

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (**Appendix-1.1 Part-A**). 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 and Public Account of the State of Assam. The lay out of the Finance Accounts is depicted in **Appendix-1.1 Part-B**.

1.1.1 Summary of Receipts and Disbursements

Table-1 summarises the finances of the Government of Assam for the year 2005-06 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from **Statement-1** of Finance Accounts and other detailed statements.

Table-1: Summary of receipts and disbursements for the year 2005-06

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
				Section-A: Revenue			
					Non-Plan	Plan	Total
9937.27	Revenue receipts	12045.39	10229.14	Revenue expenditure	8407.30	2129.01	10536.31
2713.32	Tax revenue	3232.21	3688.90	General services	3995.50	206.11	4201.61
1070.03	Non-tax revenue	1459.28	4262.43	Social Services	2896.93	1090.17	3987.10
2584.33	Share of Union Taxes/Duties	3056.78	2264.70	Economic Services	1503.98	832.73	2336.71
3569.59	Grants from Government of India	4297.12	13.11	Grants-in-aid/Contributions	10.89	-	10.89
				Section-B: Capital			
-	II. Miscellaneous Capital Receipts	-	2180.53	II. Capital Outlay	72.16	1013.16	1085.32
1389.14	III. Recoveries of Loans and Advances	37.57	974.19	III. Loans and Advances disbursed	2.57	103.05	105.62
3210.58	IV. Public debt receipts ¹	1379.26	1360.97	IV. Repayment of Public Debt	-	-	360.37
-	V. Contingency Fund	-	-	V. Contingency Fund	-	-	-
2988.10	VI. Public account receipts	4146.26	3002.94	VI. Public account disbursement	-	-	4258.63
-	VII. Closing overdraft from Reserve Bank of India	-	69.61	VII. Opening overdraft from Reserve Bank of India	-	-	-
55.77	Opening Balance	(-) 236.52	(-) 236.52	Closing Balance	-	-	1025.71
17580.86	Total	17371.96	17580.86	Total			17371.96

Revenue Receipts of the State consists mainly of its own tax, non-tax revenue, Central tax transfers and Grants-in-aid from Government of India. The overall revenue receipts increased from Rs 9,937 crore in 2004-05 to Rs.12,045 crore in 2005-06 mainly due to increase of Rs.728 crore in grants from Government of India and also due to increase in tax revenue by Rs.519 crore, non-tax revenue by Rs.389 crore and

¹ Includes net Ways and Means Advances and Overdraft

State's share of Union taxes and duties by Rs.472 crore. During the current year, the revenue receipts grew by 21.21 *per cent*. The revenue expenditure of the State increased from Rs.10,229 crore in 2004-05 to Rs.10,536 crore in 2005-06, which grew by three *per cent*.

1.1.2 The Assam Fiscal Responsibility and Budget Management (AFRBM) Act, 2005

The State Government has enacted the Assam Fiscal Responsibility and Budget Management (AFRBM) Act, 2005 and Assam Fiscal Responsibility and Budget Management Act (Amendment), 2005 to ensure fiscal stability, sustainability, improve efficiency and transparency in management of public finances of the State, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove the impediments to effective conduct of fiscal policy and prudent debt management for improving the social and physical infrastructure and human development in the State. According to the Act fiscal targets for the State Government were as under.

- Eliminate revenue deficit within four financial years beginning on the 1st day of April, 2005 ending on the 31st day of March, 2009;
- By the year 2010, the expenditure on account of salary and wages of the employees of the State Government will be contained within 60 *per cent* of the total tax and non-tax revenue of the State Government;
- Restrict the revenue expenditure under Annual State Plan to one third of the Plan outlay in a financial year;
- Reduce fiscal deficit to three *per cent* of the estimated Gross State Domestic Product within a period of four financial years beginning on the 1st day of April, 2005 and ending 31st day of March, 2009;
- Restrict the total debt stock of the State Government including the Government guarantees to 45 *per cent* of the GSDP of the previous year at current prices within a period of five years beginning on the 1st day of April, 2005.

1.1.3 Fiscal Policy Statement(s) 2005-06

As prescribed in the Act, the State Government has to lay before the Legislature in each financial year, the five year fiscal plan alongwith the annual budget. However, the State Government had not laid any such plan during 2005-06.

1.1.4 Roadmap to Achieve the Fiscal Targets as laid down in AFRBM Act/Rules

Keeping in view the fiscal targets laid down in the AFRBM Act and the rules made there under and the anticipated annual rate of reduction of fiscal deficit of the State worked out by the Government of India for the Twelfth Finance Commission (TFC) award period following its recommendation, the State Government has developed its Own Fiscal Correction Path indicating the milestones of outcome indicators with target dates of implementation during the period from 2005-06 to 2009-10 (**Appendix-1.1 Part-D**).

1.1.5 Mid-Term Review of Fiscal Situation

To enforce compliance with the fiscal principles and targets laid down in the AFRBM Act, 2005, the Finance Department of the State Government is to review every year

the trends in receipts and expenditure including the fiscal indicator targets set for the current financial year and place before the State Legislature a statement containing the outcome of such reviews. However, the State Government is yet to enforce the provision of the Act in this regard.

1.2 Overview of Fiscal Situation of the State

1.2.1 Trends in Fiscal Aggregates

The fiscal position of the State Government during the current year as compared to the previous year is given in **Table-2**.

