Chapter 1

UNION GOVERNMENT FINANCES – AN OVERVIEW

The year 2008-09 brought with it significant shocks for the economy, first in the form of a boom in commodity prices (rapid rise in global food and fuel prices) and later in the form of uncertainty and on-set of recessionary trends, as a consequence of the global financial meltdown. The previous year (2007-08) had been a comfortable year for the Government from a fiscal point of view, with buoyant tax revenues, manageable expenditure levels and considerable fiscal correction (revenue deficit was 1.81 *per cent* of GDP and fiscal deficit was 3.5 *per cent* of GDP). The current year, 2008-09, in comparison, was a year which called for fiscal stimuli in the form of reduction in taxes and increase in expenditure to stimulate demand and investment in the economy. As a result, fiscal correction as envisaged in the Fiscal Responsibility and Budget Management Act (and Rules) could not take place as per the original fiscal correction path envisaged by the Government in the earlier Medium Term Fiscal Policy Statements.

1.1 The annual accounts of Union Government presented to the Parliament consist of Finance Accounts and Appropriation Accounts. Finance Accounts depict the statements of receipts into and payments from the Consolidated Fund, Contingency Fund and Public Account, while Appropriation Accounts depict the budget provision, expenditure and the resultant excess/savings under each grant/appropriation.

Box 1.1 : Union Government funds and the Public Account

Consolidated Fund	***Contingency Fund***
All revenues received by the Union government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled the "Consolidated Fund of India" established under Article 266 (1) of the Constitution of India.	The Contingency Fund of India established under Article 267 (1) of the Constitution is in the nature of an imprest placed at the disposal of the President to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Parliament. Approval of the legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Public Account

Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc., are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the connected disbursements are also made there from.

1.2 This chapter provides a broad perspective of the finances of the Union Government during 2008-09 and analyses critical changes in the major fiscal aggregates during the period 1992-2009 encompassing VIII to X Plan periods and the first two years of the XI Plan. Table 1.1 summarises the position of the finances of the Union Government, covering its receipts, disbursements, deficits and borrowings (need and its accommodation) in the current year (2008-09).

Table 1.1 Summary of the current year's operations

(Rupees in crore)

Receipts		Derived Parameters	Disbursements	
Consolidated Fund of India (CFI)				
Revenue Receipts	653847	**Revenue Deficit 356377**	Revenue Expenditure	1010224
Miscellaneous. Capital Receipts	566		Capital Expenditure	77556
Recovery of Loans	13509		Loans and Advances	14586
Total Non-Debt Receipts	667922	**Fiscal Deficit 434444**	Total Expenditure	1102366
Public Debt	2395765		Public Debt	2164560
Total CFI	3063687	**Deficit in CFI 203239**	Total CFI	3266926
Contingency Fund				
Receipts	0		Appropriation	0
Public Account				
Small savings	357343		Small savings	269605
Reserves & Sinking Fund	100966		Reserves & Sinking Fund	121565
Deposits	74084		Deposits	61590
Advances	41981		Advances	47331
Suspense account	8654		Suspense account	11240
Remittances	1450		Remittances	4285
Total Public Account	584478	**Surplus in Public Account 68862**	Total Public Account	515616
Opening Cash	229633	**Decrease in Cash 134377**	Closing Cash	95256
Public Account Surplus (Demand)		68862	Deficit in (CFI) – Decrease in Cash	
Incremental Liabilities (Supply)		310838	Surplus of (Debt+ Small Savings+ RF+ Deposits)	
Incremental Liabilities (Demand)		310838	Fiscal Deficit (-) Decrease in Cash (+) Net Disbursement of (Advances+ Suspense+ Remittances)	

1.2.1 Current year's operations in the Consolidated Fund:

The year 2008-09 was characterized by a less than 1 *per cent* growth in revenue receipts, over the previous year. The slowdown in the industry and export sector coupled with the measures taken by the Government to reduce taxes and duties[1] meant insignificant growth in tax revenue receipts (less than one *per cent* – as derived from Table 1.2). The other component of receipts viz. miscellaneous capital receipts had a marked negative growth of 98.5 *per cent*. Total non-debt receipts showed a negative growth of over four *per cent* in 2008-09 over the previous year. There was considerable growth in recovery of loans (30 *per cent*) and in Public Debt (28.25 *per cent*). As a result, the total receipts to

