सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
on
Compliance of the Fiscal Responsibility and Budget Management Act, 2003 for the year 2020-21

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Union Government
Department of Economic Affairs
(Ministry of Finance)
Report No. 32 of 2022

Report of the
Comptroller and Auditor General of India

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For the year ended March 2021

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Preface

The Comptroller and Auditor General of India (CAG) was, vide Rule 8 framed under Section 7A of the Fiscal Responsibility and Budget Management (FRBM) Act 2003, entrusted with the responsibility of periodically reviewing the compliance of the provisions of the FRBM Act 2003 and present such reviews before both Houses of Parliament beginning with the Financial Year 2014-15.

This is the sixth report of the CAG on compliance with the provisions of the Act and the Rules made thereunder, by the Central Government for the year ending March 2021. This is the third report since the Act and Rules were significantly amended with effect from 01 April 2018. The report examines the achievements vis-à-vis FRBM targets and compares actuals with projections made in fiscal policy statements and adequacy of information in disclosure statements.

The Report contains findings arising from the review of compliance of the provisions of the Act and the Rules. The instances mentioned in this Report are those which came to notice in the course of test audit for 2020-21. Matters pertaining to the period earlier than 2020-21, which have a bearing on fiscal indicators have also been included, wherever relevant.

Executive Summary

Chapter 1: Introduction

The Fiscal Responsibility and Budgetary Management Bill was introduced in the Parliament in December 2000 in line with the recommendations of committee. The Fiscal Responsibility and Budget Management (FRBM) Act was enacted in 2003. This Act primarily aims to make the Central Government responsible for ensuring intergenerational equity in fiscal management and long-term macroeconomic stability by removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability. The FRBM Rules 2004 were framed under Section 8 of the Act and these came into force in July 2004. The FRBM Act has been amended in 2004, 2012, 2015 and in 2018.

Section 7A of the Act, inserted through Finance Act 2012, provides for periodical review by the Comptroller and Auditor General of India of the compliance of the provisions of this Act by the Central Government and report of such review shall be laid on the table of both Houses of Parliament. Rule 8 framed under the Act, prescribes that annual review shall begin with the financial year 2014-15.

The financial year 2020-21 was a non-standard year with respect to the performance of the economy and Government finances. The Covid-19 pandemic engendered a global crisis in 2020 and a global economic downturn and brought the global economy to a standstill.

The FRBM framework applicable at present, mandates that the Central Government limits the fiscal deficit up to three *per cent* of Gross Domestic Product (GDP) by 31 March 2021 and endeavors to limit the General Government Debt to 60 *per cent* of GDP and the Central Government Debt to 40 *per cent* of GDP by the end of financial year 2024-2025.

Further, Section 4(1)(a) read with Rule 3 of the Act mandates an annual reduction of Fiscal Deficit (FD) equal to 0.1 *per cent* or more of the GDP from 2018-19 onwards, with a target of three *per cent* of GDP to be achieved by the end of 2020-21.

In respect of guarantees, the FRBM framework provides that Central Government shall not give additional guarantees with respect to any loan on security of the CFI in excess of one-half *per cent* of GDP, in any financial year beginning with 2004-05.

[Para 1.1 and Para 1.2]

Chapter 2: FRBM Targets and Achievements

Section 7 read with Rule 7 prescribes mid-year (end of September) review of the trends in receipts and expenditure of Central Government. If the outcome of review shows that (i) total non-debt receipts are less than 40 *per cent* of BEs, and (ii) RD and FD are higher than 70 *per cent* of the BEs for the year, the Minister-in-charge shall make a statement in the Parliament during the session immediately following the end of first half, detailing the corrective measures taken.

[Para 2.1]

During mid-year review of the trends in receipts and expenditure, it emerged that the non-debt receipt was short realised by 14.83 *per cent* from the targeted level. However, the revenue deficit deviated on higher side by 55.20 *per cent* and the fiscal deficit by 44.80 *per cent* of the targeted level of 70 *per cent* of BE as on 30 September 2020.

[Para 2.3]

The Fiscal Deficit as per Union Government Finance Accounts and Annual Financial Statement was ₹19,75,314 crore, which was 9.98 *per cent* of GDP at current prices. However, the Fiscal Deficit shown in BAG was ₹18,18,291 crore, which was 9.18 *per cent* of GDP.

[Para 2.7]

Chapter 3: Analysis of Government Debt, Guarantees and Debt Sustainability

The FRBM framework applicable at present, endeavors to limit the Central Government Debt to 40 *per cent* of GDP by the end of financial year 2024-2025.

Central Government debt at the end of 2020-21 as defined in Act, stood at ₹1,21,91,608 crore, which was 61.57 *per cent* of GDP.

[Para 3.1.1]

Additional guarantees in financial year 2020-21 has remained within the prescribed target of one-half *per cent* of the GDP.

[Para 3.2.2]

EBR are resources raised from the market by entities other than Governments, viz. Companies, Corporations, and Autonomous Bodies, and they are utilized for funding various schemes/ programmes of the Government. The expenditure made using EBR does not get factored in the computation of fiscal indicators for the relevant year. The existing accounting framework and disclosure requirements do not provide for full depiction of such funding in the accounts of the Government. During 2020-21, an amount of ₹26,665.10 crore was mobilised through issue of Government fully serviced bonds. The cumulative fund mobilised through EBR from financial years 2016-17 to 2020-21 was ₹1,38,535.50 crore.

[Para 3.3]

Debt sustainability is defined as the ability of the Government to maintain a constant Debt to GDP ratio over a period and the ability to service its debt. Debt sustainability analysis revealed that while the Debt-GDP ratio was around 49 *per cent* during 2016-17 to 2018-19, an increasing trend was seen during 2019-20 and 2020-21. The debt growth rate outgrew the GDP growth resulting in an increased Debt-GDP ratio of 52.33 *per cent*, and 61.57 *per cent* in financial year 2019-20 and 2020-21 respectively.

The average interest cost on Debt showed a declining trend, from 6.81 *per cent* in 2016-17 to 6.35 *per cent* in 2020-21, but the actual interest paid on debt consistently increased across the five-year period. In 2016-17 the interest paid was at ₹5,04,512 crore which increased to ₹7,20,984 crore in 2020-21, due to expanding overall debt. Thus, although the overall debt burden was increasing, the Government was able to procure lower cost funds.

[Para 3.4]

Chapter 4: Projections in Fiscal Policy Statements and Actuals

As per Section 3 of the FRBM Act, the Central Government is required to lay fiscal policy statements, namely, Medium Term Fiscal Policy cum Fiscal Policy Strategy (MTFP cum FPS) Statement and Macro-economic Framework (MEF) Statement, in both the houses of Parliament along with the Annual Financial Statement (AFS) and Demand for Grants. The Medium-Term Expenditure Framework (MTEF) Statement has to be laid immediately following the session in which the other policy statements aforesaid were laid. MTEF Statement for financial years 2019-20 and 2020-21 were not presented in Parliament.

[Para 4.1]

Chapter 5: Disclosures and Transparency

Rule 6 of the FRBM Rules, 2004 mandates that to ensure greater transparency in its fiscal operation in the public interest, the Central Government shall at the time of presenting the Annual Financial Statement and Demands for Grants, make disclosures (D-1 to D-5) in the format prescribed, together with any significant change in accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators.

Information included in various disclosure statements was not in conformity with the figures contained in UGFA, which is prepared based on information furnished by Ministries and Departments of the Union Government.

[Para 5.2]

CHAPTER

1

Introduction

Introduction

Chapter 1

1.1 The FRBM Act

The Fiscal Responsibility and Budgetary Management Bill was introduced in the Parliament in December 2000 in line with the recommendations of committee. The Fiscal Responsibility and Budget Management (FRBM) Act was enacted in 2003. This Act primarily aims to make the Central Government responsible for ensuring intergenerational equity in fiscal management and long-term macroeconomic stability by removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability. The FRBM Rules 2004 were framed under Section 8 of the Act and these came into force in July 2004. The FRBM Act has been amended in 2004, 2012, 2015 and in 2018.

The FRBM framework applicable at present, mandates that the Central Government limit the fiscal deficit up to three *per cent* of Gross Domestic Product by 31 March 2021 and endeavors to limit the General Government Debt to 60 *per cent* of GDP and the Central Government Debt to 40 *per cent* of GDP by the end of financial year 2024-2025.

A brief highlight of the provisions in the Act and Rules since they came into force is laid out in **Figure 1.1.**

Figure 1.1: A comparative position of the FRBM Act/ Rules

(Figures as percentage of GDP)

Fiscal Indicators		Target detail	Principal Act/ Rules	1st Amendment (in 2004)	2nd Amendment (in 2012)	3rd Amendment (in 2015)	4th Amendment (in 2018)
1.	Revenue Deficit[1]	Target	Zero	Zero	2	2	No target
		Annual reduction	0.5	0.5	0.6	0.4	
		Beginning with financial year	2004-05	2004-05	2013-14	2015-16	
		Sunset Target date	31.03.08	31.03.09	31.03.15	31.03.18	
2.	Fiscal Deficit[2]	Target	3	3	3	3	3
		Annual reduction	0.3	0.3	0.5	0.4	0.1
		Beginning with financial year	2004-05	2004-05	2013-14	2015-16	2018-19
		Sunset Target date	31.03.08	31.03.09	31.03.17	31.03.18	31.03.21
3.	Effective Revenue Deficit[3]	Target	Introduced in 2012		Zero	Zero	No target
		Annual reduction			0.8	0.5	
		Beginning with financial year			2013-14	2015-16	
		Sunset Target date			31.03.15	31.03.18	

1 Rule 2(ca) defines revenue deficit as difference between revenue expenditure and revenue receipts.

2 Section 2(a) defines fiscal deficit as excess of total disbursements, from the Consolidated Fund of India, excluding repayment of debt, over total receipts into the Fund (excluding debt receipts), during a financial year.

3 Effective revenue deficit means the difference between the revenue deficit and grants for creation of Capital Assets. (Section 2 (aa) of FRBM Act amendment 2012)

4.	**Guarantee**	Aggregate guarantees in any financial year not to exceed 0.5 *per cent* of GDP, beginning with 2004-05	No additional guarantee for any loan on security of CFI, in excess of one-half *per cent* of GDP, in any financial year
5.	**Liability/ Debt**	Not to assume additional liabilities (including external debt at current exchange rate) in excess of 9 *per cent* of GDP for 2004-05 and progressively reduce the limit of 9 *per cent* of GDP by at least one percentage point of GDP in each subsequent financial year.	General Government debt and Central Government debt not to exceed 60 *per cent* and 40 *per cent* of GDP respectively by the end of the 2024-2025.

1.2 Salient features of the FRBM Act and Rules

As per framework applicable for financial year 2020-21, the Central Government shall;

- ✓ take appropriate measures to limit the fiscal deficit **up to three *per cent* of GDP** by 31 March 2021;
- ✓ endeavor to ensure that by the end of financial year 2024-2025.
  - o the General Government debt **does not exceed 60 *per cent* of GDP**;
  - o the Central Government debt **does not exceed 40 *per cent* of GDP**;
- ✓ not give additional guarantees with respect to any loan on security of the Consolidated Fund of India in excess of **one-half *per cent* of GDP**, in any financial year,
- ✓ endeavor to ensure that the fiscal targets specified for fiscal deficit, Central Government debt and General Government debt are not exceeded after stipulated target dates.

[Section 4(1)]

- ▪ The Central Government shall prescribe the annual targets for reduction of fiscal deficit for the period beginning from the date of commencement of Part XV of Chapter VIII of the Finance Act, 2018 and ending on the 31 March 2021.

[Section 4(2)]

- ▪ The Central Government shall not borrow from the Reserve Bank except in certain[4] circumstances.

[Section 5(1)]

- ▪ Five disclosure forms (D-1 to D-5)[5] in respect of Tax Revenue, non-Tax revenue, Guarantees, Asset Register and Liability on Annuity projects have been prescribed in the rules to be laid along with the Budget.

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4 To meet temporary excess of cash disbursement over cash receipt, subscription of primary issues and thereafter on grounds of national security, national calamity etc. and open market operations in the secondary market.

5 Disclosure Forms (D1) – Tax Revenue raised but not realised, (D2) – Arrears of Non-tax Revenue, (D3) - Guarantees given by the Government, (D4) – Asset Register, and (D5) – Liability on Annuity Projects.

[Rule 6]

- The Minister-in-charge of the Ministry of Finance shall review, on half-yearly basis, the trends in receipts and expenditure in relation to the budget and place before both Houses of Parliament the outcome of such reviews.

[Section 7(1)]

- The Central Government shall prepare a monthly statement of its accounts.

[Section 7(1A)]

1.3 Audit Scope and Mandate

Through the Finance Act 2012, an amendment in the FRBM Act 2003 was made and Section 7A[6] of the Act was inserted providing for a periodical review by the CAG of India. Subsequently in October 2015, a new Rule 8 was inserted, which prescribed for the CAG to carry out an annual review of the compliance of the provisions of the Act and the rules made there under by the Central Government, beginning with the financial year 2014-15. The review shall include:

a) Analysis of achievement and compliance of targets and priorities set out in the Act and the rules made there under, Medium-term Fiscal Policy cum Fiscal Policy Strategy Statement, Macro-economic Framework Statement and Medium-term Expenditure Framework Statement;
b) Analysis of trends in receipts, expenditure and macro-economic parameters in relation to the Act and the rules made there under;
c) Comments related to classification of revenue, expenditure, assets or liabilities having a bearing on the achievement of targets set out in the Act and the rules made there under;
d) Analysis of disclosures made by the Central Government to ensure greater transparency in its fiscal operations.

Five CAG reports have been tabled in the Parliament till August 2022.

Sl. No	CAG Report	Financial year to which the report pertains
1	Report No. 27 of 2016	2014-15
2	Report No. 32 of 2017	2015-16
3	Report No. 20 of 2018	2016-17
4	Report No. 06 of 2021	2017-19
5	Report No. 18 of 2022	2019-20

1.4 Audit Methodology

The review on compliance with FRBM Act for 2020-21 was undertaken primarily in the Department of Economic Affairs, Ministry of Finance which is the nodal Department for administration of the FRBM Act. The report is based on data derived from Union Government

[6] Laying of review reports – The Central Government may entrust the Comptroller and Auditor-General of India to review periodically as required, the compliance of the provisions of this Act and such reviews shall be laid on the table of both Houses of the Parliament.