Table-2

(Rupees in crore)

2004-05	Sl. No.	Major Aggregates	2005-06
9937	1.	Revenue Receipts (2+3+4)	12045
2713	2.	Tax Revenue	3232
1070	3.	Non-Tax Revenue	1459
6154	4.	Other Receipts	7354
1389	5.	Non-Debt Capital Receipts	38
1389	6.	Of which Recovery of Loans	38
11326	7.	Total Receipts (1+5)	12083
10485	8.	Non-Plan Expenditure	8482
8208	9.	On Revenue Account	8407
1404	10.	Of which, Interest Payments	1510
1405	11.	On Capital Account	72
872	12.	On Loans disbursed	3
2899	13.	Plan Expenditure	3245
2021	14.	On Revenue Account	2129
776	15.	On Capital Account	1013
102	16.	On Loans disbursed	103
13384	17.	Total Expenditure (13+8)	11727
(-) 292	18.	Revenue Deficit (-)/Surplus (+) (1-9-14)	(+) 1509
(-) 2058	19.	Fiscal Deficit (-)/Surplus (+) (1+5-17)	(+) 356
(-) 654	20.	Primary Deficit (-)/Surplus (+) (10+19)	(+) 1866

Total receipts of the State increased from Rs.11,326 crore in 2004-05 to Rs.12,083 crore in 2005-06 and the total expenditure of the State decreased from Rs.13,384 crore in 2004-05 to Rs.11,727 crore in 2005-06 due to less expenditure mainly under Major Head 4801-Capital Outlay on Power Projects (2004-05: Rs.1,374.20 crore, 2005-06: Rs.205.35 crore) and less disbursement under Major Head 6801-Loans for Power Projects (2004-05:Rs.946.92 crore, 2005-06:Rs.81.26 crore). The State had a revenue surplus of Rs.1,509 crore and fiscal and primary surplus of Rs.356 crore and 1,866 crore respectively during 2005-06.

1.3 Audit Methodology

Audit observations on the Statements of Finance Accounts for the year 2005-06 bring out the trends in the major fiscal aggregates of receipts and expenditure; wherever necessary, analysis has been made in the light of time series data (**Appendix 1.2 to 1.5**) and periodic comparisons. Major 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 of the GSDP at current market prices. The

new GSDP series with 1993-94 as base as published by the Director of Economics and Statistics 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. The key indicators adopted for the purpose are (i) resources by volume and sources, (ii) application of resources, (iii) assets and liabilities and (iv) management of deficits. Audit observations also take into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. The 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. In addition, selected indicators of financial performance of the Government are also listed in this section; some of the terms used in this context are explained in **Appendix-1.1 Part-C**.

1.4 State finances by key indicators

1.4.1 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 Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 3** shows that the total receipts of the State Government for the year 2005-06 were Rs.17,608 crore. Of these, revenue receipts comprised Rs.12,045 crore, constituting 68 *per cent* of the total receipts. The balance came from borrowings and receipts from the Public Account.

Table-3- Resources of Assam

		(Rupees in crore)
I. Revenue Receipts		12045
II. Capital Receipts		1417
	Recovery of Loans and Advances	38
	Public Debt Receipts	1379
	Miscellaneous Receipts	-
III. Contingency Fund		-
IV. Public Account Receipts		4146
A	Small savings. Provident Fund, etc.	617
B	Reserve Fund	149
C	Deposits and Advances	1637
D	Suspense and Miscellaneous	(-) 155
E	Remittances	1898
Total Receipts		17608

The details of remittances which mainly consists of security deposit, earnest money deposits etc. from contractors are Public Works remittances (Rs.1,689.73 crore), Forest remittances (Rs.199.86 crore), Miscellaneous remittances (Rs.8.35 crore) and Inter-Governmental Adjustment Account (Rs.0.16 crore).

1.4.2 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table 4**.

Table-4: Revenue Receipts - Basic parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Receipts (RR) (Rupees in crore)	5638	5965	6793	7765	9937	12045
Own Taxes (<i>per cent</i>)	1410 (25.01)	1557 (26.10)	1935 (28.49)	2070 (26.66)	2713 (27.30)	3232 (26.83)
Non-Tax Revenue (<i>per cent</i>)	527 (9.35)	533 (8.94)	693 (10.20)	946 (12.18)	1070 (10.77)	1459 (12.11)
Central Tax Transfers (<i>per cent</i>)	1683 (29.85)	1706 (28.60)	1814 (26.70)	2162 (27.84)	2584 (26.00)	3057 (25.38)
Grants-in-aid (<i>per cent</i>)	2018 (35.79)	2169 (36.36)	2351 (34.61)	2587 (33.32)	3570 (35.93)	4297 (35.68)
Rate of growth of RR (<i>per cent</i>)	16.46	5.80	13.88	14.31	27.97	21.21
RR/GSDP (<i>per cent</i>)	17.91	17.37	18.07	19.29	22.83	25.57
Revenue Buoyancy (ratio)	2.177	0.635	1.464	2.032	3.431	2.577
State's own taxes Buoyancy (ratio)	1.997	1.143	2.561	0.991	3.811	2.324
GSDP Growth (<i>Per cent</i>)	7.56	9.12	9.48	7.04	8.15	8.23

The revenue receipts of the State increased from Rs.5,638 crore in 2000-01 to Rs.12,045 crore in 2005-06 at an annual average rate of 18.94 *per cent*. While 39 *per cent* of the revenue receipts during 2005-06 have come from the State's own resources comprising taxes and non-taxes Central tax transfers and grants-in-aid together contributed 61 *per cent* of the total revenue. Sales Tax was the major contributor (80 *per cent*) of the State's own tax revenue followed by State Excise (5 *per cent*) and taxes on vehicles (5 *Per cent*). Of non-tax revenue sources, Petroleum (83 *per cent*) and Environmental Forestry and Wild Life (3 *per cent*) were principal contributors.

Central transfers to the State increased from Rs.6,153.92 crore in 2004-05 to Rs.7,353.90 crore in 2005-06, of which, Central tax transfers increased by Rs.472.45 crore (18.28 *per cent*) and grants-in-aid increased by Rs.727.53 crore (20.38 *per cent*) over the previous year.

There was sharp increase in non-plan grants from Rs.456.89 crore in 2004-05 to Rs.948.19 crore in 2005-06 which included Rs.305.67 crore for meeting the non-plan revenue deficit as recommended by the TFC. The TFC had recommended additional grants of Rs.183.20 crore for Education Sector and Rs.153.58 crore for Health Sector during 2005-06.

In 2005-06, the State's own tax revenue was Rs.3,232 crore against the amount of Rs.3,366 crore assessed by the State Government, while the non-tax revenue was Rs.1,459 crore against the assessed amount of Rs.1,387 crore. The receipts from own tax revenue were slightly higher than the normative projection of Rs.3,125.45 crore made by the TFC.

1.4.3 Sources of Receipts

The source of receipts under different heads as well as GSDP during 2000-06 is indicated in **Table-5**.

