

# 1: Overview of Union Finances 2016-17

## 1.1 Introduction

The annual accounts of the Union Government presented to Parliament, consist of the Finance Accounts and the Appropriation Accounts. The Finance Accounts depict the statements of receipts and payments from the Consolidated Fund, Contingency Fund and Public Account. Appropriation Accounts depict expenditure compared with the amounts authorised by the Legislature and explanations for the resultant excesses/savings under each grant/appropriation.

### Box 1.1: Union Government Funds and the Public Account

Consolidated Fund	}	<ul style="list-style-type: none"> <li>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 titled the “Consolidated Fund of India” established under Article 266 (1) of the Constitution of India.</li> </ul>
Contingency Fund	}	<ul style="list-style-type: none"> <li>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/her to make advances to meet urgent unforeseen expenditure, pending authorisation by the Parliament.</li> <li>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.</li> </ul>
Public Account	}	<ul style="list-style-type: none"> <li>Besides the normal receipts and expenditure of Government, which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which the Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples.</li> <li>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 made therefrom.</li> </ul>

### 1.1.1 Overview of Union Government Finances

This chapter provides an overview of the Accounts of the Union Government during the year 2016-17. It analyses critical changes in major fiscal aggregates in the context of prevalent trends over the period of five years beginning from 2012-13 to 2016-17.

**Table 1.1** summarises the position of finances of the Union Government in terms of revenue receipts, capital receipts, public account receipts and the total disbursement.

Report of the CAG on  
Union Government Accounts 2016-17

**Table 1.1: Estimates and Actuals of Receipts and Disbursements 2016-17: Union Government**

(₹ in crore)

Sl. No.		Budget Estimates (BE)	Revised Estimates (RE)	Actuals	Variation with reference to BE
1.	<b>Total Receipt (7+8+9)</b>	<b>7588743</b>	<b>8886801</b>	<b>9112788</b>	<b>1524045 (20.08)</b>
2.	Revenue Receipts	1632772	1677063	1615988	-16784 (-1.03)
	Tax revenue <sup>1</sup>	1060801	1095493	1107968	47167 (4.45)
	Non-tax revenue <sup>2</sup>	571971	581570	508020	-63951 (-11.18)
3.	Miscellaneous Capital Receipts	56500	45500	47743	-8757 (-15.50)
4.	Recovery of Loans and Advances	22495	61686	40971	18476 (82.13)
5.	<b>Total non-Debt Receipts (2+3+4)</b>	<b>1711767</b>	<b>1784249</b>	<b>1704702</b>	<b>-7065 (-0.41)</b>
6.	Receipt of Public Debt	4915665	5971210	6134137	1218472 (24.79)
7.	Total receipts in the CFI (5+6)	<b>6627432</b>	<b>7755459</b>	<b>7838839</b>	<b>1211407 (18.28)</b>
8.	Contingency fund	0	0	0	<b>0</b>
9.	Public Account Receipt	961311	1131342	1273949	312638 (32.52)
10.	<b>Total disbursement (16+17)</b>	<b>7581937</b>	<b>8927028</b>	<b>9103892</b>	<b>1521955 (20.07)</b>
11.	Revenue Expenditure	1987285	1988720	1933018	-54267 (-2.73)
12.	Capital Expenditure	219146	243612	249472	30326 (13.84)
13.	Loans and Advances	39738	88382	60011	20273 (51.02)
14.	<b>Total expenditure (11+12+13)</b>	<b>2246169</b>	<b>2320714</b>	<b>2242501</b>	<b>-3668 (0.16)</b>
15.	Repayment of Public Debt	4406431	5491869	5678823	1272392 (28.88)
16.	Total disbursement out of the CFI (14+15)	6652600	7812583	7921324	1268724 (19.07)
17.	Public Account Disbursement	929337	1114445	1182568	253231 (27.25)
18.	Revenue Deficit (11-2)	354513	311657	317030	-37483 (-10.57)
19.	Fiscal Deficit (14-5)	534402	536465	537799	3397 (0.64)
<p>1. Does not include Taxes on Income assigned to States ₹ 5,70,337 crore (BE) and ₹ 6,08,000 crore (Actual) under Article 270 of the Constitution.</p> <p>2. Includes grants-in-aid and contributions.</p> <p>3. Figures in parentheses indicate percentage variation.</p>					

The miscellaneous capital receipts including disinvestments (₹ 47,743 crore) remained lower than the budget projections of ₹ 56,500 crore. On the expenditure side, capital expenditure exceeded (₹ 30,326 crore) what had been provided for in the budget.

The imbalance on the revenue account shows up in revenue deficit viz., which was ₹ 3,17,030 crore as against the budgeted figure of ₹ 3,54,513 crore, lower by 10.57 *per cent* of budgeted figure. Overall imbalance results in fiscal deficit of ₹ 5,37,799 crore as against the budgeted provision of ₹ 5,34,402 crore, which was 0.64 *per cent* higher than the budgeted figure. **Para 1.4** contains detailed comments on indicators of deficit.

### 1.1.2 Gross Domestic Product

The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation vide its press notes dated 31 January 2017 and 31 May 2017 released estimates of Gross Domestic Product (GDP). Estimates of GDP for 2012-13 to 2016-17 as detailed in **Table 1.2**<sup>1</sup> below.

**Table 1.2: Gross Domestic Product 2016-17**

(₹ in crore)					
GDP	2012-13	2013-14	2014-15	2015-16	2016-17 (PE)
At Constant Prices	9215125	9817822	10536984	11381002	12189854
<i>Percentage change over previous year</i>	5.48	6.54	7.33	8.01	7.11
At Current Prices	9946636	11236635	12445128	13682035	15183709
<i>Percentage change over previous year</i>	13.86	12.97	10.75	9.94	10.98

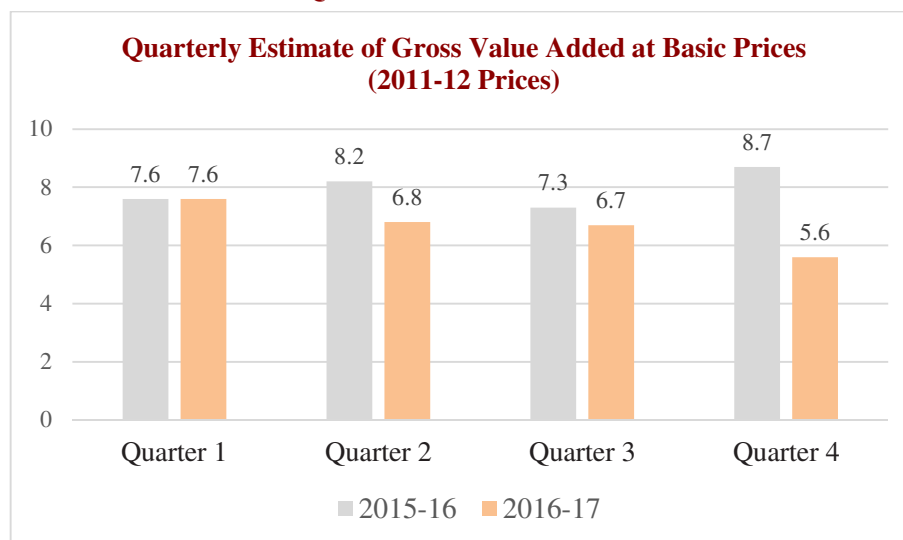
PE- Provisional Estimates.

GDP at constant prices (Base year 2011-12) for the year 2016-17 was estimated at ₹ 1,21,89,854 crore while the GDP for the year 2015-16 was estimated at ₹ 1,13,81,002 crore. The growth in GDP at constant prices declined to 7.11 *per cent* in 2016-17 against the growth rate of 8.01 *per cent* in 2015-16. A quarter-wise analysis of the Gross Value Added (GVA)<sup>2</sup> at constant prices (2011-12) indicates that the growth in the first quarter of 2016-17 was the same as in 2015-16 i.e., at 7.6 *per cent*. However, rates of growth in the subsequent three quarters in 2016-17 as compared with the corresponding quarters in 2015-16 witnessed a decline as shown in the **Chart 1.1** below.

<sup>1</sup> GDP estimates for 2012-13 and 2013-14 are taken from press note dated 31 January 2017 and the 2014-15 to 2016-17 from press note dated 31 May 2017.

<sup>2</sup> GDP net of taxes on product

**Chart 1.1: Quarter-wise GVA in 2015-16 and 2016-17**



As evident from above, the slowdown in GDP started from the second quarter and became more pronounced in the fourth quarter of 2016-17.

GDP at current prices for the year 2016-17 is estimated at ₹ 1,51,83,709 crore while the GDP for the year 2015-16 was estimated at ₹ 1,36,82,035 crore, showing a growth rate of 10.98 *per cent*. The growth of GDP at constant prices is lower in 2016-17 compared to the previous year. GDP at current prices, however, is higher in 2016-17 against the previous year. It should be noted that in this report, the GDP at current prices has been taken as base while analysing the various fiscal indicators as required under the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.

## 1.2 Resource Generation

Revenue and capital are two streams of receipts that constitute resources of the Union Government. Revenue receipts consist of tax revenue, non-tax revenue and Grants-in-aid from external agencies. Capital receipts have two components - debt receipts, which create future repayment obligations and non-debt receipts, which constitute proceeds from disinvestment and recoveries of loans and advances, leading to reduction in the actual or potential asset base.

**Table 1.3: Resources and GDP**

(₹ in crore)

Period	Gross Revenue Receipts* (1)	Non-debt Capital Receipts (2)	Gross Debt Receipts (3)	Gross Accruals into Public Account (4)	Gross Receipts (1+2+3 +4) (5)	Gross Debt Receipt/Gross Receipt (in per cent) (6)	Gross Receipts/GDP <sup>3</sup> (in per cent) (7)
2012-13	1347438 (22)	52513 (1)	3968038 (66)	660784 (11)	6028773	65.82	60.61
2013-14	1536024 (24)	53917 (1)	3994966 (64)	692960 (11)	6277867	63.64	55.87
2014-15	1666717 (25)	64287 (1)	4218196 (62)	850506 (12)	6799706	62.03	54.64

<sup>3</sup> Figure of GDP in Table 1.2 above.

**Union Government Finances: Overview**

2015-16	1942353 (26)	84010 (1)	4316950 (58)	1116692 (15)	7460005	57.87	54.52
2016-17	2223988 (23)	88714 (1)	6134137 (63)	1273949 (13)	9720788	63.10	64.02

\*Includes figures of taxes and duties assigned to States (₹ 6,08,000 crore for current year). Net revenue receipts to the Centre is ₹ 16, 15,988 crore in current year, as reflected in **Table 1.1**.

Note: (1) Figures in parentheses indicate percentage of Gross receipts.

As can be seen from **Table 1.3**, Gross receipt to GDP ratio showed a declining trend during 2012-13 to 2015-16, but improved over previous years in 2016-17 and stood at 64.02 per cent in 2016-17. The year 2016-17 was characterised by a growth of 14.50 per cent in gross revenue receipts as compared to 16.54 per cent in 2015-16. Ratio of gross debt receipts to gross receipts remained above the level of 60 per cent except in 2015-16 (57.87 per cent) which indicates continued dependence on debt to finance the Union Budget.

### 1.2.1 Revenue receipts

Revenue receipts, comprising tax and non-tax receipts, are the most important sources of revenue as no future payment obligations are created by these receipts. Components of revenue receipts are discussed in succeeding paras.

### 1.2.2 Revenue Receipts: Gross and Net

**Table 1.4** presents an overview of the Union Government finances in relation to revenue receipts both gross and net.

**Table 1.4: Revenue Receipts: Gross and Net**

(₹ in crore)						
Period	Gross Tax Revenue	Share of States*	Net Tax Revenue s	Non-Tax Revenues#	Net Revenue Receipt	Gross Revenue Receipts
(1)	(2)=(3)+(4)	(3)	(4)	(5)	(6)=(4)+(5)	(7)= (2)+(5)
2012-13	1036461	291547	744914	310977	1055891	1347438
2013-14	1138996	318230	820766	397028	1217794	1536024
2014-15	1245136	337808	907328	421581	1328909	1666717
2015-16	1455891	506193	949698	486462	1436160	1942353
2016-17	1715968	608000	1107968	508020	1615988	2223988
Annual Rate of Growth (per cent)						
2012-13	16.57	14.15	17.55	12.44	16.00	15.59
2013-14	9.89	9.15	10.18	27.67	15.33	14.00
2014-15	9.32	6.15	10.55	6.18	9.12	8.51
2015-16	16.93	49.85	4.67	15.39	8.07	16.54
2016-17	17.86	20.11	16.67	4.43	12.52	14.50

# includes Grant-in-aid and contributions from external Agencies

\*The transfer to States in the form of share in central tax revenues as shown in Union Government Finance Accounts is subject to final ascertainment and certification under Article 279(1).

During 2016-17, gross tax revenue increased by 17.86 per cent over the previous year and also surpassed the growth of GDP at current prices of 10.98 per cent (**Table 1.2**).

The growth of non-tax revenues of the government showed high fluctuation during 2012-2017 ranging from 4.43 *per cent* in 2016-2017 to 27.67 *per cent* in 2013-14.

Growth in gross revenue receipts in 2016-17 was 14.50 *per cent* as compared to 16.54 *per cent* in 2015-16.

### 1.2.3 Components of revenue receipts: Gap between Actuals and Budget Estimates

Formulating realistic budgetary estimates is vital for expenditure control and cash and debt management. The chart below exhibits the key components of actual revenue receipts vis-à-vis BE.

**Chart 1.2 Actuals of key Revenue Components vis-a-vis BE: 2016-17**



**Chart 1.2** indicates shortfall in the actual realisation in respect of budgeted target of all components, except Excise Duty and Service Tax. The realisation from Excise Duty and Service tax was higher by 19.71 *per cent* and 10.17 *per cent* respectively over the BE in the year 2016-17.

### 1.2.4 Tax revenue

**Table 1.5** depicts components of direct and indirect tax revenue over the last five years in absolute terms as well as annual rate of growth.

**Table 1.5: Components of tax revenue (gross)**

(₹ in crore)

Period	Gross Tax Revenue#	Direct Taxes*				Indirect Taxes					GDP at current prices
		Corporation Tax	Income Tax	Other	Total	Customs Duties	Excise Duties	Service Tax	Others	Total	
2012-13	1036461	356326	196844	5819	558989	165346	175845	132601	3680	477472	9946636
2013-14	1138996	394678	237870	6048	638596	172085	169455	154780	4080	500400	11236635
2014-15	1245136	428925	258374	8493	695792	188016	189038	167969	4321	549344	12445128
2015-16	1455891	453228	280390	8394	742012	210338	287148	211415	4978	713879	13682035
2016-17	1715968	484924	340592	24285	849801	225370	380495	254499	5803	866167	15183709

Period	Gross Tax Revenue#	Direct Taxes*				Indirect Taxes					GDP at current prices
		Corporation Tax	Income Tax	Other	Total	Customs Duties	Excise Duties	Service Tax	Others	Total	
<b>Annual Rate of Growth (per cent)</b>											
2012-13	16.57	10.38	19.64	-12.44	13.16	10.73	21.36	35.99	8.46	20.84	13.86
2013-14	9.89	10.76	20.84	3.94	14.24	4.08	-3.63	16.73	10.87	4.80	12.97
2014-15	9.32	8.68	8.62	40.43	8.96	9.26	11.56	8.52	5.91	9.78	10.75
2015-16	16.93	5.67	8.52	-1.17	6.64	11.87	51.90	25.87	15.20	29.95	9.94
2016-17	17.86	6.99	21.47	189.31	14.53	7.15	32.51	20.38	16.57	21.33	10.98

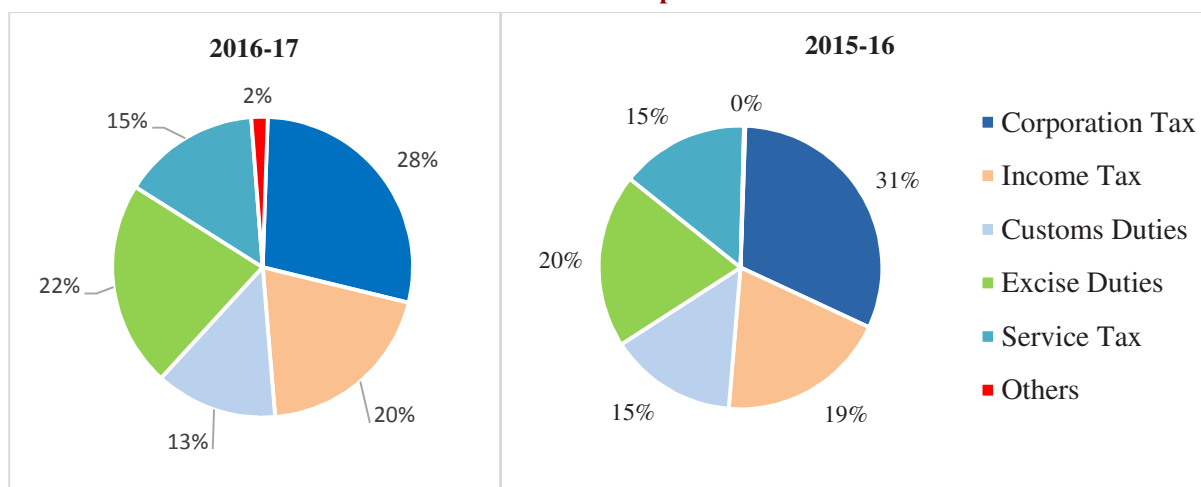
# Includes figures of taxes/duties assigned to States/UTs.