Finance Accounts (UGFA) 2020-21, Budget at a Glance (BAG) 2021-22 & 2022-23 and Annual Financial Statements (AFS) 2021-22 & 2022-23. In addition, data disclosed in Statement No. 27 of the Expenditure Profile relating to Extra Budgetary Resources (EBR), certified annual accounts of the Public Sector Enterprises (PSEs) and GDP data released by National Statistical Office (NSO) for the concerned financial year have been used for analysis. The list of budget documents presented to the Parliament, besides the Finance Minister's Budget Speech, are detailed in **Annexure 1.1.**

An exit conference was held on 29 June 2022. The draft report was issued to the Ministry of Finance on 02 September 2022 and reply is awaited.

1.5 Structure of the Report

The present Report is the annual review by the CAG of India as per Rule 8 of FRBM (Amendment) Rules 2018 to examine compliance of the provisions of the Act, by the Central Government, for the financial year 2020-21. Chapter 1 discusses about the mandate for FRBM Act and Rules, while the audit findings are discussed in succeeding **Chapters 2 to 5**.

Chapter 2: FRBM Targets and Achievements - contains analysis of achievement against deficit targets set under the Act/ Rules for 2020-21; Mid-Year benchmark for RD/ FD/ NDR, and the annual reduction/ period-end target for containing FD.

Chapter 3: Analysis of Government Debt, Guarantees and Debt Sustainability - analyses the Central Government Debt, Extra Budgetary Resources, trend analysis of guarantees given by the Government on the security of the Consolidated Fund of India, and sustainability indicators of the Central Government debt.

Chapter 4: Projections in Fiscal Policy Statements and Actuals-contains analysis of projections made in the MTFP-cum-FPS statements from 2018-19 to 2021-22, and MEF statement of 2021-22, and 2022-23 with the actuals.

Chapter 5: Disclosures and Transparency - contains observations relating to variations in data in disclosure statements with reference to UGFA and budget documents.

CHAPTER

2

FRBM Targets and Achievements

FRBM Targets and Achievements

Chapter 2

2.1 FRBM Targets

The FRBM Act 2003 and FRBM Rules 2004, with the latest amendment made in April 2018, fixed the targets and benchmarks for fiscal indicators to be achieved by 2020-21. These are as follows:

a. Section 4(1)(a) read with Rule 3 of the Act mandates an annual reduction of Fiscal Deficit (FD) equal to 0.1 *per cent* or more of the GDP from 2018-19 onwards, with a target of three *per cent* of GDP to be achieved by the end of 2020-21.

b. Section 7 read with Rule 7 prescribes mid-year (i.e., end of September) review of the trends in receipts and expenditure. If the outcome of review shows that (i) total non-debt receipts are less than 40 *per cent* of BEs, and (ii) RD and FD are higher than 70 *per cent* of the BEs for the year, the Minister-in-charge shall make a statement in the Parliament during the session immediately following the end of first half detailing the corrective measures taken.

The status and extent of achievement with respect to the above-mentioned targets for fiscal indicators, and the outcome of mid-year review during 2020-21, are discussed in subsequent paragraphs of this Chapter.

2.2 Impact of Covid-19 on fiscal position of Central Government

The year 2020-21 was a non-standard year with respect to the performance of the economy and Government finances. The Covid-19 pandemic engendered a global crisis in 2020 and a global economic downturn and brought the global economy to a standstill. India's response to COVID-19 pandemic stemmed from the humane principle that human lives lost cannot be brought back while GDP growth will recover from the temporary shock caused by the pandemic. To implement its strategy, India adopted a graded four pronged pre-emptive and pro-active strategies of (i) containment measures, (ii) calibrated fiscal support focused on essentials, (iii) financial measures and (iv) long-term structural reforms.

For 2020-21, the budget estimates of fiscal deficit was fixed at 3.5 *per cent* of GDP against the target of 3 *per cent*. In the revised estimates stage it was raised to 9.5 *per cent*. However, at the end of the financial year 2020-21 the fiscal deficit was contained at 9.18 *per cent* of GDP (as per Budget-at-a-Glance). This was primarily due to higher spending, and lower revenue collection on account of COVID-19. Capital expenditure was estimated at ₹4.12 lakh crores in the BE 2020-21, which was revised in spite of resource crunch at ₹4.39 lakh crores in the RE 2020-21. The actual capital expenditure was ₹4.26 lakh crore (as per Budget-at-a-Glance). The government has stated in the MTFP cum FPS Statement for 2022-23 that it intends to reach a fiscal deficit of 4.5 *per cent* of GDP by 2025-26.

2.3 Mid-Year Review of the trends in receipts and expenditure

In compliance with the provisions of Section 7 of the Act read with Rule 7 which prescribes mid-year (i.e., end of September) review of the trends in receipts and expenditure, the level of non-debt receipt (which comprise revenue receipts, miscellaneous capital receipts and recovery of loans and advances), revenue deficit and fiscal deficit was analysed. The outcome is given in **Figure 2.1**.

Figure 2.1: Outcome of Mid-Year Review

Parameter	Target	Actual	Deviation
Non-Debt Receipt			
Non-Debt Receipt (BE - ₹22,45,893 crore)	8,98,357	5,65,417	(-) 3,32,940
Mid-year Benchmark (as *per cent* of BE)	Not less than 40%	25.17%	(-) 14.83%
Revenue Deficit			
Revenue Deficit (BE - ₹6,09,295 crore)	4,26,506	7,62,792	3,36,286
Mid-year Benchmark (as *per cent* of BE)	Not more than 70%	125.20%	55.20%
Fiscal Deficit			
Fiscal Deficit (BE - ₹7,96,337 crore)	5,57,436	9,13,993	3,56,557
Mid-year Benchmark (as *per cent* of BE)	Not more than 70%	114.80%	44.80%

Source: Mid-Year (H1) Statement for actuals against mid-year Benchmark for 2020-21.
Note: In Budget-at-a-glance, BE of RD for 2020-21 is given as ₹6,09,219 crore.

As evident in **Figure 2.1** above, during mid-term review in financial year 2020-21, the non-debt receipt was short realised by 14.83 *per cent* from the targeted level. However, the revenue deficit deviated by 55.20 *per cent* and the fiscal deficit by 44.80 *per cent* of the targeted level of 70 *per cent* of BE as on 30 September 2020.

The statement containing mid-year review, presented to the Parliament under Rule 7 of the FRBM Rules listed the following corrective measures to ensure that the fiscal targets as per the Act are met:

a) Assessment of Revised Estimates for the Budget strictly factoring the unspent balances so as to minimize parking of funds.

b) Encouraging Ministries/ Departments to meet their additional requirements for funds from Savings identified within their demands at the stage of Supplementary Demand for Grants.

c) Efforts to ensure that targets for non-debt receipts including tax receipts are achieved. To boost the Direct tax revenue collection launch of many initiatives such as, faceless assessment, faceless appeal, Taxpayer's charter, etc. may increase tax compliance and hence revenue receipts.

Ministry replied (June 2022) that financial indicators are projected based on some underlying assumption. Any deviation from the assumed scenario affects fiscal indicators accordingly. The performance with respect to the Mid-year benchmark targets for the year 2020-21, was stated to be seen in the context of actuals up to September 2020, where revenue receipts were ₹5,50,782 crore (27.30 *per cent* of BE) and total expenditure was ₹14,79,410 crore (48.60 *per cent* of BE). Further, it was also stated that, as required under Section 7 of the FRBM Act, 2003, Government laid the necessary deviation statement in respect of mid-year benchmarks.

2.4 Analysis of Actuals vis-à-vis estimates of the Revenue Receipts

An analysis of Revenue Receipts with reference to BE, RE and Actual figures for financial year 2020-21 in respect of major items as contained in the Annual Financial Statement (AFS) for Budget 2021-22 and 2022-23 is given below in **Figure 2.2**.

Figure 2.2: Analysis of Actuals vis-à-vis estimates for Revenue Receipt

(₹ in crore)

Item	BE	RE	Actuals	Variation (BE to RE)	Variation (RE to Actuals)
Gross Revenue receipt	31,15,626	23,47,147	24,59,510	-24.67%	4.79%
Gross tax revenues	24,23,020	19,00,280	20,27,104	-21.57%	6.67%
Goods and Service Tax (GST)	6,93,500	5,17,819	5,51,542	-25.33%	6.51%
Taxes on income and expenditure	13,06,000	8,93,000	9,27,936	-31.62%	3.91%
Taxes on Property and Capital Transactions	13,000	12,000	16,939	-7.69%	41.16%
Taxes on commodities and services other than GST	4,06,020	4,74,400	5,28,116	16.84%	11.32%
Non-tax revenues	6,92,606	4,46,867	4,32,406	-35.48%	-3.24%

Source: Annual Financial Statement 2020-21 for BE, 2021-22 for RE and 2022-23 for actuals.

The initial estimates for gross revenue receipts were budgeted at ₹31,15,626 crore, which were reduced by around 25 *per cent* in the revised estimates stage to ₹23,47,147 crore. However, the actual gross revenue receipts increased by ₹1,12,363 crore over RE and stood at ₹24,59,510 crore.

The Gross tax revenue components were estimated at ₹24,23,020 crore in the BE stage but were lowered to ₹19,00,280 crore in RE stage (a reduction of 21.57 *per cent*) in view of the ongoing Covid crisis. The actual gross tax collections during 2020-21 were ₹20,27,104 crore, an increase by ₹1,26,824 crore over RE.

The receipt from Goods and Service Tax (GST), initially projected at ₹6,93,500 crore (BE), was reduced by 25.33 *per cent* (to ₹5,17,819 crore) in the RE stage. However, the actuals stood at ₹5,51,542 crore, higher than the RE by ₹33,723 crore (6.51 *per cent* increase).

Similarly, the initial BE for Taxes on income and expenditure at ₹13,06,000 crore were reduced by ₹4,13,000 crore (31.62 *per cent* of BE) in the RE stage, but actuals increased marginally by ₹34,936 crore (around 4 *per cent*) from RE estimate and stood at ₹9,27,936 crore. However, a reverse trend was observed in Taxes on Property and Capital Transactions where the actuals ₹16,939 crore surpassed BE by ₹3,939 crore and RE by ₹4,939 crore, owing to higher collection of security transaction tax.

In respect of Taxes on Commodities and Service other than GST, the actuals were higher than BE and RE and stood at ₹5,28,115 crore. The 'Non-tax revenues' collection showed a declining trend, i.e., RE lower than BE by ₹2,45,739 crore (35.5 *per cent*) and actuals lower than RE by ₹14,461 crore and stood at ₹4,32,406 crore. The reduction at RE stage was mainly due to lowering of estimates in Dividends and Profits ₹58,852 crore (by 37.87 *per cent*), Indian Railways receipt - Commercial Lines ₹79,304 crore (by 35.50 *per cent*), and Other communication services by ₹99,290 crore (by 74.64 *per cent*).

2.5 Analysis of Actuals vis-à-vis estimates of the Revenue Disbursements

An analysis of revenue disbursements with reference to BE, RE and actuals for financial year 2020-21 as contained in the Annual Financial Statement for budget 2021-22 and 2022-23 is given below in **Figure 2.3**.

Figure 2.3: Analysis of Actuals vis-à-vis estimates for Revenue Disbursements

(₹ in crore)

Item	BE	RE	Actuals	Variation (BE to RE)	Variation (RE to Actuals)
Revenue expenditure	29,40,739	32,53,951	33,14,852	10.65%	1.87%
Economic Services	8,76,720	11,93,926	12,57,013	36.18%	5.28%
i. Agriculture and Allied Activities	2,65,418	5,83,688	7,00,537	119.91%	20%
ii. Rural Development	64,223	1,14,540	1,13,910	78.34%	-0.55%
General Services	13,25,888	13,11,092	12,94,769	-1.11%	-1.24%
Social Services	1,54,846	1,69,309	1,66,359	9.34%	-1.74%

Source: Annual Financial Statement 2020-21 for BE, 2021-22 for RE and 2022-23 for actuals.

The Budget Estimates for revenue disbursements were initially projected at ₹29,40,739 crore which were further increased by 10.65 *per cent* to ₹32,53,951 crore in the Revised estimates stage, citing additional spending on account of Atmanirbhar Bharat and Pradhan Mantri Garib Kalyan Yojana. The actual revenue disbursements slightly increased by ₹60,901 crore. i.e., 1.87 *per cent* of the RE at ₹33,14,852 crore. The revenue disbursements include grants for creation of capital assets amounting to ₹2,22,391 crore.

At the BE stage, revenue disbursements on economic services were projected at ₹8,76,720 crore, which was increased to ₹11,93,926 crore (around 36 *per cent)* in the RE stage. Actual disbursements on economic services stood at ₹12,57,013 crore, higher than RE by 5 *per cent,* on account of enhanced spending on agriculture and allied activities and rural development. Within agriculture and allied activities head, the disbursement towards food storage and warehousing was increased by 259 *per cent* in RE at ₹4,38,306 crore (from initial BE of

₹1,22,028 crore), and actuals still higher (by ₹1,16,797 crore i.e., 26.65 *per cent* higher than RE) at ₹5,55,104 crore by the end of the fiscal.

Further, both RE and Actual figures of expenditure on Rural development were higher than the BE figures mainly due to increase in disbursement towards rural employment. Initially budgeted at ₹64,223 crore, the estimates for 'Rural development' were raised to ₹1,14,540 crore at the RE stage (78.3 *per cent* higher than BE), and actual stood at ₹1,13,910 crore with a slight decrease over RE.

The disbursement towards general services showed a declining trend in all stages. The actual expenditure on social services at ₹1,66,359 crore was 7.44 *per cent* higher than the BE of ₹1,54,846 crore, but lower by ₹2,950 crore than RE of ₹1,69,309 crore.

2.6 Trend of Revenue and Capital Expenditure

Figure 2.4 depicts the trend of revenue expenditure and capital expenditure as proportion of the total expenditure.

Figure 2.4: Trend Analysis of Revenue and Capital Expenditure

(₹ in crore)

Financial Year	Revenue Expenditure	Capital Expenditure	Loans and Advances	Total Expenditure
2016-17	19,33,018 (86.20)	2,49,472 (11.12)	60,011 (2.68)	22,42,501
2017-18	21,40,085 (84.01)	3,25,116 (12.76)	82,136 (3.23)	25,47,337
2018-19	22,61,571 (83.28)	3,99,523 (14.71)	54,667 (2.01)	27,15,761
2019-20	26,15,320 (85.80)	3,87,744 (12.72)	45,142 (1.48)	30,48,206
2020-21	33,14,852 (84.83)	3,42,949 (8.78)	2,49,846 (6.39)	39,07,647

Source: UGFA of respective years.
Figures in parenthesis are as percentage of the total expenditure for that year.