[1] Customs duties reduction inter-alia benefited the power sector and sports goods sector; CENVAT rate was reduced by 2 percentage points and some relief was given in direct taxes.

the Consolidated Fund increased by 19.36 *per cent* over the previous year. On the expenditure side, revenue expenditure grew by 37.47 *per cent* over the previous year, while capital expenditure showed a negative growth of 33.68 *per cent*. With the growth in disbursements of loans and advances and Public Debt being 23.85 *per cent* and 34.94 *per cent* respectively, the total disbursements from CFI amounted to Rs. 32,66,926 crore as against receipts in CFI of Rs. 30,63,687 crore, resulting in a deficit in CFI of Rs. 2,03,239 crore.

Box 1.2: Managing Funds: Constitutional Provisions

Article 266 (3) of the Constitution of India provides that "No moneys out of the CFI or the Consolidated Fund of State shall be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution". This provision, read with Articles 112 and 114, culminate in the Appropriation Act after the Demands for Grants of financial year are voted by the Lok Sabha, and the connected Appropriation Bill is passed by the Parliament and assented to by the President of India. Sections 2 and 3 of the Appropriation Act provide as under:

From out of the CFI, there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate towards defraying the several charges which will come in course of payment during the financial year in respect of the services specified in column 2 of the Schedule.

The sums authorized to be paid and applied from and out of the CFI by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year.

1.2.2 Current year's operations in the Public Account: On the receipts side, there was a growth in small savings by over 21 *per cent*. With significant growth observed in Reserves and Sinking Fund (33 *per cent*) and Deposits (97 *per cent*), total receipts into the Public Account grew by nearly 27 *per cent*. On the expenditure side, major growth in disbursements was in Reserves and Sinking Fund[2] (86 *per cent*) and in Remittances (188 *per cent*). At the end of the year, there was a surplus in the Public Account of Rs. 68,862 crore, which amounted to a 93 *per cent* growth over the previous year.

1.2.3 Deficits and Cash Balances: The current year saw a revenue deficit[3] of Rs. 3,56,377 crore, up 317 *per cent* from the previous year. This amounted to 6.7 *per cent* of GDP as against the FRBM target of 1 *per cent* for the year. The fiscal deficit[4] for 2008-09 stood at Rs. 4,34,444 crore, up 163 *per cent* from the previous year, and amounted to 8.16 *per cent* of GDP. This was far greater than the FRBM target of 2.5 *per cent* and deviated from the Budget Estimates by 226 *per cent*.

1.3 Deviation between Actuals and Budget Estimates: The Union Budget presents three sets of figures: (a) actuals for the preceding year, (b) revised estimates for the current year and (c) budget estimates of the forthcoming year. Several reasons may

[2] Non interest bearing funds such as Rural Employment Guarantee Fund, General and other Reserve Funds etc., showed significant increase in disbursements compared to the previous year.
[3] Revenue deficit = Revenue Expenditure – Revenue Receipts
[4] Fiscal Deficit = Total Expenditure – Non-Debt Receipts.

account for the deviation of the actual realisation from the budget estimates. It may be because of unanticipated events or methodological inadequacies that may lead to under or over estimation of expenditure or revenue at the budget stage. In 2008-09, the adverse impact of the global slowdown on India's performance was not anticipated during the budget exercise as the financial crisis happened later in the year. Actual realisation of revenue and its disbursement depend on a variety of factors, some internal and others external. Table 1.2 provides a summary of budget estimates and actuals for some important fiscal parameters.

