

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

In Summary

Large revenue and fiscal deficits year after year indicate continued macro imbalances in the State. In Assam the fiscal deficit had increased from Rs. 1,395 crore in 2003-04 to Rs.2,058 crore in 2004-05.

The revenue of the State consists mainly of its own tax and non-tax revenue, Central tax transfers and grants-in-aid from Government of India. Overall revenue receipts increased from Rs. 5,638 crore in 2000-01 to Rs. 9,937 crore in 2004-05 at an average trend rate of 14.33 *per cent*. There were, however, significant inter year variations in the growth rates. During the current year the revenue receipts grew by 27.97 *per cent*. 38 *per cent* of the revenue came from the State's own resources. While Central tax transfers had increased by 19.52 *per cent*, the grants-in-aid from Government of India increased by 38 *per cent* over the last year.

Total expenditure of the State increased from Rs.7,195 crore in 2000-2001 to Rs.13,384 crore in 2004-05 at an average trend rate of 13.46 *per cent*. The rate of growth of expenditure in 2004-05 was 45.48 *per cent*, which was higher than the average trend rate (13.46 *per cent*) for five years.

The interest payment during 2004-05 was Rs.1,404 crore and the same grew by 58.64 *per cent* over 2000-01. Debt burden (fiscal liabilities) of the State at the end of 2004-05 was Rs 17,855 crore, up by 16.81 *per cent* over the previous year. The average rate of interest paid on the borrowing of the State during 2000-2005 (9.46 *per cent*) was more than the average rate of growth of Gross State Domestic Product (GSDP) (8.22 *per cent*) violating the cardinal rule of debt sustainability. The finances of the State continued to be dependent on ways and means advances/overdraft from Reserve Bank of India for day-to-day expenditure.

Though it is not uncommon for a State to borrow for widening its infrastructure and for creating income-generating assets, an ever-increasing ratio of fiscal liabilities to GSDP together with revenue deficit could lead the State into a debt trap.

1.1 *Introduction*

The Finance Accounts of the Government of Assam are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in the **Box 1.1**.

Box 1.1

Lay out of Finance Accounts

Statement No.1 presents the summary of transaction of the State Government-receipts and expenditure, revenue and capital, public debt receipts and disbursements etc., in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No.2 contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.

Statement No.3 gives financial results of Irrigation works for the current year.

Statement No.4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No.5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No.6 gives the summary of guarantees given by the Government for repayment of loans etc., raised by the statutory corporations, local bodies and other institutions.

Statement No.7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2005.

Statement No.9 shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/total expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.11 indicates the detailed account of revenue receipts by minor heads.

Statement No.12 provides detailed account of revenue expenditure by minor heads under non-plan, State plan and centrally sponsored schemes separately and capital expenditure major head wise.

Statement No.13 depicts the detailed statement of capital expenditure incurred during and to the end of the current year and statement of commitment list of incomplete capital works as Annexure to statement No.13.

Statement No. 14 shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc., up to the end of the current year.

Statement No.15 depicts the capital and other expenditure to the end of the current year and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed statement of receipts, disbursements and balances under heads of accounts relating to Debt, Deposit, Contingency Fund and Public Account.

Statement No.17 presents the detailed statement of debt and other interest bearing obligations of the Government.

Statement No.18 provides the detailed statement of loans and advances made by the Government of Assam, the amount of loans repaid during the year, the balances at the end of the year and amount of interest received during the year.

Statement No.19 gives the details of earmarked balances.

1.2 Trend of Finances with reference to Previous year

Finances of the State Government during the current year compared to previous year were as under:

(Rupees in crore)

2003-04	Sl. No.	Major Aggregates	2004-05
7765	1.	Revenue Receipts (2+3+4)	9937
2070	2.	Tax Revenue	2713
946	3.	Non-Tax Revenue	1070
4749	4.	Other Receipts	6154
40	5.	Non-Debt Capital Receipts	1389
40	6.	Of which Recovery of Loans	1389
7805	7.	Total Receipts (1+5)	11326
7103	8.	Non-Plan Expenditure (9+11+12)	10485
7021	9.	On Revenue Account	8208
1446	10.	Of which, Interest Payments	1404
55	11.	On Capital Account	1405
27	12.	On Loans disbursed	872
2097	13.	Plan Expenditure (14+15+16)	2899
1429	14.	On Revenue Account	2021
567	15.	On Capital Account	776
101	16.	On Loans disbursed	102
9200	17.	Total Expenditure (8+13)	13384
1395	18.	Fiscal Deficit (17-1-5)	2058
685	19.	Revenue Deficit (9+14-1)	292
(-) 51	20.	Primary Deficit (18-10)	654

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the State Government of Assam for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public accounts receipts and disbursements made during the year as emerging from Statement-I of the Finance Accounts and other detailed statements.

