



GOVERNMENT OF ASSAM

FINANCE DEPARTMENT

**Statements laid before the Assam Legislative Assembly
as required under the Assam Fiscal Responsibility and
Budget Management Act, 2005**

2018-19

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PREFACE

Government of Assam (GoA) enacted its Fiscal Responsibility and Budget Management (AFRBM) Act in May 2005, which came into force from September 1, 2005 to ensure fiscal stability, sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources, remove the impediments for effective conduct of fiscal policy and prudent debt management for improving social and physical infrastructure and human development in the State. Under Section 3 of the Act, the GoA is required to submit in the State Legislative Assembly a five Year Rolling Fiscal Plan with objectives of the State Government along with relevant fiscal indicators, a statement on recent economic trends and future prospects for growth and development affecting the fiscal position of the State.

Accordingly, a Statement is therefore laid before the State Legislative Assembly in compliance with the above statutory requirements. A Medium Term Fiscal Policy (MTFP) 2018- 2023 is also placed along with this Statement and takes into cognizance the key challenges on revenue flows in the GST regime and expenditure management.

I. OVERVIEW OF THE INDIAN ECONOMY

As per the press release of the Central Statistics Office (CSO), the Gross Domestic Product (GDP) at constant (2011-12) prices during 2017-18 is estimated to grow at 6.6 percent as compared with 7.1 per cent during 2016-17. The Gross Value Added (GVA) at constant prices is anticipated to grow at 6.4 percent during 2017-18 as against 7.1 percent during 2016-17.

At current prices, the GDP is expected to grow at a lower rate of 9.8 per cent during 2017-18 as compared with 10.8 per cent during 2016-17. Similarly, the GVA at current prices is also estimated to record a lower growth of 9.6 per cent as compared with 10.1 per cent during 2016-17.

AGRICULTURE, FORESTRY AND FISHING

Sector-wise analysis reveals that the agriculture, forestry and fishing sector is likely to grow at 3.0 per cent in its GVA (at basis prices) during 2017-18, as against the previous year's growth of 6.3 percent. According to the information furnished by the Department of Agriculture and Cooperation (DAC), the production of food grains during the Kharif season of agriculture year 2017-18 was 134.67 million tonnes as compared to 138.52 million tonnes during the same period in 2016-17.

MINING AND QUARRYING

The GVA at basic prices for 2017-18 from mining and quarrying sector is estimated to grow at 3.0 percent as compared with 13.0 percent in 2016-17. The Index of Industrial Production (IIP) of mining registered a growth of 2.8 percent during April-December 2017-18 as compared with 4.3 per cent achieved during the comparable period of previous year.

MANUFACTURING

The GVA at basic prices for 2017-18 from manufacturing sector is estimated to grow at 5.1 percent as compared to a growth of 7.9 percent in 2016-17. The private corporate sector growth (which has a share of over 70 percent in the manufacturing sector) as estimated from available data of listed companies is 7.4 percent at current prices during 2017-18. The advance estimates of IIP for manufacturing sector registered a growth of 3.8 percent during April-December 2017-18 as compared with 5.0 per cent in the comparable period of 2016-17.

ELECTRICITY, GAS, WATER SUPPLY

GVA at basic prices for 2017-18 from 'Electricity, Gas, water supply and other utility services' is expected to grow by 7.3 percent as compared to growth of 9.2 percent in 2016-17. IIP of Electricity registered a growth rate of 5.1 percent during April-December 2017-18 as compared with 6.3 percent during the comparable period of previous year.

CONSTRUCTION

GVA at basic prices for 2017-18 from 'Construction' sector is expected to grow by 4.3 percent as compared to growth of 1.3 percent in 2016-17.

TRADE, HOTELS, TRANSPORT & COMMUNICATION

The estimated growth in GVA for the trade, hotels, transport and communication and services related to broadcasting services during 2017-18 is placed at 8.3 percent as against growth of 7.2 percent in the previous year.

FINANCIAL, INSURANCE, REAL ESTATE & PROFESSIONAL SERVICES

The estimated growth in GVA for this sector during 2017-18 is placed at 7.2 percent as compared to growth of 6.0 percent in 2016-17.

PUBLIC ADMINISTRATION AND DEFENCE & OTHER SERVICES

GVA at basic prices for 2017-18 from this sector is expected to grow by 10.1 percent as compared to growth of 10.7 percent in 2016-17.

II. OVERVIEW OF THE STATE ECONOMY

AREA AND POPULATION

Assam is situated in the North-East region of India, bordering seven States viz., Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and West Bengal and two countries viz., Bangladesh and Bhutan. The geographical area of the State is 78,438 sq. Km of which 98.4 percent area is rural. Assam shares about 2.4 percent of the country's total geographical area and provides shelter to 2.6 percent population of the Country.

Assam is a state of heterogeneous population with socio-cultural and ethnic diversity. According to 2011 Census of India, the population of Assam stands at 312.05 lakh of which 159.39 lakh are male and 152.66 lakh are female. The decadal growth of the State's population works out at 17.07 percent during the decade 2001–2011 as against 17.68 percent for the country as a whole. Out of the total 312.06 lakh population of the State, 86percent population lives in rural areas and 14 percent population lives in urban areas. While the percentage of rural population of the State stands much higher compared to All-India average (69 percent), the proportion of urban population in the State has increased from 12.9 percent in 2001 to 14 percent in 2011.

The density of the population of Assam has increased to 398 persons in 2011 from 340 persons in 2001 Census or on an average, 58 more people inhabit every square kilometre in the State as compared to a decade ago and the density in Assam is higher than all India average of 382 persons.

The sex ratio of Assam has increased to 958 female per 1000 male in 2011 from 935 in 2001 (All India average at 943 female per 1000 male). Compared to overall sex ratio of the State, the Child sex ratio (age-group 0-6 years) has gradually declined from 975 in 2001 to 962 in 2011. On the other hand, sex ratio at birth (0-1) in Assam as per 2011 Census was calculated at 957 female per 1000 male.

STATE DOMESTIC PRODUCT

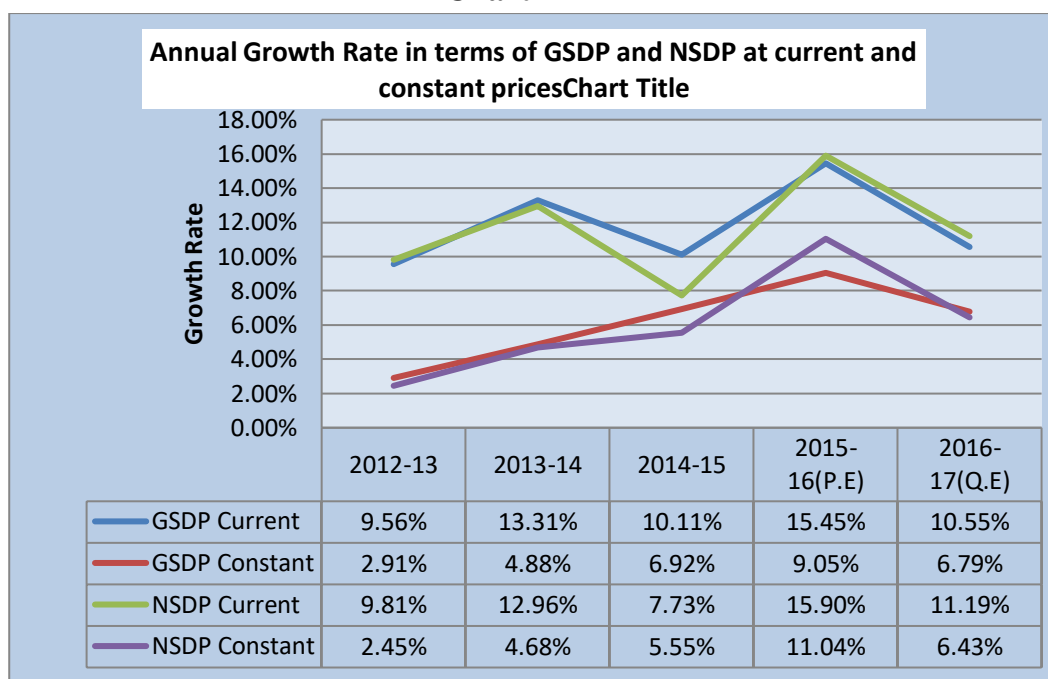
The size, composition and growth of the economy determine the revenue potential of the State and thus the size of the budget. The size of the budgets determines the level of public expenditure of the Government. The economy is measured in terms of Gross State Domestic Product (GSDP) both at current and constant prices. Assam is one of a high growth States in terms of Gross Value Added (GVA) and Gross State Domestic Products (GSDP) and