\*Direct Taxes includes Gross of Taxes on Income and Expenditure and Taxes on Property, Capital and other Transaction except Major Heads 0029-Land Revenue and 0030-Stamp and Registration Fees.

All components of direct tax registered a growth in 2016-17 in comparison to the previous year resulting in overall growth in direct tax of 14.53 per cent during 2016-17 as compared to the growth of 6.64 per cent in 2015-16. Income tax recorded the highest growth of 21.47 per cent in 2016-17 during the last five years. In the case of 'Others' which increased by 189.31 per cent during current year, it was mainly due to receipt of ₹ 15,162 crore under Income Declaration Scheme and Pradhan Mantri Garib Kalyan Yojana (₹ 10,098 crore), etc. In indirect taxes, though all components have increased in absolute term yet their growth rate has declined except 'Others' during 2016-17 over the previous year.

A comparison of relative shares of components of tax revenues during 2016-17 and 2015-16 (**Chart 1.3**) shows increase in share of excise duties (two per cent) and income tax (one per cent) and decrease in share of corporation tax (three per cent) and custom duties (two per cent). The share of service tax remained the same for both years.

**Chart 1.3: Components of tax revenue**



Zero per cent denotes value less than 0.5 per cent

### 1.2.5 Tax-GDP ratio (in percentage terms)

Tax-GDP ratio is the indicator of adequacy and effectiveness of Government's resource mobilization efforts and the extent of realisation of the tax potential.

**Table 1.6** presents the trends of Gross Tax-GDP ratio over the period 2012-13 to 2016-17, which remained around 10 to 11 *per cent*.

**Table 1.6: Tax /GDP ratio of major taxes**

*(in per cent)*

Period	Gross Tax Revenue	Corporation Tax	Income Tax	Customs Duties	Excise Duties	Service Tax	Others*
2012-13	10.42	3.58	1.98	1.66	1.77	1.33	0.10
2013-14	10.14	3.51	2.12	1.53	1.51	1.38	0.09
2014-15	10.01	3.45	2.08	1.51	1.52	1.35	0.10
2015-16	10.64	3.31	2.05	1.54	2.10	1.55	0.10
2016-17	11.30	3.19	2.24	1.48	2.51	1.68	0.20

\*Others includes Hotel Receipts Tax, Interest Tax, Other Taxes on Income and Expenditure, Stamps and Registration Fees, Securities Transaction Tax, Taxes on Sales, Trade, Other Taxes and Duties on Commodities and Services etc.

### 1.2.6 Collection of Cess

A cess is an additional tax levied by the Government to raise funds for a specific purpose. Cess collections are initially credited to the CFI. In the Union Finance Accounts, there exists a separate segregation of union excise non-shareable duties. An amount of ₹ 1,31,216 crore has been shown as union excise non-shareable duties in Union Government Finance Accounts for the Financial Year 2016-17. The total collection of cess during the period 2012-13 to 2016-17 is shown in **Table 1.7** below.

**Table 1.7: Collection of Cess**

*(₹ in crore)*

Year	Primary Education Cess	Higher and Secondary Education Cess	Clean Energy Cess	Cess on Crude oil	Road Cess	Others*	Total
2012-13	20946	9867	3053	14510	19979	2990	71345
2013-14	22837	11266	3082	14533	20478	4489	76685
2014-15	24219	11960	5393	14655	25122	4035	85384
2015-16	18783	9240	12676	14311	69540	7847	132397
2016-17	20220	10028	26117	12618	72400	30785	172168
<b>Annual Rate of Growth (per cent)</b>							
2012-13	23.95	22.31	18.33	78.65	8.81	-7.11	24.62
2013-14	9.03	14.18	0.95	0.16	2.50	50.13	7.48
2014-15	6.05	6.16	74.98	0.84	22.68	-10.11	11.34
2015-16	-22.45	-22.74	135.05	-2.35	176.81	94.47	55.06
2016-17	7.65	8.53	106.04	-11.83	4.11	292.32	30.04

\*Others comprises Cess on Export, Infrastructure Cess, Cess on Coal and Coke, Cess on Jute, Cess on Tea, Cess on Copara, Swachh Bharat Cess, Krishi Kalyan Cess, Receipt under Research and Development Cess Act, 1986 etc.



**Table 1.7** shows an overall growth in cess collection by 30.04 *per cent* during 2016-17. Clean Energy Cess showed a growth of 106.04 *per cent* during the same period. The growth in Primary Education Cess and Higher and Secondary Education Cess has increased by 7.65 *per cent* and 8.53 *per cent* respectively over the previous year. However, the growth in cess on crude oil has decreased by 11.83 *per cent*. The increase of 292 *per cent* in annual growth under ‘Others’ was primarily due to collection of Krishi Kalyan Cess (₹ 8,379 crore) and Swachh Bharat Cess (₹ 12,475 crore).

### 1.2.7 Non-tax revenue

Non tax revenues comprised of two components: income from sovereign functions like judiciary, police, currency and coinage and those arising from assets/investment or dividends or from user charges collected by Railways, Post and Departmental Undertakings. Composition of non-tax revenue is given in **Table 1.8** below.

**Table 1.8: Composition of Non-tax revenue (Share and growth rate)**

Period	Total Non-tax Revenue#	Interest Receipts	Dividends and Profits	Social Services	Economic Services	(₹ in crore)
						Sovereign and Other Functions**
2012-13	310977	38860	53762	4819	184662	28874
Relative share( <i>per cent</i> )	100	12.50	17.29	1.55	59.38	9.28
2013-14	397028	44027	90442	1316	227661	33582
Relative share( <i>per cent</i> )	100	11.09	22.78	0.33	57.34	8.46
2014-15	421582	48007	89861	1735	243512	38467
Relative share( <i>per cent</i> )	100	11.39	21.32	0.41	57.76	9.12
2015-16	486462	46325	112136	10100	279710	38191
Relative share( <i>per cent</i> )	100	9.52	23.05	2.08	57.50	7.85
2016-17	508020	43496	123021	11998	286597	42908
Relative share( <i>per cent</i> )	100	8.56	24.22	2.36	56.41	8.45
<b>Annual Rate of Growth</b>						
2012-13	12.44	(-)2.98	6.23	387.75	16.67	8.39
2013-14	27.67	13.30	68.23	(-)72.69	23.29	16.31
2014-15	6.18	9.04	(-)0.64	31.84	6.96	14.55
2015-16	15.39	(-)3.50	24.79	482.13	14.86	(-)0.72
2016-17	4.43	(-)6.11	9.71	18.79	2.46	12.35

# includes Grant-in-aid and contributions from external Agencies.

Social Services: include education, health, water supply, sanitation, social security etc.

Economic Services: include dairy development, animal husbandry, fisheries, forestry, plantation, food storage and warehousing, agricultural and rural development programmes, user charges for irrigation, provision of energy, receipts of Departmentally managed Government Undertakings, etc.

\*\* Fiscal services and General Services (Police, Public Works, Defence, Other Administrative Services, Grants-in-aid and Contributions etc.)

In 2016-17, the largest share of non-tax revenue (56.41 *per cent*) came from user charges levied by various departments which offer Economic Services to the general public (**Table 1.8**). Interest receipts constituted 8.56 *per cent* of non-tax revenue (0.96 percentage points lower than the previous year), while dividends and profits accounted for 24.22 *per cent* (1.17 percentage points above previous year).

The non-tax revenue grew by 4.43 *per cent* during 2016-17 as against the growth of 15.39 *per cent* in 2015-16. This was mainly due to decline in the growth of all components of non-tax revenue except Sovereign and Other Functions.

Growth in Social Services of 18.79 *per cent* over previous year was mainly due to receipt of ₹ 3,428 crore in Social Security and Welfare services.

Receipts from Dividend and Profits witnessed a growth of 9.71 *per cent* during 2016-17 due to excess receipt of ₹ 13,297.97<sup>4</sup> crore under the head 'Dividend from Public undertakings' over the previous year.

Receipts from Economic Services, Social Services and Dividend and Profits are the major constituents of non-tax revenue. The important components of Economic and Social sectors are given in **Table 1.9** below.

**Table 1.9: Major components of revenues under Economic and Social Sector**

(₹ in crore)

Period	Indian Railways-Commercial Lines	Petroleum	Road and Bridges	Other General Economic Services	Coal and Lignite	Medical and Public Health
2012-13	122953 (39.54)	14806 (4.76)	4007 (1.29)	3148 (1.01)	88 (0.03)	311 (0.10)
2013-14	138776 (34.95)	16525 (4.16)	5298 (1.33)	3368 (0.85)	136 (0.03)	345 (0.09)
2014-15	155904 (36.98)	14480 (3.43)	6103 (1.45)	4774 (1.13)	6179 (1.47)	348 (0.08)
2015-16	163497 (33.61)	9492 (1.95)	6889 (1.42)	5231 (1.08)	545 (0.11)	363 (0.07)
2016-17	161583 (31.81)	10797 (2.13)	7326 (1.44)	7802 (1.54)	433 (0.09)	413 (0.08)

Figures in the parentheses show percentage of non-tax revenue.

Under Economic Services, the main schemes/programme/functions responsible for the annual growth of 2.46 *per cent* (**Table 1.8**) were receipts from 'Petroleum', which increased from ₹ 9,492 crore in 2015-16 to ₹ 10,797 crore in 2016-17, 'Roads and Bridges' which increased from ₹ 6,889 crore to ₹ 7,326 crore and 'Other General Economic Services' which increased from ₹ 5,231 crore to ₹ 7,802 crore during the same period. However, revenue from 'Indian Railways (Commercial Lines)' and Coal & Lignite decreased in 2016-17 over previous year by ₹ 1,914 crore and ₹ 112 crore respectively.

The details of non-tax revenue received by way of dividends and profits are detailed in **Table 1.10**. It increased from ₹ 1,12,136 crore in 2015-16 to ₹ 1,23,021 crore in 2016-17.

<sup>4</sup> ₹ 53,194.91 crore during 2016-17- ₹ 39,896.94 crore for 2015-16 under heads 0050.00.101

**Table 1.10: Composition of Dividend and Profit***(₹ in crore)*

Period	Share of surplus profits from RBI	Dividends from Public Undertakings	Share of profit from nationalised Banks	Dividend from Others	Total Dividend and profits	Non Tax Revenue
2012-13	16010 (5.15)	30630 (9.85)	5656 (1.82)	1466 (0.47)	53762	310977
2013-14	33010 (8.31)	47333 (11.92)	8184 (2.06)	1915 (0.48)	90442	397028
2014-15	52679 (12.50)	32996 (7.83)	2456 (0.58)	1730 (0.41)	89861	421582
2015-16	65896 (13.55)	39897 (8.20)	4214 (0.87)	2129 (0.44)	112136	486462
2016-17	65876 (12.97)	53195 (10.47)	1445 (0.28)	2505 (0.49)	123021	508020

*Figures in parentheses show percentage of Non Tax Revenue.*

The share of dividend from Public Undertakings increased from ₹ 39,897 crore (8.20 per cent of non-tax revenue) in 2015-16 to ₹ 53,195 crore (10.47 per cent of non-tax revenue) in 2016-17. However, transfer of surplus profit from RBI, which was ₹ 65,896 crore (13.55 per cent of non-tax revenue) in 2015-16, decreased to ₹ 65,876 crore (12.97 per cent of non-tax revenue) in 2016-17.

The government account recognises transactions on the basis of 'as and when received'. Due to the difference in the financial year of the Union Government (April-March) and the Reserve Bank of India (RBI) (July-June), the RBI surplus of ₹ 65,876 crore declared for the year ended 30 June 2016 has been recognised in 2016-17. However, the surplus declared for the RBI's FY 2016-17 (1 July 2016 – 30 June 2017) by the RBI would be reflected in the Finance Accounts of the Government of India for the year 2017-18. As can be seen from **Table 1.10A** below, the share of surplus profits from RBI for its financial year ended 30 June 2017 declined to ₹ 30,663 crore from ₹ 65,876 crore in financial year ended 30 June 2016. The fall in surplus payable by RBI was due to the fall in its income as well as increase in expenditure on printing of currency notes and transfer to the RBI Contingency Fund.

The details of net income of RBI, expenditure and surplus transfer to Union Government up to the financial year ending 31 March 2018 is detailed in **Table 1.10A** below.

**Table 1.10A: Surplus transferred by RBI**

(₹ in crore)

Description	2013-14*	2014-15*	2015-16*	2016-17*	2017-18*
Net Income of RBI RBI Financial year (1 July 2016 to 30 June 2017)	45564	64617	79256	80870	61818
Expenditure	12549	11934	13356	14990	31155
Surplus transferred to the Union Government Govt. Financial year(1 April 2017 to 31 March 2018)	33010	52679	65896	65876	30663

\* Refers to Financial Year of the Union Government

### 1.2.8 Non-debt capital receipts

Non-debt capital receipts consist of miscellaneous capital receipts (bonus shares, disinvestment, etc.) and recovery of loans and advances from States and Union Territories, Foreign Governments, Government corporations, non-government institutions and government servants. During the period 2012-13 to 2016-17, there was shortfall in miscellaneous capital receipts as compared to the BE. On the other hand, the recovery of loans and advances was significantly higher than the BE during the same period, (Table 1.11).

**Table 1.11: Realisation from Non-Debt Capital Receipt**

Period	Miscellaneous Capital Receipt			Recovery of Loans and Advances		
	BE	Actual*	Percentage of Actual to BE	BE	Actual	Percentage of Actual to BE
	(₹ in crore)			(₹ in crore)		
2012-13	30000	25408	84.69	23095	26624	115.28
2013-14	55814	29368	52.62	22054	24549	111.31
2014-15	63425	37737	59.50	22817	26547	116.35
2015-16	69500	42132	60.62	22714	41878	184.37
2016-17	56500	46249	81.86	22495	40971	182.13

Source: Annual Financial Statement and Union Government Finance Accounts.

\*Does not include receipts from bonus shares.

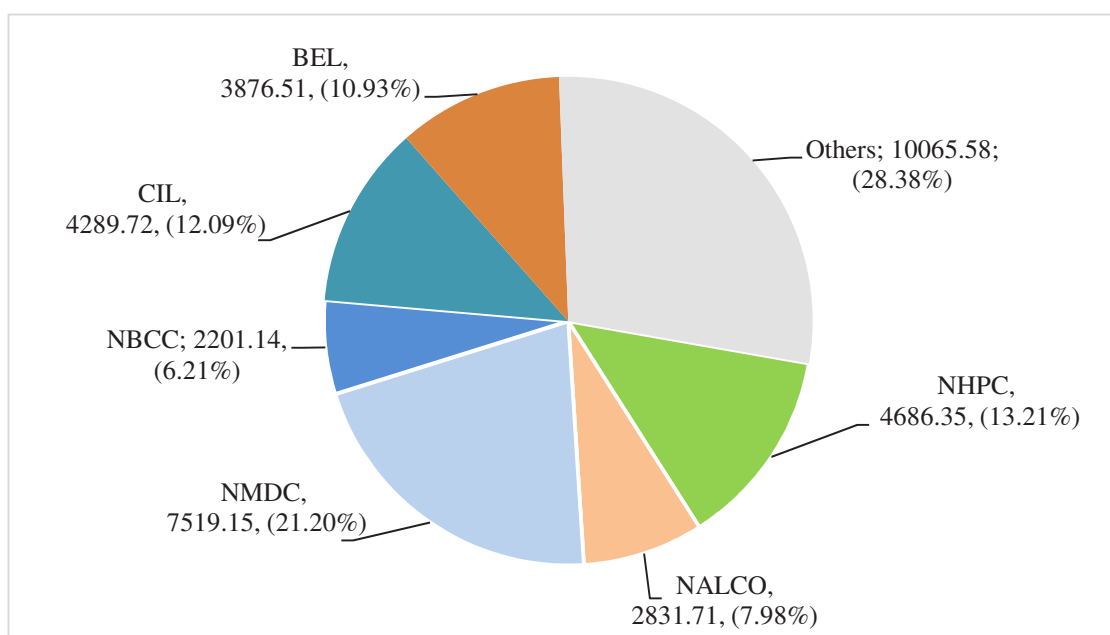
Disinvestment constitutes a major portion of the miscellaneous capital receipt. **Chart 1.4** indicates that only four units viz. NMDC Limited, NHPC Limited, Coal India Limited (CIL) and Bharat Electronics Limited (BEL) contributed 57.43 per cent (₹ 20,371.73 crore) of the total disinvestment proceeds of ₹ 35,470.16 crore.