Table-1: Summary of Receipts and Disbursements for the year 2004-05

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
Section-A: Revenue							
					Non-Plan	Plan	Total
7765.10	I. Revenue receipts	9937.27	8449.79	I. Revenue expenditure	8207.76	2021.38	10229.14
2070.32	Tax revenue	2713.32	3529.12	General services	3679.25	9.65	3688.90
945.80	Non-tax revenue	1070.03	3361.49	Social Services	3231.85	1030.58	4262.43
2162.07	Share of Union Taxes/Duties	2584.33	1546.83	Economic Services	1283.55	981.15	2264.70
2586.91	Grants from Government of India	3569.59	12.35	Grants-in-aid/Contributions	13.11	-	13.11
Section-B: Capital							
-	II. Miscellaneous Capital Receipts	-	622.00	II. Capital Outlay	1404.56	775.97	2180.53
40.29	III. Recoveries of Loans and Advances	1389.14	127.59	III. Loans and Advances disbursed	872.54	101.65	974.19
2303.51	IV. Public debt receipts¹	3210.58	1396.57	IV Repayment of Public Debt²	-	-	1360.97
-	V. Contingency Fund	-	-	V. Contingency Fund	-	-	-
3957.12	VI. Public account receipts	2988.10	3160.28	VI. Public account disbursement	-	-	3002.94
69.61	VII. Closing overdraft from Reserve Bank of India	-	208.92	VII. Opening overdraft from Reserve Bank of India	-	-	69.61
(-) 114.71	Opening Balance	55.77	55.77	Closing Balance	-	-	(-) 236.52
14020.92	Total	17580.86	14020.92	Total			17580.86

1.4 *Audit Methodology*

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2004-05 and, wherever necessary, show these in the light of time series data and periodic comparisons. The key indicators adopted for the purpose are (1) Resources by volumes and sources, (2) Application of resources (3) Assets and Liabilities, and (4) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

¹ Includes net ways and means advances and overdraft also

² Bifurcation of Plan and Non-Plan not available

The reporting parameters are depicted in **Box 1.2**

Box 1.2
Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series as base, as published by the Directorate of Economics and Statistics Department of the State Government have been used.

For tax revenues, non-tax revenues, revenue expenditure etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.

For most series a trend growth during 2000-2005 has been indicated. The ratios with respect to GSDP have also been depicted. Some of the terms used here are explained in *Appendix-I*.

The accounts of the State Government are kept in three parts (1) Consolidated Fund, (2) Contingency Fund and (3) Public Account as defined in **Box 1.3**.

Box 1.3 – State Government Funds and the Public Account

Consolidated Fund	Contingency Fund	Public Account
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.	Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.	Besides, the normal receipt and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc., are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution, and related disbursements are made from it.

1.5 State finances by key indicators

1.5.1 Resources by volumes and sources: Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and

grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz., market loans, borrowings from financial institutions/commercial banks etc., and loans and advances from Government of India as well as accruals from Public account.

Table 2 shows that the total receipts of the State Government for the year 2004-05 were Rs.17,525 crore. Of these, the revenue receipts of the State Government were Rs.9,937 crore only, constituting 57 per cent of the total receipts. The balance of receipts came from borrowings and public account receipts.

Table-2- Resources of Assam

		(Rupees in crore)
I. Revenue Receipts		9937
II. Capital Receipts		4600
(a) Miscellaneous Receipts	-	
(b) Recovery of Loans and Advances	1389	
(c) Public Debt Receipts	3211	
III. Contingency Fund Receipts		-
IV. Public Account Receipts		2988
(a) Small savings. Provident Fund, etc.	610	
(b) Reserve Fund	478	
(c) Deposits and Advances	1349	
(d) Suspense and Miscellaneous	(-) 901	
(e) Remittances	1452	
Total Receipts		17525

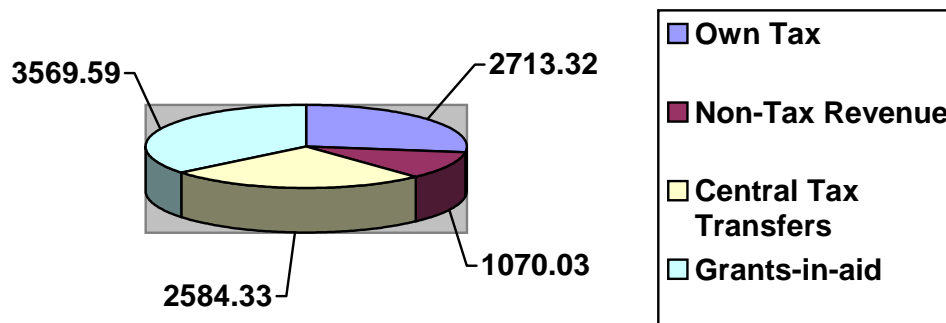
1.5.2 Revenue Receipts: Statement-11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the Gross State's Domestic Product (GSDP) and its buoyancy is indicated in Table-3.

