

Assam Budget Analysis 2019-20

The Finance Minister, Dr. Himanta Biswa Sarma, presented the Budget for Assam for financial year 2019-20 on February 6, 2019.

Budget Highlights

- The **Gross State Domestic Product (GSDP)** of Assam for 2019-20 at current prices is estimated to be Rs 3,74,096 crore, which is 12.4% higher than the revised estimate for 2018-19.
- **Total expenditure** for 2019-20 is estimated to be Rs 99,419 crore, an 8.4% decrease over the revised estimate of 2018-19. In 2018-19, as per the revised estimate, there is estimated to be an increase of Rs 18,220 crore (20.2%) of expenditure over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2019-20 are estimated to be Rs 84,196 crore, a decrease of 8.9% as compared to the revised estimate of 2018-19. In 2018-19, total receipts (excluding borrowings) is estimated to be higher than the budgeted estimate by Rs 15,736 crore (20.5%).
- **Revenue surplus** for the next financial year is targeted at Rs 3,406 crore, or 0.91% of the GSDP. **Fiscal deficit** is targeted at Rs 11,113 crore (2.97% of GSDP).
- Sectors such as irrigation and flood control (36%) and roads and bridges (20%) saw the highest decrease in allocations. Allocations to north-eastern council scheme (117%) and rural development (18%) have increased.

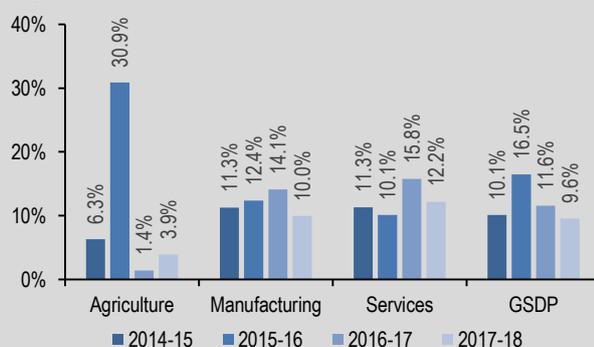
Policy Highlights

- **Subsidy on rice:** An additional subsidy of Rs 2 per kg of rice has been announced under the Affordable Nutrition and Nourishment Assistance Yojana. This will reduce the rate of rice provided under the National Food Security Act (NFSA) from Rs 3 per kg to Re 1 per kg. Rs 377 crore has been allocated for the scheme in 2019-20. Tea garden families will be provided with rice free of cost along with 2 kg of sugar per month.
- **Increase in GST threshold limits:** Rs 40 lakh has been fixed as the new threshold limit of turnover below which suppliers of goods will be exempted from registration and payment of GST. Further, the annual turnover limit for eligibility for the composition scheme has been increased to Rs 1.5 crore.
- **Capital subsidies:** Capital subsidy of Rs 50,000 on bank loan will be provided to women self-help groups and for educational loans. Further, Rs 2.5 lakh subsidy will be provided for home loans up to Rs 40 lakh against first home. Families with annual income of up to Rs 20 lakh will be eligible for the subsidy.
- **Gold for economically weaker families:** One tola of gold will be provided to newly married brides from economically weaker families having annual family income up to Rs 5 lakh. It will be provided to first two live off springs of a family which practices such customs. Rs 300 crore has been allocated for this scheme.
- **Assistance to widows:** Widows up to the age of 45 years will receive a lump sum assistance of Rs 25,000. A monthly pension of Rs 250 will also be provided, until they become eligible for old age pension scheme.

Assam's Economy

- **GSDP:** The GSDP of Assam (at current prices) has grown at a rate of 11.9% during the period 2013-14 to 2017-18.
- **Sectors:** In 2017-18, the sectors of agriculture, manufacturing, and services contributed to 29%, 22% and 49% of the Gross Value Added (GVA) by sectors. These sectors grew by 4%, 10%, and 12%, respectively between 2016-17 and 2017-18.
- **Per capita GSDP:** The per capita GSDP of Assam in 2017-18 (at current prices) was Rs 82,203. This is 8.4% higher than the per capita GSDP of 2016-17 (Rs 75,857).

Figure 1: Growth in GSDP and sectors in Assam (year-on-year)



Note: GVA by a sector denotes the contribution of that sector to state's economy. Data for 2017-18 is from Assam Economic Survey 2018-19. Sources: Central Statistics Office, MOSPI; Assam Economic Survey 2018-19; PRS.