It can be seen from **Figure 2.4** above that during 2020-21, although the revenue expenditure as a proportion of total expenditure declined, the revenue expenditure saw a spurt of 26.75 *per cent* in real terms over 2019-20. The capital expenditure also declined in absolute terms as well as proportion of total expenditure. If, the expenditure on grants for creation of capital assets amounting to ₹2,22,391 crore is also considered as capital expenditure, the effective Capital Expenditure comes to ₹5,65,340 crore. However, the expenditure on loans and advances increased both in absolute terms and as proportion of total expenditure majorly due to transfer of back-to-back loans of ₹1,10,208 crore to States in lieu of GST Compensation shortfall.

2.7 Fiscal Deficit

Section 2(a) of FRBM Act defines "fiscal deficit" as the excess of total disbursements from the Consolidated Fund of India, over total receipts into the Fund during a financial year, excluding debt receipts and debt repayments. This is depicted in **Figure 2.5** below.

Figure 2.5: Fiscal Deficit

Sl.No	Particulars	Amount (₹ in crore)
1	Non-debt Receipts	19,32,333
	Revenue Receipts	18,64,513
	Miscellaneous Capital Receipts	37,897
	Recoveries of Loans and Advances	29,923
2	Total disbursements (excluding debt repayment)	39,07,647
	Revenue Expenditure	33,14,852
	Capital Expenditure	3,42,949
	Loans and Advances	2,49,846
3	Fiscal Deficit as per UGFA and AFS (2-1)	19,75,314
	As percentage of GDP	9.98
4	Fiscal Deficit as per Budget-at-a-Glance (BAG)	18,18,291
	As percentage of GDP	9.18

Source: Statement No.1 of UGFA 2020-21 and AFS for 2022-23, BAG 2022-23 for Fiscal Deficit and NSO Press Note dated 31 May 2022 for GDP of 2020-21(₹198,00,914 crore)

The variation in figures of fiscal deficit between UGFA/ AFS and BAG is on account of inclusion of certain transactions in UGFA and AFS, like back to back loans to States in lieu of GST Compensation shortfall, capital infusion in Public Sector Banks, external assistance for State Government projects, and contribution/ securities issued to international financial institutions.

The Ministry replied (June 2022) that appropriate clarification will be incorporated in the first page of BAG in the Union Budget 2023-24 onwards.

2.8 Total Expenditure financed from Non-Debt Receipts

Figure 2.6 shows the proportion of total expenditure financed by non-debt receipts in the last five years.

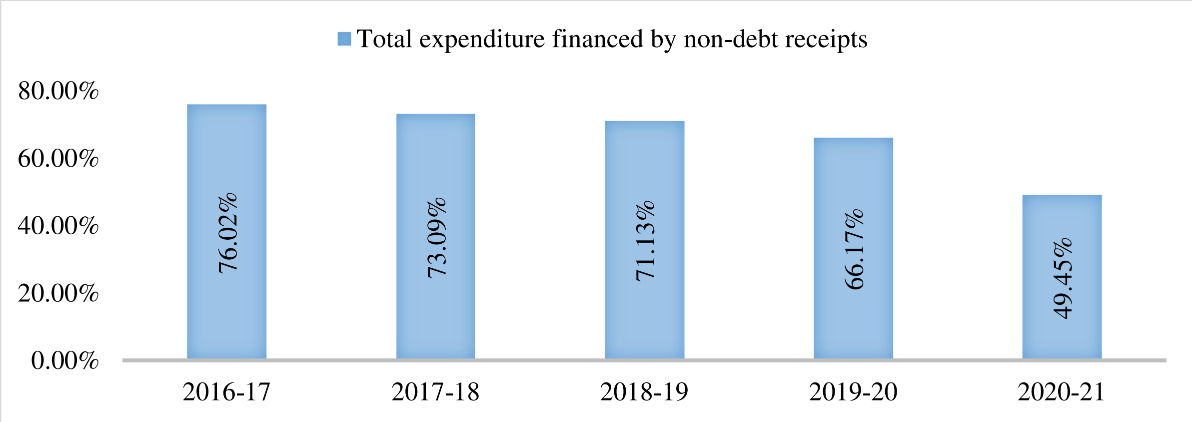
Figure: 2.6 Year wise collection of non-debt receipts and Total Expenditure

(₹ in Crore)

Financial year	Total Expenditure	Non-debt Receipts*	Total expenditure financed by Non-debt Receipts
2016-17	22,42,501	17,04,702	76.02%
2017-18	25,47,337	18,61,830	73.09%
2018-19	27,15,761	19,31,699	71.13%
2019-20	30,48,206	20,17,080	66.17%
2020-21	39,07,647	19,32,333	49.45%

Source: UGFA of respective years.
*Non-debt Receipts comprise – Revenue Receipt, Miscellaneous Capital Receipts and Recovery of Loans & Advances

Figure: 2.7 Total Expenditure Financed by non-debt receipts



Source: UGFA of respective years.

As seen from **Figure 2.7** above, the contribution of non-debt receipts for financing the total expenditure shows a declining trend. Total expenditure financed by non-debt receipts was in the range of 76.02 *per cent* to 66.17 *per cent* during 2016-17 to 2019-20, whereas, in 2020-21 the non-debt receipts were able to cover barely half of the total expenditure.

CHAPTER

3

Analysis of Government Debt, Guarantees and Debt Sustainability

Analysis of Government Debt, Guarantees and Debt Sustainability

Chapter 3

3.1 Central Government Debt

Section 2(aa) of the FRBM Act, defines the Central Government Debt at any date as follows:

Total outstanding liabilities on the security of the CFI, including external debt valued at current exchange rates.	+	**Total outstanding liabilities in the Public Account of India.**	+	**Financial liabilities of any body-corporate or other entity owned or controlled by the Central Government, which the Government is to repay or service from the Annual Financial Statement, reduced by the cash balance at the end of that date.**

The target laid down under FRBM Act was to limit the Central Government Debt to 40 *per cent* of GDP by 2024-2025.

3.1.1 Outstanding Central Government Debt

Figure 3.1 below shows the outstanding Central Government debt as at the end of 2016-17 to 2020-21.

Figure 3.1: Outstanding Central Government Debt

(₹ in crore)

FY	Internal Debt	External Debt at current exchange rate	Public Account	Extra Budgetary Resources	Cash Balance	Central Government Debt	Central Government Debt as percentage of GDP
	1	*2*	*3*	*4*	*5*	*6 (1+2+3+4-5)*	*7*
2016-17	57,41,709	4,08,108	15,19,727	*	*	76,69,544	49.83
2017-18	64,01,275	4,45,282	16,47,180	*	*	84,93,737	49.70
2018-19	70,74,941	4,74,439	18,12,016	89,864	1,22,692	93,28,568	49.36
2019-20	80,20,490	5,44,394	18,78,733	1,11,870	50,573	1,05,04,914	52.33
2020-21	99,09,543	6,14,829	17,61,272	1,38,536	2,32,572	1,21,91,608	61.57

Source: UGFA and Statement 27 of Expenditure Profile (Budget Documents) for EBR.
**The definition of Central Government debt with the components of EBR and cash balance was included through the FRBM Amendment Act in April 2018.*

Central Government debt witnessed increase from 52.33 *per cent* in 2019-20 to 61.57 *per cent* of GDP at the end of 2020-21.

However, Government in the MTFP Statement 2022-23 (February 2022) quoted the debt GDP ratio for financial year 2020-21 at 61.8 *per cent* and further stated that "the Central Government debt including liabilities on account of Extra Budgetary Resources (EBR) raised through

Government Fully Serviced Bonds is estimated to reduce from 61.8 *per cent* of GDP at the end of 2020-21 to 59.9 *per cent* of GDP in RE 2021-22".

Receipt Budget also discloses the liabilities of the Central Government on account of debt. For 2020-21 it has been disclosed as ₹1,20,79,018 crore, with external debt at book value. This publication does not account for EBR reduced by cash balance.

Since 2010, the Central Government has been publishing Status Paper on Government Debt. The Status Paper on Government Debt 2020-21 (April 2022), in Table 1.2 depicts the net total liabilities as ₹1,16,97,896 crore (59.2 *per cent*[7] of the GDP).

Thus, amount of outstanding liabilities is varying in different publications of the Government.

3.2 Guarantee

The Central Government extends guarantees for improving the viability of projects or activities undertaken by the Government entities with significant social and economic benefits, primarily to lower the cost of borrowings as well as to fulfil the requirement in cases where sovereign guarantee is a precondition for bilateral/ multilateral assistance. While guarantees, being contingent liabilities do not form part of debt, in the eventuality of default, they may have an impact on the Government's liabilities.

3.2.1 Guarantee Target

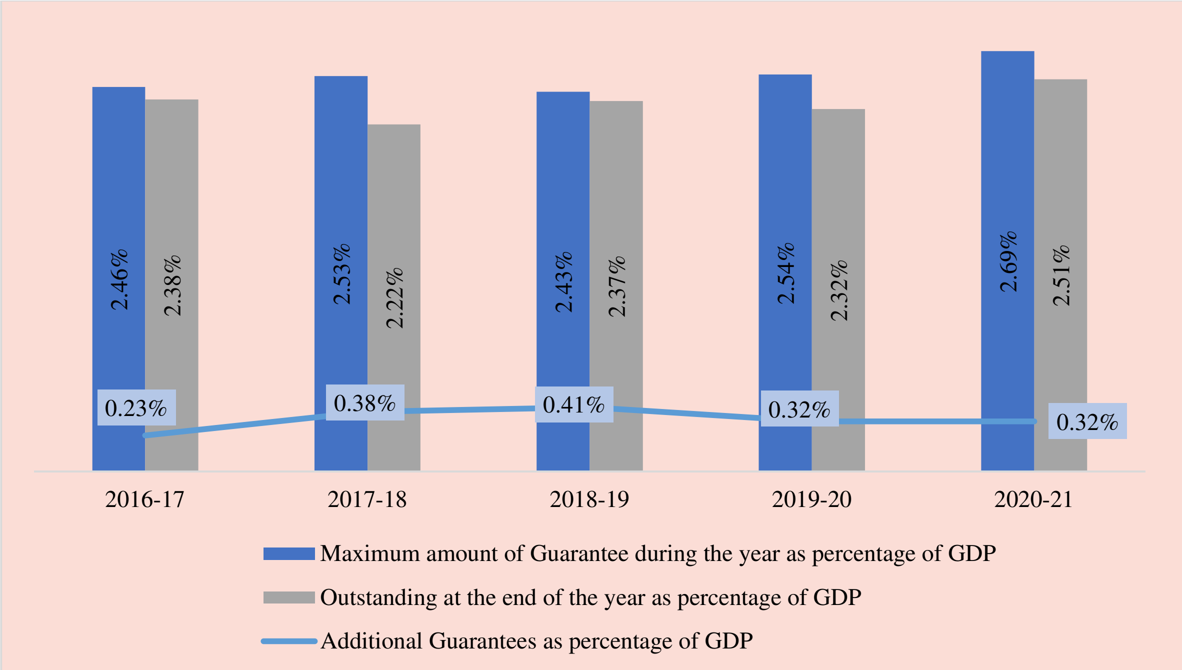
The FRBM Act and the Rules made thereunder, stipulate that the Central Government shall not give additional guarantees with respect to any loan on security of the CFI in excess of one-half *per cent* of GDP, in any financial year.

3.2.2 Trend of Addition in Guarantees

Figure 3.2 shows the trend of additions in guarantees given by the Government in a financial year as a percentage of GDP, over the period from 2016-17 to 2020-21.

[7] The Status Paper [Table 1.1(B)] considered the GDP at current prices for 2020-21 as ₹197,45,670 crore.

Figure 3.2: Addition in Guarantees



Source: Guarantee figures from UGFA

As can be seen from **Figure 3.2** above**,** over the period of last five years, additional guarantees in a financial year has remained within the prescribed target of one-half *per cent* of the GDP. Details of guarantees are given in **Annexure 3.1**.

3.3 Extra Budgetary Resources

Government of India entities like Companies, Corporations, and Autonomous Bodies participate in the implementation of GoI schemes, programmes and projects. These entities are legally distinct from the Government but are controlled and/ or substantially funded by it. These entities raise funds through borrowings based on Government guarantees for funding programme implementation of the Government. The Government also undertakes to service those borrowings by these entities. These borrowings are only reflected in the accounts of the concerned entities and are neither depicted in the Demand for Grants of the concerned Ministry nor do they appear in the AFS, UGFA and disclosure statements mandated under FRBM. These modes of funding are termed as extra budgetary resources (EBR), outside the accounts of the Government.

The expenditure made using EBR does not get factored in the computation of fiscal indicators for the relevant year. The existing accounting framework and disclosure requirements do not provide for full and transparent depiction of such funding in the accounts of the Government.

The Central Government stated in the MTFP 2019-20 that "Extra Budgetary Resources were those financial liabilities that were raised by Public Sector Undertakings for which repayment of entire principal and interest is done from the Union Government Budget."

3.3.1 Quantum of EBR

From financial year 2019-20 onwards, the Government started to disclose the amount of EBRs in the budget documents (Statement 27 of Expenditure Profile). This statement shows EBRs mobilised through Government fully serviced bonds.

During 2020-21, an amount of ₹26,665.10 crore was mobilised through issue of Government fully serviced bonds. The cumulative fund mobilised through Government fully serviced bonds from financial year 2016-17 to 2020-21 was ₹1,38,535.50 crore, as detailed in **Annexure 3.2**.

The Ministry stated (March 2022) that Government has decided to discontinue financing of scheme expenditure through EBRs and accordingly, no provision was made in the financial year 2021-22. However, in Statement 27 of Expenditure Profile 2022-23, ₹751.80 crore (RE 2021-22) was stated to be raised for Polavaram Irrigation Project as per existing arrangement. It was further clarified (June 2022) that for Polavaram Irrigation Project, a policy decision has been taken to finance the project further through budgetary allocation.

3.3.2 Inadequacies in the Statement of Extra Budgetary Resources

A. Non-Disclosure of complete EBR in respect of Air India Asset Holding Limited (AIAHL)

In Statement 27 of Expenditure Profile 2021-22, a footnote stated that "AIAHL was permitted to raise EBRs up to ₹7,000 crore for 2019-20 by issuing fully serviced bonds to re-finance Air India's debt transferred to AIAHL". During the review for 2019-20, it was pointed out that the total amount raised by AIAHL for 2019-20 was ₹21,985 crore in three tranches, out of which bonds of ₹14,985 crore were neither disclosed in EBR Statement nor in the Disclosure Statement (Form D3) and in the Guarantee Statement No.4 of the UGFA 2019-20. The same position was disclosed in respect of 2020-21 for amounts borrowed by AIAHL in Statement 27 of Expenditure Profile 2022-23.

