

Assam Budget Analysis 2018-19

The Finance Minister of Assam, Dr. Himanta Biswa Sarma, presented the Budget for financial year 2018-19 on March 12, 2018.

Budget Highlights

- The **Gross State Domestic Product** of Assam for 2018-19 (at current prices) is estimated to be Rs 3,32,939 crore. This is 28.9% higher than the budget estimate for 2017-18.
- **Total expenditure** for 2018-19 is estimated to be Rs 90,270 crore, a 9.2% decrease over the revised estimate of 2017-18. In 2017-18, the revised estimates indicate that the expenditure is expected to be Rs 13,530 crore higher (15.7%) than the budget estimate.
- **Total receipts (excluding borrowings)** for 2018-19 are estimated to be Rs 76,665 crore, an increase of 13.4% as compared to the revised estimates of 2017-18. In 2017-18, total receipts (excluding borrowings) are expected to be lower the budgeted estimate by Rs 15,420 crore (21%).
- **Revenue surplus** for the next financial year is targeted at Rs 2,789 crore, or 0.84% of the Gross State Domestic Product (GDP). **Fiscal deficit** is targeted at Rs 9,774 crore (2.94% of GSDP).
- Department of Water Supply and Sanitation is expected to witness a 57.8% increase in allocation. It is followed by the departments of Agriculture (26.7%), Education (22.6%), and Roads and Bridges (20.7%).

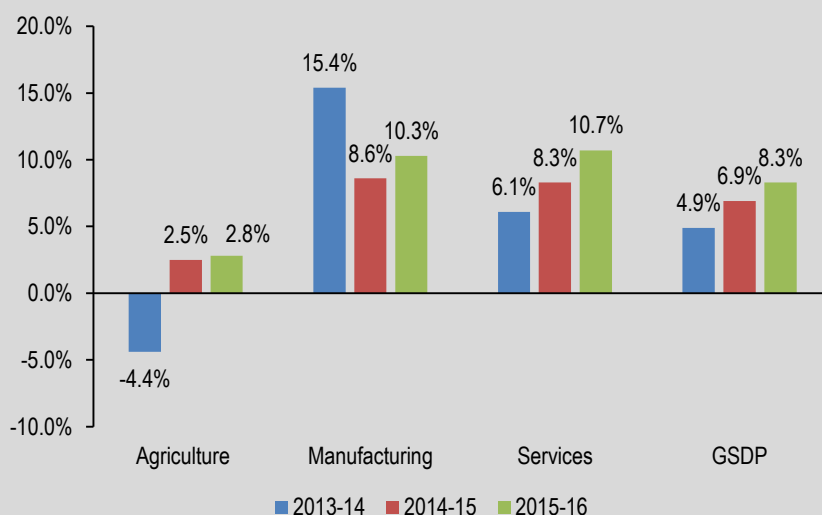
Policy Highlights

- Rs 1,080 crore has been allocated across two years for upgrading seven government medical colleges and 11 district hospitals in cancer care by 2019 in partnership with Tata Trust.
- Rs 177.5 crore has been allocated to Bodoland Territorial Council as per the recommendations of the Assam State Finance Commission.
- A bridge over Brahmaputra connecting Panbazar with North Guwahati will be constructed with a cost of Rs 1,890 crore over a period of four years, and it will be funded by the New Development Bank.
- **Tax proposals:** Cess on green tree leaves has been completely exempted from the current 10 paise per kg. Exemption limits under the Agriculture Income Tax Act has been raised up to Rs 2.5 lakh from the current exemption limit of Rs one lakh.

Assam Economy

- **Economic growth:** The Gross State Domestic Product (GSDP) of Assam increased from 4.9% in 2013-14 to 8.3% in 2015-16.
- **Sectoral growth:** Growth in manufacturing sector declined from 15.4% in 2013-14 to 10.3% in 2015-16. In the same period, agriculture growth increased from -4.4% to 2.8%, and growth in services increased from 6.1% to 10.7%.
- **Per Capita GSDP:** Per capita GSDP in 2015-16 was Rs 54,056 crore. It increased from 3.5% in 2013-14 to 6.9% in 2015-16.