Table-5- Sources of Receipts – Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
2000-01	5638	18	1530	--	2345	9531	31476
2001-02	5965	29	1946	--	2276	10216	34347
2002-03	6793	28	3034	35	2290	12180	37603
2003-04	7765	40	2304	--	3957	14066	40249
2004-05	9937	1389	3211	--	2988	17525	43530
2005-06	12045	38	1379	--	4146	17608	47113

Revenue receipts have increased from Rs.5,638 crore in 2000-01 to Rs.12,045 crore in 2005-06. The non-debt receipts and debt receipts during the last six year period 2000-06 indicated inter year variations. The abnormal increase in non-debt Capital receipts in the year 2004-05 was due to huge recovery of loans (Rs.1, 350 crore) from Assam State Electricity Board (ASEB). The debt receipts on the other hand was decreased from Rs.3,211 crore in 2004-05 to Rs.1,379 crore in 2005-06 due to obtaining lesser amount as loans and advances/WMA from the Government of India/RBI.

1.5 Application of resources

1.5.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs.7,195 crore in 2000-01 to Rs.11,727 crore in 2005-06. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table-6**.

Table-6: Total Expenditure - Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Total Expenditure (TE)* (Rupees in crore)	7195	7441	7750	9200	13384	11727
Rate of Growth (<i>per cent</i>)	11.36	3.42	4.15	18.71	45.48	(-) 12.38
TE/GSDP Ratio (<i>per cent</i>)	22.86	21.66	20.61	22.86	30.75	24.89
RR/TE Ratio (<i>per cent</i>)	78.36	80.16	87.65	84.40	74.25	102.71
Buoyancy of Total Expenditure with reference to:						
GSDP (ratio)	1.502	0.375	0.438	2.658	5.580	**
RR (ratio)	0.690	0.589	0.299	1.308	1.626	**

* Total Expenditure includes revenue expenditure, capital expenditure and loans and advances.

** Rate of growth of Total Expenditure was negative.

Although the revenue expenditure of the State has increased by Rs.307 crore during 2005-06 compared to the previous year, the total expenditure of the State has decreased from Rs.13,384 crore in 2004-05 (decreased by 12.38 *per cent*) to Rs.11,727 crore in 2005-06. The reason for decrease in total expenditure in 2005-06

was mainly due to decrease in non-plan capital expenditure by Rs.1,333 crore and less disbursements of loans by Rs.869 crore over the previous year.

1.5.2 Trends in Total Expenditure by Activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. The relative share of these components in total expenditure is indicated in **Table-7**.

Table-7: Components of Expenditure-Relative share

	(in per cent)					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
General Services	35.52	39.45	40.31	38.56	27.73	35.91
Of which,						
Interest payments	12.30	14.27	16.06	15.72	10.49	12.88
Social Services	39.61	36.77	37.68	36.96	32.20	34.38
Economic Services	21.74	22.63	20.22	22.96	32.69	28.71
Grants-in-aid	0.12	0.05	0.10	0.13	0.10	0.10
Loans and Advances	3.01	1.10	1.69	1.39	7.28	0.90

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 are considered as non-developmental, together accounted for 35.91 *per cent* in 2005-06 as against 27.73 *per cent* in 2004-05. On the other hand, developmental expenditure i.e., on Social and Economic Services together accounted for 63.09 *per cent* in 2005-06 as against 64.89 *per cent* in 2004-05. This indicates that there was increase in non-developmental expenditure and decrease in developmental expenditure in comparison to the previous years.

1.5.3 Incidence of Revenue expenditure

Revenue expenditure had predominant share in the total expenditure. 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 to revenue receipts and its buoyancy are indicated in **Table-8**.

Table-8: Revenue Expenditure: Basic Parameters

	(Rupees in crore)					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (RE)	6417	6846	7113	8450	10229	10536
Of which						
Non-Plan Revenue Expenditure (NPRE)	5147	5400	5781	7021	8208	8407
Plan Revenue Expenditure (PRE)	1270	1446	1332	1429	2021	2129
Rate of Growth (<i>per cent</i>) NPRE	11.75	4.92	7.06	21.45	16.91	2.42
PRE	2.42	13.86	*	7.28	41.43	5.34
NPRE/GSDP (<i>per cent</i>)	16.35	15.72	15.37	17.44	18.86	17.84
NPRE as <i>per cent</i> of TE	71.54	72.57	74.59	76.32	61.33	71.69
NPRE as <i>per cent</i> of RR	91.29	90.53	85.10	90.42	82.60	69.80
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	1.292	0.733	0.411	2.671	2.583	0.365
Revenue Receipts (ratio)	0.593	1.153	0.281	1.314	0.753	0.141

* PRE had a negative growth

The overall revenue expenditure of the State increased by 64.19 *per cent* from Rs.6,417 crore in 2000-01 to Rs.10,536 crore in 2005-06 at an average annual rate of 10.70 *per cent*. NPRE of the State increased by 63.34 *per cent* from Rs.5,147 crore in 2000-01 to Rs.8,407 crore in 2005-06. There were significant inter year variations in the growth rate of NPRE during 2000-06. In 2005-06 increase of Rs.108 crore in PRE over the previous year was mainly due to increase in expenditure under Secretariat-General Services.

1.5.4 Committed Expenditure

Expenditure on Salaries and Wages: The expenditure on salaries increased from Rs.3,688 crore in 2000-01 to Rs.4,238 crore in 2005-06 as indicated in **Table-9**.

Table-9: Expenditure on Salaries

Heads	(Rupees in crore)					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Salaries ² & Wages	3688	3814	3883	4462	5194	4238*
Of which,						
Non-Plan Head	2791	2876	3038	4005	4376	3883
Plan Head	897	938	845	457	818	355
As per cent of GSDP	11.72	11.10	10.33	11.09	11.93	9.00
As per cent of RR	65.41	63.94	57.16	57.46	52.27	35.18

Source: Finance Accounts and State Government figures.

Salaries accounted for nine *per cent* of GSDP and 35 *per cent* of revenue receipts in the State during 2005-06. The salary expenditure under non-plan decreased by more than 11 *per cent* over the previous year. Expenditure of Rs.4,238 crore on salaries during 2005-06 was less by Rs.860 crore (16.87 *per cent*) than assessed (Rs.5,098 crore) by the State Government in its Fiscal Correction Path. While the norms stipulated by the TFC was that the total salary bill relative to revenue expenditure, net of interest payments and pensions should not exceed 35 *per cent*, the expenditure of the State on salaries was 53 *per cent*.

