CHAPTER-VI

FINDINGS, SUGGESTIONS AND CONCLUSION

In this chapter, the overall findings are drawn out from the study on Revenue Receipts and Expenditure of the Government of Assam. Certain important suggestions for improvement in the revenue generation and expenditure management of the Government of Assam have been given for the overall development of the state. This chapter also includes conclusion on interpretation of the study.

6.1 Major Findings:

6.1.1 The receipts and disbursements of the Consolidated Fund were more than the receipts and disbursements of the Public Accounts in 1999-2000 to 2004-05. From the year 2005-06 to 2008-09, the receipts and disbursement of Public Accounts became more than the same of the consolidated fund. The reason of this increasing receipts and disbursement of the Public Account from the year 2005-06 was due to increasing trend of cash balance investment.
6.1.2 The receipt of the Consolidated Fund was increased by 1.92 times, whereas total receipt was increased by 13.87 times. It happened because of increasing trend of the receipts of the public Accounts.

6.1.3 The Consolidated Fund of the Government of Assam had also surplus balance in the period 2005-06 to 2008-09. The reason for surplus balance is that in these years the increasing rate of disbursement became lesser than increasing rate of receipts.

6.1.4 The reason of diminishing capital receipts is decreasing amount of loan issued by the Central Government.

6.1.5 The tax revenue is the largest source of the revenue receipts. The Grant in aid is the second largest source of the revenue receipts. The amount received from non tax revenue is lesser than the amount received from other two sources.

6.1.6 The increasing rate of the Grant in aid is lesser than the increasing rate of tax revenues and non tax revenues. Moreover, the funds received from the Grant in aid in 2000-01, 2001-02, 2002-03 and 2003-04 were lesser than the fund received in the base year i.e. 1999-2000. It shows that though the Government of Assam is
receiving significant amount from the Grant in aid, the Grant in aid is not so much dependable source of the revenue earning.

6.1.7 The amount of non tax revenue is very negligible in comparison to the amount received from the Grant in aid but, the increasing trend of Non Tax revenue is promising as source of revenue earning. Therefore the tax revenue is major and most dependable source of revenue earning among all sources of the Government of Assam.

6.1.8 The internal debt is the largest source of the capital receipt.

6.1.9 The amount received from the recovery of loan issued by the State Government is very negligible.

6.1.10 The Government needs to afford more for maintaining of fixed facilities and continuation of services. The Government spent less for infrastructural development and asset creation.

6.1.11 The plan expenditure was increased by 1.9 times, but, the non plan expenditure was increased by 2.4 times. The reason is that the major parts of developmental activities and other routine nature programme of the administration are financed from non plan heads of the budget.
6.1.12 Amount spent for Grant in Aid is very negligible i.e. 0.06% to 1.04% of the total revenue expenditure. But the increasing rate of revenue expenditure for Grant in Aid is very high in comparison to the increasing rate of revenue expenditures for other three services. The increasing rates of expenditure for General Services, Social Services and Economic Services are 2.18 times, 2.46 times and 2.88 times respectively. On the other hand the expenditure for Grant in Aid is increased by more than 22 times in 1999-2000 to 2008-09. The reason behind it is the creation of so many autonomous bodies of various ethnic groups in Assam make rapid enhancement of the expenditure under the head of Grant in Aid.

6.1.13 As the receiving of fund from the public is diminishing, the repayment of public debt is also decreasing. But, the degree of repayment of public debt is lesser than the degree of receiving of public debt.

6.1.14 The repayment of public debt was decreased to 17% in 2008-09 from the year 1999-2000. As the repayment of the public debt decreased more than the receiving of the public debt, the outstanding debt of the state government has been enhanced every year. The
outstanding public debt was increased every year in 1999-2000 to 2008-09. In this period it was increased by 2.4 times. The increased outstanding debts create more interest burden for the Government.

6.1.15 The Government requires making adequate repayment of Public Debt for reducing the burden of interest and servicing of debt.