Other Central Public Sector undertakings, equities of which were disinvested, were National Aluminium Company Limited (NALCO) (₹ 2831.71 crore, 7.98 per cent), NBCC (India) Limited (₹ 2,201.14 crore, 6.21 per cent) and others<sup>5</sup> (₹ 10,065.58 crore, 28.38 per cent).

<sup>5</sup> Others include IOCL, NTPC, HCL, MOIL, Engineers India, CONCOR, DCIL, Neyveli Lignite Corporation Ltd, GAIL, ONGC, PFC, REC, Oil India etc.

**Chart 1.4: Component of disinvestment proceeds**

(₹ in crore)



### 1.2.9 Return on Investments

The number of statutory corporations, government companies, other joint stock companies, co-operative banks and societies and international bodies. Ministry/Department wise along with dividend received during the year 2016-17 are given in **Table 1.12** below.

**Table 1.12: Number of CPSEs paying dividend**

(₹ in crore)

Ministry/Department	Number of CPSEs	Dividend received	Ministry/Departments	Number of CPSEs	Dividend received
Civil Aviation and tourism	4	1063	Coal	3	11018
Finance	9	3911	Industry	4	238
Petroleum and Natural Gas	8	19442	New and Renewable Energy	2	102
Steel & Mines	8	8283	Shipping	3	133
Railways	8	1406	Urban Affairs	3	344
Defence	8	1773	Atomic Energy	3	692
Power	8	8262*	Others**	37	67741
<b>Total</b>				<b>108</b>	<b>124408</b>

Source: Statement No 11 of Union Government Finance Accounts.

\*Dividends of ₹25 crore pertains to DONER.

\*\*Others includes State Co-operative Banks/Institutions and other units.

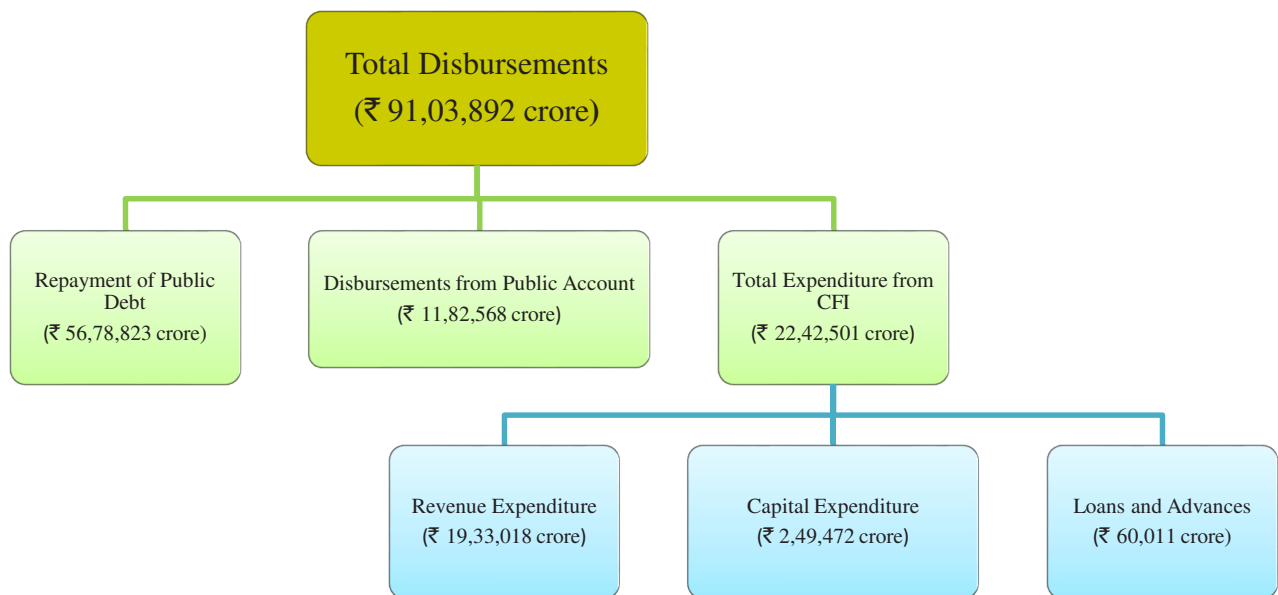
During 2016-17, the Union Government received a dividend of ₹ 1,24,408 crore from 108 Government companies and corporations against the total investment of ₹ 6,68,744.42 crore in 342 Central Public Sector Enterprises (CPSEs) which was 18.60 per cent of investment as on 31 March 2017. The progressive total

investment increased from ₹ 6,07,604.78 crore on 31 March 2016 to ₹ 6,68,744.42 crore on 31 March 2017. The major contributors of dividend were Reserve Bank of India (₹ 65,876 crore), Coal India Limited, (₹ 9,771 crore), Hindustan Zinc Ltd (₹ 6,664 crore), Oil and Natural Gas Corporation Ltd, (₹ 6,544 crore), Indian Oil Corporation Ltd. (₹ 6,231 crore), Bharat Petroleum Corporation of India Ltd. (₹ 3,098 crore), NTPC Ltd (₹ 2,507 crore), Life Insurance Corporation (₹ 2,502 crore), National Hydro Electric Power Corporation Ltd. (NHPC) (₹ 1,881 crore), Hindustan Petroleum Corporation Ltd (₹ 1,777 crore), Nationalised Banks (₹ 1,445 crore), Neyveli Lignite Corporation Ltd (₹ 1,183 crore), Rural Electrification Corporation Ltd (₹ 1,126 crore), and Airport Authority of India (₹ 1,042 crore).

### 1.3 Expenditure Analysis

The total disbursements from the Consolidated Fund of India and the Public Account were to the tune of ₹ 91,03,892 crore in 2016-17 as shown in **Box 1.2**.

**Box 1.2: Components of Total Disbursements**



During 2016-17, total disbursements increased by 30.67 per cent as compared to ₹ 69,66,982 crore in 2015-16. Of the total disbursement of ₹ 91,03,892 crore, disbursement from CFI was 87.01 per cent (towards repayment of public debt 62.38 per cent and total expenditure from CFI 24.63 per cent). Remaining 12.99 per cent of disbursement was from Public Account. The contribution of the Public Account was 16.13 per cent in 2015-16, which declined to 12.99 per cent in 2016-17.

**Table 1.13** depicts that the share of total expenditure from CFI (does not include repayment of public debt) in total disbursements has decreased from 30.22 per cent

in 2015-16 to 24.63 per cent in 2016-17, though in absolute terms, it increased by ₹1,36,834 crore.

**Table 1.13: Share of various components of total Disbursement**

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Components of Total Disbursement</b>					
Repayment of Public Debt	3426893 (60.27)	3511291 (59.11)	3707700 (56.70)	3737657 (53.65)	5678823 (62.38)
Disbursements from Public Account	656403 (11.54)	654239 (11.01)	922899 (14.11)	1123658 (16.13)	1182568 (12.99)
Total Expenditure from CFI (TE)	1602918 (28.19)	1774941 (29.88)	1909144 (29.19)	2105667 (30.22)	2242501 (24.63)
<b>Components of Total Expenditure from CFI</b>					
Revenue Expenditure (RE)	1420473 (88.62)	1575097 (88.74)	1695137 (88.79)	1779529 (84.51)	1933018 (86.20)
Capital Expenditure (CE)	150382 (9.38)	168844 (9.51)	172085 (9.01)	278866 (13.24)	249472 (11.12)
Loans and Advances (LA)	32063 (2.00)	31000 (1.75)	41922 (2.20)	47272 (2.24)	60011 (2.68)

Figures in parentheses show percentage of total disbursement/total expenditure

The proportion of repayment of public debt in the total disbursement has gone up from 53.65 per cent in 2015-16 to 62.38 per cent in 2016-17. Revenue expenditure as a proportion of the total expenditure increased from 84.51 per cent during 2015-16 to 86.20 per cent in 2016-17 whereas capital expenditure decreased from 13.24 per cent to 11.12 per cent during same period.

### 1.3.1 Sectoral Expenditure

In the accounts of the Union Government, expenditure is accounted under various heads which, in turn, are grouped into three sectors, namely General Services, Social Services and Economic Services.

**Table 1.14** presents the details of sectoral expenditure. In relation to the total expenditure, General Services showed an increase from 47.42 per cent in 2012-13 to 53.07 per cent in 2016-17 while expenditure on Economic Services has remained between 40 to 44 per cent during the same period. In Social Services, the expenditure share remained below 10 per cent for the period of 2012-13 to 2016-17.

**Table 1.14: Sectoral expenditure of Union Government**

(₹ in crore)

Year	General Service		Social Service		Economic Service		Total
	Amount	As % of Total Expenditure	Amount	As % of Total Expenditure	Amount	As % of Total Expenditure	
2012-13	666406	47.42	124725	8.87	614306	43.71	1405437
2013-14	767915	49.14	142426	9.12	652316	41.74	1562657
2014-15	843093	54.16	68663	4.41	645003	41.43	1556759
2015-16	896486	50.56	100682	5.68	775879	43.76	1773047
2016-17	1025561	53.07	116023	6.01	790729	40.92	1932313

Notes: The sectoral classification excludes loans to Foreign Governments, State governments, UTs, loans to Government Servants and revenue expenditure on account of Grant in Aid which do not fall under any specific group.



### 1.3.2 Revenue Expenditure

Revenue expenditure is current expenditure, which does not result in creation of assets. In terms of activities, revenue expenditure could be classified as General Services (include administration and defence), Social Services and Economic Services. This also includes the Grant-in-Aid (GIA) and contributions to State, Union Territory and foreign Governments. **Table 1.15** below presents the sectoral components of revenue expenditure.

**Table 1.15: Sectoral components of Revenue expenditure**

(₹ in crore)

Period	General Services	Social Services	Economic Services	GIA and Contribution	Revenue Expenditure
2012-13	586927 (41.32)	116712 (8.22)	535434 (37.69)	181400 (12.77)	1420473 (100)
2013-14	679852 (43.16)	133981 (8.51)	561860 (35.67)	199404 (12.66)	1575097 (100)
2014-15	752908 (44.42)	59437 (3.50)	544682 (32.13)	338109 (19.95)	1695137 (100)
2015-16	804758 (45.22)	88444 (4.97)	569645 (32.01)	316682 (17.80)	1779529 (100)
2016-17	926181 (47.92)	97210 (5.03)	618626 (32.00)	291001 (15.05)	1933018 (100)
<b>Annual rate of Growth (in per cent)</b>					
2012-13	12.58	4.60	8.74	0.84	8.83
2013-14	15.83	14.80	4.94	9.93	10.89
2014-15	10.75	-55.64	-3.06	69.56	7.62
2015-16	6.89	48.80	4.58	-6.34	4.98
2016-17	15.09	9.91	8.60	-8.11	8.63

Figures in parentheses show percentage of Revenue Expenditure

Share of General Services in the revenue expenditure has been on the increase since 2012-13. It registered an increase from 41.32 per cent in 2012-13 and reached 47.92 per cent in 2016-17. The Economic Services has followed a decreasing trend and its share to revenue expenditure decreased from 37.69 per cent in 2012-13 to 32 per cent in 2016-17. Similarly, share of Social Services has decreased from 8.22 per cent to 5.03 per cent for the corresponding period.

Revenue expenditure grew from 4.98 per cent in 2015-16 to 8.63 per cent in 2016-17. Expenditure on 'GIA and Contribution' had registered an increase of 69.56 per cent in 2014-15. However, in financial year 2016-17, the expenditure on GIA and contribution declined by 8.11 per cent. The growth was also negative (-6.34 per cent) in the previous year.

#### (a) Revenue Expenditure on General Services

**Table 1.16** presents the expenditure on major components of General Services and their annual growth during the period 2012-13 to 2016-17.



**Table 1.16: Components of General Services**

(₹ in crore)

Period	Interest payments & Servicing of Debt	Administrative Services	Pension & Miscellaneous General Services	Defence Services	Others	Total
2012-13	330171	47201	80766	116485	12304	586927
2013-14	395200	53509	87552	129890	13701	679852
2014-15	425098	59698	107911	145146	15055	752908
2015-16	457270	66286	111285	151600	18317	804758
2016-17	504512	77510	149237	173025	21897	926181
<b>Annual rate of Growth (in per cent)</b>						
2012-13	15.05	11.60	10.83	8.23	6.50	12.58
2013-14	19.70	13.36	8.40	11.51	11.35	15.83
2014-15	7.57	11.57	23.25	11.75	9.88	10.75
2015-16	7.57	11.04	3.13	4.45	21.67	6.89
2016-17	10.33	16.93	34.10	14.13	19.55	15.09

The expenditure on interest payment constitutes 54.47 per cent of expenditure on General Services. The expenditure on interest payment showed an increase of ₹ 47,242 crore viz., 10.33 per cent over 2015-16. The share of Defence Services is 18.68 per cent of General Services and its annual growth 14.13 per cent in 2016-17 against 4.45 per cent in 2015-16.

In case of Pension & Miscellaneous General Services, expenditure was ₹ 1,11,285 crore in 2015-16, which increased to ₹ 1,49,237 crore (absolute increase of ₹ 37,952 crore) in 2016-17. Owing to very high growth in pension payment, the share of expenditure on pension to total expenditure on General Services increased to 16.11 per cent in 2016-17 from 13.83 per cent in 2015-16. The annual growth also increased to 34.10 per cent in 2016-17 from 3.13 per cent in 2015-16. The high growth of expenditure on pension is due to the implementation of Defence One-Rank-One-Pension (OROP) and also because of the implementation of the recommendations of the Seventh Central Pay Commission.

### (b) Revenue Expenditure on Social Services

Expenditure on Social Services includes expenditure on Education, Sports, Art and Culture, Health and Family Welfare, Water Supply and Sanitation, Housing, Urban Development; Welfare of SCs, STs and OBCs, Labour and Labour Welfare, Social Security and Welfare and Nutrition and Relief for Natural Calamities. **Table 1.17** below reflects the priority of the Union Government on social and the trends in revenue expenditure as well as their services.

**Table 1.17: Components of Social Services**

(₹ in crore)

Period	Education, Sports, Art and Culture	Water Supply, Sanitation, Housing and Urban Development	Health and Family Welfare	Welfare of SC, ST, OBC and Minorities	Others	Total
2012-13	62741	22460	19503	348	11660	116712
2013-14	68480	26824	22358	606	15713	133981
2014-15	30636	1899	11142	1564	14196	59437
2015-16	33038	4654	13202	3377	34173	88444
2016-17	37880	13291	16943	2584	26512	97210
Annual rate of Growth (in per cent)						
2012-13	9.59	4.96	-0.12	-47.27	-8.48	4.60
2013-14	9.15	19.43	14.64	74.14	34.76	14.80
2014-15	-55.26	-92.92	-50.17	158.09	-9.65	-55.64
2015-16	7.84	145.08	18.49	115.92	140.72	48.80
2016-17	14.66	185.58	28.34	-23.48	-22.42	9.91

Under Social Services, the most important expenditure activity is Education, Sports, Art and Culture. Its share in the total expenditure on Social Services, however, declined from 53.76 *per cent* in 2012-13 to 38.97 *per cent* in 2016-17. Compared with previous year, the expenditure in Education, Sports, Art and Culture, Water Supply, Sanitation, Housing and Urban Development and Health and Family Welfare witnessed an increase of 14.66 *per cent*, 185.58 *per cent* and 28.34 *per cent* respectively in 2016-17.

In case of Water Supply and Sanitation, Housing and Urban Development, the growth is more than 100 *per cent* in 2015-16 and 2016-17. It was 185.58 *per cent* in 2016-17 on account of transfer of ₹ 10,000 crore to Rashtriya Swachhata Kosh and increase in expenditure on assistance to Local Bodies/Town Improvement Bodies.

**(c) Revenue Expenditure on Economic Services**

The trends in revenue expenditure on components of Economic Services as well as their annual growth during 2012-17 are presented in **Table 1.18**. This indicates the priority placed by the Union Government in areas of Energy, Industries, Transport and Agriculture and Allied Services.