Budget Estimates for 2019-20

- The total expenditure in 2019-20 is targeted at Rs 99,419 crore. This is 8.4% lower than the revised estimate of 2018-19. This expenditure is proposed to be met through receipts (other than borrowings) of Rs 84,196 crore and borrowings of Rs 14,143 crore. Receipts (other than borrowings) is expected to be 8.9% lower in 2019-20 than the revised estimate of 2018-19.
- In 2018-19, as per the revised estimate, there is estimated to be an increase of Rs 18,220 crore (20.2%) of expenditure over the budgeted estimate. Receipts (excluding borrowings) is estimated to be higher than the budgeted estimate by Rs 15,736 crore (20.5%).

Table 1: Budget 2019-20: Key figures (in Rs crore)

Items	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE of 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
Total Expenditure	65,436	90,270	1,08,490	20.2%	99,419	-8.4%
A. Receipts (except borrowings)	54,136	76,665	92,401	20.5%	84,196	-8.9%
B. Borrowings (gross)	8,447	14,008	14,041	0.2%	14,143	0.7%
Total Receipts (A+B)	62,583	90,673	1,06,442	17.4%	98,339	-7.6%
Revenue Surplus	-1,350	2,789	7,849	181.4%	3,406	-56.6%
<i>As % of GSDP</i>	-0.48%	0.84%	2.36%		0.91%	
Fiscal Deficit	9,292	9,774	9,759	-0.2%	11,113	13.9%
<i>As % of GSDP</i>	3.33%	2.94%	2.93%		2.97%	
Primary Deficit	6,087	5,581	5,566	-0.3%	6,321	13.6%
<i>As % of GSDP</i>	2.18%	1.68%	1.67%		1.69%	

Notes: '-' sign against revenue surplus indicates revenue deficit.

Sources: Assam Budget Documents 2019-20; PRS.

Expenditure in 2019-20

- **Capital expenditure** for 2019-20 is proposed to be Rs 19,677 crore, which is a decrease of 25.7% over the revised estimate of 2018-19. Capital expenditure includes expenditure affecting the assets and liabilities of the state, such as: (i) capital outlay, i.e. expenditure which leads to creation of assets (such as bridges and hospitals), and (ii) repayment and grant of loans by the state government.
- In 2019-20, capital outlay is estimated to be Rs 15,219 crore, a decrease of 22.4% over the revised estimate of 2018-19. However, the revised estimate is estimated to be 34.5% higher than the budgeted estimate of 2018-19.
- **Revenue expenditure** for 2019-20 is proposed to be Rs 79,742 crore, which is 2.8% lower than the revised estimate of 2018-19. This expenditure includes payment of salaries, pensions, and interests, among others. Revenue expenditure forms 80% of the total expenditure proposed in 2019-20.

Committed Liabilities

Committed liabilities of a state typically includes expenditure on payment of salaries, pensions, and interest payments. A larger proportion of budget allocated for expenditure on committed liabilities limits the state's flexibility to decide on other expenditure priorities such as capital investments.

In 2019-20, Assam is estimated to spend Rs 46,069 crore (46% of its expenditure) on committed liabilities (payment of salaries, pensions and interest). This is 11.4% higher than the budgeted estimate of 2018-19 (Rs 41,337 crore).

Table 2: Expenditure budget 2019-20 (in Rs crore)

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
A. Revenue Expenditure	55,481	71,329	82,005	15.0%	79,742	-2.8%
B. Capital Expenditure	9,956	18,941	26,486	39.8%	19,677	-25.7%
of which Capital Outlay	7,693	14,572	19,605	34.5%	15,219	-22.4%
Total Expenditure (A+B)	65,436	90,270	1,08,490	20.2%	99,419	-8.4%

Note: Capital outlay denotes expenditure which leads to creation of assets.

Sources: Assam Annual Financial Statement 2019-20; PRS.

Sector-wise expenditure in 2019-20

The sectors listed below account for **65%** of the total budgeted expenditure of Assam in 2019-20. A comparison of Assam's expenditure on key sectors with that by other states can be found in the Annexure.

