Plan

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

**Table 1.5** indicates the variation between the projections made for 2021-22 in MTFP presented to the State Legislature along with the Annual Budget for 2021-22 and Actuals for the year.

Table 1.5: Actuals vis-à-vis projection in MTFP for 2021-22

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2021-22)	Variation (in per cent)
1	<b>Tax Revenue (i + ii)</b>	41,996.37	47,683.65	13.54
	(i) Own Tax Revenue	21,177.55	19,533.10	-7.77
	(ii) Share of Central Taxes	20,818.82	28,150.55	35.22
2	<b>Non-Tax Revenue</b>	6,097.60	3,579.75	-41.29
3	<b>Grants-in-Aid from GoI</b>	40,885.44	28,551.79	-30.17
4	<b>Revenue Receipts (1+2+3)</b>	88,979.41	79,815.19	-10.30
5	<b>Revenue Expenditure</b>	84,405.47	82,547.96	-2.20
6	<b>Revenue Deficit (-)/ Surplus (+) (4-5)</b>	4,573.94	-2,732.77	-159.75
7	<b>Fiscal Deficit (-)/ Surplus (+)</b>	-15,028.04	-19,863.12	32.17
8	<b>Debt-GSDP ratio (per cent)</b>	26.39	23.03	-12.73
9	<b>GSDP growth rate at current prices (per cent)</b>	-7.71	27.56	457.46

Source: Finance Accounts and Budget documents

As can be seen from **Table 1.5**, the projections made in MTFP relating to two key fiscal parameters *i.e.*, Revenue Surplus and Fiscal Deficit deviated significantly by 160 per cent and 32 per cent respectively during 2021-22. Projections relating to Debt-GSDP ratio and growth rate of GSDP were met, with the year ending at a lower Debt to GSDP ratio, and with significantly higher growth in GSDP than was projected in the MTFP.

### 1.5.3 Trends of Deficit/ Surplus

The trends of key surplus and deficits parameters over the five-year period from 2017-18 to 2021-22 are depicted in **Chart 1.6** and trends in surplus or deficit relative to GSDP are given in **Chart 1.7**.

Chart 1.6: Trends in Surplus/ Deficit

(₹ in crore)