The Ministry replied (June 2022) that AIAHL had issued Government of India guaranteed Non-Convertible Debentures amounting to ₹21,985 crore in three phases (₹7,000 crore+₹7,000 crore+₹7,985 crore). Servicing of the debt was to be done by AIAHL through budgetary support provided by the Ministry of Civil Aviation.

Thus, Ministry's reply corroborates the fact that details for ₹14,985 crore should have been included in the Statement 27.

B. Non-inclusion of ₹50,550.95 crore raised by IRFC for funding the Indian Railways

The Indian Railway Finance Corporation Ltd. (IRFC), a wholly Government owned PSU under the administrative control of the Ministry of Railways (MoR), has been mobilizing market borrowings to finance capital expenditure in the Railways since 1987-88. The funds raised by IRFC constitute EBR for Railway Plan and are invested in rolling stock and projects which are leased by IRFC to MoR.

Indian Railways Annual Report and Accounts 2020-21 states that due to resource constraints, expenditure previously charged to Capital/ Railway Safety Fund works was financed through EBR (Special), as a one-time arrangement and an amount of ₹50,550.95 crore was provided by IRFC in 2020-21 for financing of various railway projects under EBR(Special).

The disclosure note (ii) below Statement 27 of the Expenditure profile (Budget 2021-22 and 2022-23), reads "Ministry of Railways was permitted to meet fund requirement of up to ₹10,200 crore (₹5,200 crore in 2018-19 & ₹5000 crore in 2019-20) through borrowings for financing its National Projects. The repayment liability is being borne on General Revenues of Government". Thus, EBR (Special) of ₹50,550.95 crore arranged for MoR during 2020-21 has not been included.

The Ministry replied (July 2022) that Ministry of Railway has been raising resources including from IRFC for rolling stock requirement. The project specific financing is also being done from financial institutions in a similar manner. These are serviced partly from the revenue generation and the balance from capital expenditure met from gross budgetary support (GBS) provided by the general revenues. The MoR seeks the approval of MoF for EBR through financial institutions related to National Projects only.

As one-time financing arrangement of ₹50,550.95 crore from IRFC in 2020-21 for various railway projects was categorized under EBR(Special) by MoR, in view of the reply of the Ministry, this amount should have been included in the EBR Statement.

3.4 Debt Sustainability

Debt sustainability is defined as the ability of the Government to maintain a constant Debt to GDP ratio over a period and the ability to service its debt. Debt Sustainability Analysis (DSA) considers the feasibility of meeting debt related financial obligations during a period beginning with the present and is a crucial parameter for assessing financial health of an economy.

Debt-GDP ratio is an important part of DSA. The ratio rises mainly because higher levels of debt lead to higher net interest expenditures, and in turn to higher deficits and debt. A sustainable fiscal policy is one where the Debt-GDP ratio is stable or declining over the long term.

Figure 3.3 analyses the debt sustainability of the Central Government during the five-year period 2016-17 to 2020-21.

Figure 3.3: Trends in debt sustainability indicators

(₹ in crore)

Sl. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Central Government Debt	76,69,544	84,93,737	93,28,568	1,05,04,914	1,21,91,608
2	Rate of growth of Central Government Debt (in %)	7.39	10.75	9.83	12.61	16.06
3	GDP at current prices	153,91,669	170,90,042	188,99,668	200,74,856	198,00,914
4	Rate of growth of GDP at current prices (in %)	11.76	11.03	10.59	6.22	-1.36
5	Debt-GDP ratio at current prices (in %)	49.83	49.70	49.36	52.33	61.57
6	Interest Payments	5,04,512	5,43,707	5,95,552	6,55,371	7,20,984
7	Total Revenue Receipts	16,15,988	16,91,143	18,06,463	19,48,084	18,64,513
8	Average interest cost (in %)[8]	6.81	6.73	6.68	6.61	6.35
9	Interest payments to Revenue Receipt (in %)	31.22	32.15	32.97	33.64	38.67
10	Public Debt Repayment	56,78,823	58,72,605	60,64,945	63,26,549	61,84,635
11	Public Debt Receipt	61,34,137	65,54,002	67,58,482	73,01,387	81,62,910
12	Public Debt Repayment to Public Debt Receipt (in %)	92.58	89.60	89.74	86.65	75.77
13	Interest spread[9] (in %)	4.95	4.31	3.91	-0.39	-7.72
14	Quantum Spread[10]	3,79,561	3,65,798	3,64,332	-41,043	-9,40,931
15	Primary Deficit[11]	33,287	1,41,800	1,88,510	3,75,755	12,54,330
16	Debt Stabilization[12]	3,46,274	2,23,998	1,75,822	-4,16,798	-21,95,261

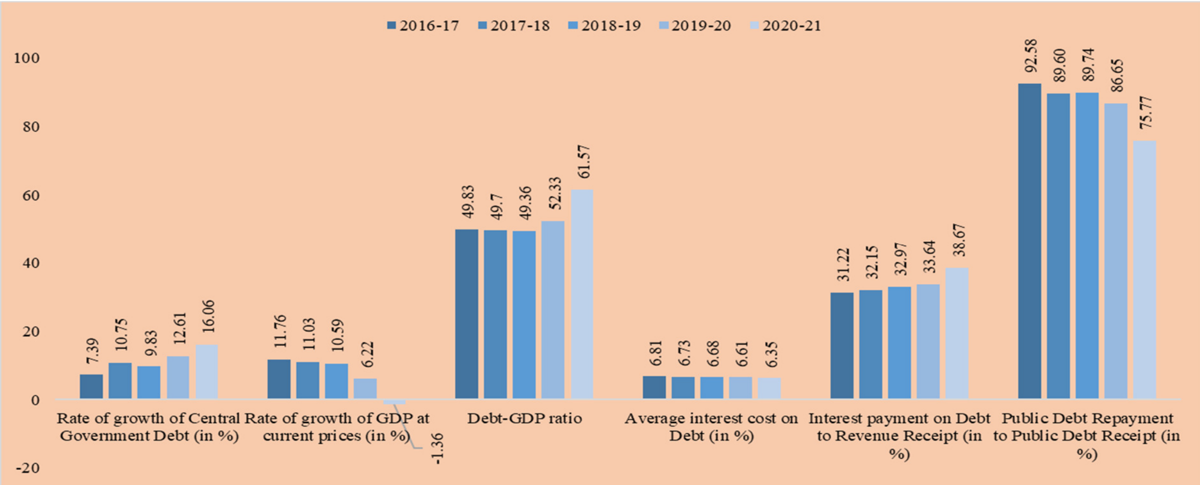
Source: Union Government Finance Accounts of respective years, NSO Press Note dated 31 January 2022 and 31 May 2022 for GDP.

As can be seen from **Figure 3.3** above, the Quantum spread together with Primary Deficit (PD), was positive from 2016-17 to 2018-19. However, PD increased further in 2019-20 (₹3,75,755 crore) and in 2020-21 (₹12,54,330 crore). This increase coupled with negative interest spread in 2019-20 and 2020-21, made the Debt stabilization indicator negative.

8 Average interest cost: Interest Payments/average outstanding debt*100
9 Interest Spread: Rate of Growth of GDP at current prices - Average interest cost
10 Quantum Spread: Central Government Debt * Interest spread/100
11 Primary Deficit: Fiscal Deficit – Interest Payments
12 Debt Stabilization: Quantum spread reduced by Primary Deficit

Figure 3.4 below shows trends in the various debt sustainability indicators over the last five years.

Figure 3.4: Trends in debt sustainability indicators



From **Figure 3.4**, the Central Government debt can be seen as increasing over the last five years and during 2020-21 this increase was 16.06 *per cent* over 2019-20. While the Debt-GDP ratio was around 49 *per cent* during 2016-17 to 2018-19, an increasing trend was seen during 2019-20 and 2020-21. The debt growth rate outgrew the GDP growth rate, resulting in an increased Debt-GDP ratio of 52.33 *per cent*, and 61.57 *per cent* during 2019-20 and 2020-21 respectively.

- Although, the average interest cost on Debt showed a declining trend, beneficial to Government (from 6.81 *per cent* in 2016-17 to 6.35 *per cent* in 2020-21); the actual interest paid on debt consistently increased across the five-year period. In 2016-17 the interest paid was at ₹5,04,512 crore which increased to ₹7,20,984 crore in 2020-21, due to expanding overall debt. Thus, although the overall debt burden was increasing, the Government was able to procure lower cost funds.

- While the debt-GDP ratio was increasing since 2017-18, the average interest cost of debt remained consistently declining over the last five years. The percentage of public debt repayment to public debt receipts showed a declining trend since 2016-17 and has come down from 92.58 *per cent* in 2016-17 to 75.77 *per cent* in 2020-21. However, the prevailing scenario may be viewed in light of the fact that the economy suffered adversely during 2020-21 on account of Covid pandemic.

CHAPTER

4

Projections in Fiscal Policy Statements and Actuals

Projections in Fiscal Policy Statements and Actuals

Chapter 4

4.1 Fiscal Policy Statements

As per Section 3 of the FRBM Act, the Central Government is required to lay fiscal policy statements, namely, Medium-Term Fiscal Policy (MTFP) Statement, Fiscal Policy Strategy (FPS) Statement and Macro-economic Framework (MEF) Statement, in both the houses of Parliament along with the Annual Financial Statement (AFS) and Demand for Grants. By an amendment to the FRBM Act in 2012, a Medium-Term Expenditure Framework (MTEF) Statement has also been mandated to be placed, immediately following the session in which the other policy statements aforesaid were laid.

- Further, amendments in the FRBM Act and Rules in April 2018, provided for submission of single Medium Term Fiscal Policy cum Fiscal Policy Strategy (MTFP cum FPS) Statement instead of two separate statements. Rules also provided that MTFP cum FPS Statement would include three-year rolling targets for FD, RD, Primary Deficit, Tax Revenue, Non-Tax Revenue and Central Government Debt, as *per cent* of GDP. The MTFP cum FPS statement was required to detail assumptions underlying the fiscal indicators, GDP growth projections, and projections for receipts and expenditure. Summarised projections of various indicators as contained in F-1 Statement (MTFP cum FPS Statement) presented before the Parliament across financial years 2018-19 to 2021-22 in respect of financial year 2020-21 is given in **Annexure 4.1**.
- The MEF Statement provides an assessment of the growth prospects of the economy with specification of underlying assumptions.
- The MTEF Statement provides a three-year rolling target for prescribed expenditure indicators with specification of underlying assumptions and risk involved. The initial projection for financial year 2020-21 was made in F-3 Statement (MTEF) of 2018-19. However, the subsequent F-3 Statements in 2019-20 and 2020-21 were not presented.

In MTFP cum FPS Statement of 2021-22 Government gave the following reasons for not presenting the F-3 stating that – In the first quarter of FY 2020-21, the full extent of Covid shock was yet unknown. One of the important determinants of expenditure of the Central Government are the recommendations of the Finance Commission. The Fifteenth Finance Commission's report for the 5-year cycle beginning 2021-22 was submitted only in November 2020. In view of the above, Government was unable to place the MTEF Statement for FY 2020-21 on the table of the House as mandated under Section 3(1B) of the FRBM Act.

The Union Budget 2018-19 and 2019-20 contained the projections for financial year 2020-21 in F-1 and F-2 Statements. In Union Budget 2020-21, the BE for 2020-21 were made, which were re-aligned in Union Budget 2021-22 as RE, followed by the actuals in Budget 2022-23. Thus, analysis for the budget projections viz-a-viz actuals were spread across a period of five union budgets.

4.2 Analysis of F-1 Statement (MTFP cum FPS)

A. Fiscal Indicators-Rolling Targets

A Comparison of projections made in F-1 Statements from 2018-19 to 2021-22 for the year 2020-21 and actuals 2020-21 are depicted in **Figure 4.1** below.

Figure 4.1: Projection vis-à-vis actuals

(As *per cent* of GDP)

	MTFP 2018-19	MTFP 2019-20	MTFP 2020-21	MTFP 2021-22	BAG 2022-23
Type of Projection / Fiscal Indicator	**Projection for 2020-21 (Y+2)**	**Projection for 2020-21 (Y+1)**	**BE FY 2020-21**	**RE 2020-21**	**Actual 2020-21**
Fiscal Deficit	3.00	3.00	3.50	9.50	9.18
Revenue Deficit	1.60	1.90	2.70	7.50	7.32
Primary Deficit	-	0.00	0.40	5.90	5.75
Gross tax Revenue	12.70	11.60	10.80	9.80	-*
Non-tax Revenue	1.30	1.40	1.70	1.10	-*
Central Government Debt	44.60[13]	46.20	50.10	-	-*
Of which Liabilities on account of EBR	-	0.80	0.80	-	-

* *Not indicated in BAG*

Fiscal Deficit (FD)

FD for the year 2020-21 was initially projected at three *per cent* of GDP in F-1 Statement of 2018-19. This projection continued in F-1 Statement of 2019-20 stating that "It is expected that the targeted fiscal deficit of three *per cent* of GDP will be achieved in FY 2020-21 and continued thereafter." However, in F-1 Statement for financial year 2020-21, the BE of fiscal deficit was increased to 3.50 *per cent* of GDP "to provide adequate space for countercyclical fiscal measures taken for boosting investments". Thus, against the target of limiting the FD to three *per cent* of the GDP by 31 March 2021, in the BE of the relevant financial year, deviation of 0.5 *per cent* was made. Further, in MTFP 2021-22, the FD projection for FY 2020-21 was raised to 9.50 *per cent* of GDP at RE stage, citing a simultaneous increase in expenditure by the Government on health, livelihood and economic stimulus and the reduction in receipts. The actual FD (as per BAG) was 9.18 *per cent* of the GDP and 9.98 *per cent* as per UGFA (refer para 2.7).

A deviation statement, as required under Section 4(5), was placed in F-1 Statements of 2020-21 (Paras 108 to 110) and 2021-22 (Paras 110 to 112) explaining the prevailing situation.

[13] Total outstanding liabilities

Revenue Deficit (RD)

RD for 2020-21 was initially projected at 1.60 *per cent* of GDP in the F1 Statement of 2018-19. In F-1 Statement of 2019-20 the projection was marginally increased to 1.9 *per cent* of GDP stating that "the measures undertaken for subsidy rationalization would start bearing fruit in the medium-term." In F-1 Statement of 2020-21 however, the BE for RD was revised upwards to 2.7 *per cent* of GDP. In F-1 Statement of 2021-22, at the RE level the estimated was raised to 7.5 *per cent* of GDP due to significant increase on account of unprecedented Covid-19 pandemic situation. However, the actual RD (as per BAG and UGFA) was 7.3 *per cent* of GDP for 2020-21.