Table 3: Sector-wise expenditure for Assam Budget 2019-20 (Rs crore)

Sector	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20	Budget provisions for 2019-20
Education	14,150	18,447	20,199	20,411	1%	<ul style="list-style-type: none"> Rs 8,444 crore has been allocated for elementary education, including 2,321 crore for the Sarva Shiksha Abhiyan. Rs 6,351 crore and Rs 2,567 crore have been allocated for secondary education and higher education, respectively.
Health and Family Welfare	4,442	5,378	7,258	7,050	-3%	<ul style="list-style-type: none"> Rs 2,690 crore has been allocated for the National Health Mission and Rs 150 crore towards Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana. Rs 200 crore has been allocated for the scheme Atal Amrit Abhiyan. The scheme has been expanded to include four more disease groups/conditions.
Roads and Bridges	3,625	4,958	8,496	6,777	-20%	<ul style="list-style-type: none"> Rs 1,200 crore has been allocated towards the State Priority Scheme (including allocation for Asom Darshan). Rs 500 crore has been allocated under Asom Mala for construction of roads.
Water Supply, Sanitation, Housing, Urban Development	5,364	7,839	8,690	6,204	-29%	<ul style="list-style-type: none"> Rs 1,100 crore has been allocated for Pradhan Mantri Awas Yojana – Gramin. Rs 780 crore has been allocated for construction of toilets under the Swachh Bharat Mission.
Police	3,811	5,106	5,266	5,833	11%	<ul style="list-style-type: none"> 76 new police stations and 35 cyber-crime police stations are proposed.
Agriculture	3,167	4,640	5,081	5,593	10%	<ul style="list-style-type: none"> Rs 560 crore has been allocated for the Mukhyamantri Krishi Sah Sajuli Yojana, farmers' interest relief scheme, and farmers' credit subsidy scheme.
Rural Development	3,114	4,248	4,310	5,093	18%	<ul style="list-style-type: none"> Allocations of Rs 1,362 crore and Rs 756 crore have been made for the Integrated Rural Development Programme and the National Rural Employment Guarantee Scheme.
North-Eastern Council Scheme	421	1,194	1,273	2,761	117%	<ul style="list-style-type: none"> Rs 2,759 crore has been proposed as capital outlay under the North-Eastern Council Scheme.
Irrigation and Flood Control	1,510	2,953	3,621	2,317	-36%	<ul style="list-style-type: none"> Rs 921 crore has been allocated for expenditure on minor irrigation. Rs 672 crore has been provided as capital outlay for flood control projects.
Welfare of SC, ST, OBC	650	1,999	2,638	2,108	-20%	<ul style="list-style-type: none"> Rs 233 crore and Rs 642 crore have been allocated towards the welfare of SCs and STs, respectively. Rs 396 crore has been allocated for the welfare of backward classes.
% of total expenditure	62%	63%	62%	65%		

Sources: Assam Budget Speech 2019-20; Assam Annual Financial Statement 2019-20; Assam Demand for Grants 2019-20; PRS.

Receipts in 2019-20

- The **total revenue receipts** for 2019-20 are estimated to be Rs 83,148 crore, a decrease of 7.5% over the revised estimate of 2018-19. Of this, Rs 26,526 crore (32% of the revenue receipts) will be raised by the state through its **own resources**. Rs 56,622 crore (68% of the revenue receipts) will be **devolved from the centre** in the form of grants and the state's share in central taxes. In 2019-20, own revenue and central transfers are expected to be 16.2% and 2.7% lower than the revised estimates of 2018-19, respectively.
- **Central transfers:** In 2019-20, revenue from the state's share in central taxes is estimated to increase by 36.3% over the revised estimate of 2018-19. However, revenue in the form of grants-in-aid is estimated to decrease by 32.5%, over the revised estimate of 2018-19, to Rs 22,248 crore.
- **Non-tax revenue:** Assam has estimated to generate Rs 8,532 crore through non-tax sources in 2019-20. This is a decrease of 35% over the 2018-19 revised estimate. Non-tax revenue forms 10% of the estimated revenue in 2019-20. Non-tax sources include interest receipts, dividends, fees, and royalties, among others.