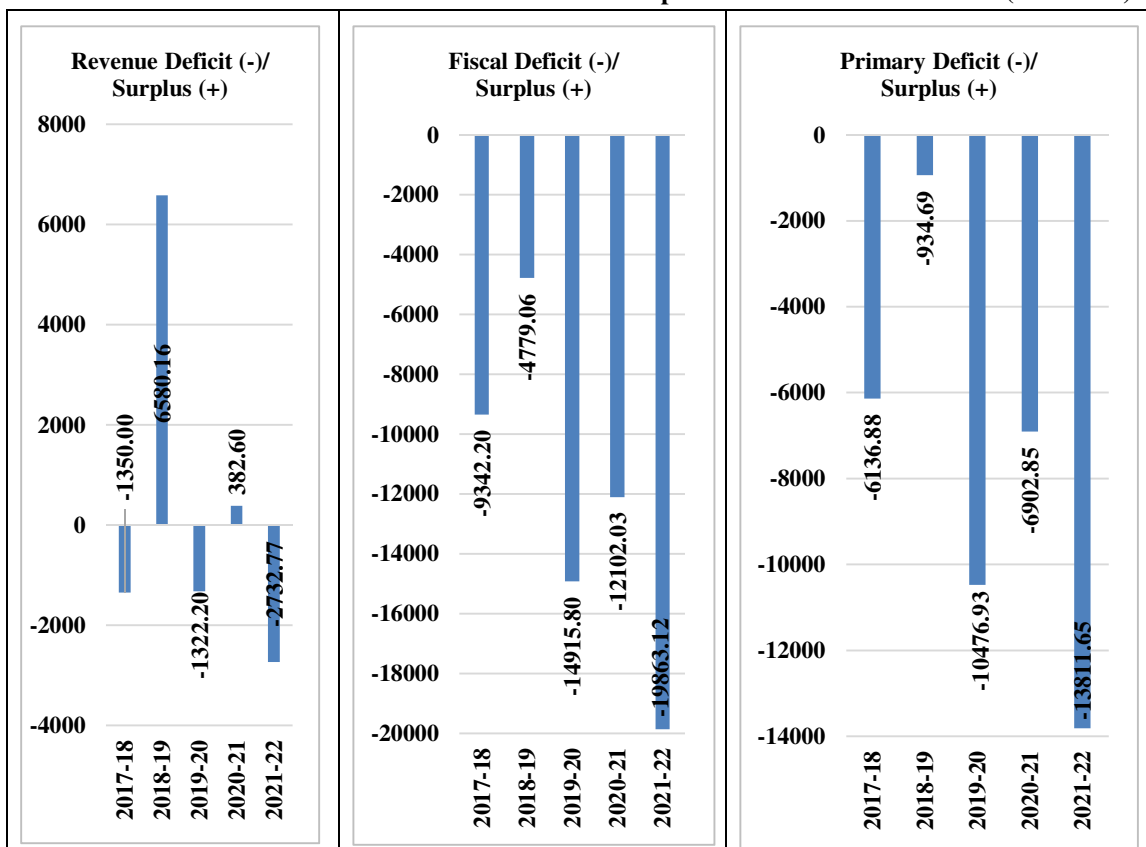
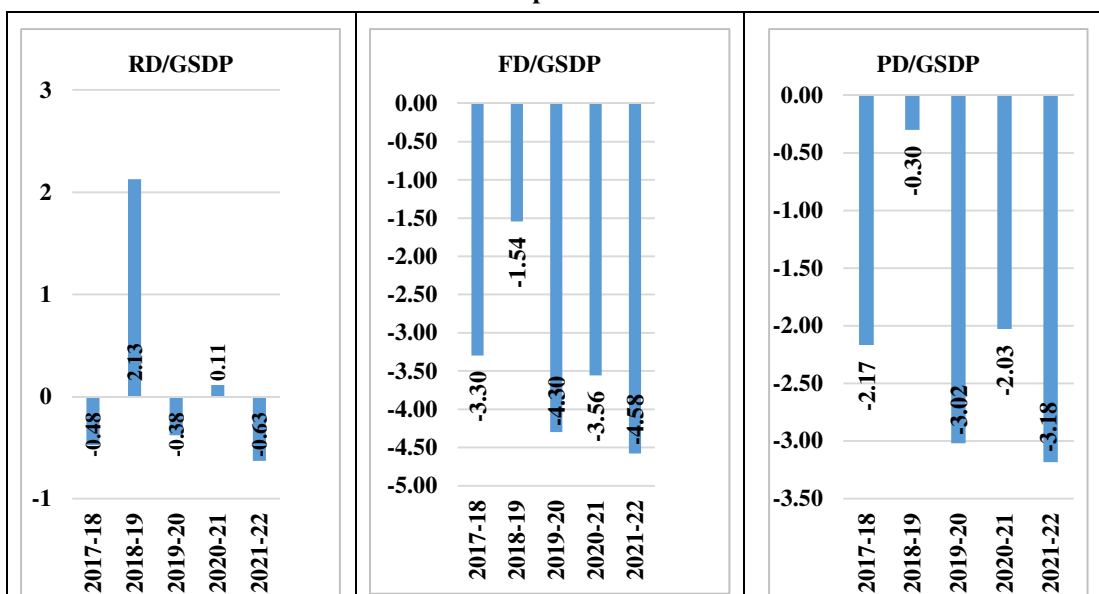