Figure 1: Growth in GSDP and sectors (2011-12 prices)



Note: Agriculture includes mining. Manufacturing includes construction and electricity. Services includes trade, transport, and financial services.

Sources: GSVA by Economic Activities, Central Statistics Office; PRS.

Budget Estimates for 2018-19

- The total expenditure in 2018-19 is targeted at Rs 90,270 crore. This is 9.2% lower than the revised estimates of 2017-18. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 76,665 crore and borrowings of Rs 14,008 crore. In 2017-18, revised estimates of total expenditure are 15.7% higher (Rs 13,530 crore) than the budget estimates.
- Total receipts for 2018-19 (other than borrowings) are expected to be 13.4% higher than the revised estimates of 2017-18.

Table 1: Budget 2018-19 - Key figures (Rs crore)

Items	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Total Expenditure	57,407	85,923	99,453	15.7%	90,270	-9.2%
A. Borrowings*	3,902	11,265	12,354	9.7%	14,008	13.4%
B. Receipts (except borrowings)	49,238	73,467	58,047	-21.0%	76,665	13.4%
Total Receipts (A+B)	53,140	84,732	70,401	-16.9%	90,673	28.8%
Revenue Deficit (-)/ Surplus (+)	-143	2,400	-23,352	-1073.1%	2,789	-111.9%
<i>As % of state GDP</i>	-0.06%	0.93%	-9.04%	-	0.84%	-
Fiscal Deficit (-)/ Surplus (+)	-6,126	-7,702	-41,939	444.5%	-9,774	-76.7%
<i>As % of state GDP</i>	-2.73%	-2.98%	-16.23%	-	-2.94%	-
Primary Deficit (-)/ Surplus (+)	-3,162	-3,956	-38,192	865.5%	-5,581	-85.4%
<i>As % of state GDP</i>	-1.41%	-1.53%	-14.78%	-	-1.68%	-

Notes: BE is Budget Estimate; RE is Revised Estimate. '-' sign indicates deficit; '+' indicates surplus. Total expenditure is the sum of revenue expenditure and capital expenditure. GSDP for 2017-18 BE and 2017-18 RE is taken as Rs 2,58,337 crore.

Fiscal deficit = (Revenue receipts + Recovery of loans) – (Revenue expenditure + Capital outlay + Loans provided by the state).

Sources: Assam Budget Documents 2018-19; PRS.

Expenditure in 2018-19

- **Capital expenditure** for 2018-19 is proposed to be Rs 18,941 crore, which is a decrease of 6.2% over the revised estimates of 2017-18. This includes expenditure which affects the assets and liabilities of the state, and leads to creation of assets (such as bridges and hospital), and repayment of loans, among others. Note that capital expenditure in 2017-18 is expected to be Rs 2,593 crore more than the budget estimates.
- **Revenue expenditure** for 2018-19 is proposed to be Rs 71,329 crore, which is a decrease of 10% over the revised estimates of 2017-18. This expenditure includes payment of salaries and pensions, and maintenance of existing infrastructure. In 2017-18, revenue expenditure is expected to be Rs 10,937 crore (16%) more than the budget estimates.
- In 2018-19, Assam is expected to spend Rs 8,024 crore on servicing its debt (i.e., Rs 3,830 crore on repaying loans, and Rs 4,193 crore on interest payments). Debt servicing is 5% lower than the revised estimates of 2017-18.

Table 2: Expenditure budget 2018-19 (Rs crore)

Item	2016-17 Actuals	2017-18 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19
Capital Expenditure	8,044	17,603	20,197	14.7%	18,941	-6.2%
Revenue Expenditure	49,363	68,319	79,257	16.0%	71,329	-10.0%
Total Expenditure	57,407	85,923	99,453	15.7%	90,270	-9.2%
A. Debt Repayment	2,043	4,703	4,703	0.0%	3,830	-18.6%
B. Interest Payments	2,964	3,747	3,747	0.0%	4,193	11.9%
Debt Servicing (A+B)	5,006	8,450	8,450	0.0%	8,024	-5.0%

Note: Total expenditure is the sum of revenue expenditure and capital expenditure.

