

Assam Budget Analysis 2017-18

The Finance Minister of Assam, Mr. Himanta Biswa Sarma presented the Budget for Assam for financial year 2017-18 on February 7, 2017.

Budget Highlights

- The **Gross State Domestic Product** of Assam for 2017-18 at current prices is estimated to be Rs 2,58,337 crore. This is 15% higher than the estimate for 2016-17.
- **Total expenditure** for 2017-18 is estimated to be Rs 85,923 crore, a 3.5% increase over the revised estimate of 2016-17. In 2016-17, there was an increase of Rs 4,764 crore (6.1%) in the revised estimate over the budgeted estimate.
- **Total receipts (excluding borrowings)** for 2017-18 are estimated to be Rs 73,467 crore, an increase of 23.3% over the revised estimates of 2016-17. In 2016-17, total receipts fell short of the budgeted target by Rs 7,183 crore. This is driven by reduction in tax collections and grants from centre.
- **Revenue surplus** for the next financial year is targeted at Rs 2,400 crore, or 0.93% of the state Gross Domestic Product (GDP). **Fiscal deficit** is targeted at Rs 7,702 crore (2.98% of state GDP).
- Departments of Health, Water Resources, and Rural Development saw increases in allocations for the year 2017-18. On the other hand, the Department of Roads and Bridges witnessed a decrease in allocation.

Policy Highlights

- **Incentives to promote industry:** Government to provide up to 90% of one time expenditure incurred on capital expenses involved in setting up Business Process Outsourcing (BPO) centres in the state. Further, 100% reimbursement will be provided on stamp duty paid by BPO and information technology firms.
- **Promotion of banking:** Rs 5,000 each will be given to tea plantation workers who have opened bank accounts.
- **Pay Commission:** The government will retrospectively implement the 7th Pay Commission's recommendations from April 1, 2016. The estimated burden on the state is expected to be Rs 2,200 crore. First instalment of the same will be released in April 2017.
- Rs 5 crore has been allocated to provide two-wheelers to 1,000 top-ranking girl students who pass high school in 2017.

Tax exemptions

- Hotels and lodging houses, including homestays in rural areas will be exempt from paying luxury tax.
- 50% entertainment tax exemption to permanent multiplexes for 3 years which screen Assamese/regional film on one of the screens.
- Cess on green tea leaf further reduced from 15paise/kg to 10paise/kg for small tea growers.
- Women self-help groups are exempted from stamp duty on documentation of bank loans up to Rs 2.5 lakh.

Assam's Economy

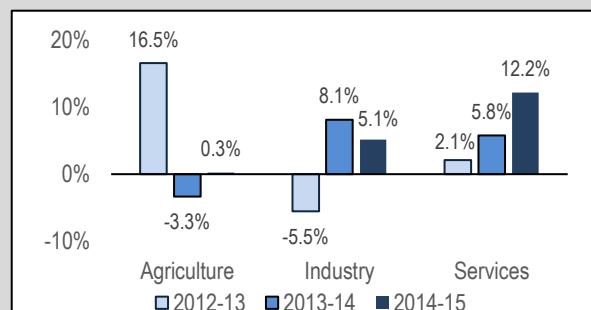
Economy

Between 2012-13 and 2014-15, agriculture sector's growth has declined (real) from 16.5% to 0.3%. Over the same period, industrial sector's growth increased from -5.5% in 2012-13 to 8.1% in 2013-14, to 5.1% in 2014-15. Services saw the most growth of 12.2% in 2014-15, an increase from 2.1% in 2012-13.

Industrial production in the state declined by 1.7% and 1.8% in 2014-15 and 2015-16 respectively. During the same period, the industrial production of the country grew by 2.8% and 2.4% respectively.

Unemployment

Unemployment rate in Assam is slightly above the national average. In 2015-16, unemployment rate in Assam is 4%, when compared to the national average of 3.7%. In addition, unemployment rate has increased in the past few years. In 2013-14, unemployment rate was 2.9%, which grew to 4% in 2015-16.



Sources: Central Statistics Office; PRS.

Budget Estimates for 2017-18

- The total expenditure in 2017-18 is targeted at Rs 85,923 crore. The revised estimate for the total expenditure in 2016-17 is Rs 83,017 crore, which is 6.1% (Rs 4,764 crore) more than the budgeted target of 2016-17.
- The expenditure in 2017-18 is proposed to be met through receipts (other than borrowings) of Rs 73,467 crore and borrowings of Rs 11,265 crore. Total receipts for 2017-18 (other than borrowings) are expected to be 23.3% higher than the revised estimate of 2016-17.