**Table 1.18: Components of Economic Services**

(₹ in crore)

Period	Transport	Agriculture and Allied Services	Energy	Industries and Minerals	Others	Total
2012-13	158525	153714	105680	34775	82740	535434
2013-14	174475	159327	96622	40969	90467	561860
2014-15	190721	170066	75014	52990	55891	544682
2015-16	201625	202375	42475	53204	69966	569645
2016-17	197257	165331	48406	74591	133041	618626
Annual rate of Growth (in per cent)						
2012-13	6.56	8.18	27.17	(-)1.74	(-)0.37	8.74
2013-14	10.06	3.65	(-)8.57	17.81	9.34	4.94
2014-15	9.31	6.74	(-)22.36	29.34	(-)38.22	(-)3.06
2015-16	5.72	19.00	(-)43.38	0.40	25.18	4.58
2016-17	(-)2.17	(-)18.30	13.96	40.20	90.15	8.60

Government's spending in Energy Sector witnessed growth of 13.96 per cent in 2016-17 against negative growth of 43.38 per cent in 2015-16. This was primarily due to spending of the Union Government on its two functions namely 'New and Renewable Energy' and 'Power' which were increased by ₹ 6,249.30 crore and ₹ 2,150.89 crore respectively in 2016-17. The share of energy sector in total expenditure on Economic Services, however, declined from 19.74 per cent in 2012-13 to 7.82 per cent in 2016-17.

Spending in Industries and Minerals sector registered growth of 40.20 per cent in 2016-17 over the growth of 0.40 per cent in 2015-16 as the expenditure in 'Industry' increased substantially from ₹ 53,204 crore in 2015-16 to ₹ 74,591 crore in 2016-17 due to more expenditure on Fertilisers Subsidy and Consumer Industry.

On the other hand, spending in Agriculture and Allied Services and Transport Sectors witnessed negative growth of 18.30 per cent and 2.17 per cent respectively in 2016-17. In case of Agriculture and Allied Services, the negative growth was due to reduction in expenditure by 31 per cent in Crop Husbandry and by 18 per cent in Food Storage and Warehousing. For Transport, the negative growth was due to reduction in payments in General Reserves and Appropriation from Railways Surplus. In terms of expenditure on Economic Services, the most important expenditure item is transport. Its share was 29.61 per cent in 2012-13, which increased to 35.39 per cent in 2015-16 and declined to 31.89 per cent in 2016-17.

### 1.3.2.1 Trend of Major Revenue Expenditure

#### (a) Interest Payments:

This head provides for payment of interest on public debt, (both internal and external) and other interest bearing liabilities of the Government, which include insurance and pension funds, provident funds, reserve funds, deposits and interest on special securities issued to various Companies and Corporations. It also includes expenditure on reduction or avoidance of debt. The proportion of interest payments to revenue expenditure stood at 26.10 *per cent* in the current year (**Table 1.19** below). In relation to revenue receipts, the average share of interest payment was 31.75 *per cent* during 2012-13 to 2016-17.

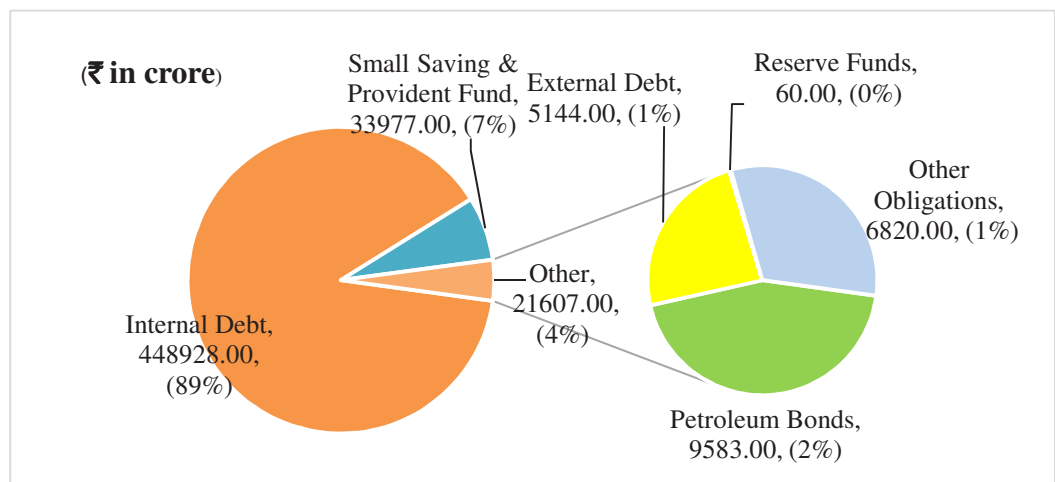
**Table 1.19: Interest payment to revenue expenditure**

Year	Interest Payments (IP)	Revenue Receipt (RR)	Revenue Expenditure (RE)	Growth of IP	Share of IP to RR	Share of IP to RE
	₹ in crore			in percentage		
2012-13	330171	1055891	1420473	15.05*	31.27	23.24
2013-14	395200	1217793	1575097	19.70	32.45	25.09
2014-15	425098	1328910	1695137	7.57	31.99	25.08
2015-16	457270	1436160	1779529	7.57	31.84	25.70
2016-17	504512	1615988	1933018	10.33	31.22	26.10

\*In 2011-12, expenditure on interest payments was ₹2,86,982 crore.

Components of interest payments made in 2016-17 are shown in **Chart 1.5** below. Interest payments on account of internal debt is 89 *per cent* (₹ 4,48,928 crore) of the total interest payments (₹ 5,04,512 crore).

**Chart 1.5: Main components of interest expenditure**



Zero per cent denotes less than 0.5 per cent.

**(b) Pension payments**

**Table 1.20** shows that expenditure on pensions and other retirement benefits increased from ₹ 1,32,880 crore in 2015-16 to ₹ 1,79,411 crore in 2016-17 viz., an increase of 35 *per cent* in 2016-17 over previous year. Defence Pension constituted 48.95 *per cent* of total pension payment (₹ 1,79,411 crore) in 2016-17, which registered increase of 45.80 *per cent* over the previous year. During the five years period, the defence pension payments remained between 43-49 *per cent* of total pension payments.

**Table 1.20: Expenditure on Pension and other Retirement Benefits**

(₹ in crore)					
year	Defence	Civil	Railways	Post	Total
2012-13	43368 (45.91)	26111 (27.64)	21021 (22.25)	3968 (4.20)	94468
2013-14	45499 (43.71)	29397 (28.24)	24761 (23.79)	4443 (4.27)	104100
2014-15	60450 (47.49)	33161 (26.05)	28642 (22.50)	5034 (3.95)	127287
2015-16	60238 (45.33)	36533 (27.49)	30701 (23.10)	5408 (4.07)	132880
2016-17	87826 (48.95)	43575 (24.29)	40463 (22.55)	7547 (4.21)	179411
Annual rate of Growth (in <i>per cent</i> )					
2012-13	NA	NA	NA	NA	
2013-14	4.91	12.58	17.79	11.97	10.20
2014-15	32.86	12.80	15.67	13.30	22.27
2015-16	-0.35	10.17	7.19	7.43	4.39
2016-17	45.80	19.28	31.80	39.55	35.02

Source: For Civil and Defence pensions, figures are from Finance Accounts (Major Head 2071). For Railways and Post, figures are from their Appropriation Accounts.

In cases of Railways and Post, pension payment grew by 31.80 *per cent* and 39.55 *per cent* during 2016-17 respectively. Civil pension, being 24.29 *per cent* of total pension payment, recorded 19.28 *per cent* of annual growth during the same period.

**1.3.2.2 Management of Subsidies**

Subsidies are dispensed not only explicitly, i.e. through the Budget, but also by providing subsidised goods and services to the people termed as implicit subsidy. **Table 1.21** presents details of the subsidies, which the Government provided explicitly through the budget.

**Table 1.21: Explicit Subsidies in the Union Government Budget**

Period	Food	Fertilisers@ (Urea)	Fertilisers# (Decontrolled)	Petroleum Subsidy	Others*	Total subsidies	Subsidies as % of GDP	Subsidies as % of Revenue expenditure
	(₹ in crore)						Percentage	
2012-13	85000 (16.72)	35132 (3.56)	30576 (-15.32)	96880 (41.47)	9591 (46.05)	257179 (18.03)	2.59	18.11
2013-14	92000 (8.24)	38038 (8.27)	29427 (-3.76)	85378 (-11.87)	9902 (3.24)	254745 (-0.95)	2.27	16.17
2014-15	117671 (27.90)	50423 (32.56)	20667 (-29.77)	60269 (-29.41)	9269 (-6.39)	258299 (1.40)	2.08	15.24
2015-16	139419 (18.48)	50478 (0.11)	21938 (6.15)	29999 (-50.22)	16637 (79.49)	258471 (0.07)	1.89	14.52
2016-17	110173 (-20.98)	51257 (1.54)	15056* (-31.37)	27539 (-8.20)	28777 (72.98)	232802 (-9.93)	1.53	12.04

@ Indicates the subsidies given on indigenous and imported fertilisers (Urea)

# Indicates subsidies given for decontrolled fertilisers. Since 2011-12, it is nutrient based subsidy.

Figures in parentheses indicate percentage of annual growth.

\*Others include interest subsidy, Price Stabilisation Fund in the Department of Consumer Affairs, movement of food grains and FPS Dealers margin under NFSA etc.

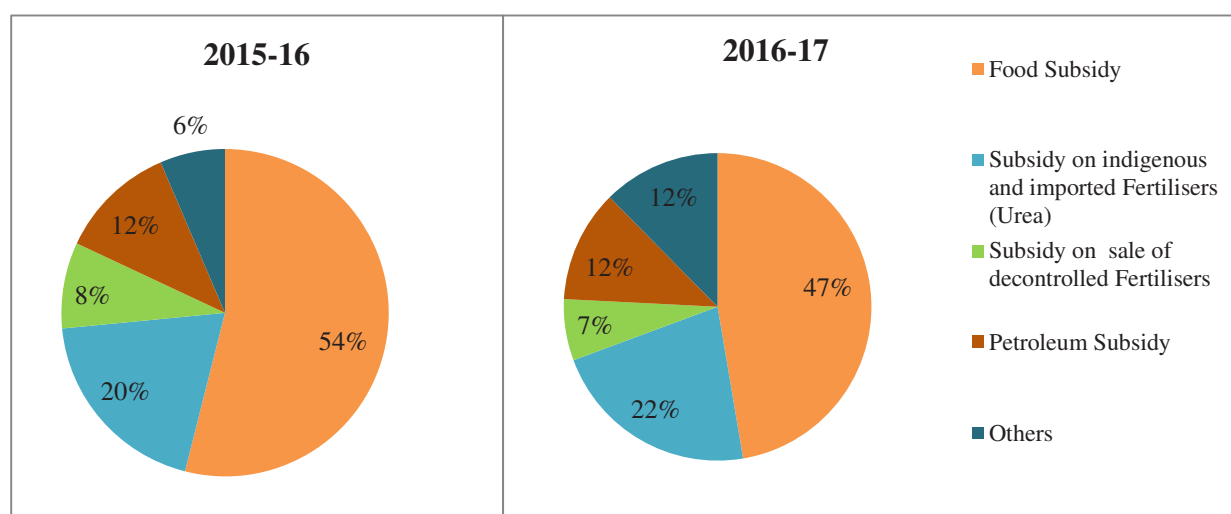
The bulk of the expenditure under this head is towards food, fertilizer and petroleum subsidies which are under the category of major subsidies. All components of major categories declined over the previous year, except 'Others'. Particularly, the petroleum subsidy has been decelerating since 2012-13 and reduced from ₹ 96,880 crore in 2012-13 to ₹ 27,539 crore in 2016-17. This resulted in containing the total expenditure on subsidy to its lowest level in last five years (2012-17). However, the expenditure under head 'Others' showed an increase of 73 per cent in 2016-17 over 2015-16 due to increase in expenditure on interest subsidy (₹ 17,000 crore), Price Stabilisation Fund in the Department of Consumer Affairs (₹ 6,900 crore) and movement of food grains and FPS Dealers margin under NFSA (₹ 2,500 crore) in 2016-17.

Total subsidy was almost at the same level in 2014-15 and 2015-16 but declined to ₹ 2,32,802 crore in 2016-17 from ₹ 2,58,471 crore in 2015-16 and registered a negative growth of 9.93 per cent in 2016-17. The level of subsidy reported in 2016-17 was the lowest in the last five years.

Share of expenditure on subsidies in revenue expenditure has also come down to 12.04 per cent from 18.11 per cent during the same period. As a percentage of GDP, the expenditure on subsidies has come down to 1.53 per cent in 2016-17 from 2.59 per cent in 2012-13.

**Chart 1.6** presents the share of various components of subsidies. Out of the total subsidy expenditure of ₹ 2,32,802 crore in 2016-17, 47.32 per cent was on food, 28.48 per cent on fertilisers, 11.83 per cent on petroleum and 12.36 per cent on other subsidies.

**Chart 1.6: Components of explicit subsidies**



Receivables shown in the financial statements of the Corporations and Central Public Sector Undertakings working in the sectors of food, fertilisers and petroleum were correlated with the subsidy reimbursements made by the Union Government in the absence of complete information from the Ministries concerned. The accounts/records of Fertiliser and Chemicals Travancore Ltd (FACT), Brahmaputra Valley Fertilisers Corporation (BVFCL), National Fertilisers Ltd. (NFL), Rashtriya Chemical & Fertilizer (RCF) Ltd., Department of Food and Public Distribution, Ministry of Consumer Affairs and Ministry of Petroleum and Natural Gas (MoPNG) were examined and correlated in audit.

This examination brought out that an amount of ₹ 1,03,331.52 crore of subsidy claims (₹ 92,254.48 crore to FCI, ₹ 71,74.26 crore to Petroleum and ₹ 3902.78 crore to undertakings in the fertiliser sectors) have not been paid by the Union Government during financial year 2016-17 as depicted in **Annexure 1.1**. While arriving at the figure of ₹ 1,03,331.52 crore, claims submitted to the Government during the last quarter of 2016-17 have been excluded. Had these claims of three quarters been paid during the financial year, the total expenditure on subsidies would have been higher by ₹ 1,03,331.52 crore. Taking into account this figure, the expenditure on subsidies would have been 2.21 *per cent* of GDP in 2016-17, as against 1.53 *per cent* in 2016-17. Further, if outstanding subsidy claims are considered in totality including the past unpaid claims, but excluding the 4<sup>th</sup> quarter claims amounting to ₹ 1,87,863.42 crore, then the total subsidy expenditure would have been ₹ 4,20,665 crore in 2016-17, which works out to 2.77 *per cent* of GDP.

### 1.3.3 Capital Expenditure

**Table 1.22** presents the summary of capital expenditure, which results in asset creation or enhancing the utility of existing assets of Union Government and annual rate of growth for the period of 2012-13 to 2016-17.



**Table 1.22: Sectoral components of Capital Expenditure**

(₹ in crore)

Period	2012-13	2013-14	2014-15	2015-16	2016-17
<b>General Services</b>	79479 (4.33)	88063 (10.80)	90185 (2.41)	91727 (1.71)	99380 (8.34)
Defence Services	70499 (3.82)	79125 (12.24)	81887 (3.49)	79958 (-2.36)	86371 (8.02)
Police	6123 (10.85)	6417 (4.80)	6035 (-5.95)	9177 (52.06)	8949 (-2.48)
Public Works	1270 (13.74)	1431 (12.66)	1076 (-24.78)	1001 (-6.97)	1501 (49.95)
Others	1587 (-3.00)	1090 (-31.32)	1187 (8.90)	1591 (34.04)	2559 (60.84)
<b>Social Services</b>	5102 (11.32)	3813 (-25.26)	4875 (27.85)	5407 (10.91)	5315 (-1.70)
Water Supply, Sanitation, Housing and Urban Development	3100 (14.86)	1909 (-38.42)	2880 (50.86)	3496 (21.39)	2780 (-20.48)
Health and Family Welfare	1353 (18.58)	1280 (-5.40)	938 (-26.72)	1025 (9.28)	1384 (35.02)
Others	649 (-0.13)	624 (-3.86)	1057 (69.40)	886 (-16.18)	1151 (29.91)
<b>Economic Services</b>	65801 (12.09)	76968 (16.97)	77025 (0.07)	181732 (135.94)	144777 (-20.33)
Transport	36361 (18.34)	48708 (33.96)	53154 (9.13)	68854 (29.54)	92446 (34.26)
Industries and Minerals	2305 (-11.31)	3230 (40.13)	4013 (24.26)	3634 (-9.44)	4140 (13.92)
Science, Technology and Environment	2438 (12.86)	3080 (26.33)	3188 (3.53)	4040 (26.73)	5230 (29.46)
Energy	1083 (-60.79)	733 (-32.36)	945 (28.92)	2105 (122.75)	4673 (122.00)
Others	23614 (15.43)	21217 (-10.15)	15725 (-25.89)	103099 (555.64)	38288 (-62.86)
<b>Total</b>	<b>150382</b> <b>(7.83)</b>	<b>168844</b> <b>(12.28)</b>	<b>172085</b> <b>(1.92)</b>	<b>278866</b> <b>(62.05)</b>	<b>249472</b> <b>(-10.54)</b>

Figures in parentheses indicate growth in percentage.