Table-3: Revenue Receipts- Basic parameters (Values in Rupees crore and others in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average/Trend
Revenue Receipts	5638	5965	6793	7765	9937	7220
Own Taxes (%)	25.01	26.10	28.49	26.66	27.30	26.71
Non-Tax Revenue (%)	9.35	8.94	10.20	12.18	10.77	10.29
Central Tax Transfers (%)	29.85	28.60	26.70	27.84	26.00	27.80
Grants-in-aid (%)	35.79	36.36	34.61	33.32	35.93	35.20
Rate of Growth of Revenue Receipt	16.46	5.80	13.88	14.31	27.97	14.33
Rate of Growth of Own Tax	15.10	10.43	24.28	6.98	31.06	16.50
Revenue Receipt/GSDP	17.91	17.83	18.59	19.36	23.00	19.53
Revenue Buoyancy	2.177	0.926	1.497	1.466	3.633	1.743
Own Tax Buoyancy	1.997	1.665	2.619	0.715	4.034	2.007
GSDP Growth	7.56	6.26	9.27	9.76	7.70	8.22

The revenue receipts of the State increased from Rs.5,638 crore in 2000-01 to Rs.9,937 crore in 2004-05 at an average trend rate of 14.33 *per cent*. There were, however, significant inter-year variations in the growth rates. During the five-year period 2000-2005, the State had a buoyant economy with its GSDP growth averaging 8.22 *per cent*. Revenue growth exceeded GSDP growth rates during 2000-01 and 2002-05 and buoyancy of revenue receipt during this period was greater than one. There was, however, moderate increase in revenue buoyancy to 3.633 due to a sharp growth in revenue receipt during 2004-05.

While 38 *per cent* of the revenue receipts during 2004-05 have come from the State's own resources comprising of taxes and non-taxes, central tax transfers and grants-in-aid together contributed 62 *per cent* of the total revenue. Sales Tax was the major contributor (77 *per cent*) of State own tax revenue followed by State Excise (6 *per cent*) and Taxes on Vehicles (5 *per cent*). Of non-tax revenue sources, petroleum (83 *per cent*), receipts from Forestry and Wild life (2 *per cent*) were principal contributors.



The sources of total receipts under different heads and GSDP during 2000-2005 are indicated in Table-4.

Table-4- Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
2000-01	5638	18	1530	2345	9531	31476
2001-02	5965	29	1946	2276	10216	33447
2002-03	6793	28	3034	2290	12145 ³	36548
2003-04	7765	40	2304	3957	14066	40116
2004-05	9937	1389	3211	2988	17525	43205

The sharp jump in non-debt capital receipts in 2004-05 compared to last year/previous years is mainly due to large recoveries (Rs.1,350 crore) of loans and advances under Major Head 6801-Loans for Power projects.

³ Slightly differ from item No.9 of Appendix VI due to exclusion of receipts into Contingency Fund.

1.6 Application of resources

1.6.1 Trend of growth: Statement-12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State increased from Rs.7,195 crore in 2000-01 to Rs.13,384 crore in 2004-05 at an average trend rate of 13.46 *per cent* per annum. The rate of growth of total expenditure was, however, lower than the rate of growth of revenue receipts during this period.

Total expenditure of the State, its trend and annual growth, ratio of expenditure to the GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 below:

Table-5: Total Expenditure-Basic Parameters (value in Rs. crore and others in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average/Trend
Total Expenditure*	7195	7441	7750	9200	13384	8994
Rate of Growth	11.36	3.42	4.15	18.71	45.48	13.46
TE/GSDP Ratio	22.86	22.25	21.20	22.93	30.98	24.34
Revenue Receipts/TE Ratio	78.36	80.16	87.65	84.40	74.25	80.96
Buoyancy of Total Expenditure with (<i>per cent</i>)						
GSDP	1.502	0.546	0.448	1.916	5.906	1.638
Revenue Receipts	0.690	0.589	0.299	1.308	1.626	0.939

* Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans and Advances.

Consistent increase of total expenditure over a five-year period 2000-05 was also reflected in gradual increase in percentage of total expenditure to GSDP (22.86 to 30.98 *per cent*). The increase in total expenditure in 2004-05 was due to increase in non-plan revenue expenditure by Rs.1,187 crore and capital expenditure under Economic Sector by Rs.1,545 crore which were nearly 36 *per cent* and 46 *per cent* of net increase of total expenditure over previous year. The sharp increase in capital expenditure under Economic Services during 2004-05 was mainly due to investment of Rs.1,350 crore in Public Sector Undertaking in the energy sector.

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services, Interest payments, Social and Economic Services, Grants-in-aid and other contributions to institutions and Loans and Advances. Relative share of these components in total expenditure is indicated in Table-6.

