
Chapter - II

Finances of the State

2.1 Introduction

This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the five-year period from 2014-15 to 2018-19, debt sustainability of the State and key Public Account transactions, based on the Finance Accounts of the State. Information was also obtained from the State Government where necessary.

2.2 Major changes in Key Fiscal Aggregates during 2018-19 vis-à-vis 2017-18

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2018-19, compared to the previous year.

Table 2.1: Changes in key fiscal aggregates in 2018-19 compared to 2017-18

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue Receipts of the State increased by 17.27 <i>per cent</i> ➤ Own Tax Receipts of the State increased by 20.50 <i>per cent</i> ➤ Own Non-Tax Receipts increased by 101.89 <i>per cent</i> ➤ State's Share of Union Taxes and Duties increased by 13.07 <i>per cent</i> ➤ Grants-in-Aid from Government of India decreased by 2.92 <i>per cent</i>
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue Expenditure increased by 2.56 <i>per cent</i> ➤ Revenue Expenditure on General Services decreased by 4.53 <i>per cent</i> ➤ Revenue Expenditure on Social Services increased by 18.53 <i>per cent</i> ➤ Revenue Expenditure on Economic Services decreased by 14.20 <i>per cent</i> ➤ Expenditure on Grants-in-Aid increased by 119.20 <i>per cent</i>
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital Expenditure increased by 43.43 <i>per cent</i> ➤ Capital Expenditure on General Services increased by 32.19 <i>per cent</i> ➤ Capital Expenditure on Social Services decreased by 23.96 <i>per cent</i> ➤ Capital Expenditure on Economic Services increased by 86.97 <i>per cent</i>
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursements of Loans and Advances increased by 29.13 <i>per cent</i> ➤ Recoveries of Loans and Advances decreased by 40 <i>per cent</i>
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 39.16 <i>per cent</i> ➤ Repayment of Public Debt increased by 83.30 <i>per cent</i>
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts decreased by 6.89 <i>per cent</i> ➤ Public Account Disbursements decreased by 2.76 <i>per cent</i>

Each of the above indicators is analysed in the succeeding paragraphs.

2.3 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2018-19 with 2017-18 in figures, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2018-19 in terms of percentages.

Table 2.2: Details of Sources and Application of funds during 2017-18 and 2018-19

₹ in crore)

	Particulars	2017-18	2018-19	Increase/ Decrease
Sources	Opening Cash Balance with RBI	-220.92	180.98	401.90
	Revenue Receipts	54,130.94	63,479.16	9,348.22
	Recoveries of Loans & Advances	4.71	2.93	-1.78
	Public Debt Receipts (Net)	6,488.47	8,165.29	1,676.82
	Public Account Receipts (Net)	3,205.63	-4,130.29	-7,335.92
	Total	63,608.83	67,698.07	4,089.24
Application	Revenue Expenditure	55,480.94	56,899.00	1,418.06
	Capital Expenditure	7,692.84	11,034.08	3,341.24
	Disbursements of Loans & Advances	254.07	328.07	74.00
	Closing Cash Balance with RBI	180.98	-563.08	-744.06
	Total	63,608.83	67,698.07	4,089.24

Chart 2.1: Sources of Resources (per cent)

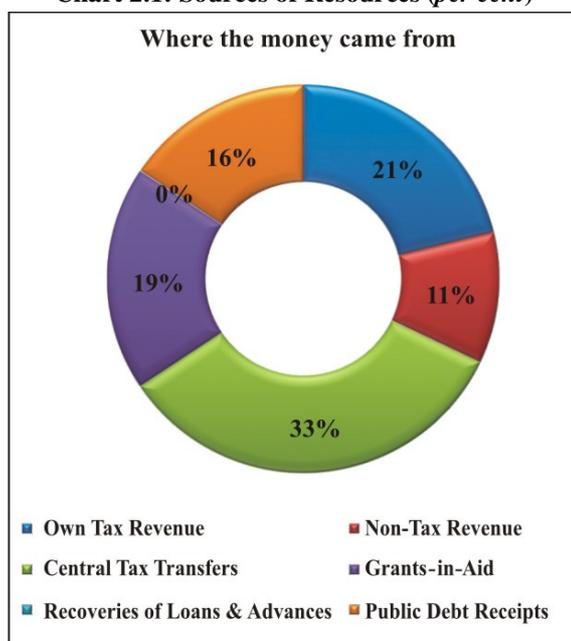
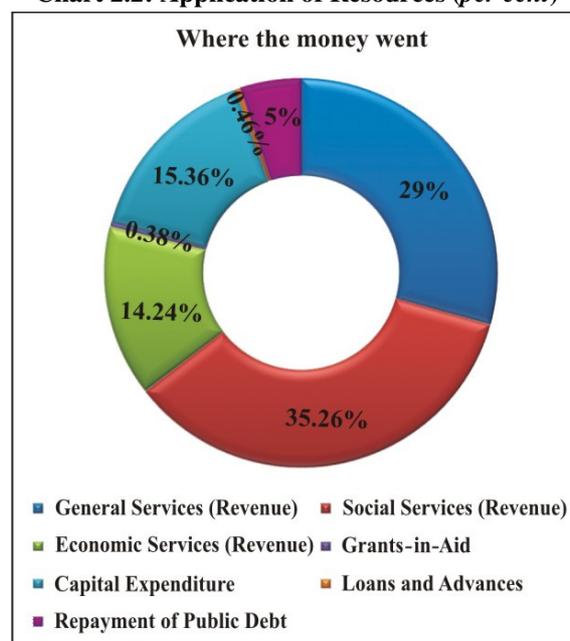


Chart 2.2: Application of Resources (per cent)

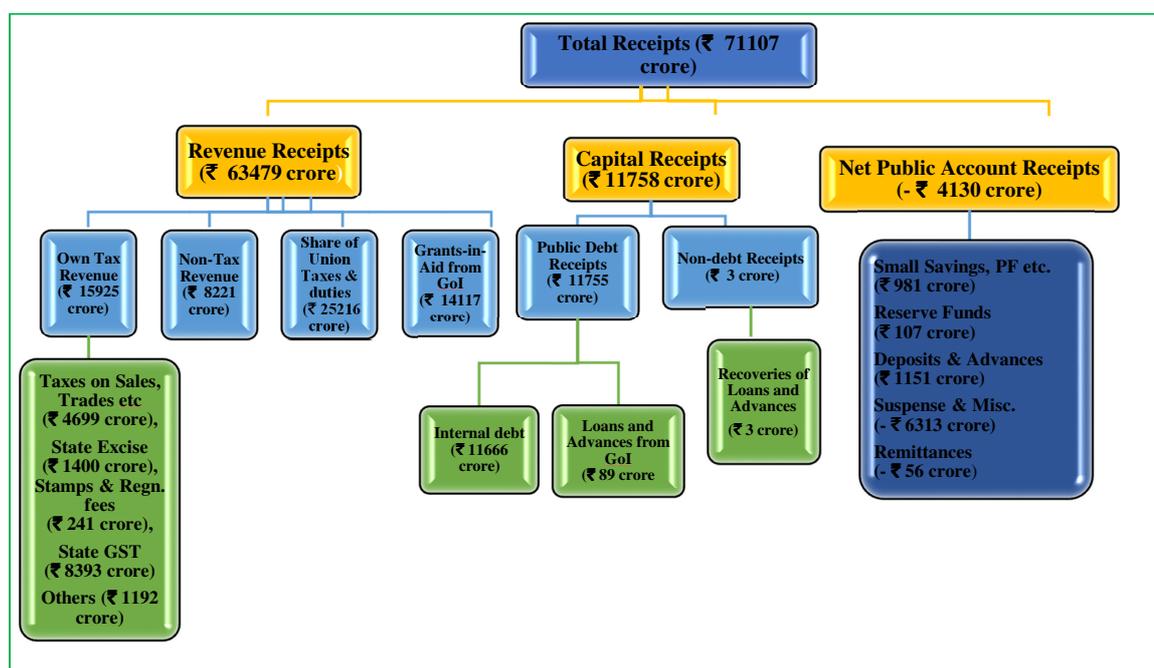


2.4 Resources of the State

Revenue Receipts and Capital Receipts are the two streams of receipts that constitute the resources of the State Government. Revenue Receipts consist of Tax Revenue, Non-Tax Revenue, State's share of Union taxes and duties and Grants-in-Aid from 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, etc.) and loans and advances from GoI. Besides, the funds available in the Public Account after disbursements, are also utilised by the Government to finance its deficit.

Composition of receipts of the State during 2018-19 is given in **Chart 2.3**.

Chart 2.3 Composition of receipts of the State during 2018-19



2.5 Revenue Receipts

2.5.1 Trends and Growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2014-19. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Charts 2.4** and **2.5** respectively.

Table 2.3: Trend in Revenue Receipts

Parameters	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Receipts (RR) (₹ in crore)	38,181	42,457	49,220	54,131	63,479
Rate of growth of RR (per cent)	18.53	11.20	15.93	9.98	17.27
Own Tax Revenue (₹ in crore)	9,450	10,106	12,080	13,216	15,925
Non-Tax Revenue (₹ in crore)	2,413	2,741	4,353	4,072	8,221
Rate of growth of Own Revenue (Own Tax and Non-tax Revenue) (per cent)	1.39	8.29	27.91	5.20	39.67
Gross State Domestic Product (₹ in crore) (2011-12 Series)	1,95,723	2,27,959	2,54,478	2,88,494 (P.E.)	3,15,372 (Q.E.)
Rate of growth of GSDP (per cent)	10.11	16.47	11.63	13.37	9.32
RR/GSDP (per cent)	19.51	18.62	19.34	18.76	20.13
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t GSDP	1.83	0.68	1.37	0.75	1.85
State's Own Revenue Buoyancy w.r.t GSDP	0.14	0.50	2.40	0.39	4.26

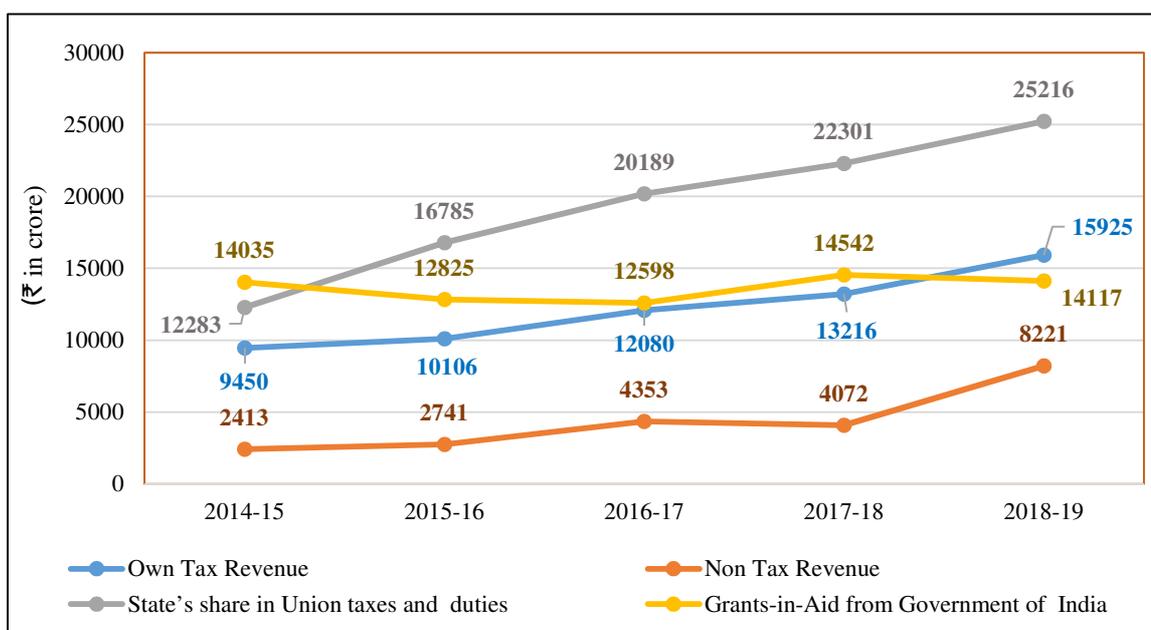
Source of GSDP figures: Directorate of Economics and Statistics, Assam;
P.E. - Provisional Estimates; Q.E. - Quick Estimates

¹ 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 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one per cent.

Chart 2.4: Trend of Revenue Receipts



Chart 2.5: Trend of components of Revenue Receipts



General trends relating to Revenue Receipts of the State are as follows:

- Revenue Receipts increased by 66.26 per cent from ₹ 38,181 crore in 2014-15 to ₹ 63,479 crore in 2018-19 at an annual average growth rate of 13.55 per cent. During 2018-19, Revenue Receipts increased by ₹ 9,348 crore (17.27 per cent) over the previous year.
- About 38 per cent of the Revenue Receipts during 2018-19 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 62 per cent. This is indicative of the fact that Assam's fiscal position is largely influenced by the tax transfers and Grants-in-Aid from GoI.

- During the current year, the increase of 17.27 *per cent* (₹ 9,348 crore) in Revenue Receipts was significantly higher than the marginal increase of 2.56 *per cent* (₹ 1,418 crore) in Revenue Expenditure, leading to a Revenue Surplus, as against a Revenue Deficit in the previous year.
- There was wide fluctuation in the revenue buoyancy of the State, as extraneous factors such as Finance Commission Award (XIV FC impact on 2015-16) and implementation of GST (in 2017-18), impacted the actual receipts in different components of revenue.