Capital expenditure decreased by ₹ 29,394 crore and recorded a negative growth of 10.54 per cent over the previous year and stood at ₹ 2,49,472 crore in 2016-17. As a result of this, the share of capital expenditure in total expenditure has declined from 13.24 per cent in 2015-16 to 11.12 per cent in 2016-17 (Table 1.13).

Capital expenditure on Economic Services witnessed a negative growth of 20.33 per cent in 2016-17 as against the growth of 135.94 per cent in 2015-16. The



substantial fall was mainly attributable to ‘Others’ sector of Economic Services where capital expenditure declined by ₹ 64,811 crore (- 62.86 *per cent*) over the previous year.

Under General Services, Capital Expenditure under ‘Others’ has registered substantial growth of 60.84 *per cent* over the previous year.

### 1.3.3.1 Expenditure as percentage of GDP (Revenue + Capital)

Expenditure on Social and Economic Services relative to GDP indicates the priorities assigned to these sectors. Expenditure of the Union Government on Social and Economic Services together averaged 6.30 *per cent* of GDP during 2012-13 to 2016-17.

**Table 1.23: Major components of expenditure as percentage of GDP**

Period	Transport	Agriculture and Allied Services	Industries and Minerals	Education, Sports, Art and Culture	Health and Family Welfare	Water Supply, Sanitation, Housing and Urban Development
2012-13	1.96	1.56	0.37	0.63	0.21	0.26
2013-14	1.99	1.43	0.39	0.61	0.21	0.26
2014-15	1.96	1.37	0.46	0.25	0.10	0.04
2015-16	1.98	1.48	0.42	0.24	0.10	0.06
2016-17	1.91	1.10	0.52	0.25	0.12	0.11

**Table 1.23** depicts that the share of expenditure on Social Services (*viz.* Education, Sports, Art and Culture, Medical and Public Health and Water Supply, Sanitation, Housing and Urban Development) to GDP have reduced from 1.10 *per cent* during 2012-13 to 0.48 *per cent* during 2016-17. Share of expenditure on Economic Services (*viz.* Agriculture, Transport and Industries) decreased from 3.89 *per cent* in 2012-13 to 3.53 *per cent* in 2016-17.

### 1.3.4 Transfer and Assistance to States/Union Territories

Under the cooperative federalism practised in India, financial resources are transferred from Union Government to the State/Union Territory Governments in the form of share in the net proceeds of the Union tax revenues under Article 270, and grants-in-aid and loans to the State and Union Territory Governments under Articles 273, 275 and 293 of the Constitution.

The Fourteenth Finance Commission (FFC) has viewed that tax devolution should be the primary route of transfer of resources to States. In reckoning the requirements of the States, the FFC, ignoring the plan and non-plan distinction, had perceived enhanced devolution of the divisible pool of taxes from 32 *per cent* to 42 *per cent* as a ‘compositional shift in transfers from grants to tax devolution’.

Financial year 2016-17 is the second year encompassing the five year (2015-16 to 2019-20) award period of FFC. **Table 1.24** below analyses the transfer of resources

to the State/Union Territory Governments from the Union Government during 2012-13 to 2016-17.

**Table 1.24: Transfer and Assistance to States/UTs**

(₹ in crore)

Sl. No.	Transfer to States/UTs	2012-13	2013-14	2014-15	2015-16	2016-17	Variation (%) of transfer vis-a-vis 2015-16
<b>1.</b>	<b>Taxes and duties assigned to States</b>						
<b>1.1</b>	Corporation Tax	104964	107296	118235	159742	195439	22.35
<b>1.2</b>	Income Tax	62840	70651	84431	110933	135831	22.44
<b>1.3</b>	Customs	48558	52054	54759	81248	84070	3.47
<b>1.4</b>	Excise	33000	36764	30920	67717	96001	41.77
<b>1.5</b>	Service Tax	42007	51170	49141	86138	96209	11.69
<b>1.6</b>	Other Taxes	178	295	322	415	450	8.43
	Total of Taxes and duties assigned to States (1)	291547	318230	337808	506193	608000	20.11
<b>2.</b>	<b>Other Assistance to States/UTs</b>						
<b>2.1</b>	Grants <sup>6</sup>	177708	194119	333040	311196	285876	-8.14
<b>2.2</b>	Loans	14059	11090	12012	12576	17841	41.87
	Total (2)	191767	205209	345052	323772	303717	-6.19
	Total Transfer (1+2)	483314	523439	682860	829965	911717	9.85
<b>3.</b>	% of Total Transfer to Gross Tax revenue	40.63	45.96	54.84	57.01	53.13	-
<b>4.</b>	% of Total Transfer to Total Expenditure	30.15	29.49	35.77	39.42	40.66	-

From **Table 1.24** above, it would be seen that the total transfer to States/UTs have increased by 20.11 *per cent* in 2016-17 as compared to 2015-16. However, the Central transfer in form of Grant-in-aid to States/UTs Government has slipped by 8.14 *per cent*. The total transfer and assistance to States/UTs in the form of share in taxes, grants and loans increased by 9.85 *per cent* in 2016-17, as against the increase of 21.54 *per cent* in 2015-16.

The transfer to States in the form of share in central tax revenues as shown in Union Government Finance Accounts 2016-17 is subject to final ascertainment and certification under Article 279(1).

### 1.3.5 Major flagship programmes of the Government

The Union Government has been targeting key development priorities through flagship programmes. In July 2013, the Government reviewed the existing 137 Centrally Sponsored Schemes and restructured them into 66 Schemes, including 17 flagship programmes. Of the 17 flagship programmes, six major programmes have been analysed in **Table 1.25** below.

<sup>6</sup> As per Appendix to Statement No 9 of Finance Accounts ₹ 3,04,745 crore were released in 2016-17 as GIA to State/UT Governments. However, the expenditure booked under Major Head 3601 and 3602 was ₹ 2,85,876 crore in 2016-17.

Expenditure on the six flagship schemes was more than the BE figures by 0.26 per cent in 2015-16 and 6.25 per cent in 2016-17. In 2016-17, actual expenditure on these flagship schemes was lower compared with the budgetary targets except in MGNREGS and IAY.

**Table 1.25: Plan Expenditure on Major Flagship Programmes**

(₹ in crore)

		MGNREGS	SSA	MDM	NRHM	IAY	PMGSY	Total
2012-13	BE	33000	24243	11643	22799	11075	24000	126760
	Actuals	30274	23873	10849	18661	7869	8884	100410
	Variation over BE (in per cent)	(-8.26)	(-1.53)	(-6.82)	(-18.15)	(-28.95)	(-62.98)	(-20.79)
2013-14	BE	33000	26358	12879	23148	15184	21700	132269
	Actuals	32993	24802	10918	19385	12982	9805	110885
	Variation over BE (in per cent)	(-0.02)	(-5.90)	(-15.23)	(-16.26)	(-14.50)	(-54.82)	(-16.17)
2014-15	provision	34000	27349	12828	10254	16000	9852	110283
	Actuals	32977	24068	10523	8468	11106	10738	97880
	Variation over BE (in per cent)	(-3.01)	(-12.00)	(-17.97)	(-17.42)	(-30.59)	8.99	(-11.25)
2015-16	BE	35721	21295	8964	8219	10025	14048	98272
	Actuals	36269	21613	9145	7984	10116	13400	98527
	Variation over BE* (in per cent)	1.53	1.49	2.02	(-2.86)	0.91	(-4.61)	0.26
2016-17	BE	38500	22500	9580	13437	15000	19000	118017
	Actuals	48215	21685	9475	12025	16071	17923	125394
	Variation over BE (in per cent)	25.23	(-3.62)	(-1.10)	(-10.51)	7.14	(-5.67)	6.25

MGNREGS= Mahatma Gandhi National Rural Employment Guarantee Scheme, SSA= Sarva Shiksha Abhiyan, MDM= Mid-Day Meal, NRHM=National Rural Health Mission, IAY= Indira Awas Yojana & PMGSY= Pradhan Mantri Gram Sadak Yojana

### 1.3.6 Analysis of Outcome Budget and Gender Budgeting

#### (i) Analysis of select Outcome Budgets

##### 1. Introduction

The Outcome Budget seeks to convert Outlays into Outcomes by planning expenditure and fixing appropriate targets and quantifying deliverables under each scheme. It defines the physical output of financial budget indicating the actual physical performance for the previous years and targeted performance of the Ministry during the current year.

Outcome Budgets for the years 2013-14 to 2016-17 of three Ministries i.e., Ministry of Drinking Water and Sanitation, Ministry of New and Renewable Energy and Ministry of Urban Development were selected for examination in

audit. Analysis of financial outlay and achievement of physical targets of two schemes of each Ministry was carried out as detailed below.

## 2. Financial outlay

### (a) Ministry of Drinking Water and Sanitation

The financial outlay of the two schemes (a) National Rural Drinking Water Programme (NRDWP) and (b) Swachh Bharat Mission (Gramin) for the period 2013-14 to 2016-17 is detailed in the **Table 1.26** below.

**Table 1.26: Financial outlay of NRDWP and SBM (G)**

*(₹ in crore)*

Year	NRDWP				SBM(G)			Variation over BE
	Financial Outlays			Variation over BE	Financial Outlays			
	BE	RE	Actual		BE	RE	Actual	
2013-14	11000	9700	9697.27	(-) 1302.73 (11.82)	4098	2299	2250.32	(-) 1847.68 (45.09)
2014-15	11000	9250	9242.76	(-) 1757.24 (15.91)	4260	2850	2840.99	(-) 1419.01 (33.31)
2015-16	2611	4373	4369.55	(+) 1758.55 (67.48)	2625	6525	6524.52	(+) 3899.52 (148.55)
2016-17	5000	6000	5982.16	(+) 1302.73 (20.00)	9000	10500	10509.03	(+) 1509.03 (16.77)

*Figures in parentheses indicate variation in percentage.*

In NRDWP, actual expenditure was 12 per cent and 16 per cent less than BE during 2013-14 and 2014-15 respectively. It was more than BE by 67 per cent and 20 per cent during the years 2015-16 and 2016-17 respectively due to the reduction in the BE itself compared with the previous year. In SBM (G) too, the same expenditure pattern was followed as it was less than BE during 2013-14 and 2014-15 by 45 per cent and 33 per cent respectively. In the years 2015-16 and 2016-17, it was more by 149 per cent and 17 per cent over the BE respectively.

### b) Ministry of New and Renewable Energy

The financial outlay of the two schemes (a) Small Hydro Power (SHP) and (b) Bagasse Cogeneration and Biomass Power (BCBP) for the period 2013-14 to 2016-17 is detailed in **Table 1.27** below.

**Table 1.27: Financial outlay of the SHP and BCBP**

(₹ in crore)

Year	SHP				BCBP			
	Financial Outlays			Variation	Financial Outlays			Variation
	BE	RE	Actual		BE	RE	Actual	
2013-14	134.5	123.18	122.82	(-) 11.68 (8.68)	84	34.54	34.53	(-) 49.47 (58.89)
2014-15	100	108	107.99	(+) 7.99 (7.99)	52.25	25	25	(-) 27.25 (52.15)
2015-16	100	105	104.99	(+) 4.99 (4.99)	45	29	28.03	(-) 16.97 (37.71)
2016-17	112	125	124.70	(+) 12.70 (11.34)	30	17	10.29	(-) 19.71 (65.70)

Figures in parentheses indicate variation in percentage.

In SHP, no major variation in actual expenditure over BE was found. In case of BCBP, the actual expenditure remained considerably low in comparison to BE during the years 2013-14 to 2016-17.

### (c) Ministry of Urban Development

The financial outlay of the two schemes (a) Heritage City Development and Augmentation Yojana (HRIDAY) and (b) Urban Infrastructure Development Scheme in Satellite Towns around seven mega cities (UIDSST) for the period 2013-14 to 2016-17 is detailed in the **Table 1.28** below.

**Table No 1.28: Financial Outlay of HRIDAY & UIDSST**

(₹ in crore)

Year	HRIDAY				UIDSST			
	Financial Outlays			Variation	Financial Outlays			Variation
	BE	RE	Actual		BE	RE	Actual	
2013-14	NA	NA	NA	NA	78	70	69.03	(-) 8.97 (11.50)
2014-15	200	200	0.87	(-) 199.13 (99.57)	100	82	82.00	(-) 18 (18.00)
2015-16	200	200	27.26	(-) 172.74 (86.37)	100	70	70.00	(-) 30 (30.00)
2016-17	200	150	141.57	(-) 58.43 (29.22)	70	70	57.00	(-) 13 (18.57)
<b>Total</b>	<b>600</b>	<b>550</b>	<b>169.70</b>		<b>348</b>	<b>292</b>	<b>278.03</b>	

Figures in parentheses indicate variation in percentage.

For the year 2013-14, figures of BE and actual expenditure was not available for HRIDAY as the scheme was launched in January 2015. The scheme, during the years 2014-15 to 2016-17, has total expenditure of ₹ 169.70 crore against BE of ₹ 600 crore. In case of UIDSST, the actual expenditure remained between ₹ 57 crore and ₹ 82 crore during 2013-14 to 2016-17. The shortfall of actual expenditure to BE remained in the range of 12 per cent to 30 per cent during this period

### 3 Physical targets and achievement

#### (a) Ministry of Drinking Water and Sanitation-

##### (i) NRDWP

The physical targets and achievements of the two schemes viz., (a) National Rural Drinking Water Programme (NRDWP) and (b) Swachh Bharat Mission (Gramin) (SBM-G) for the period 2013-14 to 2016-17 is detailed in the **Table 1.29** and **Table 1.30** respectively.

**Table 1.29: Physical targets and achievements of NRDWP**

Year	NRDWP			
	Sub Schemes	Target	Achievements	Shortfall
2013-14	To provide for safe water in quality affected habitations	22000	16,649	5,351 (24.32)
	To provide safe water in habitations partially covered	75000	1,36,774	Achieved
2014-15	To provide for safe water in quality affected habitations	20000	15,588	4,412 (22.06)
	To provide safe water in habitations partially covered	75000	1,20,529	Achieved
2015-16	To provide safe water in rural area	56941	8,841	48,100 (84.47)
2016-17	To provide for safe water in quality affected habitations	54000	29,482	24518 (45.40)
	To provide safe water in habitations partially covered	8000	5,415	2585 (32.31)

*Figures in parentheses indicate variation in percentage.*

Targets for providing safe water in partially covered habitations were achieved only in the years 2013-14 and 2014-15, while the target for providing safe water in quality affected habitations was not achieved in any of the years. For the year 2015-16, the specific target for providing safe water in quality affected habitations and partially covered habitations were not fixed.

##### (ii) SBM (G)

**Table 1.30: Physical targets and achievements of SBM (G)**

Year	SBM (G)			
	Sub Schemes	Target	Achievements	Shortfall
2013-14	Household Toilet	6000000	4962000	1038000 (17.30)
	School Toilet	70000	37645	32355 (46.22)
2014-15	Household Toilet	5000000	5884000	Achieved
	School Toilet	30000	25267	4733 (15.78)
2015-16	Household Toilet	5000000	12664000	Achieved
	School Toilet	1500	1899	Achieved
2016-17	Household Toilet	15000000	21957000	Achieved
	School Toilet	1500	2911	Achieved

*Figures in parentheses indicate variation in percentage.*

In SBM (G), targets to provide the toilets in households and schools were achieved in the years 2015-16 and 2016-17.

**(b) Ministry of New and Renewable Energy**

The physical targets and achievements of the two schemes viz., (a) Small Hydro Power (SHP) and (b) Bagasse Cogeneration and Biomass Power (BCBP) for the period 2013-14 to 2016-17 is detailed in the **Table 1.31** below.