Table 1.2: Union Government Finances 2008-09 - Budget and Actuals

(Rupees in crore)

Budget Estimates		2007-08 Actual	2008-09		Deviation from Budget	Deviation* *per cent*
			Actual	Budget Estimates		
1	Total Receipts of the Union	3027696	3648165	3051334	598631	19.56
2	Revenue Receipts	649426	653847	730400	(-)76553	(-)10.48
	Tax Revenue	441347	445119	508950	(-)63831	(-)12.54
	Non-tax Revenue	208079	208728	221450	(-)12722	(-)5.74
3	Miscellaneous Capital Receipts	38796	566	10165	(-)9599	(-)94.43
4	Recovery of Loans And Advances	10391	13509	5993	7516	125.41
5	Public Debt Receipt	1868102	2395765	1884986	510779	27.10
6	Public Account Receipts	460981	584478	419790	164688	39.23
7	Total Disbursement of the Union	2892945	3782542	3028751	753791	24.89
8	Revenue Expenditure	734861	1010224	785584	224640	28.60
9	Capital Expenditure	116937	77556	84522	(-)6966	(-)8.24
10	Loans and Advances	11777	14586	9738	4848	49.78
11	Repayment of Public Debt	1604110	2164560	1745574	418986	24.00
12	Public Account Disbursements	425260	515616	403333	112283	27.84
13	Revenue Deficit	85435	356377	55184	301193	545.80
14	Fiscal Deficit	164962	434444	133287	301157	225.95

**Deviation is worked out as (Actual- Budget Estimates)* x *100/Budget Estimates*

Table 1.2 indicates that there was a major shortfall of over 10 *per cent* in the revenue receipts estimated by the government at the time of presenting the budget. The deviation in tax revenues (-12.5 *per cent*) was greater than the deviation in non tax revenue (around – six *per cent*). The major shortfall was observed in miscellaneous capital receipts (disinvestment of small portion of equity of three major Public Sector enterprises could not take place as planned)[5] where the deviation was over (–) 94 *per cent* of what was anticipated in the Budget Estimates (BE). While revenue expenditure increased by over 28 *per cent* compared to the BE, there was a shortfall in the estimated capital expenditure to the extent of over eight *per cent*. The deviation in the revenue deficit ballooned to nearly 546 *per cent* while the deviation in the fiscal deficit was also very large at almost 226 *per cent*.

1.4 Inconsistencies between Finance Accounts and Budget documents

To ensure effective Parliamentary financial control, it is imperative that the principles of recognition of expenditure and receipt are consistent in the Budget documents and Finance and Appropriation Accounts. Figures for revenue and fiscal deficits as indicated/derived from the Finance Accounts have, however, continued to be different from those being depicted in the Budget at a Glance and some of the papers accompanying the Budget documents. This difference has been due to inclusion/exclusion of some of the transactions on receipts and expenditure side. While these are indicated in the accompanying documents of Budget papers, it may nonetheless be important to indicate these upfront. Table 1.3 shows the difference in revenue and fiscal deficit as indicated/derived from the Finance Accounts and as depicted in the Budget at a Glance along with the necessary reconciliation transactions for the five year period from 2004-05 to 2008-09.

Table 1.3: Revenue and Fiscal Deficit as in Finance Accounts and in Budget at a Glance

(Rupees in crore)

Deficit as per Finance Accounts	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Revenue Deficit	78700	109697	132847	85435	356377
Fiscal Deficit	103798	164927	182934	164962	434444
Deficit as per Budget at a Glance					
Revenue Deficit	78338	92299	80222	52569	253539
Fiscal Deficit	125202	146435	142573	126912	336992
Difference in the two Figures					
Revenue Deficit	362	17398	52625	32866	102838*
Fiscal Deficit	(-) 21404	18492	40361	38050	97452**
Factors explaining the difference					
Bonds issued to oil companies (Revenue Expenditure)		17263	24121	20554	75942
Securities issued to Food Corporation of India (FCI)			16200		
Securities issued to Unit Trust of India (UTI) (Revenue Exp)	362				
Securities issued to nationalised banks (Capital Expenditure)	(-) 88	500		9996	

[5] Details at Para 3.7.1 of Chapter 3.