its GSDP growth averaged at about 12.3 per cent for the past five years, at current prices, during 2013-14 to 2017-18 (**Table 1**). At constant prices, the GSDP of Assam has grown, on an average, at 6.8 per cent during the last five years.

Table 1: Gross State Domestic Product of Assam				
Year	GDP	Assam GSDP	GDP	Assam GSDP
	At Current Prices (Rs. Cr)		Growth Rate (%)	
2011-12	8736329	143175
2012-13	9944013	156864	13.8	9.6
2013-14	11233522	177745	13.0	13.3
2014-15	12445128	195723	10.8	10.1
2015-16(P.E)	13576086	225971	10.6	15.5
2016-17(Q.E)	15183709	249801	11.8	10.5
2017-18(A.E)	16627585	280541	9.5	12.3
Average (last five years)			11.1	12.3
At Constant (2011-12) Prices (Rs. Cr)				
2011-12	8736329	143175
2012-13	9213017	147342	5.5	2.9
2013-14	9801370	154525	6.4	4.9
2014-15	10536984	165212	7.5	6.9
2015-16	11350249	180166	7.7	9.1
2016-17	12189854	192400	7.4	6.8
2017-18	12985363	204168	6.4	6.1
Average	7.1	6.8
<i>Note: GSDP for 2016-17 and 2017-18 has been projected on the basis of 3 year moving average growth.</i>				
Source : CSO& DES, Assam				

The overall trend of GSDP and NSDP growth in the state during last 5 years is presented in the following.

Chart -1



Per Capita Income

The level of development of the State is generally measured in terms of per capita income. As compared to all state average of Rs.98, 067 in constant price and Rs. 1, 18,376 in current price, the per capita NSDP of Assam in 2015-16 was Rs.48, 465 and Rs. 60,526 which were much below than the national average. While there has been a significant growth in the per capita income of the state of Assam, it still trails the national average substantially (**Table 2**).

Per Capita Income of the State and the country is presented in **Table-2**

Table:2				
Per Capita Income				
(In Rs.)				
Year	Assam		India	
	At Current Prices	At Constant Prices	At Current Prices	At Constant Prices
1960-61*	433	8769	373	8889
1970-71*	743	9351	763	10016
1980-81*	1673	9334	1852	10712
1990-91*	5315	10915	5621	14330
2000-01*	12803	12447	17295	20362

2004-05**	16782	16782	24143	24143
2008-09**	24099	18922	40775	31754
2009-10**	28383	20406	46249	33901
2010-11**	33087	21146	54021	36342
2011-12#	41142	41142	63460	63460
2012-13#	44599	41609	71050	65664
2013-14#	49734	43002	79412	68867
2014-15#	52895	44809	86879	72889
2015-16(P)#	60036	48725	93293	77809
2016-17(Q)#	65698	51040	103219 (P.E)	82269(P.E)

* From 1960-61 to 2000-01 the base year is 1999-2000, ** From 2004-05 to 2010-11 the base year is 2004-05 #From 2011-12 to 2016-17 the base year is 2011-12

(Source: Directorate of Economics and Statistics, Assam and Central Statistics Office (MOSPI), Govt. of India)

SECTORAL COMPOSITION OF GSDP

The sectoral composition of State Domestic Product (SDP) depicts the contribution of different sectors in percentage in the economy over a period of time which not only indicates the real structural changes taking place in the economy but also facilitates formulation of various plans and programmes for overall economic development of the State.

Table:3		
Sectoral Composition of GSDP at current prices		
Industry	2011-12	2016-17
Agriculture and its Allied	19.89%	19.34%
Industry	30.63%	28.72%
Service	43.97%	45.51%
Taxes and Subsidies	5.51%	6.44%
Source: Directorate of Economics & Statistics		

The sectoral analysis revealed that during 2016-17 (Quick Estimates), the percentage contribution of Agriculture and Allied Sector to total GSDP of Assam at current prices was 19.34%, Industry Sector (28.72%), Service Sector including taxes and subsidies (51.95%).

The structural composition of the State economy witnessed significant changes during the last six years.

The share of Agriculture and its Allied activities in GSDP at current prices had marginally come down from 19.89% in 2011-12 to 19.34 % in 2016-17(Provisional estimates), yet the agriculture sector continues to occupy a significant place in the state economy and any fluctuation in the production of food grains/ vegetables and fruits affect the economy. During the same period, the share of Industry sector at current prices has slightly declined from 30.63% in 2011-12 to 28.72% in 2016-17. Opposite trend has been observed in case of the share of Service sector as well as taxes and Subsidies. During the period 2011-12 to 2016-17, the share of Service sector had nominally increased from 43.97% in 2011-12 to 45.51% in 2016-17. Moreover, the contribution of Taxes and Subsidies to GSDP of the State during the period has shown a trend of increase from 5.51% in 2011-12 to 6.44% in 2016-17.

Table: 4		
Annual Growth Rate of GSDP in Agriculture Sector during 2016-17(Q)		
Industry	Current Prices	Constant Prices
Crops	12.19%	3.87%
Livestock	34.36%	18.67%
Forestry & Logging	2.55%	1.81%
Fishing	6.35%	4.84%
Agriculture Sector	11.69%	4.58%
Source: Directorate of Economics & Statistics		

The industry group “Agriculture and Allied” sectors consists of (i) Crops sector, (ii) Livestock sector, (iii) Forestry and Logging sector and (iv) Fishing and Aquaculture sector. As per quick estimates, the annual growth rate of GSDP in respect of Agriculture and Allied sector at current prices for the year 2016-17 (Q) is estimated around 11.69% as against 9.22% in previous year 2015-16(P). The annual growth of GSDP in respect of Crops, Livestock, Forestry and Logging, Fishing sectors are calculated at constant prices for 2016-17 around 3.87%, 18.67%, 1.81% and 4.84% respectively as against 6.64%, -0.02%, 0.12% and 0.40% in 2015-16(P). At constant prices, the Crops sector showed the declining trend over the year 2015-16 to 2016-17. On the other hand, Livestock, Forestry and Fishing sector has reflected the positive trend during the same period.

