Chapter 1
Overview of State Finances

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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 projected population of the State during 2023-24 was 3.60 crore. The decadal (2014-2024) growth rate of the State's population was 11.31 *per cent* which was marginally higher than the all India growth rate of 11.26 *per cent*. As per census 2011, State's literacy rate at 72.19 *per cent* was marginally lower than all India average of 73 *per cent*.

The State has 35 districts[1] 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)[2] 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.

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

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 GSDP (at current prices) compared to the GDP

(₹ in crore)

Year	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
INDIA						
GDP (2011-12 Series)	**2,01,03,593**	**1,98,54,096**	**2,35,97,399**	**2,69,49,646 (FRE)**	**2,95,35,667 (PE)**	**10.10**
Gross Value Added (GVA)	**1,83,81,117**	**1,82,10,997**	**2,16,35,584**	**2,46,59,041 (FRE)**	**2,67,62,147 (PE)**	**9.85**
Growth rate of GDP over previous year (*per cent*)	6.37	-1.24	18.85	14.21	9.60	
Growth rate of GVA over previous year (in *per cent*)	7.02	-0.93	18.81	13.97	8.53	

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1 Economic Survey, Assam 2023-24

2 Now known as North Eastern & Himalayan States (NE&HS)

Year	2019-20	2020-21	2021-22	2022-23	2023-24	CAGR
Per Capita GDP (in ₹)	**1,49,915**	**1,46,480**	**1,72,422**	**1,94,879 (FRE)**	**2,11,725 (PE)**	**9.01**
ASSAM						
GSDP (2011-12 Series)	**3,46,850.68**	**3,39,802.98**	**4,10,723.56**	**4,78,779.19 (PE)**	**5,70,242.61 (AE)**	**13.23**
Gross State Value Added (GSVA)	**3,18,971.11**	**3,08,968.32**	**3,78,840.79**	**4,40,390.53**	**5,12,789.23**	**12.60**
Growth rate of GSDP over previous year (in *per cent*)	12.13	-2.03	20.87	16.57	19.10	
Growth rate of GSVA over previous year (in *per cent*)	13.05	-3.14	22.61	16.25	16.44	
Per Capita GSDP (in ₹)	1,00,501	97,401	1,16,554	1,34,591	1,58,807	12.12

Source of data: *Ministry of Statistics and Programme Implementation, GoI & Directorate of Economics and Statistics, Assam*

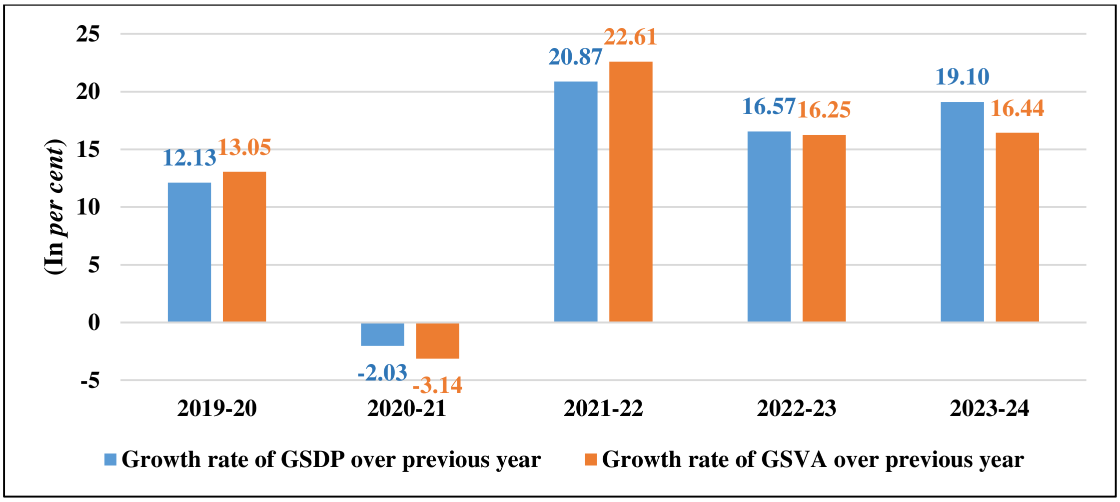
AE- Advance Estimates, PE-Provisional Estimates, FRE-First Revised Estimates

In 2023-24, GSDP of Assam at current prices was ₹ 5,70,242.61 crore and the GDP in 2023-24 at current prices was ₹ 2,95,35,667 crore. Per Capita GSDP of the State for the year 2023-24 at ₹ 1,58,807 was lower than per capita GDP at ₹ 2,11,725. Compounded Annual Growth rate (CAGR) of per Capita income of the State at 12.12 *per cent* during the period from 2019-20 to 2023-24 was significantly higher than that of the Country's for the same period. Further, growth in Per Capita GSDP of the State (58.02 *per cent*) during the period from 2019-20 to 2023-24 was also significantly more than the growth in per capita GDP of the country (41.23 *per cent*) during the same period.

Gross Value Added (GVA) is being used for economic analysis by GoI and international organisations like International Monetary Fund (IMF) and World Bank as GVA is considered to be a better indicator of economic growth compared to GDP, as it ignores the impact of taxes and subsidies. While GDP can be and is also computed as the sum total of various expenditure incurred in the economy including private consumption spending, government consumption spending and gross fixed capital formation or investment spending, reflecting essentially on the demand conditions in the economy. Both measures have difference in treatment of net taxes, as a result of which, the inclusion of taxes in GDP may differ from the real output situation. From a policymaker's perspective, it is therefore vital to have a comparison of the GVA and GSVA data for better analysis and making policy interventions.

Trends of GSDP and GSVA for the period from 2019-20 to 2023-24 are indicated in **Chart 1.1**.