Table 1: Budget 2017-18 - Key figures (in Rs crore)

Items	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE of 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
Total Expenditure	41,931	78,253	83,017	6.1%	85,923	3.5%
A. Borrowings	5,498	10,673	10,580	-0.9%	11,265	6.5%
B. Receipts (except borrowings)	42,968	66,749	59,566	-10.8%	73,467	23.3%
Total Receipts (A+B)	48,466	77,423	70,146	-9.4%	84,732	20.8%
Revenue Deficit (-)/Surplus(+)	5,446	3,721	-6,669		2,400	
As % of state GDP	2.71%	1.66%	-2.97%		0.93%	
Fiscal Deficit (-)/Surplus(+)	3,006	-6,675	-18,622		-7,702	
As % of state GDP	1.49%	-2.97%	-8.29%		-2.98%	
Primary Deficit (-)/Surplus(+)	5,624	-3,466	-15,413		-3,956	
As % of state GDP	2.8%	-1.5%	-6.9%		-1.5%	

Notes: BE is Budget Estimate; RE is Revised Estimate. GSDP for 2016-17 BE and 2016-17 RE taken to be Rs 2,24,641 crore.

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

Sources: Assam State Budget Documents 2017-18; PRS.

Expenditure in 2017-18

- Government expenditures can be divided into (a) capital expenditure, which affects the assets and liabilities of the state, and (b) revenue expenditure, which includes the rest of the expenses.
- Total capital expenditure of Assam is proposed to be Rs 17,603 crore, which is an increase of 1.5% over the revised estimates of 2016-17. This includes expenditure which leads to creation of assets, and repayment of loans, among others.
- Total revenue expenditure for 2017-18 is proposed to be Rs 68,319 crore, which is an increase of 4% over revised estimates of 2016-17. This expenditure includes payment of salaries, administration of government programs, etc.

The total expenditure in 2016-17 is revised up from Rs 78,253 crore to Rs 83,017 crore. Note that this is 98% increase in total expenditure over 2015-16. As a result, annual borrowings of the state has risen from Rs 5,597 crore to Rs 10673 crore. This is a 94% increase.

Table 2: Expenditure budget 2017-18 (in Rs crore)

Item	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	% change from BE 2016-17 to RE 2016-17	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18
Capital Expenditure	4,920	15,794	17,340	9.8%	17,603	1.5%
Revenue Expenditure	37,011	62,459	65,676	5.2%	68,319	4.0%
Total Expenditure	41,931	78,253	83,017	6.1%	85,923	3.5%
A. Debt Repayment	1,969	4,829	4,829	0.0%	4,703	-2.6%
B. Interest Payments	2,618	3,209	3,209	0.0%	3,747	16.7%
Debt Servicing (A+B)	4,587	8,038	8,038	0.0%	8,450	5.1%

Note: Capital expenditure includes: i) spending that creates assets, ii) repayments on the loans taken by the government, and iii) loans provided by the government.

Sources: Assam State Budget Documents 2017-18; PRS.

Department expenditure in 2017-18

The departments listed below account for around 40% of the total budgeted expenditure of Assam in 2017-18.

Table 3: Department-wise expenditure for Assam Budget 2017-18 (in Rs crore)

Department	2015-16 Actuals	2016-17 Budgeted	2016-17 Revised	2017-18 Budgeted	% change from RE 2016-17 to BE 2017-18	Budget provisions for 2017-18
Education	8,106	9,773	10,012	10,939	9.3%	<ul style="list-style-type: none"> Grants for Sarva Siksha Abhiyan from centre have been reduced from Rs 1,630 crore in 2016-17 to Rs 1,600 crore in 2017-18. The government has proposed to provide eggs twice a week to all 42.61 lakh children under the Mid-day meal programme. The estimated cost will be Rs 130 crore. In order to make funds available on time, the state will bear the centre's cost until it is reimbursed by the centre.
Rural development	2,804	6,046	6,198	7,119	14.9%	<ul style="list-style-type: none"> Rs 2,177 crore is estimated to be spent under the Pradhan Mantri Awas Yojana. Rs 1,060 crore is estimated to be spent under National Rural Employment Guarantee Scheme.
Health	2,669	3,761	3,930	4,634	17.9%	<ul style="list-style-type: none"> The budget proposes to extend coverage to workers in 320 tea gardens through Mobile Medical Units. Rs12,000 will be provided for pregnant women in tea garden areas. The Essential Drugs List has brought 207 more drugs under the list thereby taking the total to 407. Grants for National Health Mission from centre have been reduced from Rs 1,440 crore in 2016-17 to Rs 1,331 crore in 2017-18.
Police	2,459	4,017	4,062	4,631	14.0%	<ul style="list-style-type: none"> Rs125 crore has been allocated for Mission MOITRI to create sensitive and responsive Police Force. 5,013 police personnel to be recruited by the state in addition to the 4,000 announced last budget. E-Challan system to be introduced in 11 districts. Cyber Dome project announced to enhance cyber security, cyber forensics among other technology upgradation.
Road and bridges	1,669	3,738	4,401	3,849	-12.5%	
Water Resources	373	2,061	2,320	2,723	17.4%	
% of total expenditure	43.1%	37.6%	37.2%	39.4%		

Note: All amounts are net numbers. Sources: Assam Budget Speech 2017-18; PRS.