Table: 5		
Annual Growth Rate of GSDP in Industry Sector during 2016-17(Q)		
Industry	Current Prices	Constant Prices
Mining & Quarrying	1.90%	1.80%
Manufacturing	9.32%	7.90%
Electricity, Gas, Water Supply & Other Utility Services	6.50%	7.20%
Construction	3.50%	1.70%
Industry Sector	5.11%	4.32%
Source: Directorate of Economics & Statistics		

The 'Industry' sector which comprises Mining & Quarrying, Manufacturing, Electricity, Gas, Water Supply & Other Utility Services and Construction sectors is estimated to attain at 5.11% growth at current prices during 2016-17 (Q) over previous year. At current prices, the share of growth of the sub sectors to the Industry sector is estimated in Mining and Quarrying (1.90%), Manufacturing (9.32%), Electricity, Gas, Water Supply & Other Utility Services (6.50%) and Construction (3.50%) respectively. At constant prices, the contribution of the sub sectors to the Industry sector during the same year is estimated at 1.80% in Mining and Quarrying, 7.90% in Manufacturing, 7.20% in Electricity, Gas, Water Supply & Other Utility Services and 1.70% in Construction respectively.

The 'Service' sector comprises of Trade, Repair, Hotel & Restaurants, Transport, Storage, Communication & Services related to Broadcasting, Financial Services, Real Estate, Ownership of Dwelling and Professional Services, Public Administration and Other Services and it is estimated to attain the growth of 12.03% for 2016-17 over the previous year at current prices. At constant prices, it is estimated to achieve the growth of 8.53% for 2016-17 over the preceding year.

Table: 6		
Annual Growth Rate of GSDP in Service Sector during 2016-17(Q)		
Industry	Current Prices	Constant Prices
Trade, Repair, Hotel & Restaurants	9.80%	7.80%
Transport, Storage, Communication & Services related to Broadcasting	10.53%	8.65%
Financial Services	10.27%	5.70%
Real Estate , Ownership of Dwelling and Professional Services	9.85%	7.82%
Public Administration & Other Services	16.60%	11.30%
Service Sector	12.03%	8.53%
Source: Directorate of Economics & Statistics		

At current prices, the share of growth of the sub sectors to the Service sector is estimated in Trade, Repair, Hotel & Restaurants (9.80%), Transport, Storage, Communication & Services related to broadcasting (10.53%), Financial Services (10.27%), Real Estate, Ownership of Dwelling and Professional Services (9.85%) and Public Administration & Other Services (16.60%) respectively.

At constant prices, the contribution of the sub sectors to the Service sector is estimated in Trade, Repair, Hotel & Restaurants (7.80%), Transport, Storage, Communication & Services related to broadcasting (8.65%), Financial Services (5.70%), Real Estate, Ownership of Dwelling and Professional Services (7.82%) and Public Administration & Other Services (11.30%) respectively.

III. STATE FINANCES: FRBM & FISCAL CORRECTION PATH

Fiscal Scenario

Own Tax Revenue

The growth in own tax revenue has decelerated since 2012-13, after recording a high growth of about 23 per cent during 2008-09 to 2011-12 (**Table 7**). However, the growth in own tax revenue has picked up since 2015-16.

Table 7: Growth of Own Tax Revenue of Assam		
	(Rs. crore)	
Year	Own Tax	Growth (%)
2004-05	2713.32	
2005-06	3232.21	19
2006-07	3483.32	8
2007-08	3359.5	-4
2008-09	4150.21	24
2009-10	4986.72	20
2010-11	5929.85	19
2011-12	7638.23	29
2012-13	8250.21	8
2013-14	8994.92	9
2014-15	9449.81	5
2015-16	10106.5	7
2016-17	12079.56	20
Source: Finance Accounts		

Non-Tax Revenue

During the recent period, the non-tax revenue collection has not shown much improvement on account of near stagnant collection from all sources. There is no standard pattern emerged in the non-tax revenue collection during the recent period (**Table 8**)

Table 8: Growth of Own Non-Tax Revenue of Assam		
(Rs. In Crore)		
Year	Non-Tax	Growth (%)
2004-05	1070.02	
2005-06	1459.28	36
2006-07	1859.27	27
2007-08	2134.58	15
2008-09	2271.9	6
2009-10	2752.94	21
2010-11	2373.32	-14
2011-12	2866.76	21
2012-13	2473.59	-14
2013-14	2705.03	9
2014-15	2412.88	-11
2015-16	2741.56	14
2016-17	4353.12	59
Source: Finance Accounts		

Expenditure

The expenditure of the Govt of Assam has been increasing steadily during the recent period on account of increase in administrative expenditure (Table 9).

Table 9: Revenue Expenditure of Assam							
(Rs. In Core)							
Item	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 (BE)
Total Expenditure	26528.55	29136.92	31989.89	39078.17	37011.42	49362.72	68319.45
Developmental Expenditure	16129.06	17826.84	20685.63	25163.06	23980.22	31587.17	42777.21
Non-Developmental Expenditure	9743.67	10570.29	10928.50	12921.60	12656.03	17123.19	25223.43
Grants-In-Aid And Contributions	655.82	739.79	375.76	993.50	375.16	652.36	318.81
Growth Rate		9.80	9.80	22.20	-5.30	33.40	38.40

Gross Fiscal Deficit

The fiscal deficit of Govt of Assam has started decelerated from Rs. 4,044 crore in 2009-10 to Rs. 1,516.48 crore in 2012-13. Thereafter the deficit of the Govt has stated accelerated steeply to Rs. 3005 crore in 2015-16 mainly on account of marginal increase in own tax revenue coupled with near stagnant in own non-tax revenue collections (**Table 10**).

Table 10: Gross Fiscal Deficit	
	(Rs. in Crore)
2008-09	-1,406.78
2009-10	4,043.46
2010-11	1990.56
2011-12	1646.06
2012-13	1516.48
2013-14	3782.30
2014-15	5430.00
2015-16	3005.00
2016-17	6126.00

Financing of Fiscal Deficit

During the recent past, financing of GFD through the National Small Savings Fund (NSSF) and Provident Fund has decelerated and as a consequence, open market borrowings have increased. As recommended by the 14th Finance Commission, States have been excluded from the NSSF borrowings, which also led to the move towards more market borrowings to finance the GFD.

Deficit Indicators – A comparative analysis

When we analyse the deficit indicators of the State during the recent period, it is observed that the revenue surplus recorded during 2012-13 and 2013-14, turned into revenue deficit during the subsequent years. As result, Gross Fiscal Deficit to Gross State Domestic Product (GFD/ GSDP) ratio has increased during 2013-14 to 2015-16 which have been reflected in the following **Table-11**.