**Table 1.31: Physical targets and achievements of SHP and BCBP**

	SHP (in megawatt)			BCBP (in megawatt)		
	Targets	Achievement	Shortfall	Targets	Achievement	Shortfall
<b>2013-14</b>	300	171	129 (43.00)	405	NA	NA
<b>2014-15</b>	250	252	achieved	400	295.67	104.33 (26.08)
<b>2015-16</b>	250	219	31 (12.40)	400	304.85	95.15 (23.79)
<b>2016-17</b>	250	106	144 (57.60)	400	161.95	238.05 (59.51)

*Figures in parentheses indicate variation in percentage.*

Target for generating power under SHP project was achieved only in the year 2014-15.

In BCBP there was a shortfall in achieving the targets ranging from 24 *per cent* to 60 *per cent* during the period 2014-15 to 2016-17.

**(c) Ministry of Urban Development**

Ministry of Urban Development had not explicitly set annual physical targets in its Outcome Budget for the years 2013-14 to 2016-17.

**(ii) Gender Budgeting**

Gender budgeting was introduced in 2005-06. Gender Budget of the Union Government discloses expenditure proposed to be incurred within the overall budget on schemes which are designed to benefit women fully or partially. Schemes relating to gender budget were bifurcated in two categories viz. Part-A, schemes in which 100 *per cent* budget provisions were related to women and Part-B, schemes in which at least 30 *per cent* of budget provisions were related to women. Year-wise BE, RE and percentage of variation between BE and RE for the years from 2012-13 to 2016-17 are given in **Table 1.32** below.



**Table 1.32: Gender budgetary allocations during 2012-17**

Year	B E			R E			₹ in Crore	
	Part A	Part B	Total	Part A	Part B	Total	Variation (Diff in BE & RE)	% of variation
2012-13	22968.93	65173.87	88142.80	18878.48	59232.96	78111.44	(-)10031.36	(-)11.38
2013-14	27248.19	69885.51	97133.70	24285.11	61210.31	85495.42	(-) 11638.28	(-)11.98
2014-15	21887.61	75856.63	97744.24	17424.88	64168.04	81592.92	(-)16151.32	(-)16.52
2015-16	16657.11	62600.76	79257.87	11388.41	69860.71	81249.12	(+) 1991.25	(+)2.51
2016-17	19398.66	71371.14	90769.80	21179.12	75152.71	96331.83	(+)5562.03	(+) 6.13

(Source: Expenditure Profile 2017-18)

**Table 1.32** shows that there was variation ranging from -16.52 per cent to 2.51 per cent in RE as compared to BE during 2012-13 to 2016-17 under the schemes designed to benefit women. In BE 2016-17, 27 Ministries/Departments/ Union Territory Governments have made allocations for gender budget. During 2012-13 to 2014-15, expenditure at RE stage was less than that of BE. However, RE was higher compared with BE during 2015-16 and 2016-17 (**Table 1.32 above**).

Out of total allocation at RE stage in Part A scheme amounting to ₹ 21,179.12 crore for the year 2016-17, ₹ 16,000 crore (76 per cent) was pertaining to only one scheme, i.e. Pradhan Mantri Awaas Yojana, against which the actual expenditure was ₹ 16,071 crore.

Out of 80 schemes of Part A, in 30 schemes, the amount budgeted for was less than rupees one crore.

Under Nirbhaya scheme in Part A, there was an allocation of ₹ 403.40 crore in BE for the financial year 2016-17 which increased to ₹ 592.89 crore in RE in functional heads. For Nirbhaya Fund at RE stage, ₹ 550 crore was budgeted for transfer to the fund and ₹ 1,135 crore was planned to be incurred on various schemes of women welfare from the fund. Against this, the actual expenditure under this scheme was ₹ 1,171.60 crore.

### **1.3.7 Welfare Schemes for Scheduled Castes, Scheduled Tribes, Children and North Eastern Region**

Government had taken the initiative to make separate allocations for the development of Scheduled Castes (SCs) and Scheduled Tribes (STs) from the financial year 2011-12 with instructions to the Ministries/Departments not to re-appropriate the provisions, except to the same Minor Heads.

Further, for children below 18 years old, Government is committed to their development and welfare and made provisions meant specifically for their welfare. For the development of NER, special provision had been made in the budget.

**Table 1.33** depicts schemes for development/welfare of SCs and STs, Welfare of Children and for North Eastern Region (NER).



**Table 1.33: Development and Welfare schemes in 2016-17**

Sl. No.	Schemes	No. of sub-schemes	No. of Ministries	BE	RE	% Variation over BE
				₹ in crore		
1.	Welfare of SCs	256	28	38832.63	40919.70	5.37
2.	Welfare of STs	261	36	24005.39	25602.08	6.65
3.	Welfare of Children	84	22	65758.45	66248.62	0.75
4.	NER	1	55	29124.79	32180.08	10.49

Although there was no major variation at RE stage in all the schemes put together, it was noticed that in 22 schemes for SCs and 19 schemes for STs, the amount was reduced ranging from 50 to 100 per cent at RE stage in contravention of instructions given to the Ministries/Departments.

Further, out of total 256 and 261 schemes for welfare of SCs and STs, there were no budget allocation in 36 and 42 sub-schemes respectively at BE stage during 2016-17.

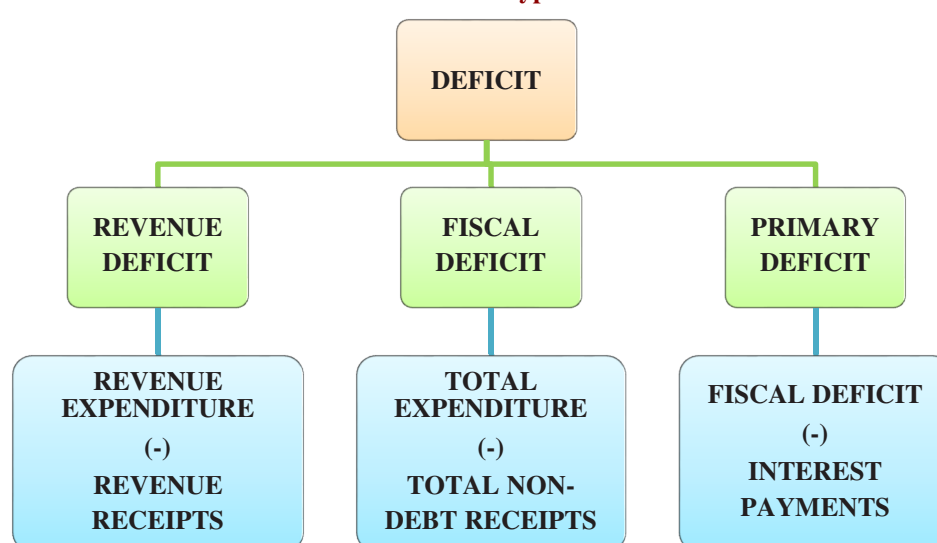
Similarly, out of total 84 schemes for welfare of children, variations in four schemes from BE to RE was ranging from (-) 89 per cent to 50 per cent.

Out of total 55 schemes for development of NER there were variations in eight schemes from BE to RE ranging from (-) 14 per cent to 108 per cent.

### 1.4 Deficits

Generally three types of deficits (**Box 1.3**) are used to assess the financial position of a Government, which are (i) Revenue Deficit, (ii) Fiscal Deficit and (iii) Primary Deficit.

**Box 1.3: Types of Deficits**



#### (a) Revenue Deficit

Revenue deficit represents the difference between revenue expenditure and revenue receipts. It leads to increase in borrowings without corresponding

capital/asset formation and thus create an asset liability mismatch. For these reasons, revenue deficit is generally considered less desirable.

**Table 1.34** indicates that the revenue deficit decreased from ₹ 3,43,369 crore in 2015-16 to ₹ 3,17,030 crore in 2016-17. As percentage of GDP, revenue deficit declined from 2.51 *per cent* in 2015-16 to 2.09 *per cent* in 2016-17.

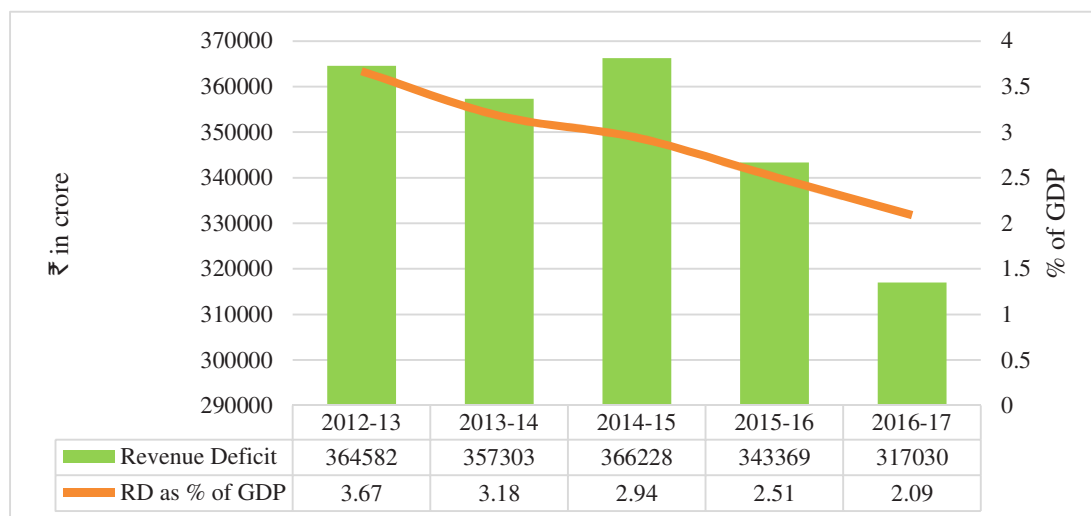
**Table 1.34: Revenue deficit**

*(In per cent)*

Period	Revenue Receipt	Revenue Expenditure	Revenue Deficit	Revenue Deficit as percentage of		
	<i>(₹ in crore)</i>			Revenue Receipt	Revenue Expenditure	GDP
2012-13	1055891	1420473	364582	34.53	25.67	3.67
2013-14	1217794	1575097	357303	29.34	22.68	3.18
2014-15	1328909	1695137	366228	27.56	21.60	2.94
2015-16	1436160	1779529	343369	23.91	19.30	2.51
2016-17	1615988	1933018	317030	19.62	16.40	2.09

Revenue deficit is illustrated graphically in the **Chart 1.7**.

**Chart 1.7 Revenue deficit and its percentage of GDP**



**(b) Fiscal Deficit**

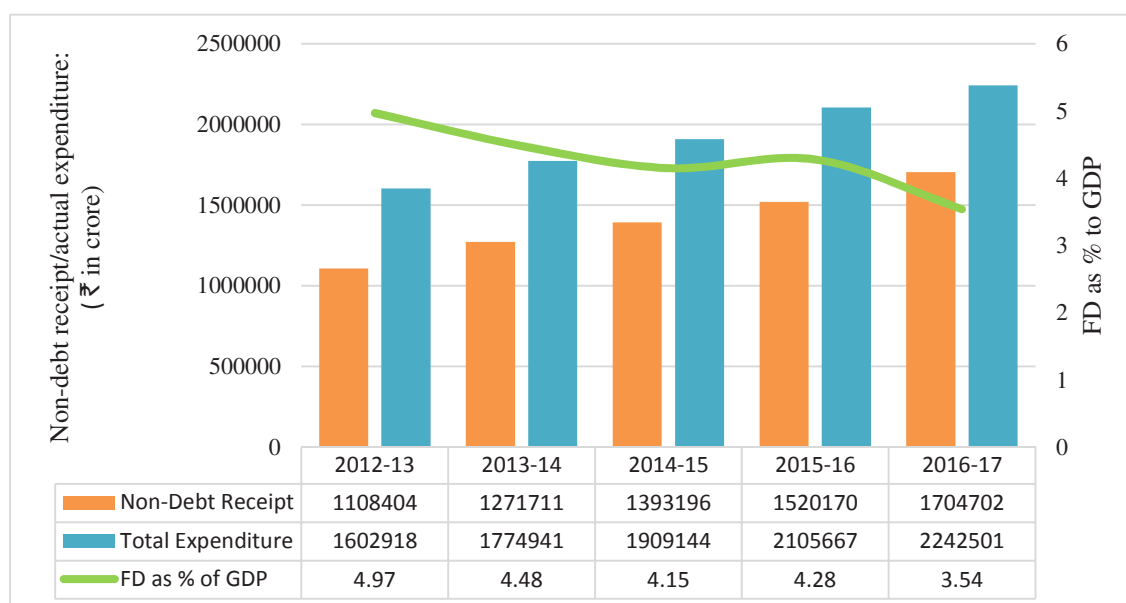
Fiscal deficit is the excess of total expenditure over non-debt receipts. It also indicates the required borrowing of the Government and the increment to its outstanding debt. It normally represents the net incremental liabilities of the Government or its additional borrowings made to bridge the budgetary gap between revenue and expenditure. The shortfall is met either by additional public debt (internal or external) borrowings or by the use of surplus funds from the Public Account as detailed in **Table 1.35**.

**Table 1.35: Fiscal Deficit**

Period	Non-Debt Receipts	Total expenditure	Fiscal Deficit	Fiscal Deficit as percentage of		
				Non-Debt Receipts	Total Expenditure	GDP
2012-13	1108404	1602918	494514	44.61	30.85	4.97
2013-14	1271711	1774941	503230	39.57	28.35	4.48
2014-15	1393196	1909144	515948	37.03	27.03	4.15
2015-16	1520170	2105667	585497	38.52	27.81	4.28
2016-17	1704702	2242501	537799	31.55	23.98	3.54

**Table 1.35** indicates that fiscal deficit decreased from ₹ 5,85,497 crore in 2015-16 to ₹ 5,37,799 crore in 2016-17. As percentage to GDP, fiscal deficit was 3.54 *per cent* in 2016-17, as compared to 4.28 *per cent* in 2015-16.

Fiscal deficit is illustrated graphically in the **Chart 1.8**.

**Chart 1.8 Fiscal Deficit and its Parameters**


If the bulk of fiscal deficit is for sustaining capital expenditure or for providing financial accommodation to entities for capital formation, such deficits may be considered desirable up to a certain point.

**Table 1.36: Share of Components of Fiscal Deficit**

Period	(In per cent)		
	Revenue Deficit	Net Capital Expenditure	Net Loans and Advances
2012-13	73.73	25.17	1.10
2013-14	71.00	27.72	1.28
2014-15	70.98	26.04	2.98
2015-16	58.65	40.43	0.92
2016-17	58.95	37.51	3.54

As can be seen from **Table 1.36**, the bulk of the fiscal deficit was towards financing the revenue deficit. Out of the fiscal deficit of ₹ 5,37,799 crore, ₹ 3,17,030 crore (58.95 per cent) was on revenue account, which represents revenue deficit in 2016-17. Remaining share of fiscal deficit was on capital account. The share of revenue deficit increased marginally from 58.65 per cent in 2015-16 to 58.95 per cent in 2016-17. This was due to decrease in the share of net capital expenditure which decreased to 37.51 per cent in 2016-17 from 40.43 per cent in 2015-16. However, the share of net loans and advances rose to 3.54 per cent in 2016-17 in comparison to the 0.92 per cent in 2015-16.

**Table 1.37** presents the source of financing the fiscal deficit of the Union Government.

**Table 1.37: Sources of financing of Fiscal Deficit**

(₹ in crore)

Year	Internal debt (Net)		External debt (Net)		Public Account (Net)		Cash draw down		Fiscal Deficit
	Amount	Per cent	Amount	Per cent	Amount	Per cent	Amount	Per cent	
2012-13	533944	107.97	7201	1.46	4380	0.89	-51011	-10.32	494514
2013-14	476383	94.67	7292	1.45	38721	7.69	-19166	-3.81	503230
2014-15	497564	96.44	12933	2.51	-72393	-14.03	77844	15.09	515948
2015-16	566544	96.76	12748	2.18	-6965	-1.19	13170	2.25	585497
2016-17	437317	81.32	17997	3.35	91381	16.99	-8896	-1.65	537799

As is evident from the table, fiscal deficit is financed mainly from net internal debt. In 2016-17, external debt and the Public Account were also used to improve the fiscal mismatch position of the Union Government.

### (c) Primary Deficit

Primary deficit is measured by subtracting the interest payments from fiscal deficit. It is a measure of current year's fiscal operation after excluding the interest payments that had arisen due to borrowings undertaken in the past. The primary deficit as a percentage of GDP gradually declined from 1.65 per cent in 2012-13 to 0.22 per cent in 2016-17 as shown in **Table 1.38**. However, it was higher (0.94 per cent) in 2015-16 as compared to 2014-15.