2.5.2 State's Own Resources

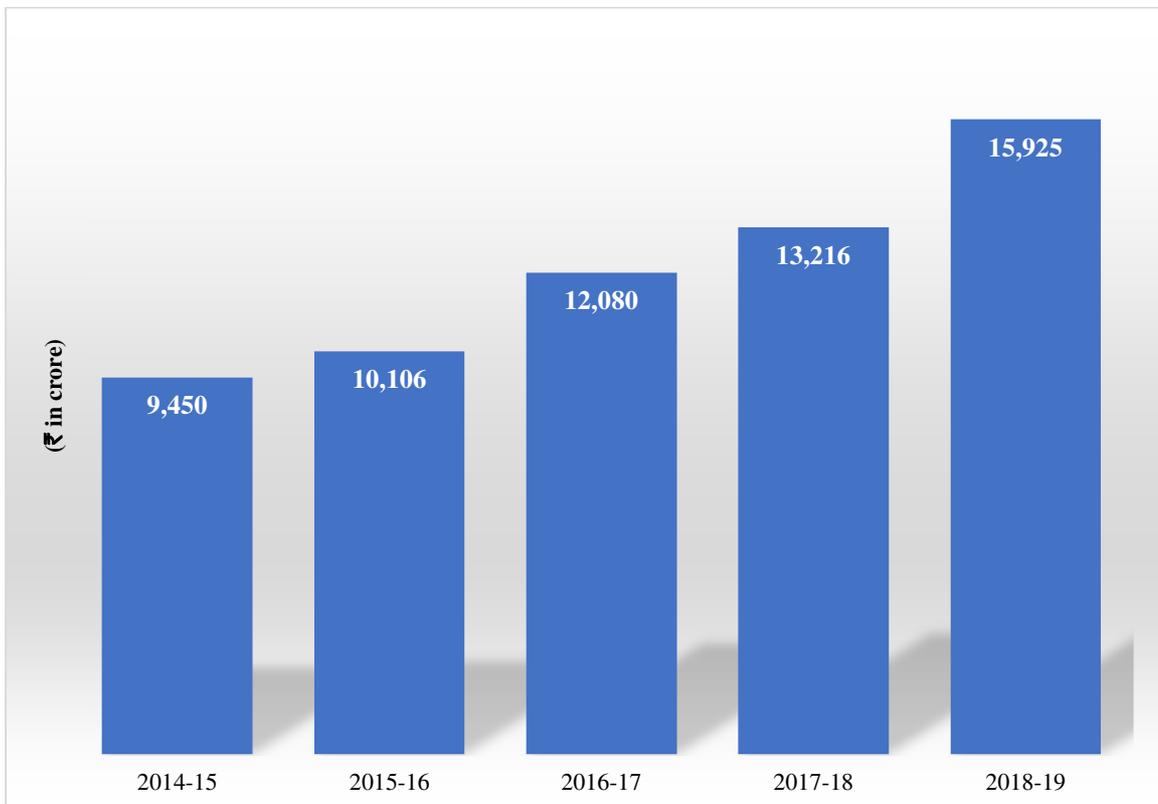
State's share in Central taxes is determined on the basis of recommendations of the Finance Commission; share of Grants-in-Aid are determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes, *etc.* State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

The gross collections in respect of major Tax and Non-Tax Revenue and their relative share in GSDP during 2014-19 are given in *Appendix 1.2*.

2.5.2.1 Own Tax Revenue

The details of Own Tax Revenue of the State during the five-year period 2014-19 is given below.

Chart 2.6: Growth of Own Tax Revenue during 2014-19



The component-wise details of Own Tax Revenue collected during the years 2014-19 were as follows.

Table 2.4: Component-wise Own Tax Revenue during 2014-19

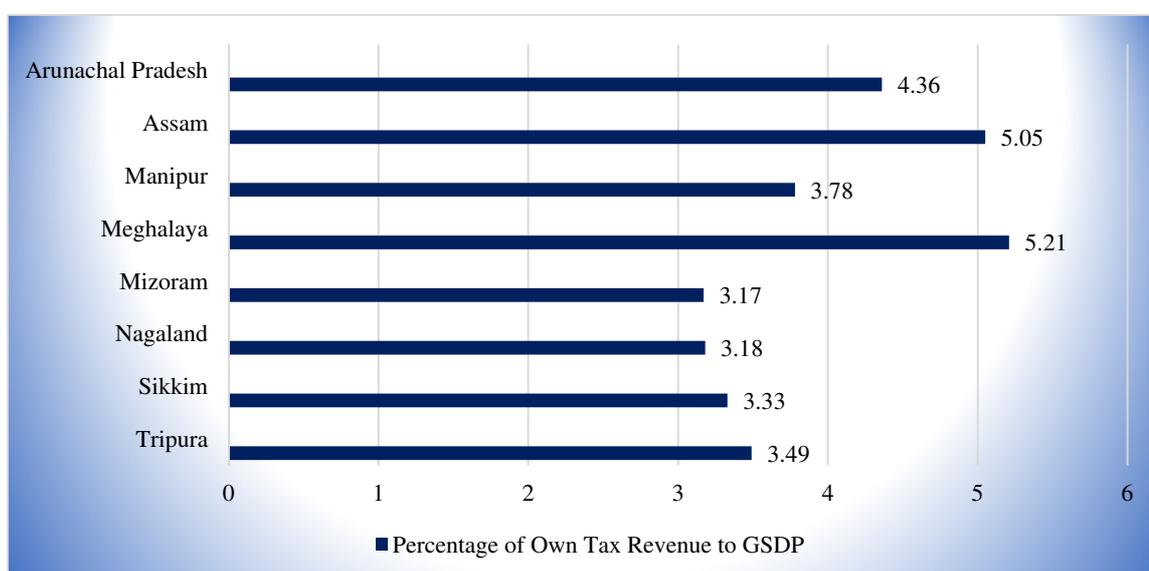
(₹ in crore)

Heads	2014-15	2015-16	2016-17	2017-18	2018-19	
					Budget Estimates	Actuals
Taxes on Sales, Trades, etc.	7,351	7,494	8,752	6,373	4,041	4,699
State Goods and Services Tax	--	--	--	4,078	4,718	8,393
State Excise	665	808	964	1,095	1,300	1,400
Taxes on Vehicle	365	443	522	647	737	765
Stamps and Registration Fees	189	225	227	239	274	241
Land Revenue	142	229	210	219	254	163
Other Taxes ²	738	907	1,405	565	316	264
Total	9,450	10,106	12,080	13,216	11,640	15,925

Own Tax Revenue of the State increased by ₹ 6,475 crore from ₹ 9,450 crore in 2014-15 to ₹ 15,925 crore in 2018-19 at an annual average rate of 13.70 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (52.70 per cent), Taxes on Sales, Trades etc., (29.51 per cent) and State Excise (8.79 per cent).

State's Own Tax Revenue of ₹ 15,925 crore at 5.05 per cent of GSDP, was marginally lower than that of Meghalaya (5.21 per cent) during 2018-19 but higher than the other NER States as shown in **Chart 2.7**.

Chart 2.7: Percentage of Own tax revenue to GSDP of SCS during 2018-19



2.5.2.2 State Goods and Services Tax (SGST)

Twelve years after the implementation of Value Added Tax (VAT) in 2005, the Union Government rolled out the Goods and Services Tax (GST) on July 01, 2017. The Assam Goods and Services Tax (GST) Act, 2017 was passed by the State Legislature in June 2017 and came into effect from 01 July 2017.

² Other Taxes include taxes on agricultural income, taxes on goods and passengers, taxes and duties on electricity and other taxes and duties on commodities and services, etc.

Actual collection of revenue under State Goods and Services Tax (SGST) during 2017-18 and 2018-19 is given in **Table 2.5**.

Table 2.5: SGST receipts of Government of Assam

(₹ in crore)

State Goods and Services Tax (SGST)	2017-18 ³	2018-19	Increase
Tax	3,613.48	7,094.96	3,481.48
Apportionment of Taxes from IGST	453.39	1,235.73	782.34
Others	10.80	62.35	51.55
SGST collection	4,077.67	8,393.04	4,315.37

Source: Finance Accounts

With automation of the collection of GST having taken place, it is essential for Audit to transition from sample checks to a comprehensive check of all transactions, to fulfil the CAG's constitutional mandate of certifying the Accounts. The required access to data is yet to be provided. Not having access to the data pertaining to all GST transactions has come in the way of comprehensively auditing the GST receipts. The accounts for the year 2018-19 are, therefore, certified on the basis of test audit, as was done when records were manually maintained, as a one-time exception.

As per the GST Act, any shortfall in revenue by the State is required to be compensated by the Central Government. In accordance with Section 6 of GST (Compensation to States) Act, 2017, the protected revenue⁴ of the State for the year 2018-19 was fixed at ₹ 8,868.00 crore. Since the GST receipts in 2018-19 fell short of the protected revenue, in keeping with the GST (Compensation to States) Act, the State Government received a compensation of ₹ 466 crore (including ₹ 94 crore pertaining to 2017-18 received in 2018-19) from GoI as Grants-in-Aid.

2.5.2.3 Non-Tax Revenue

The component-wise details of Non-Tax Revenue collected during the years 2014-19 were as follows.

Table 2.6: Component-wise Non-Tax Revenue during 2014-19

(₹ in crore)

Heads	2014-15	2015-16	2016-17	2017-18	2018-19	
					Budget Estimates	Actuals
Interest receipts	314	299	475	305	586	588
Dividend and Profit	16	70	124	226	153	153
Petroleum	1,421	1,672	3,102	2,533	6,411	5,643
Forestry and Wild Life	116	117	216	251	156	364
Other Administrative Services	69	329	210	76	259	212
Others	477	254	226	681	627	1,261
Total	2,413	2,741	4,353	4,072	8,192	8,221

³ For the period with effect from July 2017 to March 2018

⁴ The GST (Compensation to State) Act, 2017 provides that Union Government shall compensate the states for loss of revenue due to implementation of GST. Base year for calculating the compensation shall be the revenue collection of the State during 2015-16. Protected revenue is calculated by taking into consideration the revenue collection of the base year plus 14 per cent increase for every following year.

Non-Tax Revenue, which ranged between six and 13 *per cent* of Total Revenue Receipts of the State during the five-year period from 2014-15 to 2018-19, increased significantly by ₹ 4,149 crore (102 *per cent*) during 2018-19 over the previous year. Major contributors for the increase in Non-Tax Revenue were royalties on crude oil (₹ 5,637 crore) under Petroleum, Miscellaneous General Services (₹ 678 crore) and Interest Receipts (₹ 588 crore).

2.5.2.4 Central Tax Transfers

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 *per cent* to 42 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to the State.

The details of Central tax transfers to the State during 2014-19 are given in **Table 2.7**.

Table 2.7: Central Tax Transfers

(₹ in crore)					
Head	2014-15	2015-16	2016-17	2017-18	2018-19
Central Goods and Services Tax	--	--	--	316	6,223
Integrated Goods and Services Tax	--	--	--	2,251	497
Corporation Tax	4,290	5,273	6,471	6,829	8,769
Taxes on Income other than Corporation Tax	3,063	3,653	4,497	5,767	6,458
Customs	1,987	2,689	2,784	2,251	1,787
Union Excise Duties	1,122	2,250	3,179	2,352	1,188
Service Tax	1,811	2,904	3,155	2,535	232
Other Taxes ⁵	10	16	103	Nil	62
Central Tax transfers	12,283	16,785	20,189	22,301	25,216
Percentage of increase over previous year	6.12	36.65	20.28	10.46	13.07
Percentage of Central tax transfers to Revenue Receipts	32	40	41	41	40

Over the five-year period 2014-19, Central tax transfers increased by 105.29 *per cent* from ₹ 12,283 crore in 2014-15 to ₹ 25,216 crore in 2018-19. During the current year, the increase was ₹ 2,915 crore (13.07 *per cent*) and constituted 40 *per cent* of the Revenue Receipts.

2.5.2.5 Grants-in-Aid from Government of India

Grants-in-Aid (GIA) received by the State Government from GoI during 2014-19 are detailed in **Table 2.8**.

Table 2.8: Grants-in-Aid from GoI

(₹ in crore)					
Head	2014-15	2015-16	2016-17	2017-18	2018-19
Non-Plan Grants	1,491	3,330	2,154	*	*
Grants for State Plan Schemes	12,376	8,737	9,111	*	*
Grants for Central Plan Schemes	19	572	979	*	*
Grants for Centrally Sponsored Schemes	17	15	207	*	*
Grants for Special Plan Schemes	132	171	147	*	*
Grants for Centrally Sponsored Schemes	--	--	--	11,600	11,849

⁵ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

Head	2014-15	2015-16	2016-17	2017-18	2018-19
Finance Commission Grants	--	--	--	1,283	932
Other transfers/ Grants to States/ Union Territories with Legislature	--	--	--	1,659	1,336
Total	14,035	12,825	12,598	14,542	14,117
Percentage of increase over the previous year	57.03	(-) 8.62	(-) 1.77	15.43	(-) 2.92
Percentage of GIA to Revenue Receipts	37	30	26	27	22

*There are no figures since the nomenclature of plan and non-plan grants was removed with effect from the year 2017-18 and replaced by Grants for CSS, Finance Commission Grants and Other Grants to States.

Grants-in-Aid from GoI decreased by ₹ 425 crore (three per cent) during the year compared to the previous year. GIA constituted 22 per cent of Revenue Receipts during the year 2018-19. Grants for Centrally Sponsored Schemes (₹ 11,849 crore) to the State constituted 84 per cent of the total grants during the year. Finance Commission Grants (₹ 932 crore) to the State were provided for Local Bodies and State Disaster Response Fund (SDRF) and constituted seven per cent of total grants during the year.

Other grants received by the State during the year were in respect of (i) Central Road Fund (₹ 256 crore), and (ii) compensation for loss of revenue arising out of implementation of GST (₹ 466 crore).

2.5.2.6 Fourteenth Finance Commission Grants

As mentioned in the previous paragraph, XIV FC Grants were provided to the states for local bodies and SDRF. Details of grants provided by the GoI to the State in this regard during the years 2017-18 and 2018-19 are given in **Table 2.9**.

Table 2.9: Grants-in-Aid released by GoI as per recommendation of XIV FC

(₹ in crore)				
Department	Sectors	2017-18	2018-19	Increase (+)/ Decrease (-)
Panchayat and Rural Development	Panchayati Raj Institutions	740.89	404.88	(-) 336.01
Urban Development, Guwahati Development	Urban Local Bodies	85.87	48.52	(-) 37.35
Revenue and Disaster Management	State Disaster Response Fund	456.30	478.80	(+) 22.50
Total		1,283.06	932.20	(-) 350.86

Source: Finance Accounts

The decrease in XIV FC grants for local bodies (both urban and rural) by ₹ 373.36 crore during 2018-19 compared to the previous year was due to the delay in holding elections to the local bodies. While elections were due in March 2018, the State Government conducted elections only in December 2018. Consequently, the XIV FC funds due during 2018-19 were released in the following year.