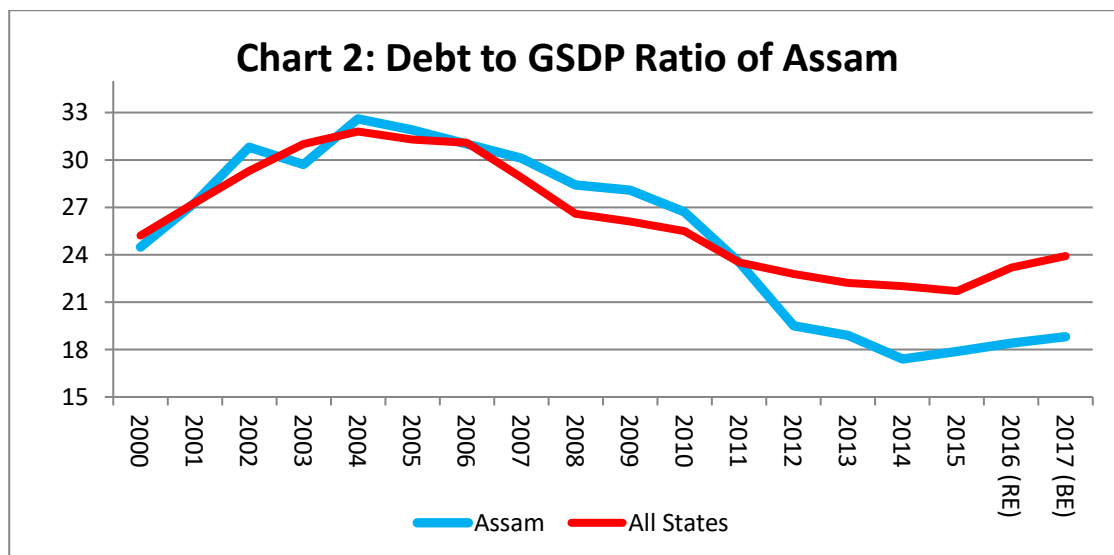
Table 11 : Fiscal Performance**(Rs. in Crore)**

Year	Revenue deficit	Fiscal deficit	Primary deficit	Non-Plan Revenue deficit	Fiscal deficit as % of GSDP	GSDP at current Price
2004-05	291.87	2057.46	653.92	1383.19	3.85	53398
2005-06	(-) 1509.08	(-) 355.71	(-)1865.83	(-)289.17	(-) 0.60	59385
2006-07	(-) 2210.42	(-)711.37	(-) 2227.05	(-) 156.25	(-) 1.10	64692
2007-08	(-) 2580.76	(-) 790.09	(-)2302.33	(-) 621.18	(-) 1.11	71076
2008-09	(-) 3833.71	(-) 1406.79	(-)3000.12	(-)1500.27	(-) 1.73	81074
2009-10	1347.71	4043.46	2210.89	2390.93	4.21	95975
2010-11	(-) 53.12	1990.56	78.44	680.09	1.77	112688
2011-12	(-) 926.85	1646.05	(-) 428.44	(-)709.83	1.31	125903
2012-13	(-) 1554.06	1516.48	(-) 598.44	(-)105.32	1.1	138401
2013-14	(-) 222.90	3782.29	1583.85	1006.84	2.37	159460
2014-15	+896.68	5429.54	3095.80	4049.91	2.95	183798
2015-16	-5446.28	-3005.47	-5623.91	-5387.58	-1.49	201064
2016-17	+142.92	6125.78	3162.03		2.73	224641
2017-18 (BE)	-2400.16	7702.43	3955.69		2.98	258337

(-ve sign indicates surplus)

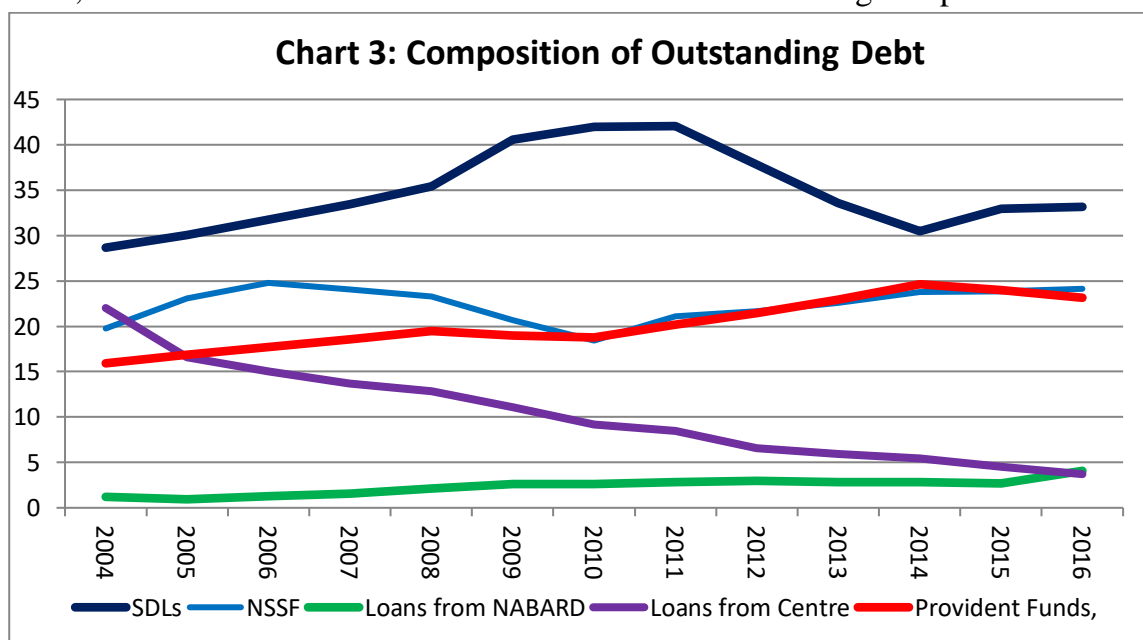
*(Source: Finance Accounts & Directorate of Economics & Statistics, Assam)***Debt Structure**

The outstanding debt of the GoA increased from a meagre Rs. 8,441 crore at the end of March 2000 to Rs. 38,346 crore at the end of March 2017. However, in terms of GSDP, the Debt to GSDP ratio decelerated from 24.23 percent at end-March 2000 to 17.07 percent at the end-March 2017, mainly on account of higher growth in GSDP than the growth in debt (**Chart 2**). It may be observed that, the debt to GSDP ratio of Assam is much lower than all states since 2011.



Composition of Debt

When we analyse the composition of debt of GoA, the market borrowings constitute the major share averaging 35 per cent since the end of March 2011, followed by NSSF and provident fund. While the share of market borrowings decelerated during 2011 and 2014, the share of Provident Fund has increased during the period (**Chart 3**). GoA has a stable borrowing of about 22 per cent of outstanding debt, on an average, from NSSF since 2004, whereas the loan from the Centre has decelerated during this period.



FRBM and Fiscal Correction Path

The fiscal base and fiscal health of a State are directly related to the development of the State. Public Investment in the infrastructure expands the productive capacity of the economy and thus, expands the revenue

generating potential of the State. The fiscal base is determined by the size of the economy, which can be expanded in the long run. Thus, in the medium term, the fiscal health of the State has to be improved so that the Government can increase the development expenditure and expand the economic base of the state.

The finances of Assam went through a critical phase in early 2000s and this continued unabated till financial year 2004-05. During these years, there was a serious mismatch between revenue receipt and expenditure leading to the unprecedented expansion of overall Revenue Deficit, Non-Plan Revenue Deficit and Fiscal Deficit. The overall fiscal scenario was marked by acute ways and means problems, which very often resulted in unauthorized over-draft with the RBI. Due to prolonged over-draft beyond permissible limit, RBI had to impose ban on State Government payments with unfailing regularity. The functioning of State Treasuries was frequently paralyzed during that period.

