

Chapter-I Finances of the State Government

Profile of Assam

Assam is a Special Category State and is situated in the North-East region of India bordering seven States viz., Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura, Meghalaya and West Bengal and two countries viz., Bangladesh and Bhutan. With a geographical area of 78,438 sq. kms i.e., about 2.4 per cent of country's total geographical area, Assam is home to 2.58 per cent population of the Country. As indicated in **Appendix 1.1 (Part-D)**, the State's population increased from 2,66,55,528 in 2001 to 3,11,69,272 in 2011 recording a decadal growth of 16.93 per cent. The percentage of population below the poverty line at 19.7 per cent was lower than the all-India average of 27.5 per cent. State's Gross Domestic Product (GSDP) at current prices increased from ₹ 1,41,621 crore in 2012-13 to ₹ 1,62,652 crore in 2013-14 recording a growth of 14.85 per cent. The State's literacy rate increased from 63 per cent (as per 2001 census) to 73.18 per cent (as per 2011 census). **State's per capita income at current prices stood at ₹ 46,354 against the country average of ₹ 74,920.** General data relating to the State are given in **Appendix 1.1 (Part-D)** as well as in **Appendix 1.7**.

Gross State Domestic Product (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The trends in the annual growth of India's Gross Domestic Product (GDP) and Assam's GSDP at current prices are indicated in **Table 1.1** below.

Table 1.1: Trends in growth of GDP and GSDP

(₹ in crore)					
Year	2009-10	2010-11	2011-12	2012-13	2013-14
India's GDP	60,70,903	71,67,053	83,14,861	92,72,110	1,03,44,507
Growth rate of GDP over previous year (In per cent)	15.18	18.06	16.02	11.51	11.57
State's GSDP	95,975	1,12,688	1,25,820	1,41,621	1,62,652
Growth rate of GSDP over previous year (In per cent)	18.38	17.41	11.65	12.56	14.85

Source: Central Statistics Office (CSO) data, Ministry of Statistics and Programme Implementation

1.1 Introduction

This chapter is based on the audit of Finance Accounts and makes an assessment of the fiscal position of the Government of Assam as on 31 March 2014. It provides a broad perspective of the finances of the Government of Assam for the year 2013-14 and analyses critical changes observed in the major fiscal aggregates in relation to the previous year, keeping in view the overall trends during the last five years. The structure and form of Government accounts have been explained in *Appendix 1.1 (Part-A)* and the layout of the Finance Accounts is depicted in *Appendix 1.1 (Part-B)*. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are also shown in *Appendix 1.1 (Part-C)*.

1.1.1 Summary of Current Year's Fiscal Transactions

Table 1.2 presents the summary of the State Government's fiscal transactions during the current year (2013-14) *vis-à-vis* the previous year while *Appendix 1.2* provides details of receipts and disbursements as well as overall fiscal position during the current year *vis-à-vis* the previous year.

Table 1.2: Summary of Current Year's Fiscal Operations

(₹ in crore)

Receipts			Disbursements				
2012-13	--	2013-14	2012-13	--	2013-14		
1	2	3	4	5	Non-Plan	Plan	Total
6	7	8					
Section-A: Revenue							
30,690.98	Revenue receipts	32,212.79	29,136.92	Revenue expenditure	24,962.23	7,027.65	31,989.88
8,250.21	Tax revenue	8,994.92	10,570.29	General services	10,526.13	402.37	10,928.50
2,473.59	Non-tax revenue	2,705.03	12,617.46	Social Services	10,351.45	4,498.64	14,850.09
10,601.26	Share of Union Taxes/Duties	11,574.52	5,209.38	Economic Services	3,708.89	2,126.64	5,835.53
9,365.92	Grants from Government of India	8,938.32	739.79	Grants-in-aid/Contributions	375.76	-	375.76
Section-B: Capital							
-	Miscellaneous Capital Receipts	-	2,617.28	Capital Outlay	100.65	3,088.59	3,189.24
7.38	Recoveries of Loans and Advances	6.07	460.65	Loans and Advances disbursed	316.00	506.03	822.03
1,388.39	Public Debt receipts	1,196.07	1,532.79	Repayment of Public Debt	-	-	1,177.24
-	Contingency Fund	-	-	Contingency Fund	-	-	-
12,137.65	Public Account receipts	14,948.25	10,908.10	Public Account disbursement	-	-	13,276.81
-	Closing overdraft from Reserve Bank of India	-	-	Opening overdraft from Reserve Bank of India	-	-	-
7,051.35	Opening Balance	6,620.01	6,620.01	Closing Balance	-	-	4,527.99
51,275.75	Total	54,983.19	51,275.75	Total	-	-	54,983.19

Following are the significant changes during 2013-14 over the previous year:

- Revenue receipts grew by ₹ 1,522 crore (five *per cent*) over the previous year. The increase was contributed by tax revenue ₹ 745 crore (49 *per cent*), non-tax revenue by ₹ 231 crore (15 *per cent*) and State's share of Union Taxes and Duties by ₹ 974 crore (64 *per cent*). The increase was however, offset by decrease in Grants-in-aid from Government of India (GOI) by ₹ 428 crore (28 *per cent*). **The revenue receipts at ₹ 32,213 crore was lesser by ₹ 1,075 crore than the assessment made in Medium Term Fiscal Plan (MTFP)¹ (₹ 33,288 crore).**
- The increase of ₹ 745 crore (nine *per cent*) in tax revenue in 2013-14 as compared to previous year was mainly on account of increase of (a) taxes on Sales, Trade etc., by ₹ 625 crore (10 *per cent*) due to increase in collection of receipts under Trade Tax, (b) State Excise by ₹ 42 crore (seven *per cent*) due to increase in collection of tax under country fermented liquors and foreign liquors and spirits, (c) Taxes on Vehicles by ₹ 23 crore (seven *per cent*) due to increase in overall collection of taxes under Motor Vehicles Act and (d) Land Revenue by ₹ 10 crore (seven *per cent*) due to increase in collection of rates and cesses on land. **The tax revenue as a percentage of GSDP (5.53 *per cent*) was slightly higher than the assessment of Thirteenth Finance Commission (FC-XIII) (5.10 *per cent*). It was however, lower than the projections made by the State Government in its MTFP (6.22 *per cent*).**
- The increase in non-tax revenue in 2013-14 by ₹ 231 crore (nine *per cent*) compared to previous year was mainly on account of increase in collection of Petroleum Concession Fees and Royalties by ₹ 202 crore (13 *per cent*). **The non-tax revenue of the Government was lesser than the assessment of FC-XIII by ₹ 103 crore and the projection made by the State Government in its MTFP by ₹ 635 crore.**
- The decrease in receipt of Grants-in-aid from Government of India by ₹ 428 crore (five *per cent*) was mainly due to less allocation of funds by Government of India for Non-plan Grants.
- Revenue expenditure increased by ₹ 2,853 crore (10 *per cent*) over the previous year. While ₹ 2,320 crore (81 *per cent*) of the increase was under non-plan heads, ₹ 533 crore (19 *per cent*) was under plan heads. The major sectors that registered significant increase include Roads and

¹ MTFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan along with Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

Bridges by ₹ 373 crore (55 *per cent*), Nutrition by ₹ 216 crore (99 *per cent*), Relief on account of Natural Calamities by ₹ 208 crore (71 *per cent*), Other Special Areas Programme by ₹ 208 crore (281 *per cent*) and Rural Development by ₹ 174 crore (22 *per cent*).

- Recoveries of Loans and Advances decreased marginally by ₹ one crore (18 *per cent*) whereas disbursement of loans and advances increased significantly by ₹ 361 crore (78 *per cent*).
- Public Debt Receipts and Repayments decreased by ₹ 192 crore (14 *per cent*) and ₹ 356 crore (23 *per cent*) respectively over the previous year.
- Public Account Receipts increased by ₹ 2,810 crore (23 *per cent*) whereas Public Account Disbursement increased by ₹ 2,369 crore (22 *per cent*) over the previous year.
- Total inflow during 2013-14 was ₹ 48,363 crore against ₹ 44,224 crore in 2012-13 while total outflow during 2013-14 was ₹ 50,455 crore as against ₹ 44,976 crore in 2012-13 registering an increase of nine *per cent* and 12 *per cent* respectively.

1.1.2 Review of the fiscal situation

To support the State Government towards urgent fiscal correction, FC-XIII had worked out a fiscal consolidation roadmap for Assam requiring the State to eliminate revenue deficit and achieve fiscal deficit of three *per cent* of GSDP in each year of the award period.

Accordingly, Assam Fiscal Responsibility and Budget Management (AFRBM) Amendment Act, 2011 was enacted by the State which came into force with effect from 1st April 2010. As per the Act, the State Government was to eliminate revenue deficit by 2011-12 and maintain revenue balance or attain surplus thereafter and reduce fiscal deficit to three *per cent* of the estimated GSDP by 2010-11 and maintain the same level thereafter. Further, the Act also envisaged that the State Government would attain the total outstanding debt to GSDP ratio at 28.40 *per cent* in 2012-13 and maintain the same level in 2013-14. Further, the level of 28.50 *per cent* had to be maintained in 2014-15 and thereafter.

The performance of the State during 2013-14 in terms of key fiscal targets of the FC-XIII set for selected variables as laid down in AFRBM (Amendment) Act, 2011 *vis-à-vis* achievements are given in **Table 1.3**.

**Table 1.3: Trends in major fiscal parameters/variables
vis-à-vis projections for 2013-14**

Fiscal variables	2013-14			
	Targets as prescribed in AFRBM Act, 2011	Assumptions made in Budget	Projections made in Medium Term Fiscal Plan	Actual
Revenue Deficit (-) / Surplus (+) (₹ in crore)	Eliminate Revenue deficit by 31.3.2012 and attain surplus thereafter.	(+) 3,101	(+) 1,234	(+) 223
Fiscal Deficit/ GSDP (In per cent)	Three per cent of GSDP by 31.3.2011 and to maintain the same level thereafter.	3.00	1.31	2.33
Ratio of total outstanding debt of the Government to GSDP (In per cent)	28.4 per cent (In 2013-14)	21.00	16.82	21.13

The above table indicates that the State had achieved all the three fiscal variable targets prescribed in AFRBM Act, 2011.

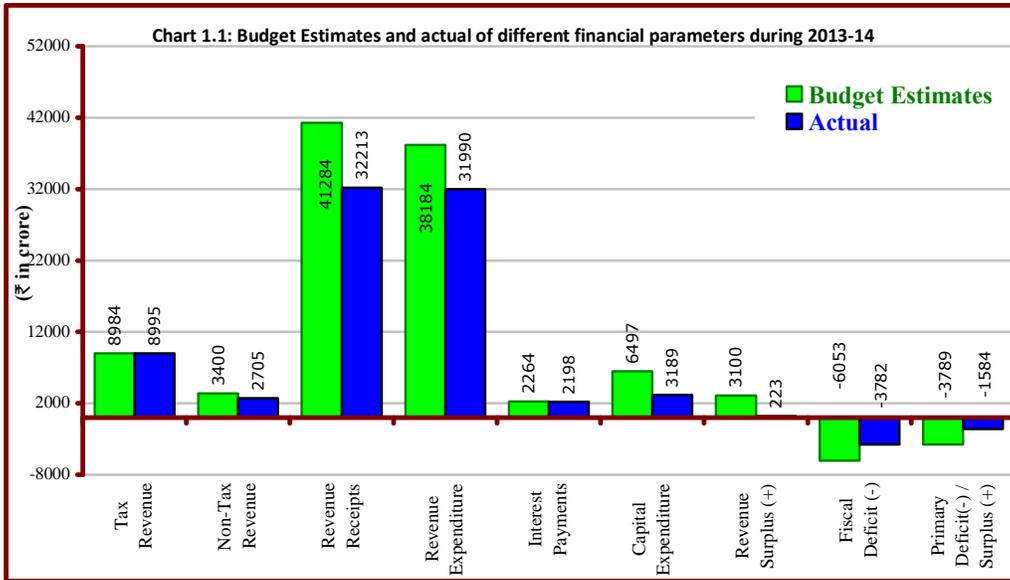
1.1.3 Budget estimates and actual

The budget papers presented by State Government provide descriptions of projections or estimations of revenue and expenditure for a particular fiscal year. The importance of accuracy in the estimation of revenue and expenditure is widely accepted in the context of effective implementation of fiscal policies for overall economic management. Deviations from the Budget Estimates are indicative of the non-attainment and non-optimisation of the desired fiscal objectives due to a variety of causes, some within the control of the Government and some beyond the control of the Government. **Table 1.4** presents the consolidated picture of State Finances during 2012-13 (Actuals) and 2013-14 (Budget Estimates, Revised Estimates and Actual) whereas **Chart 1.1** shows the picture of Budget Estimates and Actual of different financial parameters for the year 2013-14.

**Table 1.4: Variation in Major items –2012-13 (Actual) over 2013-14
(Budget Estimates, Revised Estimates and Actual)**

Sl. No.	Parameters	2012-13	2013-14		
		Actual	Budget Estimates	Revised Estimates	Actual
1	Tax Revenue	8,250	8,984	9,143	8,995
2	Non-Tax Revenue	2,474	3,400	2,988	2,705
3	Revenue Receipts	30,691	41,284	41,453	32,213
4	Non-debt Capital Receipts	7	22	5	6
5	Revenue Expenditure	29,137	38,184	41,228	31,990
6	Interest Payments	2,115	2,264	2,264	2,198
7	Capital Expenditure	2,617	6,497	7,690	3,189
8	Disbursement of Loans & Advances	461	2,678	2,778	822
9	Revenue Deficit/Surplus	(+) 1,554	(+) 3,100	(+) 225	(+) 223
10	Fiscal Deficit/Surplus	(-) 1,517	(-) 6,053	(-) 10,238	(-) 3,782
11	Primary Deficit/Surplus	(+) 598	(-) 3,789	(-) 7,974	(-) 1,584

(₹ in crore)



- During 2013-14, both actual revenue receipts and actual revenue expenditure fell short of budget estimates by 22 per cent and 16 per cent respectively.
- During the current year the tax revenue of the State increased by ₹ 745 crore (nine per cent) over the previous year. The actual collection of tax revenue during the year increased marginally by ₹ 11 crore over the budget estimates which indicated that the projections for the budget estimates for tax revenue were realistic.
- Actual collection of non-tax revenue increased by ₹ 231 crore (nine per cent) over the previous year. However, it fell short of budget estimates by ₹ 695 crore (20 per cent).
- The increase in revenue expenditure by ₹ 2,853 crore (10 per cent) during the current year over the previous year was the combined effect of increase in expenditure under general services by ₹ 358 crore (3.39 per cent), social services by ₹ 2,232 crore (17.69 per cent) and economic services by ₹ 627 crore (12.04 per cent). The combined effect of increase was however, offset by decrease in grants-in-aid contributions by ₹ 364 crore (49.17 per cent). During the year the actual revenue expenditure decreased by ₹ 6,194 crore (16.22 per cent) over budget estimates.
- Significant increases in expenditure under general services were mainly under Pensions and Miscellaneous General Services by ₹ 118 crore (three per cent) and Elections by ₹ 41 crore (160 per cent).
- The increase in revenue expenditure under social services by ₹ 2,232 crore (18 per cent) were mainly under Education, Sports, Art and Culture by ₹ 1,653 crore (21 per cent), Social Welfare and Nutrition by ₹ 323 crore (21 per cent), Health and Family Welfare by ₹ 186 crore (11 per cent),

Water Supply, Sanitation, Housing and Urban Development by ₹ 130 crore (19 per cent) and Labour and Labour Welfare by ₹ 19 crore (15 per cent). The increase was however, offset by decrease in expenditure under Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes by ₹ 85 crore (11 per cent), over the previous year.