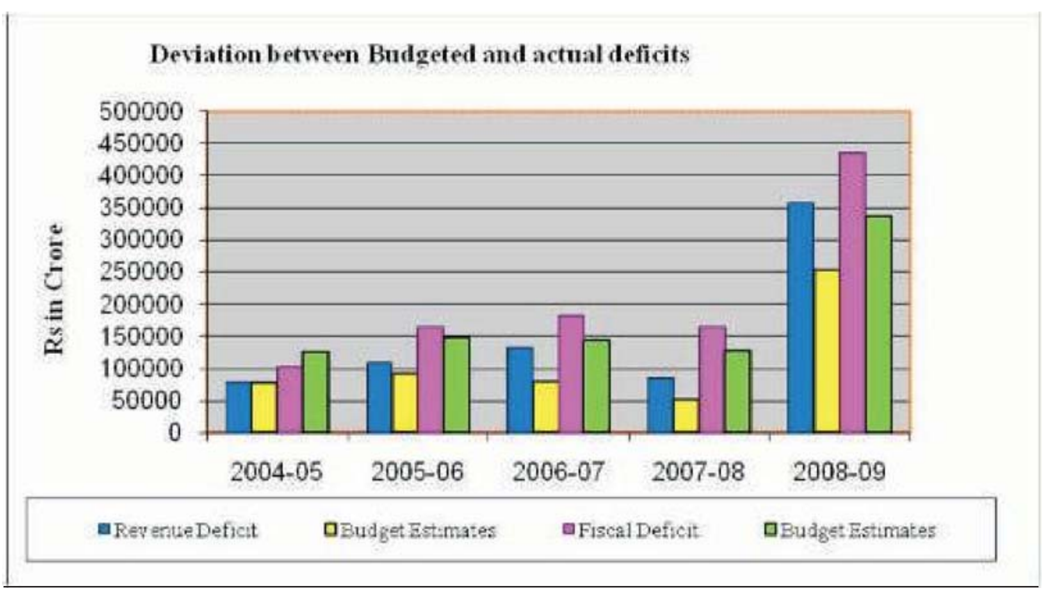
	2004-05	2005-06	2006-07	2007-08	2008-09
Securities issued to International Monetary Fund (IMF) omitted per contra from capital expenditure	415	595	40		1444
Redemption of securities issued to National Small Savings Fund (NSSF)	(-) 32675				
Securities issued to Asset Management Trust for Stressed Assets Stabilisation Fund (SASF) of Industrial Development Bank of India (IDBI)	9000				1225
Securities issued to RBI to set off loans to Infrastructure Development Finance Company (IDFC) Ltd	350				
Conversion of interest receivable to equity in National Hydro Power Corporation (NHPC) and Tehri Hydro Development Corporation (THDC)	640				
Investment in Nuclear Power Corporation	592				
Adjustment of Write off of outstanding loans to state governments against recovery of loans			12304		5671
Realisation of stressed assets of IDBI		134			
Issue of Special Bonds to fertilizer companies as compensation towards fertilizer subsidy				7500	20000
Combined Effect	**(-) 21404**	**18492**	**52625**	**38050**	**102838***

* Revenue Deficit understated by Rs. 1,02,838 crore (Rs. 75,942 crore + Rs. 1,225 crore + Rs. 5,671 crore + Rs.20,000 crore) in 2008-09.

** Fiscal Deficit understated by Rs. 97,386 crore (Rs. 75,942 crore + Rs. 1,444 crore + Rs. 20,000 crore) in 2008-09. There is an unreconciled difference of Rs. 66 crore.

***This excludes Rs. 1444 crore on account of Securities issued to International Monetary Fund (IMF) omitted per contra from capital expenditure.

