CHAPTER-VII
(Conclusion & Suggestions)
Conclusions & Suggestion:

The conclusion on the study of state government budget and its impact on socio-economic development are made on the basis of questionnaire method, personal interview and on observations method. There were 150 respondents from various areas of government activities, tax collecting authorities and some outstanding personalities of the state. It is emphasised that the respondents have shown interest in the studies and have given their opinions on the questions asked to them. It is also observed that the officials who are associated with the preparation of budget in their departments are more interested than the other groups of respondents. The following findings and conclusions are made from the different chapters.

There are seventy-one government departments operating and functioning in Assam. The researcher has collected information from all the departments. However, for the in-depth study, 12 important departments have been critically studied.

1. Conclusions:

1. It is observed in the first chapter that the state government budget entirely depends on central fundings, it is revealed that in 1998-99, 69.2% of the total budget receipts received from central government. In the year 1999-2000, 70.8% fund received from central government. In the year 2000-01, 72% out of total receipt given by central government. The share of direct tax and Grant in Aid are the important sources received from the central government. This amount is gradually increasing over the years.

2. The preparation of Assam Government Budget is a traditional and conventional one. The last year figures in different head are taken for consideration. for preparation of Government Budget of Assam

3. The concept of Zero Base Budgeting is not implemented fully though the government has accepted in principle to use the zero base budgetary Technique.
4. Every year the government is serving notice to all the departments to prepare budget pragmatically but most of the time, the circular is not followed due to the manipulations and lack of efficient staff etc.

5. Some of the important guidelines are dropped and some are postponed and some new provisions are added. These create lot of confusion to the finance ministry. The concerned department as well as government are not taking expert opinion while preparing the annual budget of state government.

6. There are some technical terms used in the budgets which are not understandable even to the allied groups. People participation is essential for the execution of budget proposals.

7. In Assam, Non-tax Revenue including Grant in Aid is higher than the Tax Revenue, but in 2000-01 and in 2001-02, the Tax Revenue is higher than the Non Tax Revenue, due to the release of share of Corporate Tax. In earlier tax Non-tax Revenue is higher than the Tax Revenue, this is due to the fact that the Grants in Aid given by the central government is also included in the heads of NTR. In Assam the amount of NTR is very low because of low level of economic activities in the state.

8. It is also found that Tax Revenue of the Government of Assam is lower than the share of Central tax. Generally share of Central Tax is 53% to 62% in different years. The quantum of State Tax Revenue is lower than 38% to 42% in different years. This shows the collection of Tax Revenue has not been emphasised by the government.

9. It is also seen that the Government of Assam raises tax from Land Revenue, Agriculture Income Tax, State Excise, Stamps & Registration, Motor Vehicle Tax, Sale Tax etc.

The share of sale tax is the highest among all the sources of Tax Revenues of the Government of Assam.
10. The Capital Receipts of the Government of Assam includes Public Debt and Loans Advance Received back by the government. The Public Debt is always higher than the amount received from loans advances. Public Debts refers to the loan received from the central government and loan taken by the state government by issues bonds and other instrument.

11. The Consolidated Fund of the State Government is utilised in two heads i.e. Charged Expenditure and Voted Expenditure. Charged Expenditure refers to the specific official salary and allowances, interest of debts, litigation expenditure etc. These expenditures are not approved by the State Assembly.

12. It has been seen, Charged Expenditure of Government of Assam has been increasing over the years.

13. Voted Expenditures are approved by the legislature. All other expenditures of the govt are included in the voted expenditure. Voted expenditure is higher than Charge Expenditure.

14. Capital Expenditure means creation of assets, it is found that the Physical assets is not equal to the capital expenditures because of mismanagement in spending capital expenditures.

15. In the budget, there is a special provision of Plan & Non-Plan Expenditure. It is also found that Non Plan Expenditure is always higher than Plan Expenditure. It means state Government has taken up activities for the development of the state.