- Similarly, the increase in expenditure under economic services by ₹ 627 crore (12 per cent) was mainly due to increase under Transport by ₹ 383 crore (48 per cent), Special Areas Programme by ₹ 205 crore (246 per cent), Rural Development by ₹ 174 crore (22 per cent) and Power sector by ₹ 130 crore (620 per cent). The increase was however, offset by decrease under Agriculture and Allied activities by ₹ 176 crore (9 per cent) and General Economic Service by ₹ 95 crore (29 per cent).
- The capital expenditure as compared to budget estimates was less by ₹ 3,308 crore (51 per cent). The increase of capital expenditure by ₹ 572 crore (22 per cent) during 2013-14 over the previous year was the net result of increase in capital expenditure under General Services by ₹ 24 crore (24 per cent), Social Services by ₹ 18 crore (10 per cent) and Economic Services by ₹ 530 crore (23 per cent).
- Actual fiscal deficit improved with reference to the assessment made in the budget estimates by 38 per cent and revised estimates by 63 per cent mainly due to decrease in actual revenue and capital expenditure with reference to assessment made in budget and revised estimates.

The above table also indicates that at the consolidated level, the State by and large achieved all targets marked for key fiscal indicators. The favourable fiscal situation during the current year was achieved by the State by pursuing the fiscal correction and consolidation process under a rule based fiscal framework coupled with larger devolution and transfer by the FC-XIII through share of net proceeds of taxes. Consequent upon these developments, the State achieved revenue surplus during 2013-14. However, in order to ensure sustainable progress towards fiscal consolidation, State needs to continue to ensure a pattern of expenditure that not only ensures better growth but also enhances public welfare.

1.1.4 Gender Budgeting

Gender Budgeting is a part and parcel of the Government of India's Policies and approach towards women. The Government of India, Ministry of Human Resource Development (HRD) issued (October 2004) instructions and guidelines along with checklist to watch the modalities and performance of the Gender Budgeting which seeks to establish accountability and transparency in policy formulation and decision making. The National Commission for Women took up (February 2006) the matter with the Chief Minister, Government of Assam for necessary policy formulation in this regard. Therefore, Gender budgeting was

incorporated as a significant statement highlighting the need to segregate budgetary allocations on the basis of gender under the demands for grants.

The process of budgetary allocation on the basis of Gender needs to be reviewed continuously from year to year for giving priorities on specific sectors which impinge on the lives of women. Access to education, employment, health care, sanitation and drinking water are considered to be the five pillars of women empowerment. All these activities need outlays specifically earmarked for women in the budget to be utilised for women specific programmes/schemes.

Gender budget of the State (2013-14) disclosed that the expenditure was proposed to be incurred within the overall budget on schemes designed to benefit women under category -A² and category -B³. Test-check of records revealed that Gender budget was prepared in 14 departments⁴ during the financial year 2013-14 involving an amount of ₹ 850 crore with a target to benefit 77,30,846 women as detailed in **Table 1.5**.

Table-1.5

Sl. No.	Name of Department	Grant No.	Total No. of schemes	Category-wise Budget allocation (₹ in crore)				Total (₹ in crore)	Nos. of targeted beneficiaries	Expenditure
				'A'		'B'				
				Plan	Non plan	Plan	Non plan			
1	2	3	4	5	6	7	8	9	10	11
1	Excise	8	1	0	0.10	0	0	0.10	30	Not available
2	Technical education	26	3	6.30	4.40	0	0	10.70	0	
3	Health & Family Welfare	29	1	0	10.68	0	0	10.68	300	
4	Information & Public Relation	35	1	0	0	0.01	0	0.01	50	
5	Tea Tribes Welfare	38	23	9.92	0	14.01	1.54	25.47	107442	
6	Social Welfare	39	37	312.00	0	0	0	312.00	56,65,230	
7	Agriculture	48	7	10.00	0	0	0	10.00	10,060	
8	A.H.& Veterinary	52	1	0.10	0	0	0	0.10	5	
9	P & RD	56	5	0	0	405.81	0	405.81	4,18,643	
10	Sericulture	59	7	0.84	0	5.98	0	6.82	29,287	
11	Handloom & Textile	59	6	15.74	0	0	0	15.74	1,93,136	
12	Industries & Commerce	60	2	0.30	0	0.30	0	0.60	60	
13	Secondary Education	71	7	18.70	0	6.66	24.67	50.03	13,05,928	
14	Sports & Youth Welfare	74	3	0	0	1.94	0	1.94	675	
Total			104	373.90	15.18	434.71	26.21	850.00	77,30,846	

Source: Gender Budget

² Budgetary allocations for schemes designed to benefit women to the extent of 100 per cent of allocation.

³ Budgetary allocations for schemes designed to benefit women to the extent of 30 per cent of allocation.

⁴ (i) Excise, (ii) Technical Education, (iii) Health & Family Welfare, (iv) Information and Public Relation, (v) Tea Tribes Welfare, (vi) Social Welfare, (vii) Agriculture, (viii) Animal Husbandry & Veterinary, (ix) Panchayat & Rural Development, (x) Sericulture, (xi) Handloom & Textiles, (xii) Industries and Commerce, (xiii) Secondary Education; and (xiv) Sports and Youth Welfare.

Further analysis revealed that a performance report for the year 2012-13 (Allocated amount ₹ 164.82 crore against seven departments) was required to be incorporated in the Gender Budget of 2013-14 to ascertain the effectiveness of the schemes targeted to benefit women. It was, however, noticed that no such report was incorporated in the Gender Budget of 2013-14. On this being pointed out, Finance Department stated that performance report of 2012-13 was not incorporated in the Gender budget 2013-14 as no performance report had been received from the concerned departments.

In the absence of any performance reports/ records, the effectiveness of the schemes targeted to benefit women under Gender Budgeting could not be ascertained in audit.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, States 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. Besides the funds available in the Public accounts after disbursement are also utilised by the Government to finance its deficit. The components and sub-components of resources have been shown in **Chart 1.2**.

Chart 1.2: Components and sub-components of Resources

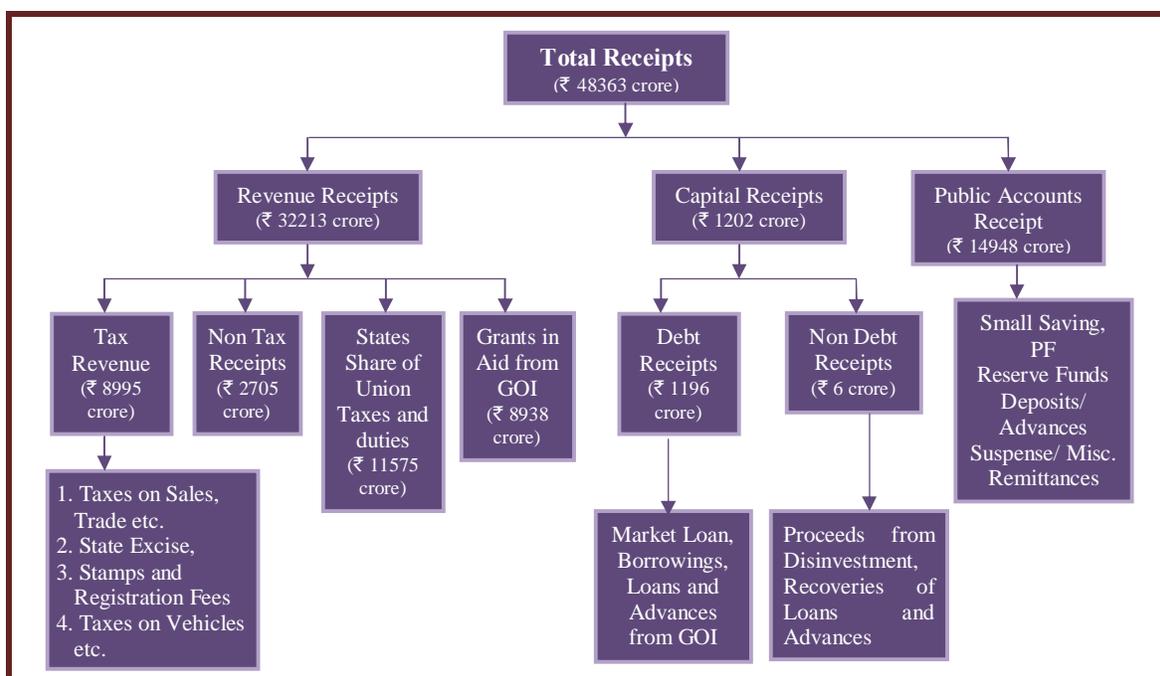
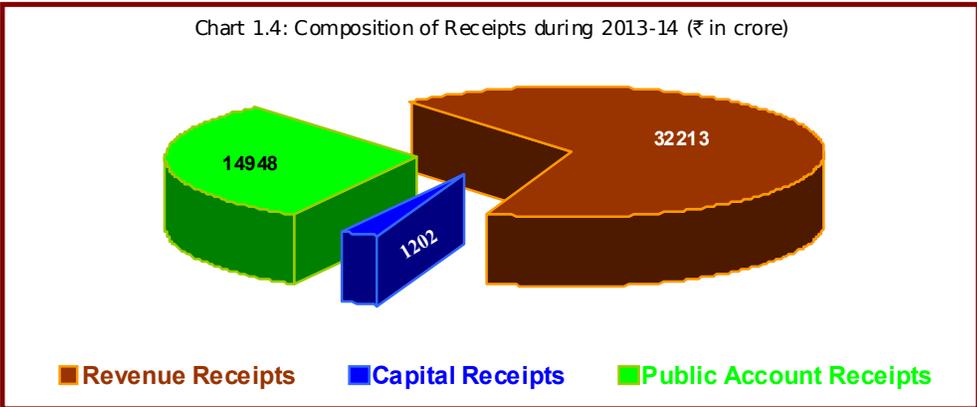
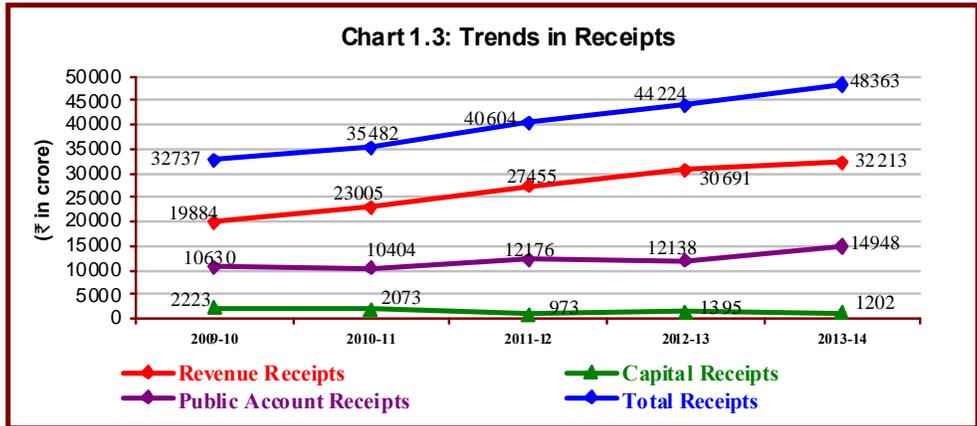


Table-1.2 presents the receipts and disbursements of the State during the current year *vis-a-vis* the previous year as recorded in its Annual Finance Accounts while **Chart 1.3** depicts the trends in various components of the receipts of the State during 2009-14 and **Chart 1.4** depicts the composition of resources of the State during the current year.



The total receipts of the State Government for 2013-14 was ₹ 48,363 crore of which ₹ 32,213 crore (67 per cent) came from revenue receipts and balance ₹ 16,150 crore (33 per cent) came from borrowings, Public Account and recoveries of loans and advances. The total receipts of the State increased by 48 per cent from ₹ 32,737 crore in 2009-10 to ₹ 48,363 crore in 2013-14. The share of revenue receipts in total receipts of the State increased by six per cent from 61 per cent in 2009-10 to 67 per cent in 2013-14. On the other hand, the Capital receipts together with Public Account receipts ranged between 30 and 39 per cent of the total receipts during 2009-14.

Revenue receipts increased by 62 per cent from ₹ 19,884 crore in 2009-10 to ₹ 32,213 crore in 2013-14 whereas debt capital receipts (a component of capital receipts) which create future repayment obligation varied from two to seven per cent of total receipts during the period 2009-14 and decreased by ₹ 192 crore (14 per cent) from ₹ 1,388 crore in 2012-13 to ₹ 1,196 crore in 2013-14.

Public Account receipts refer to those receipts for which the Government acts as a banker/trustee for the public money which increased steadily from ₹ 10,630 crore (32 per cent of total receipts) in 2009-10 to ₹ 14,948 crore (31 per cent of total receipts) in 2013-14.

1.2.2 Funds Transferred to State Implementing Agencies outside the State Budgets

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies⁵ for implementation of various schemes/ programmes in social and economic sectors critical for the human and social development of population. During 2013-14, the Government of India has transferred approximately ₹ 6,168.29 crore directly to the Implementing Agencies as detailed in **Table 1.6**.

Table 1.6: Funds transferred directly to State Implementing Agencies

Sl No.	Programme/Scheme	Implementing Agency in the State	(₹ in crore)
			Fund transferred by the GOI during 2013-14
1	Aajeevika - Swarnajayanti Gram Swarojgar Yojana (SGSY)	Assam State Rural Livelihoods Mission Society	88.63
2	Integrated Watershed Management Programme (IWMP)	State Level Nodal Agency, Assam	118.12
3	Mahatma Gandhi National Rural Employment Guarantee Scheme	District Rural Development Agencies, Assam	573.50
4	MPs Local Area Development Scheme (MPLADS)	Deputy Commissioners	150.00
5	National Food Security Mission	Assam Small Farmers' Agri-Business Consortium	95.11
6	National Rural Drinking Water Programme	State Water and Sanitation Mission, Assam	524.97
7	National Rural Health Mission (NRHM) Centrally Sponsored	State Health Society, Assam	975.51
8	NEIIPP, 2007	North Eastern Development Finance Corporation Ltd.	149.99
9	Pradhan Mantri Gram Sadak Yojana (PMGSY)	Assam State Road Board, Guwahati	240.49
10	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Axom Sarba Siksha Abhiyan Mission	70.62
11	Redevelopment of Hospitals/Institutions	Lokopriya Gopinath Bordoloi Regional Institute of Mental Health	64.00
12	Rural Housing - IAY	District Rural Development Agencies, Assam	920.31
13	Sarva Shiksha Abhiyan (SSA)	Axom Sarba Siksha Abhiyan Mission	1,318.21
14	Transport Subsidy Scheme	North Eastern Development Finance Corporation Ltd.	200.45
15	Other Schemes	Various Agencies	678.38
Total			6,168.29

Source: Public Financial Management System (PFMS) portal, Controller General of Accounts' website

⁵ State Implementing Agencies include Organisation/Institution including Non-Government Organisation which is authorised by the State Government to receive the funds from the Government of India for implementing specific programmes in the State e.g., State Health Society for NRHM and State Implementing Society for SSA etc.

Table 1.6 shows that out of the total funds transferred (₹ 6,168.29 crore) (Details in *Appendix 1.3*), sizeable quantum of funds were transferred to various agencies for implementation of (i) Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) (9.30 *per cent*), (ii) National Rural Drinking Water Programme (8.51 *per cent*), (iii) National Rural Health Mission (NRHM) (15.81 *per cent*), (iv) Rural Housing (Indira Awaas Yojana) (14.92 *per cent*) and (v) Sarva Shikha Abhiyan (SSA) (21.37 *per cent*) during 2013-14.

With the transfer of an approximate amount of ₹ 6,168.29 crore directly by GOI to the State Implementing Agencies, the total availability of State resources during 2013-14 had increased from ₹ 48,363 crore to ₹ 54,531.29 crore.