Chart 1.1 Deviation between budgeted and actual deficits during the five year period from 2004-05 to 2008-09



In 2008-09, the difference in revenue deficit was of the order of Rs. 1,02,838 crore and that in fiscal deficit was Rs. 97,452 crore. This difference was on account of (1) bonds issued to oil companies (Rs. 75,942 crore), (2) securities issued to IMF (Rs. 1,444 crore), (3) special bonds issued to fertiliser companies as compensation towards fertilizer subsidy (Rs. 20,000 crore), (4) write-off of outstanding loans to State Governments against recovery of loans (Rs. 5,671 crore) and (5) securities issued to Asset Management Trust for SASF of IDBI (Rs. 1,225 crore).

Union Government considers the issuance of these bonds/securities *per se* to be fiscal deficit neutral since they do not involve cash flow and are, therefore, not treated as part of budgetary expenditure/receipts. According to the existing accounting practice, the issuance of oil bonds and other similar bonds is reflected in the Annual Financial Statement (AFS) of the Union Budget under the Public Account and a matching transaction is shown under revenue expenditure for settlement of claims with oil companies/fertiliser companies. These transactions are then netted out of the revenue account of the expenditure budget and the capital account of the receipts budget through the respective reconciliation statements. However, these bonds have fiscal implications as they add to the liability of the Government. Furthermore, as interest payments on such bonds are treated as part of the revenue expenditure, they affect the revenue deficit and, thereby, the fiscal deficit on a continuing basis. The net accretion to Public Account during the year is, thus, utilised as a resource to meet deficits in Consolidated Fund of the Government.

The significant quasi-fiscal transactions to finance recurrent revenue expenditures through *de facto* borrowings not only create apprehensions about the quality of the fiscal consolidation process that is underway but raises the issue of transparency in fiscal operations and inter-generational equity in fiscal management and long term macroeconomic stability. Logically, fiscal deficit calculations presented to the Parliament in 'Budget at a glance' should reckon net effect of all such items taken to the Public Account. On it being pointed out by CAG that the revenue and gross fiscal deficits were understated to the extent the Government incurred liabilities on account of oil, food and fertiliser bonds, the Union Budget 2008-09 for the first time explicitly reported the off-budget items as below the line items in the 'Budget at a Glance'. It was also recognised that there was need to bring these liabilities into fiscal accounting and the Thirteenth Finance Commission has been requested by the Union Government to suggest the suitable roadmap for accounting of these off-budget liabilities. The Thirteenth Finance Commission has indicated that " it is important that contingent liabilities be reported at fully and that adequate provisioning be made for such liabilities". The Commission has recommended modification of the fiscal rule that limits government guarantees (Para 9.47 of the Report of Thirteenth Finance Commission, December 2009, Volume-1). However, the Thirteenth Finance Commission Report does not explicitly provide any recommendation on the issue of deferred liabilities such as petroleum and fertilizer bonds. Till such liabilities are fully reckoned in the budgeting process of the Union Government, inconsistencies between revenue and fiscal deficits as reported in the Union Budget and as emerged from the audited Finance Accounts need to be appropriately disclosed and correct amount of the revenue and fiscal deficits reckoning all the off-budget liabilities should be reported by the Government in the Union Budget bringing transparency in the operations of these off-budget items.

1.5 Union Government Finances 1992-2009 - Some key parameters

A detailed analysis of the Union Government's finances covering revenue receipts, expenditure, fiscal imbalances and fiscal liabilities is contained in Chapter 3 to 6 of this Report. An overview of the key parameters is presented in the following paragraphs. Statement 12 of the Finance Accounts provides a summary of cumulative outcome of the Government finances in terms of availability and use of resources. This statement read with Statement 5 of the Finance Accounts is akin to a Balance Sheet of the Government. Table 1.4 provides the summary of the Government finances in 1992-93 and 2008-09, the base year of the analysis and the current year.