Chart 1.7: Trends in Surplus/ Deficit relative to GSDP

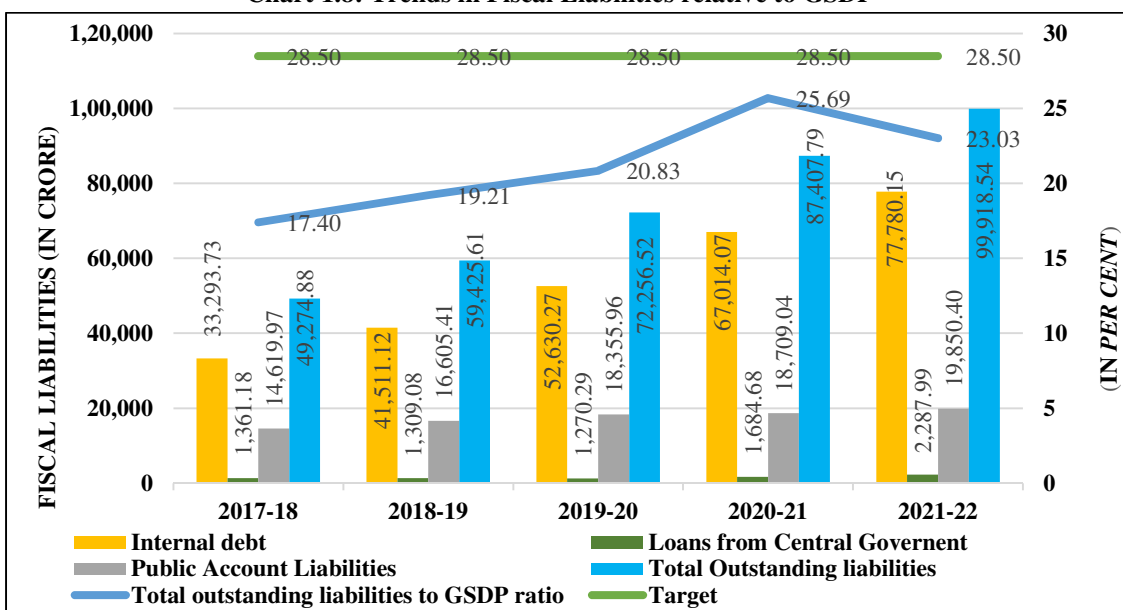


During the year, the State had a Revenue Deficit of ₹ 2,732.77 crore<sup>2</sup> as against the Revenue Surplus of ₹ 382.60 crore during the previous year. There was an increase in Fiscal Deficit of the State, which increased to ₹ 19,863.12 crore during 2021-22, or 4.58 per cent of the GSDP, as compared to ₹ 12,102.03 crore during the previous year, and constituted 19.33 per cent of Total Expenditure. The Primary Deficit of the State increased from ₹ 6,902.85 crore in 2020-21 to ₹ 13,811.65 crore in 2021-22 and stood at 3.18 per cent of GSDP.

#### 1.5.4 Trends in Fiscal Liabilities relative to GSDP

Trends in fiscal liabilities of the State, its components and its ratio to GSDP during the last five years i.e., 2017-22 are given in Chart 1.8.

Chart 1.8: Trends in Fiscal Liabilities relative to GSDP



<sup>2</sup> To be read with post audit deficits as detailed in paragraph 1.6



It is evident from **Chart 1.8** that over a five-year period, the fiscal liabilities of the State had increased by 102.78 *per cent* from ₹ 49,274.88 crore in 2017-18 to ₹ 99,918.54 crore in 2021-22. However, the ratio of fiscal liabilities with respect to GSDP during the period remained less than 28.50 *per cent i.e.*, target threshold fixed under AFRBM Act.

## 1.6 Deficits and Total Debt after examination in audit

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

### 1.6.1 Post audit – Deficits

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

The impact on Revenue Surplus and Fiscal Deficit due to misclassification, short contribution to earmarked funds and non-discharge of interest liabilities during 2021-22 is shown in **Table 1.6**.

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

(₹ in crore)

Sl. No.	Particulars	Impact on Revenue Deficit (Understated (-)/ overstated (+))	Impact on Fiscal Deficit (Understated (+))
1	Major works budgeted/ booked under Revenue Section instead of Capital	152.04	0
2	Investment budgeted/booked under Revenue Section instead of Capital Section	500.00	0
3	Minor works budgeted/ booked under Capital Section instead of Revenue	(-) 108.53	0
4	Maintenance Expenditure classified as Capital instead of Revenue	(-) 0.94	0
5	Grants-in-Aid booked under Capital Section instead of Revenue Section	(-) 6,168.69	0
6	Non discharge of Interest liabilities	(-) 91.67	91.67
7	Short transfer of fund to SDRF	(-) 346.72	346.72
8	Non-reporting of Pension Payments	(-) 262.92	262.92
9	Non-transfer of Central Government grant towards CRF into Central Road Fund	(-) 77.51	77.51
10	Non-transfer of Central Government grant toward SDMF into State Disaster Mitigation Fund	(-) 154.40	154.40
<b>Total (Net) impact</b>		<b>-6,559.34</b>	<b>933.22</b>

*Source: Finance Accounts*

As per IGAS 2, Grants-in-Aid disbursed by a grantor shall be classified and accounted for as Revenue Expenditure irrespective of the purpose for which the funds disbursed as Grants-in-Aid are to be spent by the grantee, except in cases where it has been specifically authorised by the President on the advice of the Comptroller and Auditor General of India. It is observed that Grants-in-Aid of ₹ 6,168.69 crore was budgeted

and expended under Capital Section instead of Revenue Section, in violation of IGAS-2. The issue of GIA being budgeted and expended under Capital Section year after year, but the State Government has not taken any remedial action in this regard.

As can be seen from **Table 1.6**, there was an understatement of Revenue Deficit by ₹ 6,559.34 crore during the year. Thus, after taking into account the items of misclassification/ non-reporting of expenditure during the year as brought out in the table above, the State should have a Revenue Deficit of ₹ 9,292.11 crore during 2021-22 instead of reported Revenue Deficit of ₹ 2,732.77 crore.

Further, Fiscal Deficit of the State was also understated by ₹ 933.22 crore during 2021-22. If this is taken into account, the actual Fiscal Deficit would have been ₹ 20,796.34 crore instead of ₹ 19,863.12 crore as reported in the Finance Accounts of 2021-22. Further, ratio of Fiscal Deficit to GSDP could have been 4.79 *per cent* instead of 4.58 *per cent* as reported in the Finance Accounts of the year.