Chart 1.1: Growth rate of GSDP vs GSVA (2019-20 to 2023-24)



As can be seen from **Table 1.1**, GSDP of Assam grew at a higher rate during four years of the five-year period from 2019-20 to 2023-24, as compared to the growth rate of GDP, with a Compounded Annual Growth Rate (CAGR) of 13.23 *per cent* against GDP CAGR of 10.10 *per cent*. Further, during the five-year period, the GSDP growth rate increased from 12.13 *per cent* in 2019-20 to 19.10 *per cent* in 2023-24 with the highest increase recorded during the year 2021-22 (20.87 *per cent*).

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. These three sectors form GSVA of the State. Further, GSDP of the State is the total of GSVA and net of taxes on products and subsidies on products.

Sectoral growth of GSDP over the past five years is detailed in **Chart 1.2** whereas changes in sectoral contribution to GSVA in 2023-24 over 2019-20 are given in **Chart 1.3** as these changes are an indication of the changing structure of the economy.

Chart 1.2: Sectoral growth in GSDP

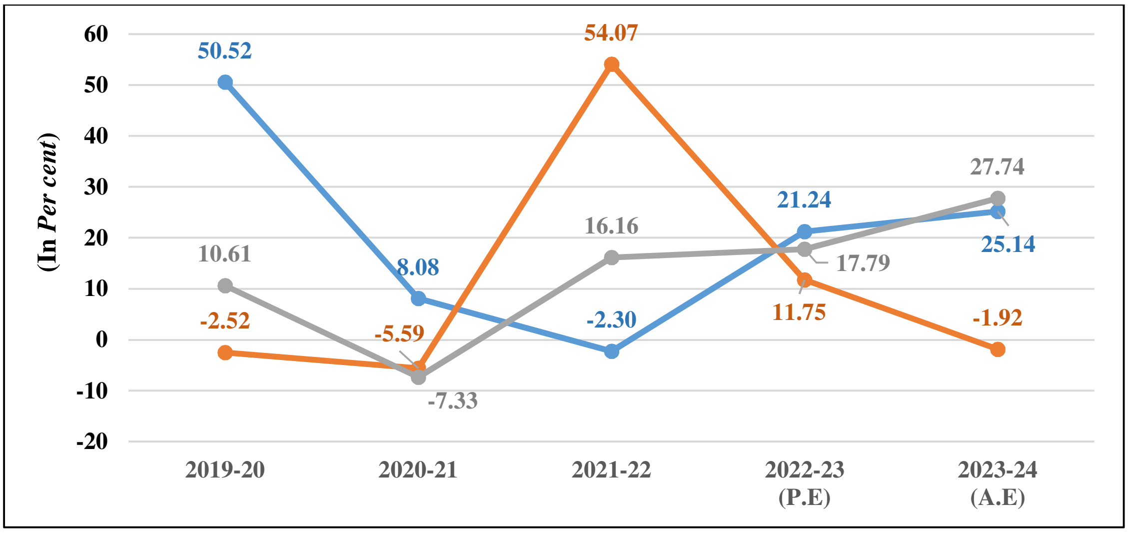


Chart 1.3: Change in sectoral contribution to GSVA (2019-20 to 2023-24)

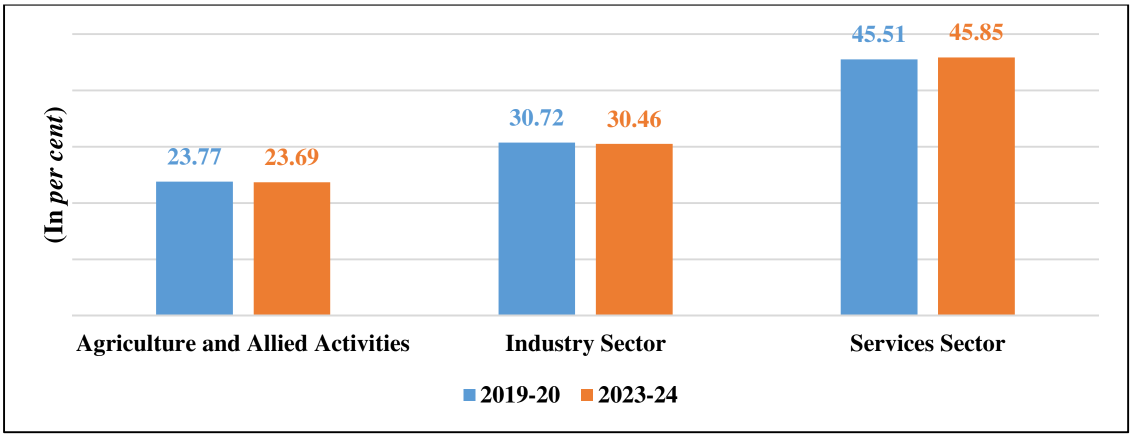


Chart 1.2 shows that growth of two out of three sectors contributing to GSDP increased significantly during 2023-24 with maximum increase of 27.74 *per cent* recorded under Services Sector, followed by an increase of 25.14 *per cent* under Agriculture and Allied Activities. However, growth under Industry Sector decreased sharply and stood at (-) 1.92 *per cent* during the year. Decrease under the Industry Sector was mainly recorded under Construction, Mining and Quarrying. Further, **Chart 1.3** shows that the share of Agriculture and Allied Activities, Industry and Services sectors in GSVA has remained relatively constant during the five-year period from 2019-20 to 2023-24.

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. Audit Report on State Finances (SFAR) of Assam for the year ending 31 March 2024 has been prepared by the CAG for submission to the Governor of Assam under Article 151 (2) of the Constitution of India.