Table-6: Components of Expenditure-Relative share (in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Trend
General Services	23.22	25.18	24.24	22.84	17.24	22.54
Interest Payment	12.30	14.27	16.07	15.72	10.49	13.77
Social Services	39.61	36.77	37.68	36.96	32.20	36.64
Economic Services	21.74	22.63	20.22	22.96	32.69	24.05
Loans and Advances	3.01	1.10	1.69	1.39	7.28	2.90
Grants-in-aid	0.12	0.05	0.10	0.13	0.10	0.10

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. But expenditure on General Services and Interest payments, which were considered as non-developmental, together accounted for only 27.73 per cent in 2004-05 as against 35.52 per cent in 2000-01. On the other hand, development expenditure i.e., on Social and Economic Services together accounted for 64.89 per cent in 2004-05 as against 61.35 per cent in 2000-01. This indicated marginal improvement in developmental expenditure.

1.6.2 Incidence of Revenue expenditure: In the total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in Table-7.

Table-7: Revenue Expenditure-Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	Average/Trend
Revenue Expenditure (Rupees in crore)	6417	6846	7113	8450	10229	7811
Rate of Growth (per cent)	9.77	6.69	3.90	18.80	21.05	11.03
RE/GSDP	20.39	20.47	19.46	21.06	23.68	21.13
RE as percentage of TE	89.19	92.00	91.78	91.85	76.43	86.85
RE as percentage of RR	113.82	114.77	104.71	108.82	102.94	108.19
Buoyancy of Revenue Expenditure with (per cent)						
GSDP	1.292	1.068	0.421	1.925	2.734	1.342
Revenue Receipts	0.593	1.153	0.281	1.314	0.753	0.770

Overall revenue expenditure of the State increased at an average trend rate of 11.03 per cent. Rate of growth of revenue expenditure reached a level of 21.05 per cent in 2004-05 from 9.77 per cent in 2000-01. The revenue expenditure-GSDP ratio reached a level of 23.68 per cent due to sharp increase in the rate of growth of revenue expenditure in 2004-05 over previous year. On an average, 86.85 per cent of the total expenditure was on current consumption.

High salary expenditure: Salaries including Grants-in-aid towards salaries accounted for 52 per cent of the revenue receipts and 51 per cent of the revenue expenditure of the State during 2004-05. The expenditure on salaries increased from Rs.3,688 crore in 2000-01 to Rs.5,194 crore in 2004-05. Ratio of salary expenditure to GSDP increased from 11.72 per cent in 2000-01 to 12.02 per cent in 2004-05 as indicated in Table-8:

Table-8

Heads	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Salary expenditure ⁴	3688	3814	3883	4462	5194
As a percentage of GSDP	11.72	11.40	10.62	11.12	12.02
As a percentage of Revenue Receipts	65.41	63.94	57.16	57.46	52.27
As percentage of Revenue expenditure	57.47	55.71	54.59	52.80	50.78

⁴ Source: State Government figures.

Expenditure on pension payments: Pension payments have increased by 40.03 per cent from Rs.672 crore in 2000-01 to Rs.941 crore in 2004-05. Year-wise break-up of expenditure incurred on pension payment during the years 2000-01 to 2004-05 was as shown in Table-9 below:

Table-9

Year	Expenditure (Rupees in crore)	Percentage to total revenue expenditure
2000-01	672	10.47
2001-02	728	10.63
2002-03	775	10.90
2003-04	908	10.75
2004-05	941	9.20

Source: Appropriation Accounts and data furnished by the State Government.

With the increase in number of retirees, the pension liabilities are likely to increase further in future. The State Government has not constituted any fund to meet the fast rising pension liabilities of the retired State Government employees.

Interest payments: The Eleventh Finance Commission has recommended (July 2000) that as a medium term objective, States should endeavour to keep interest payment, as a ratio to revenue receipts, at 18 per cent. It was, however, observed that in two out of five years the interest payments were more than 18 per cent of revenue receipts as shown in Table 10-below:

Table-10

Year	Interest payments (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
2000-01	885	15.70	13.79
2001-02	1062	17.80	15.51
2002-03	1245	18.33	17.50
2003-04	1446	18.62	17.11
2004-05	1404	14.13	13.73

Interest payments increased steadily by 59 per cent from Rs. 885 crore in 2000-01 to Rs. 1,404 crore in 2004-05 primarily due to ever increasing borrowings. The interest payment was on Internal Debt (Rs.918 crore), loans received from Central Government (Rs.388 crore) and Small Savings, PF, etc., (Rs.98 crore).

1.7 Expenditure by Allocative priorities

The expenditure of the State in the nature of plan expenditure, capital expenditure and development expenditure reflects its quality. The higher the ratio of these components is to the total expenditure, the better is the quality of expenditure. Table 11 gives these ratios during 2000-05 as follows:

Table-11: Quality of Expenditure (per cent to total expenditure)

	2000-01	2001-02	2002-03	2003-04	2004-05	Trend
Plan expenditure	25.65	26.10	23.45	22.00	22.54	23.69
Capital Expenditure	8.04	6.97	6.64	6.86	17.57	10.09
Development Expenditure	63.27	60.06	58.89	60.76	69.98	63.35

(Total expenditure does not include Loans and Advances)

All the three components of quality of expenditure indicated inter year variations. In the year 2004-05, the Plan expenditure decreased considerably compared to 2000-01 but the other two components of expenditure showed a relative improvement.