Expenditure on Pension payments: Pension payments grew at the rate of 50 *per cent* from Rs.673 crore in 2000-01 to Rs.1,011 crore in 2005-06. The year-wise break up of expenditure incurred on pension payments during 2000-01 to 2005-06 is indicated in **Table-10**.

² Represents salaries only and includes salaries spent from grants-in-aid but excludes wages.

* Represents salaries only but excludes wages and salaries spent from grants-in-aid. The salary expenditure figure shown in Appendix-III of Finance Accounts of Government of Assam for the year ended 2005-06 does not include salaries spent from grants-in-aid.

Table-10: Expenditure on Pensions

(Rupees in crore)						
Heads	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Pensions	673	731	776	909	1062	1011
As per cent of GSDP	2.14	2.13	2.06	2.26	2.44	2.15
As per cent of RR	11.94	12.25	11.42	11.71	10.69	8.39

Source: Finance Accounts.

Pension payments have decreased by more than four *per cent* from Rs.1,062 crore in 2004-05 to Rs.1,011 crore in 2005-06. However, it was Rs.35 crore less than that projected (Rs.1,046 crore) in the Fiscal Correction Path for the year 2005-06.

Interest payments: Interest payments made and their ratio to revenue receipts and revenue expenditure during the period 2000-06 are detailed in **Table-11**.

Table-11: Interest payments

Year	Total Revenue Receipts	Interest Payments	Percentage of Interest payments with reference to	
	(Rupees in crore)		Total Revenue Receipts	Revenue Expenditure
2000-01	5638	885	15.70	13.79
2001-02	5965	1062	17.80	15.51
2002-03	6793	1245	18.33	17.50
2003-04	7765	1446	18.62	17.11
2004-05	9937	1404	14.13	10.49
2005-06	12045	1510	12.54	14.33

Interest payments increased by 70.62 *per cent* from Rs.885 crore in 2000-01 to Rs.1,510 crore in 2005-06 primarily due to ever increasing borrowings. The interest payment during 2005-06 were on Internal Debt (Rs.1,037), loans received from Central Government (Rs.179 crore) and Small Savings, Provident Fund, etc. (Rs.294 crore).

The major sources of borrowings of the State Government were (i) Loans from the Centre, (ii) Loans from Market, (iii) Loans from Banks and Financial institutions and (iv) Loans from Small Savings and Provident Fund with interest rates ranging from 6.50 *per cent* to 12.50 *per cent* per annum during the period from 2000-01 to 2005-06. The State Government was benefited in getting debt relief of Rs.153.87 crore on the outflow of interest payments under Debt Consolidation and Relief Facility (DCRF). But this relief hardly made any improvement in reducing interest payment because of increase in borrowings from market and State Provident Fund and high interest rates on loans prior to 2000-01.

1.6 Expenditure by Allocative Priorities

1.6.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore the ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP, better is the quality of expenditure. **Table-12** gives these ratios during 2000-06.

Table-12: Indicators of Quality of Expenditure

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Capital Expenditure	561	513	506	622	2181	1085
Revenue Expenditure	6417	6846	7113	8450	10229	10536
Of which, Social and Economic Services with						
(i) Salary & Wage Component	2750 (71)	2804 (72)	2897 (73)	3302 (67)	4017 (62)	3411* (54)
(ii) Non-Salary & Wage Component	1111 (29)	1113 (28)	1095 (27)	1606 (33)	2510 (38)	2913 (46)
As per cent of Total Expenditure **						
Capital Expenditure	8.04	6.97	6.64	6.86	17.57	9.34
Revenue Expenditure	91.96	93.03	93.36	93.14	82.43	90.66
As per cent of GSDP						
Capital Expenditure	1.78	1.49	1.35	1.55	5.01	2.30
Revenue Expenditure	20.39	19.93	18.92	20.99	23.50	22.36

* Excludes wage component.

** Total expenditure excludes Loans and Advances.

Table-12 shows that capital and revenue expenditure of the State for the year 2005-06 were Rs.1,085 crore and Rs.10,536 crore respectively constituting 9.34 *per cent* and 90.66 *per cent* of the total expenditure indicating hardening of resources. The increasing pressure on revenue expenditure has crowded out capital expenditure over the period. The salary and wage component had decreased from 71 *per cent* in 2000-01 to 62 *per cent* in 2004-05 which indicates the changing allocative priorities of the Government towards creating productive assets and developing social and economic infrastructure in the State.

1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 13** summarises the expenditure incurred by the State Government in expanding and strengthening the social services in the State during 2000-06

Table-13: Expenditure on Social Services

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Education, Sports, Art and Culture						
Revenue Expenditure	1941	1871	1997	2362	2503	2516
Of which,						
(a) Salary & Wage Component	1691	1684	1717	2044	2337	1999*
(b) Non-Salary & Wage Component	250	187	280	318	166	517
Capital Expenditure	2	1	1	1	1	3
Total	1943	1872	1998	2363	2504	2519
Health and Family Welfare						
Revenue Expenditure	346	345	324	350	409	399
Of which,						
(a) Salary & Wage Component	278	272	255	298	314	314*
(b) Non-Salary & Wage Component	68	73	69	52	95	85
Capital Expenditure	9	15	6	21	12	12
Total	355	360	330	371	421	411
Water Supply, Sanitation, Housing and Urban Development						
Revenue Expenditure	222	181	195	215	415	422
Of which,						
(a) Salary & Wage Component	49	68	84	58	194	113*
(b) Non-Salary & Wage Component	173	113	111	157	221	309
Capital Expenditure	24	18	15	17	35	30
Total	246	299	210	232	450	452
Other Social Services						
Revenue Expenditure	307	305	381	434	935	650
Of which,						
(a) Salary & Wage Component	85	40	82	98	135	133*
(b) Non-Salary & Wage Component	222	265	299	336	800	517
Capital Expenditure	--	--	--	--	--	--
Total	307	305	381	434	935	650
Total (Social Services)						
Revenue Expenditure	2816	2702	2897	3361	4262	3987
Of which,						
(a) Salary & Wage Component	2103	2064	2138	2498	2980	2559*
(b) Non-Salary & Wage Component	713	638	759	863	1282	1428
Capital Expenditure	35	34	22	39	48	45
Grand Total	2851	2736	2919	3400	4310	4032

Source: Finance Accounts and State Government figures.