The receipt and utilisation of the directly transferred GOI funds is not monitored by any Agency and there is no data readily available as to how much money is actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by the State Implementing Agencies and funded directly by the GOI.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, central tax transfers and grants-in-aid from the GOI. The trends and composition of revenue receipts over the period 2009-14 are presented in *Appendix 1.4* and also depicted in **Charts 1.5** and **1.6** respectively.

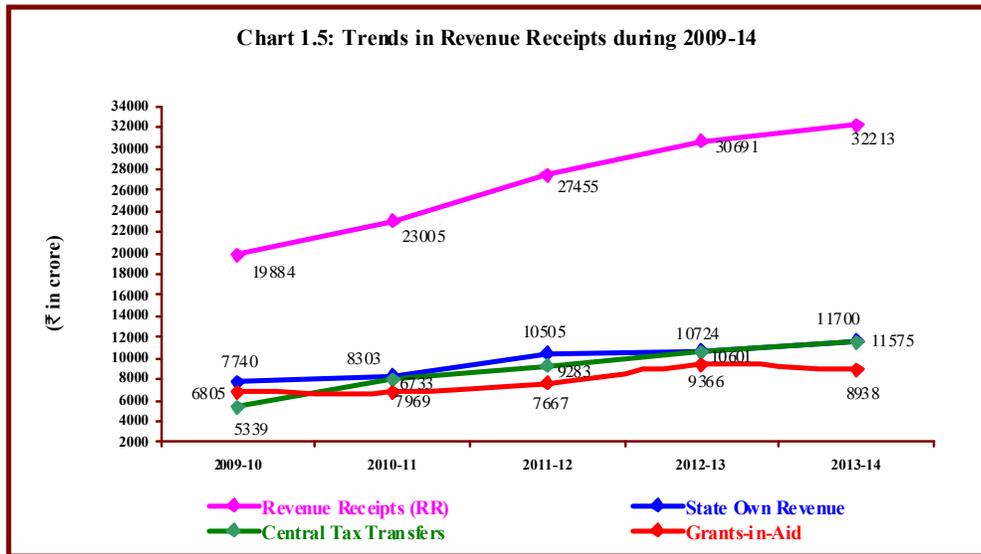


Chart 1.6: The composition of Revenue Receipts during 2009-14



General Trends:

- During 2013-14, revenue receipts of the State grew by ₹ 1,522 crore over the previous year. The revenue receipts of the State showed progressive increase from ₹ 19,884 crore in 2009-10 to ₹ 32,213 crore in 2013-14 with inter-year fluctuations in the growth rate.
- About 36 *per cent* of the revenue receipts during 2013-14 came from State's own resources while central tax transfers and grants-in-aid together contributed 64 *per cent*.
- During the current year, increase of ₹ 1,522 crore (4.96 *per cent*) in revenue receipts did not keep pace with the increase of ₹ 2,853 crore (9.79 *per cent*) in revenue expenditure.
- Tax revenue constituted 27.92 *per cent* of the total revenue receipts and increased by ₹ 745 crore during 2013-14 recording a growth rate of 9.03 *per cent* over the previous year. The percentage of tax revenue to total revenue receipts showed a gradual increase during 2009-14 (except 2012-13) and reached 28 *per cent* in 2013-14 from 25 *per cent* in 2009-10.
- Non-tax revenue receipts constituted 8.40 *per cent* of the total revenue receipts and increased by ₹ 231 crore over the previous year. Non-tax revenue as a percentage of revenue receipts ranged between eight and 14 *per cent* during 2009-14.

The trends in revenue receipts relative to GSDP are presented in **Table 1.7**.

Table 1.7: Trends in Revenue Receipts relative to GSDP

Parameters	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Receipts (RR) (₹ in crore)	19,884	23,005	27,455	30,691	32,213
Rate of growth of RR (<i>per cent</i>)	10.00	15.70	19.34	11.79	4.96
Rate of growth of Own Taxes (<i>per cent</i>)	20.17	18.91	28.80	8.01	9.03
RR/GSDP (<i>per cent</i>)	20.72	20.41	21.82	21.67	19.80
Buoyancy Ratios⁶					
Revenue Buoyancy w.r.t GSDP	0.54	0.90	1.66	0.94	0.33
State's Own Tax Buoyancy w.r.t GSDP	1.10	1.09	2.47	0.64	0.61
Gross State Domestic Product (₹ in crore)	95,975	1,12,688	1,25,820	1,41,621	1,62,652
Rate of growth of GSDP (<i>per cent</i>)	18.38	17.41	11.65	12.56	14.85

Source of GSDP figures: CSO website

The GSDP at current prices increased from ₹ 1,41,621 crore in 2012-13 to ₹ 1,62,652 crore in 2013-14 representing an increase of 14.85 *per cent*. During the current year the growth in revenue receipts (4.96 *per cent*) was lesser than the growth of GSDP (14.85 *per cent*). Ideally growth rate of revenue should be higher than the growth of GSDP so that over a period of time the budget can be better balanced. If the State's own taxes are buoyant, then the Government would be in a better position to plan expenditure and to improve welfare of the people. But both revenue and State's own tax buoyancy with reference to GSDP decreased during the current year as compared to the previous year.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes etc., the State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collection in respect of major taxes and non-tax revenue and their percentage and also expenditure during 2009-14 are presented in **Appendix 1.4**. The State's actual tax and non-tax revenue for the year 2013-14 *vis-à-vis* assessment made by FC-XIII and MTFP (2012-17) are given in the **Table 1.8**.

⁶ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 0.33 implies that revenue receipts tend to increase by 0.33 percentage points, if the GSDP increases by one *per cent*.

Table 1.8: State's own tax revenue vis-à-vis projections

(₹ in crore)

Parameters	FC-XIII projections	Budget Estimates	MTFP projection	Actual
Tax revenue	7,594	8,984	8,920	8,995
Non-tax revenue	2,808	3,400	3,340	2,705

The tax revenue of the State in 2013-14 exceeded the assessment of FC-XIII by ₹ 1,401 crore. It also exceeded the budget estimates by ₹ 11 crore and MTFP projection by ₹ 75 crore.

However, non-tax revenue of the Government was lesser than the assessment of FC-XIII by ₹ 103 crore. It also fell short of budget estimates by ₹ 695 crore and projection of the State Government in its MTFP by ₹ 635 crore.

1.3.1.1 Tax revenue

Gross collection in respect of tax revenue for the years 2009-14 is given component-wise in Table 1.9.

Table 1.9: Tax Revenue for the years 2009-14

(₹ in crore)

Heads	2009-10	2010-11	2011-12	2012-13	2013-14	
					Budget Estimates	Actual
Taxes on Sales, Trade, etc.	3,535	4,319	5,694	6,223	6,835	6,848
State Excise	239	323	503	568	609	610
Taxes on Vehicle	177	232	294	328	365	351
Stamps and Registration Fees	108	123	175	252	212	252
Land Revenue	117	142	140	146	140	156
Other Taxes ⁷	811	791	832	733	823	778
Total	4,987	5,930	7,638	8,250	8,984	8,995

Source: Memorandum of Budget Estimates & Finance Accounts

The tax revenue of the State increased from ₹ 4,987 crore in 2009-10 to ₹ 8,995 crore in 2013-14 at an annual average rate of 16.07 per cent. During the current year, the maximum share of tax revenue was contributed by Taxes on Sales, Trade etc., (76.13 per cent) followed by State Excise (6.78 per cent) and Taxes on Vehicles (3.90 per cent). Increase in Taxes on Sales, Trade etc., was mainly on account of higher collection of Trade Tax by ₹ 589 crore over the previous year.

⁷ Other Taxes include taxes on agricultural income, taxes on professions, trades, callings and employment, taxes on goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services.

1.3.1.2 Non-tax revenue

Gross collection in respect of non-tax revenue for the years 2009-14 is given component-wise in **Table 1.10**.

Table 1.10: Non-tax Revenue for the years 2009-14

Heads	2009-10	2010-11	2011-12	2012-13	2013-14	
					Budget Estimates	Actual
Interest receipts, dividends and profits	509	431	490	522	560	431
General Services	351	91	89	102	134	191
Social Services	25	27	27	31	34	30
Economic Services	1,868	1,824	2,261	1,819	2,672	2,053
Total	2,753	2,373	2,867	2,474	3,400	2,705

Source: Memorandum of Budget Estimates & Finance Accounts.

The non-tax revenue, which ranged between eight and 14 *per cent* of total revenue receipts of the State during the last five years increased by ₹ 231 crore (nine *per cent*) in 2013-14 over the previous year. During the current year, major contributors of non-tax revenue were petroleum concession fees and royalties (₹ 1,791 crore), interest receipts (₹ 419 crore) and forestry and wild life (₹ 101 crore).

1.3.2 Grants-in-aid from GOI

The details of Grants-in-aid received from the GOI during 2013-14 are given in **Table 1.11**.

Table 1.11: Grants-in-aid from the GOI

Head	2013-14				
	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	1,593	944	962	1,422	681
Grants for State Plan Schemes	3,995	4,374	4,759	5,996	6,059
Grants for Central Plan Schemes	40	23	19	46	30
Grants for Centrally Sponsored Schemes	1,032	1,341	1,875	1,860	2,103
Grants for Special Plan Schemes	145	51	52	42	65
Total	6,805	6,733	7,667	9,366	8,938
Percentage of increase over previous year	5.26	(-) 1.06	13.87	22.16	(-) 4.57
Percentage of Revenue Receipts	34	29	28	31	28

Grants-in-aid from the GOI decreased by ₹ 428 crore (4.57 *per cent*) from ₹ 9,366 crore in 2012-13 to ₹ 8,938 crore in 2013-14. Within the plan grants,

while grants for State Plan Schemes, Centrally Sponsored Schemes and Special Plan Schemes increased by ₹ 63 crore (1.05 per cent), ₹ 243 crore (13.06 per cent) and ₹ 23 crore (54.76 per cent) respectively, grants for Central Plan Schemes decreased by ₹ 16 crore (34.78 per cent). Similarly, non-plan grants also decreased significantly by ₹ 741 crore (52.11 per cent) from ₹ 1,422 crore in 2012-13 to ₹ 681 crore in 2013-14.

The increases under Centrally Sponsored Plan Schemes were mainly under Grants for Integrated Child Development Services (ICDS) Scheme (₹ 110 crore), Special Component Plan for Scheduled Castes (₹ 31 crore), Information and Communication Technologies in Schools (₹ 39 crore), Multi Sectoral Development Programme for Minorities (₹ 26 crore) and Setting up of new Polytechnics (₹ 19 crore) etc. The major increases under grants for State Plan Schemes were in Additional Central Assistance for Externally Aided Projects (₹ 78 crore), Accelerated Irrigation Benefits Programme (₹ 220 crore), Non Lapsable Central Pool of Resources (₹ 187 crore) and Special Plan Assistance (₹ 83 crore), which were however, offset by decreases under Grants for Special Central Assistance for State's Annual Plan (₹ 159 crore), Assistance for Rastriya Krishi Vikash Yojana (₹ 181 crore) and Development of NE Region (₹ 177 crore).

The Non-Plan grants (₹ 681 crore) to the State constituted 7.62 per cent of the total grants during the year of which ₹ 439 crore (64.46 per cent) was provided under the proviso to Article 275 (1) of the Constitution. Other components of non-plan grants were (i) grants towards contribution to State Disaster Response Fund (₹ 69 crore), (ii) grants for Security Related Expenditure (₹ 89 crore), (iii) grants towards Reimbursement of Security Related Expenditure (₹ 70 crore); and (iv) grants for modernization of Police Force (₹ 8 crore).

1.3.3 Debt waiver under the debt consolidation and relief facilities

As per recommendation of the 13th Finance Commission, a State would be considered eligible for debt relief measures on National Small Savings Fund (NSSF) loans from the date of enactment/amendment of FRBM Act incorporating therein State's fiscal consolidation targets.

Accordingly, the Government of Assam (GOA) notified (September 2011) the Assam FRBM (Amendment) Act, 2011 in the Assam Gazette and became eligible for NSSF interest relief. Regarding actual receipt of up to date debt relief, the Director, {Finance (Economic Affairs) Department} intimated (September 2014) that the State Government had received an amount of ₹ 35.20 crore as debt relief for the years 2010-11 to 2012-13. However, during 2013-14 no debt relief was provided to the State Government.

Further, the Commission also recommended waiver of central loans outstanding at the end of 2009-10 and also extended it to centrally sponsored and central sector schemes to the States through the Central Ministries other than Ministry of Finance. The recommended waiver of loan amount for Assam was ₹ 502 crore. Out of that amount, the GOI actually waived (August 2014) loan amount of ₹ 306 crore for Assam in respect of centrally sponsored and central sector schemes only.

1.3.4 Central Tax transfer

Central tax transfers increased by ₹ 974 crore from ₹ 10,601 crore in 2012-13 to ₹ 11,575 crore in 2013-14 and constituted 35.93 *per cent* of the revenue receipts during the year. Increase in Central tax transfers during the current year was due to higher devolution in the share of net proceeds of Union taxes recommended by the FC-XIII.

The increase in Central Tax Transfer by ₹ 974 crore (nine *per cent*) was mainly due to increase in Corporation tax (₹ 85 crore), Taxes on income other than Corporation tax (₹ 283 crore), Customs (₹ 126 crore), Union Excise Duties (₹ 137 crore) and Service Tax (₹ 338 crore).

1.3.5 Cost recovery in supply of merit goods and services

The current levels of cost recovery (non-tax revenue receipts as a percentage of non-plan revenue expenditure) in supply of merit goods and services of three selected socio-economic services by Government are depicted in **Table 1.12**.

Table 1.12: Cost recovery: 2013-14

Parameters	(₹ in crore)		
	Non-tax revenue receipts	Non-plan revenue expenditure	Cost Recovery (<i>per cent</i>)
Water Supply & Sanitation	0.99	434.29	0.23
Roads & Bridges	50.40	1027.38	4.91
Minor Irrigation	0.36	342.84	0.11

As can be seen from above table, the cost recovery for Roads and Bridges during 2013-14 was 4.91 *per cent* and the same for Water Supply & Sanitation and Minor Irrigation were 0.23 and 0.11 respectively. While cost recovery from social services is expected to be lower than that of economic services, it is a matter of concern that compared to 2009-10⁸, cost recovery had reduced in all categories in 2013-14. Incremental increase in user charges would facilitate sustainable provision of these services over a period of time.

⁸ Water Supply & Sanitation: 0.32 *per cent*; Roads & Bridges: 17.42 *per cent* and Minor Irrigation: 0.39 *per cent*.

1.3.6 Evasion of taxes

The Taxation Department detected 2,393 cases of evasion of taxes and raised additional demand of ₹ 22.67 crore during 2013-14.

1.4 Capital Receipts

The following table shows the trends in growth and composition of capital receipts.

Table 1.13: Trends in growth and composition of capital receipts

Sources of State's Receipts	₹ in crore				
	2009-10	2010-11	2011-12	2012-13	2013-14
Capital Receipts (CR)	2,223	2,073	973	1,395	1,202
Miscellaneous Capital Receipts	--	--	--	--	--
Recovery of Loans and Advances	33	28	21	7	6
Public Debt Receipts	2,190	2,045	952	1,388	1,196
Rate of growth of debt capital receipts	(-) 23.91	(-) 6.62	(-) 53.45	45.80	(-) 13.83
Rate of growth of non-debt capital receipts	(-) 5.71	(-) 15.15	(-) 25	(-) 66.67	(-) 14.29
Rate of growth of GSDP	18.38	17.41	11.65	12.56	14.85
Rate of growth of CR (<i>per cent</i>)	(-) 23.69	(-) 6.75	(-) 53.06	(+) 43.37	(-) 13.84

Capital receipts decreased by more than 45 *per cent* from ₹ 2,223 crore in 2009-10 to ₹ 1,202 crore in 2013-14. During the current year the capital receipts decreased by ₹ 193 crore (14 *per cent*). Public Debt Receipts which create future repayment obligation varied from two to seven *per cent* of total receipts during the period 2009-14 and decreased considerably by ₹ 192 crore (14 *per cent*) from ₹ 1,388 crore in 2012-13 to ₹ 1,196 crore in 2013-14.