Five Year Rolling Fiscal Plan

Thirteenth Finance Commission has revised the revenue and fiscal deficit targets for the next five fiscal years from 2010-11 to 2014-15. But the period of 13th Finance Commission came to a close during 2014-15. The 14th Finance Commission has viewed that tax devolution should be the primary route of transfer of resources to States since it is formula based and thus conducive to sound fiscal federalism. However, to the extent that formula-based transfers do not meet the needs of specific States, they need to be supplemented by grants-in-aid on an assured basis and in a fair manner. They further recommended that fiscal deficit of all States will be anchored to an annual limit of 3 per cent of GSDP.

On 24th February 2015, Fourteenth Finance Commission submitted its report to the Government of India. It has recommended that debt-GSDP ratio to be maintained at 3% during 2015-2020. However, the State will be eligible for flexibility subject to the fulfilment of the following:

- State will be eligible for flexibility at 0.25% provided its Debt-GSDP ratio of the preceding year is less than or equal to 0.25%.
- State will be eligible for additional borrowing of 0.25% of GSDP in a given year provided the interest payment are less than or equal to 10 percent of the revenue receipts in the preceding year.

- The two options under these flexibility provisions can be availed of by a State either separately, if any of the above criteria is fulfilled, or simultaneously if both the above stated criteria are fulfilled.
- The flexibility in availing the additional limit under either of the two options or both will be available to a State only if there is no revenue deficit in the previous year.
- Accordingly, an amendment of AFRBM Act, 2005 was introduced in the Budget Session of Assam Legislative Assembly, 2017-18. The said amendment received the assent of the Governor on 30th March, 2017 and notified vide gazette notification Dated 5th April, 2017.

State Finances: A Critical Account

For a critical analysis of the State finances, and for estimating its Balance from Current Revenue (BCR), it is imperative to take a close look at the State's own resources and its non-plan revenue expenditure. State's own resources consist of (i) Tax revenue, (ii) Non-Tax revenue, (iii) Share of Central taxes and (iv) Non-Plan grants from the Centre.

State Tax Revenue

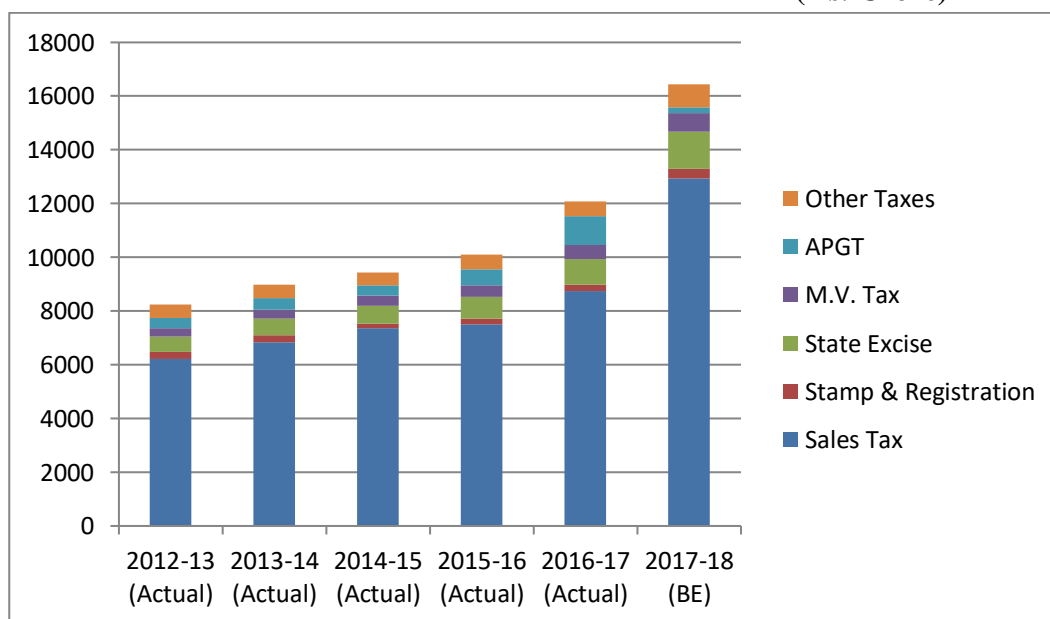
State's tax revenues are collected mainly from the following sources (1) Sales Tax, (2) Agricultural Income Tax, (3) Taxes on Profession etc., (4) Land Revenue including cess on Green Tea Leaf, (5) Stamps & Registration, (6) State Excise Duties, (7) Motor Vehicle Tax, (8) Passengers & Goods Tax which includes Entry Tax (9) Electricity Duty and (10) Entertainment Tax.

With the introduction of a uniform tax regime in the country through the GST regime, there will be a stoppage of trade diversion and subsequently, bring buoyancy in tax revenues. The following **Table 12** depicts State's Own Tax Revenue for last 5 years:

Table 12: State Taxes							
Items	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Average growth in % (2012-18)
	Actual	Actual	Actual	Actual	Actual	BE	
State GST (SGST)						11223	
Sales Tax	6223	6848	7351	7493	8752	1713	17
Stamps & Registration	252	251	188	224	227	351	10
State Excise	568	610	665	808	964	1394	20
M.V. Tax	328	351	364	442	521	692	17
Assam Passenger Goods Tax	369	413	396	583	1070	213	12
Other Taxes	509	520	483	554	546	848	13
Total	8250	8994	9449	10106	12080	16434	15
Source: Finance Accounts, AG, Assam & State Budget							

Chart 4: Growth of State Taxes

(Rs. Crore)



Source: Finance Accounts, AG, Assam & State Budget

As reported by the AG, the aggregate actual collection from State taxes amounted to Rs.8,250 crore during 2012-13, which increased to Rs.12080 crore during 2016-17. Although it recorded a mere 8 percent annual growth over the previous year, the trend growth rate (TGR) of State's own tax revenue for last 10 years is almost 20 per cent.

Non-Tax Revenue

The major component of non-tax revenue is royalty on petroleum crude. Other items in this category are royalty on coal and gas, receipts from interest and dividend and forest produce. It also includes departmental receipts like fees, fines and user charges etc. The trend of Non-Tax revenue collection from 2012-13 to 2017-18 (BE) may be seen from the following **Table -13**.

Table 13 : Non-Tax Revenue						
						(Rs. crore)
Non-Tax Revenue	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Actual	Actual	Actual	Actual	Actual	BE
Total Collection	2473	2705	2412	2741	4353	7464
Source: Finance Accounts, AG & State Budget						

As reported by the AG, the aggregate collection from non-tax revenue during 2012-13 was at Rs. 2,473 crore, which declined during 2014-15 after an increase showed during 2013-14. Usually the growth rate of non-tax revenue is erratic and it fluctuates widely. This is so because about 65-70% of non-tax revenue accrues from oil royalty which is linked to international crude price, and on the quantum of annual extraction of crude.

Share of Central Taxes

The State's share of Central taxes is received against collection of Income Tax, Corporate Tax, Wealth Tax, Union Excise Duty and Service Tax collected by the Union Government. The actual devolution during 2012-13 to 2015-16, 2016-17 and BE 2017-18 may be seen from **Table 14**.

Table 14: Share of Central Taxes					
					(Rs. Crore)
2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Actual	Actual	Actual	Actual	Actual	RE
10601	11575	12284	16785	20189	22398
Source: Finance Accounts, AG Assam & State Budget					

From the above table, it is clear that in view of the recommendations of the 14th Finance Commission for enhancing tax share of States from 32% to 42%, the share of central taxes has registered a 36% growth during 2015–16 than the preceding year. Further, the Union Budget has provided Rs.22,398 crore and Rs.26,095 crore during, 2017-18 and 2018-19 respectively against the share of Central Taxes to Assam.