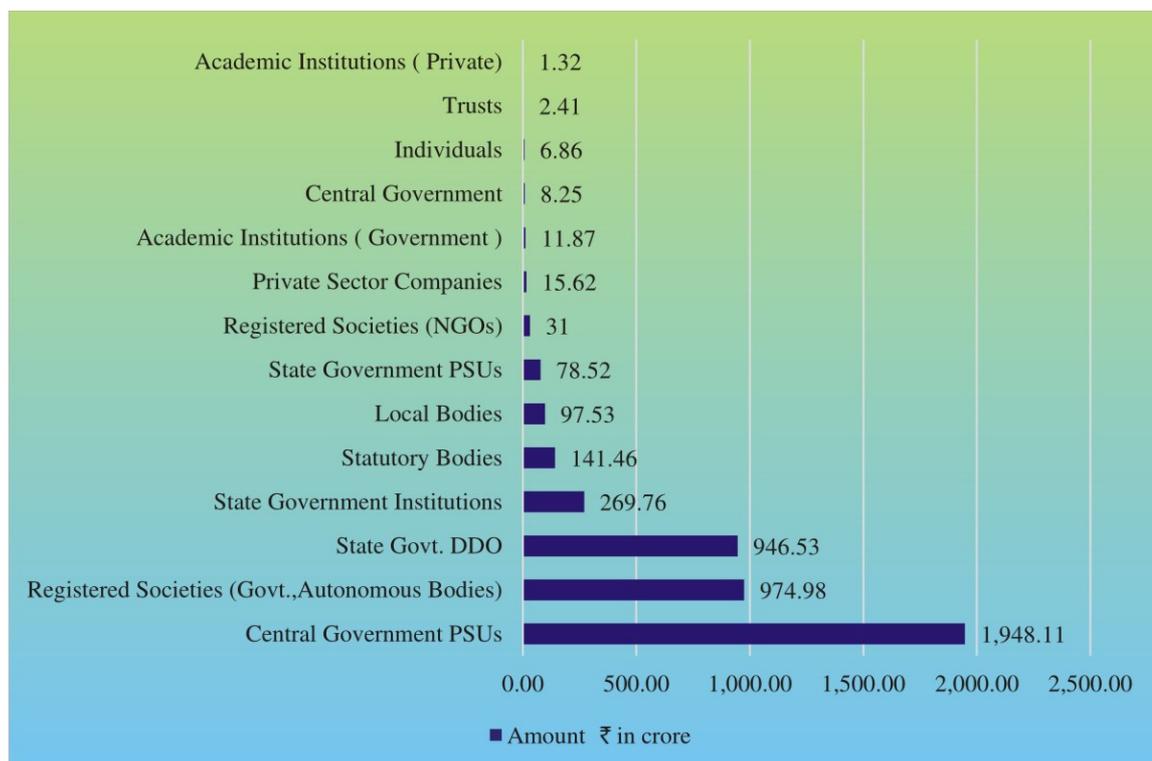
2.5.2.7 Funds Transferred to Implementing Agencies Outside the State Budget

GoI has been transferring sizeable quantum of funds directly to the State Implementing Agencies/ Non-Government Organisations (NGOs) for implementation of various schemes/ programmes. As these funds are not routed through the State budget/ State Treasury system, Finance Accounts do not capture the flow of these funds or the related expenditure. To present a holistic picture about the availability of aggregate resources, the details of such transfers are given in **Table 2.10**.

Table 2.10: Funds transferred to State Implementing agencies

Direct transfers to State implementing agencies	2016-17	2017-18	2018-19
Funds transferred (₹ in crore)	2,846.20	4,702.20	4,534.21

The agencies that have received funds directly from the GoI during 2018-19 for implementing various developmental schemes and the quantum of such funds are given in **Chart 2.8**.

Chart 2.8: Implementing agencies that received funds directly from GoI during 2018-19

Source: PFMS data for 2018-19

2.6 Capital Receipts

Capital Receipts consist of public debt receipts, non-debt receipts like proceeds from disinvestments (under miscellaneous capital receipts), and recoveries of loans and advances. The net public debt receipts after discharging of public debt *plus* other capital receipts, is the net Capital Receipts.

The following table shows the trends in growth and composition of net Capital Receipts.

Table 2.11: Trends in growth and composition of net Capital Receipts

(₹ in crore)

Sources of State's Capital Receipts	2014-15	2015-16	2016-17	2017-18	2018-19
Public Debt Receipts	4,582	5,498	3,902	8,447	11,755
Public Debt Repayment	1,627	1,969	2,043	1,958	3,589
Net Public Debt Receipts	2,955	3,529	1,859	6,489	8,166
Miscellaneous Capital Receipts	Nil	Nil	Nil	Nil	Nil
Recovery of Loans and Advances	10	510	19	5	3
Net Capital Receipts	2,965	4,039	1,878	6,494	8,169

Net Capital Receipts increased by 176 *per cent* from ₹ 2,965 crore in 2014-15 to ₹ 8,169 crore in 2018-19.

Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During the five-year period 2014-19, 32.70 *per cent* of Public debt receipts were utilised for repayment of Public Debt taken in earlier years and the remaining 67.30 *per cent* was utilised for other purposes.

2.7 Application of Resources

The Total Expenditure, its composition and relative share in GSDP during the years 2014-15 to 2018-19 is presented in **Table 2.12**.

Table 2.12: Total Expenditure and its composition

(₹ in crore)					
Parameters	2014-15	2015-16	2016-17	2017-18	2018-19
Total Expenditure (TE)	43,621	39,962	55,364	63,428	68,261
Revenue Expenditure (RE)	39,078	37,011	49,363	55,481	56,899
Capital Expenditure (CE)	3,912	2,691	5,502	7,693	11,034
Loans and Advances	631	260	499	254	328
As a percentage of GSDP					
TE/GSDP	22.29	17.53	21.76	21.99	21.64
RE/GSDP	19.97	16.24	19.40	19.23	18.04
CE/GSDP	2.00	1.18	2.16	2.67	3.50
Loans and Advances/GSDP	0.32	0.11	0.20	0.09	0.10

The above table shows that Total Expenditure of the State increased by 56 *per cent* from ₹ 43,621 crore in 2014-15 to ₹ 68,261 crore in 2018-19. During the year, it increased by eight *per cent* over the previous year. As a percentage of GSDP, the Total Expenditure remained in the range of 17.53 *per cent* to 22.29 *per cent* during 2014-19.

Charts 2.9 and **2.10** present the trends in Revenue Expenditure and Capital Expenditure over a period of five years (2014-19) whereas **Chart 2.11** depicts the trend of the share of the components in Total Expenditure.

Chart 2.9: Trend of Revenue Expenditure during 2014-19



Chart 2.10: Trend of Capital Expenditure

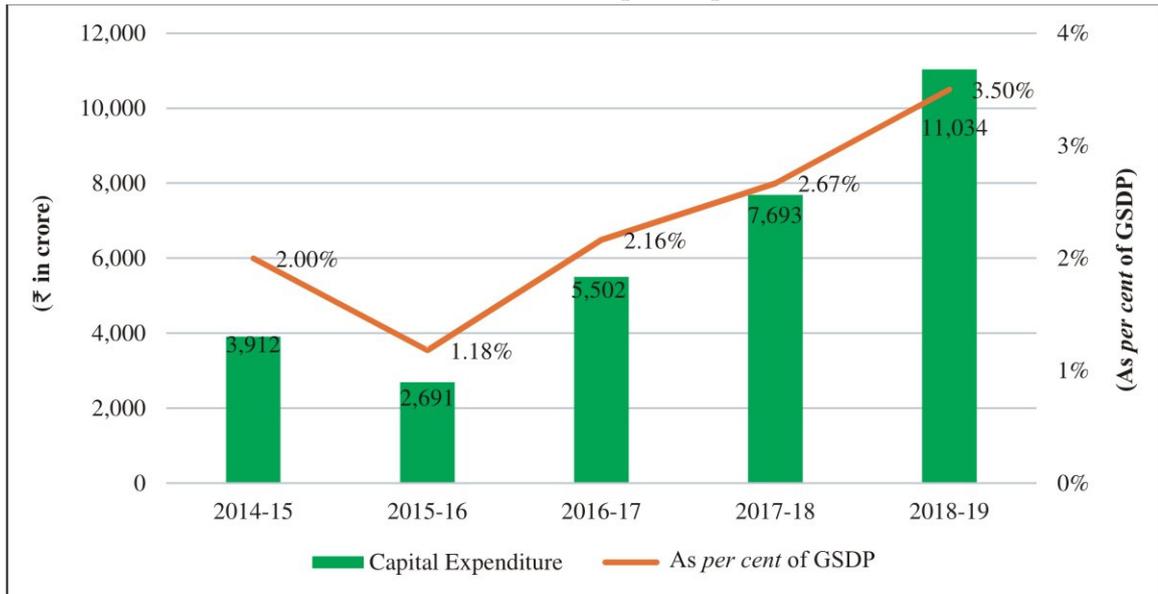
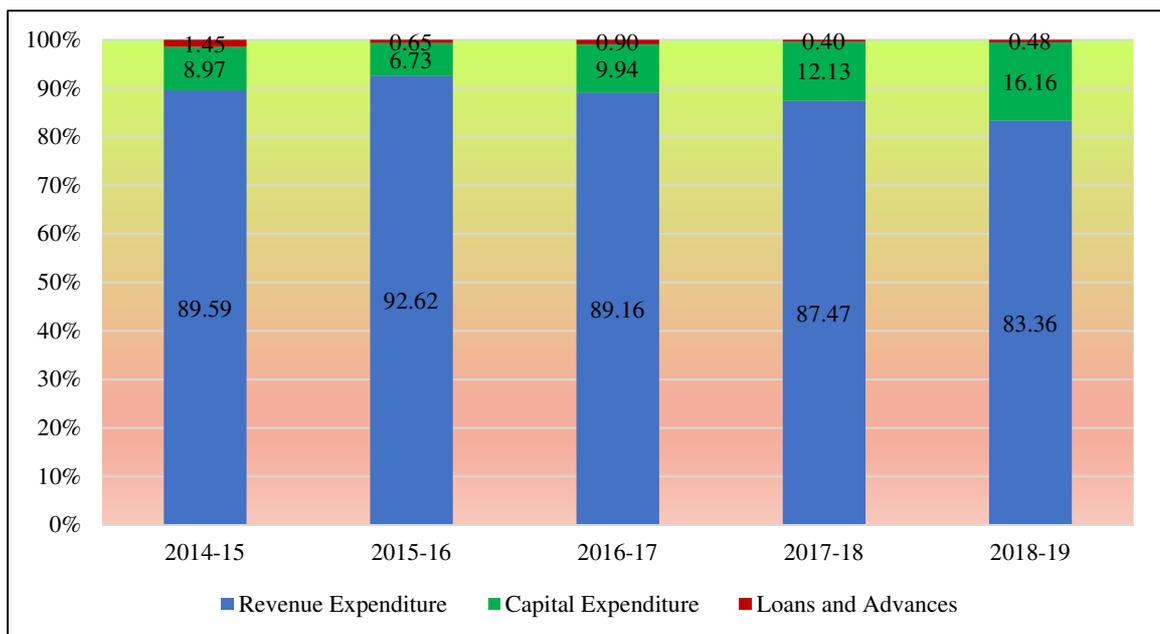


Chart 2.11: Trends in share of components in Total Expenditure



As is evident from the above charts, Capital Expenditure has shown a significant increase in the last few years, with its share as a percentage of GSDP increasing from 1.18 in 2015-16 to 3.50 *per cent* in 2018-19. However, this increase has to be viewed in the light of the fact that GIA of ₹ 5,490 crore was booked under capital section, instead of under revenue, as discussed in paragraph 1.7.4.

In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 68,261 crore (refer **Appendix 1.2**) during 2018-19 is given in **Table 2.13**.

Table 2.13: Relative share of various sectors of expenditure

Parameters	(In per cent)				
	2014-15	2015-16	2016-17	2017-18	2018-19
General Services	29.93	31.86	31.29	35.33	31.53
Social Services	42.77	45.88	43.74	38.18	40.28
Economic Services	23.58	20.67	22.89	25.89	27.30
Others (Grants to Local Bodies and Loans and Advances)	3.73	1.59	2.08	0.60	0.88

The relative share of the above components of expenditure indicates that the share of Social Services, Economic Services and others in the Total Expenditure increased by 3.79 per cent during 2018-19 over the previous year. These increases were, however, offset by decrease in the respective share of General Services.

2.7.1 Revenue Expenditure

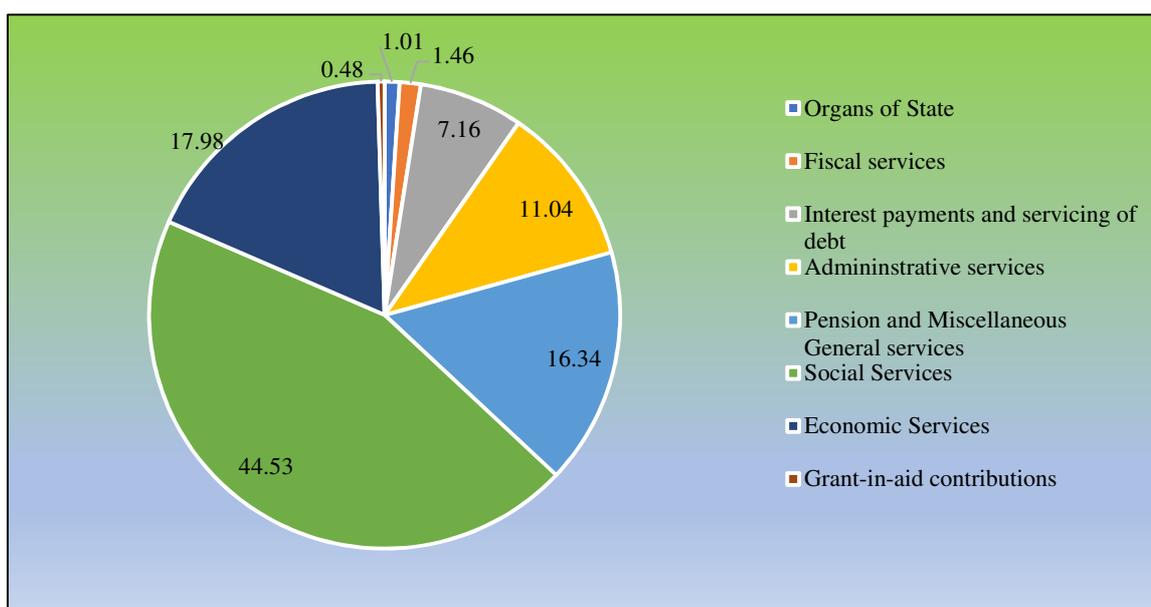
Revenue Expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.

Revenue Expenditure formed on an average 88 per cent (ranging from 83.36 per cent in 2018-19 to 92.62 per cent in 2015-16) of the total expenditure during the period 2014-19. Rate of growth of Revenue Expenditure has displayed wide fluctuation during the five-year period 2014-19. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy vis-à-vis GSDP and Revenue Receipts are indicated in Table 2.14 and the sectoral distribution of Revenue Expenditure pertaining to 2018-19 is given in Chart 2.12.

Table 2.14: Revenue Expenditure – basic parameters

Parameters	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Total Expenditure (TE)	43,621	39,962	55,364	63,428	68,261
Revenue Expenditure (RE)	39,078	37,011	49,363	55,481	56,899
Rate of Growth of RE (per cent)	22.16	-5.29	33.37	12.39	2.56
Revenue Expenditure as percentage of TE	89.59	92.62	89.16	87.47	83.36
RE/GSDP (per cent)	19.97	16.24	19.40	19.23	18.04
RE as percentage of RR	102.35	87.17	100.29	102.49	89.63
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	2.19	-0.32	2.87	0.93	0.27
Revenue Receipts (ratio)	1.20	-0.47	2.10	1.24	0.15

Chart 2.12: Sectoral distribution of Revenue Expenditure during 2018-19 (In per cent)



During 2018-19, Revenue Expenditure as a percentage of GSDP has dipped, although it witnessed a marginal increase of ₹ 1,418 crore (2.56 per cent) over the previous year. Revenue Expenditure was lower by ₹ 14,430 crore *vis-à-vis* the assessment made in Medium Term Fiscal Plan (MTFP) (₹ 71,329 crore).