16. The Non Development Expenditure of the Government of Assam are increasing over the period of study. It includes expenditure on law order situation, interest and salary payment. The Non Development Expenditure has been raised to 156% from 1995-96 to
2001-02. On the other have development expenditures of government are increased to 5.3% over the same period.

17. The state government budget for last seven years shows deficit balance. The expenditure is higher than the receipts of the government. The deficit amount is being increased year after year in 1995-96 it was 18156 lakh which is increased to Rs 155254 lakh (by 87%). This deficit is made up by Ways & Means from RBI.

18. It is observed that the amount spent from Contingency Fund is highest in Social & General Service in case of Revenue Expenditure. Whereas in case of capital Expenditure, it is highest in economic services.

19. It is also revealed from the Public Account of Government of Assam that actual receipts are always lower than the budgeted receipts. On the other hand disbursement from the Public Account is too much lower than the actual receipts. The government could not utilise, Public Account Fund properly.

20. The study has found out that the share of income tax received by the state government is gradually reducing due to the insufficient collection & mis-management of Income Tax Department.

21. It is also found that the state government could not achieve the target of raising land revenue in last few years. In 2001 to 2002, the target was Rs 99.59 crores, where as the state has realised Rs 63.26 crores.

22. The activities of most of the departments have been computerised, still then, the actual amount of tax have not been realised due to the corruption in different levels of government officials.

23. The transport department has failed to collect various taxes on vehicles due to rampant corruption in the department.
24. In Assam, the cost of collection of tax has been increased year after year. If this expenditures can be stopped it well give more benefit to the government.

25. The government is issuing bond and other instruments to raise debt fund for the state. This debt amount is increased by 267% from 1995–96 to 2001-02. The interest burden of the state is increased year after year due to the increase of internal debts of the state.

26. It is also observed that the government is not in a position to recover the outstanding loan from the loanee. In the year 2001-02, the government has outstanding loan of Rs 9961 crores, whereas it has been able to recover 2831.80 crores.

27. It is found from the study that 42% to 48% of the Consolidated Fund has been spent for repayment of loan. This has cost heavy damage for the economic reconstruction of the state.

28. The Police Department of the state has not spent budgetary provision sufficiently, though the expenditures of this department is increased year after year. On the other hand, the department is not able to control the crimes in the state.

29. The Agriculture Department of the state is not able to spend the budget provision for the last seven years. This is due to the want of workable scheme for the development of agriculture.

30. Assam being an agricultural state could not increase its production to the level of all India average. But budgetary provisions are made annually at an increasing rate to assist the farmer to increase their productivity.

31. The Flood Control Department is not utilising budget provisions for the controlling of flood in the state. This is a serious matter, which requires Pragmatic action for the controlling of flood in the state.

32. It is seen that the Industry Department of the state is not waking properly as revealed by the budgetary provision and its utilisation. To develop the industries, it requires huge
amount for creation of infrastructural facilities and other necessary elements. But, this department is not utilising whatever amount provided by the budget.

33. The study reveals that the cottage industry has spent lot of money, but output of the department is not up to the mark.

34. The Medical & Public Health Department of the state is not utilising the amount allocated in the budget. It indicates that health care facilities and drinking water facilities are not properly developed in the state.

35. The infrastructural facilities have not been created in Assam. As such, Assam became an underdeveloped state in India. The road condition of the state is much deplorable, but the government has not given proper attention for its development. The budget allocates a very little amount to the P.W.D Department.

36. The amount spent by the government on social overhead is not adequate. On the other hand, the amount spent in Education Department can not be compared with the quality of the education of the state.

37. The Government of Assam allotted a huge amount of fund every year to the Public Sector Undertakings of the state, but these undertaking are not able to contribute much to the state exchequer. As for example the Assam State Electricity Board is not able to generate power in spite of huge expenditures incurred every year.

38. It is observed from the study of State Government Budget, the economic development of the state is not up to the mark as compared to the budget provision of the Government of Assam. It is therefore necessary to re-look the whole matter and take necessary remedial measures for the development of the state.
39. The Government of Assam has to spend a huge amount of money for the law & order situation of the state. Whole machinery has been diverted from socio-economic development to the settlement of various ethnic problems of the state.