Sources: Assam Budget Documents 2018-19; PRS.

Sector expenditure in 2018-19

The departments listed below account for **48%** of the total budgeted expenditure of Assam in 2018-19. A comparison of Assam's expenditure on key sectors with 18 other states can be found in the [Annexure](#).

Table 3: Department-wise expenditure for Assam Budget 2018-19 (Rs crore)

Department	2016-17 Actuals	2017-18 Revised	2018-19 Budgeted	% change from RE 2017-18 to BE 2018-19	Budget provisions for 2018-19
Education	11,100	14,271	16,161	22.64%	<ul style="list-style-type: none"> Rs 8,519 crore has been allocated for elementary education. Rs 3,476 crore, with a state share of Rs 1,648 crore has been allocated to the Sarva Shiksha Abhiyan. Rs 256 crore has been allocated for infrastructure development in colleges and universities in the state. Rs 509 crore have been allocated to the secondary education department.
Police	2,922	5,135	5,103	10.25%	<ul style="list-style-type: none"> Similar to last year, Rs 84 crore has been allocated for modernisation of police forces. Rs six crore will be spent on upgrading the Police Training College at Dergaon. 35 cybercrime police stations are proposed to be set up in every police district.
Health	2,978	5,451	5,081	9.65%	<ul style="list-style-type: none"> Rs 4,546 crore, with a state share of Rs 2,242 crore has been allocated to the National Health Mission. For Atal Amrit Abhiyan, a sum of Rs 400 crore has been sanctioned. 12 new Community Health Centres will be constructed and existing Block Community Health Centres will be upgraded at a cost of Rs 369 crore. Salaries of Anganwadi workers will be increased by Rs 1,000 and of Anganwadi helpers by Rs 500.
Roads and Bridges	3,546	4,259	4,649	20.77%	<ul style="list-style-type: none"> Rs 600 crore has been sanctioned for construction of new roads and maintenance of old roads. Rs 200 crore has been allocated for re-construction and maintenance of roads and re-habilitation of bridges under the Axom Mala scheme.
Rural Development	2,263	4,205	3,685	-8.05%	<ul style="list-style-type: none"> The Department has seen an 8% reduction in funds from last year. Funds to the National Rural Employment Guarantee Scheme have seen a reduction of Rs 305 crore (26%).
Water Supply and Sanitation	1,909	2,671	2,662	57.83%	<ul style="list-style-type: none"> In 2018-19, 300 habitations with affected water quality and 200 habitations which are partially covered habitations will be provided with safe drinking water. In 2018-19, solid and liquid waste management activities will be taken up in 400 gram panchayats.
Social Security, Welfare, and Nutrition	957	1,865	2,099	19.76%	<ul style="list-style-type: none"> To ensure security of women, a women helpline will be set up. A scheme to create awareness among senior citizens about the facilities available to them will be implemented.
Agriculture	742	1,893	1,743	26.77%	<ul style="list-style-type: none"> Rs 11 crore has been allocated for issuance of farmers' identity cards. Rs 16.5 crore has been earmarked to converge and rationalise various irrigation activities.
Welfare of SC/ST/OBC	625	1,398	1,380	4.38%	<ul style="list-style-type: none"> To give a boost to the weavers who belong to SC community, a 'Livelihood Cluster Project' will be implemented with a special focus on promotion of natural dye-based textiles.
Water Resources	722	2,739	825	-69.71%	<ul style="list-style-type: none"> Rs 15 crore has been allocated for rejuvenation of river Kollong. Rs 18 crore has been earmarked for corrective dredging activities in the tributaries of Brahmaputra and Barak.
% of total expenditure	48%	44%	48%	-	

Source: Assam Budget Documents and Budget Speech 2018-19; PRS.