2.7.1.1 Major Changes in Revenue Expenditure

Table 2.15 details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

Table 2.15: Variation in Revenue Expenditure during 2018-19 compared to 2017-18

(₹ in crore)

Major Heads of Account	2017-18	2018-19	Variation (percentage)
2040-Taxes on Sales, Trade etc.	174.21	375.88	201.67 (115.76)
2215-Water Supply and Sanitation	391.05	642.72	251.67 (64.36)
2225-Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	642.52	1,649.47	1,006.95 (156.72)
2236 Nutrition	249.20	455.04	205.84 (82.60)
2501-Special Programmes for Rural Development	632.91	920.55	287.64 (45.45)
2075-Miscellaneous General Services	3,580.95	1,184.69	-2,396.26 (-66.92)
2216-Housing	1,832.40	99.12	-1,733.28 (-94.59)
2505-Rural Employment	760.38	129.52	-630.86 (-82.97)
2515-Other Rural Development Programmes	1,721.11	932.91	-788.20 (-45.80)
2575-Other Special Areas Programmes	441.54	98.42	-343.12 (-77.71)

The above table indicates that Revenue Expenditure under Miscellaneous General Services declined significantly during the year, primarily due to the decrease in expenditure on revision of pay and pension and one-time special grant for development purposes. Housing also recorded a decrease during 2018-19 compared to the previous year due to decline in expenditure relating to Pradhan Mantri Awas Yojana (Gramin).

2.7.2 Object Head-wise Expenditure

Finance Accounts depict transactions only up to the Minor Head level. Therefore, a drill down view of budgetary allocation and extent of expenditure (above ₹ 100 crore) incurred on the actual items at the Object Head Level are given in **Table 2.16**.

Table 2.16: Object Head-wise expenditure vis-à-vis budget authorisation

(₹ in crore)

Head	Budget	Expenditure	Utilisation percentage
Salaries	29,484.02	23,512.01	79.7%
Wages	573.36	439.54	76.7%
Office Expenses	959.13	653.76	68.2%
Payment for Professionals & Special Services	604.27	445.79	73.8%
Scholarships and Stipend	401.26	188.93	47.1%
Major Works	10,422.93	5,308.14	50.9%
Minor Works	398.41	223.62	56.1%
Machinery and Equipment/ Tools and Plants	400.74	180.26	45.0%
Motor Vehicles	110.50	37.37	33.8%
Maintenance	872.39	557.96	64.0%
Investment/ Loans/ Interest/ Dividends and Others	11,870.87	8,475.17	71.4%
Materials and Supplies	729.95	387.13	53.0%
Pensions / Gratuity	8,164.74	8,189.85	100.3%
Writes off / Losses	554.14	0.01	0.0%
Other Charges	3,016.40	1,589.57	52.7%
Deployment	182.84	182.84	100.0%
Grants-in-Aid-General (Salary)	2,750.83	2,665.83	96.9%
Grants-in-Aid-General (Non-Salary)	24,063.06	12,484.13	51.9%
Subsidy	653.70	483.63	74.0%
Grants for Creation of Capital Assets	11,482.84	5,604.93	48.8%
Inter Accounts Transfer	532.00	532.00	100.0%

Out of a total budgetary allocation of ₹ 1,08,490.35 crore, the actual expenditure on various Object Heads during 2018-19 was only ₹ 72,331.34 crore (66.67 per cent). Out of the 21 Objects mentioned above, only three heads had spent their budgetary allocation in full. Six Objects have utilised more than 70 per cent of their allocation while the rest were below that.

2.7.3 Committed Expenditure

Committed Expenditure of Government on revenue account consists mainly of expenditure on salaries and wages, interest payments and pensions. The FRBM Act of the State prescribes that there should be a Revenue Surplus, it is challenging to achieve it, given that a large proportion of Revenue Expenditure goes into committed items like salaries and wages, interest payments and pensions.

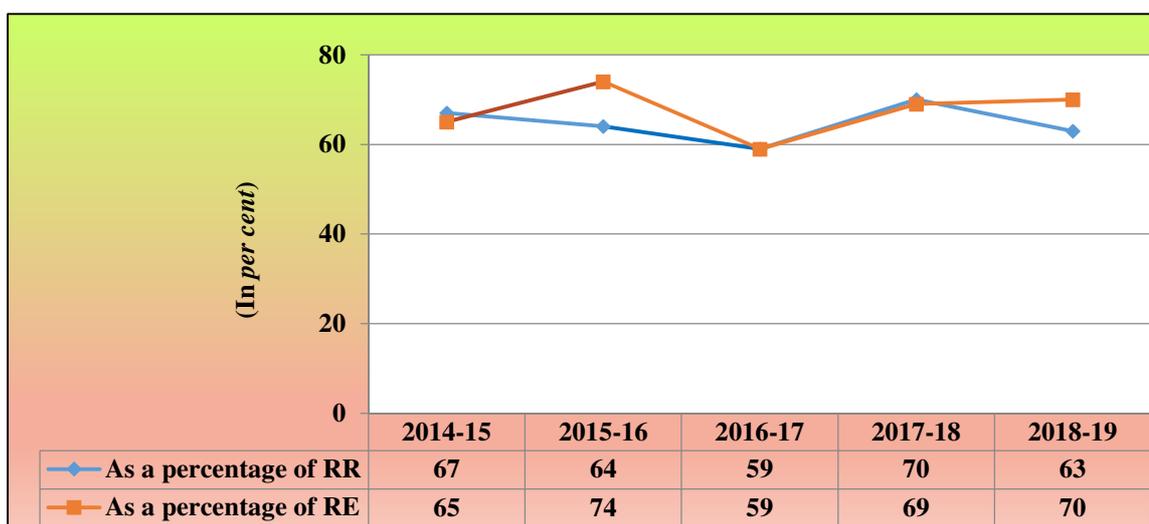
Table 2.17 presents the trends in the components of committed expenditure during 2014-19. Percentage of committed expenditure to Revenue Receipts and Revenue Expenditure during 2014-19 is given in **Chart 2.13**.

Table 2.17: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries & Wages	17,829	18,758	19,498	26,068	26,617
Expenditure on Pensions	5,237	5,985	6,565	8,287	8,112
Interest Payments	2,334	2,618	2,964	3,205	3,844
Total	25,458	27,380	29,223	38,151	39,897
As a percentage of Revenue Receipts (RR)					
Salaries & Wages	46.70	44.18	39.61	48.16	41.93
Expenditure on Pensions	13.72	14.10	13.34	15.31	12.78
Interest Payments	6.11	6.17	6.02	5.92	6.06
Total	66.68	64.49	59.37	70.48	62.85
As a percentage of Revenue Expenditure (RE)					
Salaries & Wages	45.62	50.68	39.50	46.99	46.78
Expenditure on Pensions	13.40	16.17	13.30	14.94	14.26
Interest Payments	5.97	7.07	6.00	5.78	6.76
Total	65.15	73.98	59.20	68.76	70.12

Chart 2.13: Share of Committed Expenditure in revenue receipts and expenditure



As can be seen from the details tabulated above, the committed expenditure constituted over 70 per cent of Revenue Expenditure during 2015-16 and 2018-19, while it accounted for over 60 per cent of the receipts of the State during the five-year period 2014-19 (except for 2016-17, where the committed liabilities fell below 60 per cent of Revenue Receipts).

2.7.3.1 Salaries and Wages

Expenditure on salaries and its share in the Revenue Expenditure remained constant during the current year relative to the previous year. Expenditure on salaries and wages accounted for 47 per cent of Revenue Expenditure during 2018-19. Over the five-year period 2014-19, it increased by ₹ 8,788 crore (49 per cent) from ₹ 17,829 crore in 2014-15 to ₹ 26,617 crore in 2018-19. Expenditure on Salaries (₹ 26,178 crore) during 2018-19 was less by ₹ 2,937 crore compared to the projection of ₹ 29,115 crore made in MTFP.

2.7.3.2 Interest Payments

Interest Payments increased by ₹ 639 crore (19.94 *per cent*) from ₹ 3,205 crore in 2017-18 to ₹ 3,844 crore in 2018-19 primarily due to increase in interest payment on Market Loans by ₹ 617 crore. During the current year, the Interest Payments were made on internal debt (₹ 2,956 crore), Small Savings, Provident Fund, *etc.*, (₹ 792 crore) and Loans and Advances from Central Government (₹ 96 crore).

Interest Payments with reference to assessment made by the XIV FC and the projections of the State Government in its Budget and MTFP are given in **Table 2.18**.

Table 2.18: Interest Payments *vis-à-vis* assessment of the XIV FC and State's Projections
(₹ in crore)

Year	Assessment made by the XIV FC	Assessment made by the State Government in		Actuals
		Budget	MTFP	
2018-19	3,834	4,193	4,193	3,844

Above table indicates that the interest payments by State Government were within its own projections made in MTFP and Budget for 2018-19. However, it exceeded the assessment of XIV FC made for the year marginally.

2.7.3.3 Pensions

The expenditure during the year on pension and other retirement benefits to State Government employees recruited prior to 30 January, 2005, was ₹ 7,667.01 crore (13.47 *per cent* of Revenue Expenditure). State Government employees, recruited on or after 01 February, 2005 are eligible for the National Pension System (NPS), which is a defined contributory pension scheme.

Undischarged Liability under National Pension System

Government of Assam introduced (January 2010) the 'National Pension System' (NPS) applicable to all new entrants joining State Government Service on regular basis against vacant sanctioned post(s) on or after 01 February 2005. State Government gave an option to the existing employees to either opt for the system with retrospective effect (from February 2005) or from January 2010.

Under this system, employees contribute 10 *per cent* basic pay and dearness allowance, which is matched by the State Government and both employee's and employer's contribution are initially transferred to the Public Account (Major Head '8342-117-Defined Contributory Pension Scheme'). State Government has the responsibility to deposit both employee's and employer's share with the designated authority *i.e.*, National Securities Depository Limited (NSDL)/ trustee bank for further investment as per the guidelines of NPS. NSDL allots a Permanent Retirement Account Number (PRAN) to each employee enrolled under the system on receipt of requisite information/ documents from Government.

State Government informed the Accountant General (A&E), in July 2019, that contributions deposited in Public Account in respect of individual employees cannot be transferred to NSDL until the latter allots individual PRANs, and that, as on 31 March 2019, 26,417 PRANs were yet to be allotted due to errors in filling the applications.

The State Government opened a Current Account with the State Bank of India for parking the funds before transfer to NSDL. Details of contribution received and transactions involving Current Account, since the inception of NPS in Assam, are given in **Table 2.19**.

Table 2.19: Details of transactions under National Pension System

(₹ in crore)

Year	Opening Balance	Details of contribution received				Funds transferred to Current Account	Closing Balance (6-7)
		Employees	Government	Short contribution by Govt (3-4)	Total (2+3+4)		
1	2	3	4	5	6	7	8
2009-10	0	3.21	76.72	-73.51	79.93	0	79.93
2010-11	79.93	53.11	1.32	51.79	134.36	3.54	130.82
2011-12	130.82	83.55	57.34	26.21	271.71	94.05	177.66
2012-13	177.66	108.39	99.54	8.85	385.59	201.49	184.10
2013-14	184.10	201.16	84.98	116.18	470.24	180.11	290.13
2014-15	290.13	288.52	250.00	38.52	828.65	599.86	228.79
2015-16	228.79	334.80	352.51	-17.71	916.10	704.98	211.12
2016-17	211.12	396.70	308.12	88.58	915.94	616.11	299.83
2017-18	299.83	529.01	565.89	-36.88	1,394.73	1,131.40	263.33
2018-19	263.33	590.14	445.25	144.89	1,298.72	890.50	408.22
Total		2,588.59	2,241.67	346.92		4,422.04	

Audit observations in this regard are as follows:

- At the time of launch of NPS in the State in January, 2010, State Government gave an option to the employees to either opt for the scheme with retrospective effect from February, 2005 or from January, 2010, with matching Government contribution. The amount of employees' and employer's contribution, receivable since inception based on the option exercised by the employees, has not been estimated. Consequently, the actual liability of the employees and the Government, under the scheme, is not ascertainable.
- As of 31 March 2019, Government of Assam collected ₹ 2,588.59 crore from employees as contribution towards NPS and contributed only ₹ 2,241.67 crore as Government share. Thus, the Government had a liability for payment of ₹ 346.92 crore.
- State Government has not discharged its statutory liability. Against the total collected funds of ₹ 4,830.26 crore (comprising employees share of ₹ 2,588.59 crore and Government share of ₹ 2,241.67 crore), the Government transferred only ₹ 4,422.04 crore to the designated authority (NSDL) for further investment as per the provisions of the scheme. It was yet to transfer ₹ 408.22 crore as well as the interest on it to NSDL from the Public Account as of 31 March 2019.

The State Government has thus not only violated the rules governing NPS, but also created interest liability on the amount not transferred to NSDL, incorrectly used the funds that belong to its employees and created uncertainty in respect of benefits due to the employees affected/ avoidable financial liability to Government in future, and, thus leading to possible failure of the scheme itself.

During the Entry Conference (January 2020), Audit raised the above issues pertaining to the functioning of NPS in the State, and expressed concern about the possible loss caused to employees due to non-compliance with the statutory provisions of NPS by the State Government. Principal Secretary, Finance Department stated (January 2020) that State Government is working on this issue and assured that all liabilities of the Government relating to NPS would be estimated and discharged soon.

2.7.4. Subsidies

There was a significant increase in expenditure on subsidies during the year 2018-19 as can be seen from the details given in **Table 2.20**. Subsidies as a percentage of Revenue Receipts increased significantly from 1.09 *per cent* in 2017-18 to 2.09 *per cent* in 2018-19. In absolute terms, expenditure on payment of subsidies increased from ₹ 591 crore in 2017-18 to ₹ 1,324 crore in 2018-19.

Table 2.20: Expenditure on subsidies during 2014-19

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Subsidies (₹ in crore)	58	19	196	591	1,324
Subsidies as a percentage of Revenue Receipts	0.15	0.04	0.40	1.09	2.09
Subsidies as a percentage of Revenue Expenditure	0.15	0.05	0.40	1.07	2.33

During 2018-19, the major departments which incurred expenditure on subsidy were Power (₹ 852 crore), Finance Department (₹ 342.50 crore), Co-operation Department (₹ 4.69 crore) and Industry & Commerce Department (₹ 23.42 crore). State Government had not made any projection for subsidy in its MTFP during 2018-19.

2.7.5 Capital Expenditure

Capital Expenditure includes primarily expenditure on creation of fixed infrastructure assets, such as buildings, roads, bridges, *etc.*

Capital Expenditure of the State showed significant increase during the last three years with a sharp increase from ₹ 2,691 crore in 2015-16 to ₹ 11,034 crore in 2018-19. However, the State could not expend the budgetary allocation on creation of assets in any year during the five-year period 2014-19. While the extent of utilisation of budget has been increasing since 2015-16, it was only marginally above half the allocation during 2018-19. Details of Capital Expenditure *vis-à-vis* budget during the five-year period 2014-19 are given in **Chart 2.14**.