Table 1.4: Summary of Balances of Government Finances

(Rupees in crore)

Resource use				Resource availability			
	As on 31st March		CARG*		As on 31st March		CARG*
	1993	2009			1993	2009	
Capital Outlay	155291	800519	10.79	Internal Debt	199100	2019841	15.58
Loans & Advances	135672	219979	3.07	External Debt	42269	123046	6.91
Resource use in terms of functions				Small Savings	136802	427553	7.38
Social Services	6052	34494	11.49	Other Obligations	23752	128682	11.14
Agriculture & Allied	8740	9696	0.65	Fiscal Liabilities	401923	2699122	12.64
Irrigation and Energy	40364	68111	3.32	Cash Balances	(-) 1919	(-)95256	27.64
Industry & Minerals	41174	87628	4.83	Suspense Balances	(-) 3819	(-)22283	11.65
Transport & Communication	38370	166668	9.61	Remittances	(-) 3607	(-)5725	2.93
Other Economic Services	25549	140048	11.22	Advances	(-) 1307	(-)9817	13.43
Total Economic Services	154197	472151	7.24	Contingency Fund	50	500	15.48
General Services & Others	39160	369048	15.05	Availability of Funds	391321	2566541	12.47
Loans to States	91554	144805	2.91	**Resource Gap**	(-) **100358**	**(-)1546043**	18.64
Total Assets	290963	1020498	8.16	Resource Use	290963	1020498	8.16

*(*Cumulative Annual Rate of Growth)*

While the net availability of funds of the Union government increased at an annual rate of 12.47 *per cent*, assets of the government comprising the capital expenditure and loans and advances increased at an average rate of 8.16 *per cent* only. This negative spread in the growth of resource availability and assets formation resulted in progressive decline in the assets base of the Union Government relative to its liabilities. Within the assets, capital expenditure or the capital formation by the government directly witnessed a relatively higher growth during 1993-2009. "Loans and advances", which is akin to capital formation through its parastatals, increased at an average rate of around three *per cent*. Investment or assets formation in agriculture and allied activities recorded a negligible (less than one *per cent*) growth rate, while irrigation and energy as well as industry and minerals recorded a relatively lower growth as compared to other sectors during this period. Investment in social and economic services grew at 11.49 *per cent* and 7.24 *per cent* respectively, and within the economic services, the investment in transport and communication increased at a faster rate than its other components during this period. The other component, which grew faster than the average growth, was the expenditure on general services and others, including public works and defence. Resource gap measured as a difference between net availability of funds and resource use increased from around 25.6 *per cent* of net funds availability as on 31 March 1993 to around 60.2 *per cent* as on 31 March 2009.

Box 1.3: Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GDP at current market prices. The New GDP series with 1999-2000 as base as published by the Central Statistical Organisation has been used. The GDP estimates for the current year are as given by CSO in their Press Note released on 29th May 2009.

For tax revenue, buoyancy estimates are given. The buoyancy indicates the responsiveness of a tax to percentage changes in the tax base. Here, buoyancies have been calculated with reference to the GDP series mentioned above.

For most series, a trend growth during 1992-2009 has been indicated. Further, trend growth over the VIII Plan (1992-97), IX Plan (1997-2002) and the X Plan (2002-07) has also been indicated. While calculating these growth rates, the first year of the Plan has been taken as the base year to estimate inter Plan growth rates. This process eliminates the "low base bias" of the year immediately preceding the plan.

For most series, ratios with respect to GDP have also been indicated.

1.5.1 Revenue receipts

Table 1.5 indicates the rate of growth and relative share as percentage to GDP of the tax, non-tax and total revenue receipts (net of share of the States in Union taxes) during VIII Plan (1992-1997), IX Plan (1997-2002), X Plan (2002-2007) and for the first two years of the XI Plan (2007-12).

Table 1.5: Key parameters of the Union Government revenue receipts

(per cent)

Period	Gross Tax Revenue		Non-Tax Revenue		Total Net Revenue of the Union		GDP Growth
	A	B	A	B	A	B	
1992-2009(Average)	**13.89**	**10.08**	**9.42**	**5.07**	**10.98**	**12.90**	**12.31**
VIII Plan (1992-97) (Average)	15.89	9.27	14.66	5.90	15.02	14.27	16.53
IX Plan (1997-02) (Average)	9.00	8.64	8.00	6.03	4.65	13.12	10.33
X Plan (2002-07) (Average)	21.31	10.05	4.86	4.80	14.59	12.27	13.93
XI Plan (2007-12)							
2007-08	25.27	12.56	20.83	4.41	23.61	13.75	14.39
2008-09	**2.05**	**11.37**	**0.31**	**3.92**	**0.68**	**12.29**	**12.67**