**Table 1.38: Primary Deficit**

(₹ in crore)

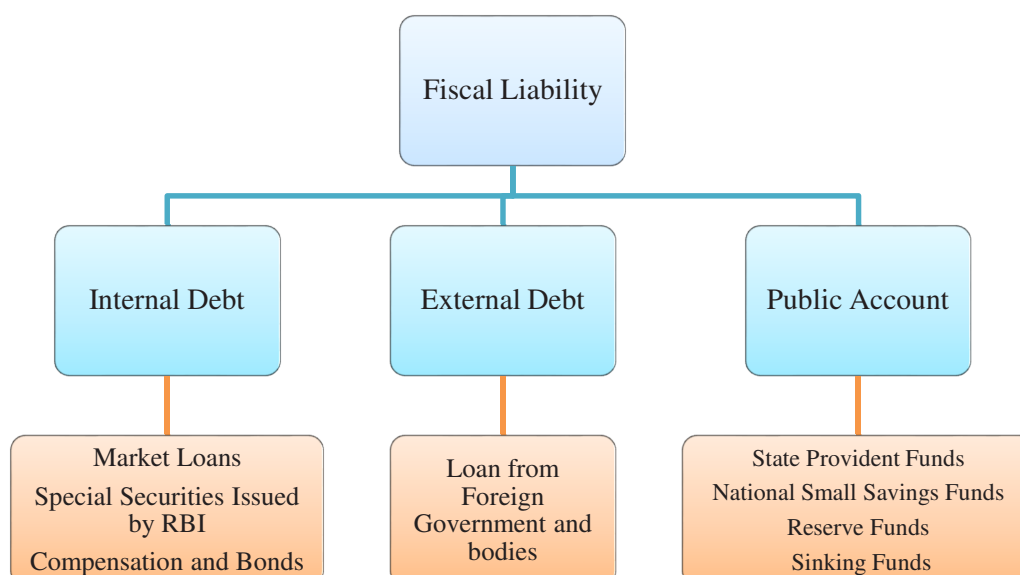
Year	Fiscal Deficit	Total Interest Payments*	Primary Deficit	As per cent of GDP
2012-13	494514	330171	164343	1.65
2013-14	503230	395200	108030	0.96
2014-15	515948	425098	90850	0.73
2015-16	585497	457270	128227	0.94
2016-17	537799	504512	33287	0.22

\*Includes expenditure on reduction or avoidance of debt.

## 1.5 Debt Management

While reliance on debt to balance the budget may not be entirely avoidable, the Union Government sets limits on borrowings through the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. The FRBM Rules stipulate that the Central Government shall not assume additional liabilities (including external debt at current exchange rate) in excess of nine *per cent* of GDP for the financial year 2004-05 and in each subsequent financial year, the limit of nine *per cent* of GDP was to be progressively reduced by at least one percentage point of GDP. **Box 1.4** below depicts the ‘Fiscal liabilities of Government of India’.

**Box 1.4: Fiscal liability**



**Table 1.39** presents the composition of internal debt, comprising of various instruments, viz. market loans, treasury bills, securities issued to international financial institutions, compensation and other bonds at the end of the respective financial years.

**Table 1.39: Composition of Internal Debt**

(₹ in crore)

Year	Market Loans	Treasury Bills	Securities issued to			Compensation and other bonds	Others	Total
			International financial institution	National Small Saving Fund	Postal Life Insurance			
2012-13	2984309 (79.27)	418185 (11.11)	32226 (0.86)	216806 (5.76)	20894 (0.56)	13823 (0.37)	78321 (2.07)	3764566 (100)
2013-14	3441641 (81.16)	425950 (10.04)	35181 (0.83)	229165 (5.40)	20894 (0.49)	13614 (0.32)	74322 (1.76)	4240767 (100)
2014-15	3891734	435129	46395	261391	20894	13426	69322	4738291

Report of the CAG on  
Union Government Accounts 2016-17

Year	Market Loans	Treasury Bills	Securities issued to			Compensation and other bonds	Others	Total
			International financial institution	National Small Saving Fund	Postal Life Insurance			
	(82.13)	(9.18)	(0.98)	(5.52)	(0.44)	(0.28)	(1.47)	(100)
2015-16	4300102 (81.06)	485822 (9.16)	106726 (2.01)	313856 (5.92)	20894 (0.39)	11114 (0.21)	66321 (1.25)	5304835 (100)
2016-17	4649487 (80.98)	491372 (8.56)	108740 (1.89)	381291 (6.64)	20894 (0.36)	20325 (0.36)	69600 (1.21)	5741709 (100)

Figures in parentheses show percentage of total internal debt.

Market loans constitute more than 80 per cent of the internal debt. Treasury bills being the second largest mode of internal debt constitutes 8.56 per cent of the internal debt.

Table 1.40 presents the total fiscal liability of Government both at current rate of exchange and at the historical rate (the rate at which the debt was originally contracted).

**Table 1.40: Total Fiscal Liability**

(₹ in crore)

Period	Internal Debt of Union Government (1)	External Debt (at historical rate) (2)	Public Account Liabilities* (3)	Total liabilities (at historical rate) 4(1+2+3)	External Debt (at current rate) (5)	Total liabilities (at current rate) 6(1+3+5)
2012-13	3764566 (37.85)	177289 (1.78)	610016 (6.13)	4551871 (45.76)	332004 (3.34)	4706586 (47.32)
2013-14	4240767 (37.74)	184581 (1.64)	644060 (5.73)	5069408 (45.11)	374483 (3.33)	5259310 (46.81)
2014-15	4738291 (38.07)	197514 (1.59)	671010 (5.39)	5606815 (45.05)	366384 (2.94)	5775685 (46.41)
2015-16	5304835 (38.77)	210262 (1.54)	711608 (5.20)	6226705 (45.51)	406589 (2.97)	6423032 (46.95)
2016-17	5741709 (37.81)	228259 (1.50)	756448 (4.98)	6726416 (44.30)	408108 (2.69)	6906265 (45.48)

Note: Figures in parentheses show percentage of GDP.

\*Public Account liabilities since 1999-2000 exclude the liabilities on account of small savings to the extent invested in Special State Government Securities and some other instruments, as well as losses incurred in the National Small Savings Fund operations.

Total liability at current rate as percentage of GDP has shown a declining trend during 2012-17 except in 2015-16 during which it marginally increased by 0.54 percentage point and reached the level of 46.95 per cent. However, it declined and reached 45.48 per cent in 2016-17, the lowest ever level in the last five years. As on 31 March 2017, internal debt constituted 96.18 per cent of the total public debt (internal and external debt). However, reckoning the external debt at current rate of exchange, the ratio of internal debt constitutes 93.36 per cent of the public debt. The share of external debt is around than 3 per cent of total liabilities which

indicates that the liability would not be exposed to global volatilities. The level of debt stock in 2016-17 was 45.48 *per cent* of the GDP, which surpassed the level of 41.41 *per cent* recommended by the 14<sup>th</sup> Finance Commission (**Table 1.44**).

**Table 1.41** brings out the position of the total fiscal liability taking into consideration both the netted as well as the actual figures of the Public Account Liabilities.

**Table 1.41: Understatement of Total Fiscal Liability**

(₹ in crore)

Period	Public Account Liabilities (as per netted figure)	Public Account Liabilities (Actual)	Understated amount (3-2)	Total netted Liabilities (at current rate)	Total Actual Liabilities (at current rate) (4+5)
1	2	3	4	5	6
2012-13	610016 (6.13)	1198214 (12.05)	588198	4706586 (47.32)	5294784 (53.23)
2013-14	644060 (5.73)	1268854 (11.29)	624794	5259310 (46.81)	5884104 (52.37)
2014-15	671010 (5.39)	1341220 (10.78)	670210	5775685 (46.41)	6445895 (51.79)
2015-16	711608 (5.20)	14,30,012 (10.45)	718404	6423032 (46.95)	7141436 (52.20)
2016-17	756448 (4.98)	1519728 (10.01)	763280	6906265 (45.48)	7669545 (50.51)

*Note: Figures in parentheses show percentage of GDP.*

As per the figures in the Finance Accounts, as on 31 March 2017, outstanding Public Account liabilities stood at ₹ 7,56,448 crore, (₹ 5,48,348 crore as Small Savings and Provident Fund and ₹ 2,08,100 crore as other obligations). This is due to Government excluding the liabilities of ₹ 7,63,280 crore that has been funded through investments from the obligation. However, taking into account the level of liability of Small Savings, Provident Funds, etc., of ₹ 13,11,628 crore and ₹ 2,08,100 crore as other obligations, Public Account Liability works out to ₹ 15,19,728 crore as brought out in column 3 of the **Table 1.41** in 2016-17 as against ₹ 14,30,012 crore in 2015-16. Accordingly, the total outstanding liability of the Union Government as on 31 March 2017, reckoning the external debt at current rate, stood at ₹ 76,69,545 crore, constituting 50.51 *per cent* of the GDP in 2016-17 as against ₹ 71,41,436 crore constituting 52.60 *per cent* of the GDP in 2015-16.

### 1.5.1 Repayment of Public Debt

During 2016-17, the Government paid a sum of ₹ 4,48,928 crore as interest on internal debt (Table 1.42). Over 82.55 per cent of interest paid on internal debt was interest on market loans (₹ 3,70,590 crore) bearing interest of varying rate. The interest paid on external debts was 5,144 crore. Nearly 91 per cent (₹ 4,701 crore) of interest on external debt was towards loans from only four entities, i.e. loans from the International Development Association (IDA), Government of Japan, International Bank for Reconstruction and Development (IBRD) and Asian Development Bank (ADB).

**Table 1.42: Public Debt receipt and Repayment**

(₹ in crore)

Year	Payment of internal debt		Payment of external debt		Total repayment of public debt	Total receipt of public debt	Total non-debt receipts
	Principal	Interest	Principal	Interest			
1	2	3	4	5	6 (2+3+4+5)	7	8
2012-13	3410785	281891	16108	4019	3712803	3968038	1108404
2013-14	3493167	344893	18124	3880	3860064	3994966	1271711
2014-15	3687099	371420	20601	3766	4082886	4218196	1393196
2015-16	3714352	405242	23305	3925	4146824	4316950	1520170
2016-17	5652628	448928	26195	5144	6132895	6134137	1704702

Total repayment of public debt was ₹ 61,32,895 crore in 2016-17 against the total non-debt receipt of ₹ 17,04,702 crore constituting more than 3.6 times of non-debt receipts. Further, the proportion of repayment of public debt to revenue receipts was 3.8 times in 2016-17.

### 1.5.2 Debt Sustainability

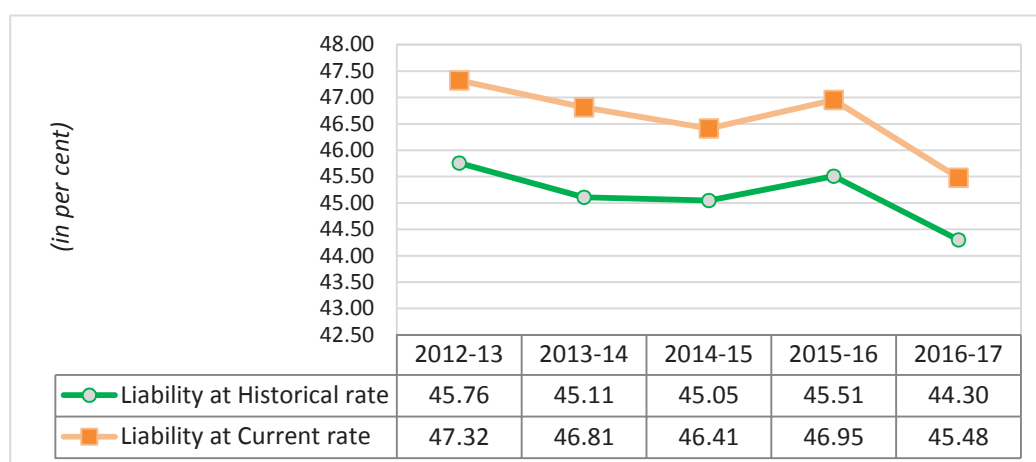
Debt sustainability is generally measured in terms of level of debt, primary deficit and interest cost in relation to nominal GDP growth rate. A falling Debt/GDP ratio can be considered as leading towards stability. The ratio of interest payments to revenue receipts is also used to measure debt sustainability. In this section, assessment of the sustainability of total liability (public debt and other liabilities) has been made using trends observed in critical variables.

#### (a) Liability-GDP Ratio

The trend in the Liability-GDP ratio is an important indicator which signifies sustainability of the liability and is presented in Chart 1.9.



**Chart 1.9: Trends in Liability –GDP ratio**

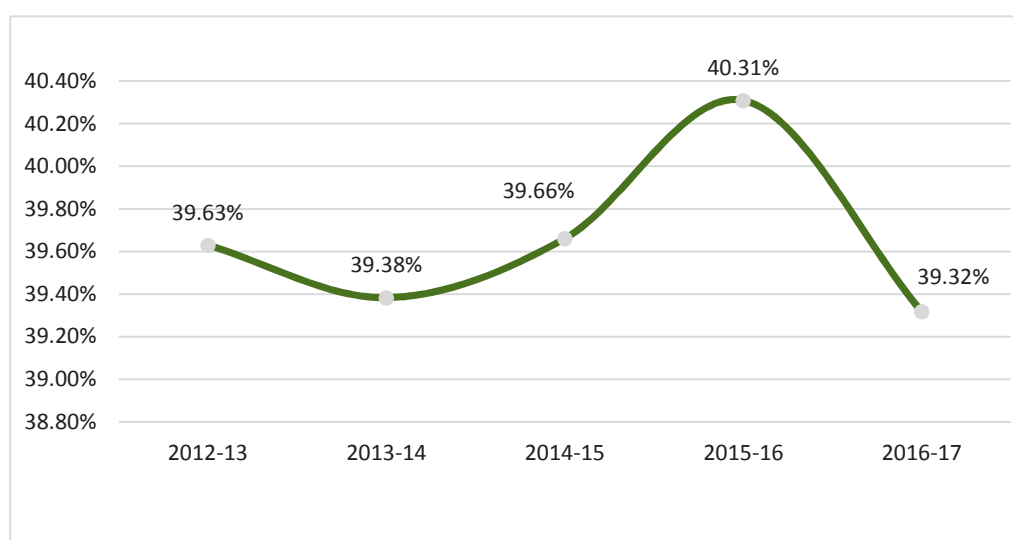


Union Government’s liability at current rate increased from ₹ 47,06,586 crore in 2012-13 to ₹ 69,06,265 crore in 2016-17. The Liability-GDP ratio decreased from 46.95 *per cent* in 2015-16 to 45.48 *per cent* in 2016-17. This analysis has not taken into account the understatement of liabilities in the Public Account as mentioned in **Table 1.40**, but for which the Liability-GDP ratio in 2016-17 would have been 50.51 *per cent*.

**(b) Debt-GDP Ratio**

The trend in the Debt-GDP ratio is an important indicator which signifies sustainability of the liability and is presented in **Chart 1.10**.

**Chart 1.10: Trends in Debt–GDP ratio**

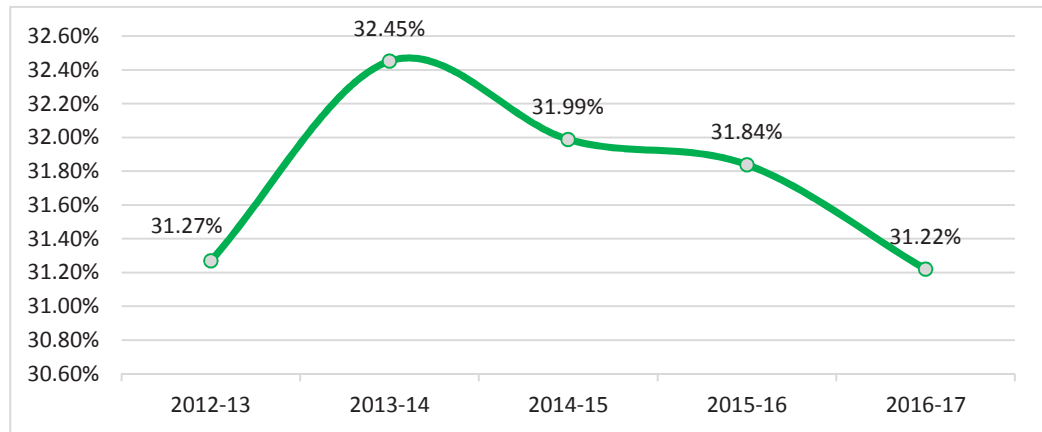


Union Government’s debt increased from ₹ 55,15,097 crore in 2015-16 to ₹ 59,69,968 crore in 2016-17 (**Tables 1.39 and 1.40**). However, the Debt-GDP ratio as percentage decreased from 40.31 *per cent* in 2015-16 to 39.32 *per cent* in 2016-17.