Primary Deficit (PD)

The F-1 Statement of 2018-19 did not contain any projection on PD. In F-1 for 2019-20 the projected PD for 2020-21 was zero *per cent* of GDP. In F-1 Statement of 2020-21 the Budget estimate for PD was revised to 0.4 *per cent* of GDP. In F-1 Statement of 2021-22, the revised estimates for PD was fixed at 5.9 *per cent* of GDP. The PD (as per BAG) was at 5.8 *per cent* of GDP and 6.3 *per cent* as per UGFA.

Gross Tax Revenue (GTR)

As per F-1 Statement of 2018-19, the GTR was expected to reach 12.7 *per cent* of GDP in 2020-21, with the widening of the tax base and increased tax buoyancy associated with demonetization and GST respectively. In the F-1 Statement of 2019-20 the GTR was expected to reach 11.6 *per cent* of GDP. Further, in F-1 Statement of 2020-21 the GTR was budgeted at 10.8 *per cent* of GDP, however at RE stage it was revised downward to 9.8 *per cent.* The main reasons for the revisions were anticipated lesser receipts in Corporation tax, Union Excise duties and customs duty owing to Covid-19 pandemic. The actual GTR collection for 2020-21 (as per UGFA) was higher at 10.24 *per cent* of the GDP.

Central Government Liability

In F-1 Statement of 2018-19, the Government estimated the total outstanding liabilities as 44.6 *per cent* of GDP at the end of FY 2020-21. In F-1 Statement of 2019-20, the projection was raised to 46.2 *per cent*. In F-1 Statement of 2020-21, at the BE stage the Central Government Debt was estimated at 50.1 *per cent*. However, the same was not specified at RE stage in F-1 Statement of 2021-22. The Central Government Debt for 2020-21 (as per UGFA) was 61.57 *per cent* of the GDP.

B Assumptions underlying the Fiscal Indicators

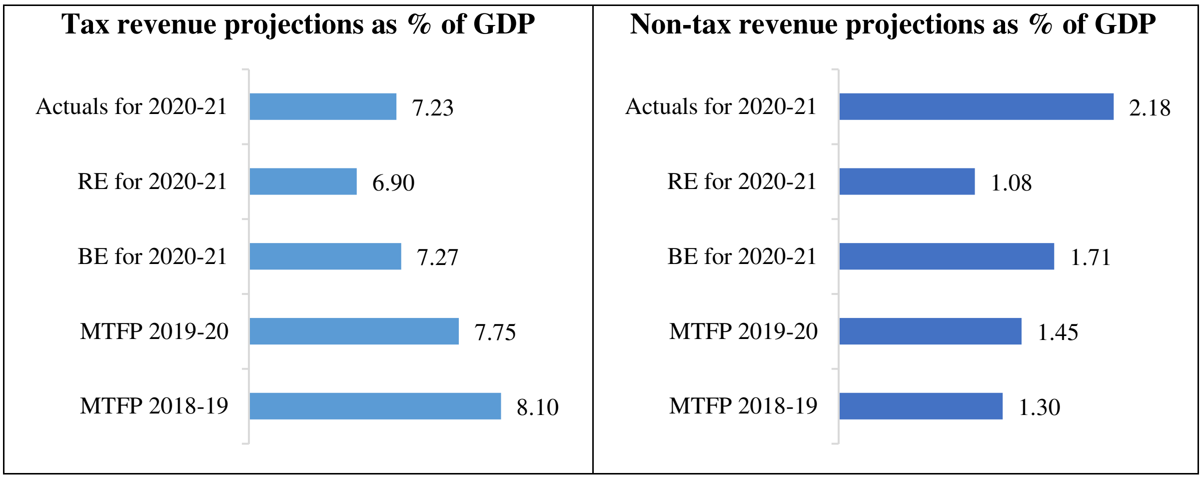
1. Revenue receipts

In F-1 Statement of 2018-19, the Revenue receipts for 2020-21 were projected as 9.4 *per cent* of the GDP (with Tax and non-tax revenue components at 8.1 and 1.3 *per cent* of the GDP respectively). The same was reduced to 9.1 *per cent* of the GDP (with Tax and non-tax revenue components at 7.7 and 1.4 *per cent* of the GDP respectively) in F-1 Statement of 2019-20 on account of reduction in the anticipated tax receipts. In BE 2020-21 the revenue receipts were estimated at ₹20,20,926 crore, i.e., 8.98 *per cent* of the GDP, with an anticipated reduction in the tax revenue collection. The RE 2020-21 estimated a further reduction to 7.98 *per cent* of GDP, on account of shortfall in tax revenue. However, the actual revenue receipts for 2020-21 were ₹18,64,513 crore (9.42 *per cent* of GDP) as per the UGFA.

(a) Projections and actuals for Tax and Non-Tax Revenue

The MTFP statement contains projection for estimated tax and non-tax revenue[14] as a percentage of GDP. These projections have been compared with actuals and the trends analyzed as below.

Figure 4.2: Tax and Non-tax revenue projections and UGFA actuals for 2020-21



There was shortfall in actual tax receipts compared to both projections and the estimates. The tax revenue projections were consistently revised downwards and the main reasons for revision during RE stage were attributed to anticipated lesser receipts in Corporation tax, Union Excise duties and customs owing to Covid-19 pandemic.

Unlike the tax revenue projections, the non-tax revenue projections were progressively revised upwards till the budget estimate level. The actual non-tax revenue collections as percentage of GDP were significantly higher than the projections, though anticipated to decline and revised downwards in the RE.

(b) Devolution to States - Finance commission

Finance Commission makes recommendation on the distribution between the Union and the States of the net proceeds of taxes under provisions of Article 280(3) of the Constitution.

As per MTFP 2021-22, the tax devolution to States in RE 2020-21 was estimated at ₹5,49,959 crore and Finance Commission's Grant to the States at ₹1,82,352 crore.

The actual devolution to states in 2020-21 was ₹5,94,997 crore while an amount of ₹1,84,063 crore was given as Finance Commission grant.

[14] NTR receipts comprises of dividend from RBI, banks, financial institutions and other public sector enterprises, interest receipts on loan primarily from states. Other NTR receipts include telecom receipts, receipts from offshore oilfields, user charges and fees levied by various Ministries/ Departments for services provided by them.

2. Capital receipts

Capital receipts are comprised of non-debt receipt and debt receipt. The non-debt capital receipts have two major components viz. recovery of loans and advances and other receipts (comprising mostly of disinvestment receipts, which accrue to the government on sale of equities in public sector enterprises which are owned by the government, besides sale of strategic assets).

(a) Recovery of Loans

In MTFP 2018-19, the recovery of loans and advances was estimated at ₹10,000 crore considering the repayments due from States and the actual trends of receipts from the public sector enterprises for the year 2020-21. The MTFP 2019-20 estimated this recovery at ₹12,000 crore. In MTFP 2020-21, it was revised upwards to ₹14,967 crore at BE stage. In RE 2020-21 due to no fresh on-lending to the States except back-to-back transfer of the loans taken for Externally Aided Projects, the expected recovery of loans was estimated at ₹14,497 crore. However, as per UGFA the actuals for 2020-21 was at ₹29,923 crore.

(b) Other receipts

In MTFP 2018-19 and 2019-20, realization from other non-debt capital receipts were projected at ₹60,000 crore and ₹80,000 crore respectively. In BE 2020-21 (in MTFP 2020-21), the projection was made at ₹2,10,000 crore, inclusive of ₹90,000 crore from sale of equity in Public Sector Banks and other Financial Institutions. Although projected upwards in the BE and substantially lowered in the RE stage to ₹32,000 crore, the actuals were slightly higher than RE projections at ₹37,897 crore.

(c) Borrowings - Public Debt and Other Liabilities

The gap between receipts and expenditure, i.e. fiscal deficit is financed through borrowings. The borrowings therefore closely correspond to projections for the FD.

The actual fiscal deficit of ₹19,75,314 crore (as per UGFA) in 2020-21 was met through borrowings of ₹18,89,052 crore from internal debt, ₹89,223 crore from external debt, and another ₹4,227 crore from the Public Account, leaving excess of ₹7,188 crore.

3. Total expenditure

Total expenditure for financial year 2020-21 was initially projected at 12.70 *per cent* of GDP in MTFP 2018-19 and reassessed to 12.60 *per cent* of GDP in 2019-20. The BE of total expenditure (in MTFP 2020-21) was estimated at ₹30,42,230 crore. The MTFP 2021-22 set the RE 2020-21 for total expenditure at 17.70 *per cent* of GDP (₹34,50,305 crore). The increase was mainly attributed to increased allocations for Food subsidy, Health and Rural Development. The actual total expenditure as per UGFA 2020-21 was ₹39,07,647 crore, of which 84.83 *per cent* was towards revenue expenditure.

(a) Revenue Account

The major components of the revenue expenditure include interest payments, subsidies, salaries and pensions, defence revenue expenditures, expenditure on police, transfers to the State/ UT Governments, Centrally Sponsored Schemes and Other Transfers.

(i) Interest payments

Interest payments constitute the largest component of Centre's revenue expenditure. Interest payment for financial year 2020-21 was projected at 29.80 *per cent* and 33.10 *per cent* of the revenue receipt in MTFP for 2018-19 and 2019-20 respectively. In MTFP 2020-21, the outgo towards interest payments was budgeted at ₹7,08,203 crore (35 *per cent* of corresponding revenue receipts). However, in MTFP 2021-22 the proportion of interest payment against revenue receipts was revised to 44.6 *per cent*.

(ii) Major subsidies

The expenditure on Major subsidies on Food, Fertilizer and Petroleum remains the second most significant component of revenue expenditure. Projections for major subsidies during 2020-21 in successive MTFPs of 2018-19, 2019-20 and 2020-21 were made at 1.3 *per cent*, 1.2 *per cent* and 1.0 *per cent* of GDP respectively. In MTFP 2021-22, the revised expenses on subsidies were estimated at ₹5,95,620 crore (an increase of 161 *per cent* over BE of ₹2,27,794 crore), mainly towards Food Subsidy and provision of free ration to citizens during Covid-19 pandemic and pre-payment of NSSF loans with FCI of about ₹1.5 lakh crores.

(b) Capital Account

Capital expenditure for 2020-21 was projected at 12.90 *per cent* of total expenditure in MTFP 2018-19, while in MTFP 2019-20 it was projected to grow by 9.5 *per cent* over previous year BE 2019-20 of ₹3,38,569 crore (worked out as 14.13 *per cent* of total expenditure). The capital expenditure in BE 2020-21, was budgeted at ₹4,12,085 crore. The estimate for capital expenditure in RE 2020-21 (at ₹4,39,163 crore) was increased by 6.6 *per cent* over BE 2020-21 which as per MTFP 2021-22, mainly on account of higher spending on Central Sector Schemes, railways, defence, transfers to the States, Health and MSMEs etc. However actual capital expenditure as per UGFA 2020-21 was ₹5,92,794 crore (15.17 *per cent* of total expenditure).

4. Gross Domestic Product (GDP)

Section 2(bc) of the Act defines gross domestic product means the sum of the gross value added by all resident production units plus that part of taxes, less subsidies, on products, which is not included in the valuation of output, during a financial year, reckoned at current market prices, as published by the NSO from time to time. Further, Section 2(ca) defines real gross domestic product means gross domestic product, reckoned at constant prices, as published by the NSO from time to time.

The movement of GDP in constant and current prices over the period 2016-17 to 2020-21 is given in **Figure 4.3** below.

Figure 4.3: Movement of GDP

(₹ in crore)

GDP	2016-17	2017-18	2018-19	2019-20	2020-21
GDP at current prices (Nominal GDP)	153,91,669	170,90,042	188,99,668	200,74,856	198,00,914
Percentage change over previous year (GDP at current prices)	11.76	11.03	10.59	6.22	-1.36
GDP at constant (2011-12) prices (Real GDP)	123,08,193	131,44,582	139,92,914	145,15,958	135,58,473
Percentage change over previous year (GDP at constant prices)	8.3	6.8	6.5	3.7	- 6.6

Source: NSO Press Note dated 31 January 2022 and 31 May 2022.

The MTFP statement of 2018-19 estimated the GDP of 2018-19 at ₹1,87,22,302 crore and projected nominal GDP to grow at a rate of 11.80 *per cent* in Financial Year 2019-20 and 12.30 *per cent* in Financial Year 2020-21. Based on the same, GDP for Financial Year 2020-21 was projected at ₹2,35,06,112 crore.

MTFP of 2019-20 estimated the GDP of 2019-20 at ₹2,11,00,607 crore and projected that nominal GDP would grow at rate of 11.60 *per cent* in 2020-21. Projected GDP for 2020-21 based on this calculation works out to approximately ₹2,35,48,277 crore.

Budget at a Glance for 2020-21 estimated the GDP of 2020-21 to grow at 10 *per cent* and attain the level of ₹2,24,89,420 crore.

The estimate of GDP for 2020-21 was revised to ₹1,94,81,975 crore in Budget at a Glance 2021-22. However, the GDP figure for 2020-21 as released by NSO in May 2022, was ₹1,98,00,914 crore.

C. Assessment of sustainability

(i) The balance between revenue receipts and revenue expenditure:

In MTFP 2018-19 while projecting the RD for 2020-21 at 1.6 *per cent* of the GDP, the Government stated that human capital and its development by focusing on schools and hospitals and maintenance of these assets, which are in nature of revenue expenditure, were as important to improve productivity as buildings and roads. Thus, Government decided to remove the RD as a target for fiscal prudence, and to look at the sustainability of the government expenditure in a holistic manner, with assurance to continue the efforts to achieve revenue/ expenditure balance in the Budget.

In MTFP 2019-20, the projected RD was revised to 1.9 *per cent* of the GDP, and further increased and budgeted to 2.7 *per cent* of the GDP in MTFP 2020-21.

In MTFP 2021-22, a decrease in revenue receipts to the tune of ₹4,65,773 crore over budget estimates was projected on account of fall in tax revenue. Whereas the revenue expenditure was projected upwards by ₹3,80,997 crore in RE 2020- 21. Thus, resultant RD was expected to increase significantly to 7.5 *per cent* of the GDP, on account of the unprecedented Covid 19 pandemic situation. The actual RD in 2020-21 was 7.32 *per cent* of the GDP.