Out of the developmental expenditure of Rs.8,685 crore, during 2004-05, social services accounted for 50 per cent (Rs.4,310 crore). Expenditure on Education, Sports, Arts and Culture, Health and Family Welfare, Water Supply, Sanitation, Housing and Urban Development constituted 78 per cent of the expenditure on the social sector as detailed in Table-12 below:

Table-12: Social Sector Expenditure

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Education, Sports, Arts and Culture	1944	1872	1998	2364	2504
Health, and Family Welfare	356	360	330	370	422
Water Supply, Sanitation, Housing and Urban Development	221	198	211	232	448
Total	2521	2430	2539	2966	3374
As a percentage of expenditure on Social Sector	88.49	88.82	86.95	87.24	78.28

Similarly, the expenditure on Economic Services (Rs.4,375 crore) accounted for 50 per cent of the development expenditure. Of this, Irrigation and flood control, Energy and Transport accounted for 60 per cent as shown in Table-13 below:

Table-13: Economic Sector Expenditure

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Irrigation and flood control	297	267	241	259	318
Energy	-	57	69	224	1686
Transport	430	392	409	433	608
Total	727	716	719	916	2612
As a percentage of expenditure on Economic Sector	46.19	42.52	45.88	43.37	59.70

1.7.1 Financial Assistance to Local Bodies and other Institutions

Extent of assistance: The quantum of assistance (Rs.4,804.76 crore) provided by way of grants (Rs.3,537.22 crore) and loans (Rs.1,267.54 crore) to different local bodies etc., during the period of five years ending 2004-05 was as shown in Table-14 below:

Table-14

	2000-01		2001-02		2002-03		2003-04		2004-05	
	Loans	Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans	Grants
Zilla Parishads and other Panchayati Raj institutions	--	--	--	14.82	--	25.53	--	14.82	--	23.04
Municipal Corporations/Urban Sewerage Board	1.70	14.89	5.08	2.29	0.85	12.74	0.22	19.41	4.10	61.18
Co-operative Societies and Co-operative Institutions	--	--	8.09	--	9.54	0.95	0.99	2.83	0.10	1.75
Universities and Educational Institutions	--	253.54	--	199.24	--	761.40	--	841.75	--	919.04
Assam State Electricity Board (ASEB)	89.80	--	--	--	21.84	--	86.28	--	946.92	--
Assam State Housing Board (ASHB)	0.38	0.41	--	0.59	--	0.61	--	0.86	0.06	0.91
Assam Khadi and Village Industries Board	--	--	--	4.10	--	1.30	--	2.46	--	5.90
Guwahati Metropolitan Development Authority	--	--	0.10	--	0.50	--	7.39	1.47	11.44	14.69
Other Institutions	7.49	13.05	34.85	17.93	9.05	8.44	11.84	19.51	8.57	61.01
Autonomous Councils	0.02	31.63	0.34	12.78	--	23.45	--	11.66	--	135.24
Total	99.39	313.52	48.46	251.75	41.78	834.42	106.72	914.77	971.19	1222.76
Total assistance (Loans + Grants)	412.91		300.21		876.20		1021.49		2193.95	
Percentage of increase (+)/ decrease (-) over previous year	125.54		(-) 27.29		191.86		16.58		114.78	
Assistance as a percentage of revenue expenditure	6.43		4.39		12.32		12.09		21.45	

Source: Detailed Appropriation Accounts and Finance Accounts

The total assistance at the end of 2004-05 had grown by 431 *per cent* over the level of 2000-2001 and by 115 *per cent* over the level of the previous year, mainly as a result of increased assistance to Universities and Educational Institutions and Assam State Electricity Board. The assistance to local bodies and others as a percentage of total revenue expenditure had also increased from 6 in 2000-2001 to 21 in 2004-05.

1.7.2 Misappropriation, losses etc.: Out of 212 cases of misappropriation amounting to Rs.363.17 lakh reported by the State Government up to end of March 2005, two cases amounting to Rs.1.08 lakh were disposed off (May 2005) with 210 cases amounting to Rs.362.09 lakh outstanding at the end of June 2005. The year-wise details are given in *Appendix-II*.

1.8 Assets and liabilities

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings etc., owned by 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 by the Government. **Appendix-III** gives an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position on 31 March 2004. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. **Appendix-III** shows that while the liabilities grew by 16 per cent, the assets increased only by 18 per cent narrowing the gap between assets and liabilities. The liabilities of Government of Assam depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to retired State Government employees, guarantees/letters of comforts issued by the State Government. **Appendix-IV** gives an abstract of Receipts and Disbursements of the Government as on 31 March 2005, compared with the corresponding position on 31 March 2004. The Sources and Application of funds are also shown in **Appendix-V**. Time series data on State Government Finances for the period 2000-05 are detailed in **Appendix-VI**.