Other announcements:

- Zero interest loans:** 100% interest subvention is proposed to be provided on agricultural loans of up to Rs. one lakh taken by farmers.
- Rs 667 crore has been allocated for infrastructure developments of professional colleges and universities under the Tejasvi Navadhitamastu Funds.
- Rs 1,200 crore has been allocated for six cities for infrastructure projects under the City Infrastructure Development Fund (CIDF).

Receipts in 2017-18

- The total revenue receipts for 2017-18 are estimated to be Rs 70,720 crore, an increase of 19.8 % over the revised estimates of 2016-17.
- State's own tax revenue is expected to increase by 30.4% (Rs 3,742 crore) in 2017-18 over the revised estimates of 2016-17. Tax revenue in 2016-17 (RE) is estimated to be Rs 12,328 crore, which is 19% (Rs 2,896 crore) lower than the budgeted estimates.
- The tax to GSDP ratio is targeted at 6.2 % in 2017-18, which is higher than the revised estimate of 5.5% in 2016-17. This implies that growth in collection of taxes is expected to be higher than the growth in the economy.
- Non-tax revenue in 2017-18 is estimated to increase by 65.4% (Rs 2,951 crore) over the revised estimates of 2016-17. This is on account of higher receipts from petroleum extraction (70% increase).
- Grants from the centre are set to decrease by 7.6%, from Rs 22,923 crore in 2016-17 (RE), to Rs 21,170 crore in 2017-18. The other component of transfers from the centre is the state's share in central taxes, which is estimated to increase by 35.2%, to Rs 26,015 crore in 2017-18.

The tax revenue collection of 2016-17 has been revised down from Rs 15,224 crore to 12,328 crore. This is a drop of 19%.

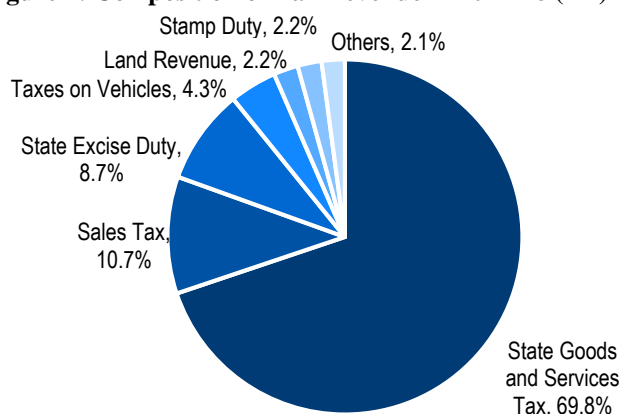
Table 4: Break up of state government receipts (in Rs crore)

Item	2015-2016 Actuals	2016-2017 Budgeted	2016-2017 Revised	% change from BE 2016-17 to RE 2016-17	2017-2018 Budgeted	% change from RE 2016-17 to BE 2017-18
State's Own Tax	9,862	15,224	12,328	-19.0%	16,070	30.4%
State's Own Non Tax	2,742	5,847	4,513	-22.8%	7,464	65.4%
State's share in Central Taxes	17,029	19,349	19,243	-0.5%	26,015	35.2%
Grants-in-aid from Centre	12,825	25,761	22,923	-11.0%	21,170	-7.6%
Total Revenue Receipts	42,458	66,180	59,008	-10.8%	70,720	19.8%
Borrowings	5,498	10,673	10,580	-0.9%	11,265	6.5%
Recovery of loans	510	569	558	-1.9%	2,747	392.0%
Total Capital Receipts	6,008	11,243	11,138	-0.9%	14,013	25.8%
Total Receipts	48,466	77,423	70,146	-9.4%	84,732	20.8%

Sources: Assam State Budget Documents 2017-18; PRS.

Total own tax revenue of Assam is estimated to be Rs 16,070 crore in 2017-18. The composition of the state's tax revenue is shown in Figure 2.