Chart 2.14: Trend of Capital Expenditure over the five-year period from 2014-15 to 2018-19

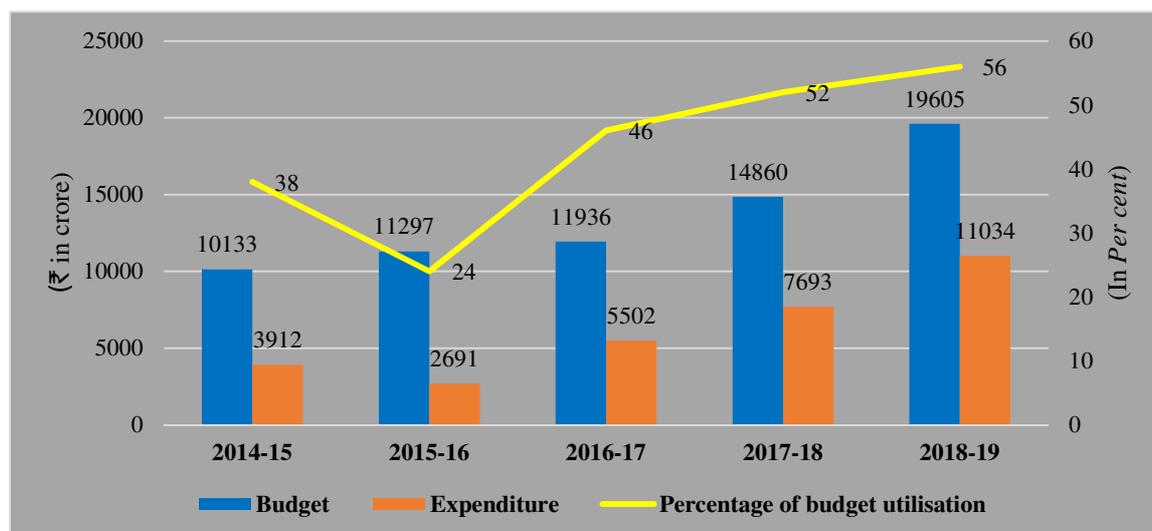


Table 2.21 highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2018-19 *vis-à-vis* the previous year.

Table 2.21: Capital Expenditure during 2018-19 compared to 2017-18

Major Heads of Accounts	2017-18	2018-19	Variation (percentage)
5054-Capital Outlay on Roads and Bridges	2,101.72	5,356.14	3,252.42 (154.75)
5055-Capital Outlay on Road Transport	80.06	181.57	101.51 (126.79)
4702-Capital Outlay on Minor Irrigation	293.18	1,085.60	792.42 (270.28)
4711-Capital Outlay on Flood Control Projects	304.84	486.50	181.66 (59.59)
4059-Capital Outlay on Public Works	180.56	299.45	118.89 (65.85)
4210-Capital Outlay on Medical and Public Health	229.46	390.55	161.09 (70.20)
4801-Capital Outlay on Power Projects	803.99	369.69	-434.30 (-54.02)

The above table reveals that 30 *per cent* of total Capital Expenditure was incurred on Roads and Bridges and Road Transport Sectors followed by nine *per cent* on Minor Irrigation and Flood Control Projects.

Some of the major projects on which Capital Expenditure was incurred during 2018-19 were as follows.

Table 2.22: Capital expenditure on major projects during 2018-19

Major Head	Project	Expenditure
4702-Capital Outlay on Minor Irrigation	Accelerated Irrigation Benefit Programme	770
4711-Capital Outlay on Flood Control Projects	Brahmaputra Flood Control Project	293
5054-Capital Outlay on Roads and Bridges	PMGSY Works (Block Grant)	1,770
	District Roads ARIASP (World Bank Project)	650
	Construction of Bridge over River Brahmaputra connecting Guwahati to North Guwahati (New Development Bank BRICS)	250
	Conversion of 1000 Nos. of SPT Bridges	121.75
	Chief Minister's Special Package for Barak Valley	105.97
	Construction of Roads in Tea Garden Labour Lines	102.01
	Conversion of Conventional PMGSY Roads to ICBP Roads	100.00
5055-Capital Outlay on Road Transport	LGB International Airport, Guwahati	129
Total		4,291

2.7.5.1 Misclassification of Revenue Expenditure under Capital Section

The sharp increase recorded in capital expenditure during 2018-19 was primarily due to misclassification of ₹ 5,490 crore of expenditure out of Grants-in-Aid as Capital Expenditure, instead of as Revenue Expenditure. This was violative of Indian Government Accounting Standard (IGAS-2), which was notified by the GoI in 2011 for accounting and classification of Grants-in-Aid received or given by both Central as well as State Governments. In terms of this Standard, expenditure out of GIA is to be classified as Revenue Expenditure, regardless of end utilisation (Paragraph 4.10 in Chapter 4 also refers to this aspect).

Table 2.23 and Chart 2.15 highlight the extent of classification of GIA as Capital Expenditure instead of as revenue by the State during 2014-19.

Table 2.23: Extent of classification of GIA as Capital Expenditure

	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Capital Expenditure	3,912	2,691	5,502	7,693	11,034
Share of GIA in Capital Expenditure	436	165	1,559	3,945	5,490

Chart 2.15: Share of Grants-in-Aid in Capital Expenditure

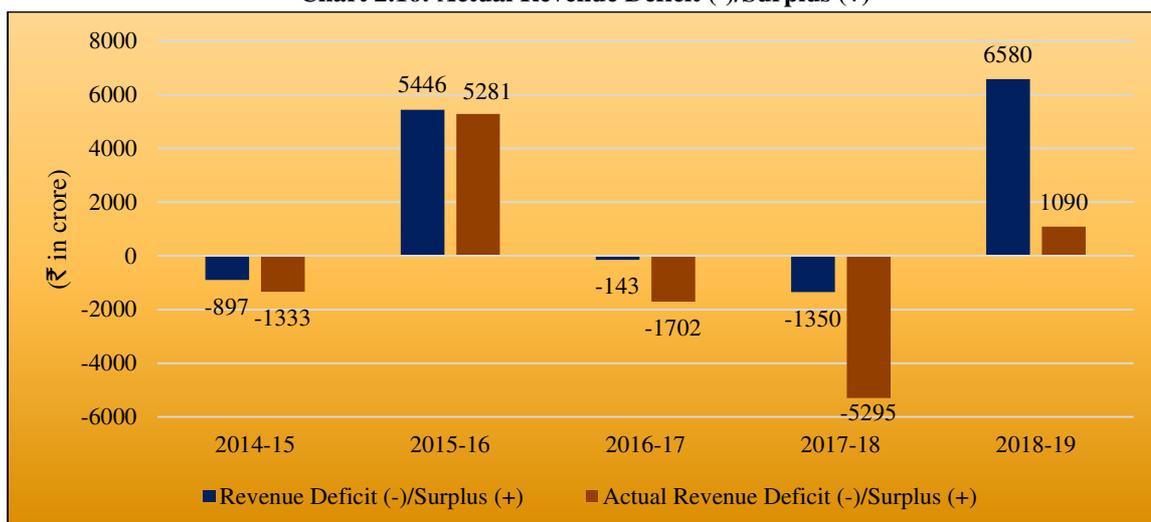


Table 2.24 and Chart 2.16 indicate the impact of non-compliance with the provisions of IGAS-2 by the State in absolute terms during 2014-19 as Revenue Surplus was overstated and Revenue Deficit was understated during the period due to non-compliance with provisions of IGAS-2. Moreover, Capital Expenditure during the period was also overstated to that extent.

Table 2.24: Impact of non-compliance with IGAS-2

	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Grants-in-Aid booked as Capital Expenditure	436	165	1,559	3,945	5,490
Revenue Deficit (-)/Surplus (+) of the State	-897	5,446	-143	-1,350	6,580
Actual Revenue Deficit (-) /Revenue Surplus (+), if expenditure from GIA is treated as Revenue Expenditure	-1,333	5,281	-1,702	-5,295	1,090

Chart 2.16: Actual Revenue Deficit (-)/Surplus (+)



During the Entry Conference on SFAR (January 2020), Audit raised the issue regarding classification of GIA as Capital Expenditure in violation of IGAS-2 before the Principal Secretary, Finance Department. In response, the Principal Secretary stated that, expenditure incurred under the Detailed Head '35- Grants for creation of capital assets' where the ownership of the final asset created rests with the State Government (even when the project is implemented by Government Societies/ PSUs/ Institutions) it is being budgeted under capital Head of Account only, and where the assets created will not be owned by the State Government, provision is being made under revenue Head of Account (since the assets will then belong to that Grantee Institution - local bodies, institutions or individual beneficiaries, etc.).

2.8 Quality of Expenditure

Availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. It is important for the State Government to take appropriate expenditure rationalisation by focusing more on Development Expenditure – which is expenditure on Social and Economic Services. Apart from improving the allocation towards development expenditure, the efficiency of expenditure use is also reflected by the ratio of Capital Expenditure to Total Expenditure and the proportion of Revenue Expenditure being spent on Education and Health Sectors. The higher the ratio of these components to Total Expenditure, the quality of expenditure is considered to be better.

Table 2.25 compares the fiscal priority of the State Government with that of Special Category States (SCS) with regard to development expenditure, expenditure on Social and Economic Sectors, and Capital Expenditure during 2018-19, taking 2014-15 as the base year.

Table 2.25: Fiscal Priority of the State in 2014-15 and 2018-19

(In per cent)

Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education/ AE	Health/ AE
Average (ratio) in 2014-15 of							
SCS	26.00	36.27	30.49	66.76	14.46	18.52	5.60
Assam	22.29	42.78	25.01	67.79	8.97	25.59	4.41

Fiscal Priority of the State	AE/ GSDP	SSE/ AE	ESE/ AE	DE/ AE	CE/ AE	Education/ AE	Health/ AE
Average (ratio) in 2018-19 of							
SCS	26.73	35.75	29.08	64.82	15.69	18.21	6.48
Assam	21.64	40.29	27.68	67.96	16.16	22.96	6.80
AE: Aggregate Expenditure; DE: Development Expenditure; SSE: Social Sector Expenditure; ESE: Economic Sector Expenditure; CE: Capital Expenditure.							

As can be seen from the above table, development expenditure, as a ratio of Aggregate Expenditure of the State of Assam, was more than that of SCS during both the years *i.e.*, 2014-15 and 2018-19. Capital Expenditure of the State was less than that of SCS during 2014-15. However, it improved and exceeded that of SCS in 2018-19. Expenditure of the State on education as well as health was more during 2018-19.

2.9 Investments and Returns

2.9.1 Investment in Public Sector Entities

As per the Finance Accounts 2018-19, Government of Assam had invested ₹ 2,609.44 crore in four Statutory Corporations, 24 Government Companies (Working: 21; Non-working: 3), 17 Joint Stock Companies, two Rural Banks and 18 Co-operatives in the State as of 31 March 2019. The State Government earned a return of ₹ 153.24 crore on these investments during 2018-19. Year-wise details of investment by Government of Assam over the five-year period 2014-15 to 2018-19 were as follows:

Table 2.26: Details of Investment and return on Investment as of 31 March 2019

(₹ in crore)

Entities	2014-15	2015-16	2016-17	2017-18	2018-19
Statutory Corporations⁶ (No. of entities)	2,077.41 (4)	2,077.41 (4)	2,136.13 (4)	2,136.13 (4)	2,151.90 (4)
Government Companies (No. of entities)	176.05 (24)	176.91 (24)	176.92 (24)	176.92 (24)	176.92 (24)
Joint Stock Companies (No. of entities)	29.05 (16)	29.05 (16)	65.81 (17)	80.49 (17)	149.03 (17)
Banks⁷ (No. of entities)	11.16 (1)	11.16 (1)	21.26 (2)	21.76 (2)	21.76 (2)
Co-operatives (No. of entities)	110.23 (18)	109.84 (18)	109.83 (18)	109.83 (18)	109.83 (18)
Total Investment	2,403.90	2,404.37	2,509.95	2,525.13	2,609.44
Return on investment (₹ in crore)	16.23	70.06	124.44	225.55	153.24
Return on investment (per cent)	0.68	2.91	4.96	8.93	5.87
Average rate of interest on Government borrowings (per cent)	6.95	7.03	7.14	6.87	7.07

The average rate of return on investment was 4.67 *per cent* during the five-year period from 2014-15 to 2018-19, while the average rate of interest paid by the State Government during the period was 7.01 *per cent*.

There is a difference in the details relating to the State Public Sector Undertakings (PSUs) as given above in **Table 2.26** (as per Finance Accounts) and the CAG's Audit Report on the State PSUs. The differences have arisen primarily due to the investment transactions being booked in Government accounts based on the vouchers received in the Office of the

⁶ Out of four, one Statutory Corporation *i.e.*, Assam State Electricity Board (ASEB) was reorganised into three entities namely (i) Assam Power Distribution Company Limited (APDCL) (ii) Assam Electricity Grid Corporation Limited (AEGCL) and (iii) Assam Power Generation Corporation Limited (APGCL) in March 2013. Present status of investment already made in erstwhile ASEB and up to date status of investments made in three Companies are awaited from Government.

⁷ It includes the Rural Bank and Urban and Industrial Co-operative Bank.

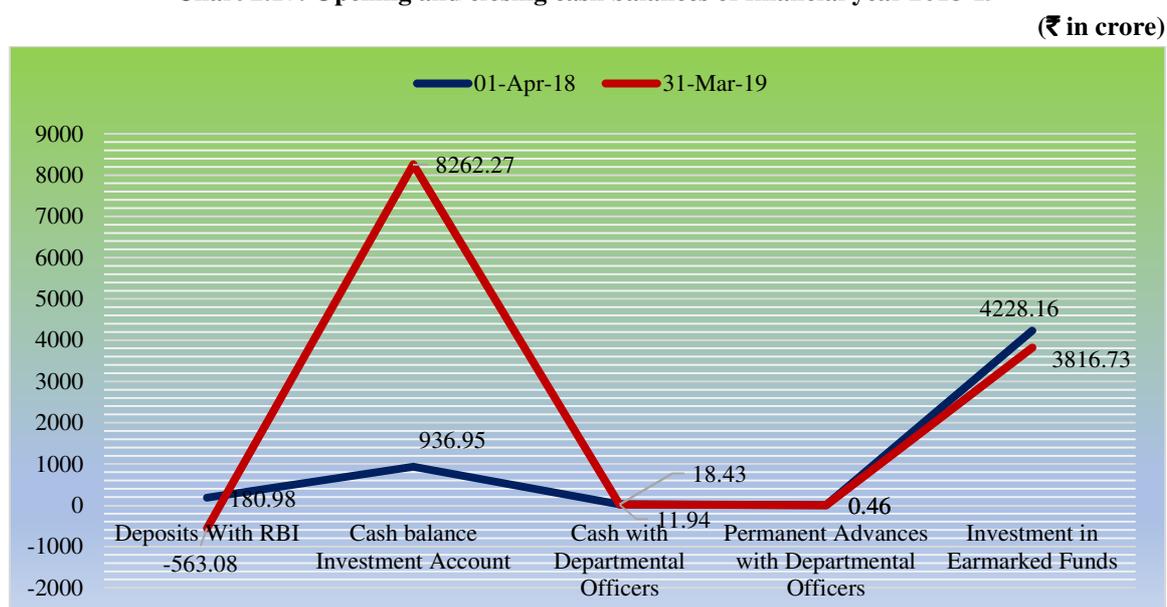
Accountant General (A&E) and the details given in the Audit Reports obtained from the individual PSUs. The differences in the number of PSUs as well as investments made by the State Government in these PSUs are under reconciliation.

