

1992
Printed at the Assam Government Press,
Guwahati-781021.

REFERENCE,
(NOT FOR ISSUE)

INDIAN LIBRARY



सत्यमेव जयते

BUDGET SPEECH

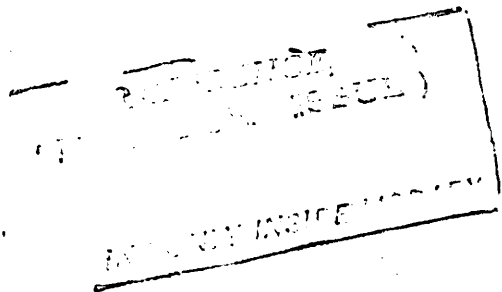
PART - "B"

1992-93

MARCH 16, 1992

Shri HITESWAR SAIKIA
CHIEF MINISTER, ASSAM.





PART - B

State Finance

48. Fiscal imbalance characterised by growing budgetary deficit is a major cause of concern for the State Government. The financial year 1991-92 opened with a negative balance of Rs. 72 crores with the Reserve Bank of India. Besides, the anticipated deficit on account of various transactions arising in the course of the year is estimated to be Rs. 241 crores. Contrary to budgetary expectations, the deficit on the basis of revised estimate is likely to be higher due to various commitments and obligations of the Government. Though the large opening deficit was neutralised by advance draws of our dues from the Government of India, the inevitable consequences of the large opening deficit was successive and repeated spells of overdrafts with the Reserve Bank of India. The crisis could be averted by further advance drawal from the Centre including postponement of the repayment of loans and interest to the Centre which offered us some relief, albeit temporary.

Public Debt

49. The problem of indebtedness has assumed a serious dimension over the years. An insight into the magnitude of the problem can be had from the mounting debt burden of the State from year to year. At the end of March, 1990 the outstanding public debt of Assam amounted to Rs. 3837 crores which swelled to Rs. 4441 crores at the end of 1990-91. Loans from the Government of

India accounted for Rs.3635 crores, constituting nearly 82 percent. The block loan for financing the plan amounted to Rs. 1872 crores representing about 51 percent of the loan liability to the Centre. The per capita indebtedness of the State worked out to Rs.1992 in 1990-91. This is anticipated to go up to Rs. 2021 in 1991-92 and further to Rs. 2060 in 1992-93.

**Debt
Servicing**

50. The inevitable fallout of the mounting debt burden is the rapid growth in servicing liability. The actual expenditure incurred for debt servicing during 1990-91 was Rs. 455 crores of which Rs.193 crores was for repayment of principal and Rs. 262 crores for interest payment. The servicing of debt to Government of India alone accounted for Rs.397 crores made up of Rs.178 crores as principal and Rs. 219 crores as interest. The total servicing liability is anticipated to go up to Rs.654 crores in 1991-92 and further to Rs.688 crores in 1992-93. Despite the favourable pattern of plan financing extended from 1991-92 having only 10 percent loan component, the servicing liability continues to escalate due to accumulated debt burden of the past and fresh non-plan loans to cover gaps in resources. In order to contain the abnormal growth in debt servicing rescheduling of all Central loans with moratorium for five years has been requested.

**Institu-
tional
Finance**

51. For the development in the productive sectors financial assistance from the Banks and other Financial Institutions has great relevance. The progress in this direction, however, has not been comensurate with our expectation. The number of scheduled Bank branches in Assam has registered a marginal increase from 1279 as on 31.12.90 to 1281 on 30.9.91 and

population per bank in the state has marginally come down from 17,431 to 17,320. These figures, however, do not compare favourably with the national average. The average per bank population figure for the country as a whole is 12,000 only. About 50 licences for opening new bank branches in the State are still pending with different banks. In the credit deployment front, the credit deposit ratio as in September, 1991 declined to 49.41% from 53.66% in December, 1990. The State Government is maintaining a very close liaison with the banking sector to ensure enhanced flow of credit from the Banks.