Figure 1: Composition of Tax Revenue in 2017-18 (BE)



- **Tax Revenue:** State Goods and Services Tax (SGST) is estimated to be the largest component (70%) of the tax revenue of the state. SGST subsumes certain components of sales tax, and other central taxes such as service tax and union excise duty.
- Sales tax, which will be partly subsumed into SGST during 2017-18 is expected to generate Rs 1,713 crore in 2017-18.
- It may be noted that SGST has not been levied previously, and it is difficult to estimate its revenue. In 2017-18, both state sales tax and SGST are estimated to collect Rs 12,936 crore. This is 38% higher than the sales tax collection of 2016-17.
- In addition, revenue will be generated through levy of duty on electricity, state excise duties, stamp duties, taxes on vehicles, etc.
- **Non Tax Revenue:** Assam has estimated to generate Rs 7,464 crore through non-tax sources in 2017-18. This includes Rs 5,590 crore through royalties on petroleum and Rs 561 crore through forestry.

Deficits, Debts and FRBM Targets for 2017-18

The Fiscal Responsibility and Budget Management (FRBM) Act, 2005 of the state 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 capital assets. However, the budget estimates a revenue surplus of Rs 2,400 crore (or 0.9 % of SGDP) in 2017-18. 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.

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 of the government. A high fiscal deficit may imply a higher repayment obligation for the state in the future. In 2017-18, fiscal deficit is estimated to be Rs 7,702 crore, which is 2.98% of the SGDP.

In 2016-17, the fiscal deficit is estimated to be Rs 18,622 crore. This is 8.29% of GSDP and higher than the 3% limit recommended by the 14th Finance Commission. This is driven by reduction of tax collection by 19% of the budget estimate and increase in expenditure by 6% over the budget estimate.

Outstanding Liabilities: It is the accumulation of borrowings over the years. In 2017-18, the outstanding liabilities are expected at 19.31 % of SGDP.

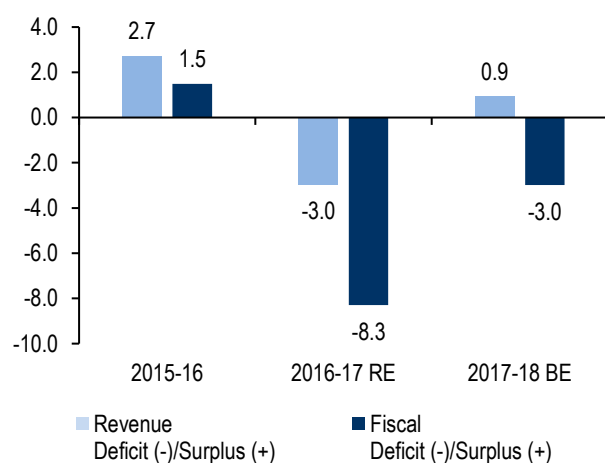
Table 5: Budget targets for deficits for the state of Assam in 2017-18 (% of GSDP)

Year	Revenue Deficit (-)/Surplus (+)	Fiscal Deficit (-)/Surplus (+)	Outstanding Liabilities
2015-16	2.71	1.49	17.75
2016-17 (RE)	-2.97	-8.29	18.77
2017-18 (BE)	0.93	-2.98	19.31
2018-19	0.78	-2.94	18.47
2019-20	0.77	-2.79	17.67

Note: Outstanding numbers for 2016-17 are Budget estimates.
Sources: Assam State Budget Documents 2017-18; PRS.

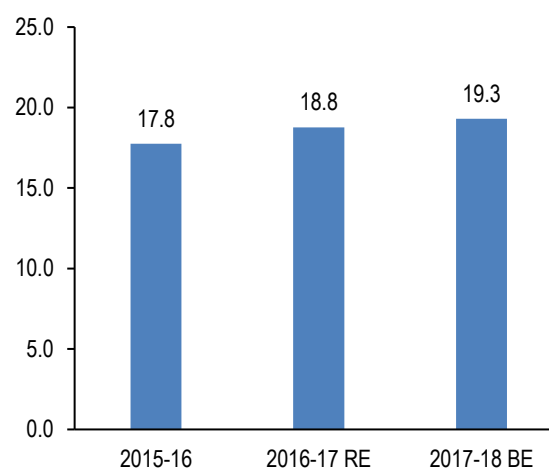
Figures 2 and 3 show the trend in deficits and outstanding liabilities from 2015-16 to 2017-18:

Figure 2: Revenue and Fiscal Deficit (as % of SGDP)



Sources: Assam State Budget Documents; PRS.

Figure 3: Outstanding liabilities (as % of SGDP)



Sources: Assam State Budget Documents; PRS.

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