Non-Plan Grant from Centre

Non-Plan grant from the Centre is received by the State under the award of the Central Finance Commission as well as for other non-plan purposes like border roads, home guards, civil defence, Indo-Bangla border check post etc. The trend of receiving Non-Plan grants from centre during the last 4 years may be seen from the following **Table 15**.

Table 15: Non-Plan Grants from Govt of India					
					(Rs. In Crore)
2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Actual	Actual	Actual	Actual	Actual	BE
1422	681	1491	3330	2154	1704
Source: Finance Accounts, AG, Assam					

Non-Plan grants received during 2016-17 was at Rs.2,154 crore, out of which Rs.1,729 crore was under the award of Central Finance Commission and the balance of Rs. 425 crore for other purposes.

Non-Plan Revenue Expenditure

By and large, the main components of non-plan revenue expenditure of the State Government relate to salary and pension of employees, interest payment on public debt, maintenance of law and order, out-go on account of

Central and State Finance Commissions award and other non-plan expenditure pertaining to General, Social and Economic Services.

The main portion of non-plan revenue expenditure of the State Government is incurred on payment of salary of the employees. During 2016-17, the total amount spent under salary accounted for Rs.19,209 crore of which about Rs.1,450 crore was spent under plan and the remaining Rs.17,759 crore under non-plan. Nevertheless, more than 49% of the total non-plan expenditure was spent for payment of salary alone. On top of this, pension payment amounting to Rs.6,565 crore which accounted for nearly 18% of the total non-plan expenditure. Thus, pay and pension together constituted about 67% of total non-plan expenditure and about 11% of GSDP. The relentless increase in expenditure on pay and pension is mainly due to the periodic revision of pay and pension and twice a year increase in dearness allowances and dearness relief.

Interest payment had been growing at an average annual growth rate of 12% during the period 2000-05. Thereafter, during the next five years 2005-10 the average annual growth came down to 4%. This had been possible due to the attainment of fiscal surplus all these years by slew of fiscal consolidation measures adopted by the State. A notable feature is that the increase in year-end debt stock is only marginal and the Debt-GSDP ratio is gradually coming down from 30% in 2005-06 to 17% in 2016-17. The ratio of interest payment to total revenue receipt is also gradually coming down from 13% in 2005-06 to 6% in 2016-17. The acceptable level of Debt-GSDP ratio and the ratio of interest payment to total revenue receipt is pegged at 25% and 10% respectively by the 14th FC. Hence, Assam is well within the accepted norm.

The trend of Non-Plan Revenue expenditures of the state during last four years along with the BE 2017-18 have been indicated in the following **Table-16**.

Table 16: Non-Plan Revenue Expenditure							
Items	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2017-18 (% of Total Non- Plan Rev Exp)
	Actual	Actual	Actual	Actual	Actual	BE	
1. Salary	12452	14841	16702	17102	17759	20223.48	49
2. Pension	3778	4264	5237	5985	6565	9682.38	23
3. Interest	2114	2198	2333	2618	2963	3746.75	9
4. Others	4295	3658	5414	1869	8642	7914.27	19
Total	22641	24962	29687	27575	35929	41566.88	
Source: Finance Accounts, AG, Assam & State Budget							

IV. MAJOR POLICY INTERVENTIONS

1. ReSTART Assam (Restructuring Systems and Technology for Augmentation of Resources for Transformed Assam)

Finance Department, Govt. of Assam has launched a programme – “ReSTART Assam” (**R**estructuring **S**ystems and **T**echnology for **A**ugmentation of **R**esources for **T**ransformed **A**ssam) in order to mop up maximum possible State’s Own Resources through a coordinated and concerted mission mode programme in order to restore the glory of the State as one of the most prosperous states of pre-independence era.

The Hon’ble Finance Minister has been constantly taking review with all revenue generating Departments as a result of which during 2016-17, tax and non-tax has registered an impressive growth of 21% and 28% respectively which was only 7% and 14% during 2015-16.

2. LEAPs (Lead Externally Aided Projects)

The Government of Assam has laid special emphasis for mobilizing additional resources through Externally Aided Projects. With this objective, the State Government has established a dedicated cell called LEAP(Lead Externally Aided Projects) in the Finance Department to advise, manage, coordinate and monitor on all aspects with regard to Externally Aided projects in Assam in an end to end manner right from project conceptualization to monitoring and evaluation. The LEAP cell has been operational since February 16, 2017 and during the last one month the LEAP cell has been holding discussions on ongoing and pipeline EAPs with various Administrative Departments, in addition to interactions with the Chief Secretary of Assam and the Hon’ble Finance Minister to the Government of Assam. Based on the feedback from these discussions, the team has drawn up a list of ten project opportunities which are in line with the priorities of the Govt of Assam and the funding agencies.

3. Assam State Public Finance Institutional Reforms (ASPIRe)

It is a UD\$44 million World Bank aided project in Public Financial Management Reforms through IT intervention in Finance Department and other revenue departments. To drive the project, Assam Society for Comprehensive Financial Management System (AS-CFMS), a Special Purpose Vehicle(SPV) has been created. It has two tier administrative structure with Governing Body (GB) chaired by Honourable Chief Minister,

and Executive Committee (EC) chaired by the Chief Secretary. The Society has Project Director and Additional Project Director, both from IAS cadre, and a Project Management Unit has been set-up. The Project has the following three Components and its current activities are as under:

3.1. Strengthening Public Finance Institutional Capacity

1.1 Cash and Debt Management:-

- Domain expert engaged as Cash & Debt Advisor
- Medium Term Debt Management Strategy Report submitted
- Capacity Building and up-gradation of Legacy IT system planned

1.2 Public Procurement

- Adoption of Government of e-Marketplace (GeM) by Government of Assam
- PMU established for driving GeM and e-Procurement
- Assam won **Special Category e-Procurement Award** – Best Performing North Eastern State
- Preparation of Rules to Assam Public Procurement Act, under process
- SBDs, FAQs, User Manuals for Act, Rules being prepared
- Capacity Building for about 400 Procurement Specialists across Departments, Directorates planned in Mar, Apr 2018
- **Procurement Shared Services Team** (about 10 consultants) to be housed under ASPIRe

1.3 Public Private Partnerships

- PPP Study across sectors for potential PPP Policy Framework
- Draft To-Be report submitted, to be finalized

1.4 Institutional Strengthening at FD

- Refurbishment of Four Branches of Finance Department on Pilot basis
- Implementation of DBT across the State
- Training and Capacity Building
- Regional Public Finance Management Institute mooted
- Concept Note, ToR for Director, PFM Institute submitted

- To be housed under AS-CFMS Society & to leverage AASC Infrastructure
- Partnerships with leading Global, National Institutes – Duke University, LKY (Singapore), ASCI, NIPFP, NIFM etc. planned

3.2. Strengthening Expenditure and Revenue Information Systems

2.1 Integrated Financial Management Information System (IFMIS)

- Final DPR, To-Be Report submitted by consultant (PwC) accepted
- Workshops with key IFMIS vendors (Oracle, SAP, TCS, BSNL)
- Open Competitive Bid Process to be initiated after Budget 2018-19
- Hiring a BI & Analytics provider: Integrated Finance Dashboard (FY 2018-19)
- Major Initiatives taken to make Budget participatory and citizen friendly
- Shortlisted for **National eGovernance Awards for Ceiling Process**