**Small
Savings**

52. Small Savings constitute a very important source for funding our developmental programmes. Out of the net collection from small savings 75 percent is received by the state by way of loan assistance. The receipt on this account has registered a significant growth in the past. In 1990-91, our share out of net small savings collection was Rs. 153 crores. The receipt on this account for the period from April 1991 to January, 1992 was Rs. 103 crores as against Rs. 98 crores for the same period in the previous year. While in most States in the country the net collection from small savings has registered a fall, in Assam, it has registered an increase.

**Resource
Mobilisation**

53. Since the task of reducing the fiscal deficit is formidable, mere reliance on the Central Government would not suffice and measures have to be initiated by the State Government for augmenting its resources. These measures would primarily include increasing the revenue receipts and curbing non-plan expenditure. As the scope for augmenting revenue realisation on a massive scale is limited, stress has to be laid on curbing

expenditure. While doing so, utmost care will have to be taken to ensure that the austerity measures do not adversely affect the process of development.

54. Economy in expenditure is a complex task as the major component of non-plan expenditure consists of debt servicing, salary and wage payments. Hon'ble Members will appreciate that there is little scope to enforce economy in such expenditure as the rising cost of living is likely to push the wage bill further through increases in Dearness Allowance. The expenditure on maintenance of law and order is bound to be escalating against the backdrop of militancy and growing tension in society. Nevertheless, curbing the growth in non-plan expenditure, in areas wherever possible, is the crying need of the hour. The Government is fully seized of the problem and has initiated a number of measures to enforce fiscal discipline. To start with, a severe austerity drive has been enforced to restrict tours, particularly tours outside the state. A ban has been imposed on purchase of new vehicles and curtailment of fuel expenditure by 20 percent. Training courses, seminars and workshops for which the expenditure has to be born by the State Government shall not be encouraged. All ostentatious ceremonies involving public fund shall be dispensed with. Above all, economy shall be observed in office expenses like materials, furniture, fixtures etc. The immediate task before the Government is reduction of fiscal deficit to the maximum possible extent.

55. The most important source of non-tax revenue for the State is royalty on the crude oil. The current rate of royalty at Rs.314 per tonne was due for revision from the 1st of april, 1990. The State Government has already submitted a

memorandum to the Government of India for revision of oil royalty rates. In addition to increased rate of royalty the State Government have also demanded automatic annual revision of royalty at the rate of 20 percent of the value of crude oil. The matter was referred to a Committee headed by Shri V. B. Eswaran. I understand that the Committee has recently submitted its report. I have also taken up the matter of revision of royalty rates with the Union Finance Minister recently and I was informed that the decision on revised royalty rates is being taken early.

56. Another important source of non-tax revenue for the State is Forest. As I mentioned last year, the receipts on this account has been sliding down since 1985 mainly due to the policy of suspending the logging operations. Government have now finalised proposals for revision of royalty rates which would augment the Forest revenues without any adverse effect on ecology. Against the expected collection of Rs. 18 crores by way of Forest revenue in 1991-92, the target for 1992-93 is Rs. 21 crores. As regards various other items of non-tax revenue, the Government stands committed to make a closer scrutiny of prices charged for various services rendered by it and to bring these service charges as close as possible to the cost of production.

57. The capacity of the state to raise additional resources by way of tax and non-tax revenue is limited due to low level of industrial development and urbanisation and general backwardness of the State. Despite these constraints, the revenues from various sources have been steadily increasing. Thus, the actual collection from sales tax in 1990-91 has been Rs. 243 crores against Rs. 128 crores in 1985-86. The target for 1992-93 is

Rs. 310 crores. In the same period, the total collection from State taxes has increased from Rs. 235 crores to Rs. 420 crores. The target of collection set for 1992-93 is Rs. 499 crores.

**Mobilisation
of additio-
nal resources**

58. In the matter of raising additional resources, our primary endeavour would be towards broadening the base of taxes combined with more effective tax administration and enforcement system to eliminate leakages. The state has sought the help of an expert body to examine and suggest possible avenues for raising additional revenues through rationalisation and simplification of the tax structure.