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

Finance Accounts and Appropriation Accounts of the State for the year 2023-24 constitute the core data for this Report. Other sources include the following:

- Budget of the State for the year 2023-24 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 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 2019-24 have also been used to prepare this analysis/ commentary as considered 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 of the Audit Report was held on 30 September 2024 wherein audit approach was explained to the Finance Department and subsequently, the draft Report was forwarded to the State Government in December 2024 for comments. Further, an Exit Conference was also held on 15 February 2025 with the Commissioner and Secretary to Government of Assam, Finance Department. The replies of the Government, where received, have suitably been incorporated in this Report.

1.3 Overview of Government Account Structure and Budgetary Processes

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

I. 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 the 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.

II. 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.

III. 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 balances available with the Government is also included under the Public Account. The Public Account is not subject to vote of the Legislature.

Budget Document

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 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 expenditure 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 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:

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

Capital Expenditure includes expenditure on acquisition of land, building, machinery, equipment, investment in shares and loans and advances by the government to Public Sector Enterprises (PSEs) and other parties.

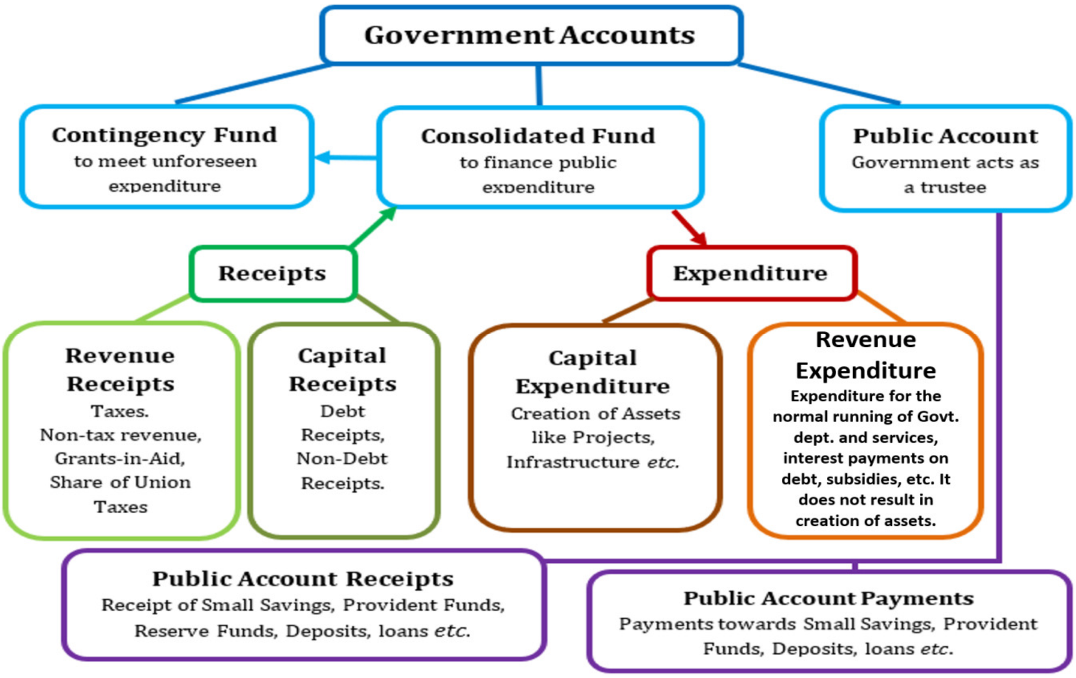
At present, we have an accounting classification system in government that is both functional and economic.

Attributes of transaction		Classification followed in Assam Government Accounts
Standardised in List of Major and Minor Heads by CGA	Function- Education, Health, *etc*./ Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major Head (2-digit)
	Programme	Minor Head (3-digit)
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 document. It also indicates the economic activity of the Government.

A pictorial depiction of the structure of Government Accounts is given in **Chart 1.4**.

Chart 1.4: Structure of Government Accounts



Public Debt and Public Liability: In this Report, 'Public Debt' has been taken to comprise market borrowings, institutional loans, special securities issued to National Small Savings Fund (NSSF), loan given by Central Government, *etc*. For this purpose, the Major Heads (MH) 6003 and 6004- Public Debt have been taken into consideration.

Further, the transactions relating to 'Small Savings, Provident Fund, *etc.',* 'Reserve Funds' and Deposit and Advances' under Public Account are such that the Government incurs a liability to repay the moneys received or has a claim to recover the amounts paid. The transactions relating to 'Remittances' and 'Suspense' under Public Account, include merely adjusting heads such as transaction as remittances of cash between treasuries and currency chests and transfer between different accounting circles.

In this Report, 'Public Liability' has been taken to include the transactions under MHs 8001 to 8554 relating to 'Small Savings, Provident Fund, *etc.*', 'Reserve Funds' and 'Deposit and Advances' along with the transactions under MHs 6003 and 6004.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Assam causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State in the form of an Annual Financial Statement. In terms of Article 203, the Statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund of the State.

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 III** of this Report.

1.3.1 Snapshot of State Finances

Table 1.2 provides the details of actual audited financial results of 2023-24 *vis-à-vis* Budget Estimates (BEs) for the year 2023-24 and actuals of 2022-23.