40. As a welfare, state, government is to prepare budget for the socio-economic development of the state. Performance budgeting, & Responsibility Budgeting is to be introduced for the socio-economic development of the state.

2. Suggestions:

1. The Government Budget is not prepared on the basis of realities. The person responsible in the preparation of budget is lacking this Vision & Mission.

2. One should have total involvement on the issues of the state. It is therefore suggested that the budget should be prepared by the state government on the basis of its priorities.

3. The philosophy of the budget should depict the overall situation of a state through financial management. Every Rupee of the budget provision should be utilised properly for the benefit of the people. But in actual practice, the budgetary allocation have been misused and unproductive. It is therefore suggested that there should be justification of budgetary allocation of concerned department and all the money should be spent judicially to bring some positive result to the state.

4. The Central Government has restructured some of the heads of the expenditures to introduce modern zero base budgeting technique in the light of the central government provision. The state should also introduce modern budgetary system for the over all development of the state.

5. A training programme should be launched by the state government to educate government official and common people just before commencement of the fiscal
year. An attempt should be made to inform the legislature about the various technique in preparation of budget.

6. It is observed from budget discussion in state assembly, some of the ministry demand higher allocation of fund under their ministry without giving proper justification for the higher allocation. Such type of tug of war should be avoided for the wider perspective of socio-economic development of the state.

7. The main source of the revenue of the state is very much negligible in comparing with 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.

8. There are three important sectors of the economy. Primary Sector refers agriculture and allied activities which contribute about 30% of GDP of the state. The Secondary sector contribute about 35% to the GDP of the state and the service sectors, which is expanding during the last decade, contribute about 35% of the state exchequer. It is therefore suggested that government should put more emphasis on the development of secondary and service sectors in the context of globalise situation. Budgetary allocation on these two sectors should increase, so as to up lift the activities of these two sectors. The countries like Malaysia, Tawang, Japan have developed their service industries. But in India the service industry is in an infant stage. It is right time, to encourage service sector through budgetary provisions in the state like Assam.

9. The Accounting system adopted by the government is not at all scientific. There is no transparency about the collection of taxes by tax imposing authorities after realising tax whether these taxes are deposited in to Government Account or not is not known to any body. Moreover, the Receipt & Payment Account of its department is not properly maintained. Most of the departments fail to submit utilisation certificate for years together.
10. It is also seen that government departments are submitting the utilisation certificate at the nick of time by manipulating various heads of accounts. It is therefore considered very much essential to have a clear accounts of all spending departments.

11. The Sale Tax, Excises Tax are the major sources of revenue of the government. Considering the annual turnover and increased commodity taxation, the amount of Sale Tax should be more than double of the present collection.

Sale Tax & Excises Department should exercise vigilance to increase the quantum of tax collection.

12. It is also suggested to introduce VAT (Value Added Tax) in Assam.

13. The cost of collection of tax is increased year after year. The government should introduce some measures to reduce the cost of tax collection.

14. It is also observed from the study that the recovery of outstanding loan is very low in comparison to highest amount of outstanding loan given by the state. It is therefore suggested that the government should introduce some strong measures to recover the outstanding loan. The recovery of outstanding loan leads to higher flow of fund to government.

15. The assets of the state government grow only by 10.82% during 2001-02 over the previous year. While, liabilities of government grow by 17.60% due to the higher revenue deficit of the government, the ratio of assets to liabilities decline from 0.87 to 0.82 during the year 2001-02. This has reduced the solvency of the state government. It is therefore suggested that revenue deficit should be reduced by the government.

16. The Revenue Expenditures accounted for 93% of total Revenue and Capital Expenditures are increased by 7% during the year 2001-02. The interest payment of the government increased to 66% during the last four years. It is therefore
suggested that the government should reduce the loan component and interest payment as far as practical.

17. In adequate cash balance of the state government with the RBI, necessitate taking of ways & means advances and over draft. This practice is not at all financially viable. Therefore the government should minimise the overdraft amount and ways & means amount.