**Revision of
Sales tax
rates**

59. Notwithstanding our reluctance to impose any burden on our people and our commitment to providing relief to the common man, some measure of additional taxation has become inescapable. I have observed that in respect of some articles the rates of sales tax are marginally lower than warranted. In order to remove this distortion, I have proposed to marginally enhance the sales tax to 8 percent ad valorem from the current rate of 6 percent applicable to hosiery goods and from 7 percent applicable to some toilet goods, crockery and cutlery, vegetable oils, soaps and detergents and matches. Currently, we levy a purchase tax of 2 percent ad valorem on paddy, but there is no tax on wheat and wheat products. Unlike in several other states, no sales tax is levied on mustard oil and rape seed oil in Assam. To avoid these imbalances, I am proposing to withdraw the purchase tax on paddy and instead levy a small tax of 2 percent ad valorem on rice, wheat and wheat products. To avoid the burden of the new taxes on the poorer sections, I am proposing to exempt the programme for supplying rice at Rs. 2 per kilogram from this tax. I

also propose to levy a tax at 2 percent ad valorem on mustard and rape seed oil.

60. There are a number of restaurants and eating houses doing good business and earning substantial profits. Although they are capable of bearing the burden of some state taxes they were totally exempted from it till now. Keeping this in view, it is proposed to levy a sales tax of 7 percent ad valorem on all cooked food, hither-to not being taxed, sold in restaurants and eating houses which have an annual turnover exceeding rupees one lakh. These measures are expected to yield an additional revenue of about Rs. 18 crores. Legislation for this purpose will be introduced in the current session of the House.

Restructuring of motor vehicles tax & passenger and goods tax

61. The present level of motor vehicles taxes were fixed as early as in 1966. A comparison of the motor vehicles tax structure of the various States would reveal that Assam is one of the States where the motor vehicles tax is the lowest. A measure intended for restructuring of the motor vehicles tax and passengers and goods tax proposed to be introduced in the last session of the House could not be introduced owing to shortage of time. With some changes, the legislation will be introduced in the current session. These measures are expected to yield an additional annual revenue of Rs. 18 crores.

Professions Tax

62. Currently the State's Professions tax rates are based on income in all cases. This has led to several difficulties in the assessment of Professions Tax except in case of salaried employees and to the consequent leakage of revenue. In order to remove these difficulties and to plug the

loopholes, I am proposing to restructure the rates so as to base the tax rates on income only in case of salaried persons. In other cases, the criteria for tax rate will not be income and will vary depending upon the nature of profession, trade or calling. It is proposed to introduce necessary legislative changes for the purpose in the current session of the House. While the rate of tax applicable to salaried persons with monthly income below Rs.2916 will be marginally reduced the rate of tax in other cases will be marginally raised in order to make up the loss.

Luxury Tax

63. It is proposed to levy a tax on accommodation in luxury hotels at varying rates. It has been observed that rates based on seat rent contribute to avoidance and evasion of the tax. In order to plug this loophole, the structure of the tax is being changed. It is proposed to base the rates on rent per room instead of the existing rates per person. It is expected that the proposed change will yield an additional annual revenue of Rs. 40 lakhs. Legislation for this purpose will also be introduced in the current session of the House.

**Accounts
1990-91**

64. In the budget estimates 1991-92 presented to the Assembly in September last year, it was stated that the closing balance for 1990-91 (revised estimates) was (-) Rs. 72 crores. However, I am happy to inform the Hon'ble Members that the year actually closed with a closing balance of (+) Rs. 58 crores as per accounts furnished by the Accountant General.

**Revised
Estimates
1991-92**

65. The Budget Estimates for the year 1991-92 showed an estimated deficit of (-) Rs. 313 crores inclusive of the opening balance of (-) Rs. 72 crores. The revised estimates for the year 1991-92 now show a deficit of (-) Rs.59 crores only. This is due to

the improvement in the opening balance from (-) Rs. 72 crores to (+) Rs. 58 crores, and improvement in receipts.