Receipts in 2018-19

- The **total revenue receipts** for 2018-19 are estimated to be Rs 74,119 crore, an increase of 32.6% over the revised estimates of 2017-18. Of this, Rs 25,643 crore (35% of the revenue receipts) will be raised by the state through its **own resources**, and Rs 48,476 crore (65% of the revenue receipts) will be **devolved by the centre** in the form of grants and the state's share in taxes.
- In 2016-17, the actual total capital receipts of the state saw a decline of Rs 7,323 crore (65%) from the budgeted estimates. The revenue receipts saw a decline of Rs 16,960 crore (25.6%).

In 2016-17, grants-in-aid from the centre were lower than budgeted by Rs 13,162 crore (51%). Borrowings were also less than estimated by Rs 6,772 crore (63.4%).
- Non-Tax Revenue:** Assam has estimated to generate Rs 8,192 crore through non-tax sources in 2018-19. This is an increase of 27.8% over the revised estimates of 2017-18.

Table 4: Break up of state government receipts 2018-19 (Rs crore)

Item	2016-2017 Actuals	2017-2018 Budgeted	2017-18 Revised	% change from BE 2017-18 to RE 2017-18	2018-2019 Budgeted	% change from RE 2017-18 to BE 2018-19
State's Own Tax	12,080	16,434	12,043	-26.7%	17,451	44.9%
State's Own Non-Tax	4,353	7,464	6,409	-14.1%	8,192	27.8%
Share in Central Taxes	20,189	25,651	20,025	-21.9%	26,096	30.3%
Grants-in-aid from Centre	12,598	21,170	17,428	-17.7%	22,380	28.4%
Total Revenue Receipts	49,220	70,719	55,905	-20.9%	74,119	32.6%
Borrowings	3,902	11,265	12,354	9.7%	14,008	13.4%
Other receipts	19	2,747	2,142	-22.0%	2,547	18.9%
Total Capital Receipts	3,920	14,013	14,496	3.5%	16,555	14.2%
Total Receipts	53,140	84,732	70,401	-16.9%	90,673	28.8%

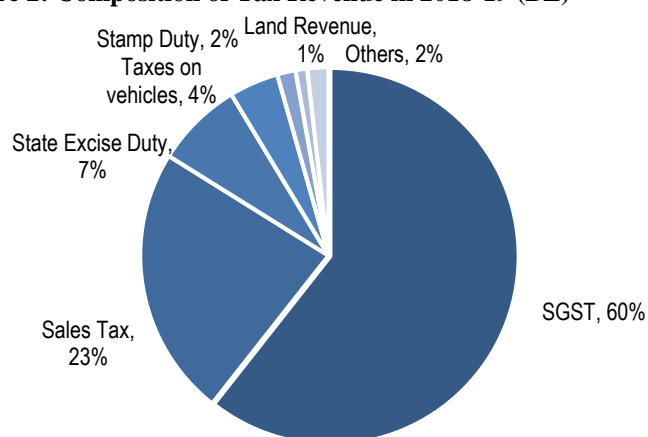
Sources: Assam Budget Documents 2018-19; PRS.

- Tax Revenue:** Total own tax revenue of Assam is estimated to be Rs 17,451 crore in 2018-19. The composition of the state's tax revenue is shown in Figure 2.

The tender fee in case of contracts is being increased from Rs 8.25 to Rs 100 for tenders up to Rs 20 lakh, and Rs 500 for tenders beyond Rs 20 lakh.

The stamp duty and registration fee for transactions in immovable properties is proposed to be increased by 1% over the prevailing rates.

Figure 2: Composition of Tax Revenue in 2018-19 (BE)



- State GST is expected to be the largest component of Assam's tax revenue. It is expected to contribute Rs 10,529 crore.
 - Sales tax is the second largest component of tax revenue of the state. It is expected to generate Rs 4,041 crore in 2018-19.
 - Further, the government is expected to generate Rs 1,300 crore through state excise duty. This is an increase of 23% over the revised estimates of 2017-18.
- Taxes on vehicles will contribute Rs 737 crore, an increase of 29% over the revised estimates of 2017-18. Stamp duty will contribute Rs 274 crore and land revenue will contribute Rs 254 crore, an increase of 10% over the revised estimates of 2017-18.
 - About 2% of the tax revenue will be generated through taxes on electricity, goods and passengers, and other taxes and duties.