The State Government has been requested several times during 2018-19 to reconcile the differences and confirm the correct figures to the Office of the Accountant General (A&E) to enable depiction of the correct status in this regard. State Government is yet to act on this issue.

2.9.2 Cash Balances

The details of cash balances with the Government of Assam as of 01 April 2018 and 31 March 2019 were as follows:

Chart 2.17: Opening and closing cash balances of financial year 2018-19



As per an agreement with the Reserve Bank of India, State Government has to maintain a minimum daily cash balance of ₹ 1.08 crore with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMA)/ Special Ways and Means Advances (SWMA)/ Overdraft (OD) from time to time. The limit for ordinary WMA to the State Government was ₹ 940 crore with effect from 01 April 2016 and the limit of SWMA is revised by the bank from time to time.

The State Government maintained the minimum daily cash balance with the RBI during 2018-19 and no WMA/ SWMA/ OD was availed during the year.

2.9.3 Investment of Cash Balances

Table 2.27 depicts the cash balances and investments made out of these by the State Government during the year.

Table 2.27: Cash Balances and their investment

(₹ in crore)		
	Opening balance on 01 April 2018	Closing balance on 31 March 2019
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	180.98	(-) 563.08
Deposits with other Banks	0.00	0.00
Remittances in transit – Local	0.00	0.00
Total	180.98	(-) 563.08
Investments held in Cash Balance investment account	936.95	8,262.27
Total (A)	1,117.93	7,699.19
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	18.43	11.94
Permanent advances for contingent expenditure with department officers	0.46	0.46
Investment in earmarked funds	4,228.16	3,816.73
Total (B)	4,247.05	3,829.13
Total (A + B)	5,364.98	11,528.32
Interest realised	286.53	307.00

Source: Finance Accounts

Cash Balances of the State Government at the end of the current year increased significantly by ₹ 6,163 crore from ₹ 5,365 crore in 2017-18 to ₹ 11,528 crore in 2018-19. This was mainly due to increase in investment in Treasury Bills by ₹ 7,325 crore from ₹ 937 crore in 2017-18 to ₹ 8,262 crore in 2018-19.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The State Government has earned an interest of ₹ 307 crore during 2018-19 from the investments made in GoI Securities and Treasury Bills.

Out of the investment of ₹ 3,817 crore in earmarked funds, ₹ 3,769 crore was invested in the Consolidated Sinking Fund and ₹ 47 crore in Guarantee Redemption Fund at the end of the year.

The cash balance investments of the State during the five-year period 2014-15 to 2018-19 are given below:

Table 2.28: Cash Balance investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+) / decrease (-)	Interest earned
2014-15	3,611.98	2,004.71	-1,607.27	298.76
2015-16	2,004.71	7,510.11	5,505.40	284.35
2016-17	7,510.11	5,181.64	-2,328.47	458.12
2017-18	5,181.64	936.95	-4,244.69	286.53
2018-19	936.95	8,262.27	7,325.32	307.00

The trend analysis of the cash balance investment of the State Government during 2014-19 revealed that investment increased significantly during 2015-16 and 2018-19. During the current year, *i.e.*, 2018-19, the cash balance stood at 7.6 per cent of the budget of the State.

Chart 2.18 compares the balances available in the Cash Balance Investment Account and the Market Loans taken by the State during the period 2014-19. Market Loans were taken at higher interest rates whereas investment in Treasury Bills yielded interest at lower rates.

Chart 2.18: Market loans vis-a-vis Cash Balance

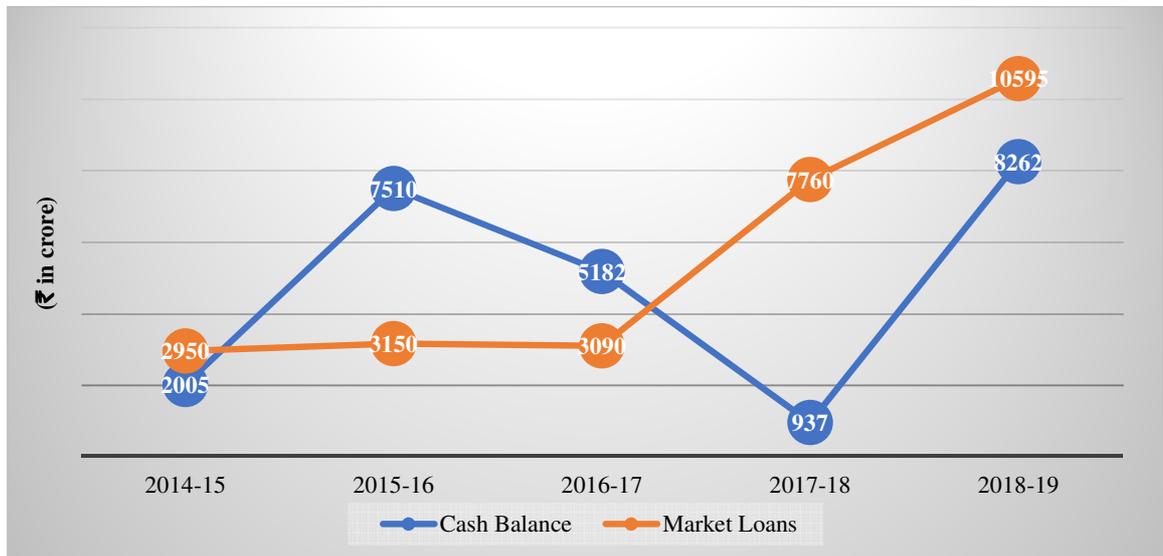


Chart 2.19 shows the daily cash balance during 2018-19 and **Chart 2.20** compares the month-wise Cash Balance Investment Account with the market loans obtained by the State.

Chart 2.19: Cash balances during 2018-19

(Amount in ₹)

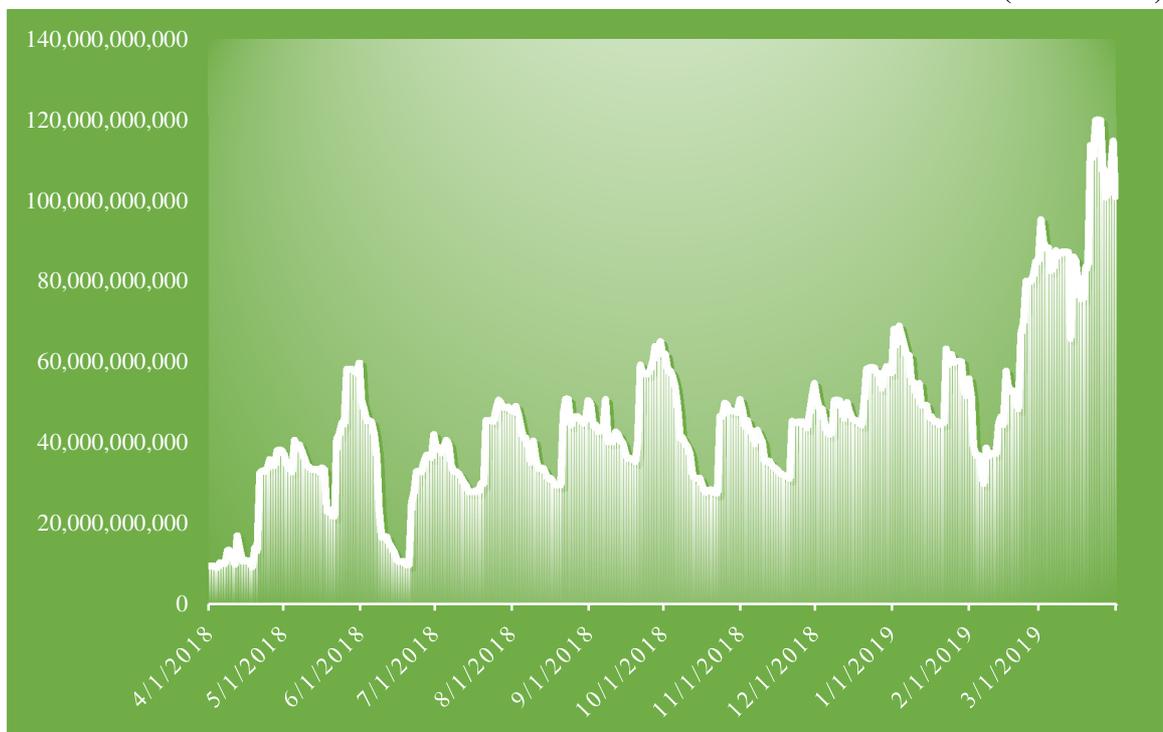
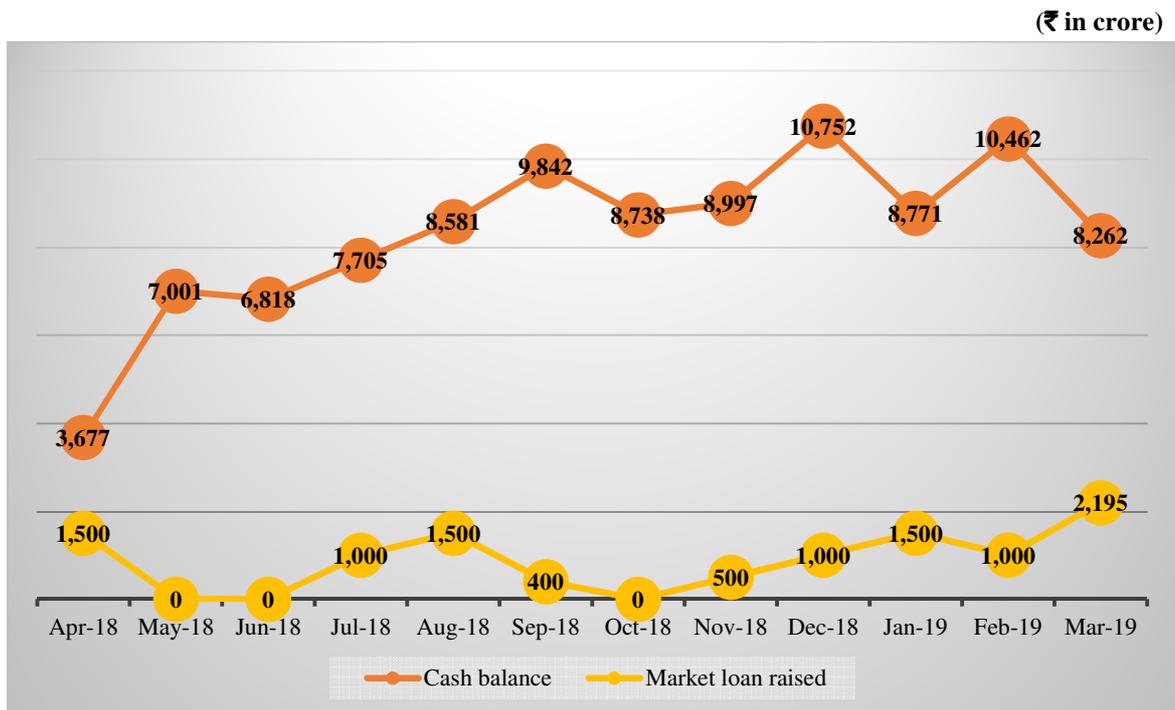


Chart 2.20: Month-wise movement of Cash Balances Investment Account and market loans during 2018-19



The preceding chart indicates that the State Government had taken recourse to market loans on several occasions during the year despite having large cash balances leading to further accretion to cash balances without putting it to productive use. During the year 2018-19, the State Government raised ₹ 10,595 crore from the market, while at the same time, the cash balance increased significantly from ₹ 937 crore to ₹ 8,262 crore, indicating that much of the borrowing was avoidable.

Further, borrowings are normally resorted to, to invest in capital projects and creation of assets. While there has been an increase in the Capital Expenditure of the State during 2018-19 compared to the previous years, as brought out in Paragraph 2.7.5.1, 50 per cent of the Capital Expenditure was funded by the Grants-in-Aid provided by the GoI. Therefore, there appears to be little rationale for borrowing at a higher rate of interest while the cash balances were high throughout the year.

2.9.4 Investment in Incomplete Projects

The State Government has not made available the details of the projects which were running behind schedule, where the estimated cost and the timelines were revised. In the absence of this information, the details of incomplete projects given below is based on a sample check of a few projects in selected Public Works Divisions across the State.

As per Finance Accounts of the State for the year 2018-19, there were 94 incomplete/ongoing projects in 15 works divisions of Public Works, Irrigation and Water Resources Departments as on 31 March 2019. Age profile of incomplete projects based on the year of sanction/ year of start of these projects as on 31 March 2019 is as follows.

Table 2.29: Age profile of incomplete projects as on 31 March 2019 (₹ in crore)

Year	No of incomplete projects	Estimated cost	Expenditure (as on 31 March 2019)
2011-12	2	29.46	29.46
2012-13	30	129.67	86.32
2013-14	2	10.45	4.64
2014-15	15	556.31	422.55
2015-16	6	29.49	13.38
2016-17	9	21.64	4.67
2017-18	27	83.27	25.35
2018-19	3	12.50	0.00
Total	94	872.79	586.37

Table 2.30: Department-wise profile of incomplete projects as on 31 March 2019 (₹ in crore)

Department	No. of incomplete projects	Estd cost	Expenditure
Public Works	37	107.47	37.23
Irrigation	36	139.78	91.37
Water Resources	21	625.54	457.77
Total	94	872.79	586.37

Source: Finance Accounts

Physical progress of the projects as on 31 March 2019 was in the range of 0 to 95 per cent in respect of projects being executed by Public Works Department, 60 to 97 per cent in respect of projects being executed by Irrigation Department and 35 to 95 per cent in respect of projects being executed by Water Resources Department.

Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, the funds borrowed for implementation of these projects during the respective years proved futile and the State had to share the extra burden in terms of servicing of debt and interest liabilities. Effective steps need to be taken to complete all these above projects without further delay to avoid cost overrun due to time overrun.