During the current year rate of growth of both debt and non-debt capital receipts remained negative and stood at (-) 13.83 *per cent* (-) 14.29 *per cent* respectively.

During the period 2009-14, the rate of growth of debt capital receipts remained negative except for the year 2012-13 and during the current year it declined significantly from 45.80 *per cent* in 2012-13 to (-) 13.83 *per cent* in 2013-14. Rate of growth of GSDP also increased from 12.56 *per cent* in 2012-13 to 14.85 *per cent* in 2013-14.

1.5 Public Account Receipts

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature. Here the Government acts as a banker. The balance after disbursements during the year is the fund available with the government for use.

The trends in growth and composition of Public Accounts balances are given in **Table 1.14**.

Table 1.14: Trends in growth and composition of Public Account Balances

Resources under various heads	2009-10	2010-11	2011-12	2012-13	2013-14
Public Account Balances	1,602.66	(-)133.31	1,939.38	1,229.55	1,671.44
a. Small Savings, Provident Fund etc.	489.54	540.41	634.98	807.52	837.17
b. Reserve Fund	413.92	(-) 153.12	901.23	201.08	543.44
c. Deposits and Advances	568.14	(-) 728.61	437.17	413.21	157.47
d. Suspense and Miscellaneous	295.70	180.04	16.84	(-) 156.99	123.04
e. Remittances	(-) 164.64	27.97	(-) 50.84	(-) 35.27	10.32

Public Account balances of the Government increased marginally from ₹ 1,602.66 crore in 2009-10 to ₹ 1,671.44 crore in 2013-14 at an annual average rate of one *per cent*. During the current year, the balances however, increased significantly by ₹ 441.89 crore (35.94 *per cent*).

1.6 Application of Resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure especially expenditure directed towards development and social sectors.

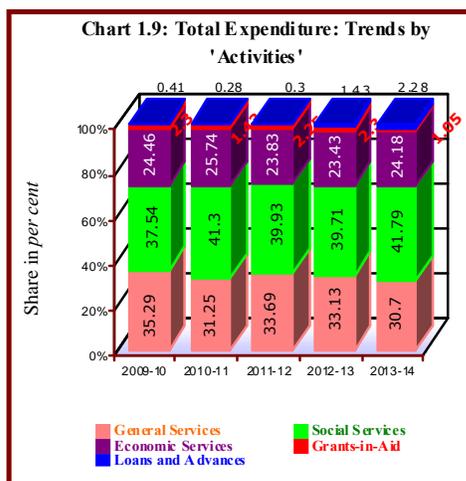
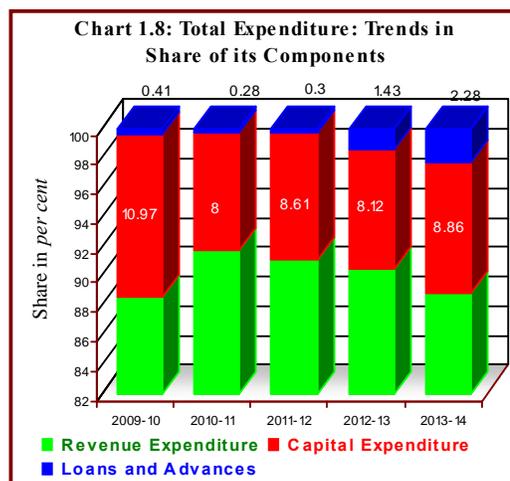
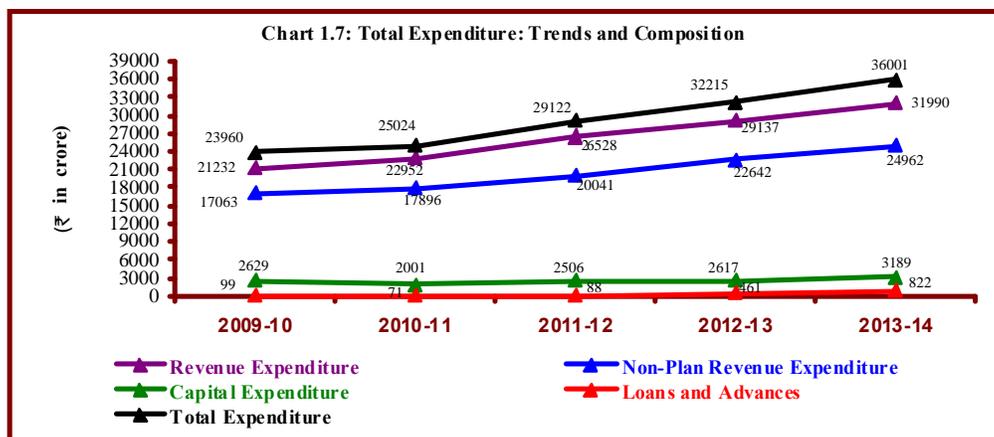
1.6.1 Growth and composition of expenditure

The total expenditure and its composition during the years 2009-10 to 2013-14 are presented in **Table 1.15**.

Table 1.15: Total expenditure and its compositions

Parameters	2009-10	2010-11	2011-12	2012-13	2013-14
Total Expenditure	23,960	25,024	29,122	32,215	36,001
Revenue Expenditure	21,232	22,952	26,528	29,137	31,990
<i>Of which, Non-plan Revenue Expenditure</i>	<i>17,063</i>	<i>17,896</i>	<i>20,041</i>	<i>22,642</i>	<i>24,962</i>
Capital Expenditure	2,629	2,001	2,506	2,617	3,189
Loans and Advances	99	71	88	461	822

Chart 1.7 presents the trends in total expenditure over a period of five years (2009-14) and its composition both in terms of economic classification and expenditure by activities is depicted in **Charts 1.8** and **1.9** respectively.



The total expenditure of the State increased from ₹ 23,960 crore in 2009-10 to ₹ 36,001 crore in 2013-14 at an annual average rate of 10 per cent. The total expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in Table 1.16.

Table 1.16: Total expenditure – basic parameters

Parameters	2009-10	2010-11	2011-12	2012-13	2013-14
Total Expenditure (TE) (₹ in crore)	23,960	25,024	29,122	32,215	36,001
Rate of growth (per cent)	43.43	4.44	16.38	10.62	11.75
TE/GSDP ratio (per cent)	24.96	22.21	23.15	22.75	22.13
RR/TE ratio (per cent)	82.99	91.93	94.28	95.27	89.48
Rate of Growth of GSDP	18.38	17.41	11.65	12.56	14.85
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	2.36	0.26	1.41	0.85	0.79
RR (ratio)	4.34	0.28	0.85	0.90	2.37

The increase of ₹ 3,786 crore (11.75 per cent) in total expenditure in 2013-14 was due to increase of ₹ 2,853 crore in revenue expenditure, ₹ 572 crore in capital expenditure and ₹ 361 crore in disbursement of loans and advances.

The components of the increase in revenue expenditure were mainly:

(A) General Services:

- **Pension and Other Retirement Benefits (₹ 486 crore)** - The major increase of the expenditure was under superannuation and retirement allowances, gratuity and leave encashment benefits.

(B) Social Services:

- **General Education (₹ 1,591 crore)** - The major increase of expenditure was due to increase in expenditure against Government Primary Schools (₹ 946 crore) under Elementary Education as well as assistance to Non-Government Secondary Schools (₹ 450 crore) under Secondary Education.
- **Medical and Public Health (₹ 189 crore)** - The major increase of expenditure was due to increase in expenditure in Rural Health Services ó Allopathy and Medical Education, Training and Research.

(C) Economic Services:

- **Rural Development (₹ 174 crore)** - The increase in this component was mainly on other expenditure under Integrated Rural Development Programme.
- **Transport (₹ 383 crore)** - The major increase of the expenditure was on Road Works under State Highways.

The increase in Capital expenditure (₹ 572 crore) during 2013-14 was mainly due to increase in expenditure on Capital outlay on Minor Irrigation by ₹ 266 crore (62.59 *per cent*), Capital outlay on Power Projects by ₹ 215 crore (106.44 *per cent*), Capital outlay on North Eastern Areas by ₹ 94 crore (30.23 *per cent*), Capital outlay on Roads and Bridges by ₹ 36 crore (4.24 *per cent*) and Capital outlay on Public Works by ₹ 34 crore (36.96 *per cent*) which was however, offset by decrease in expenditure on Capital outlay on Flood Control Projects by ₹ 136 crore (40.72 *per cent*).

The increase in expenditure was mainly on Accelerated Irrigation Benefits Programme (AIBP) under Minor Irrigation, Rural Electrification Programme and Externally Aided Project under Power Projects and the decrease was mainly due to decline in expenditure on embankment under both Barak valley and Brahmaputra flood control projects under Capital outlay on Flood Control Projects.

The increase in disbursement of loans and advances during 2013-14 was mainly due to fresh loans given to Electricity Boards (₹ 279 crore).

The pattern of total expenditure in the form of plan and non-plan expenditure during 2013-14 revealed that non-plan expenditure contributed dominant share of 70 *per cent* while the plan expenditure was 30 *per cent*.

The decrease in ratio of revenue receipts to total expenditure from 95.27 *per cent* in 2012-13 to 89.48 *per cent* in 2013-14 was the result of decrease of ₹ 428 crore in Grants from Government of India during 2013-14 over 2012-13. The buoyancy of total expenditure with reference to GSDP decreased to 0.79 during 2013-14 due to decrease in the rate of growth of total expenditure as compared to the rate of growth of GSDP. Similarly, the buoyancy ratio of total expenditure to revenue receipts at 2.37 in 2013-14 indicated increase in the expenditure at a pace greater than that of receipt.

1.6.2 Trends in total expenditure in terms of 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. Relative share of these components in the total expenditure (₹ 36,001 crore) (refer **Chart 1.7** and **Appendix 1.4**) are indicated in **Table 1.17**.

Table 1.17: Components of expenditure – relative share

Parameters	(In per cent)				
	2009-10	2010-11	2011-12	2012-13	2013-14
General Services	35.29	31.25	33.69	33.13	30.70
<i>Of which, Interest Payments</i>	7.65	7.64	7.12	6.56	6.11
Social Services	37.54	41.30	39.93	39.71	41.79
Economic Services	24.46	25.74	23.83	23.43	24.18
Grants-in-aid	2.30	1.43	2.25	2.30	1.05
Loans and Advances	0.41	0.28	0.30	1.43	2.28

The relative share of the above components of expenditure indicated that the share of general services and grants-in-aid in the total expenditure decreased during 2013-14 over the previous year. These decreases were set off by increase in the respective share of social services, economic services and loans and advances.

The expenditure on general services, which are considered as non-developmental, decreased from 33.13 *per cent* in 2012-13 to 30.70 *per cent* in 2013-14. On the other hand, developmental expenditure *i.e.*, expenditure on social and economic services together accounted for 65.97 *per cent* in 2013-14 as against 63.14 *per cent* in 2012-13. This indicates that there was increase in developmental expenditure and decrease in non-developmental expenditure as compared to previous year.

1.6.3 Revenue Expenditure

Revenue expenditure had predominant share in total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation and as such does not result in any addition to the State's infrastructure and service network. Revenue expenditure had the predominant share of nearly 90 *per cent* in the total expenditure during the period 2009-14. The overall revenue expenditure, its rate of growth, the ratio of revenue expenditure (non-plan) to GSDP, to total expenditure and to revenue receipts and its buoyancy is indicated in **Table 1.18**.

Table 1.18: Revenue expenditure – basic parameters

Parameters	₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Total Expenditure (TE)	23,960	25,024	29,122	32,215	36,001
Revenue Expenditure (RE), of which	21,232	22,952	26,528	29,137	31,990
Non-Plan Revenue Expenditure (NPRE)	17,063	17,896	20,041	22,642	24,962
Plan Revenue Expenditure (PRE)	4,169	5,056	6,487	6,495	7,028
Rate of Growth of					
RE (<i>per cent</i>)	49.07	8.10	15.58	9.83	9.79
NPRE (<i>per cent</i>)	53.27	4.88	11.99	12.98	10.25
PRE (<i>per cent</i>)	34.05	21.28	28.30	0.12	8.21
Revenue Expenditure as percentage to TE	88.61	91.72	91.09	90.45	88.86
NPRE/GSDP (<i>per cent</i>)	17.78	15.88	15.93	15.99	15.35
NPRE as percentage of TE	71.21	71.52	68.82	70.28	69.34
NPRE as percentage of RR	85.81	77.79	73.00	73.77	77.49
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	2.67	0.47	1.34	0.78	0.66
Revenue Receipts (ratio)	4.91	0.52	0.81	0.83	1.97

The overall revenue expenditure of the State increased by 50.69 *per cent* from ₹ 21,232 crore in 2009-10 to ₹ 31,990 crore in 2013-14 at an annual average rate of 10.13 *per cent*.

The NPRE constituted a dominant share of nearly 78 *per cent* in the revenue expenditure and increased by ₹ 2,320 crore over the previous year. The increase in NPRE during the current year was mainly due to increase in expenditure in District Police (₹ 59 crore) under Administrative Services, Superannuation and retirement allowances (₹ 295 crore), Gratuities (₹ 86 crore), Leave Encashment Benefits (₹ 66 crore) and Family Pension (₹ 36 crore) under Pension and Other Retirement Benefits, Government Primary Schools (₹ 978 crore) under Elementary Education, assistance to Non-Government Secondary Schools (₹ 427 crore) under Secondary Education, Government Colleges and Institutions (₹ 46 crore) under Higher Education, interest payment on internal debt (₹ 62 crore) under interest payment and servicing of debt, State Disaster Response Fund (₹ 252 crore) under Social Welfare and Nutrition and other expenditure (₹ 128 crore) under Power. The increase in NPRE during 2013-14

was however, offset by decrease in expenditure in Other Miscellaneous compensation and assignments (₹ 342 crore) under Compensation and Assignment to Local Bodies and Panchayati Raj Institutions, expenditure on Agriculture and Allied Activities (₹ 56 crore) and Secretariat - General Services (₹ 96 crore).

The PRE increased by ₹ 533 crore (8.21 *per cent*) from ₹ 6,495 crore in 2012-13 to ₹ 7,028 crore in 2013-14. The increase was mainly due to increase in expenditure in Education, Sports, Art & Culture (₹ 241 crore), Special Area Programme (223 crore), Social Welfare & Nutrition (₹ 145 crore) and Rural Development (₹ 125 crore), which was however, offset by decrease in expenditure under Agriculture and Allied Activities (₹ 119 crore) and General Economic Services (₹ 94 crore).

The buoyancy of revenue expenditure with reference to both GSDP and revenue receipts fluctuated during 2009-14. Buoyancy ratio of revenue expenditure to GSDP decreased marginally during the year whereas its significant increase with respect to revenue receipts during 2013-14 over previous year indicated that revenue expenditure of the State increased at a pace faster than the revenue receipts.

Table 1.19 provides the comparative position of Non-Plan Revenue Expenditure (NPRE) with reference to assessment made by FC-XIII and State Government in its budget during 2013-14.