1.8.1 Incomplete projects: According to the information furnished by the Department, there were seven incomplete Major and Medium Irrigation projects as of March 2005 involving Rs.436.16 crore. Details are given in **Appendix-VII**.

1.8.2 Investments and returns: As on 31 March 2005, Government had invested Rs.1,952.91 crore in its statutory Corporations, Government companies, Joint Stock Companies and Co-operative Societies. Government's return on this investment was less than one per cent in three out of five years. With an average interest rate of 9.46 per cent being paid by Government on its borrowings, the average annual subsidy amounted to 8.86 per cent and the implicit subsidy during the period 2000-05 was Rs.351 crore as shown in Table-15 below:

Table-15: Return on Investment

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Investment (Rs. in crore)	475.98	514.35	570.35	587.89	1952.91	820.30
Returns (Rs. in crore)	0.73	0.83	5.93	6.88	9.29	4.73
Percentage of returns	0.15	0.16	1.04	1.17	0.48	0.60
Average interest rate paid by Government	9.34	9.70	9.82	9.97	8.47	9.46
Difference between interest rates and return	9.19	9.54	8.78	8.80	7.99	8.86
Implicit subsidy (Rs. in crore)	44	49	50	52	156	70

1.8.3 Loans and advances by State Government: In addition to investments in Co-operatives, Corporations and Companies, Government has also been providing support in terms of loans and advances to many of these parastatals. Total outstanding balance as on 31 March 2005 was Rs.2,607 crore. Interest received on such loans had

varied from 0.03 per cent to 0.25 per cent during 2000-05. Total implicit subsidy during 2000-05, on such loans was Rs.1,321 crore as shown in Table-16 below:

Table-16: Average Interest Received on Loans Advanced by the Government

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	2579	2778	2832	2935	3022
Amount Advanced during the year	217	82	131	128	974
Amount repaid during the year	18	28	28	41	1389
Closing Balance	2778	2832	2935	3022	2607
Net Addition	199	54	103	87	--
Interest Received	3	1	1	4	7
Interest Received as per cent to Loans advanced	0.11	0.03	0.03	0.13	0.25
Average interest paid by the State (per cent)	9.34	9.70	9.82	9.97	8.47
Difference between interest paid and received (per cent)	9.23	9.67	9.79	9.84	8.22
Implicit subsidy	238	269	277	289	248

1.8.4 Management of cash balances: It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) and overdraft from Reserve Bank of India has been put in place. The State has further deteriorated in management of cash balances as WMA facilities were used for 81 days during 2004-05 as against 53 days in previous years. As regards overdraft, the State Government used this facility for 129 days only in 2004-05 as against 237 days in the previous year indicating improvement in cash management during the year.

Table-17: Ways and means and overdrafts of the State and Interest paid thereon

	(Rupees in crore)					
	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Ways and Means Advances						
Taken in the year	1054.60	608.66	955.84	2092.32	4288.55	1799.99
Outstanding	175.72	176.71	226.39	227.96	317.49	224.85
Interest Paid	6.78	121.53	11.60	14.26	10.15	32.86
Number of Days	36	30	39	53	81	48
Overdraft						
Taken in the year	4187.61	5749.87	4533.27	4343.54	1782.80	4119.42
Outstanding	500.87	1026.62	208.92	69.61	--	361.20
Interest Paid	18.10	17.70	32.68	23.10	3.69	19.05
Number of Days	293	312	315	237	129	257

1.8.5 Undischarged liabilities

Fiscal liabilities – public debt and guarantees: The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature. However, no law has been passed by the State, to lay down any such limit. Table 18 below gives the fiscal liabilities of the State, its rate of growth, and ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

Table-18: Fiscal Liabilities – Basic Parameters
(Value in Rs. Crore and ratios in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average/Trend
Fiscal Liabilities ^{\$}	10262	11633	13720	15285	17855	13751
Rate of Growth	17.99	13.36	17.94	11.41	16.81	15.21
Ratio of Fiscal Liabilities to						
GSDP	32.60	34.80	37.50	38.10	41.30	37.20
Revenue Receipt	182.00	195.00	202.00	196.80	179.70	190.70
Own Resources	529.80	556.60	522.10	506.80	472.00	515.90
Buoyancy of Fiscal Liabilities to						
GSDP	2.379	2.134	1.935	1.168	2.184	1.851
Revenue Receipt	1.093	2.303	1.292	0.797	0.601	1.062
Own Resources	1.126	1.691	0.697	0.773	0.661	1.440

^{\$} Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Funds, etc., Reserve Funds (Gross) and Deposits

Over all fiscal liabilities of the State increased from Rs.10,262 crore in 2000-01 to Rs.17,855 crore in 2004-05 at an average rate of 15.21 *per cent* during 2000-05. The ratio of these liabilities to GSDP also increased from 32.60 *per cent* in 2000-01 to 41.30 *per cent* in 2004-05. These liabilities stood at 1.80 times of its revenue receipts and 4.72 times of its own resources.