2.10 Contingency Fund

This Fund is in the nature of an imprest, which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State. The Contingency Fund of the Government of Assam for 2018-19 was ₹ 100 crore.

2.11 Public Account

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. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.11.1 Net Balances in Public Account

Component-wise net balances in Public Account of the State as of end of March 2019 are as follows.

Table 2.31: Component-wise net balances in Public Account as of 31 March of the year

(₹ in crore)

Sector	Sub Sector	2014-15	2015-16	2016-17	2017-18	2018-19
I. Small Savings, Provident Funds, etc.	Small Savings, Provident Funds, etc.	890.13	860.15	796.46	1,027.66	981.06
J. Reserve Funds	(a) Reserve Funds bearing Interest	320.62	230.03	1,240.52	-2,294.54	107.50
	(b) Reserve Funds not bearing Interest	0.00	0.00	0.00	0.00	-0.00
K. Deposits and Advances	(a) Deposits bearing Interest	-27.85	-13.73	89.38	-36.32	148.06
	(b) Deposits not bearing Interest	-500.31	-954.11	940.54	109.04	748.82
	(c) Advances	294.62	-38.00	-684.26	-516.33	254.59
L. Suspense and Miscellaneous	(a) Suspense	-91.91	-228.60	234.01	651.55	-48.32
	(b) Other Accounts*	1,610.78	-5,506.22	2,317.66	4,244.07	-7,318.83
	(c) Accounts with Governments of Foreign Countries	---	---	---	---	---
	(d) Miscellaneous	---	---	---	---	1,053.41
M. Remittances	(a) Money Orders, and other Remittances	43.53	-57.76	-54.33	-3.73	-39.35
	(b) Inter-Governmental Adjustment Account	-13.27	10.09	-18.01	24.22	-17.23
TOTAL		2,526.34	-5,698.15	4,861.96	3,205.63	-4,130.29

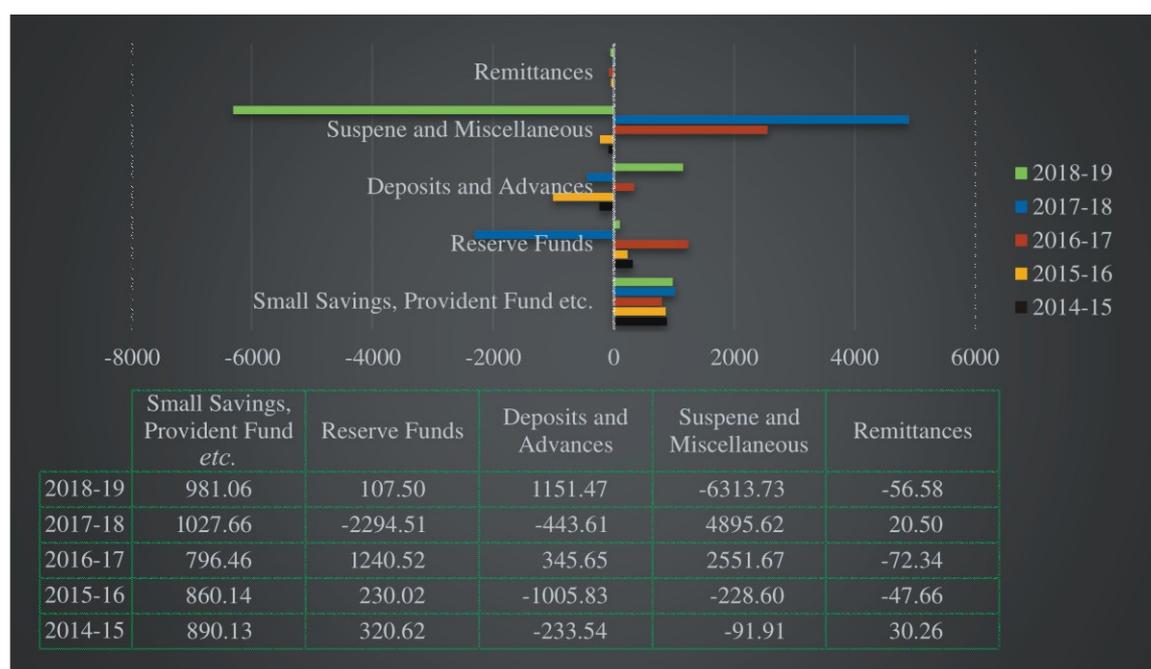
Note: +ve denotes debit balance and -ve denotes credit balances

*Other Accounts under L. Suspense and Miscellaneous include Cash Balance Investment Account

The yearly changes in composition of balances in Public Account over the five-year period 2014-19 are given in **Chart 2.21**.

Chart 2.21: Yearly changes in composition of Public Account balances

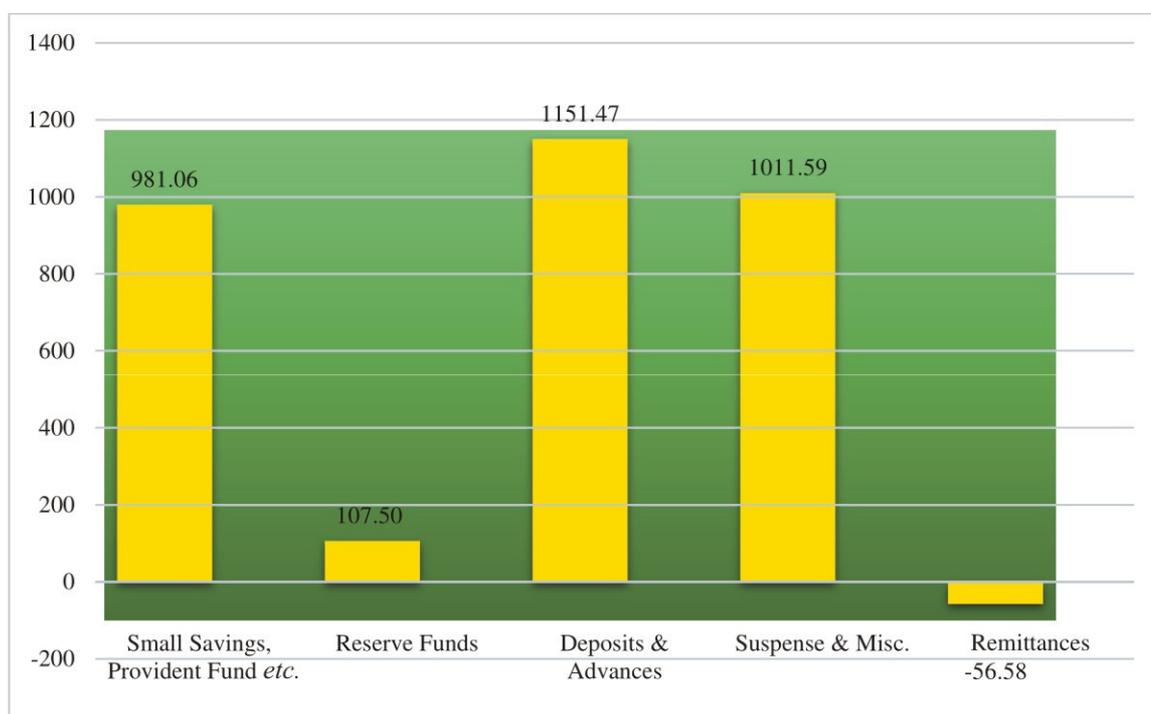
(₹ in crore)



*Suspense and Miscellaneous for the years 2016-17, 2017-18 and 2018-19 include Cash Balance Investment Account

The following Chart gives the details of changes in the balances in Public Account during the year 2018-19.

Chart 2.22: Change in balances in Public Account during the year 2018-19 (₹ in crore)



Note: Changes in Suspense and miscellaneous balances during the year 2018-19 include only balances under suspense and miscellaneous heads of account. These do not include balances of 'Other Accounts-Cash Balance Investment Account'.

2.11.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

As of 31 March 2019, there were 14 Reserve Funds in the State. Out of these, six Reserve Funds were active and the remaining eight have been inactive for several years. The total accumulated balance in these funds, as of 31 March 2019, was ₹ 4,434.80 crore (₹ 4,427.97 crore in active funds and ₹ 6.83 crore in inactive funds) of which, ₹ 3,816.73 crore (86.06 per cent) was invested.

Details of transactions during the year in the six active and eight inactive Reserve Funds are discussed below:

2.11.2.1 Consolidated Sinking Fund

The State Government had set up the Sinking Fund in line with the recommendations of the XII Finance Commission for amortisation of market borrowings as well as other loans and debt obligations. The fund is managed by the Reserve Bank of India. As of 31 March 2019, the balance in the Sinking Fund was ₹ 3,776.52 crore, of which ₹ 3,769.28 crore has been invested.

2.11.2.2 State Disaster Response Fund

Government of India (GoI) replaced the erstwhile Calamity Relief Fund with the State Disaster Response Fund (SDRF) with effect from 01 April 2010. In terms of the guidelines of the Fund, the Centre and Special Category States are required to contribute to the Fund in the proportion of 90:10 and the contributions are to be transferred to the Public Account to Major Head – 8121. Expenditure during the year is incurred by operating Major Head-2245.

As per Paragraph 4 of the Guidelines, the State Government has to pay interest to the SDRF at the rate applicable to overdrafts under overdraft Regulation Guidelines of the RBI. The interest is to be credited on a half yearly basis.

As on 01 April 2018, the Fund had a balance of ₹ 496.10 crore. During 2018-19, an amount of ₹ 532 crore (GoI share: ₹ 478.80 crore *plus* State's share: ₹ 53.20 crore) was transferred to the Fund. Further, the State Government carried out an adjustment of ₹ 9.38 crore of expenditure pertaining to 2017-18 and ₹ 424.50 crore pertaining to current year by inter account transfer of expenditure to Major Head-8121. As on 31 March 2019, a balance of ₹ 603.61 crore was lying in the Fund.

Government of Assam has not paid the half-yearly interest on the balance lying in the Fund in violation of Paragraph 4 of the SDRF guidelines. The unpaid interest by the GoA led to overstatement of Revenue Surplus to that extent during 2018-19.

During the Public Accounts Committee (PAC) meeting (November 2019) on SFAR for the year ended 31 March 2018, the Chairman raised the issue of non-investment of balances under SDRF by the Government. The Principal Secretary, Finance Department acknowledged that SDRF funds were not being invested regularly and stated that it was due to the highly unpredictable nature of disasters in the State, which necessitate quick access to funds. The Principal Secretary however, assured that the Government would take necessary action for investment of the funds as per the norms prescribed by GoI guidelines.

2.11.2.3 Guarantee Redemption Fund

State Government 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 Public Sector Undertakings or other Bodies and invoked by the beneficiaries.

According to the scheme guidelines, 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 maintained by the Accountant General (A&E).

During 2018-19, the State Government contributed ₹ 3.91 crore to the Fund, which was three *per cent* of ₹ 130 crore (outstanding guarantees at the end of second financial year preceding the current financial year). No guarantee was invoked during the year. As on 31 March 2019, the total amount lying in the Fund was ₹ 47.03 crore (including the accrued

interest of ₹ 3.30 crore for 2018-19) and the entire amount was invested by the Reserve Bank of India.

2.11.2.4 General and Other Reserve Funds

There were three active Reserve Funds (not bearing interest) which had a cumulative balance of ₹ 0.82 crore as on 31 March 2019.

2.11.2.5 Inactive Reserve Funds

There were eight inactive Reserve Funds with an aggregate balance of ₹ 6.83 crore at the end of 2018-19, which were lying dormant for decades. The State Government needs to review these inactive funds and take appropriate action as per rules in consultation with the Accountant General (A&E).

2.12 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, State Government has also provided loans and advances to many institutions/ organisations. **Table 2.32** presents the outstanding loans and advances as on 31 March 2019 along with interest receipts *vis-à-vis* interest payments during the five-year period from 2014-15 to 2018-19.

Table 2.32: Details of Loans advanced by State Government and interest received

	(₹ in crore)				
Quantum of Loans/ Interest Receipts/ Cost of Borrowings	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Balance	4,323	4,944	4,694	5,174	5,423
Amount advanced during the year	631	260	499	254	328
Amount recovered during the year	10	510	19	5	3
Closing Balance	4,944	4,694	5,174	5,423	5,748
Interest Receipts	15	14	17	19	281
Interest receipts as a <i>percentage</i> of outstanding Loans and Advances	0.30	0.30	0.33	0.35	4.89
Average rate of interest on Government borrowing (<i>per cent</i>)	6.95	7.03	7.14	6.87	7.07
Difference between Interest Payments and Interest Receipts (<i>per cent</i>)	6.65	6.73	6.81	6.52	2.18

The total amount of outstanding loans and advances as on 31 March 2019 was ₹ 5,748 crore. The amount of loans disbursed during the year increased by 29.13 *per cent* from ₹ 254 crore in 2017-18 to ₹ 328 crore in 2018-19.

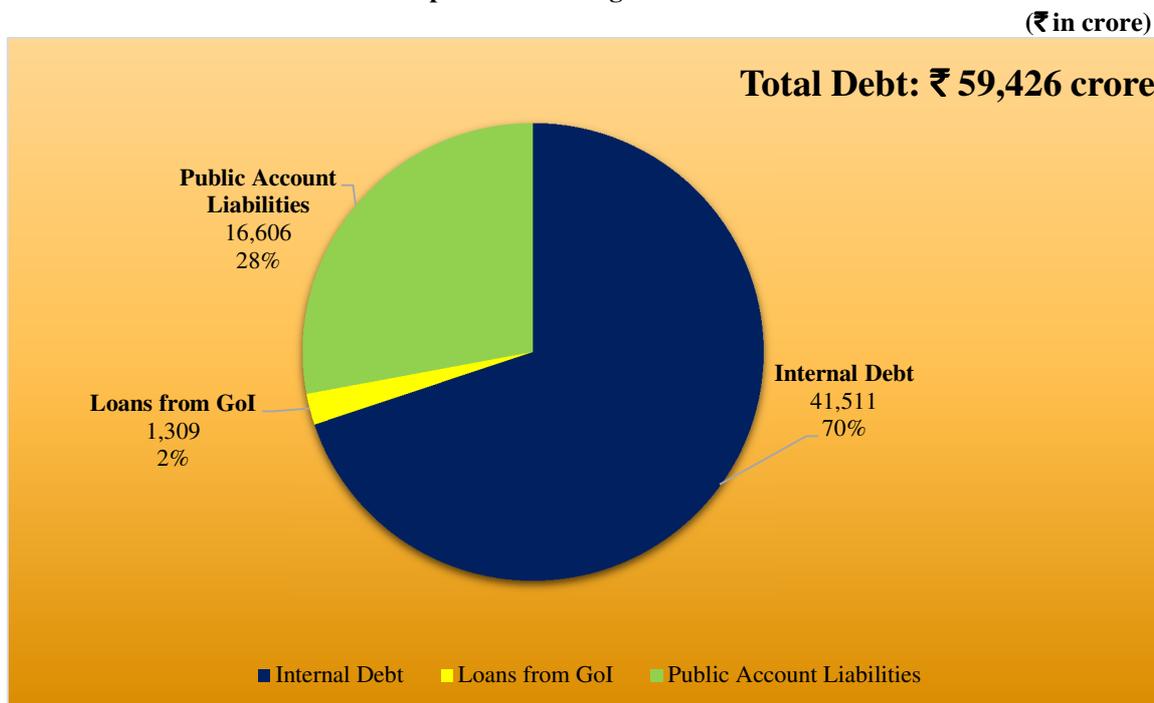
Out of the total amount of loans advanced during the year, Social Services received ₹ 2.54 crore, Economic Services received ₹ 254.32 crore and the remaining ₹ 71.21 crore was provided to Government servants. Within the Social Services, Urban Development (69 *per cent*) received the major share; in Economic Services, it was power projects (51 *per cent*) followed by Industry and Minerals (43 *per cent*).