* Excludes wage component.

The expenditure on Social Services increased from Rs.2,851 crore in 2000-01 to Rs.4,032 crore in 2005-06 and it constituted 34.70 per cent of the total revenue and capital expenditure (Rs.11,621 crore) during 2005-06. Expenditure on education, health services and drinking water and sanitation facilities etc., comprised 84 per cent of the total Social Sector expenditure during 2005-06.

Though the expenditure on salary component under the sub sector Health and Family Welfare had remained static at Rs.314 crore during 2004-05 and 2005-06, the expenditure on non-salary and wage component had decreased from Rs.95 crore in 2004-05 to Rs.85 crore in 2005-06. The TFC has recommended a total grant (specific grants-in-aid) of Rs.2,073.39 crore (Rs.1,107.37 crore for Education Sector and Rs.966.02 crore for Health Sector) over the award period 2005-10 due to the inability of the State Government to spend adequately in these sectors.

1.6.3 Expenditure on Economic Services

Expenditure on Economic Services includes all such expenditures as to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs.3,367 crore) accounted for 28.97 per cent of the total expenditure (**Table-14**). Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed 64.98 per cent of the total expenditure.

Table-14: Expenditure on Economic Services

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Agriculture, Allied Activities						
Revenue Expenditure	406	425	362	478	488	548
<i>Of which</i>						
(a) Salary & Wage Component	246	282	284	304	396	318*
(b) Non-Salary & Wage Component	160	143	78	174	92	230
Capital Expenditure	60	--	1	1	1	--
Total	466	425	363	479	489	548
Irrigation and Flood Control						
Revenue Expenditure	147	126	129	177	208	219
<i>Of which</i>						
(a) Salary & Wage Component	83	87	112	154	200	195*
(b) Non-Salary & Wage Component	64	39	17	23	8	24
Capital Expenditure	150	141	112	82	110	112
Total	297	267	241	259	318	331
Power & Energy						
Revenue Expenditure	--	18	5	142	312	323
<i>Of which</i>						
(a) Salary & Wage Component	--	--	--	--	--	--
(b) Non-Salary & Wage Component	--	18	5	142	312	323
Capital Expenditure	--	39	64	82	1374	205
Total	--	57	69	224	1686	528
Transport						
Revenue Expenditure	208	205	222	247	309	347
<i>Of which</i>						
(a) Salary & Wage Component	102	104	113	141	201	161*
(b) Non-Salary & Wage Component	106	101	109	106	108	186
Capital Expenditure	222	187	186	186	299	434
Total	430	392	408	433	608	781
Other Economic Services						
Revenue Expenditure	285	441	377	503	948	900
<i>Of which</i>						
(a) Salary & Wage Component	216	267	250	205	240	178*
(b) Non-Salary & Wage Component	68	174	127	298	708	722
Capital Expenditure	87	102	109	214	326	279
Total	372	543	486	717	1274	1179
Total (Economic Services)						
Revenue Expenditure	1046	1215	1095	1547	2265	2337
<i>Of which</i>						
(a) Salary & Wage Component	647	740	759	804	1037	852*
(b) Non-Salary & Wage Component	398	475	336	743	1228	1485
Capital Expenditure	519	469	472	656	2110	1030
Grand Total	1565	1684	1567	2203	4375	3367

Source: Finance Accounts and State Government figures.

* Excludes wage component.

The trends in revenue and capital expenditure on Economic Services during the period 2000-06 showed inter year fluctuations. While revenue expenditure during 2005-06 increased by Rs.72 crore over the previous year, the capital expenditure decreased by Rs.1,080 crore compared to 2004-05 mainly due to reduction in non-plan capital expenditure under energy sector. Of the revenue expenditure, the expenditure on salary and wages has moderately increased from Rs.804 crore in 2003-04 to Rs.1,037 crore in 2004-05 (28.98 *per cent*) while its non-salary component has increased from Rs.743 crore in 2003-04 to Rs.1,228 crore in 2004-05 (65.28 *per cent* of the revenue expenditure under Economic Services) indicating allocative priorities towards better quality and maintenance.

1.6.4 Financial Assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six-year period 2000-06 is presented in **Table-15**.

Table-15: Financial Assistance

Name	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Zilla Parishads and other Panchayati Raj institutions	--	14.82	25.53	14.82	23.04	27.30
Municipal Corporations/Urban Sewerage Board	16.59	7.37	13.59	19.63	65.28	16.71
Co-operative Societies and Co-operative Institutions	--	8.09	10.49	3.82	1.85	0.04
Universities and Educational Institutions	253.54	199.24	761.40	841.75	919.04	922.90
Assam State Electricity Board (ASEB)	89.80	--	21.84	86.28	946.92	81.26
Assam State Housing Board (ASHB)	0.79	0.59	0.61	0.86	0.97	1.42
Assam Khadi and Village Industries Board	--	4.10	1.30	2.46	5.90	6.96
Guwahati Metropolitan Development Authority	--	0.10	0.50	8.86	26.13	33.88
Other Institutions	20.54	52.78	17.49	31.35	69.58	76.56
Autonomous Councils	31.65	13.12	23.45	11.66	135.24	83.28
Total	412.91	300.12	876.20	1021.49	2193.95	1250.31
Assistance as per percentage of RE	6.43	4.39	12.32	12.09	21.45	11.87

Source: Detailed Appropriation Accounts and Finance Accounts.

The total assistance at the end of 2005-06 had grown by 203 *per cent* over the level of 2000-01. The assistance to local bodies as a percentage of total revenue expenditure had increased from 6.43 in 2000-01 to 11.87 in 2005-06. However, during 2005-06 the amount of assistance decreased to 1,250.31 crore from Rs.2,193.95 crore in 2004-05 mainly due to less payment of loans during 2005-06 to the Assam State Electricity Board (ASEB).