6.1.16 In half of the period of the study, the government earned tax revenue less than the budget target.

6.1.17 The revenue earned from taxes on property and capital transaction is very less in comparison to the revenues earned from taxes on Commodities and Service and the taxes on income and expenditure.

6.1.18 The budgetary expectation of the Government on taxes on income and expenditure was increased by 6.2 times in 1999-2000 to 2008-09 which was almost same with the increasing rate of the budgetary expectation on taxes on Commodity and Services.

6.1.19 The state Government could earn more than the budget estimate from taxes on income and expenditure in comparison to the taxes on commodity and services.
6.1.20 The state Government was more unsuccessful in collecting tax revenues from taxes on property and capital transaction in comparison to other sources of tax revenues.

6.1.21 The state Government was more failure in achieving budget target of receiving tax revenues on agricultural income in contrast to other components of taxes on income and expenditure.

6.1.22 The state Government earned the tax revenue on income and expenditure mainly from corporate tax and taxes on income and expenditure other than corporation tax.

6.1.23 The Government of Assam received more than the budget estimates from all components of taxes on income and expenditure in majority years of the study period other than taxes on Agricultural Income and Hotel Receipts.

6.1.24 The Contribution of Wealth Tax among all the items of tax revenues on property & capital transaction was very less i.e. 0.41% to 1% of the total revenues earned from taxes on property and capital transactions.

6.1.25 The amount received from taxes on immovable property (other than agriculture land) was 0.06% to 0.14% and another important fact is
that the taxes on immovable property was received by the state Government only in 2001-02, 2002-03 and 2005-06. In the majority years of the study period, the state Government did not receive any amount from taxes on immovable property (other than agriculture land).

6.1.26 The State Government earned land revenue less than the budget target in 9 years out of 10 years of the period of the study. In 1999-2000, 2000-01, 2005-06 and in 2006-07 the state Government’s earnings from land revenues were less than 60% of the budget estimates. Since the land revenue collection is fully under the control of the state Government, therefore the state Government’s failure in collecting revenue against budget target is remarkable.

6.1.27 The Stamp and Registration is more dependable source and largest contributor of land revenue earning in comparison to other components of taxes on property & capital transaction.

6.1.28 Union excise duties and service tax contribute a sizeable amount to the coffer of the Government of Assam. The amount received from custom and union excise duties were 13.01% to 19.26% and 13.98% to 27.02% of the total amount received from taxes on commodity...
and services in 2000-01 to 2008-09. The contribution received from service tax was very negligible i.e. 0.95% to 9.18% in 1999-2000 to 2008-09. Similarly the contributions received by the State Government from the taxes on duties on electricity, taxes on goods and passengers, taxes on vehicles and other taxes and duties on commodities & services were insignificant.

6.1.29 The State Government received from sale tax 40.22% and 44.93% on total amount of taxes on commodity and services. The revenue collection from sale tax is fully under the control of the state Government. The state Government could collect revenue from sale tax more than the budget target in the period of study except in 1999-2000 and 2007-08.

6.1.30 The majority amount of the revenue expenditure is incurred for the development expenditure.

6.1.31 The Development expenditure was increased by 2.45 times, whereas Non-Development expenditure was increased by 1.55 times in 1999-2000 to 2008-09.
6.1.32 The trend of total expenditure of consolidated fund is steep upward in comparison to the total disbursement of the Government of Assam.

6.1.33 In majority years of the period of the study, more than 80% amount of total disbursement of the Government of Assam was incurred from the Consolidated Fund. It shows that the Consolidated Fund has dominating role on the Government finance.

6.1.34 The charged expenditure becomes more than the voted expenditure as repayment of debt and advances is included in charged expenditure. The voted capital expenditure would be more than the charged capital expenditure if the repayment of debts and advance is excluded from charged capital expenditure. The voted Revenue expenditure was also more than the charged revenue expenditure.

6.1.35 Plan capital expenditures are more than non-plan capital expenditures other than the repayment of public debt and loan.

6.1.36 The amount spent under centrally sponsored scheme is usually related to plan capital expenditure. The share of expenditure incurred under centrally sponsored scheme is 21% to 93% of total capital expenditure.
6.1.37 The increasing rate of revenue expenditure is more than the increasing rate of the capital expenditure in 1999-2000 to 2008-09.