**Budget
1992-93**

66. The Budget for 1992-93 envisages anticipated improvement in receipts to the extent of Rs. 626 crores over the revised estimates for 1991-92. On the expenditure side, however, there is an increase of Rs. 413 crores over the revised estimates of 1991-92. This is primarily on account of the Government's commitment to supply subsidised rice to people below the poverty line, revision of medical allowance and grant of ex-gratia payment to State Government employees.

67. The anticipated transactions during 1992-93 would lead to a surplus of Rs.95 crores. With an anticipated opening balance of (-) Rs. 59 crores the year 1992-93 is anticipated to close with surplus of Rs. 36 crores. An abstract of the transactions is enclosed at the annexure.

68. During the year 1992-93 it is estimated that the new taxation measures would fetch an additional revenue of about Rs. 40 crores. These receipts would be utilised for schemes benefiting the weaker classes and for programmes to generate additional employment.

69. With receipts of about Rs.40 crores on new taxation measures, the year 1992-93 is expected to end with a total surplus of about Rs. 76 crores.

Mr. Speaker, Sir, we had formed the Government with a pledge to re-ensure peace and stability in the State and to reinitiate the process of its socio-economic development. It has accordingly been possible to bring back the state's long lost

peaceful and normal conditions to a considerable extent. The people have regained their sense of security and feeling of confidence. Possibilities of peaceful settlement of the issues which had led to serious situations have also brightened up. That way, we have been successful atleast to a certain extent in redeeming our pledge. We are presently making efforts also to stimulate the process of the state's socio-economic development. We are not unaware that problems confronting our State are indeed countless and, hence there remains a great deal to do. What is more, the states socio-economic life had to pass through a spell of stagnation during the last few years which enjoins us to take up a lot of things almost afresh. It is not possible to accomplish everything within one single year. Nonetheless, it is imperative for us to set the correct trends at the earliest. These budget proposals are formulated primarily as a new step in the right direction for the State's socio-economic development and for welfare of the people.

With these words, Sir, I now commend the budget for 1992-93 to the august House for consideration.

ANNEXURE

Abstract of transactions

(Rupees in Thousands)

	Actuals 1990-91	Budget Estimates 1991-92	Revised Estimates 1991-92	Budget Estimates 1992-93
A. RECEIPTS				
I. Consolidated Fund Revenue Account	1776,64,82	2499,06,30	2553,64,61	3233,93,43
Capital Account	2200,57,74	964,52,61	954,32,41	959,02,55
TOTAL :	3977,22,56	3463,58,91	3507,97,02	41,92,95,98
II. Contingency Fund Account.				
	6,95,25	4,41,00	19,33,89	2,95,00
III. Public Account.				
	1246,84,40	1376,56,00	1451,41,00	1408,82,00
TOTAL (I+II+III) :	5231,02,21	4844,55,91	4978,71,91	5604,72,98
B. EXPENDITURE				
I. Consolidated Fund				
Revenue Account	1920,40,15	2265,64,92	2313,30,06	2615,28,52
Capital Account	2043,84,16	1475,29,55	1422,32,37	1528,12,68
TOTAL :	3964,24,31	3740,94,47	3735,62,43	4143,41,20
II. Contingency Fund Account				
	1,95,36		15,25,00	...
III. Public Account				
	1232,0746	1345,06,00	1345,06,00	1365,75,00
TOTAL (I+II+III) :	5198,27,13	5086,00,47	5095,93,43	5509,16,20
C. TRANSACTIONS DURING THE YEAR.				
Surplus (+)/Deficit (-)	(+ 32,75,08)	(-) 241,44,56	(-) 117,21,52	(+ 95,56,78)
D. OPENING BALANCE.				
Surplus (+)/Deficit (-)	(+ 25,15,77)	(-)71,67,45	(+57,90,85	(-)59,30,67
E. CLOSING BALANCE.				
Surplus (+)/Deficit (-)	(+57,90,85	(-)313,12,01	(-)59,30,67	(+ 36,26,11