Table 1.2: Comparison with Budget Estimates and Actuals

(₹ in crore)

Sl. No.	Components	2022-23 (Actuals)	2023-24 (BEs)	2023-24 (Actuals)	Percentage of Actuals to		Growth over previous year
					BEs	GSDP	
1	Tax Revenue (i + ii)	**54,196.28**	**61,952.55**	**63,508.69**	**102.51**	**11.14**	**17.18**
	(i) Own Tax Revenue	*24,502.02*	30,001.66	28,178.12	93.92	4.94	15.00
	(ii) Share of Union taxes/duties	*29,694.26*	31,950.89	35,330.57	110.58	6.20	18.98
2	Non-Tax Revenue	5,761.31	7,010.84	5,902.90	84.20	1.04	2.46
3	Grants-in-Aid and Contributions	29,784.71	45,121.31	22,122.90	49.03	3.88	-25.72
4	**Revenue Receipts (1+2+3)**	**89,742.30**	**1,14,084.70**	**91,534.49**	**80.23**	**16.05**	**2.00**
5	Recovery of Loans and Advances	5.07	306.88	3,282.45	1,069.62	0.58	64,642.60
6	Other Receipts	0.00	0.00	0.00	0.00	0.00	0.00
7	Borrowings	28,270.02	25,052.31	44,013.85	175.69	7.72	55.69
8	**Capital Receipts (5+6+7)**	**28,275.09**	**25,359.19**	**47,296.30**	**186.51**	**8.29**	**67.27**
9	**Total Receipts (4+8)**	**1,18,017.39**	**1,39,443.89**	**1,38,830.79**	**99.56**	**24.35**	**17.64**
10	**Revenue Expenditure**	**1,01,814.65**	**1,11,336.59**	**94,162.90**	**84.57**	**16.51**	**-7.52**
11	Of which, Interest payments	6,874.97	8,815.37	8,139.17	92.33	1.43	18.39
12	**Capital Expenditure**	**15,997.71**	**23,822.47**	**21,444.23**	**90.02**	**3.76**	**34.05**
13	**Loan and advances disbursed**	**339.84**	**189.12**	**64.50**	**34.11**	**0.01**	**-81.02**
14	**Appropriation to Contingency Fund**	**1,800.00**	**0.00**	**0.00**	**0.00**	**0.00**	**-100.00**
15	**Total Expenditure (10+12+13+14)**	**1,19,952.20**	**1,35,348.18**	**1,15,671.63**	**85.46**	**20.28**	**-3.57**
16	**Revenue Deficit (-)/ Surplus (+) (4-10)**	**-12,072.35**	**2,748.11**	**-2,628.41**	**-95.64**	**-0.46**	**-78.23**
17	**Fiscal Deficit {(4+5+6)-15}**	**-30,204.83**	**-20,956.60**	**-20,854.69**	**99.51**	**-3.66**	**-30.96**
18	**Primary Deficit (17+11)**	**-23,329.86**	**-12,141.23**	**-12,715.52**	**104.73**	**-2.23**	**-45.50**

Source: Finance Accounts and Budget documents

During 2023-24, Revenue Receipts of the State though increased marginally by 2.00 *per cent* over the previous year, it fell short of BEs by 19.77 *per cent* during the year. Despite growth in tax revenue comprising of Own Tax Revenue and Share of Union taxes and duties, a shortfall in Non-Tax Revenue and Grants-in-Aid led to Revenue Receipts underperforming relative to the BEs. During 2023-24, Revenue Expenditure (₹ 94,162.90 crore) exceeded the Revenue Receipts (₹ 91,534.49 crore), thereby resulting into Revenue Deficit of ₹ 2,628.41 crore. Capital expenditure saw a notable increase, indicating higher investment in infrastructure or other developmental projects. However, revenue expenditure remained significant, emphasising operational costs. An increase in capital expenditure is a positive sign, however high fiscal and primary deficits highlight growing reliance on borrowings.

1.3.2 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. ***Appendix 1.3*** gives an abstract of such liabilities and assets as on 31 March 2024, compared with the corresponding position of previous year. 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 expenditure 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 2022-23 and 2023-24. Details have also been given in ***Appendix 1.3***.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets			
Components	**As on 31 March 2023**	**As on 31 March 2024**	**Increase (+)/ Decrease (-) (%)**	**Components**	**As on 31 March 2023**	**As on 31 March 2024**	**Increase (+)/ Decrease (-) (%)**
Consolidated Fund							
Internal Debt	94,443.50	1,11,972.66	18.56	**Gross Capital Outlay**	1,20,378.74	1,41,822.98	17.81
Loans and Advances from GoI*	9,331.68	15,171.30	62.58	**Loans and Advances disbursed**	5,720.65	2,502.70	-56.25
Contingency Fund							
Contingency Fund	2,000.00	2,000.00	0.00		0.00	0.00	0.00
Public Account							
Small Savings, Provident Funds, *etc.*	14,747.07	14,376.34	-2.51	**Civil Advances**	2,921.43	3,840.81	31.47
Deposits	4,370.94	4,517.36	3.35	**Remittances**	827.21	880.23	6.41
Reserve Funds	7,226.70	7,453.60	3.14	**Suspense and Miscellaneous**	952.53	760.67	-20.14
Remittances	0.00	0.00	0.00	-			
Surplus on Government Account	4,910.27	4,198.88	-14.49	**Cash balances (incl. investment in Earmarked Fund)**	6,229.60	9,882.75	58.64
Total	**1,37,030.16**	**1,59,690.14**	**16.54**	**Total**	**1,37,030.16**	**1,59,690.14**	**16.54**

Source: Finance Accounts

** It includes back-to-back loans in lieu of GST Compensation shortfall of ₹ 2,767.87 crore received from GoI during 2020-21 (₹ 994.00 crore) and 2021-22 (₹ 1,773.87 crore).*

As can be seen from **Table 1.3**, the assets of the State Government increased by ₹ 22,659.98 crore and the liabilities (excluding surplus on Government Accounts) increased by ₹ 23,371.37 crore during 2023-24.

Both the liabilities and assets of the State Government increased by 16.54 *per cent*, indicating symmetrical growth. However, the qualitative nature of asset creation and the sustainability of liabilities warrant further scrutiny.

The internal debt rose from ₹ 94,443.50 crore to ₹ 1,11,972.66 crore, an 18.56 *per cent* increase. This raises concerns about the growing dependency on borrowings to finance State activities, which could strain future budgets due to rising debt servicing obligations.