1.6.5 Misappropriation, losses, defalcations, etc

The State Government reported 210 cases of misappropriation, defalcation, etc., involving Government money amounting to Rs.3.62 crore upto the period March 2006 on which final action was pending. The department-wise break up of pending cases is given in **Appendix-1.6**.

1.7 Assets and Liabilities

In Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.2** gives an abstract of such liabilities and the assets as on 31 March 2006 compared with the corresponding position on 31 March 2005. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix-1.5** depicts the time series data on State Government finances for the period 2000-2006.

1.7.1 Incomplete projects

As on 31 March 2006, there were 405 incomplete projects in which Rs.182.98 crore was blocked. Of these, 138 projects (expenditure: Rs.103.54 crore) were incomplete for less than five years, 30 projects (expenditure: Rs.8.36 crore) were incomplete for period ranging from five to 10 years, 97 projects (expenditure: Rs.19.54 crore) were incomplete for period ranging from 10 to 20 years and nine projects (expenditure: Rs.3.41 crore) were incomplete for more than 20 years. Details in respect of 131 projects involving capital of Rs.48.13 crore were not available. This showed that the Government was spreading its resources thinly, without any yield or return. Reasons for incomplete projects were paucity of funds, works left incomplete by contractors, change in site/design of the projects, defective planning, lack of transportation and river course diversion due to flood etc. The department-wise information pertaining to incomplete projects as on 31 March 2006 is given in **Appendix-1.7**.

1.7.2 Investments and returns

As on 31 March 2006, the Government had invested Rs.1,969.95 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives (**Table 16**). The average return on this investment was less than one *per cent* in the last six years while an average interest rate of 9.25 *per cent* was being paid by the Government on its borrowings. Details are given in **Appendix-1.8**.

Table-16: Return on Investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on government borrowing	Difference between interest rate and return
	(Rupees in crore)			(per cent)	
2000-01	475.98	0.73	0.15	9.34	9.19
2001-02	514.35	0.83	0.16	9.70	9.54
2002-03	570.35	5.93	1.04	9.82	8.78
2003-04	587.89	6.88	1.17	9.97	8.80
2004-05	1952.91	9.29	0.48	8.47	7.99
2005-06	1969.95	15.47	0.79	8.18	7.39

During 2005-06, the State Government has invested Rs.15.40 crore in Statutory Corporations, Rs.0.03 crore in Government Companies and Rs.1.61 crore in Cooperative Societies. According to the information furnished by the Finance Department the extent of accumulated losses incurred by the Statutory Corporations, Government Companies etc. was Rs.7,112 crore as of March 2004. The reasons for such huge losses were stated to be due to overstaffing, mismanagement and unviable projects etc. The State Government had identified seven unviable State Public Sector Undertakings (PSU's) and started the process of closure of these PSU's in a phased manner.

1.7.3 Loans and Advances by State Government

In addition to investments in co-operatives societies, Corporations and Companies, the Government has also been providing loans and advances to many of them. Total outstanding loans and advances as on 31 March 2006 was Rs.2,675 crore (**Table-17**). Interest received against these loans advances was 0.23 *per cent* during 2005-06 as against 0.27 *per cent* in previous year.

Table-17: Average Interest Received on Loans Advanced by the State Government

	(Rupees in crore)					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Opening Balance	2579	2778	2832	2935	3022	2607
Amount advanced during the year	217	82	131	128	974	106
Amount repaid during the year	18	28	28	41	1389	38
Closing Balance	2778	2832	2935	3022	2607	2675
Net addition	199	54	103	87	-	68
Interest Received	3	1	1	4	7	6
Interest received as per cent to outstanding Loans and advances	0.11	0.03	0.03	0.13	0.27	0.23
Weighted interest rate (in <i>per cent</i>) paid on borrowings by State Government	9.34	9.70	9.82	9.97	8.47	8.18
Difference between weighted interest paid and received (<i>per cent</i>)	9.23	9.67	9.79	9.84	8.20	7.95

Major recipients of loans during 2005-06 were Power projects (Rs.81.26 crore), Urban Development (Rs.19.53 crore) and Government servants (Rs.2.57 crore).

1.7.4 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA)- ordinary and special- from Reserve Bank of India has been put in place. The operative limit for normal WMA is reckoned as the three year average of revenue receipts and the operative limit for special WMA is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. The limit in respect of Assam was Rs.295 crore for normal and Rs.299.84 crore for special WMA during 2005-06.

WMA and overdrafts availed; the number of occasions when these were availed and interest paid by the State is detailed in **Table-18**.

Table-18: Ways and Means and Overdrafts of the State

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
(Rupees in crore)						
Ways and Means Advances						
Availed in the year	1054.60	608.66	955.84	2092.32	4288.55	1652.63
Number of Occasions	36	30	39	53	81	32
Outstanding WMA's, if any	175.72	176.71	226.39	227.96	317.49	-
Interest Paid	6.78	121.53	11.60	14.26	10.15	3.15
Number of Days	36	30	39	53	81	32
Overdraft						
Availed in the year	4187.61	5749.87	4533.27	4343.54	1782.80	228.07
Number of Occasions	120	111	116	104	64	08
Number of Days	293	312	315	237	129	30
Interest Paid	18.10	17.70	32.68	23.10	3.69	0.63

1.8 Undischarged Liabilities

Total liabilities means liabilities upon the Consolidated Fund of the State and Public Account of the State.

1.8.1 Fiscal Liabilities-Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund—Capital Account. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. 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 an Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident funds and other deposits.

Table-19 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-19: Fiscal Liabilities – Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities* (Rupees in crore)	10262	11633	13720	15285	17855	19082
Rate of Growth (<i>per cent</i>)	17.99	13.36	17.94	11.41	16.81	6.87
Ratio of Fiscal Liabilities to						
GSDP (<i>per cent</i>)	32.60	33.87	36.49	37.98	41.02	40.50
Revenue Receipts (<i>per cent</i>)	182.00	195.00	202.00	196.80	179.70	158.42
Own Resources (<i>per cent</i>)	529.80	556.60	522.10	506.80	472.00	406.78
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	2.379	1.464	1.892	1.620	2.062	0.835
Revenue Receipts (ratio)	1.093	2.303	1.292	0.797	0.601	0.324
Own Resources (ratio)	1.126	1.691	0.697	0.773	0.661	0.286

* Includes Internal Debt, Loans and Advances from GOI, Small Savings, Provident Funds, etc., Reserve Funds (Gross) and Deposits.