6.1.38 As the major part of the capital expenditure is incurred for public debt. Therefore, the increased capital expenditure does not increase the infrastructure facilities in the same rate.

6.1.39 It is found that the Government of Assam has spent a negligible amount for providing Loan and advance for socioeconomic development. The range of loan and advance made by the Government of Assam was only 1% to 9% of total capital disbursement in 1999-2000 to 2008-09.

6.1.40 The state Government spent more for social services in comparison to the general services. But the expenditure incurred for economic services is larger than other three services.

6.1.41 The state Government budget gives more importance to economic services in comparison to social and general services. The Government desires to invest for infrastructural development for economic progress of the state.
6.1.42 The increasing rate of administrative expenditure is more than the increasing rate of expenditure for development activities under social and economic services.

6.1.43 The disbursement for Grant in Aids of local bodies and Panchayatee raj institution was 0.06% to 1.04% of total revenue expenditure.

6.1.44 The budgetary allocation for agricultural sector is greater than the budgetary grants of other activities of economic services.

6.1.45 The state Government could not utilize the budgetary grant adequately for agriculture. In 1999-2000 to 2008-09, the Government of Assam utilized less than 75% amount of the budgetary grant for agriculture.

6.1.46 The total percentage of the budgetary allocation for Flood Control on total grant is very negligible. The range is 0.64% to 2% of total grants of the Government of Assam. The Department of flood control is unable to utilize the budget provision sufficiently.

6.1.47 The utilization of the budget provision for Flood Control is also inadequate i.e. less than 65% in the majority years of the period of the study.
6.1.48 The budgetary allocation for industry is very negligible from 0.15% to 0.73% only during the study periods which is average 0.35% per year. Out of these minimum budgetary grants utilized 47% only in average.

6.1.49 The cottage industry department spent more than budgeted amount in few years of the period of the study. The improper budgeted plan is the root cause of these irregularities.

6.1.50 The budgetary grant for irrigation of the government of Assam was in average 1.5% along with it 74% of the fund utilisation every year in average signifies improvement of irrigation sector in Assam.

6.1.51 The budgetary grants for fisheries is too less that it was average 0.18% only out of total budget of the Government of Assam. It was found in the decreasing rate from 0.29% to 0.9% during the study period.

6.1.52 The tourism department has been found completely neglected according to the budgetary allocation of the Government of Assam because only 0.07% of budgeted grant was allocated in every year in average. Out of it 43% utilisation is a great issue for the tourism sector in the state.
6.1.53 The budgetary allocation for the forest department is less than 1% of the total budgeted grant in majority years of the period of the study.

6.1.54 The range of unutilized amount of the budgetary grant for forestry is 16% to 49% in 1999-2000 to 2008-09.

6.1.55 The increased budgetary allocation for PWD (road) shows the state Government's interest for improving the road connectivity in the state. But, the state Government is unable to utilize the budgetary grant sufficiently.

6.1.56 The adverse debt equity position of Assam State Electricity Board indicates severe financial state of this public sector unit. The ASEB is incurring losses every year.

6.1.57 The power generated by the ASEB is reducing against increased expenditure in 1999-2000 to 2008-09.

6.1.58 Rural Development has found significant budgetary support of 1.6% out of total budgetary grants of the government of Assam. It has considerable enhance from Rs.100.85 crores in 1999-2000 to Rs. 490.19 crores in 2008-09 is a good initiative undertaken by the government for rural areas development.
6.1.59 The budgetary grant for Medical and Public Health found satisfactory about 4% average every year during study period but in the percentage out of total grants it was gradually reduced and later period it has enhanced up to 5%.

6.1.60 In Budgeted Grant for Elementary and Secondary Education it has surprisingly highest amongst all the department of the government of Assam because average 15% of the total budgeted grant for this department.

6.1.61 Total performance of the utilisation of the total budgetary grants for the social service sectors has found 74% average approximately.