(ii) The use of capital receipts including market borrowings for generating productive assets:

The ratio of revenue deficit to fiscal deficit broadly measures the extent of borrowings used for financing current expenditure of the Government. For the financial year 2020-21, this ratio was projected at 55 *per cent* in MTFP 2018-19, 61.10 *per cent* in 2019-20. However, in the BE of 2020-21 it increased to 75.10 *per cent* and further at 78.80 *per cent* in RE of 2021-22. The ratio of actual revenue deficit to fiscal deficit in 2020-21 stood at 73.42 *per cent* as per UGFA. Although the ratio improved over the budget estimate, it deteriorated from initial projections for the year 2020-21.

D. Strategic priorities for ensuing financial year

Government in MTFP 2020-21 stated that - the main focus of the Government in the ensuing year on the expenditure side will be to enhance creation of capital assets, health, food security, sanitation and water conservation will continue to be focus sector. On the receipts side, resource mobilisation will be sought through sale of strategic assets.

A trend of the revenue expenditures on the above focus areas during last three years is presented in **Figure 4.4** below: -

Figure 4.4: Trend of revenue expenditures on focus areas

(₹ in crore)

Year	Grant for creation of capital asset	Health and Family Welfare	Food Storage and Warehousing	Water Supply and Sanitation	Soil and Water Conservation
2018-19	1,91,291.25	22,323.65	1,07,328.49	276.21	33.64
2019-20	1,87,342.28	29,432.13	1,14,678.11	1,050.45	32.94
2020-21	2,22,391.20	33,883.64	5,55,154.28	1,296.58	34.57

Source: UGFA of respective years.

The above trend analysis in **Figure 4.4**, shows that the expenditure on focus areas have increased across the years. The year-on-year increase during 2020-21 was at five *per cent* in the Soil and Water Conservation head, and around 15 *per cent* in the Health and Family Welfare head. An increased expenditure of 19 *per cent* over 2019-20 was made towards Grant for creation of capital asset, and spending on water supply and sanitation head was enhanced by 23 *per cent* over 2019-20, which itself was increased threefold during the previous year. Further, the spending on Food Storage and warehousing was increased by 384 *per cent* during 2020-21 to provide for free rations during Covid-19 pandemic and pre-payment of NSSF loans with FCI of about ₹1.5 lakh crore. Thus, Government has increased its spending on the identified focus sectors.

4.3 Deviation in Macro Economic Framework (MEF) Statements for 2021-22 and 2022-23 showing economic performance for the year 2020-21

As per Section 3(5) of the Act, the Macro Economic Framework Statement in Form F-2 shall contain an assessment of the growth prospects of the economy with specification of underlying assumptions. Section 3(6) of the Act provides that F-2 Statement shall contain assessment relating to (a) the growth in the GDP, (b) the fiscal balance of the Union Government as reflected in the gross fiscal balance, and (c) the external sector balance of the economy as reflected in the current account balance of the balance of payments. The latest Form F-2 showing economic performance for the year 2020-21 may be referred in **Annexure 4.2**.

While checking the economic performance for 2020-21 in the successive Macro-Economic Framework (MEF) Statements for 2021-22 and 2022-23, deviations were observed from the prescribed format of F-2 as discussed below.

(A) Variation in Real Sector

Figure 4.5: Variation in real sector for 2020-21 (April-December)

Sr. No.	Sr. No. in format prescribed for F-2	Item	MEFS 2021-22	MEFS 2022-23
1	6(a)	Imports at current prices (In "₹ crore")	19,22,790	19,56,257
2	6(b)	Imports at current prices (In "US $ million")	2,58,272	262.8
3	7(a)	Exports at current prices (In "₹ crore")	14,95,706	15,00,020
4	7(b)	Exports at current prices (In "US $ million")	2,00,802	201.4
5	8	Trade Balance (In "US $ million")	-57,470	-61.4
6	9(a)	Foreign Exchange Assets (at end March) (In "₹ crore")	42,72,332	42,80,252
7	9(b)	Foreign Exchange Assets (at end March) (In "US $ million")	5,80,841	5,85,771
8	10	Current Account Balance	34.8	34.4

Source: MEF statements of the respective year.

In both MEFS, variations in above eight items for the year 2020-21 (April-December) have been reported for the same reporting period but no explanation was furnished. The variations were pointed out to the Ministry and the reply was awaited.

(B) Variations in Government Finances

Figure 4.6: Variations in Government Finances for 2020-21 (April-November)

(₹ in crore)

Sr. No.	Sr.No. in format prescribed for F-2	Item	MEFS 2021-22	MEFS 2022-23
1	8	Total Receipts	19,06,358	8,30,851
2	10	Interest Payments	Not provided	Not provided
3	13	Fiscal Deficit	10,75,507	6,92,082
4	14	Revenue Deficit	8,52,490	10,75,507
5	15	Primary Deficit	6,92,082	8,12,710

Source: MEF statements of the respective year.

In MEFS 2022-23 the Total Receipts was shown as ₹8,30,851 crore, which does not tally with corresponding total of revenue and capital receipts. The figure as worked out would have been ₹19,06,358 crore (₹8,12,710 + ₹10,93,648), aggregate of revenue receipt and capital receipt. Further, the figure of Revenue Deficit shown as ₹10,75,507 crore was greater than reported Fiscal Deficit of ₹6,92,082 crore. These discrepancies were reported to the Ministry; the reply was awaited.

CHAPTER

5

Disclosures and Transparency

Disclosures and Transparency

Chapter 5

5.1 Disclosure Statements

Rule 6 of the FRBM Rules, 2004 amended from time-to-time mandates that to ensure greater transparency in its fiscal operation in the public interest, the Central Government shall at the time of presenting the Annual Financial Statement and Demands for Grants, make disclosures (D-1 to D-5) in the format prescribed. Also, any significant change in accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators, is also required to be disclosed under the FRBM Rules. This chapter examines transparency in Government accounts and the information provided in disclosure statements named in **Figure 5.1** below.

Figure 5.1: Disclosure Statements as per FRBM Act

Title of Disclosure Statement	
D-1	Tax Revenue raised but not realized
D-2	Arrears of Non-Tax Revenue
D-3	Guarantees given by the Government
D-4	Asset Register
D-5	Liability on Annuity Projects

5.2 Examination of these Disclosure Statements

An examination of the mandated disclosure statements revealed inadequacies as discussed in succeeding paragraphs.

5.2.1 Inconsistent figures in D-2 as compared with UGFA

In respect of interest receipts pending from 'State/ Union territory Government' and 'Public Sector and Other Undertakings', it was observed that for reporting year 2020-21 the figures in D-2 Form varied from UGFA for the year 2020-21. The differences are shown in **Figure 5.2**.

Figure 5.2: Inconsistency in arrears of interest

(₹ in crore)

	Arrears of Interest		
Loanee entity	As in D-2 (Receipt Budget 2022-23)	As in UGFA 2020-21	Variation
State/ Union Territory Government	1,752.43	4,261.23	2,508.80
Public Sector and other Undertakings	36,491.91	38,045.39	1,553.48

Source: Receipt Budget 2022-23 and Union Government Finance Accounts 2020-21

The issue has been repeatedly highlighted in past CAG reports of 2017-19 and 2019-20. The Ministry assured (June 2022) reconciliation of the D-2 Statement on arrears of non-tax revenue, provided that future UGFAs were made available well in advance before the budget formulation.

5.2.2(a) Variation in number of Guarantee in Form D-3

Statement D-3 discloses the particulars of Guarantees given by the Central Government, classified into six different classes. Scrutiny of the Statement revealed the following deficiencies.

Audit examination of the class-wise guarantees given in successive D-3 Statement for reporting year 2019-20 and 2020-21 revealed variation in the closing and opening balance of the number of guarantees as depicted in **Figure 5.3**.

Figure 5.3: Variation in number of guarantees

Guarantee type	Ministry/ Department	No. of guarantees at the end of 2019-20	No. of guarantees at the beginning of 2020-21	Variation
Class -1[15]	Department of Pharmaceuticals, Ministry of Chemical and Fertilizers	9	4	5
Class -3[16]	New and Renewable energy	13	16	3

Source: Receipt Budget 2021-22 and 2022-23

In UGFA 2020-21 these variations were disclosed by footnotes at Page 47 and Page 53. However, no such disclosure was made in Form D-3 of Receipt Budget 2022-23.

5.2.2(b) Variation in outstanding amount of guarantees

Examination of successive D-3 Statements for reporting year 2019-20 and 2020-21 revealed variation in the closing and opening balances in the amount outstanding for Class-3 guarantees as given in **Figure 5.4**.

Figure 5.4: Variation in outstanding amount of guarantees

(₹ in crore)

Guarantee type	Ministry	Amount outstanding at the end of the year 2019-20	Amount outstanding at the beginning of the year 2020-21	Variation
Class -3[17]	M/o New and Renewable Energy	8,010.97	11,208.57	3,197.60

Source: Receipt Budget 2021-22 and 2022-23

[15] Guarantees given to the Reserve bank of India, other Banks and Financial institutions for repayment of principal and payment of interest, cash credit facility, financing seasonal agricultural operations and/ or providing working capital to companies, corporations, cooperative societies and banks.

[16] Guarantees given in pursuance of agreements entered into by the Government of India (GoI) with international financial institutions, foreign lending agencies, foreign governments, contractors, suppliers, consultants etc., towards repayment of principal, interest and/ or commitment charges on loans etc., and /or for the payment against supplies of material and equipment.

[17] Guarantees given in pursuance of agreements entered into by the Government of India (GoI) with international financial institutions, foreign lending agencies, foreign governments, contractors, suppliers, consultants etc., towards repayment of principal, interest and/or commitment charges on loans etc., and /or for the payment against supplies of material and equipment.

In UGFA 2020-21 the variation was disclosed by footnotes at Page 53. However, no such disclosure was made in Form D-3 of Receipt Budget 2022-23.

While accepting (June 2022) the audit comment Ministry assured that henceforth, any variation will be disclosed as footnotes in statement (D-3) in upcoming Union Budget.

5.2.3(a) Variations in Form D-4 Asset Register

As per Rule 6(1)(c) of FRBM Rules 2004, the Central Government shall, at the time of presenting the annual financial statement and demands for grants, make disclosure of a statement of assets in Form D-4 along with explanatory notes.

On comparison of the closing balance of assets for the financial year 2019-20, with that of opening balance for the financial year 2020-21, it was observed that assets worth ₹4,867.61crore were not carried forward in 2020-21, as mentioned below in **Figure 5.5**.

Figure 5.5: Variation in value of Assets in Form D-4

(₹ in crore)

Cumulative total of assets at the end of the year 2019-20	Assets at the beginning of 2020-21	Variation
18,90,382.55	18,85,514.94	4,867.61

Source: Receipt Budget 2022-23

The value of physical assets varied by ₹41.70 crore and that of financial assets by ₹4,825.91 crore at the end of reporting year 2020-21 from previous reporting year.

To explain the variation in Form D-4 a footnote was given stating that "Variation between closing balance at the end of previous reporting year and opening balance at the beginning of current reporting year is mainly due to corrections in Railway Safety Fund and inclusion of disinvestment in FY 2019-20 under Ministry of Railways. Some assets of NIIF Limited were not included in FY 2019-20 under Department of Economic Affairs; reconciliation done by Ministry of Power; corrections in erroneous entries made in FY 2019-20 by Department of Heavy Industry etc.".

However, the Ministry-wise explanation for variation in footnote was without any specific amount, leading to non-reconciliation of differential amount of ₹4,867.61 crore.

While accepting the observations, Ministry replied (June 2022) that from next financial year for variation, if any, a footnote will be incorporated with respect to the Ministries/ Departments with considerable variation.

5.2.3(b) Inconsistency in figures of financial assets loans and advances

During audit it was noticed that the amount of loans and advances made by the Central Government and outstanding against (i) Foreign Governments and (ii) State and Unions Territories Governments at the end of 2020-21 as shown in Form D-4 varied from the figures shown in UGFA and Statement No.1(ii) of Receipt Budget 2022-23 as detailed in **Figure 5.6** below.

Figure 5.6: Inconsistency in figures of financial assets (loans and advances)

(₹ in crore)

Items	Form D-4	UGFA and Statement No.1(ii) Statement of Assets of Receipt Budget	Difference
Loans to Foreign Governments	15,848.80	14,456.20	1,392.60
Loans to State and Unions Territories	4,929.45	3,13,511.11	3,08,581.66

Similar comment was made in the CAG Report No.18 of 2022. Before including the figures in Form D-4, the Ministry should have reconciled the data with respect to UGFA.

The Ministry stated (June 2022) that information was collected through UBIS from various Ministries/ Departments at present, and instructions would be issued to cross-check and bring out consistency with UGFA figure in future budgets.