**(c) Ratio of Interest Payments to Revenue Receipts**

Interest cost of debt is another crucial indicator of the sustainability of the Government debt. The ratio of interest payment to revenue receipts (IP/RR) showed a declining trend for the Government from 2013-14 to 2016-17 (**Chart 1.11**).

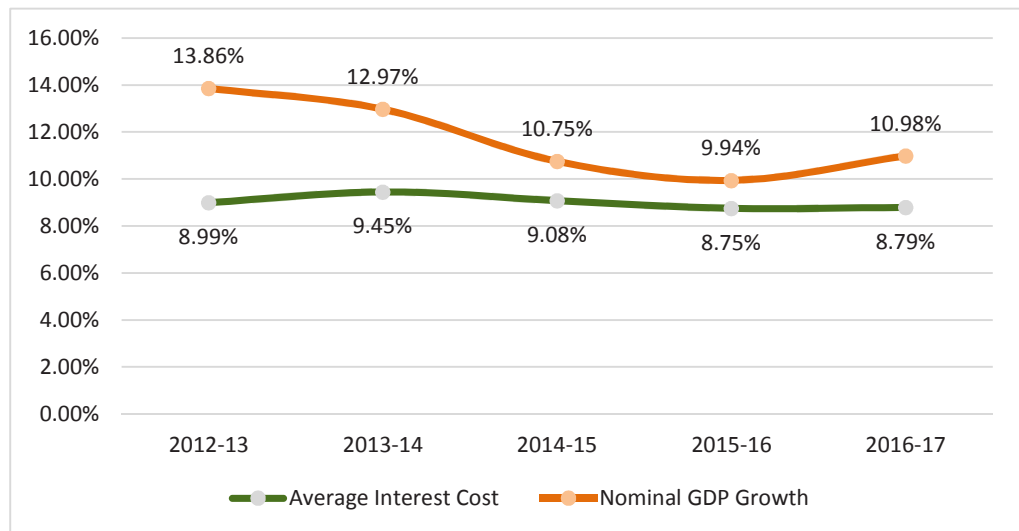
**Chart 1.11: Percentage of Interest Payments to Revenue Receipt**



**(d) Average Interest Cost**

Average Interest Cost (AIC) is arrived at by dividing interest payments during a year with average debt stock<sup>7</sup>. A declining average interest cost augurs well for the stability of the government debt.

**Chart 1.12: Average Interest Cost (AIC) and Nominal GDP growth**



**Chart 1.12** shows a downward movement in average interest cost from 2013-14 to 2015-16 which got reversed in 2016-17. It increased marginally from 8.75 per

<sup>7</sup> Average debt stock is a simple average of outstanding debt at the beginning and at the end of the year.

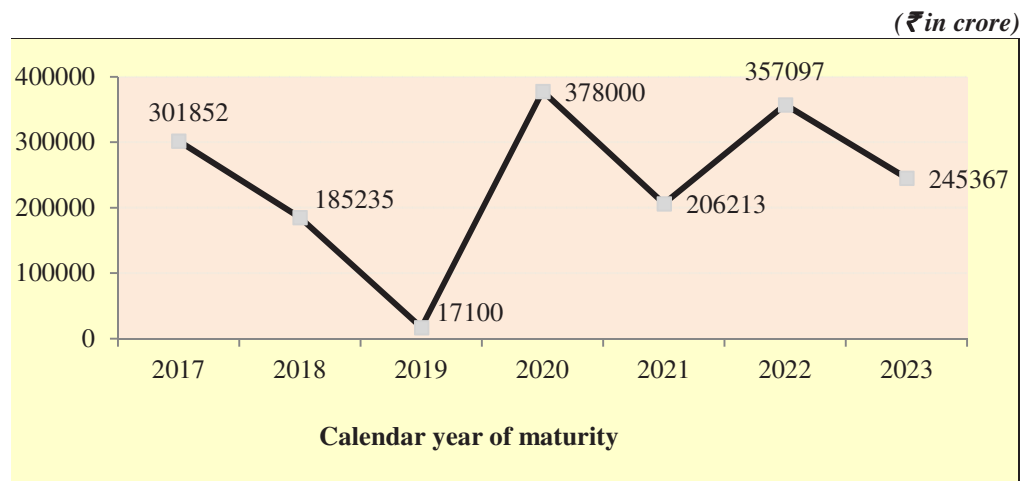
cent in 2015-16 to 8.79 per cent in 2016-17 as interest payment grew by 10.98 per cent in 2016-17 over previous year.

A comparison of AIC with nominal GDP growth rate reinforces the sustainability of public debt, as nominal growth rate in GDP has been above the average interest cost during 2012-17.

**(e) Maturity Profile of Market Loans**

Of the total outstanding liabilities of ₹ 69,06,265 crore in 2016-17, the internal debt accounted for ₹ 57,41,709 crore. Major component of internal debt is Market Loans which are dated securities and constitute ₹ 46,49,487 crore (80.98 per cent of internal debt). Maturity profile of market loans due for redemption within seven years is ₹ 16,90,864 crore (around 37 per cent of outstanding market loan) at the end of 2016-17 (Chart 1.13).

**Chart 1.13: Maturity profile of Market Loans**



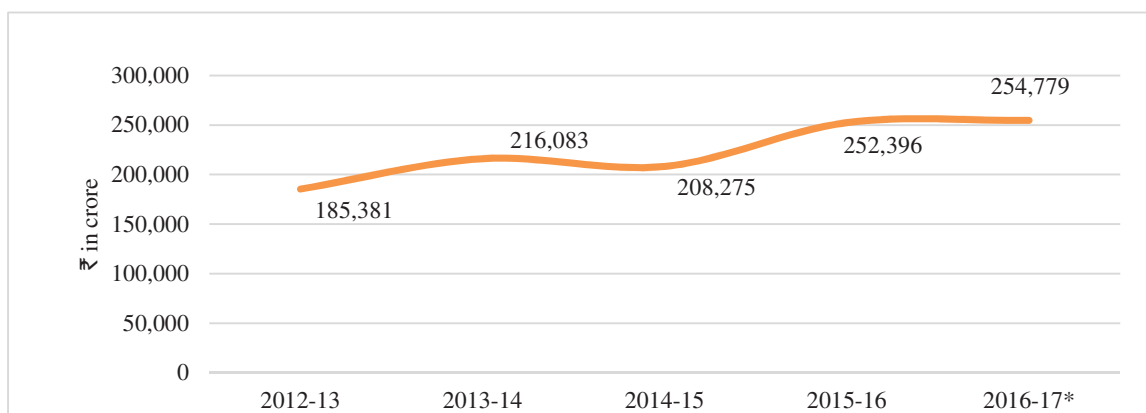
Source: Union Government finance Accounts for FY 2016-17

In the year 2016, the dated securities contracted with longest maturity tenor were of 39 years.

**1.5.3 Unutilised committed external assistance**

During 2016-17, the external debt at current exchange rate has been reported at ₹ 4,08,108 crore, while unutilized committed external assistance was to the tune of ₹ 2,54,779 crore as on 31 March 2017. Sector wise details obtained from the office of the Controller of Aid Accounts & Audit (CAAA) indicates that there were large undrawn balances of committed external assistance in the sectors of Urban Development (₹ 44,727 crore), Atomic Energy (₹ 30,916 crore), Power (₹ 19,696 crore), Railways (₹ 20,454 crore), Water Supply and Sanitation (₹ 25,111 crore), Water Resource Management (₹ 11,826 crore), Roads (₹ 36,895 crore) and Environment and Forestry (₹ 12,422 crore).

**Chart 1.14: Unutilised committed external assistance**



\*Figures for the year 2016-17 is provisional. These have been provided by the CAAA.

Commitment charges on undrawn external assistance are paid on the amount of principal rescheduled for drawal on later dates. As there is no distinct head in the accounts for reflecting the payment of commitment charges, it is shown under the head 'interest obligation'. **Table 1.43** indicates charges paid to the various Bodies/Governments during the five years period as commitment charges for rescheduling the drawal of assistance at later dates.

**Table 1.43: Commitment Charges**

(₹ in crore)

Year	Asian Development Bank	Japan	Germany	International Bank for Reconstruction & Development	Total
2012-13	47.62	25.67	7.43	12.23	92.95
2013-14	47.47	49.99	9.78	10.09	117.33
2014-15	49.21	46.11	8.47	6.74	110.53
2015-16	57.58	37.75	7.36	7.91	110.60
2016-17	60.39	35.30	9.17	16.95	121.81

The payment of commitment charges has been increasing since 2014-15 and reached its highest ever level of ₹ 121.81 crore in 2016-17. This points towards continued inadequate planning, resulting in avoidable expenditure on commitment charges.

#### **1.5.4 Performance vis-a-vis recommendations of the 14<sup>th</sup> Finance Commission**

The major fiscal aggregates of the Union Government during 2016-17, second year of award period compared with that outlined by the Fourteenth Finance Commission (14<sup>th</sup> FC), are tabulated in **Table 1.44**.

**Table 1.44: Fiscal roadmap and Actual Performance**

*(Percentage of GDP)*

Parameter	Recommended by the 14 <sup>th</sup> FC					Actual Performance as per Finance Accounts	
	2015-16	2016-17	2017-18	2018-19	2019-20	2015-16	2016-17
Revenue Deficit	2.56	2.25	1.79	1.36	0.93	2.51	2.09
Non-Debt Capital Receipts	0.61	0.65	0.70	0.76	0.82	0.61	0.58
Fiscal Deficit	3.60	3.00	3.00	3.00	3.00	4.28	3.54
Debt Stock (end of the year liabilities)	43.60	41.41	39.49	37.79	36.30	46.95	45.48

As can be seen from the above table, Revenue Deficit being 2.09 *per cent* of GDP remained below the target of 2.25 *per cent*. Fiscal Deficit (3.54 *per cent*) surpassed the target of three *per cent* of GDP in 2016-17. Debt Stock for the year 2016-17 was 45.48 *per cent* of GDP as against the target of 41.41 *per cent* of GDP.

### **1.6 Growth in Guarantees of the Union Government**

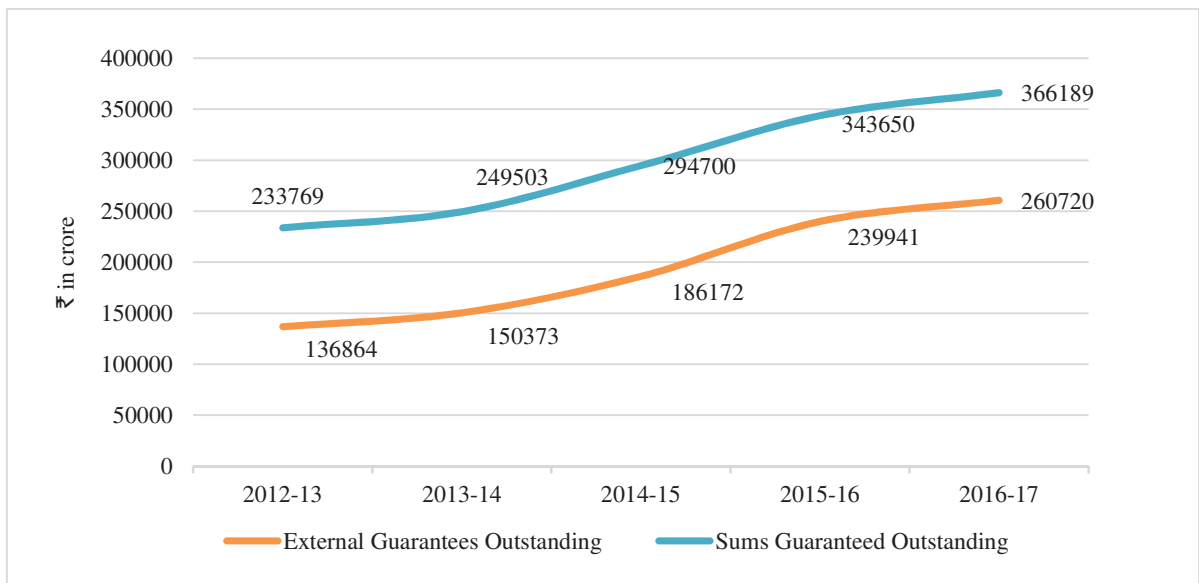
In terms of Article 292 of the Constitution, the Union Government may give guarantees within such limits, if any, as may be fixed by Parliament by law. Guarantees are given by the Union Government for (i) repayment of borrowings and payment of interest thereon, (ii) repayment of share capital and payment of minimum dividend, (iii) payment against agreements for supplies of materials and equipment on credit basis on behalf of Government Companies/Corporations, Railways, Union Territories, State Governments, local bodies, joint stock companies, co-operative institutions, etc. These guarantees constitute a contingent liability on the CFI.

Guarantees assume significance in the context of growing requirement of investments for infrastructure development and participation of the private sector in such projects. Contingent liabilities of the Union Government arise because all risks cannot be anticipated upfront. While guarantees do not form part of debt as conventionally measured, in the eventuality of default, they have the potential of aggravating the debt position of the Government.

Guarantees are usually given to enable borrowings from international agencies or to enable PSUs to borrow money from the market. As stipulated in Rule 3(3) of the FRBM Rules, 2004, the Central Government shall not give guarantees aggregating to an amount exceeding 0.5 *per cent* of the GDP in any financial year beginning with the financial year 2004-05. Further in compliance to Rule 6(1)(b) of FRBM Rules, 2004, the Central Government is required to make a disclosure with regard to guarantees at the time of presenting the Annual Financial Statement in order to ensure greater transparency in its fiscal operation.

**Chart 1.15** and **Table 1.45** respectively give the position regarding the maximum amount of guarantees, sums guaranteed outstanding and external guarantees outstanding at the end of the financial years 2012-17. Of the sums guaranteed outstanding as on 31 March, 2017, 71.20 *per cent* was towards loans from foreign lending institutions, 21.22 *per cent* towards guarantees to RBI /banks/industrial and financial institutions for repayment of principal and payment of interest, cash credit facility etc., and the remaining 7.58 *per cent* towards guarantees for repayment of share capital, payment of minimum annual dividend and repayment of bonds, loans, debentures/counter guarantees etc. The major Ministries/Departments for whom guarantees were given by the Ministry of Finance in 2016-17 were the Ministries/Departments of Agriculture and Co-operation, Economic Affairs, Civil Aviation, Power, Telecommunications, New and Renewable Energy and External Affairs.

**Chart 1.15: Guarantees given by the Union Government**



**Table 1.45: Guarantees given by the Union Government**

(₹ in crore)

Year	Maximum amount of guarantee	Sums Guaranteed Outstanding (Total)	External Guarantees Outstanding	Outstanding External Guarantees as a percentage of Total Outstanding Guarantees
2012-13	242915	233769	136864	58.55
2013-14	270629	249503	150373	60.27
2014-15	305519	294700	186172	63.17
2015-16	352519	343650	239941	69.82
2016-17	378592	366189	260720	71.20

The total outstanding guarantees as on 31 March 2017 stood at 2.41 *per cent* of the GDP and 22.66 *per cent* of revenue receipts that accrued to the Union Government in 2016-17.

In compliance to FRBM Act, the addition of guarantees during the year was ₹ 34,945.30 crore (0.23 *per cent* of GDP). However, net accretion of guarantees during the year 2016-17 was ₹ 22,541.84 crore, which was 0.15 *per cent* of GDP.

### **1.7 Conclusion**

The year 2016-17 was marked by a slower growth in economy as estimates of GDP at constant prices (2011-12) declined to 7.11 *per cent* in 2016-17 against the growth rate of 8.01 *per cent* in 2015-16. A quarter-wise analysis of the Gross Value Added (GVA)<sup>8</sup> at constant prices (2011-12) indicates that the growth in the first quarter of 2016-17 was the same as in 2015-16 i.e., at 7.6 *per cent*. However, rates of growth in the subsequent three quarters in 2016-17 as compared with the corresponding quarters in 2015-16 witnessed a decline. The slowdown in GDP started from the second quarter and became more pronounced in the fourth quarter of 2016-17. However, GDP at current prices in the year 2016-17 marked an improvement of 10.98 *per cent* as compared to 9.94 *per cent* in the previous year. Improvement was observed in both revenue deficit, which declined from 2.51 *per cent* in 2015-16 to 2.09 *per cent* in 2016-17 of GDP, and the fiscal deficit which declined from 4.28 *per cent* in 2015-16 to 3.54 *per cent* in 2016-17 in relation to GDP. Total liability at current exchange rate as percentage of GDP has decreased from 46.95 *per cent* in 2015-16 to 45.48 *per cent* in 2016-17. The growth of debt stock in 2016-17 over the previous year at 8.25 *per cent* was lower in comparison to growth of GDP at 10.98 *per cent* at current prices.

---

<sup>8</sup> GDP net of taxes on product