Table 4: Break up of state government receipts in 2019-20 (in Rs crore)

Item	2017-18 Actuals	2018-19 Budgeted	2018-19 Revised	% change from BE 2018-19 to RE 2018-19	2019-20 Budgeted	% change from RE 2018-19 to BE 2019-20
State's Own Tax	13,216	17,452	18,508	6.1%	17,994	-2.8%
State's Own Non-Tax	4,072	8,192	13,160	60.6%	8,532	-35.2%
State's share in Central Taxes	22,302	26,095	25,216	-3.4%	34,374	36.3%
Grants-in-aid from Centre	14,542	22,380	32,971	47.3%	22,248	-32.5%
Total Revenue Receipts	54,131	74,118	89,854	21.2%	83,148	-7.5%
Borrowings	8,447	14,008	14,041	0.2%	14,143	0.7%
Recovery of loans	5	2,547	2,547	0.0%	1,048	-58.8%
Total Capital Receipts	8,452	16,555	16,588	0.2%	15,191	-8.4%
Total Receipts	62,583	90,673	1,06,442	17.4%	98,339	-7.6%

Sources: Assam Annual Financial Statement 2019-20; Assam Detailed Receipts Estimates 2019-20; PRS.

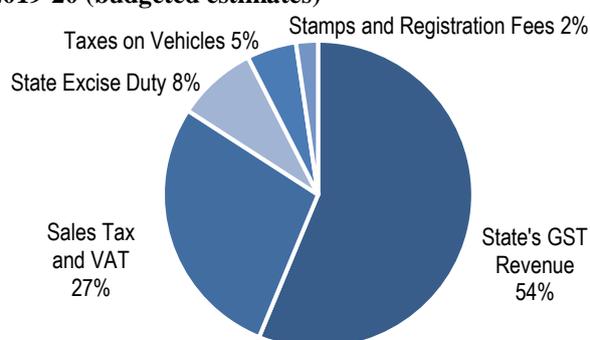
- **Tax Revenue:** Total own tax revenue of Assam is estimated to be Rs 17,994 crore in 2019-20 (22% of its revenue receipts). This is 2.8% lower than the revised estimate of 2018-19.
- The own tax to GSDP ratio is targeted at 4.8% in 2019-20, which is lower than the revised estimate of 5.6% in 2018-19. This implies that own tax collections' growth is estimated to be lower than the growth of economy.

GST Revenue

Assam's total GST revenue (including central transfers) is estimated to be Rs 19,718 crore in 2019-20, an increase of 2% over the revised estimate of 2018-19. It is estimated to form 24% of the state's revenue receipts.

The state expects to receive Rs 1,000 crore as grants for compensation in 2018-19 and 2019-20 (1% of revenue). This was Rs 903 crore in 2017-18 (2% of the revenue).

Figure 2: Composition of the state's tax revenue in 2019-20 (budgeted estimates)



Note: The chart excludes some other taxes which form the rest 4% of revenue. Sources: Assam Annual Financial Statement 2019-20; Assam Detailed Receipts Estimates 2019-20; PRS.

- State GST (SGST) is the largest component of tax revenue of the state. It is expected to generate Rs 9,310 crore in 2019-20. This is a decrease of 4% from the 2018-19 revised estimate.
- Combined with state's own integrated GST (IGST) revenue (Rs 445 crore in 2019-20), Assam's own GST revenue is estimated to decrease by 7.4% over the revised estimate of 2018-19.
- In 2019-20, Assam is expected to generate Rs 4,856 crore and Rs 1,450 crore through levy of sales tax and state excise. This is an increase of 7.2% and 11.5% over the revised estimate of 2018-19, respectively.

Deficits, Debts and FRBM Targets for 2019-20

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

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

The budget estimates a revenue surplus of Rs 3,406 crore (or 0.9% of GSDP) in 2019-20. This implies that revenue receipts are expected to be higher than the revenue expenditure, resulting in a surplus. The estimate indicates that the state is within the target of eliminating revenue deficit, prescribed by the 14th Finance Commission. The state has estimated a revenue surplus for the years 2018-19 to 2021-22.

Fiscal deficit: It is the excess of total expenditure over total receipts. This gap is filled by borrowings by the state government, and leads to an increase in total liabilities. In 2019-20, fiscal deficit is estimated to be Rs 11,114 crore, which is 2.97% of the GSDP. The estimate is under the 3% limit prescribed by the 14th Finance Commission. Fiscal deficit in 2017-18 at 3.3% of GSDP was above this 3% limit.