2.2 e-Collection and e-Payment

- eCollection: Government Receipt Accounting System (GRAS) rollout for all Revenue Earning Departments (FY 18-19)
- ePayment
- eKuber rolled out in 34/63 Treasuries (to be completed in FY 18-19)
- Public Finance Management System (PFMS): Used for all CSS

2.3 Commercial Tax

- Reorganisation of CoT instituted under GST Regime
- Up-gradation of IT peripheral and Data Centre

2.4 Excise

- Final DPR, To-Be Report submitted has been accepted by the Department
- Workshops with key vendors
- Open Competitive Bid Process to be initiated immediately

4. Rural Infrastructure Development Fund (RIDF)

During 2017-18, Govt. of Assam submitted project proposals for a total amount of Rs.1902 Crore to NABARD under RIDF-XXIII covering sectors like Agriculture, Sericulture, Soil Conservation, Education, Tourism, Health, Cooperation, Irrigation, Water Resources. Industry and Commerce, A.H.Vety. etc., for loan assistance. Against which. NABARD has sanctioned Rs. 667.94 Crore for various rural infrastructure development schemes during 2017-18 fiscal (till 15.2.2018) .Moreover, Finance Department has submitted drawals for a total amount of Rs.236.56crore and received Rs. 216.49 Crore during 2017-18 fiscal (till 15.2.2018).

5. Tapping Oil Royalty

The present government has successfully taken up with the centre for payment of outstanding royalties dues at pre-discounted rates and accordingly the State has received Rs.1450 crore in the first week of August, 2016 and Rs.945.90 crore in March, 2017 during 2016-17and Rs.670 Crore in September,2017.An amount of Rs. 2174 Crore is further due during 2017-18 fiscal.

6. Chief Minister Samagra Gramya Unnayan Yojana (CMSGUY)

The Govt. of Assam, in view of doubling farm income within a span of 5 years has launched a Mega Mission called Chief Minister Samagra Gramya UnnayanYojana (CMSGUY). The mission has targeted to cover 25425 villages and transfer Rs1.20 cr. to each revenue village during 5 years period.

The Governing Council of the Mega Mission Society under the Chairmanship of our Hon'ble Chief Minister has recently decided to implement three important entry-point activities. These include:

- a) Supply of new tractors for farm mechanization.
- b) Football field development in convergence with MGNREGA
- c) Establishment of Knowledge Centres.

7. Constitution of One Man Commission

The Government of Assam has constituted a “One Man Commission” under the Chairmanship of Mr. P.P. Varma, Chief Secretary (Retd.) for examining the issues of the autonomous councils for establishing a proper mechanism for transferring funds to the autonomous councils from the State Budget. The Commission is mandated to cover to the 6th Schedule areas, Autonomous

Councils, TSP and, SCCP areas while making its recommendations. The Committee has submitted its report on 28.8.2017 which under process for acceptance by the Hon'ble Cabinet.

8. Fifth Assam State Finance Commission

- i. The 5th ASFC was constituted vide Notification No. FEA(SFC) 140/2012/80 dated March 5, 2013 which submitted its report on September 12, 2014, covering the five year period 2015-20. But before the acceptance of the report by the Government of Assam, the Central Finance Commission (14th Finance Commission) submitted its report to Government of India which vastly altered the existing financial scenario. More importantly, the 14th Finance Commission concluded that the grants recommended by them should go to Gaon Panchayat only, and that the State Government will take care of the needs of upper two levels. Further, the Excluded Areas, where the Constitution Amendment do not apply, were kept outside the purview of their dispensation. This has necessitated a re-look into the Report already submitted by the 5th ASFC.
- ii. Accordingly, Government of Assam vide Notification No. FEA (SFC) 134/2014/210 dated 9-11-2015 reconstituted the 5th SFC to revisit their earlier report taking into consideration all subsequent developments. For the first time in the annals of State Finance Commission, the reconstituted 5th SFC was asked to look into the financial position and needs of the rural and urban civic bodies of the Excluded Areas.
- iii. The Commission was originally asked to submit its report by April 30, 2016 which was subsequently extended to November 30, 2016. As per Terms of Reference, the tenure covers the five year period from 1st April 2015 to 31st March, 2020. But by the time this report is tabled the first year 2015-16 is already over. For the second year 2016-17 an interim report was submitted on 13-07-2016. However the commission had submitted its Final report to the Government of Assam on November ,2016 and the Hon'ble Cabinet has already accepted the recommendations of the 5th Assam State Finance Commission.
- iv. The Commission has assessed overall requirement of fund for PRIs and ULBs both for General and Sixth Schedule Areas at Rs.6680 crores for 4 years 2016-2020. Out of this, Rs.4749 crores is recommended for General Areas and Rs.1931 cores for Excluded Areas for utilisation the same within 2016-20.

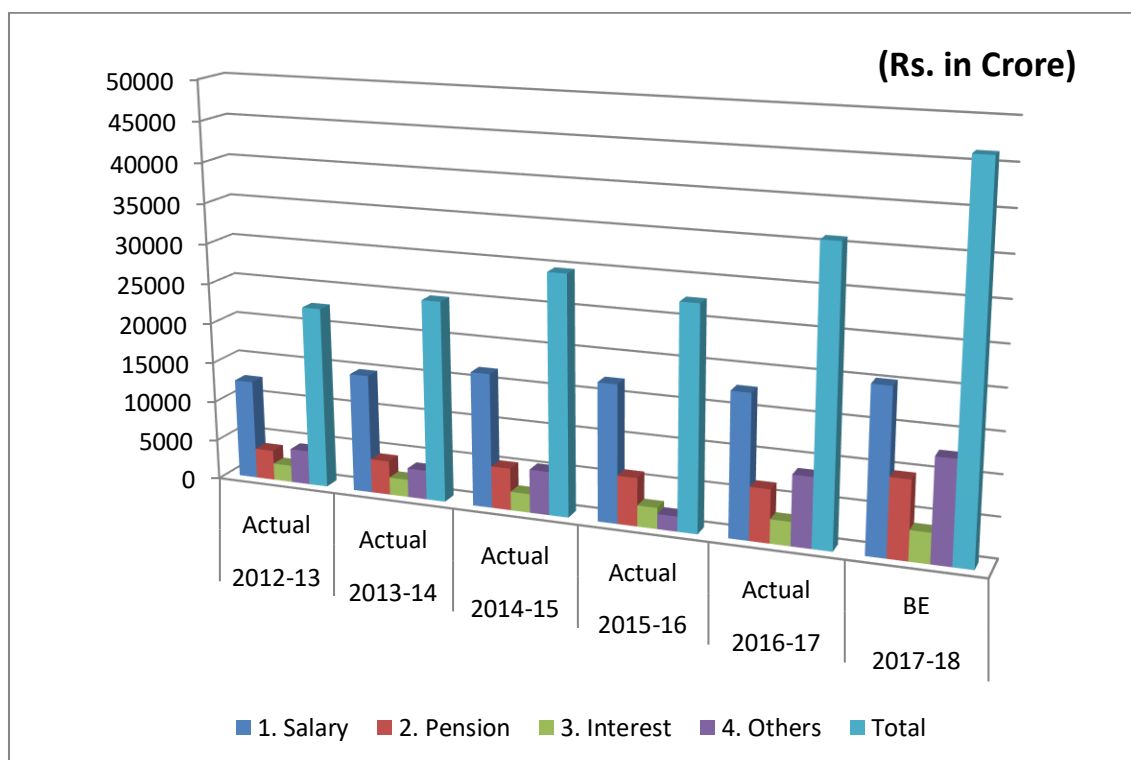
V. MEDIUM TERM FISCAL PLAN & UNDERLYING ASSUMPTIONS

The 14th Finance Commission had recommended that the State Government should improve their budgetary forecasts by adopting a more scientific approach for this process and that the fiscal responsibility legislations and estimates in the Medium Term Fiscal Plan (MTFP) should be backed by well-calibrated reasoning to justify the forecasts.