Deficits, Debts and FRBM Targets for 2018-19

The Assam Fiscal Responsibility and Budget Management Act, 2005 provides annual targets to progressively reduce the outstanding liabilities, revenue deficit, and fiscal deficit of the state government.

Revenue surplus: It is the excess of revenue receipts over revenue expenditure. A revenue surplus implies that the government is not required to borrow in order to finance its expenses which do not create capital assets.

Debt as a percentage of GSDP has increased in the last two years. It increased from 17.1% in 2016-17 to 17.6% in 2018-19

The budget estimates a revenue surplus of Rs 2,789 crore (0.8% of GSDP) in 2018-19. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The 14th Finance Commission had recommended that states should eliminate revenue deficits. The estimates in the Assam Budget 2018-19 suggest that the state is expected to achieve this target of eliminating revenue deficit.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the government, and leads to an increase in total liabilities. In 2018-19, fiscal deficit is estimated to be Rs 9,774 crore, (2.9% of the GSDP). This estimate is under the 3% limit prescribed by the 14th Finance Commission.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2018-19, the outstanding liabilities are expected at 17.6% of the GSDP.

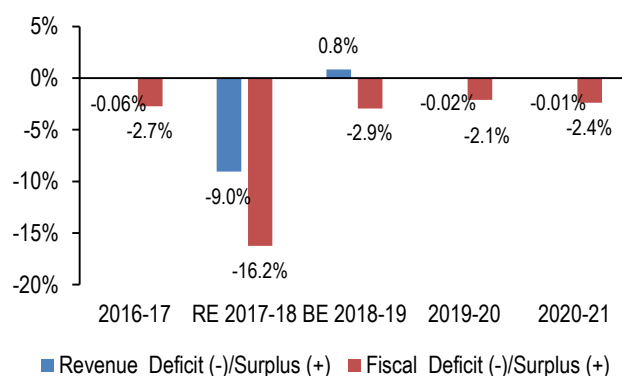
Table 5: Budget targets for deficits for Assam 2018-19 (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2016-17	-0.06%	-2.7%	17.1%
RE 2017-18	-9.0%	-16.2%	17.7%
BE 2018-19	0.8%	-2.9%	17.6%
2019-20	-0.02%	-2.1%	16.6%
2020-21	-0.01%	-2.4%	15.6%

Sources: Assam Budget Documents 2018-19; PRS.

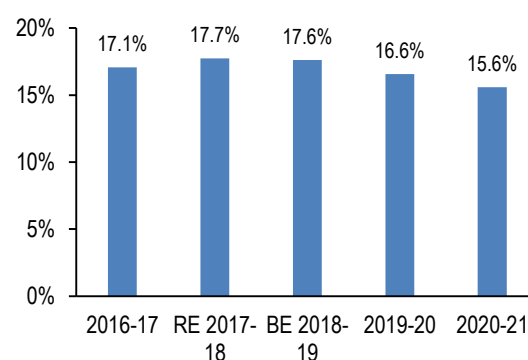
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2016-17 to 2020-21.

Figure 3: Revenue and Fiscal Deficit (as % of GSDP)



Note: Figures for 2019-20 and 2020-21 are projections.
Sources: Assam Budget Documents; PRS.