Outstanding liabilities: It is the accumulation of borrowings undertaken by the state government over the years. In 2019-20, the outstanding liabilities of Assam are expected to be at 17.6% of the GSDP.

Debt Servicing

In 2019-20, Assam is expected to spend Rs 8,902 crore on servicing its debt, which is 9% of its estimated expenditure. This expenditure includes Rs 4,109 crore towards repayment of loans, and Rs 4,793 crore towards interest payments.

In 2019-20, interest payments are estimated to cost 14% more than the revised estimate of the previous year.

However, the expenditure on repayment of loans is expected to decrease by 35% over the revised estimate of 2018-19. Note that this revised estimate of 2018-19 is 65% more than the year's budgeted estimate.

Table 5: Budgeted targets for deficits for Assam in 2019-20 (as % of GSDP)

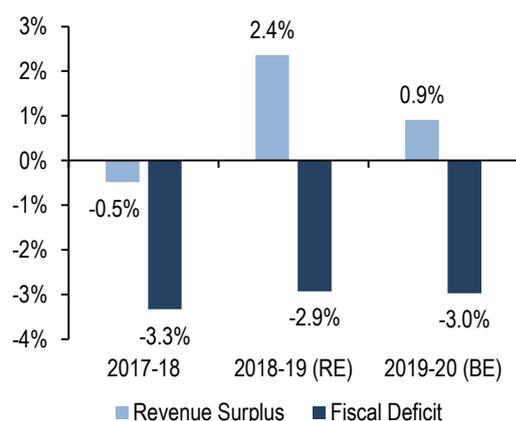
Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2017-18	-0.5%	-3.3%	16.5%
2018-19 (RE)	2.4%	-2.9%	17.6%
2019-20 (BE)	0.9%	-3.0%	17.6%
2020-21	0.9%	-2.9%	16.8%
2021-22	0.8%	-2.7%	16.1%

Note: Budgeted estimate of outstanding liabilities and GSDP used for the year 2018-19.

Sources: Assam FRBM Act Statement 2019-20; Assam Annual Financial Statement 2019-20; PRS.

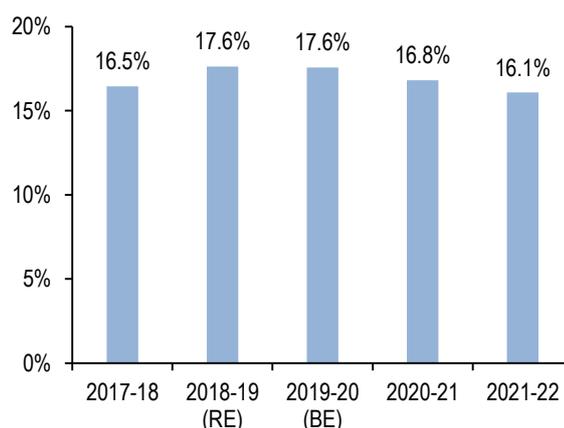
Figures 3 and 4 show the trend in deficits and outstanding liabilities targets from 2017-18 to 2021-22.

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



Note: Negative 'revenue surplus' indicates revenue deficit.
Sources: Assam FRBM Act Statement 2019-20; Assam Annual Financial Statement 2019-20; PRS.