The overall fiscal liabilities of the State increased from Rs.10,262 crore in 2000-01 to Rs.19,082 crore in 2005-06. The growth rate was 6.87 *per cent* during 2005-06 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 32.60 *per cent* in 2000-01 to 40.50 *per cent* in 2005-06. These liabilities stood at nearly 1.58 times the revenue receipts and 4.07 times of the States own resources at the end of 2005-06. Buoyancy of fiscal liabilities to GSDP, to revenue receipts and to own resources has decreased during 2005-06 over the previous year.

1.8.2 Status of Guarantees-Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. Although the State Government had 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 Assam Fiscal Responsibility and Budget Management Act, 2005 enacted by the Legislature has restricted the Government guarantees at any point of time to 50 *per cent* of State's own tax and non-tax revenues of the previous year or five *per cent* of the GSDP of previous year at current prices, whichever is less. The State Government is yet to implement the recommendation of the TFC by setting up guarantee redemption fund through earmarked guarantee fees.

According to **Statement-6** of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of 2005-06 is given in **Table-20**.

Table-20: Guarantees given by the Government of Assam

Year	Maximum amount guaranteed	Outstanding amount of guarantees*	Percentage of maximum amount guaranteed to total revenue receipts
2000-01	1944	1583	34.48
2001-02	2865	1854	48.03
2002-03	2888	1881	42.51
2003-04	2904	1833	37.40
2004-05	1034	711	10.41
2005-06	1727	1273	14.34

* Includes interest.

Government have guaranteed loans raised by various corporations and others, which at the end of 2005-06 stood at Rs.1,273 crore.

1.8.3 Debt Sustainability

Debt sustainability is defined as the ability to maintain a constant debt-GDP ratio over a period of time. In simple terms, public debt is considered sustainable as long as the growth of income exceeds the interest rate or cost of public borrowings subject to the condition that the primary balance is either positive or zero. Given the rate spread (GSDP growth rate - interest rate) and quantum spread (Debt * rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GDP ratio would be constant or sustainable. On the other hand, if $PD > QS$, debt-GDP ratio would be rising and if $PD < QS$, it would be falling. 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, the average interest rate on fiscal liabilities being 9.25 *per cent*, was more than the average rate of growth of GSDP by 0.99 *per cent* as shown in **Table-21** below.

Table-21: Debt Sustainability-Interest Rate and GSDP Growth (in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate	9.34	9.70	9.82	9.97	8.47	8.18
GSDP Growth	7.56	9.12	9.48	7.04	8.15	8.23
Interest spread	(-) 1.78	(-) 0.58	(-) 0.34	(-) 2.93	(-) 0.32	0.05
Outstanding Debt (Rs. Crore)	10262	11633	13720	15285	17855	19082
Quantum spread (Rs. Crore)	(-) 182.66	(-) 67.47	(-) 46.65	(-) 447.85	(-) 57.14	9.54
Primary Deficit (-)/Surplus (+) (Rs. Crore)	(-) 654	(-) 385	(+) 316	(+) 51	(-) 654	(+) 1866

The trend in Table-21 reveal that in five out of six years during 2000-06, the interest spread was negative. An analysis of the primary deficit vis-à-vis quantum spread reveals that their sum turns out to be negative in four out of six years during 2000-06 indicating rising debt-GSDP ratio and deteriorating debt position of the State, though the sum has increased in 2005-06 indicating a positive step towards sustainability.

1.8.4 Net Availability of Funds

Another important indicator of debt sustainability is the net availability of funds after the payment of the principal on account of earlier contracted liabilities and interest. **Table-22** below gives the position of the receipts and repayment of internal debt and other fiscal liabilities of the State over the last six years.

Table-22: Net Availability of Borrowed Funds

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Internal debt						
Receipt	5803	7045	6415	7286	7895	7495
Repayment (Principal + Interest)	5483	6355	6937	7599	7203	3484
Net Fund Available	320	690	(-) 522	(-) 313	692	4011
Net Fund Available (<i>per cent</i>)	5.51	9.79	-	-	8.77	53.52
Loans and Advances from GOI						
Receipt	922	1259	2058	1452	1297	(-) 3918 ³
Repayment (Principal + Interest)	840	1538	1603	1670	1515	291
Net Fund Available	82	(-) 279	455	(-) 218	(-) 218	(-) 4209
Net Fund Available (<i>per cent</i>)	8.89	-	22.11	-	-	-
Other obligations						
Receipt	1042	1158	1133	1458	2053	1971
Repayment (Principal + Interest)	689	794	1113	947	1430	2057
Net Fund Available	353	364	20	511	623	(-) 86
Net Fund Available (<i>per cent</i>)	33.88	31.43	1.77	35.05	30.35	-
Total liabilities						
Receipt	7767	9462	9606	10196	11245	5548
Repayments (Principal+ Interest)	7012	8687	9653	10216	10148	5832
Net Fund Available	755	775	(-) 47	(-) 20	1097	(-) 284
Net Fund Available (<i>per cent</i>)	9.72	8.19	-	-	9.76	-

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) decreased sharply from Rs.1,097 crore in 2004-05 to negative balance in

³ Actual receipt of Rs.699.59 crore during 2005-06 is reduced to Rs.(-) 3917.63 crore due to transfer of Share of Small Savings Collections amounting to Rs.4,617.22 crore under MH 6004 to Special Securities issued to National Small Savings Fund of the Central Government under MH 6003 as per guidelines of the Government of India, Ministry of Finance.

2005-06 due to increased repayment during the current year and less receipts of WMA from the RBI in comparison to previous year.

1.9 Management of deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied, are important pointers to its fiscal health. The revenue deficit of the State, which continued during 2000-2005, had improved in 2005-06 and turned surplus. The State also had fiscal and primary surplus during 2005-06 as indicated in **Table-23**.