Loans and Advances from the Government of India increased substantially. This may reflect increased central funding for schemes or borrowings through central assistance, but it also implies a greater repayment liability in the future.

Capital investment increased, which is a positive indicator if the investments are productive and contribute to long-term economic returns. However, the simultaneous 56.25 *per cent* decline in loans and advances disbursed indicates a reduction in lending activity by the State, possibly affecting development-linked financial support.

The decrease in surplus from ₹ 4,910.27 crore to ₹ 4,198.88 crore indicates a weakening fiscal cushion. This could affect the government's ability to absorb future fiscal shocks.

The significant rise in cash balances (including earmarked fund investments) may suggest improved liquidity. However, this could also point to delayed implementation of projects or inefficient fund utilisation.

Small Savings and Provident Funds saw a minor decline (-2.51 *per cent*). Deposits and Reserve Funds showed a modest increase (~3 *per cent*). Suspense and Miscellaneous items declined by 20.14 *per cent*, indicating improved reconciliation or clearance of pending entries, which is a good sign for fiscal transparency.

Civil advances increased by 31.47 *per cent*, suggesting higher temporary advances, which may need close monitoring to avoid accumulation of unadjusted advances. Remittances also rose slightly, by 6.41 *per cent*.

1.4 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.

Deficits are 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 entails 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, 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.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management (FRBM) Act with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable levels, 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.

In May 2005, the State Government enacted AFRBM Act to ensure long-term financial stability by achieving revenue surplus, containing fiscal deficit and prudent debt management. The Act was subsequently amended eight times, with the latest amendment being in April 2022.

As per AFRBM Act, 2011, 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. Further, as per AFRBM Act, 2022, target for outstanding debt to GSDP ratio was enhanced from 28.50 *per cent* to 32 *per cent* for the next five years starting from the financial year 2022-23.

The amendment to AFRBM Act in April 2017 incorporated 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 four *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 up to 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.

Further, as per AFRBM Act, 2022, the additional borrowing ceiling of 0.50 *per cent* of GSDP over and above the prescribed limit of fiscal deficit for the financial years 2022-23 to 2024-25 shall be allowed based on Power Sector based performance.

The targets relating to key fiscal parameters envisaged in the amended AFRBM Act and their achievement during the five-year period from 2019-20 to 2023-24 are given in **Table 1.4**.

Table 1.4: Compliance with provisions of AFRBM Act

Fiscal Parameters	Fiscal targets set in the Act	Achievement (₹ in crore)				
		2019-20	**2020-21**	**2021-22**	**2022-23**	**2023-24**
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Revenue Surplus	-1,322#	383	-2,733	-12,072	-2,628
		✗	✓	✗	✗	✗
Fiscal Deficit (as *per cent* of GSDP)	3.5 *per cent* (2017-20) 5.5 *per cent* (2020-21) 4.5 *per cent* (2021-22) 3.5 *per cent* (2022-23 to 2024-25)*	14,916 (4.30)	12,102 (3.56)	19,863 (4.84)	30,205 (6.31)	20,855 (3.66)
		✗	✓	✗	✗	✗
Ratio of total outstanding liability to GSDP (in *per cent*)	28.50 *per cent* (up to 2021-22) 32.00 *per cent* (2022-23 to 2026-27)	20.83	25.72	24.33	25.74**	25.77**
		✓	✓	✓	✓	✓

Source: Finance Accounts

** Target of three per cent as per AFRBM Act, 2022;*

***Outstanding liability includes off-budget borrowing and excludes back-to-back loan by GoI in lieu of GST Compensation shortfall;*

#The figure along with 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 for one year out of the five-year period from 2019-20 to 2023-24. During 2023-24, the State had a Revenue Deficit of ₹ 2,628.41 crore. However, this deficit was understated and is to be viewed in the light of non-discharge of interest liabilities by the State Government, misclassification of revenue items under capital category and *vice versa*, short contribution of Government share to NPS, *etc.*, as detailed in **Table 1.7**.

The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act only in one year out of the last five years. During 2023-24, Fiscal Deficit of the State stood at 3.66 *per cent* of GSDP, which was marginally above the target of 3.5 *per cent* fixed under AFRBM Act, 2022.

During the five-year period from 2019-20 to 2023-24, outstanding liability of the State remained consistently below 28.50 *per cent* of GSDP from 2019-20 to 2021-22 and below 32.00 *per cent* of GSDP from 2022-23 to 2023-24, *i.e.,* within the norms prescribed in the AFRBM Act, 2011 and AFRBM Act, 2022 respectively. The outstanding liability of the State as on 31 March 2024 was ₹ 1,46,927.84 crore.

During the Exit Conference (February 2025), the Commissioner and Secretary to Government of Assam, Finance Department, accepted that the Fiscal Deficit to GSDP ratio exceeded the AFRBM target marginally during the year and assured to look into the matter.

The projections made in the State budget *vis-à-vis* achievements in respect of major fiscal aggregates with reference to GSDP during 2023-24 are given in **Table 1.5**.

Table 1.5: Targets *vis-à-vis* achievements in respects of major fiscal aggregates during 2023-24

Fiscal variable	Projections in the Budget	Actuals	Difference between projections and actuals
Revenue Deficit (-) or Surplus (+)/ GSDP (*per cent*)	0.48	(-)0.46	0.94
Fiscal Deficit/ GSDP (*per cent*)	3.70	3.66	0.04
Total Outstanding liability/ GSDP (*per cent*)	24.40	25.77	(-)1.37

Source: Annual Financial Statement and Finance Accounts

During 2023-24, Government of Assam was able to contain the fiscal deficit-GSDP ratios within the projections made under budget. However, Revenue Surplus projected in the budget turned into Revenue Deficit during the year. Further, Outstanding liability-GSDP ratio also exceeded marginally from the projection.