Table 1.19: Comparative position of Non-Plan Revenue Expenditure *vis-a-vis* assessment made by FC-XIII and projections of the State Government in its budget

(₹ in crore)			
Year	Assessment made by the FC-XIII	Assessment made by the State Government in Budget	Actual
2013-14	19,700	27,342	24,962

The NPRE remained significantly higher than the normative assessments made by FC-XIII. However, it was lower than the projections of the State Government made in its Budget during 2013-14.

1.6.4 Committed Expenditure

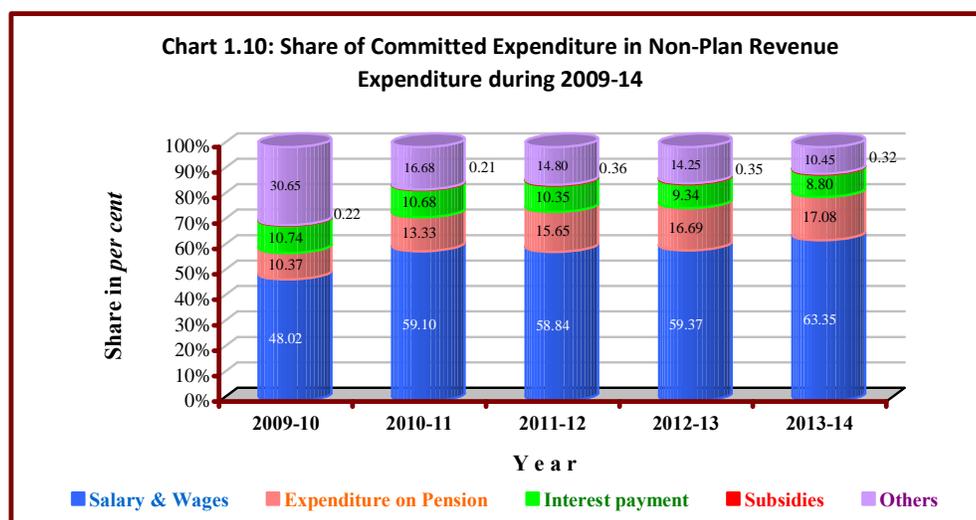
The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pension and subsidies. **Table 1.20** and **Chart 1.10** present the trends in the expenditure on these components during 2009-14.

Table 1.20: Components of Committed Expenditure

(₹ in crore)					
Components of Committed Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14
Salaries & Wages, <i>Of which</i>	8,193	10,576	11,793	13,442	15,814
<i>Non-Plan Head</i>	7,866	10,131	11,094	12,575	14,999
<i>Plan Head*</i>	327	445	699	867	815
Expenditure on Pensions	1,769	2,385	3,136	3,779	4,264
Interest Payments	1,833	1,912	2,074	2,115	2,198
Subsidies	38	38	72	80	81
Total	11,833	14,911	17,075	19,416	22,357
<i>As per cent of RR</i>					
Salaries & Wages	41.20	45.97	42.95	43.80	49.09
Expenditure on Pensions	8.90	10.37	11.42	12.31	13.24
Interest Payments	9.22	8.31	7.55	6.89	6.82
Subsidies	0.19	0.17	0.26	0.26	0.25

Source: Finance Accounts

* Plan Head includes the salaries paid under Centrally Sponsored Schemes



(A) Salary and Wage expenditure

Salaries and wages alone accounted for 49 *per cent* of revenue receipts of the State during 2013-14. It increased by 18 *per cent* from ₹ 13,442 crore in 2012-13 to ₹ 15,814 crore in 2013-14. Salary and wage expenditure under Non-plan head during 2013-14 increased by ₹ 2,424 crore (19.28 *per cent*) over the previous year whereas the same on plan head decreased by ₹ 52 crore (six *per cent*) over the previous year. Non-plan salary expenditure ranged between 94 *per cent* and 96 *per cent* of total expenditure on salaries during 2009-14. Although expenditure on salaries (₹ 15,619 crore) during 2013-14 was less by ₹ 1,719 crore (11 *per cent*) than assessed (₹ 17,338 crore) by the State Government in its budget, it was more by ₹ 1,526 crore (11 *per cent*) than the

projection of ₹ 14,093 crore in MTFP and by ₹ 8,282 crore (113 *per cent*) than the assessment made by the FC-XIII (₹ 7,337 crore).

(B) Interest Payments

Interest payments increased by ₹ 83 crore (3.92 *per cent*) from ₹ 2,115 crore in 2012-13 to ₹ 2,198 crore in 2013-14. During the current year the interest payment was made on internal debt (₹ 1,553 crore), Small Savings, Provident Fund etc., (₹ 522 crore) and loans and advances from Central Government (₹ 123 crore).

The interest payments with reference to assessment made by the FC-XIII and the projections of the State Government in its budget and MTFP (**Table 1.21**) indicate that the State Government was successful in restricting the interest payment within the assessments of FC-XIII and State projections during 2013-14.

Table 1.21: Interest Payments *vis-à-vis* Thirteenth Finance Commission assessment and State Projections

Year	Assessment made by the FC-XIII	Assessment made by the State Government in		(₹ in crore)
		Budget	MTFP	Actual
		2013-14	3,147	2,264

The major sources of borrowings of the State Government were (i) Loans from National Small Savings Fund of Central Government, (ii) Loans from the Banks and Financial Institutions, (iii) Loans from the Centre and (iv) Loans from Small Savings and Provident Funds.

During 2013-14, the State Government did not raise any loan from open market. However, the Government borrowed major amount of ₹ 238 crore from National Bank for Agriculture and Rural Development (NABARD), ₹ 909 crore from National Small Savings Fund (NSSF) and ₹ 49 crore from Government of India.

(C) Pension Payments

Pension payments increased from ₹ 1,769 crore in 2009-10 to ₹ 4,264 crore in 2013-14 recording a total increase of 141 *per cent* in five years. Pension payments alone accounted for more than 13 *per cent* of revenue receipts of the State during the year and increased by ₹ 485 crore (12.83 *per cent*) over the previous year. Increase of ₹ 485 crore in pension payments during 2013-14 over the previous year was mainly due to increase in expenditure under Superannuation and Retirement Allowances (₹ 295 crore), Gratuity (₹ 86 crore), Leave Encashment Benefits (₹ 66 crore) and Family Pension (₹ 36 crore).

The State Government had introduced The New Defined Contribution Pension Scheme applicable to all new entrants joining State Government Service on regular basis against vacant sanctioned post(s) on or after 1 February 2005 in order to limit future pension liabilities. The New Pension Scheme was however, implemented provisionally in the State with effect from January 2010. In terms of the scheme, employees contribute 10 *per cent* basic pay and dearness allowance, which is matched by the State Government and the entire amount, is transferred to the designated fund manager through the National Securities Depository Limited (NSDL). During 2013-14, the State Government contributed only ₹ 100 crore against employee's contribution of ₹ 201.16 crore and thus, ₹ 101.16 crore remained a liability for the State Government.

Table 1.22 below shows the actual pension payments with reference to assessment made by the FC-XIII and projections of the State Government.

Table 1.22: Actual Pension Payments *vis-à-vis* FC-XIII assessment and State Projections

Year	Assessment made by the FC-XIII	Assessment made by the State Government in		Actual
		Budget	MTFP	
		2013-14	2,621	

(₹ in crore)

Pension payments was ₹ 1,643 crore (62.69 *per cent*) more than the assessments of FC-XIII, ₹ 469 crore (12.36 *per cent*) more than the projections made by the State Government in its MTFP and ₹ 1,109 crore (35.15 *per cent*) more than the projections made in its budget during 2013-14.

(D) Subsidies

Table 1.20 indicates that subsidies as a percentage of revenue receipts though decreased marginally from 0.26 *per cent* (2012-13) to 0.25 *per cent* in 2013-14 but in absolute terms expenditure on payment of subsidies increased marginally from ₹ 80 crore in 2012-13 to ₹ 81 crore in 2013-14. During 2013-14 the major Departments which received subsidy were Industries and Commerce (50 *per cent*) and Welfare of Plain Tribes and Backward Classes (48 *per cent*). The State Government had not made any projection for subsidy in its MTFP during 2013-14.

1.6.5 Financial Assistance by State Government to boards and other institutions

The quantum of assistance provided by way of grants and loans to boards and others during the current year relative to the previous years is presented in **Table 1.23**.

Table 1.23: Financial Assistance to boards and other institutions
(₹ in crore)

Financial Assistance to Institutions	2009-10	2010-11	2011-12	2012-13	2013-14	
					Final Grant/ Appropriation	Actual
Municipal Corporations/Urban Sewerage Board	105.41	56.74	112.26	94.37	231.31	62.20
Co-operative Societies and Co-operative Institutions	0.34	1.00	1.18	7.88	5.50	5.50
Universities and Educational Institutions	955.46	1,539.47	1,602.93	2,239.27	2,751.05	2,760.62
Electricity Companies	42.24	50.21	69.10	401.43	153.00	278.76
Assam State Housing Board (ASHB)	1.64	0.40	0.46	2.11	4.38	4.58
Assam Khadi & Village Industries Board	11.87	12.18	21.56	27.01	34.66	24.77
Urban Development Authority	13.28	8.37	10.14	3.58	9.00	11.52
Autonomous Councils	102.09	127.58	123.88	404.88	330.36	393.42
Other Institutions	281.52	354.45	175.96	244.45	2,799.24	671.91*
Total	1,513.85	2,150.40	2,117.47	3,424.98	6,318.50	4,213.28
Assistance as percentage of RE	7.13	9.37	7.98	11.75	19.75	13.17

*Financial assistance to Other Institutions was mainly under (i) Road Transport: ₹ 30.50 crore; (ii) Welfare of SC, ST & OBC: ₹ 26.56 crore; (iii) Loans for General Financial & Trading Institutes: ₹ 503 crore and (iv) Other Rural Development Programme: ₹ 88.60 crore and (v) Loans for Consumer Industries: ₹ 18.25 crore

The total assistance at the end of the year 2013-14 had increased significantly by 178 per cent over the level of 2009-10. Further, the assistance to boards and other institutions as a percentage of total revenue expenditure had also increased from 7.13 per cent in 2009-10 to 13.17 per cent in 2013-14. Financial assistance to universities and educational institutions alone constituted more than 65 per cent of the total assistance of the State Government during 2013-14.

1.6.6 Local Bodies

Major issues relating to Local Bodies, *i.e.*, Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) are summarised in the following paragraphs.

1.6.6.1 Classification of Local Bodies

Panchayati Raj Institutions (PRIs): Consequent upon the 73rd Constitutional Amendment Act, 1992 the Government of Assam had created the Assam Panchayati Raj Act (APA) 1994, replacing the Assam Panchayati Raj Act, 1986. The APA, 1994 provided for a three-tier panchayat system comprising Gaon Panchayat (GP) at the village level, Anchalik Panchayat (AP) at the block level and Zilla Parishad (ZP) at the district level. As of 31 March 2014, there were 20 ZPs, 185 APs and 2,202 GPs in the State.

Urban Local Bodies (ULBs): In consonance with the 74th Constitutional Amendment Act, 1992 the municipal administration in Assam is based on three categories of ULBs as noted below:

- (i) Town Committee (TC) for a transitional or emerging urban area;
- (ii) Municipal Board (MB) for a comparatively small urban area, and
- (iii) Municipal Corporation *i.e.*, Guwahati Municipal Corporation (GMC) for a larger urban area.

As of 31 March 2014, there were 93 ULBs in the State comprising of one Municipal Corporation, 34 MBs and 58 TCs.

1.6.6.2 Financial Profile of Local Bodies

The quantum of funds from own resources (Local Bodies) and assistances provided by way of grants to local bodies during 2009-10 to 2013-14 is presented in **Tables 1.24** and **1.25**.

Table 1.24: Resources of PRI

Source	₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Own Revenue (Local Bodies)	17.03	23.46	87.85	176.16	NA
State Finance Commission (SFC) transfers	295.68	119.36	227.96	104.42	158.23
Central Finance Commission (CFC) transfers	152.71	125.97	213.58	306.01	201.93
Grants for State sponsored schemes	164.00	334.40	182.02	150.09	197.29
GOI grants for Centrally Sponsored Schemes	2,077.52	1,931.18	1,786.66	1,657.65	2,090.97
Total	2,706.94	2,534.37	2,498.07	2,394.33	2,648.42

Source: Commissioner, P&RD, Assam; NA: Not available
(Figures for the years 2009-10 to 2012-13 modified at the instance of P&RD Department, GOA)

Table 1.25: Resources of ULBs

Source	₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Own Revenue	103.41	128.78	151.57	190.04	NA
SFC transfers	96.15	151.67	189.68	149.59	133.11
CFC transfers	24.35	12.04	31.97	44.28	NA
Interest for delayed payment of CFC grants	0.84	0.30	0.09	0.33	0.12
State sponsored schemes	33.31	20.54	16.13	1.59	29.34
GOI grants for Centrally Sponsored Schemes	88.83	33.27	24.09	33.41	198.77
Total	346.89	346.60	413.53	419.24	361.34

Source: Fourth Assam State Finance Commission Report and information furnished by State Government.
NA: Not available

Both PRIs and ULBs at all levels mobilized their internal resources from Tax and Non-Tax revenues. During current year GOI grants for centrally sponsored schemes increased significantly for both PRIs and ULBs.

1.6.6.3 Devolution of functions, functionaries and fund (3Fs) to PRIs and ULBs

The 73rd and 74th Constitutional amendment gave the constitutional status to PRIs and ULBs and established a system of uniform structure, holding of regular elections, regular flow of funds through Finance Commissions, etc. As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable them to function as institutions of self-government. In particular, the PRIs and ULBs are required to prepare plans and implement schemes for economic development and social justice in respect of functioning enumerated in the Schedule XI and XII of the Constitution respectively.

- In June 2007, Government of Assam (GOA) issued notification regarding activity mapping for 23 subjects out of 29 as listed in Schedule XI of the Constitution for devolution of 3Fs to the PRIs. Following the activity mapping which defined the functions and functionaries that are to be devolved to each tier of PRIs, Government orders were issued for devolution in respect of only seven subjects out of 23 notified. Orders are yet to be issued in respect of remaining 16 subjects.
- GOA amended (May 2011) the Assam Municipal Act (AMA), 1956, which provided for transfer of 3Fs to ULBs relating to 18 subjects listed in the Twelfth Schedule of the Constitution and also for the constitution of a committee under the Chairmanship of Minister in charge, Urban Development Department to monitor the matter for early and smooth transfer of 3Fs.

Thus, the process of decentralisation has just been initiated with the recent amendment of AMA.

- For devolution of fund, GOA created a panchayat/municipality window in the State Budget earmarking every year substantial outlays under Plan and Non-plan in the revenue account for panchayats and municipalities. In the absence of suitable administrative machinery due to non-transfer of 3Fs to PRIs and ULBs the amount earmarked was spent through the functionaries of the respective line departments.

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

1.6.6.4 Accounting and Auditing Arrangement

Accounting Arrangement: The GOA accepted the Model Accounting System prescribed by Ministry of Panchayati Raj (MoPR) in consultation with

the C&AG of India for PRIs and accordingly amended the Assam Panchayat (Financial) Rules 2002. However, neither the formats for preparation of Monthly and Annual Accounts, as prescribed by the C&AG of India, were incorporated in the Assam Panchayat (Financial) Rules 2002 nor was any provision made in the said Rules for preparation and submission of monthly and annual accounts.

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

Assam Municipal (Accounts) Rules 1961 framed under AMA, 1956, provides for maintenance of accounts of municipalities on cash basis and does not prescribe formats for preparation of annual accounts by ULBs. The State Government, in the line of National Municipal Accounting Manual (NMAM), prepared the draft Assam Municipal Accounting Manual (AMAM) in July 2010, which is based on accrual based accounting system and amended the AMA, 1956 in May 2011, to provide for maintenance of accounts on accrual basis and preparation of Receipt and Payment Accounts, Income and Expenditure Account and the Balance Sheet.