In addition to these liabilities, Government has guaranteed loans raised by various Corporations and others, which at the end of 2004-05 stood at Rs.767 crore. The guarantees are in the nature of contingent liabilities and the fiscal liabilities together with the contingent liabilities currently exceed one and half times the Revenue receipts of the State. The State Government, however, laid down the procedure for issue of guarantees and fixed a ceiling of Rs.1,500 crore on guarantees to be given with effect from April 2000.

The fiscal liabilities of the State had grown faster than the rate of growth of the State's GSDP. Average buoyancy of these liabilities with respect to GSDP was 1.851 indicating that for each one *per cent* increase in GSDP, fiscal liabilities were growing at the rate of 1.85 *per cent*.

Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. However, in the case of Assam, increasing interest rates compared to GSDP growth has resulted in negative interest spread in all the five years (Table 19). This negative spread of interest may endanger debt sustainability.

Table-19: Debt Sustainability-Interest Rate and GSDP Growth (in *per cent*)

	2000-01	2001-02	2002-03	2003-04	2004-05	Trend
Weighted Interest Rate	9.34	9.70	9.82	9.97	8.47	9.46
GSDP Growth	7.56	6.26	9.27	9.76	7.70	8.22
Interest spread	(-) 1.78	(-) 3.44	(-) 0.55	(-) 0.21	(-) 0.77	(-) 1.24

Another important indicator of debt sustainability is the net availability of the borrowed funds after payment of principal and interest. Table-20 below gives the

position of receipt and re-payment of internal debt and other fiscal liabilities of the State over the last five years. The net funds available from the total receipts on account of public debt, loans and advances from Government of India and other debt receipts (including public account) remained almost static from 9.72 *per cent* in 2000-01 to 9.76 *per cent* in 2004-05. This is due to increased interest payment and repayment of loans from borrowed funds.

Table-20: Net Availability of Borrowed Funds (Rs. in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Internal debt						
Receipt	5803	7045	6415	7286	7895	6889
Repayment (Principal + Interest)	5483	6355	6937	7599	7203	6715
Net Fund Available	320	690	(-)522	(-) 313	692	173
Net Fund Available (<i>per cent</i>)	5.51	9.79	(-)8.14	(-) 4.30	8.77	2.33
Loans and Advances from GOI						
Receipt	922	1259	2058	1452	1297	1398
Repayment (Principal + Interest)	840	1538	1603	1670	1515	1433
Net Fund Available	82	(-) 279	455	(-) 218	(-)218	(-)36
Net Fund Available (<i>per cent</i>)	8.89	(-) 22.16	22.11	(-) 15.01	(-)16.81	(-)4.60
Other obligations						
Receipt	1042	1158	1133	1458	2053	1369
Repayment (Principal + Interest)	689	794	1113	947	1430	995
Total liabilities						
Receipt	7767	9462	9606	10196	11245	9655
Payments	7012	8687	9653	10216	10148	9143
Net receipts	755	775	(-) 47	(-) 20	1097	512
Net Funds Available (<i>per cent</i>)	9.72	8.19	(-) 0.49	(-) 0.20	9.76	5.40

1.9 Management of deficits

1.9.1 Fiscal imbalances: The deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the 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 so raised and applied are important pointers to its fiscal health. The revenue deficit of the State, which in turn indicates the excess of its revenue expenditure over revenue receipts, decreased from Rs.685 crore in 2003-04 to Rs.292 crore in 2004-05. The fiscal deficit, which represents the total borrowings of the Government and its total resource gap increased from Rs.1,395 crore in 2003-04 to Rs.2,058 crore in 2004-05 (Table-21).The State had persistent revenue deficit. The ratio of revenue deficit to fiscal deficit with inter-year variations had, however, decreased from 49.10 *per cent* in 2003-04 to 14.19 *per cent* in 2004-05 indicating that nearly 14 *per cent* of the borrowed funds were used for current consumption. The persistent revenue deficit indicated that the revenue receipts of the State were not able to meet its current maintenance expenditure and Government had to borrow funds to meet its current obligations. As a proportion to the GSDP, the revenue deficit had reached 0.68 *per cent* and fiscal deficit 4.76 *per cent* in 2004-05.

Table-21: Fiscal Imbalances – Basic Parameters (Values in Rs. crore and ratios in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average/Trend
Revenue Deficit	-779	-881	-320	-685	-292	-591
Fiscal Deficit	-1539	-1447	-929	-1395	-2058	-1474
Primary Deficit	-654	-385	316	51	-654	-265
RD/GSDP	-2.47	-2.63	-0.88	-1.71	-0.68	-1.60
FD/GSDP	-4.89	-4.33	-2.54	-3.48	-4.76	-3.99
PD/GSDP	-2.08	-1.15	0.86	0.13	-1.51	-0.72
RD/FD	50.62	60.88	34.45	49.10	14.19	40.13

(Negative figures indicate deficit)

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table-22 below presents a summarised position of Government finances over 2000-05, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications highlight areas of concern and capture its important facets.