18. Analysis of financial performance of government shows continuous increase in indebtedness owing to heavy borrowing to meet a revenue deficit. The government applied borrowed fund for servicing of debt and to meet steadily rising non-plan revenue expenditure. As a result a little amount is left for capital expenditure. It is seen that the government is performing the easier option of high cost borrowing than to raise more resources through taxation. It is therefore necessary to increase the Tax Revenue of the state government.

19. It is seen from the government financial statement that the government liabilities grow by 17.60% whereas, assets of the government grow only by 10.82% during the year 2001-02. This shows there is disequilibrium between assets and liabilities of the Government of Assam. It is very much necessary on the part of government to keep equal balance of assets and liabilities.

20. The revenue deficit for the year 2001-02 was Rs 881.38 crores. The revenue receipts comprised of Tax Revenue, Non Tax Revenue, State Share of Union Taxes & Duties and Grant in Aids from the central government. Against this receipt, the government capital receipts were from public debt and from recoveries of loan and advances. The financial operation is not at all satisfactory during the years under study. It is therefore suggested that government should increase tax receipts to improve financial position of the government.
21. Capitals expenditures lead to assets creation. Capital expenditure remain almost stagnant 7% to 9% of total expenditure. Time series data shows that for the last seven years Capital Expenditures have been incurred on economic services rather than assets creation. It is suggested to spend the Capital Expenditure on assets creation.

22. Wastage in public expenditure, diversion of fund and fund locked up in incomplete project would result negative approach of the government. Similarly, fund transferred to deposit head in Public Accounts shows as expenditures can also be considered as negative factor in judging the quality of expenditures. As expenditures are not equally incurred in concerned years, it should be excluded from the figures of expenditures for those years.

23. Another possible indicator is the increase in the expenditures on General Service to the detriment of economic and social services. The government should as far as possible avoid such practice for the development of the state.

24. The financial management of government should relate to efficiency, economy and effectiveness of its revenues & expenditures operations. But in practice it shows mismanagement of Public Fund by various departments of the government. The government should adopt internal check system strictly to reflect the actual financial position of the government.

25. There is an interesting phenomenon comes to the light that the arrear of revenue on Assam General Sale Tax, sess on specified items, internal tax, luxury tax, tax on vehicle, forestry and wild life, state excise interest receipt by Assam State Electricity Board etc. amounting to Rs 2783.59 cores as on 31st march 2002. Of this arrears about 55% amount are outstanding for more than five years. This shows total in-efficiency of government official in raising the arrear amount the tax. It is not astonishing feature that how the huge amount of taxes remain as area
So far our knowledge is concerned, levy of tax can not remain as arrear. The government should be very much serious in realizing the arrear taxes.

26. The state government is to maintain a minimum cash balance of Rs 108 lakh daily. If the balance fall below minimum requirement, on any day, the deficit has to be made good by taking Ways & Means Advances from the Reserve Bank of India. In addition to this over draft facilities are also allowed by the bank whenever necessary. These shows mismatch between receipt and expenditures of the government. The government should spend its fund equal to its receipt.

27. With reference to total provision in plan sectors there is a continuous rise in budget provision for salary component ranging from 42% to 70%, against continuous decline in work component from 60% to 30% during the last 5 years. In the same way, a larger portion is made on establishment rather than economic services. This shows financial crisis faced by the government. Thus it has an adverse impact on development activities of the government. The government has to take prudent step to reduce establishment expenditure.

28. The Government of Assam has pump out huge amount annually for the Public sector undertakings of the state, But these public sector undertakings are not performing well. It is therefore suggested that government should take a firm decision to activate these Public Sector Undertakings or loss incurring units are sold out or some of the unit may be amalgamated or some are to be closed down. Otherwise, this sick unit will remain as a drain for the Public Money.

There are large numbers of irregularities in the functioning of the government departments, here the main endeavour is to point out a few of them. This finding and suggestion may show the total picture of the financial management of the government of Assam.