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 1.6 indicates the variation between the projections made for 2023-24 in MTFP presented to the State Legislature along with the Annual Budget for 2023-24 and Actuals for the year.

Table 1.6: Actuals *vis-à-vis* projection in MTFP for 2023-24

(₹ in crore)

Sl. No.	Fiscal Variables	Projection as per MTFP	Actuals (2023-24)	Variation (in *per cent*)
1	**Tax Revenue (i + ii)**	**61,952.55**	**63,508.69**	**2.51**
	(i) Own Tax Revenue	*30,001.66*	*28,178.12*	*-6.08*
	(ii) Share of Central Taxes	*31,950.89*	*35,330.57*	*10.58*
2	**Non-Tax Revenue**	**7,010.84**	**5,902.90**	**-15.80**
3	**Grants-in-Aid from GoI**	**45,121.31**	**22,122.90**	**-50.97**
4	**Revenue Receipts (1+2+3)**	**1,14,084.70**	**91,534.49**	**-19.77**
5	**Revenue Expenditure**	**1,11,336.59**	**94,162.90**	**-15.43**
6	**Revenue Deficit (-)/ Surplus (+) (4-5)**	**2,748.11**	**-2,628.41**	**-195.64**
7	**Fiscal Deficit (-)/ Surplus (+)**	-20,956.60	-20,854.69	-0.49
8	**Debt-GSDP ratio (*per cent*)**	24.40	25.77	5.61
9	**GSDP growth rate at current prices (*per cent*)**	17.75	19.10	7.61

Source: Finance Accounts and Budget documents

As can be seen from **Table 1.6**, the projections made in MTFP relating to one key fiscal parameter *i.e.*, Revenue Surplus deviated significantly by 195.64 *per cent* during 2023-24. MTFP projection relating to Debt-GSDP ratio was not met, with the year ending at a higher Debt-GSDP ratio. However, MTFP projection towards GSDP growth was met as the actual GSDP growth was higher than that projected under MTFP.

The trends of key surplus and deficits parameters over the five-year period from 2019-20 to 2023-24 are depicted in **Chart 1.5** and trends in surplus or deficit relative to GSDP are given in **Chart 1.6**.

Chart 1.5: Trends in Surplus/ Deficit (₹ in crore)

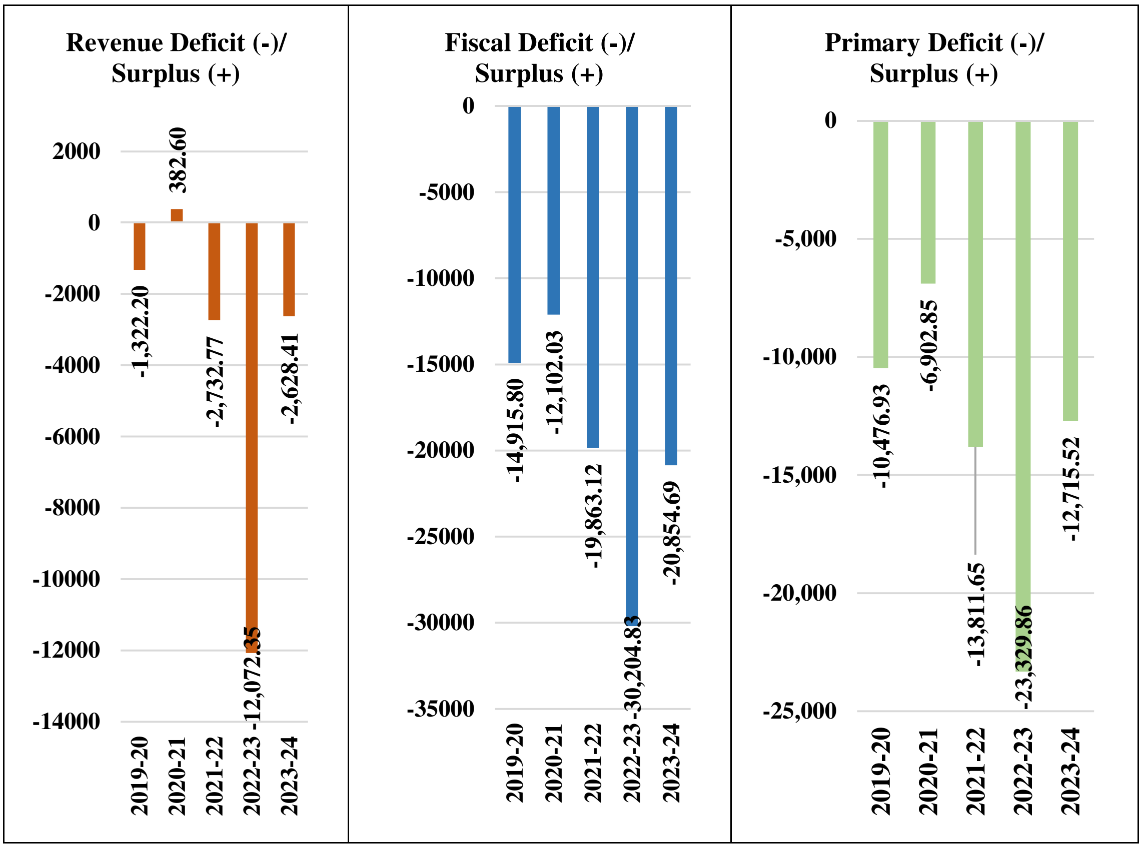
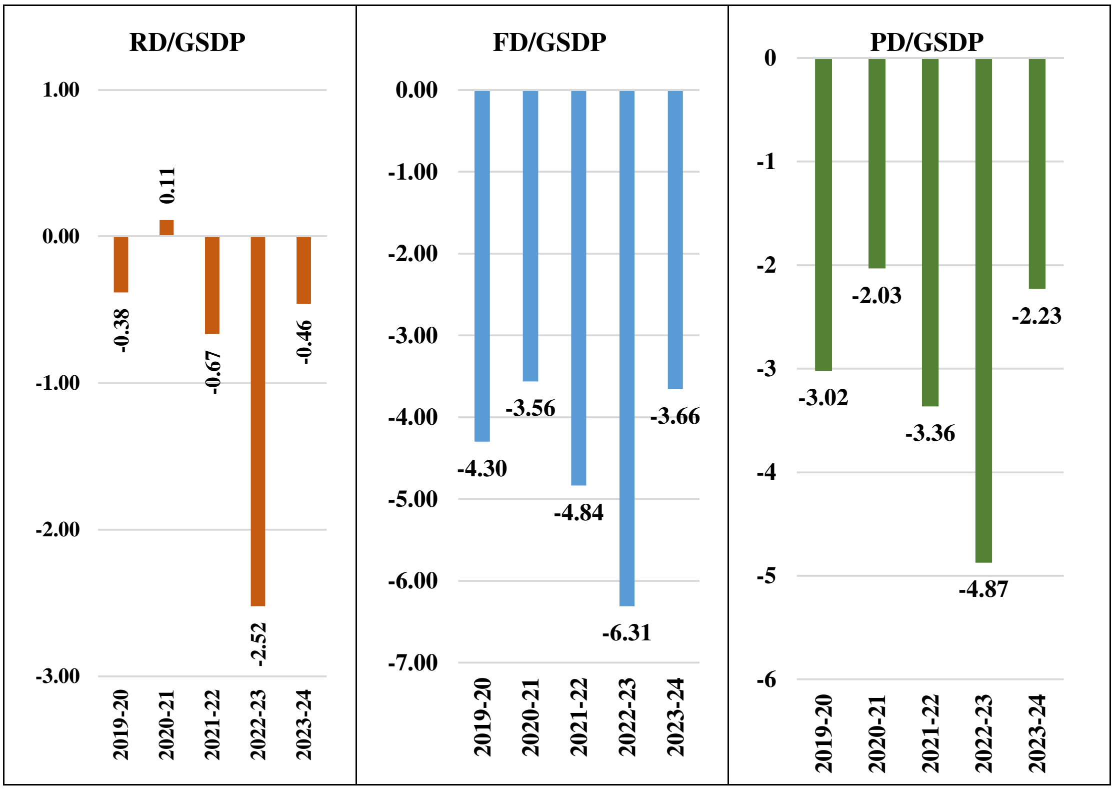