Table-22: Indicators of Fiscal Health (in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average/Trend
I. Resource Mobilisation						
Revenue Receipt/GSDP	17.91	17.83	18.59	19.36	23.00	19.53
Revenue Buoyancy	2.177	0.926	1.497	1.466	3.633	1.743
Own tax/GSDP	4.48	4.66	5.29	5.16	6.28	5.24
II. Expenditure Management						
Total Expenditure/GSDP	22.86	22.25	21.20	22.93	30.98	24.34
Revenue Receipt/Total Expenditure	78.36	80.16	87.65	84.40	74.25	80.96
Revenue Expenditure/Total Expenditure	89.19	92.00	91.78	91.85	76.43	86.85
Plan Expenditure/Total Expenditure	25.65	26.10	23.45	22.00	22.54	23.69
Capital Expenditure/Total Expenditure	8.04	6.97	6.64	6.86	17.57	10.09
Development Expenditure/Total Expenditure	63.27	60.06	58.89	60.76	69.98	63.35
Buoyancy of TE with RR	0.690	0.589	0.299	1.308	1.626	0.939
Buoyancy of RE with RR	0.593	1.153	0.281	1.314	0.753	0.770
III. Management of Fiscal Imbalances						
Revenue deficit (Rs. in crore)	779	881	320	685	292	591
Fiscal deficit (Rs. in crore)	1539	1447	929	1395	2058	1474
Primary Deficit (Rs. in crore)	654	385	(-) 316	(-) 51	654	265
Revenue Deficit/Fiscal Deficit	50.62	60.88	34.45	49.10	14.19	40.13
IV. Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/GSDP	32.60	34.78	37.54	38.10	41.33	37.20
Fiscal Liabilities/RR	182.01	195.02	201.97	196.84	179.68	190.70
Buoyancy of FL with RR	1.093	2.303	1.292	0.797	0.601	1.062
Buoyancy of FL with OR	1.126	1.691	0.697	0.773	0.661	1.440
Interest spread	(-) 1.78	(-) 3.44	(-) 0.55	(-) 0.21	(-) 0.77	(-) 1.24
Net Funds Available	9.72	8.19	(-) 0.49	(-) 0.20	9.76	5.40
V. Other Fiscal Health Indicators						
Return on Investment	0.15	0.16	1.04	1.17	0.48	0.60
BCR (Rs. in crore)	(-) 1254	(-) 1238	(-) 1095	(-) 1557	(-) 1383	(-) 1305
Financial Assets/Liabilities	0.87	0.82	0.81	0.78	0.80	0.82

The ratio of revenue receipt to GSDP had shown continuous improvement during 2002-05. Except during 2003-04 the ratio of own taxes to GSDP also was on a rising trend from 2000-01 to 2004-05, and the revenue buoyancy also increased moderately in 2004-05. Various ratios concerning expenditure indicate quality of expenditure and sustainability in relation to resources. The total expenditure to GSDP is buoyant. Revenue expenditure is on an increasing trend over the five-year period 2000-05 and comprises 76 per cent of total expenditure in 2004-05 leaving very little for capital formation or asset creation. The development expenditure to total expenditure was also not on a healthy trend and its ratio has risen slightly in 2004-05 over the previous year. All these indicate the State's increasing dependence on borrowings for meeting its revenue expenditure and inadequate expansion of its developmental activities. Increasing fiscal deficit over the last year indicates growing fiscal imbalances of the State. Increasing ratio of fiscal liabilities to GSDP together with revenue and large fiscal deficits year after year and low return on investments indicated that the State is gradually getting into a debt trap. Similarly, the moderate buoyancy of the debt both with regard to its revenue receipts and own resources indicate its unsustainability. The average interest paid by the State on its borrowings during 2000-05 has also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. The State's insignificant return on investment indicates huge implicit subsidy and utilisation of high cost borrowing for investments that yield little. The ratio of the State's total financial assets to liabilities has remained almost static with that of the previous year indicating that increasingly a greater part of liabilities are without an asset back up. The balance from current revenue of the State has also continued to be negative indicating continued dependence on borrowings for plan or developmental expenditure.

1.11 ***Impact of Government policies***

Appendix--VIII depicts the progress achieved during 2003-04 as compared to 2002-03 in various sectors. It would be seen that percentage of literacy has remained stagnant at 64.28 per cent during 2002-2004. No new institutions were opened in the Health sector. In the Power sector, generation has decreased during 2003-04 necessitating purchase of power to fulfill the demand of consumers. Infant mortality rate per thousand increased to 70 during 2003-04 compared to 64 in 2002-03.