A: - Rate of growth *B: - Relative share as percentage to GDP*

The rate of growth of gross tax revenue in 2008-09 was only 2.05 *per cent,* which is much lower than the trend growth rate of 13.89 *per cent* for the period 1992-2009. Similarly, the growth in non tax revenue for the current year was a mere 0.31 *per cent* against the trend growth rate of 9.42 *per cent*. As a consequence, the growth in total net revenue of the Union was only 0.68 *per cent* as against the trend rate of 10.98 *per cent* for the period under consideration.

The relative share of tax revenue as a percentage of GDP was higher in 2008-09 (11.37 *per cent)* as against the trend share of 10.08 *per cent*. In the case of non-tax revenue, however, the share in 2008-09 was only 3.92 *per cent* as compared to the trend share of 5.07 *per cent.*

1.5.2 Expenditure

Table 1.6 indicates that total expenditure grew at 27.65 *per cent*, which is higher than the trend rate of 10.75 *per cent* during 1992-2009. Among the components of total expenditure, revenue expenditure grew at a much higher rate in 2008-09 (37.47 *per cent*) than the trend growth rate of 11.66 *per cent* while capital expenditure had a negative growth of 33.68 *per cent* compared to the positive trend growth of 10.6 *per cent.*

Table 1.6: Key parameters of the Union Government expenditure

(per cent)

Period	Revenue Expenditure		Capital Expenditure		Loans and Advances		Total Expenditure	
	A	B	A	B	A	B	A	B
1992-2009 (Average)	**11.66**	**16.55**	**10.60**	**1.61**	**(-) 3.31**	**1.10**	**10.75**	**19.26**
VIII Plan (1992-97) (Average)	14.23	17.05	(-) 8.44	1.88	11.91	2.25	11.77	21.18
IX Plan (1997-02) (Average)	7.63	17.06	9.22	1.36	(-) 3.42	1.83	6.62	20.25

(per cent)

Period	Revenue Expenditure		Capital Expenditure		Loans and Advances		Total Expenditure	
	A	B	A	B	A	B	A	B
X Plan (2002-07) (Average)	12.24	15.58	19.61	1.46	(-) 29.46	0.81	10.86	17.85
XI Plan (2007-12)								
2007-08	11.64	15.56	97.22	2.48	17.55	0.25	18.70	18.28
2008-09	**37.47**	**18.98**	**(-) 33.68**	**1.46**	**23.85**	**0.27**	**27.65**	**20.71**

A: - *Rate of growth* B: - *Relative share as percentage of GDP*

As far as relative share of revenue expenditure as a percentage of GDP is concerned, the trend share of 16.55 *per cent* was lower than the share in 2008-09 (18.98 *per cent).* In the case of capital expenditure, however, the trend share of 1.61 *per cent* was higher than the relative share of this head as a *per cent* of GDP for the current year (1.46 *per cent*).

1.5.3 Fiscal Imbalances

Fiscal imbalances not only continued to be persistent but also remained significant in volume as reflected in the Table 1.7:

Table 1.7: Ratio of Revenue and Fiscal Deficit to GDP

(per cent)

Period	Revenue Deficit	Fiscal Deficit	Revenue Deficit as percentage to Fiscal Deficit
1992-2009(Average)	**3.66**	**5.32**	**68.74**
VIII Plan (1992-97) (Average)	2.78	6.01	46.26
IX Plan (1997-02) (Average)	3.94	6.23	63.26
X Plan (2002-07) (Average)	3.31	4.15	79.74
XI Plan (2007-12)			
2007-08	1.81	3.49	51.79
2008-09	**6.70**	**8.16**	**82.03**

Both the revenue deficit and fiscal deficit in the current year were much higher than the trend ratio to GDP. Revenue deficit as *per cent* of fiscal deficit was also much higher in 2008-09 (82.03 *per cent)* compared to the trend share of 68.74 *per cent.*

1.5.4 Fiscal Liabilities

As indicated in Table 1.8, the ratio of assets to liabilities in 2008-09 (35.93 *per cent)* was lower than the trend rate of 44.43 *per cent* indicating that liabilities are growing faster than assets. This trend is evident from higher growth rate of liabilities for 2008-09 (14.69 *per cent*) when compared with the previous year (13.33 *per cent*) or with the longer period of 1992-2009 (11.29 *per cent*).