The revenue deficit of the State, which in turn indicates the excess of its revenue expenditure over revenue receipts, decreased from Rs.779 crore in 2000-01 to Rs.292 crore in 2004-05, whereas in 2005-06 the State had a revenue surplus of Rs.1,509 crore. The increase in revenue receipts in 2005-06 was mainly on account of increase in Central transfers by Rs.1200 crore over the previous year and also due to the ability of the State Government to maintain the growth of its own resources. The State had also fiscal and primary surplus during 2005-06 mainly on account of substantial reduction in non-plan capital expenditure and less disbursement of loans to Public Sector Undertakings etc.

Table-23: Fiscal Imbalances – Basic Parameters

Parameters	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Deficit/Surplus (Rupees in crore)	(-) 779	(-) 881	(-) 320	(-) 685	(-) 292	(+) 1509
Fiscal Deficit/Surplus (Rupees in crore)	(-) 1539	(-) 1447	(-) 929	(-) 1395	(-) 2058	(+) 356
Primary Deficit/Surplus (Rupees in crore)	(-) 654	(-) 385	(+) 316	(+) 51	(-) 654	(+) 1866
RD/GSDP (per cent)	(-) 2.47	(-) 2.56	(-) 0.85	(-) 1.70	(-) 0.67	*
FD/GSDP (per cent)	(-) 4.89	(-) 4.21	(-) 2.47	(-) 3.47	(-) 4.73	*
PD/GSDP (per cent)	(-) 2.08	(-) 1.12	(+) 0.84	(+) 0.13	(-) 1.50	*
RD/FD (per cent)	50.62	60.88	34.45	49.10	14.19	*

(Negative figures indicate deficit)

* There is revenue surplus

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-24** below presents a summarised position of Government finances over 2000-2006, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their application, highlights areas of concern and captures its important facts.

Table-24: Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	2	3	4	5	6	7
I. Resource Mobilisation						
Revenue Receipts/GSDP	17.91	17.37	18.07	19.29	22.83	25.57
Revenue Buoyancy	2.177	0.635	1.464	2.032	3.431	2.577
Own tax/GSDP	4.48	4.53	5.15	5.14	6.23	6.86
II. Expenditure Management						
Total Expenditure/GSDP	22.86	21.66	20.61	22.86	30.75	24.89
Total Expenditure/Revenue Receipts	127.62	124.74	114.09	118.48	134.69	97.36
Revenue Expenditure/Total Expenditure	89.19	92.00	91.78	91.85	76.43	89.84
Salary & Wage expenditure on Social and Economic Services/Revenue Expenditure	42.85	40.96	40.73	39.08	39.27	32.37
Non-Salary & Wage expenditure on Social and Economic Services/Revenue Expenditure	17.31	16.26	15.39	19.01	24.54	27.65
Capital Expenditure/Total Expenditure*	8.04	6.97	6.64	6.86	17.57	9.34
Capital Expenditure on Social and Economic Services/Total Expenditure*	7.94	6.84	6.48	6.66	17.39	9.25
Buoyancy of TE with RR	0.690	0.589	0.299	1.308	1.626	**
Buoyancy of RE with RR	0.593	1.153	0.281	1.314	0.753	0.141
III. Management of Fiscal Imbalances						
Revenue deficit/surplus (Rs. in crore)	(-) 779	(-) 881	(-) 320	(-) 685	(-) 292	(+) 1509
Fiscal deficit/surplus (Rs. in crore)	(-) 1539	(-) 1447	(-) 929	(-) 1395	(-) 2058	(+) 356
Primary deficit/surplus (Rs. in crore)	(-) 654	(-) 385	(+) 316	(+) 51	(-) 654	(+) 1866
Revenue Deficit/Fiscal Deficit	50.62	60.88	34.45	49.10	14.19	***
IV. Management of Fiscal Liabilities						
Fiscal Liabilities/GSDP	32.60	33.87	36.49	37.98	41.02	40.50
Fiscal Liabilities/RR	182.00	195.00	202.00	196.80	179.70	158.42
Buoyancy of FL with RR	1.093	2.303	1.292	0.797	0.601	0.324
Buoyancy of FL with Own Receipt	1.126	1.691	0.697	0.773	0.661	0.286
Net Funds Available	9.72	8.19	(-) 0.49	(-) 0.20	9.76	-
V. Other Fiscal Health Indicators						
Return on Investment	0.15	0.16	1.04	1.17	0.48	0.79
Balance from Current Revenue (Rs. in crore)	(-) 1254	(-) 1238	(-) 1095	(-) 1557	(-) 1383	(+) 433
Financial Assets/Liabilities	0.87	0.82	0.81	0.78	0.80	0.89

* Total expenditure excludes Loans and Advances.

** Rate of growth of Total Expenditure was negative.

*** There is revenue surplus.

The ratio of revenue receipts to GSDP and the ratio of own taxes to GSDP showed rising trend except for 2000-01 and 2003-04 for revenue receipts to GSDP and own taxes to GSDP respectively during 2000-06. Various ratios concerning expenditure indicate quality of expenditure and sustainability in relation to resources. Revenue expenditure is on the increasing trend over the six-year period 2000-06 and comprises 90 per cent of total expenditure in 2005-06 leaving very little for capital formation or asset creation.

1.11 Conclusion

The State finances are heavily dependent on Central transfers, which account for more than 61 *per cent* of its revenue receipts and have helped the State Government to achieve revenue surplus during the year. The reduction in capital expenditure has also contributed to achieving fiscal surplus by the State during 2005-06. However, several areas of concern need to be addressed to put the State on a sound fiscal footing. Capital expenditure-GSDP ratio which constituted only 2.30 *per cent* of the total expenditure during 2005-06 indicates that the revenue expenditure of the State is crowding out capital expenditure and thereby retarding asset creation opportunities and affecting the investment in Social and Economic Services.

As regards interest payments, in spite of granting interest payment relief under Debt Consolidation and Relief Facilities, interest payments in 2005-06 increased by 70.62 *per cent* from 2000-01 due to increase in borrowings. This indicates that substantial amount of borrowings is utilised in repayment of principal and interest.

The Commercial enterprises of the State Government have been a net receiver of funds but failed to generate any appreciable rate of return on these investments, while a large number of projects remained incomplete blocking large amounts of investments without returns.