New Delhi
Dated: 02 December 2022

(ROLI SHUKLA MALGE)
Principal Director of Audit
Finance & Communication

Countersigned

New Delhi
Dated: 07 December 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Annexures

Annexure 1.1
(Refer Para 1.4)
Details of Budget Documents

The list of budget documents presented to the Parliament, besides the Finance Minister's speech, are as follows:

Sr. No.	Name of compilation in Budget Documents
1.	Annual Financial Statement (AFS)
2.	Demands for Grants (DG)
3.	Finance Bill
4.	Fiscal Policy Statements mandated under FRBM Act
	i. Macro-Economic Framework Statement
	ii. Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement
5.	Expenditure Budget
6.	Receipt Budget
7.	Expenditure Profile
8.	Budget at a Glance
9.	Memorandum Explaining the Provisions in the Finance Bill
10.	Output Outcome Monitoring Framework
11.	Key to the Budget Documents
12.	Implementation of Budget Announcements in previous year

Annexure 3.1
(Refer Para 3.2.2)
Details of Guarantees

(₹ in crore)

Sr. No.	Components	2016-17	2017-18	2018-19	2019-20	2020-21
(1)	Maximum amount guaranteed during the year	3,78,704.16	4,31,931.53	4,58,542.92	5,10,479.36	5,33,589.97
(2)	Outstanding at the beginning of the year	3,43,758.86	3,66,188.7	3,80,815.09	4,49,573.73	4,70,079.00
(3)	Addition during the year	34,945.3	65,742.83	77,727.83	60,905.63	63,510.97
(4)	Deletions (other than invoked)	12,403.46	51,758.73	10,916.56	43,597.96	35,991.21
(5)	Invoked during the year	112	0	0	0	0
(6) (3-4-5)	Aggregate Guarantee	22,429.84	13,984.1	66,811.27	17,307.67	27,519.76
(7)	Outstanding at the end of the year	3,66,188.7	3,80,172.8	4,47,626.36	4,66,881.4	4,97,598.76
(8)	GDP	1,53,91,669	1,70,90,042	1,88,99,668	2,00,74,856	1,98,00,914
(9)	Maximum amount of Guarantee during the year as percentage of GDP	2.46%	2.53%	2.43%	2.54%	2.69%
(10)	Additional Guarantees as percentage of GDP	0.23%	0.38%	0.41%	0.32%	0.32%
(11)	Outstanding at the end of the year as percentage of GDP	2.38%	2.22%	2.37%	2.32%	2.51%

Source: UGFA of respective years

Annexure 3.2
(Refer Para 3.3.1)

Statement of Extra Budgetary Resources (EBRs)
(Govt. fully serviced bonds, NSSF loan and other resources)

(₹ in crore)

Part-A – EBRs mobilised through issue of Govt. fully serviced bonds

Demand No.	Name of the Ministry/Department and Name of the Scheme	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 Actuals	2021-22 BE	2021-22 RE	2022-23 BE
26	**Department of Higher Education**								
	Revitalising Infrastructure and Systems in Education (RISE)	---	---	---	---	---			
46	**Department of Health & Family Welfare**								
	Pradhan Mantri Swasthya Suraksha Yojana	---	---	---	---	---			
60	**Ministry of Housing & Urban Affairs**								
	Pradhan Mantri Awas Yojana (PMAY) – Urban	---	---	20,000.00	---	---			
62	**Department of Water Resources, River Development & Ganga Rejuvenation**								
	(i) Polavaram Irrigation Project	---	---	1,400.00	1,850.00	2,243.20		751.80	
	(ii) Pradhan Mantri Krishi Sinchai Yojana (Accelerated Irrigation Benefits Programme & other Projects)	2,187.00	3,105.00	5,493.40	1,963.30	1,922.10			
63	**Department of Drinking Water & Sanitation**								
	(i) Swachh Bharat Mission (Rural)	---	---	8,698.20	3,600.00	----	NIL		NIL
	(ii) JalJeevan Mission/National Rural Drinking Water Programme	---	---	---	---	---			
71	**Ministry of New & Renewable Energy**								
	(i) Grid Interactive Renewable Power, Off-Grid/ Distributed & Decentralized Renewable Power	1,640.00	---	---	---	---			
	(ii) Pradhan Mantri-Kisan Urja Sanrakshan Evam Utthan Mahabhiyan (PM-KUSUM)	---	---	---	---	---			
78	**Ministry of Ports, Shipping and Waterways**								
	Inland Waterways Authority of India (IWAI) Projects	340.00	660.00	---	----	---			
79	**Ministry of Power**								
	(i) Deen Dayal Upadhyaya Gram Jyoti Yojana/SAUBHAGYA	5,000.00	4,000.00	13,827.00	3,782.00	2,500.00			
	(ii) Power System Development Fund Projects	---		5,504.70	---	---			
87	**Department of Rural Development**								
	Pradhan Mantri Awas Yojana (PMAY) - Rural	---	7,330.00	10,678.80	10,811.00	19,999.80			
	Total	***9,167.00***	***15,095.00***	***65,602.10***	***22,006.30***	***26,665.10***		**751.80**	

Part-B – Financial support extended through loans from NSSF

Sl. No.	Name of the Ministry/Department/ Name of the Entity	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 Actuals	2021-22 BE	2021-22 RE	2022-23 BE
1	**Department of Food & Public Distribution**								
	Food Corporation of India	70,000.00	65,000.00	97,000.00	1,10,000.00	84,636.00	---		
2	**Ministry of Housing & Urban Affairs**								
	Building Materials & Technology Promotion Council	---	8,000.00	---	15,000.00	10,000.00	---		
3	**Department of Fertilizers**							NIL	NIL
	Metals & Minerals Trading Corporation	---	---	---	1,310.00		---		
4	**Support to other public agencies** (to meet requirement for additional resources, if any, under some specific scheme/project)						30,000.00		
	Total	**70,000.00**	**73,000.00**	**97,000.00**	**1,26,310.00**	**94,636.00**	**30,000.00**		
	Grand Total (A+B)	**79,167.00**	**88,095.00**	**1,62,602.10**	**1,48,316.30**	**1,21,301.10**	**30,000.00**	**751.80**	

Notes:

(i) Air India Asset Holding Limited (AIAHL) under M/o Civil Aviation was permitted to raise EBRs by issuing Govt. Fully Serviced Bonds of upto ₹7,000 crore in FY 2019-20 to refinance AIs debt transferred to AIAHL.

(ii) M/o Railways was permitted to meet fund requirement of upto ₹10,200 crore (₹5,200 crore in FY 2018-19 & ₹5,000 crore in FY 2019-20) through borrowings for financing its National Projects. The repayment liability is being borne on General Revenues of Govt.

(iii) An amount of ₹80,000 crore in 2017-18, ₹1,06,000 crore in 2018-19 and ₹65,443 crore in 2019-20 was infused for recapitalisation of Public Sector Banks (PSBs). For this purpose, a provision of ₹15,000 crore has been made in 2021-22.

(iv) Statement of liability on annuity projects is given in Part-B of the Receipt Budget 2022-23. Amount of unpaid annual liability at the end of financial year 2020-21 was ₹38,775.72 crore.

(v) EBR in FY 2021-22 under Polavaram Irrigation Project was raised as per the existing funding arrangement for this project. Further financing is being met from budget.

Annexure 4.1

(Refer *Para 4.1*)

Relevant extracts of the Medium-Term Fiscal Policy Statement presented in Union Budgets of Financial Year 2017-18, Financial Year 2018-19, Financial Year 2019-20, Financial Year 2020-21 and Financial Year 2021-22.

Union Budget 2018-19

Fiscal Outlook for 2019-20 and 2020-21

29. The assumptions regarding the FYs 2019-20 and 2020-21 have been laid bare in the sections above. The achievement of the fiscal targets in 2019-20 and 2020-21 are, therefore, contingent on the achievement of these intertwined targets, especially the ones related to the nominal GDP in the country.

30. In the new proposed framework, as mentioned earlier, the Revenue Deficit targets shall not enjoy the pre-eminence as it did earlier. This is to remove the anomaly created by a preference for capital expenditure that was inherent in the framework where the RD was following a declining trend. However, apart from the creation of assets, there is also a need to focus on the correct maintenance of the assets that have been set up. Moreover, in a federal country like India, all the capital-related transfers that the Government passes on to State Government agencies who implement certain schemes are categorised as revenue expenditure. Moreover, education and health as part of human capital, the expenditures on these items are as crucial as the ones on physical capital. For example, the presence of well-trained and adequately paid teachers and doctors are as important as strong hospital and school buildings

31. As analysed in the above paragraphs it is anticipated that the Government is sure to reap the dividends of the recent taxation reform initiatives. Whereas the direct tax buoyancy rates show that the dividends with respect to demonetisation are perhaps already kicking in, the Government is confident that the widening of the tax base thanks to implementation of GST will help in improving the fiscal prospects of the Central Government.

32. One major uncertainty in the horizon is on the front of State Governments. The redemption of UDAY Bonds is on the horizon and these may apply an upward pressure on the state's fiscal calculations. In the era of amended FRBM Act, where there is a cap on General Government Debt at 60 *per cent* of GDP, it is anyone's guess as to the implications of these on the fiscal position of the states.

33. Keeping these issues in mind in 2019-20 and 2020-21, it is anticipated that the Gross Tax Revenues of the Central Government will show an increase of 14.3 *per cent* and 14.7 *per cent* over BE 2018-19 and 2019-20 respectively. The GTR for these years reach the absolute targets of ₹25,95,775 crore and ₹29,77,350 crore in the respective years. These figures also include an amount of ₹90,000 crore in each of these years on account of GST Compensation Cess. These increases imply that the Tax GDP ratio will touch 12.4 *per cent* in 2019-20 and 12.7 *per cent* in 2020-21 respectively. These jumps will be considerably aided by the widening of the tax base and hence the increased tax buoyancy associated with demonetization and GST respectively.

34. Apart from the above figures on tax revenues, the other important component of the Government's revenue receipts is the Non-tax Revenue receipts of the Government. These respectively grew by 8.4 *per cent* and 11 *per cent* in 2019-20 and 2020-21 respectively. Growing at these rates, NTR is anticipated to reach ₹2,65,867 crore and ₹2,95,000 crore respectively in the two relevant years. As a *per cent* of GDP these have been projected to remain at 1.3 *per cent* each in FY 2019-20 and 2020-21 as there is also a simultaneous move

towards increased unshackling of private sector potential.

35. On the expenditure front the total Government expenditure which is budgeted to reach 13.0 *per cent* of GDP in 2018-19 (BE) is projected to taper by 0.3 percentage points to 12.7 *per cent* each in 2019-20 and 2020-21. The revenue-capital mix in the expenditure profile is anticipated to increase from 12.3 *per cent* in BE 2018-19 to about 13 *per cent* in 2020-21.

Union Budget 2019-20

Fiscal Outlook for 2020-21 and 2021-22

18. The gross tax revenue is anticipated to grow by 11.9 per cent and 13.4 per cent over previous year in 2020-21 and 2021-22 respectively. Tax-GDP ratio is expected to increase to 12.2 *per cent* in 2021-22. These figures are inclusive of GST compensation cess. Non-tax revenue receipts of the Central Government are expected to remain at 1.3 per cent of GDP in 2020-21 and 2021-22. With a growth rate of 12.2 per cent and 12.3 per cent over previous year in 2020-21 and 2021-22 respectively, NTR is expected to reach ₹3,06,000 crore in 2020-21 and ₹3,43,500 crore in 2021-22.

19. Total Government expenditure is expected to grow at a lower rate in 2020-21 and 2021-22 as compared to 2019-20. The decreased growth rate is expected mainly on account of revenue expenditure. Capital expenditure on the other hand is anticipated to grow at 15 *per cent* and 20 *per cent* over previous year in 2020-21 and 2021-22 thereby bringing capital expenditure (as a percentage of total expenditure) to 12.8 *per cent* in 2020-21 and 13.8 *per cent* in 2021-22. The debt of central government as a *per cent* of GDP is also expected to decline to 45.4 *per cent* and 43.4 *per cent* in 2020-21 and 2021-22 respectively. This figure will however go up to a minor extent with inclusion of EBRs.

20. With the above assumptions of receipts and expenditure, it is expected to catch up with the targeted fiscal path and achieve three *per cent* fiscal deficit by FY 2020-21 and continue thereafter. Rationalisation of expenditure and synchronisation of schemes with the award periods of Finance Commission would be the major driver for this in FY 2020-21. The full benefits of GST reforms should start accruing from FY 2020- 21 and completely stabilise thereafter to ensure sustainable fiscal path. But certain risk factors would also need to be acknowledged. The fifteenth Finance Commission is expected to submit its report in October, 2019. Its recommendations will lay the basis for transfer of resources to states from 2020-21 onwards. This apart, overall national and global condition will also have an impact on fiscal parameters. Assumptions underlying the Fiscal Indicators

Revenue receipts

Tax-Revenue

21. The receipts estimates for 2020-21 and 2021- 22 have been made conservatively. Gross Tax Revenue, which was estimated at 12.1 *per cent* of GDP in BE 2018-19 is now expected to be 11.9 *per cent* in RE 2018-19 owing to transitional issues in stabilising the GST regime. In BE 2019-20, GTR is budgeted at ₹25,52,131 crore which works out to be 12.1 *per cent* of GDP. GTR is expected to grow at 11.9 *per cent* and 13.4 *per cent* in 2020-21 and 2021-22 respectively over previous year to reach 12.2 *per cent* of GDP in 2021- 22. Direct taxes are expected to grow at 14.9 *per cent* and 15.3 *per cent* over previous year in 2020-21 and 2021-22 respectively. The projections of Direct Tax collections is base case scenario that may vary if there are structural changes like in tax rates or slabs or any of the provisions in the Income Tax Act, 1961. The eight year average buoyancy for Corporation Tax is 0.99 and 1.02 and for Personal Income Tax is 1.52 and 1.55 for the years 2020-21 and 2021-22 respectively.

22. The estimate of Customs Duty has been made with the assumption that Customs will grow at the same rate as nominal GDP. In case

of Central Excise, due to specific rate structure on MS/ HSD, factors like average petroleum sector consumption growth has also been taken into account. Accordingly, Central Excise is expected to grow at a rate of 6 *per cent* in 2021-22. Indirect taxes are calculated to grow at 8.4 *per cent* and 11.1 *per cent* over previous year in 2020- 21 and 2021-22 respectively.

23. Year-on-year growth in GTR is expected to be 17.2 *per cent* in RE 2018-19 and 13.5 *per cent* in BE 2019-20. In absolute terms, GTR is estimated at ₹22,48,175 crore in RE 2018-19 and ₹25,52,131 crore in BE 2019-20. Direct tax estimate for RE 2018-19 is ₹12,00,000 crore which shows a growth of 19.8 *per cent* over 2017-18 and is ₹50,000 crore higher than the budgeted estimates for 2018-19. The growth in Indirect taxes, is expected to be lower than budgeted figures during BE 2018-19. It is expected that indirect taxes will be ₹10,42,833 crore in RE 2018-19 which reflects a growth of 14.3 *per cent* over previous year. The indirect taxes in 2019-20 is budgeted at 11,66,188 crore with a growth rate of 11.8 *per cent* over previous year.

Non-tax-revenue – Policy stance

24. Non-tax revenue is a key component of revenue receipts of the government and has now also been included as a fiscal indicator in this statement. NTR comprise dividends from RBI, banks, financial institutions and other public sector enterprises. Another major component of NTR is interest receipts on loans. Interest is mostly received from states which have in some earlier period taken loan from the Union Government. Other NTR receipts include telecom receipts, receipts from offshore oilfields, user charges and fees levied by various Ministries/ Departments for services provided by them.

25. It is expected that year-on-year growth in non-tax revenue receipts will be 12.2 *per cent* in 2020-21 and 12.3 *per cent* in 2021-22. Overall, it is anticipated that NTRs will remain at a level of 1.3 *per cent* of GDP in the medium term. In RE 2018-19, NTR is projected to grow at 27.2 *per cent* over 2017-18 and by 11.2 *per cent* over previous year in BE 2019-20.

Devolution to States – Finance Commission

26. Devolution to states in RE 2018-19 and BE 2019-20 is budgeted at ₹1,06,129 crore and ₹1,31,902 crore respectively. The devolution to states for the year 2018-19 and 2019-20 is based on the recommendations provided by the XIV Finance Commission. The recommendations of 14th FC are applicable till FY 2019-20. At present, it will not be possible to make any assumptions or estimations of devolutions to states from 2020-21 and 2021-22 as it will fall in the award period of 15th FC.