Figure 4: Outstanding liabilities targets (as % of GSDP)



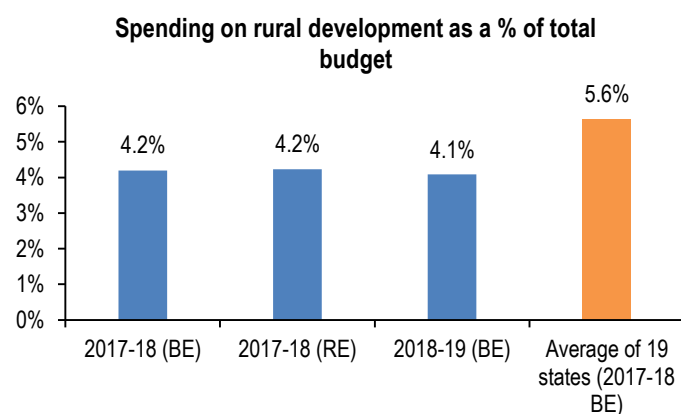
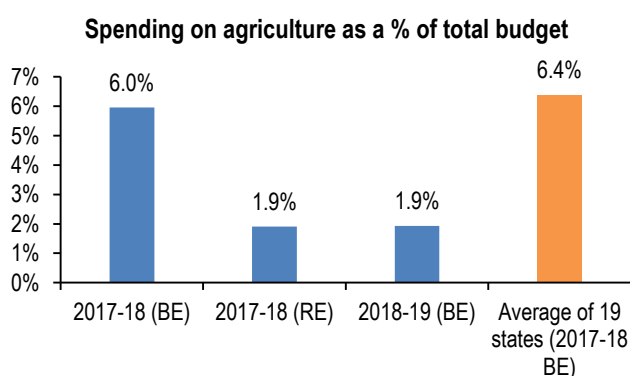
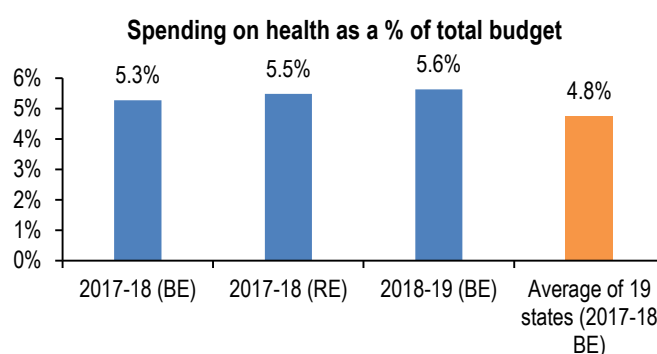
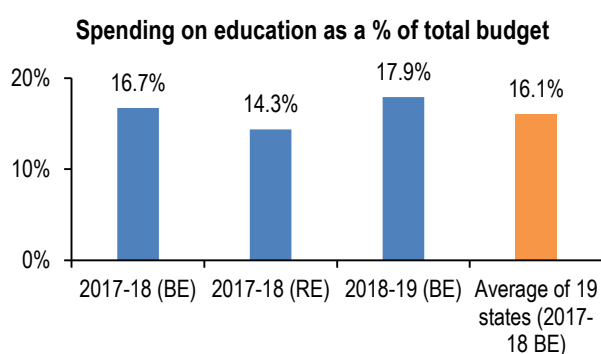
Note: Figures for 2019-20 and 2020-21 are projections.
Sources: Assam Budget Documents; PRS.

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Annexure

The graphs below compare Assam's expenditure on four key sectors as a proportion of its total budget, with 18 other states.¹

- **Education:** Assam has allocated 17.9% on education in 2018-19. This is higher than the average expenditure allocated to education by 18 other states (using 2017-18 BE).
- **Health:** Assam has allocated 5.6% of its total expenditure on health, which is higher than the average expenditure of 18 other states.
- **Agriculture:** The state has allocated 1.9% of its total budget on agriculture. This is significantly lower than the allocations of 18 other states (6.4%).
- **Rural development:** The state has allocated 4.1% of its expenditure on rural development. This is lower than the average (5.6%) of 18 other states.



Note: 2017-18 (BE), 2017-18 (RE), and 2018-19 (BE) figures are for the state of Assam.

Source: Annual Financial Statement (2017-18 and 2018-19), various state budgets; PRS.

¹ The 18 states apart from Assam are: Andhra Pradesh, Bihar, Chhattisgarh, Delhi, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, and West Bengal.