6.2 Suggestions:

6.2.1 The Government requires to make adequate repayment of Public Debt for reducing the burden of interest and servicing of debt. It is therefore suggested to improve the repayment.

6.2.2 In fact, the race of the progress in economic activities can be more accelerated with sound base of social uplift men. Therefore the Government needs to pay adequate importance in social service also.
6.2.3 The trend of revenue earning should be given adequate consideration for determining estimated revenue in the budget. So it suggested that Government should consider the all aspect of revenue collection by the Government.

6.2.4 The loan received by the state Government requires to be utilized adequately as per the policy framed for developmental purposes.

6.2.5 The state Government should pay attention for prompt repayment of outstanding loan. The Government is spending a sizable amount for interest payment.

6.2.6 The share of taxes on income and expenditure received from the central Government should be estimated in annual financial planning on the basis of trend of real earnings. There should not have any unrealistic estimation of revenue income.

6.2.7 The state Government should pay adequate effort for achieving the budget target in revenue earnings which are under the state Government schedule.

6.2.8 There need to have analytical investigation on the part of the Government of Assam for the items of revenue earnings where the state Government faces repeated failure in achieving budget target.
6.2.9 There is need of proper study and exercise for prudent allocation of the budgeted grant against different priority sectors.

6.2.10 In adequacy in budgetary allocation require to be investigated properly by the state Government.

6.2.11 To ensure sufficient utilization of the budgeted grant, there may have ranking among various departments of the Government and that ranking system can be extended in different branches or units of each department.

6.2.12 Agriculture, Industry and Small Scale Industry require to be given sufficient weight in allocating and utilizing budgeted grant.

6.2.13 The adverse situation in debt equity combination of the state's public sector Units require to be revised to eliminate the load of the interest burden.

6.2.14 The Sick public sector units may be reformed or closed on the basis their operating efficiency and financial state.

6.2.15 The Government requires maintaining control on expenditure related to collection of revenue.
6.2.16 The state Government should maintain economy in expenditure of general services and should pay effort for allocating more resources under social and economic services.

6.2.17 There should have Government research for investigating the scope of raising tax and non tax revenue. In absence of increased revenue the burgeoning revenue deficit cannot be controlled.

6.2.18 There is need of training and development programme for the officers and staff engaged in preparation of Annual Financial Plan.

6.2.19 The state Government may attempt to apply zero base budgeting technique in few area of the Government budget.

6.2.20 There should have monitoring agency to observe the implementation of the suggestion given in the report of the Comptroller and Auditor General.

6.2.21 The loan issued by the state Government for the development of the priority sectors of the economy requires to be enhanced.

6.2.22 The state Government should issue more public debt for the state.

6.2.23 The state Government should not depend more on grant in Aid issued by central Government. Instead of that the State
Government may attempt to generate more resources from own source.

6.2.24 The revenue earning of the state is very less in comparison to other states of India. The tax revenue would be higher when the economic activities are on a higher level. It is therefore, suggested that a concerted efforts should be made by all concern to enhance the productive capacity of the state.

6.2.25 The sale tax, excise tax are the major sources of revenue of the Government. Considering the annual turnover and increased commodity, the amount of sale tax should be more than double of the present collection.

6.2.26 It is also observed that non tax revenue is lower than the tax revenue and grant in Aid. The Government should pay effort the receipts of non tax revenue for the financing of various economic activities.

6.3 Conclusion:

The burgeoning revenue deficit, improper allocation of resources and inadequate utilization of the budgetary grant are crucial issues in the state Government financial management. The state Government should exercise
proper estimation of revenue receipts and expenditures against various components of annual financial planning. The inadequate utilization of the budgetary grant should be seriously viewed. The irregularities and improper utilization of fund require to be checked with strong monitoring agency. The interest burden of loan can be diminished with the repayment of the outstanding loan. The Government needs to mobilize resources for social and economic upgradation of the state. Capital expenditure should be incurred mainly for enhancing of infrastructural facilities. The state government requires making critical review of the budgetary allocations for setting preference in resource allocation. There is need for changing the views of Government officials in relation to preparation and implementation of the budget.