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



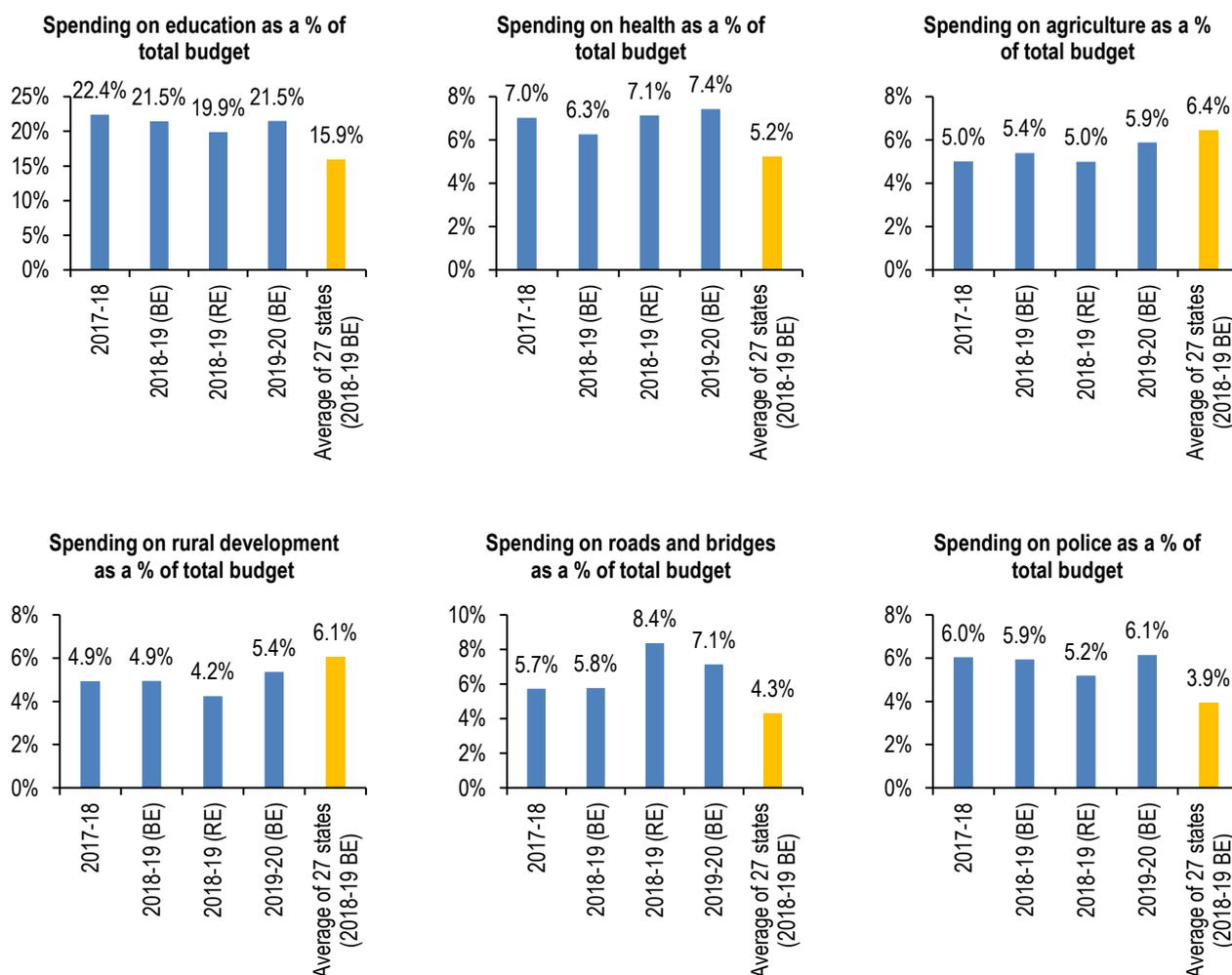
Sources: Assam FRBM Act Statement 2019-20; Assam Annual Financial Statement 2019-20; PRS.

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Annexure

The graphs below compare Assam's expenditure on some key sectors, as a proportion of its total expenditure, with the average expenditure by other states (using budgeted estimates of 2018-19).¹

- **Education:** Assam has allocated 21.5% of its expenditure on education in 2019-20. This is higher than the average expenditure allocated to education (15.9%) by other states in 2018-19.
- **Health:** Assam has allocated 7.4% of its expenditure towards health in 2019-20, which is higher than the average allocation (5.2%) by other states in 2018-19.
- **Agriculture and allied activities:** The state has allocated 5.9% of its expenditure towards agriculture and allied activities in 2019-20. This is marginally lower than the allocations by other states (6.4%) in 2018-19.
- **Rural development:** Assam has allocated 5.4% of its expenditure on rural development in 2019-20. This is marginally lower than the average (6.1%) for other states in 2018-19.
- **Roads and bridges:** The state has allocated 7.1% of its budget for expenditure on roads and bridges in 2019-20. This is higher than the allocations by other states (4.3%) in 2018-19.
- **Police:** In 2019-20, Assam has allocated 6.1% of its budget for expenditure on police. This is higher than the allocations by other states (3.9%) in 2018-19.



Sources: Assam Annual Financial Statement 2019-20; Annual Financial Statement 2018-19 of respective states; PRS.

¹ The 26 other states include all states except Arunachal Pradesh, Manipur, and Meghalaya. It also includes the Union Territory of Delhi.