Chart 1.6: Trends in Surplus/ Deficit relative to GSDP



During the year, the State had a Revenue Deficit of ₹ 2,628.41 crore[3] as against the Revenue Deficit of ₹ 12,072.35 crore incurred during the previous year. There was a significant decrease in Fiscal Deficit of the State during the year as it decreased to ₹ 20,854.69 crore, or 3.66 *per cent* of the GSDP during 2023-24, as compared to ₹ 30,204.83 crore during the previous year, and constituted 18.03 *per cent* of the Total Expenditure. The Primary Deficit of the State also decreased significantly from ₹ 23,329.86 crore in 2022-23 to ₹ 12,715.52 crore in 2023-24 and stood at 2.23 *per cent* of GSDP.

While the State has maintained a prudent debt profile and achieved some improvement in deficit indicators, fiscal consolidation remains weak. The failure to achieve revenue surplus and fiscal deficit targets consistently, along with significant deviations from budget projections, point to systemic issues in forecasting, planning, and financial reporting.

1.4.1 Performance of the State Government with respect to borrowings according to the limits fixed by Government of India

Article 293 (3) of the Constitution of India, *inter alia*, provides that a State may not raise any loan without the consent of Government of India (GoI) if any part of a loan, which has been made to the State by GoI, is still outstanding.

Ministry of Finance, Department of Expenditure fixed (₹ 22,124.00 crore) as Open Market Borrowing (OMB) ceiling of the State Government for the financial year 2023-24. This includes additional borrowing of 0.50 *per cent* of the GSDP allowed during the year for performance in power sector.

As per statement 6 (statement of borrowings and other liabilities) of the Finance Accounts, Open Market Borrowing of the State Government was ₹ 18,500.00 crore during the financial year 2023-24 which remained within the borrowing ceiling fixed by GoI.

1.5 Deficits post examination by Audit

As per the FRBM Act, the State Government must ensure compliance to the targets fixed for the fiscal indicators such as deficits, ceiling on debt and on guarantees, *etc.* The Revenue Deficit and Fiscal Deficit as worked out for the State get impacted due to various circumstances such as misclassification of Revenue Expenditure as capital and *vice-versa* and off-budget fiscal operations. Besides, deferment of clear-cut liabilities, short contribution to National Pension System (NPS), sinking and guarantee 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 2023-24 is shown in **Table 1.7**.

[3] To be read with post audit deficits as detailed in paragraph 1.5

Table 1.7: 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	(+) 0.31	-
2	Minor works budgeted/ booked under Capital Section instead of Revenue	(-) 62.60	-
3	Maintenance Expenditure classified as Capital instead of Revenue	(-) 15.09	-
4	Grants-in-Aid given by the State Government booked under Capital Section instead of Revenue Section	(-) 5,658.63	-
5	Office Expenditure booked in Capital Section instead of Revenue Section	(-) 18.90	
6	Expenditure on repayment of Debt booked in Revenue Section instead of Capital Section	10.79	
7	Non discharge of Interest liabilities	(-) 161.02	(+) 161.02
8	Short contribution to Government share to NPS	(-) 70.14	(+) 70.14
9	Short transfer of funds towards SDRF	(-) 378.40	(+) 378.40
10	Interest on delayed transfer to SDRF receipts to the Fund Account	(-)17.49	(+)17.49
11	Short transfer of funds towards SDMF	(-) 180.22	(+) 180.22
12	Short contribution towards GRF	(-) 8.35	(+) 8.35
Total (Net) impact		**(-) 6,559.74**	**815.62**

Source: Finance Accounts

As per IGAS 2 notified by Government of India on 19 May 2011, 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 ₹ 5,658.63 crore were 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 has been pointed out year after year, but the State Government has not taken any remedial action in this regard.