During the Exit Conference (January 2023), the Secretary, Finance Department assured to take necessary steps for correct classification and timely reporting of expenditure as pointed out by Audit.

## 1.6.2 Total Outstanding Liabilities

The total outstanding liabilities of the State were ₹ 99,918.54 crore as of 31 March 2022. Further details *i.e.*, components and sub-components of outstanding liabilities are given in **Table 1.7**.

**Table 1.7: Components of Outstanding Liabilities**

Liabilities upon the Consolidated Fund (Public Debt)	<b>Internal Debt: ₹ 77,780.16 crore</b> <ul style="list-style-type: none"> <li>➤ Market Loans bearing interest: ₹ 66,534.00 crore</li> <li>➤ Market Loans not bearing interest: ₹ 0.01 crore</li> <li>➤ Loans from other Institutions, <i>etc.</i>: ₹ 5,556.46 crore</li> <li>➤ Special Securities issued to the National Small Savings Fund of the Central Government: ₹ 5,689.69 crore</li> </ul>
	<b>Loans and Advances from Central Government: ₹ 2,287.99 crore</b> <ul style="list-style-type: none"> <li>➤ Non-plan Loans: ₹ 87.38 crore</li> <li>➤ Loans for Central Plan Schemes: ₹ 0.08 crore</li> <li>➤ Loans for Special Schemes: ₹ 61.57 crore</li> <li>➤ Pre-1984-85 Loans: ₹ 0.24 crore</li> <li>➤ Other loans for States/Union Territory with Legislative Scheme: ₹ 2,138.72 crore*</li> </ul>
Liabilities upon Public Account	<b>Liabilities upon Public Account: ₹ 19,850.40 crore</b> <ul style="list-style-type: none"> <li>➤ Small Savings, Provident Funds, <i>etc.</i>: ₹ 14,646.90 crore</li> <li>➤ Deposits: ₹ 3,909.17 crore</li> <li>➤ Reserve Funds: ₹ 1,294.33 crore</li> </ul>
Borrowings by State Public Sector Companies, corporations and other bodies	Nil
Borrowing by SPVs and other equivalent instruments	

Source: Finance Accounts

\*Excludes loan of ₹ 994.00 crore and ₹ 1,773.87 crore given as back-to-back loan by Government of India during 2020-21 and 2021-22 respectively.

## 1.7 Conclusion

- The GSDP of Assam grew from ₹ 2,83,164.90 crore in 2017-18 to ₹ 4,33,925.44 crore in 2021-22 with Compounded Annual Growth Rate (CAGR) of 11.26 *per cent* against the national CAGR of 8.48 *per cent*.
- The State could achieve Revenue Surplus in only two years out of the five-year period from 2017-18 to 2021-22. During 2021-22, the State ended up with a Revenue Deficit of ₹ 2,732.77 crore against a Revenue Surplus of ₹ 382.60 crore in 2020-21.
- The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act in two out of the last five years. During the current year *i.e.*, 2021-22, Fiscal Deficit of the State stood at 4.58 *per cent* of GSDP, which was marginally above the borrowing limit of 4.50 *per cent* fixed under AFRBM Act, 2021. In absolute terms, Fiscal Deficit increased by ₹ 7,761.09 crore (64.13 *per cent*) from ₹ 12,102.03 crore in 2020-21 to ₹ 19,863.12 crore in 2021-22.
- During the five-year period 2017-22, outstanding debt of the State remained consistently below 28.50 *per cent* of GSDP, *i.e.*, within the norms prescribed in the AFRBM Act, 2011. However, the outstanding debt during 2021-22 (₹ 99,918.54 crore) increased by ₹ 12,510.75 crore (14.31 *per cent*) as compared to ₹ 87,407.79 crore during 2020-21.
- There was an understatement of Revenue Deficit by ₹ 6,559.34 crore during the year. After taking into account the items of misclassification/ non-reporting of expenditure during the year, the State should have a Revenue Deficit of ₹ 9,292.11 crore during 2021-22 instead of reported Revenue Deficit of ₹ 2,732.77 crore.
- Fiscal Deficit of the State was also understated by ₹ 933.22 crore during 2021-22. If this is taken into account, the actual Fiscal Deficit would have been ₹ 20,796.34 crore instead of ₹ 19,863.12 crore. Further, ratio of Fiscal Deficit to GSDP would have been 4.79 *per cent* instead of 4.58 *per cent*.

## 1.8 Recommendations

- i. *The State Government needs to ensure budgeting and booking of Grants-in-Aid under Revenue Section as per IGAS-2.*
- ii. *The State Government may consider discharging its interest liabilities on time.*