Based on the recommendations of the 14th Finance Commission, we have drawn up the scenario for the period from 2016-17 to 2022-23. The Actual figures of 2016-17 have been applied as the base year figure for projection of MTFP in tune with the stipulations of AFRBM Act, 2011 (**Table 17**). The Consolidated Medium Term Fiscal Plan is placed in **Annexure-I**.

Table 17: Major Assumptions		
Sl.	Item	Growth Rate assumption
1	GSDP(Base year 2016-17 BE)	17%
2	Tax Revenue	10%
3	Non-Tax Revenue	11%
4	Share of Central Taxes	As reflected in the Union Budget,2018-19
5	Grants under 14 th F.C.	As per recommendation of 14 th FC upto 2019-20 and 15% growth on subsequent years
6	Salary	12%
7	Interest	15%
8	Pension	10%
9	Capital Outlay	13%
10	Lending	5%
11	Transfer from Central Government	Likelihood of obtaining release from GoI & 15% growth applied 2018-19 for subsequent years

Chart 5: Growth of Non-Plan Revenue Expenditure



Annexure I

Medium Term Fiscal Plan

(Rs. in Crore)

Items	2016-17 (Actual)	2017-18 (BE)	2018-19 Projection	2019-20 Projection	2020-21 Projection	2021-22 Projection	2022-23 Projection
1. Total Revenue Receipts	49219.81	70719.61	74118.50	86918.42	96919.61	108113.69	120648.45
Own Revenues (a+b)	16432.68	23898.15	25643.37	28289.62	31209.51	34431.39	37986.56
a). Own Tax Revenue (I to XI)	12079.56	16434.17	17451.70	19196.87	21116.55	23228.21	25551.03
I. State Good & Service Tax (SGST)		11223.28	4717.66	5189.43	5708.37	6279.21	6907.13
I. Integrated Good & Service Tax			5811.47	6392.62	7031.88	7735.07	8508.57
II. Sales Tax	8751.63	1713.30	4041.31	4445.44	4889.99	5378.98	5916.88
III. State Excise	963.81	1393.72	1300.00	1430.00	1573.00	1730.30	1903.33
IV. Stamp Duty & Registration	226.78	351.23	274.41	301.85	332.03	365.24	401.76
V. Motor Vehicle Tax	521.59	691.77	737.35	811.09	892.20	981.42	1079.56
VI. Taxes on Goods & Passengers	1069.81	212.56	10.65	11.71	12.88	14.17	15.59
VII. Tax on Professions, Trades etc.	184.27	285.83	215.84	237.42	261.17	287.28	316.01
VIII. Other Taxes on Commodities & Services	78.97	77.94	0.00	0.00	0.00	0.00	0.00
IX. Land Revenue	210.02	358.54	254.12	279.53	307.48	338.23	372.06
X. Taxes on agricultural income.	23.23	50.02	26.99	29.68	32.65	35.92	39.51
XI. Taxes & Duties on Electricity	49.44	76.00	61.90	68.09	74.90	82.39	90.63
b) Non-Tax Revenue	4353.12	7463.97	8191.67	9092.75	10092.96	11203.18	12435.53
I. Interest receipts	475.40	398.32	585.74	650.17	721.69	801.08	889.19
II. Royalty on Crude Oil & Natural Gas	3101.96	5590.71	6411.00	7116.21	7898.99	8767.88	9732.35
III. Forestry & Wild life	209.55	561.30	155.53	172.64	191.63	212.71	236.11
IV. Others	566.21	913.64	1039.40	1153.73	1280.64	1421.52	1577.88
Transfer from the Centre (a+b)	32787.12	46821.47	48475.13	58628.80	65710.10	73682.30	82661.89
a) Share of Central Taxes	20188.64	25651.41	26095.30	34260.41	37686.45	41455.10	45600.61
b) Grants (I to v)	12598.48	21170.06	22379.83	24368.39	28023.65	32227.20	37061.28
i) CASP/Transfer from Centre	8958.90	19465.88	19067.16	21927.23	25216.32	28998.77	33348.58
ii) CS/CSS/NEC/NLCPR	1485.18						
iii) Grants under Finance Commission	1728.92	1704.18	3312.67	2441.16	2807.33	3228.43	3712.70
iv) Other Non-Plan Grants	425.49						
2. Recovery of loans and advances	18.60	2747.23	2546.74	2674.08	2807.78	2948.17	3095.58
3. Revenue Expenditure (a to d)	49362.72	68319.46	71329.37	80753.89	91447.14	103582.82	117358.80
a) Interest	2963.75	3746.75	4193.35	4822.35	5545.71	6377.56	7334.20
b) Salary	19209.13	25012.16	29115.21	32609.03	36522.11	40904.77	45813.34
c) Pension	6564.64	9682.38	8028.49	8831.34	9714.47	10685.92	11754.51
d) Others	20625.20	29878.16	29992.32	34491.17	39664.84	45614.57	52456.76
4. Capital Outlay	5502.08	12389.43	14571.57	16465.87	18606.44	21025.27	23758.56
5. Lending	499.38	460.40	538.67	565.60	593.88	623.58	654.76
6. Revenue Deficit [Surplus (-)/ Deficit(+)]	142.92	-2400.16	-2789.13	-6164.53	-5472.48	-4530.87	-3289.65
7. Fiscal Deficit [Surplus (-) / Deficit (+)]	6125.78	7702.44	9774.37	8192.87	10920.06	14169.81	18028.09
8. Year End Debt Stock	38345.76	45810.83	58671.85	64539.04	70992.94	78092.23	85901.46
9. Year End Outstanding Guarantees	130.00	0.00	132.60	135.26	137.96	140.72	143.54
10. Debt Stock including Guarantees (8+9)	38475.76	45810.83	58804.45	64674.29	71130.90	78232.95	86044.99
11. Debt/GSDP	17.07%	17.73%	17.62%	16.57%	15.58%	14.64%	13.77%
12. (Debt+Guarantee)/GSDP	17.13%	17.73%	17.66%	16.60%	15.61%	14.67%	13.79%
13. Revenue Balance/Revenue Receipts (%)	0.29	-3.39	-3.76	-7.09	-5.65	-4.19	-2.73
14. Revenue Balance/GSDP (%)	0.00	-0.01	-0.01	-0.02	-0.01	-0.01	-0.01
15. Fiscal Balance/GSDP (%)	2.73	2.98	2.94	2.10	2.40	2.66	2.89
16. GSDP (Rs. in crore) at current prices	224641.00	258337.00	332938.71	389538.29	455759.80	533238.97	623889.59
17. GSDP Nominal Growth Rate			17.00%	17.00%	17.00%	17.00%	17.00%

NB- Ministry of Finance, Govt. of India has communicated GSDP for 2017-18 as Rs.284563 Crore & 17% Growth is applied for the the projections.