Recovery of loans and advances decreased by ₹ two crore from ₹ five crore in 2017-18 to ₹ three crore in 2018-19. However, interest receipts in this regard increased by ₹ 262 crore during the year.

2.13 Debt Management and Sustainability

The total outstanding debt of the State Government at the end of 2018-19 was ₹ 59,426 crore. Component-wise break-up of debt is shown below in **Chart 2.23**.

Chart 2.23: Break-up of Outstanding Debt at the end of FY 2018-19



Internal debt, which is primarily market borrowings through issue of State Development Loans (SDLs), accounts for 70 per cent of the total outstanding debt.

2.13.1 Trend of Debt

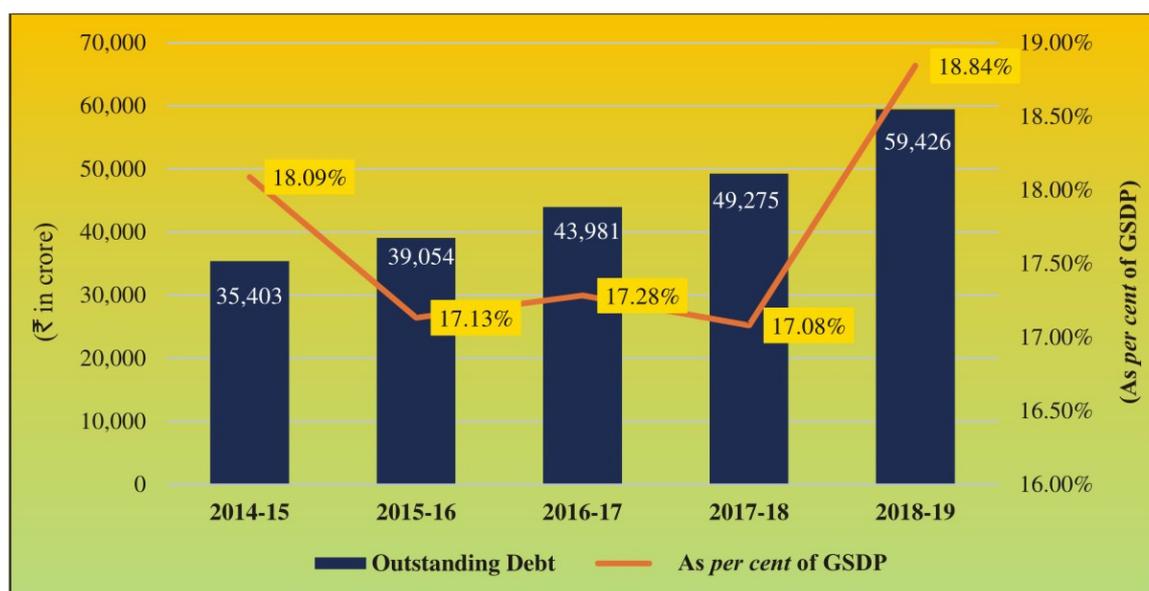
The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2014-19 are given in **Table 2.33**, as also in **Chart 2.24**.

Table 2.33: Trend of Debt

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19	
Outstanding Debt	35,403	39,054	43,981	49,275	59,426	
Public Debt	<i>Internal Debt</i>	21,187	24,799	26,737	33,294	41,511
	<i>Loans from GoI</i>	1,591	1,508	1,430	1,361	1,309
Public Account Liabilities	12,625	12,747	15,814	14,620	16,606	
Rate of growth of outstanding debt (percentage)	11.45	10.31	12.62	12.04	20.60	
Gross State Domestic Product (GSDP)	1,95,723	2,27,959	2,54,478	2,88,494	3,15,372	
Debt/GSDP (per cent)	18.09	17.13	17.28	17.08	18.84	
Total Debt Receipts	14,374	13,341	13,534	18,848	25,164	
Total Debt Repayments	10,736	9,689	8,608	13,554	15,013	
Total Debt Available	3,638	3,652	4,926	5,294	10,151	

Chart 2.24: Trend of overall Debt



2.13.2 Debt Sustainability

Debt is considered sustainable if the borrower, in this case the State, is in a position to service its debt now, and in future. Debt sustainability indicators accordingly seek to assess the credit worthiness and the liquidity position of the borrower by examining their ability to service the debt through timely interest payments and repay debt out of current and regular sources of revenue.

This section assesses the sustainability of debt of the State Government in terms of debt/GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of interest payments to Revenue Receipts) and maturity profile of the State Government debt.

Table 2.34 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2014-15.

Table 2.34: Debt Sustainability: Indicators and Trends

Indicators of Debt sustainability	2014-15	2015-16	2016-17	2017-18	2018-19
Debt/GSDP (<i>per cent</i>)	18.09	17.13	17.28	17.08	18.84
Fiscal Deficit/GSDP (<i>per cent</i>)	2.77	-1.32*	2.41	3.24	1.52
Interest Payments/Revenue Receipts Ratio	6.11	6.17	6.02	5.92	6.06
Rate of growth of outstanding Debt (<i>percentage</i>)	11.45	10.31	12.62	12.04	20.60
Rate of growth of GSDP (<i>percentage</i>)	10.11	16.47	11.63	13.37	9.32
Interest payment	2,334	2,618	2,964	3,205	3,844
Average interest rate on Outstanding debt (<i>per cent</i>)	6.95	7.03	7.14	6.87	7.07
Available Debt as a percentage of Debt Receipts	25.31	27.37	36.40	28.09	40.34

* Fiscal Surplus in 2015-16

The fiscal consolidation roadmap recommended by the XIV FC had set the following targets relating to debt sustainability –

- Debt should be less than 25 *per cent* of GSDP; and
- Interest payments should be less than 10 *per cent* of Revenue Receipts.

As can be seen from **Table 2.34**, in the five-year period from 2014-15 to 2018-19, the ratio of debt to GSDP of Assam has been fairly stable, and within a narrow range of 17.08 to 18.84 *per cent*, well below the 25 *per cent* recommended by the XIV FC, and below the target ceiling for debt of 28.50 *per cent* set in AFRBM Act. The growth rate of revenue receipts has generally outpaced the growth rate of debt during the last ten years, except during 2017-18 and 2018-19, where the debt grew at a significantly faster rate than the Revenue Receipts. However, in absolute terms, Revenue Receipts were higher than debt even in these two years.

The burden of interest payment ranged from 5.92 to 6.17 *per cent* of the Revenue Receipts. These indicate sustainability of debt of the State.

However, during the five-year period 2014-15 to 2018-19, while GSDP has grown at a CAGR of 12.70 *per cent*, the outstanding debt has grown at a faster rate of 13.80 *per cent*.

Sustainability of debt of the Government of Assam is also assessed in terms of the Domar model in **Table 2.35**, where the sustainability of debt is based on the relationship between the key fiscal values - public debt, growth rate, interest rate and primary balance. As per this model, for debt to be sustainable, the rate of interest payable on the outstanding debt should be lower than the rate of growth of GSDP (Domar gap); and there should be a primary surplus.

Debt sustainability of Government of Assam is given below as per the Domar model.

Table 2.35: Debt sustainability as per the Domar model

Year	Growth Rate (g) of GSDP	Average Interest Rate (r)	g-r	Primary Deficit/ Surplus (s) (₹ in crore)	Remarks
2014-15	10.11	6.95	3.16	-3096	As $g-r > 0$ and $s < 0$, public debt will converge to a stable level
2015-16	16.47	7.03	9.44	5623	As $g-r > 0$ and $s > 0$, public debt will converge to a stable level less than zero leading to public savings
2016-17	11.63	7.14	4.49	-3161	As $g-r > 0$ and $s < 0$, public debt will converge to a stable level
2017-18	13.37	6.87	6.50	-6137	
2018-19	9.32	7.07	2.25	-935	

Note: While the Domar model applies the real growth rate and real interest rate, since the CPI rate for the State is not available, the average interest rate on outstanding debt, as featured in the SFARs of the respective years, has been taken as 'r' rather than the real interest rate. The GSDP is nominal (at current price).

The positive Domar gap combined with reduction of primary deficit in 2018-19 is indicative of the debt of Government of Assam being sustainable both as per the Domar model, as well as the fiscal consolidation roadmap recommended by the XIV FC.

2.13.2.1 Maturity Profile of Public Debt

Public Debt consists of Internal Debt and Loans and Advances received from GoI. As per Statement 17 of the Finance Accounts for the year 2018-19, the maturity profile of public debt is as follows.

Table 2.36: Maturity Profile of Public Debt

Year of maturity	Maturity Profile	Amount			(₹ in crore)
		Internal Debt	Loans & Advances from GoI	Total	Per cent of total Public Debt
By 2019-20	0-1 year	2,614.73	265.78	2,880.51	6.73
Between 2020-21 & 2021-22	2-3 years	4,490.96	317.21	4,808.17	11.23
Between 2022-23 & 2023-24	4-5 years	2,400.93	318.37	2,719.30	6.35
Between 2024-25 & 2025-26	6-7 years	11,334.91	106.41	11,441.32	26.72
2026-27 onwards	Above 7 years	20,669.59	301.30	20,970.89	48.97
Total		41,511.12	1,309.07	42,820.19	-

The maturity profile of outstanding stock of public debt as on 31 March 2019 indicates that out of the outstanding public debt of ₹ 42,820.19 crore, 51.03 per cent (₹ 21,849.30 crore) is payable within the next seven years while the remaining 48.97 per cent (₹ 20,970.89 crore) is in the maturity bracket of more than seven years. Of the total outstanding public debt, internal debt consisting of market borrowings, loans from NABARD and special securities issued to NSSF of Central Government constituted 96.94 per cent (₹ 41,511.12 crore).

During the seven-year period⁸ 2012-13 to 2018-19, the State repaid ₹ 13,897 crore of debt against the indicated amount of ₹ 10,374 crore in Finance Accounts. The Difference between the indicated amount and actual repayment is under reconciliation.

The details of actual pay-out vis-à-vis that indicated in the SFARs during 2017-18 and 2018-19 are tabulated below.

Table 2.37: Maturity Profile of Public Debt

Year	Outstanding Debt as on 31 March	Indicated payment	(₹ in crore)
			Actual repayment
2017-18	34,654.91	1,464.76	1,959
2018-19	42,820.20	3,413.34	3,589

As seen from the above, the State has a satisfactory track record of debt servicing.

2.13.3 Liabilities on Account of Ujwal Discom Assurance Yojana (UDAY)

GoI launched UDAY in November 2015 for financial turnaround of power distribution companies (DISCOMs) and improving their operational and financial efficiency to ensure provision of affordable and accessible power 24x7 to all. One of the important provisions of the scheme is that the State shall take over 75 per cent of DISCOMs debt as on 30 September 2015 over two years – 50 per cent debt shall be taken in 2015-16 and 25 per cent in 2016-17.

Government of Assam entered the Yojana on 04 January 2017. As per the Memorandum of Understanding (MoU) amongst GoI, State Government and Assam Power Distribution Company Limited (APDCL), GoA was required to take over 75 per cent of outstanding loan as on 30 September 2015 payable by APDCL and convert the same into grant and equity in 3:1 ratio and further, to waive the unpaid interest due from APDCL as on

⁸ In SFAR, the maturity profile of debt is given up to seven years and onwards

30 September 2015. The total outstanding debt of the DISCOM as on 30 September 2015 was ₹ 1,510 crore and thus, 75 per cent of it, i.e. ₹ 1,132.50 crore was due for conversion into grant and equity.

However, as of 31 March 2019, despite the MoU, Government of Assam has not taken over any of the ₹ 1,132.50 crore liabilities of APDCL in its books.

2.14 Status of Guarantees – Contingent Liabilities

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

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2014-15 to 2018-19 are shown in **Table 2.38**:

Table 2.38: Guarantees given by the Government of Assam

(₹ in crore)					
Guarantees	2014-15	2015-16	2016-17	2017-18	2018-19
Outstanding amount of guarantees including interest liability	143	143	130	90	85
Criteria as per the AFRBM Act, 2005	State Government guarantees shall be restricted at any point of time to 50 per cent of State's own tax and non-tax revenue of the second preceding year as reflected in the books of accounts maintained by Accountant General (A&E).				

Government had guaranteed loans raised by various Corporations and Others which at the end of 2018-19 stood at ₹ 85 crore. It was 0.52 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 State FRBM Act. Out of the total outstanding guarantees, ₹ 22.95 crore (27 per cent) pertained to power sector.

2.15 Conclusion

The State Government registered an increase of 17.27 per cent in its Revenue Receipts during 2018-19 compared to the previous year. There has been a significant increase in Non-Tax Revenue and the buoyancy of the State's own revenue was also higher than the preceding four years due to the implementation of GST. However, the State continued to be dependent on GoI with 62 per cent of the revenue coming from Central transfers and Grants-in-Aid.

Development expenditure of the State as well as expenditure on health and education was more than that of the other Special Category States.

The State continued to be non-compliant with the Indian Government Accounting Standards as regards the accounting treatment given to expenditure incurred out of Grants-in-Aid.

The State Government violated the rules governing NPS and its act of short contribution to this pension system as well as retaining the balances in current account and non-transfer of the balances to the Trustee is fraught with the risk of unauthorised use of

funds belonging to the employees, thereby creating uncertainty in respect of the benefits due to the employees and avoidable future liability to the Government.

2.16 Recommendations

- i. State Government needs to review the accounting treatment given to the
 - a. expenditure met out of Grants-in-Aid and take necessary action to comply with the Indian Government Accounting Standards; and
 - b. mode of accounting for re-investment of cash balances in various securities on their maturity.
- ii. It is imperative that the State Government undertake a rigorous exercise to arrive at its liability for NPS including short contribution and interest on the funds yet to be transferred to NSDL. The prescribed procedure for accounting the NPS related transactions should be adhered to scrupulously and the State Government should provide an assurance to the pensioners about the returns on their investment.
- iii. State Government needs to provide on priority, accurate information to the Accountant General (A&E) with regard to the capital invested in projects, which are at various stages of completion for several years, as well as the complete and accurate details relating to its investment in PSUs.