However, the accounts of ULBs continued to be maintained on cash basis and thereby true and fair view of financial affairs of ULBs and their assets and liabilities were not disclosed.

Auditing Arrangement: As per recommendation of FC-XIII, the GOA had entrusted the audit of accounts of PRIs and ULBs to the C&AG under Section 20 (1) of the CAG's (DPC) Act, 1971 under standard terms and conditions of Technical Guidance and Support (TGS) module (May 2011). Accordingly, the CAG conducts audit of PRIs and ULBs in the State.

1.6.6.5 Reporting Arrangement

Audit findings of test-check of accounts of LBs conducted by the CAG are presented in the form of Annual Technical Inspection Reports (ATIRs). ATIRs on PRIs and ULBs for the years 2004-05 to 2012-13 have been submitted to the State Government. It was for the first time that ATIR for the year 2009-10 was laid before the State Legislature in December 2011. The latest ATIR for the year 2012-13 was laid before the State Legislature on 04 August 2014.

Government of Assam had constituted (October 2012) Local Fund Accounts Committee (LFAC) to discuss the ATIRs on PRIs and ULBs. As of December 2013, ATIR for the year 2009-10 was discussed by the LFAC. Moreover, Action Taken Report (ATR) on the ATIRs submitted to Government was still awaited (December 2014).

1.7 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure.

1.7.1 Adequacy of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public and merit goods. Apart from improving the allocation towards development expenditure⁹, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.26** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year *vis-à-vis* budgeted and the previous years, **Table 1.27** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

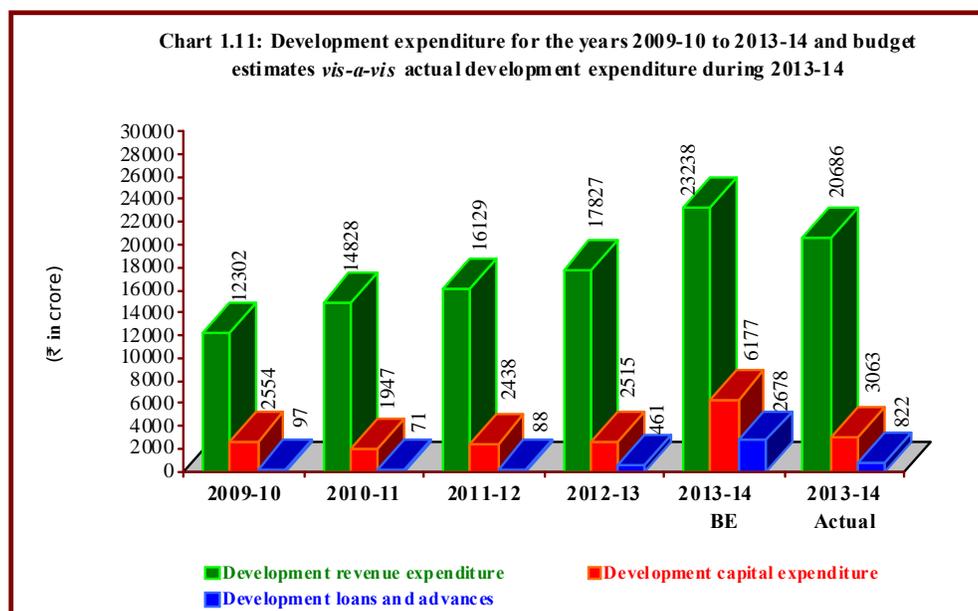
Table 1.26: Development Expenditure

Components of Development Expenditure	2009-10	2010-11	2011-12	2012-13	2013-14	
					BE	Actual
Development Expenditure (a to c)	14,953 (62)	16,846 (67)	18,655 (64)	20,803 (65)	32,093 (66)	24,571 (68)
a. Development Revenue Expenditure	12,302 (51)	14,828 (59)	16,129 (55)	17,827 (55)	23,238 (48)	20,686 (57)
b. Development Capital Expenditure	2,554 (11)	1,947 (8)	2,438 (8)	2,515 (8)	6,177 (13)	3,063 (9)
c. Development Loans and Advances	97 (-)	71 (-)	88 (1)	461 (2)	2,678 (5)	822 (2)

Figures in parentheses indicate percentage to aggregate expenditure

The share of development expenditure to aggregate expenditure exhibited relative stability during the period 2009-14 and increased in 2013-14 by ₹ 3,768 crore (18.11 *per cent*) over the previous year. During the current year, though the State Government earmarked 66 *per cent* of the estimated aggregate expenditure for development expenditure, this assessment was exceeded by two *per cent* at the end of the year. The relative share of development expenditure to total expenditure during 2009-14 is presented in **Chart 1.11**.

⁹ The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorised into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.



The development revenue expenditure increased by ₹ 2,859 crore (16.04 per cent) from ₹ 17,827 crore in 2012-13 to ₹ 20,686 crore in 2013-14. The increases under social and economic services were ₹ 2,232 crore and ₹ 627 crore respectively. The actual development revenue expenditure was less than the State's projection in budget by ₹ 2,552 crore.

The development capital expenditure increased significantly by ₹ 548 crore (21.79 per cent) from ₹ 2,515 crore in 2012-13 to ₹ 3,063 crore in 2013-14. The increase of ₹ 548 crore in development capital expenditure was due to increase of expenditure under economic services by ₹ 530 crore and social services by ₹ 18 crore.

The development loans and advances increased by ₹ 361 crore from ₹ 461 crore in 2012-13 to ₹ 822 crore in 2013-14. The actual development loans and advances was also less than the State's projection in budget by ₹ 1,856 crore.

1.7.2 Efficiency of Expenditure Use

Table 1.27: Efficiency of expenditure use in selected Social and Economic services

(In per cent)

Social/ Economic Infrastructure	2012-13			2013-14		
	Ratio of CE to TE [@]	In RE, the share of		Ratio of CE to TE [@]	In RE, the share of	
		S & W	O & M ^y		S & W	O & M ^y
Social Services (SS)						
Education, Sports, Art and Culture	0.03	21.20	0.41	--	24.37	0.05
Health and Family Welfare	0.72	3.54	0.77	0.67	3.57	0.77
Water Supply, Sanitation & Housing & Urban Development	19.17	1.20	1.99	18.27	1.20	2.45
Other Social Services	--	2.01	2.33	0.02	1.97	0.41
Total (SS)	1.38	27.95	5.50	1.29	31.11	3.68

Economic Services (ES)						
Agriculture & Allied Activities	0.63	3.49	1.72	0.50	3.59	3.22
Irrigation and Flood Control	53.48	1.90	0.80	58.00	1.85	0.60
Special Areas Programmes	78.92	0.01	--	58.62	0.01	--
Transport	52.92	1.90	2.13	44.19	1.89	2.51
Other Economic Services	16.03	1.45	0.58	23.76	1.71	0.46
Total (ES)	30.99	8.75	5.23	32.96	9.05	6.79
TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation & Maintenance.						
* Total revenue and capital expenditure of the services concerned. ^v Appendix XII of Finance Accounts.						

The trends presented in **Table 1.27** reveal that the percentage of capital expenditure on social services to total expenditure on social services decreased from 1.38 *per cent* in 2012-13 to 1.29 *per cent* in 2013-14. The decrease was mainly under Water Supply, Sanitation and Housing & Urban Development under social services. However, the percentage of capital expenditure on economic services to total expenditure increased from 30.99 *per cent* in 2012-13 to 32.96 *per cent* in 2013-14. The increase was mainly under irrigation and flood control under economic services.

The share of salary and wages in revenue expenditure on social services increased from 27.95 *per cent* in 2012-13 to 31.11 *per cent* in 2013-14 and the share of salary and wages in revenue expenditure on economic services also increased from 8.75 *per cent* in 2012-13 to 9.05 *per cent* in 2013-14. The increase was mainly under education, sports, art and culture under social services and agriculture and allied activities under economic services.

The share of operations and maintenance in revenue expenditure on social services decreased from 5.50 *per cent* in 2012-13 to 3.68 *per cent* in 2013-14 while the share of operations and maintenance in revenue expenditure on economic services increased from 5.23 *per cent* in 2012-13 to 6.79 *per cent* in 2013-14. The decrease was mainly under education, sports, art and culture under social services and the increase was under agriculture and allied activities and transport under economic services.

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

Impact of expenditure on various Sectors

Appendix 1.5 depicts the progress achieved during 2013-14 as compared to 2012-13 in various sectors. In the education sector, number of lower and upper primary schools increased significantly due to inclusion of newly provincialised schools. Further, enrollment of students in lower and upper primary schools also increased significantly by 3.5 lakh and 1.6 lakh respectively during the year. In the health sector, number of medical colleges as well as primary health centres increased marginally from 5 to 6 and from 204 to 205 respectively during the year. In Power Sector, the rural electrification improved marginally from 94.50

per cent in 2012-13 to 96.92 per cent in 2013-14. During the period, generation and purchase of power increased but its consumption decreased substantially. In the Irrigation Sector, new irrigation potential of 0.20 lakh hectares was created during the year and thus, the total irrigation potential of the State increased from 6.83 lakh hectares in 2012-13 to 7.03 lakh hectares in 2013-14. Although, per capita income of the State increased from ₹ 42,036 to ₹ 46,354 during the year, yet it was lower than the country's average of ₹ 74,920.

1.8 Financial Analysis of Government Expenditure and Investments

In the post-FRBM framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year *vis-à-vis* previous years.

1.8.1 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31 March 2014 is given in **Table 1.28**.

Table 1.28: Department-wise profile of Incomplete Projects

(₹ in crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Cost Overrun	Cumulative actual expenditure (March 2014)
Public Works (Roads)	39	256.45	--	171.92
Public Works (Buildings & National Highways)	13	77.96	20.37*	55.90
Irrigation	55	239.94	--	149.55
Water Resources	2	10.36	--	7.39
Total	109	584.71	20.37	384.76

Source: Finance Accounts 2013-14.

* Cost overrun of six incomplete projects of PW (Building & NH) (Initial budgeted cost: ₹ 47.88 crore; revised cost: ₹ 68.25 crore).

As on 31 March 2014 there were 109 incomplete projects (total cost more than ₹ one crore of each project) which were due to be completed by March 2014 in which ₹ 384.76 crore was blocked. Of these, 83 projects involving ₹ 322.32 crore remained incomplete for less than three years, 18 projects involving an amount of ₹ 37.32 crore remained incomplete for

periods ranging from three to five years and six projects involving ₹ 17.08 crore remained incomplete for more than five years. Details in respect of two projects involving ₹ 8.04 crore were not available. The revised cost of six incomplete projects increased by 42.54 *per cent* from ₹ 47.88 crore (initial budgeted cost) to ₹ 68.25 crore (total revised cost) and resulted in cost overrun of ₹ 20.37 crore.

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

1.8.2 Investment and returns

As of 31 March 2014, Government had invested ₹ 2,282 crore in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies (**Table 1.29**). The average return on this investment was 0.53 *per cent* while the Government paid an average interest rate of 6.53 *per cent* on its borrowings during 2013-14.

Table 1.29: Return on Investment

		(₹ in crore)				
		2009-10	2010-11	2011-12	2012-13	2013-14
1		2	3	4	5	6
(a)	Statutory Corporations (No. of concerns)	1,858.20 (4)	1,874.10 (4)	1,895.70 (4)	1,911.13 (4)	1,967.11 (4)
(b)	Rural Banks (No. of concerns)	10.54 (1)	11.16 (1)	11.16 (1)	11.16 (1)	11.16 (1)
(c)	Joint Stock Companies (No. of concerns)	18.04 (15)	18.04 (15)	18.04 (15)	18.04 (15)	18.04 (15)
(d)	Co-operatives (No. of concerns)	100.16 (18)	104.04 (18)	107.33 (18)	109.83 (18)	109.83 (18)
(e)	Government Companies (No. of concerns)	158.48 (24)	158.48 (24)	162.61 (24)	162.80 (24)	176.05 (24)
Total Investment		2,145.42	2,165.82	2,194.84	2,212.97	2,282.19
Return (₹ in crore)		14.92	14.98	13.64	11.64	12.05
Return (<i>per cent</i>)		0.70	0.69	0.62	0.53	0.53
Average rate of interest on Government borrowing (<i>per cent</i>)		6.83	6.58	6.78	6.57	6.53
Difference between interest rate and return (<i>per cent</i>)		6.13	5.89	6.16	6.04	6.00

During the last five years, *i.e.*, 2009-14, the State Government's investments had increased by ₹ 136.77 crore. During the current year, Government has invested ₹ 55.98 crore in Statutory Corporations and ₹ 13.25 crore in Government Companies. The increase in investments of ₹ 55.98 crore in Statutory Corporations during 2013-14 was mainly on account of increased capital contribution to Assam State Transport Corporation (₹ 55.22 crore).

Out of four Statutory Corporations, three were incurring losses and their accumulated losses amounted to ₹ 652.14 crore¹⁰. Similarly, out of 24 Government Working Companies in the State, 14 companies were also incurring losses and their accumulated losses amounted to ₹ 275.33 crore. The major loss incurring organisations were Assam Small Industries Development Corporation Ltd., (Investment: ₹ 2.90 crore; accumulated loss: ₹ 11.93 crore), Assam Industrial Development Corporation Ltd., (Investment: ₹ 29.71 crore; accumulated loss: ₹ 128.07 crore), Assam Seed Corporation Ltd., (Investment: ₹ 1.25 crore; accumulated loss: ₹ 19.95 crore), Assam Tea Corporation Ltd., (Investment: ₹ 8.07 crore; accumulated loss: ₹ 61.37 crore), Assam State Development Corporation for Scheduled Caste Ltd., (Investment: ₹ 4.88 crore; accumulated loss: ₹ 23.75 crore) and Assam Mineral Development Corporation Ltd., (Investment: ₹ 21.20 crore; accumulated loss: ₹ 6.67 crore).

1.8.3 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many institutions/ organisations. **Table 1.30** presents the outstanding loans and advances as on 31 March 2014, interest receipts *vis-à-vis* interest payments during the last five years.

Table 1.30: Average Interest received on Loans Advanced by the State Government

	(₹ in crore)				
Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Balance	2,878	2,944	2,987	3,054	3,508
Amount advanced during the year	99	71	88	461	822
Amount recovered during the year	33	28	21	7	6
Closing Balance	2,944	2,987	3,054	3,508	4,324
<i>Of which</i> Outstanding balance for which terms and conditions have been settled	--	--	--	--	--
Net addition	66	43	67	454	816
Interest Receipts	12	8	11	27	18
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.41	0.27	0.36	0.77	0.42
Average rate of interest on Government borrowing (<i>per cent</i>)	6.83	6.58	6.78	6.57	6.53
Difference between interest payments and interest receipts (<i>per cent</i>)	6.42	6.31	6.42	5.80	6.11

The total amount of outstanding loans and advances as on 31 March 2014 was ₹ 4,324 crore. The amount of loans disbursed during the year increased by 78 *per cent* from ₹ 461 crore in 2012-13 to ₹ 822 crore in 2013-14. The increase was mainly due to disbursement of loans of ₹ 503 crore to the Assam Financial Corporation. Out of the total amount of loans advanced during the year, ₹ 6.31 crore went to social services, ₹ 814.70 crore to economic services and ₹ 1.03

¹⁰ Assam State Ware-housing Corporation : ₹ 12.39 crore (as on 31-03-2010);
 Assam State Transport Corporation (ASTC) : ₹ 638.71 crore (as on 31-03-2012);
 Assam Financial Corporation, Guwahati : ₹ 1.04 crore (as on 31-03-2014).

crore to Government servants. Under social services, major portion of loan went to Urban Development (63.71 *per cent*) and Housing (30.90 *per cent*) and in economic services, the major portion of loans went to General Financial and Trading Institution (61.76 *per cent*) followed by Power Projects (34.98 *per cent*) and others (3.26 *per cent*). However, recovery of loans and advances decreased from ₹ seven crore in 2012-13 to ₹ six crore in 2013-14. Interest received against the loans and advances decreased by 33 *per cent* from ₹ 27 crore in 2012-13 to ₹ 18 crore in 2013-14. During 2013-14, only 0.17 *per cent* of outstanding loans were repaid by the Institutions/ Organisations/ Government servants and fresh loans and advances (₹ 821 crore) were made during the year to the nine loanee entities¹¹ from whom repayments of earlier loans (₹ 1,693 crore) were in arrears.