Table 1.8 Union Government Fiscal Liabilities

(per cent)

Period	Rate of Growth of Total Liabilities*	Total Liabilities/ GDP Ratio	Average Rate of Interest	Ratio of Assets to Liabilities
1992-2009(Average)	**11.29**	**56.92**	**8.32**	**44.43**
VIII Plan (1992-97) (Average)	12.48	60.39	7.91	57.68
IX Plan (1997-02) (Average)	11.85	58.84	9.06	50.90
X Plan (2002-07) (Average)	8.98	57.14	8.09	40.26
XI Plan (2007-12)				
2007-08	13.33	52.43	8.24	38.06
2008-09	**14.69**	**53.37**	**8.10**	**35.93**

* *Public Account liabilities since 1999-2000 exclude the liabilities on account of small savings to the extent of securities issued to NSSF by State Governments and Rs. 1,500 crore invested in India Infrastructure Finance Company Limited from 2007-08 out of NSSF.*

1.5.5 Impact of Change in base of GDP on Key Fiscal Parameters in 2008-09

In this Union Audit Report, as explained in Para 1.3, all trends and ratios involving GDP have been calculated on the 1999-2000 base year. Subsequently on January 28, 2009, CSO has released a Press Note changing the base year to 2004-05. Base year changes are done in order to make the data more comprehensive and are based on new surveys. While the revised figures of GDP are available in public domain from 2004-05 onwards, GDP figures for the previous years are yet to be released by CSO. This being the case, in this year's Audit Report, all calculations are based on the previous GDP base, in order to maintain consistency and calculate long term trends from 1992-93 onwards. Next year, all figures would be calculated on the new GDP base year. However, for the current year, Table 1.9 indicates the variation in key ratios when the new GDP base is used.

Table 1.9: Impact of Change in base of GDP on Key Fiscal Parameters in 2008-09

(as per cent of GDP)

Parameter	Value (Rupees in Crore)	GDP Base 1999-2000*	GDP Base 2004-05*
Gross Revenue Receipts	814026	15.30	14.60
Total Net Receipts	1598484	30.04	28.68
Gross Tax Revenue	605298	11.37	10.86
Non-tax revenue	208728	3.92	3.74
Public Account Receipt	584478	10.98	10.48
Actual Expenditure	1102366	20.71	19.78
Revenue Expenditure	1010224	18.98	18.12

(as per cent of GDP)

Parameter	Value (Rupees in Crore)	GDP Base 1999-2000*	GDP Base 2004-05*
Interest Payment	200580	3.77	3.60
Capital Expenditure	77556	1.46	1.39
Loans & Advances	14586	0.27	0.26
Repayment of debt	2164560	40.67	38.83
Plan Expenditure	275301	5.17	4.94
Non Plan Expenditure	827065	15.54	14.84
Total Subsidy	129708	2.44	2.33
Public Account Disbursement	515616	9.69	9.25
Revenue Deficit	356377	6.70	6.39
Fiscal Deficit	434444	8.16	7.79
Primary Deficit	233864	4.39	4.20
Total Liability	2840135	53.37	50.95
Internal debt	2019841	37.95	36.23
External debt	264059	4.96	4.74
Public Account debt	556235	10.45	9.98
Guarantee outstanding	113335	2.13	2.03

* GDP for the year 2008-09 with the base year 1999-2000 is Rs. 53,21,753 crore and with the base year 2004-05 is Rs. 55,74,449 crore