As can be seen from **Table 1.7**, there was an understatement of Revenue Deficit by ₹ 6,559.74 crore during the year. Thus, after considering the items of misclassification during the year as brought out in the table above, the State should have a Revenue Deficit of ₹ 9,188.15 crore during 2023-24 instead of reported Revenue Deficit of ₹ 2,628.41 crore.

Further, Fiscal Deficit of the State was also understated by ₹ 815.62 crore during 2023-24. If this is taken into account, the actual Fiscal Deficit would have been ₹ 21,670.31 crore instead of ₹ 20,854.69 crore as reported in the Finance Accounts of 2023-24. Further, ratio of Fiscal Deficit to GSDP could have been 3.80 *per cent* instead of 3.66 *per cent* as reported in the Finance Accounts of the year.

During the Exit Conference (February 2025), the Commissioner and Secretary to Government of Assam, Finance Department, assured to look into other accounting issues and stated that from Financial Year 2024-25, all expenditure incurred under Object Heads 31 – Grants-in-aid General (Salary), 32 – Grants-in-aid (Non-Salary) and 35 – Grants for creation of Capital Assets, will be booked under Revenue Head only.

1.6 Total Outstanding Liabilities

The total outstanding liabilities of the State were ₹ 1,46,927.84 crore as of 31 March 2024. Further details *i.e.*, components and sub-components of outstanding liabilities are given in **Table 1.8**.

Table 1.8: Components of Outstanding Liabilities

Borrowings and other liabilities as per Finance Accounts	**Amount (*₹ in crore*)**
Internal Debt (A)	**1,11,972.66**
Market Loans bearing interest	98,639.00
Market Loans not bearing interest	0.01
Loans from other Institutions, *etc.*	9,153.89
Special Securities issued to National Small Savings Fund of the Central Government	4,179.76
Loans and Advances from Central Government (B)	**12,403.43**
Non-plan Loans	87.38
Loans for Central Plan Schemes	0.08
Loans for Special Schemes	61.57
Pre-1984-85 Loans	0.25
Other loans for States/Union Territory with Legislative Scheme*	12,254.15
Liabilities upon Public Account (C)	**20,358.62**
Small Savings, Provident Funds, *etc.*	14,376.34
Deposits	4,517.36
Reserve Funds	1,464.92
Off-budget borrowing (D)**	**2,193.13**
Total (A+B+C+D)	**1,46,927.84**

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.*

*** As of 31 March 2024, Assam Infrastructure Financing Authority had made off-budget borrowing of ₹ 2,193.13 crore from NABARD.*

1.7 Conclusion

- The GSDP of Assam grew from ₹ 3,46,850.68 crore in 2019-20 to ₹ 5,70,242.61 crore in 2023-24 with CAGR of 13.23 *per cent* against the national CAGR of 10.10 *per cent*.
- The State could achieve Revenue Surplus in only one year out of the five-year period from 2019-20 to 2023-24. During 2023-24, the State had a Revenue Deficit of ₹ 2,628.41 crore against a Revenue Deficit of ₹ 12,072.35 crore in 2022-23.
- The State was successful in containing the Fiscal Deficit below the target fixed under AFRBM Act in one out of the last five years. During the current year *i.e.*, 2023-24, Fiscal Deficit of the State stood at 3.66 *per cent* of GSDP, which was marginally above the borrowing limit of 3.50 *per cent* fixed under AFRBM Act, 2022. In absolute terms, Fiscal Deficit decreased significantly by ₹ 9,350.14 crore (30.96 *per cent*) from ₹ 30,204.83 crore in 2022-23 to ₹ 20,854.69 crore in 2023-24.

- During the five-year period 2019-24, outstanding liability of the State remained consistently below 28.50 *per cent* of GSDP from 2019-20 to 2021-22 and below 32.00 *per cent* of GSDP from 2022-23 to 2023-24, *i.e.,* within the norms prescribed in the AFRBM Act, 2011 and AFRBM Act, 2022 respectively. However, the outstanding liability during 2023-24 (₹ 1,46,927.84 crore) increased by ₹ 23,713.04 crore (19.25 *per cent*) as compared to ₹ 1,23,214.80 crore during 2022-23.
- There was an understatement of Revenue Deficit by ₹ 6,559.74 crore during the year. After taking into account the items of misclassification during the year, the State should have a Revenue Deficit of ₹ 9,188.15 crore during 2023-24 instead of reported Revenue Deficit of ₹ 2,628.41 crore.
- Fiscal Deficit of the State was also understated by ₹ 815.62 crore during 2023-24. If this is taken into account, the actual Fiscal Deficit would have been ₹ 21,670.31 crore instead of ₹ 20,854.69 crore. Further, ratio of Fiscal Deficit to GSDP would have been 3.80 *per cent* instead of 3.66 *per cent*.

1.8 Recommendations

i. *The State Government may make concrete efforts to augment own resources of revenue to bridge the mismatch between revenue receipts and expenditure and reduce its fiscal deficit.*

ii. *The State Government needs to ensure budgeting and booking of Grants-in-Aid under Revenue Section is aligned with IGAS-2.*

iii. *The State Government may consider discharging of its interest liabilities on time.*