1.8.4 Cash Balances and Investment of Cash Balances

Table 1.31 and Chart 1.12 depicts the cash balances and investments made by the State Government out of cash balances during the year.

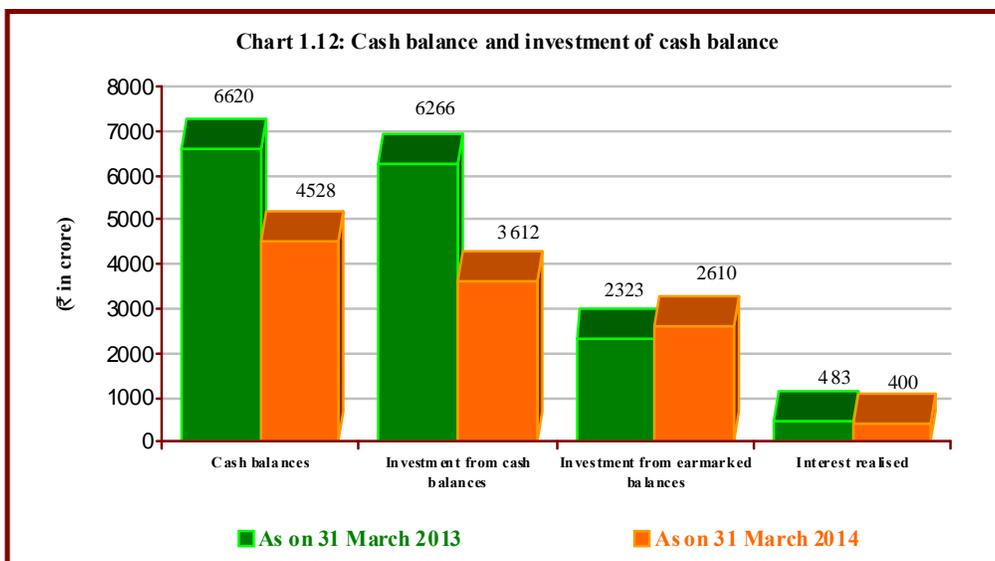
Table 1.31: Cash balances and investment of cash balances

(₹ in crore)

	Opening balance on 01-04.2013	Closing balance on 31.03.2014
General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank	(-) 1,987.89	(-) 1,704.63
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	(-) 1,987.89	(-) 1,704.63
Investments held in Cash Balance investment account	6,266.41	3,611.98
Total (a)	4,278.52	1,907.35
Other Cash Balances and Investments		
Cash with departmental officers <i>viz.</i> , Public Works, Forest Officers	18.32	9.69
Permanent advances for contingent expenditure with department officers	0.46	0.46
Investment of earmarked funds	2,322.71	2,610.49
Total (b)	2,341.49	2,620.64
Total (a) + (b)	6,620.01	4,527.99
Interest realised	483.26	400.17

11

1. Assam Urban Water Supply and Sewerage Development Board	: ₹	37.84 crore
2. Assam Tea Corporation Ltd.	: ₹	8.20 crore
3. Assam Hills Small Industries Development Corporations	: ₹	22.90 crore
4. Assam Plantation Crops Development Corporations Ltd.	: ₹	1.17 crore
5. Assam Power Distribution Company Ltd.	: ₹	1,552.54 crore
6. Assam State Housing Board	₹	1.48 crore
7. Ashok Paper Mills Ltd	₹	1.49 crore
8. Assam Financial Corporation	₹	44.39 crore
9. Co-operative Societies	₹	23.24 crore
Total	: ₹	1,693.25 crore



Cash balances of the State Government at the end of the current year decreased from ₹ 6,620 crore in 2012-13 to ₹ 4,528 crore in 2013-14. The State Government from the investments made in GOI Treasury Bills, had earned an interest of ₹ 400 crore during 2013-14. Further, the Government invested ₹ 2,610 crore in Sinking Fund and Development and Welfare Fund as of 31 March 2014. The interest receipts against investment on cash balance was 11.07 per cent during 2013-14 while Government paid interest at the rate of 6.53 per cent only on its borrowings during the year.

1.9 Assets and Liabilities

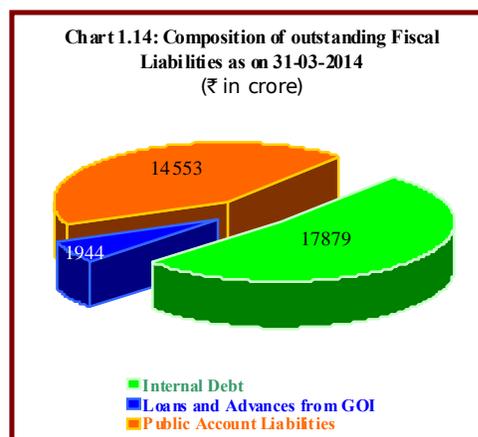
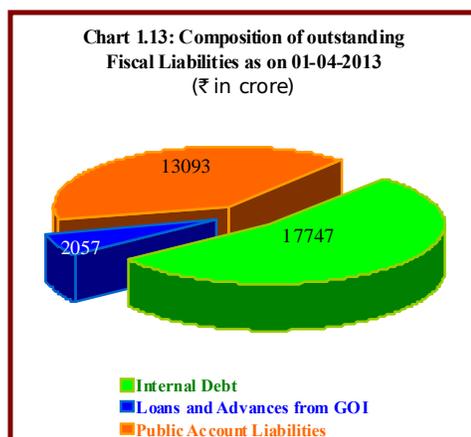
1.9.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.7* gives an abstract of such liabilities and assets as on 31 March 2014 compared with the corresponding position as on 31 March 2013. While the liabilities shown in the Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly of the capital outlay and loans and advances given by the State Government and cash balances.

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

1.9.2 Fiscal Liabilities

The composition of fiscal liabilities during the current year *vis-à-vis* the previous year is presented in **Charts 1.13** and **1.14**.



The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.4. Table 1.32** shows the fiscal liabilities of the State, their rate of growth, the ratio of these liabilities to GSDP, to revenue receipts and to State's own resources and also the buoyancy of fiscal liabilities with reference to these parameters.

Table 1.32: Fiscal Liabilities-Basic Parameters

Parameters	2009-10	2010-11	2011-12	2012-13	2013-14
Fiscal Liabilities [#] (₹ in crore)	28,465	29,693	31,497	32,897	34,376
Rate of Growth (<i>per cent</i>)	12.80	4.31	6.08	4.44	4.50
Ratio of Fiscal Liabilities to:					
GSDP (<i>per cent</i>)	29.66	26.35	25.03	23.23	21.13
Revenue Receipts (<i>per cent</i>)	143.16	129.07	114.72	107.19	106.71
Own Resources (<i>per cent</i>)	367.76	357.62	299.83	306.76	293.81
Buoyancy of Fiscal Liabilities with reference to:					
GSDP (ratio)	0.696	0.248	0.522	0.354	0.303
Revenue Receipts (ratio)	1.280	0.275	0.314	0.377	0.907
Own Resources (ratio)	0.623	0.593	0.229	2.135	0.495

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

The overall fiscal liabilities of the State increased at an average annual rate of 4.15 *per cent* during the period 2009-14. During the current year, the fiscal liabilities of the State Government increased by ₹ 1,479 crore from ₹ 32,897 crore in 2012-13 to ₹ 34,376 crore in 2013-14. The increase in fiscal liabilities was mainly due to increase in the Public Account liabilities (₹ 1,460 crore) and internal debt (₹ 132 crore), which was however, offset by

decrease in loans and advances from the GOI (₹ 113 crore). The ratio of fiscal liabilities to GSDP had improved and decreased from 23.23 *per cent* in 2012-13 to 21.13 *per cent* in 2013-14 which was well within the norms (28.4 *per cent*), prescribed by the FC-XIII. The fiscal liabilities stood at nearly 1.07 times of the revenue receipts and three times of the State's own resources at the end of 2013-14. The buoyancy of the liabilities with respect to GSDP during the year was 0.303 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.303 *per cent*. The State Government had set up the sinking fund in line with the recommendations of the Twelfth Finance Commission (TFC) for amortisation of market borrowings as well as other loans and debt obligations. As of 31 March 2014, the balance in the sinking fund was ₹ 2,595.99 crore. During 2013-14, ₹ 286.88 crore had been invested in the sinking fund.

1.9.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee had been extended. According to FRBM Act, State Government guarantees shall be restricted to 50 *per cent* of State's tax and non-tax revenue of the second preceding year.

The maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years are shown in **Table 1.33**.

Table 1.33: Guarantees given by the Government of Assam

Guarantees	(₹ in crore)		
	2011-12	2012-13	2013-14
Maximum amount guaranteed	652	599	582
Outstanding amount of guarantees including interest	259	114	90
Percentage of maximum amount guaranteed to total revenue receipts	2.37	1.95	1.81
Criteria as per the Assam Fiscal Responsibility and Budget Management Act, 2005.	State Government guarantees shall be restricted at any point of time to 50 <i>per cent</i> of State's own tax and non-tax revenue of the second preceding year as reflected in the books of accounts maintained by Principal Accountant General (A&E).		

Government had constituted (September 2009) a 'Guarantee Redemption Fund' for meeting the payment obligations arising out of the guarantees issued by the Government in respect of bonds issued and other borrowings by the State Level Public Sector Undertakings or other bodies and invoked by the beneficiaries. The accumulations in the Fund would be utilised only towards payment of the guarantees issued by the Government and not paid by the institution on whose behalf guarantee was issued. According to the scheme guidelines, the Fund should be set up by the Government with an initial contribution of ₹ five crore and during each year the Government should contribute an amount equivalent to at least three *per cent* of the outstanding guarantees at the end of the second

financial year preceding the current financial year as reflected in the books of accounts as maintained by the Principal Accountant General (A&E). During 2013-14, the State Government did not contribute any amount to the Fund. No guarantees were invoked during the year. As on 31 March 2014, the total amount lying in the Fund was ₹ 21.31 crore (including the interest of ₹ 0.90 crore for 2013-14) and the entire amount had been invested by the Reserve Bank of India.

Government had guaranteed loans raised by various Corporations and others which at the end of 2013-14 stood at ₹ 90 crore. It was 0.86 *per cent* of State's own tax and non-tax revenue of the second preceding year *i.e.*, well within the limit prescribed in the Act. Out of the total outstanding guarantees, ₹ 29.85 crore (33 *per cent*) pertained to Co-operative sector.

1.10 Debt Sustainability

Apart from the magnitude of debt of State Government, it is important to analyse various indicators that determine the debt sustainability of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilisation; sufficiency of non-debt receipts; net availability of borrowed funds; burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.34** analyses the debt sustainability of the State according to these indicators for the period of five years beginning from 2009-10.

Table 1.34: Debt Sustainability: Indicators and Trends

	(₹ in crore)				
Indicators of Debt sustainability	2009-10	2010-11	2011-12	2012-13	2013-14
Debt Stabilisation {Quantum Spread + Primary Deficit (-)/ Surplus (+)}	1,196+ (-) 2,210 = (-) 1,014	1,817+ (-) 79 = 1,738	1,313+ 428 = 1,741	2,263+ 598 = 2,861	2,860+ (-) 1,584 = 1,276
Sufficiency of Non-debt Receipts (Resource Gap)	(-) 5,450	(+) 2,052	(+) 345	(+) 129	(-) 2,265
Net Availability of Borrowed Funds	(+) 1,398	(-) 682	(-) 1,238	(-) 1,765	(-) 1,387
Burden of Interest Payments (IP/RR Ratio)	9.22	8.31	7.55	6.89	6.82
IP/Own Tax Ratio	36.76	32.24	27.15	19.72	18.79
Maturity Profile of State					
0 – 1 Year	340.32	432.61	453.59	475.30	330.50
1 – 3 Years	1,527.30	1,843.08	2,312.18	2,055.47	2,505.94
3 – 5 Years	2,646.25	2,620.42	2,546.94	2,868.46	3,102.00
5 – 7 Years	2,523.26	2,863.98	3,099.21	2,439.83	3,867.58
7 Years and above	11,983.29	12,382.27	11,536.67	11,965.13	10,017.00

Table 1.34 reveals that quantum spread together with primary deficit was negative in 2009-10. However, it turned positive in the year 2010-11 and remained the same in the years 2011-12, 2012-13 and 2013-14 indicating that the debt-GSDP ratio was stable. The sum of quantum spread and primary deficit at

₹ 1,276 crore during 2013-14 was a positive sign towards fiscal balances for improving the debt sustainability position of the State.

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. The State had a positive resource gap in three years from 2010-11 to 2012-13 during the five year period 2009-14. However, the positive resource gap of ₹ 129 crore in 2012-13 became negative to (-) ₹ 2,265 crore in 2013-14.

The Public Debt Receipts of the State decreased from ₹ 2,190 crore in 2009-10 to ₹ 1,196 crore in 2013-14 at an annual average rate of 9.08 *per cent*. However, it decreased significantly by 14 *per cent* (₹ 192 crore) from ₹ 1,388 crore in 2012-13 to ₹ 1,196 crore in 2013-14. So far as year-end cash balance of the State is concerned, it decreased by ₹ 2,092 crore from ₹ 6,620 crore in 2012-13 to ₹ 4,528 crore in 2013-14.

High level of surplus cash in recent past seems to provide some headroom to withstand pressure on finances and the State was not resorting to ways and means advances or overdrafts. The reason for cash accumulation was attributed to conservative approach in capital spending since the capital outlay as a percentage of total expenditure ranged between a meagre eight and 11 *per cent* during the period from 2009-10 to 2013-14.

In view of the comfortable cash balances, the State may consider to defer and/or resort to more need based borrowing programmes in a cost effective manner. The State may consider identifying a clear shelf of projects which require capital investment and borrow only to that extent by realistic assessment of cash needs with effective cash management for better synchronisation of cash inflows and outflows. This would at the same time curb unwarranted build-up of cash surplus as well.

1.11 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government account represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under FRBM Act/Rules for the financial year 2013-14.

1.11.1 Trends in Surplus/Deficit

Charts 1.15 and 1.16 present the trends in deficit indicators over the period 2009-14.

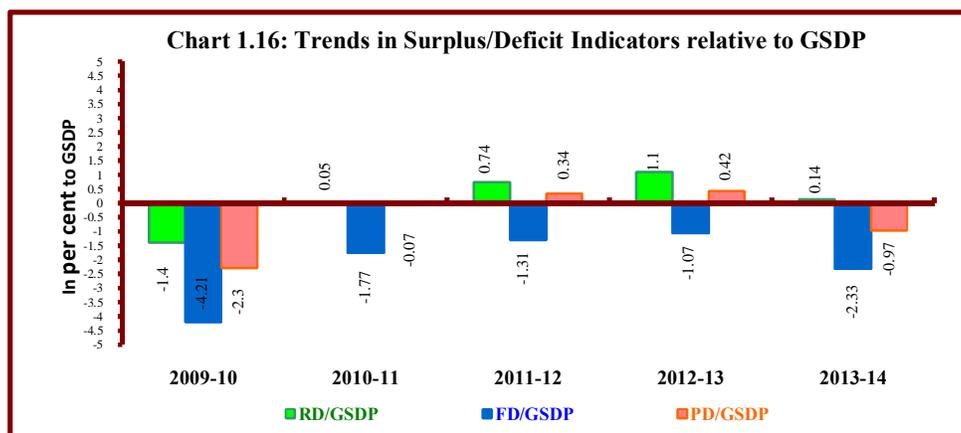
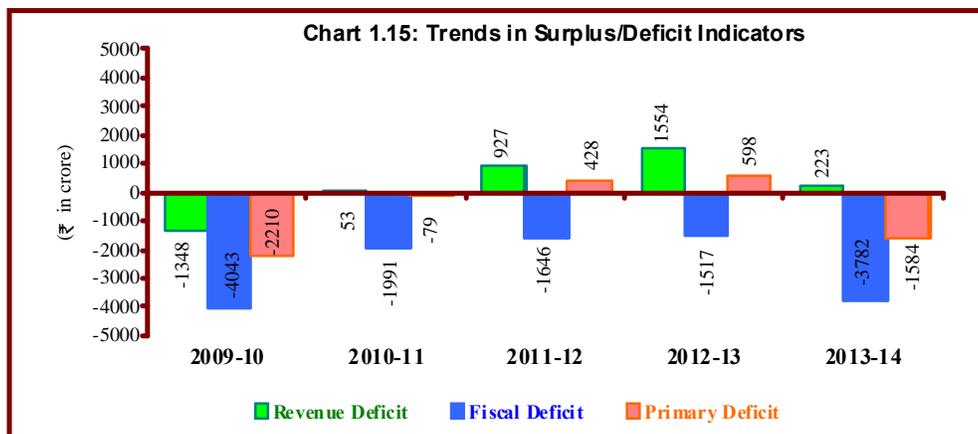


Chart 1.15 reveals that the State had a revenue deficit during 2009-10. But thereafter the State adopted fiscal correction path and consequently attained revenue surplus in the subsequent four years i.e., 2010-14. The surplus in revenue account (₹ 223 crore) during the current year was mainly on account of increase in revenue receipts by ₹ 1,522 crore (4.96 per cent) against an increase of ₹ 2,853 crore (9.79 per cent) in revenue expenditure over the previous year. The increase in revenue account (₹ 1,522 crore) in the current year was on account of sufficient growth rate of 2.73 per cent (₹ 546 crore) in central transfers and 9.10 per cent (₹ 976 crore) in State's own resources.

The fiscal deficit which represents the gap between the total resources and total expenditure increased significantly by ₹ 2,265 crore from the level of ₹ 1,517 crore in 2012-13 to ₹ 3,782 crore in 2013-14. This was the result of decrease of ₹ 1,331 crore in revenue surplus as well as marginal decrease of ₹ one crore in non-debt capital receipts along with increase of ₹ 572 crore in capital expenditure and ₹ 361 crore in net disbursement of loans and advances in 2013-14.

During 2009-10 and 2010-11 the State had primary deficit which took a turnaround and became primary surplus during the years 2011-12 and 2012-13. Subsequently, primary surplus of ₹ 598 crore of 2012-13 once again turned into primary deficit of ₹ 1,584 crore in 2013-14. Increase in fiscal deficit and interest payment by ₹ 2,265 crore and ₹ 83 crore respectively resulted in increase in primary deficit of ₹ 2,182 crore from 2012-13 to 2013-14.

1.11.2 Composition of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in **Table 1.35**.

Table 1.35: Components of fiscal deficit and its financing pattern

		(₹ in crore)				
Particulars		2009-10	2010-11	2011-12	2012-13	2013-14
1		2	3	4	5	6
Decomposition of Fiscal Deficit (FD/GSDP) Deficit (+)/Surplus (-)		4,043	1,991	1,646	1,517	3,782
		(4.21)	(1.77)	(1.31)	(1.07)	(2.33)
1	Revenue Deficit	1,348	(-) 53	(-) 927	(-) 1,554	(-) 223
2	Net Capital Expenditure	(+) 2,629	(+) 2,001	(+) 2,506	(+) 2,617	(+) 3,189
3	Net Loans & Advances	(+) 66	(+) 43	(+) 67	(+) 453	(+) 816
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	(+)1,405.45	(+) 300.03	(-) 654.77	(-) 696.40	(-) 585.66
2	Loans from GOI	(-) 293.19	(-) 107.69	(-) 95.21	(-) 86.62	(-) 113.31
3	Special Securities Issued to NSSF	(+) 24.79	(+) 860.47	(+) 474.85	(+) 643.25	(+) 668.57
4	Loans from Financial Institutions	(+) 46.40	(+) 69.12	(+) 81.36	(-) 4.62	(+) 49.24
5	Small Savings, PF etc.	(+) 489.55	(+) 540.41	(+) 634.98	(+) 807.52	(+) 837.17
6	Deposit & Advances	(+) 568.13	(-) 728.61	(+) 437.17	(+) 413.21	(+) 157.47
7	Suspense and Misc.	(+) 980.13	(+)1613.13	(+) 34.76	(-) 404.99	(+) 2,786.10
8	Remittances	(-) 164.64	(+) 27.97	(-) 50.84	(-) 35.27	(+) 10.32
9	Reserve Fund	(+) 413.92	(-) 153.12	(+) 67.87	(-) 118.35	(+) 255.66
10	Decrease/increase in cash balance with RBI	(+) 573.61	(-) 431.16	(+) 15.88	(+) 998.76	(-) 283.26
11	Others	(-) 0.74	-	-	-	-
*All these figures are net of disbursements/outflows during the year						

It can be seen from **Table 1.35** that there was declining trend in fiscal deficit during the years 2009-10 to 2012-13 but it increased significantly during the current year. During 2013-14, the fiscal deficit was mainly financed by Special Securities issued to NSSF, Small Savings, PF etc., Deposits and Advances and Suspense and Miscellaneous heads.

The increase in capital expenditure indicated that borrowed funds were being utilised for productive uses more than that of previous year. The Government should continue this trend as the solution to the Government debt problem lies on the method of application of borrowed funds *i.e.*, whether they are being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy which may result in increase in Government revenue in future making debt payments manageable.

1.11.3 Quality of Deficit/Surplus

The ratio of revenue deficit to fiscal deficit and the decomposition of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistent high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The bifurcation of the primary deficit (**Table 1.36**) would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.36: Primary Deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit(-)/ Surplus (+)	Primary Deficit (-) / Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2009-10	19,917	19,399	2,629	99	22,127	(+) 518	(-) 2,210
2010-11	23,033	21,040	2,001	71	23,112	(+) 1,993	(-) 79
2011-12	27,476	24,454	2,506	88	27,048	(+) 3,022	(+) 428
2012-13	30,698	27,022	2,617	461	30,100	(+) 3,676	(+) 598
2013-14	32,219	29,792	3,189	822	33,803	(+) 2,427	(-) 1,584

There was a primary deficit in the State during the period 2009-10 to 2010-11 but the turnaround came in the years 2011-12 and 2012-13 when the State exhibited primary surplus. However, during 2013-14 there was a primary deficit again because non-debt receipts were less than the primary expenditure. In the current year non-debt receipts were sufficient to cover primary revenue expenditure but were not adequate enough to meet capital expenditure also. Over the period 2009-14, the percentage of capital expenditure in primary expenditure had shown inter-year fluctuation and reduced from 11.88 *per cent* in 2009-10 to 9.43 *per cent* in 2013-14 which is a matter of concern. The State should reverse this trend and increase the percentage of capital expenditure in primary expenditure as increase in this regard indicates improvement in the productive capacity of the State's economy.

1.12 Institutional measures

Towards strengthening fiscal discipline in the State, the Government of Assam had taken certain institutional measures like legislation in respect of guarantees and fiscal responsibilities in the form of enactment of the Assam Fiscal

Responsibility and Budget Management Act in 2005 (amended in 2011). Since then the Government had been undertaking measures like implementation of Consolidated Sinking Fund, introduction of VAT etc.

As a measure to improve fiscal transparency, the Government of India outlined several initiatives to assist the State Governments in their developmental and social roles. Public Private Partnership (PPP) is such an initiative that enables implementation of Governments programmes/schemes in partnership with the private sector. The potential benefits derived from PPP are cost effectiveness of the project, higher productivity, accelerated delivery, enhanced social service and recovery of user charges. It also allows the State Government to use limited budgetary resources on high priority schemes where private sector is not willing to enter.

In view of the above, several State Governments across India are entering into PPP agreements in the areas of infrastructure projects, survey and exploitation of mines and minerals, development of industrial estates, development of hydro-electricity projects etc.

The Government of Assam formulated the policy on public private partnership in Infrastructure Development in the State and the policy came into force with effect from 16 February 2008 (from the date of publication of Gazette Notification). **Table 1.37** indicates that as on 31 March 2014, Government of Assam had taken up 13 PPP projects for implementation of which five projects¹² had been completed and eight were under implementation/construction. Further details regarding total cost of the projects and Government contribution thereto are given in **Appendix 1.6**.

Table 1.37: Status of implementation of PPP projects

No. of projects	Status of the projects
5	Completed
8	Under implementation/construction
15	Under planning/pipeline

Source: Information furnished by the Government.

Although the State Government had completed five PPP projects as on 31 March 2014, the PPP cell under the control of Planning and Development Department could not furnish any information regarding project-wise release of funds, date of commission, revenue sharing pattern etc., of the completed projects, though called for.

¹² (i) Beautification of Guwahati City (Traffic Signal), (ii) Integrated Solid Waste Management, (iii) Champawati Power Project, Kokrajhar (4 MW), (iv) G.N.C Engineering Institute of Management and Technology, Tezpur; and (v) O & M of Skilled Development Training Centre.

1.13 Conclusion and Recommendations

The fiscal position of the State viewed in terms of key fiscal parameters ó revenue deficit, fiscal deficit and primary deficit etc., indicated that except during 2009-10 the State had maintained revenue surplus during the last five years. The fiscal deficit of the State at 2.33 *per cent* was also lower than 3 *per cent* of GSDP, the limit prescribed under the Assam Fiscal Responsibility and Budget Management (AFRBM) Act 2011. However, primary surplus of the last year turned into primary deficit during the current year.

Revenue Receipts

Revenue receipts grew by ₹ 1,522 crore (five *per cent*) over the previous year. The increase was contributed by tax revenue ₹ 745 crore (49 *per cent*), non-tax revenue by ₹ 231 crore (15 *per cent*) and State's share of Union Taxes and Duties by ₹ 974 crore (64 *per cent*). The increase was however, offset by decrease in Grants-in-aid from Government of India (GOI) by ₹ 428 crore (28 *per cent*). *The revenue receipts at ₹ 32,213 crore was lesser by ₹ 1,075 crore than the assessment made in Medium Term Fiscal Plan (MTFP)¹³ (₹ 33,288 crore).*

(Para-1.1.1)

Revenue Expenditure

The overall revenue expenditure of the State increased by 50.69 *per cent* from ₹ 21,232 crore in 2009-10 to ₹ 31,990 crore in 2013-14 at an annual average rate of 10.13 *per cent*. The Non-Plan Revenue Expenditure (NPRE) constituted a dominant share of nearly 78 *per cent* in the revenue expenditure and increased by ₹ 2,320 crore over the previous year. The Plan Revenue Expenditure (PRE) increased by ₹ 533 crore (8.21 *per cent*) from ₹ 6,495 crore in 2012-13 to ₹ 7,028 crore in 2013-14.

(Para-1.6.3)

During 2013-14, the development expenditure (₹ 24,571 crore) increased by ₹ 3,768 crore (18.11 *per cent*) over the previous year. The relative share of the revenue developmental expenditure was 57 *per cent* of the total expenditure while this share in respect of capital development expenditure was only nine *per cent*. The expenditure pattern of the State revealed that there was an increasing pressure on revenue expenditure. Salaries and wages alone accounted for 49 *per cent* of revenue receipts of the State during 2013-14. It increased by 18 *per cent* from ₹ 13,442 crore in 2012-13 to ₹ 15,814 crore in 2013-14. Although expenditure on salaries (₹ 15,619 crore) during 2013-14 was lesser by

¹³ MTFP: As required under Section 3 of the Act, the State Government laid before the State Legislative Assembly a five year rolling Fiscal Plan along with Annual Financial Statement showing therein the relevant fiscal indicators and future prospects for growth.

₹ 1,719 crore (11 *per cent*) than assessed (₹ 17,338 crore) by the State Government in its budget, it was more by ₹ 1,526 crore (11 *per cent*) than the projection of ₹ 14,093 crore in MTFP and by ₹ 8,282 crore (113 *per cent*) than the assessment made by the FC-XIII (₹ 7,337 crore).

(Para-1.6.4 and 1.7.1)

Investment and Returns

There were 109 incomplete projects (total cost more than ₹ one crore of each project) which were due to be completed by March 2014 in which ₹ 384.76 crore was blocked. Of these, 83 projects involving ₹ 322.32 crore remained incomplete for less than three years, 18 projects involving an amount of ₹ 37.32 crore remained incomplete for periods ranging from three to five years and six projects involving ₹ 17.08 crore remained incomplete for more than five years. Details in respect of two projects involving ₹ 8.04 crore were not available. The revised cost of six incomplete projects increased by 42.54 *per cent* from ₹ 47.88 crore (initial budgeted cost) to ₹ 68.25 crore (total revised cost) and resulted in cost overrun of ₹ 20.37 crore. Delay in completion of works/projects invites the risk of escalation in the cost of the works, besides the intended benefits from those projects did not reach the beneficiaries in the State.

(Para-1.8.1)

The average return on State Government's investment in Statutory Corporations, Rural Banks, Joint Stock Companies, Co-operatives and Government Companies varied between 0.53 and 0.70 *per cent* in the last five years whereas the State Government's average interest outgo was in the range of 6.53 to 6.83 *per cent*.

(Para-1.8.2)

Cash balances of the State Government at the end of the current year decreased from ₹ 6,620 crore in 2012-13 to ₹ 4,528 crore in 2013-14. The State Government had invested ₹ 3,612 crore in GOI Treasury Bills and earned an interest of ₹ 400 crore during 2013-14. Further, the Government invested ₹ 2,610 crore in Sinking Fund and Development and Welfare Fund as of 31 March 2014. The interest receipts against investment on cash balance was 11.07 *per cent* during 2013-14 while Government paid interest at the rate of 6.53 *per cent* only on its borrowings during the year.

(Para-1.8.4)

Fiscal liabilities

The overall fiscal liabilities of the State increased at an average annual rate of 4.15 *per cent* during the period 2009-14. During the current year, the fiscal liabilities of the State Government increased by ₹ 1,479 crore from ₹ 32,897 crore in 2012-13 to ₹ 34,376 crore in 2013-14. The ratio of fiscal liabilities to GSDP had improved and decreased from 23.23 *per cent* in 2012-13

to 21.13 per cent in 2013-14 which was well within the norms (28.4 per cent), prescribed by the FC-XIII. The fiscal liabilities stood at nearly 1.07 times of the revenue receipts and three times of the State's own resources at the end of 2013-14.

(Para-1.9.2)

The State Government may explore the possibility to mobilise additional resources both through tax and non-tax sources by expanding the tax base and rationalising the user charges. Efforts should also be made to increase tax compliance, reduce tax administration costs, etc., so that deficits are contained. Further, in order to ensure sustainable progress towards fiscal consolidation, State needs to continue to ensure a pattern of expenditure that not only ensures better growth but also enhances public welfare.

Effective steps need to be taken for expeditious completion of the incomplete projects to avoid further cost overrun and delay in achieving the objectives.

A performance-based system of accountability should be put in place in the Government Companies/Statutory Corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non-revenue generating investments through clear and transparent guidelines.