Capital receipts

Recovery of loans

27. The Non-debt capital receipts have two main components, viz. recovery of loans and advances and 9 disinvestment receipts. Recovery of loans has been kept at ₹13,155 crore in RE 2018-19 and the budgeted amount in 2019-20 is ₹12,508 crore. In the medium term, it is estimated at ₹11,000 crore in 202021 and 2021-22 both.

Other non-debt capital receipts

28. Disinvestment is the second major component of non-debt capital receipts. Disinvestment receipts accrue to the government on sale of public sector enterprises which are owned by the government. It also includes sale of strategic assets. Disinvestment receipts, which were budgeted at ₹80,000 crore in BE 2018-19 are expected to remain at the same level in RE 2018-19. Disinvestments are budgeted at ₹90,000 crore in 2019- 20. It is anticipated that disinvestment receipts in 2020-21 and 2021-22 will be ₹80,000 crore in each year.

Borrowings – Public Debt and Other Liabilities

29. In 2018-19, gross and net market borrowing by the Government of India (GoI) through dated securities, excluding buyback/ switches were budgeted at ₹6,05,539.36 crore and ₹3,90,120.49 crore, respectively, which represented an increase of 2.98 *per cent* in gross

and decline of 0.52 *per cent* in net borrowing. Net market borrowings through dated securities were budgeted to finance 62.4 *per cent* of Gross Fiscal Deficit (GFD). Other sources such as net borrowing from Treasury Bills, small savings collections, state provident funds, net external assistance and cash draw down were budgeted to finance the remaining 37.5 *per cent* of the GFD.

30. Of the overall Central Government liabilities, about 93.8 *per cent* are domestic and 6.2 *per cent* are external as at end-March 2018. Dated securities are primarily held by domestic institutional investors, major holders being commercial banks, insurance companies and Provident funds. Continued strong demand from banking and insurance sector, a strong Primary Dealers' network implies that the borrowings programme for 2019-20 would be completed comfortably. Revised investment limits for Foreign Portfolio Investors (FPIs) published by Reserve Bank in April 2018, along with relaxation in holding conditions is expected to bring more such investors in the Government securities.

31. There is reduction in Gross Market Borrowings from the BE levels of ₹6,05,539 crore to a level of ₹5,71,000 crore. This will be partly offset by an additional amount of ₹50,000 crore to be used from NSSF for financing fiscal deficit requirements. Gross market borrowings requirement for 2019-20 has been budgeted at ₹7,10,000 crore, which includes repayments of ₹2,36,878 crore. In nominal terms, net market borrowings projections show an increase 8.45 *per cent* over the previous year BE. In terms of GDP, net market borrowing through dated securities is budgeted to decline to 2.25 *per cent* in 2019-20 as compared with 2.5 *per cent* in FY 2018-19. Borrowings through external debt are budgeted to remain broadly at same level during 2019-20. Market borrowings finance about 60 *per cent* of the GFD. The net market borrowings projected to be two *per cent* of GDP in BE 2019- 20 are likely to decline in next two years to 1.8 *per cent* of GDP in 2020-21, and 1.8 *per cent* in 2021-22 in consonance with declining trend of fiscal deficit.

32. Debt-GDP ratio has stabilised in recent years after witnessing a consistent decline from 61.4 *per cent* in 2001-02, particularly after FRBM Act came into effect. Central Government liabilities constituted 50.5 *per cent* of GDP at end-March 2018. These are estimated to reduce to 48.9 *per cent* by the end of 2018-19. Continuing the declining trend, it is likely to further reduce to 47.3 *per cent* in 2019-20, 45.4 *per cent* in 2020-21 and 43.4 *per cent* in 2021-22. This, accompanied by a reduction in primary deficit, reflects benign influence of inflation expectations feeding back on nominal interest rates.

33. Efforts in inflation control will benefit the Government in medium term with lower inflation reducing the cost of fresh borrowings of GoI, resulting in reduction in interest payout. A progressive reduction in debt-GDP ratio of the Government will ease the interest burden and allow more space to the Government to spend on other socially productive sectors without taking recourse to additional borrowings.

Total expenditure

34. Total Expenditure, which was budgeted at ₹24,42,213 crore in BE 2018-19 has been revised to ₹24,57,235 crore during RE estimation. This indicates an increase of ₹15,022 crore (0.6 *per cent*) over BE. Total expenditure in RE is 13 *per cent* of GDP. The increase is mainly on account of an increase in allocations to the agricultural sector. Another major increase in RE 2018-19 compared to BE is on account of Interest Payments which showed an increase of ₹11,775 crore. An increase of ₹7,625 crore has also been provided for Road Transport and Highways. Capital outlay excluding defence also showed an increase of ₹8,424 crore. It is expected that total expenditure will increase by 14.7 *per cent* over RE 2018-19 to reach ₹27,84,200 crore in BE 2019-20, which is 13.3 *per cent* of GDP.

35. The growth of total expenditure is expected to decline to 8.4 *per cent* and 11.6 *per cent* respectively over previous year in 2020-21 and 2021-22. Revenue expenditure is expected to grow at a slower rate than earlier in 2020-21 and

2021-22 to reach a level of 11.2 *per cent* of GDP and 11.0 *per cent* of GDP respectively. Capital expenditure is anticipated to drive the overall expenditure growth in 2020-21 and 2021-22 reaching 12.8 *per cent* in 2020-21 and 13.8 *per cent* in 2021-22 respectively as a percentage of total expenditure.

Revenue account

36. Revenue expenditure in RE 2018-19 is calculated to be ₹21,40,612 crore which is lower than BE estimate by ₹1,160 crore. BE figures for revenue expenditure in 2019-20 is ₹24,47,907 crore which reflects an increase of ₹3,07,295 crore (14.4 *per cent*) over RE 2018-19. Revenue expenditure which was estimated at 87.7 *per cent* of the total expenditure at the BE 2018-19 has decreased to 87.1 *per cent* in the revised estimates of 2018-19. It is expected to rise to 87.9 *per cent* in 2019-20. In the medium term however, revenue expenditure as a percentage of total expenditure is anticipated to decline to 87.2 *per cent* in 2020-21 and 86.2 *per cent* in 2021-22. The main reasons are benign expectations on the interest rate front and a rationalisation of subsidies to ensure better targeting.

37. The major components of the revenue expenditure of the Government include Interest payments, Subsidies, Salaries, Pensions, Defence revenue expenditures, expenditure on Central Police Organizations and the revenue transfers made to the State/ UT Governments in the form of Finance Commission grants, Centrally Sponsored Schemes and Other Transfers. In the other transfers category is included the transfer to State Governments for compensating revenue losses on account of implementation of GST, The grants to Central autonomous bodies are also a substantial part of the Central sector schemes are also in the nature of revenue expenditure. These are discussed briefly in the following paragraphs.

Interest payments

38. Interest payments constitute the largest component of Centre's revenue expenditure. Interest payment expenditure was budgeted at ₹5,75,795 crore in BE 2018-19 which was 33.4 *per cent* of revenue receipts. Interest payment expenditure has been revised upwards to ₹5,87,570 crore in RE 2018-19 which is expected to constitute 34 *per cent* of revenue receipts in RE. The deterioration in the interest payment –revenue receipt ratio is because increase in interest payment expenditure of ₹11,775 crore is greater than the increase in Revenue receipts in RE over BE (₹3,944 crore). In 2019-20, outgo towards interest payments is expected to be ₹6,65,061 crore which is 33.6 *per cent* of revenue receipts. The interest payments are expected to come down in the medium term as global uncertainties relating to trade wars and higher oil prices are expected to ease the pressure on the currency. This is anticipated to provide a positive feedback and a reduction in interest rates. The total interest payments outgo in 2020-21 and 2021-22 as a *per cent* of revenue receipts is expected to be 32.1 *per cent* and 30.8 *per cent* respectively

GDP Growth

46. The growth rate of GDP saw a slight dip in 2017- 18 due to structural adjustments in the economy caused due to the introduction of GST. The revival in growth momentum in GDP, which was assumed in the short to medium term is already being felt. It is expected that the nominal Gross Domestic Product will grow at the rate of 12.3 *per cent* in 2018-19 in comparison to a growth rate of 10 *per cent* in 2017-18. The GDP growth in the short to medium term is expected to hold steady and stabilise at current levels. In 2019-20, the nominal GDP is expected to grow at a rate of 11.5 *per cent* and attain the level of ₹2,10,07,439 crore. The slight dip of 0.8 *per cent* in GDP growth is anticipated on account of the inflation stabilising at the targeted rate of 4 *per cent*. The nominal gross domestic product is projected to growth at 12.1 *per cent* and 12.3 *per cent* respectively in 2020- 21 and 2021-22. In real terms, the growth rates for 2020-21 and 2021-22 work out to be ₹2,35,52,637 crore and ₹2,64,56,112 crore respectively.

Assessment of sustainability relating to the balance between revenue receipts and revenue expenditure:

47. Total revenue receipts comprise of tax revenue (net) and non-tax revenue receipts. It is expected to increase from ₹17,25,738 crore in BE 2018-19 to ₹17,29,682 crore in RE 2018-19. Tax Revenue (net) is estimated at ₹14,84,406 crore in RE 2018-19 which is ₹3,757 crore higher than BE projection. It is expected to be 7.9 *per cent* of GDP. Non-tax revenue receipts in RE 2018-19 is also expected to slightly increase to ₹2,45,276 crore which reflects an increase of ₹187 crore over BE. The revenue expenditure however is estimated to decrease by ₹1,160 crore in RE 2018-19 as compared to BE 2018-19. The revenue deficit target of 2.2 *per cent* in Medium-term fiscal policy statement 2018 is therefore expected to be met.

48. In BE 2019-20, total revenue receipts are expected to be ₹19,77,693 crore which reflects an increase of 14.3 *per cent* over RE 2018-19. As a percentage of GDP, it is 9.4 *per cent*. Tax revenue (net) is budgeted at 17,05,046 crore which is 8.1 *per cent* of GDP. Non-tax revenue in BE 2019-20 is expected to be 2,72,647 crore. NTR in 2018-19 and 2019-20 is constant at 1.3 *per cent* of GDP. On the expenditure side, revenue expenditure is budgeted at ₹24,47,907 crore in BE 2018-19 which works out to be 11.7 *per cent* of GDP. Revenue deficit is calculated to be ₹4,70,214 crore which is 2.2 *per cent* of GDP.

49. Total revenue receipts in 2020-21 and 2021-22 are expected to grow at 12.2 *per cent* and 12.5 *per cent* respectively over previous year and stay at 9.4 *per cent* of GDP. Tax revenue (net) and Non-tax revenue are expected remain at the level of 2019-20 at 8.1 *per cent* and 1.3 *per cent* respectively as a *per cent* of GDP. Revenue expenditure is however expected to grow at a lower rate than revenue receipts in the medium term. It is expected that revenue expenditure as a *per cent* of GDP will come to 11.2 *per cent* in 2020-21 and 11.0 *per cent* in 2021- 22. This will in turn bring down revenue deficit to 1.7 *per cent* of GDP and 1.5 *per cent* of GDP in 2020-21 and 2021-22 respectively.

50. It may however be noted that in the new FRBM framework, revenue deficit is no longer a targeted fiscal indicator in FRBM Act. Effective revenue deficit (ERD) which is the difference between the revenue deficit and the grants for creation of capital assets has also been removed as a fiscal target. These have been discussed in detail in earlier paragraphs.

Union Budget 2020-21

Fiscal Outlook for BE 2020-21

9. Fiscal deficit in 2020-21 is expected to be 3.5 *per cent* of GDP. As mentioned earlier, this is on account of the structural reform measures initiated by the Government, The GTR is budgeted at ₹24,23,020 crore in BE 2020-21 which reflects a growth of ₹2,59,597 crore (12 *per cent*) over RE 2019-20. Direct taxes are expected to grow at 12.7 *per cent* over previous year to reach ₹13,19,000 crore in BE 2020-21. Indirect taxes are budgeted at ₹10,99,520 crore in BE 2020-21 showing an increase of 11.1 *per cent* over RE 2019-20. Non-Tax Revenue collections in 2020-21 are budgeted at ₹3,85,017 crore which reflects a growth of 11.4 *per cent* over RE 2019-20.

10. Non-Debt capital receipts have been budgeted at ₹2,24,967 crore in BE 2020-21 indicating an increase of ₹1,43,363 crore over RE 2019-20. An amount of ₹90,000 crore has been budgeted in disinvestment receipts from Public Sector Banks and other Financial Institutions. Total net borrowings in 2020-21 are projected at ₹7,96,337 crore as compared to ₹7,66,848 crore in RE 2019-20.

11. Total expenditure in 2020-21 is pegged at ₹30,42,230 crore which is an increase of

₹3,43,678 crore (12.7 *per cent*) over RE 2019-20. Revenue Expenditure is estimated to be ₹26,30,145 crore in BE 2020-21 reflecting a year-on-year growth of 11.9 *per cent*. Capital expenditure is expected to expand to ₹4,12,085 crore reaching 1.8 *per cent* of GDP in 2020-21 compared to 1.7 *per cent* in 2019-20.

Fiscal Outlook for RE 2020-21

10. Fiscal Policy of the Government continues to be guided by the principle of a gradual reduction of deficit and progressive movement towards fiscal consolidation. The Government is fully cognizant of the need to maintain a tight fiscal plan. However, any fiscal inflexibility to meet the FRBM target would not be advisable, in the light of envisioned socio-economic growth and prosperity of the nation amid continuous changing domestic and global scenarios and challenges. In the current context, a need for a higher public spending is felt crucial for providing required impetus to economic growth.

11. The target of fiscal deficit is revised to 9.5 *per cent* of GDP in RE 2020-21 compared to the budgeted level of 3.5 *per cent* of GDP. This increase is attributed to increased expenditure on account of various schemes announced by the Government in the light of Covid-19 pandemic, and sharp shortfall in revenue receipts (both tax and nontax), and significant drop in disinvestment receipts. Revised estimate for non-debt capital receipt is ₹46,497 crore against budgeted ₹2,24,967 crore in BE 2020-21. The absolute value of Fiscal Deficit has been revised to ₹18,48,655 crore in RE 2020-21 with an increase of ₹10,52,318 crore over fiscal deficit projections of BE 2020-21.

12. Gross Tax Revenue (GTR) estimates for FY 2020-21 has reduced by ₹5,22,740 crore mainly on account of less than anticipated collection of Corporation tax and 10 Customs duty. Indirect Taxes were budgeted at ₹10,99,520 crore for BE 2020-21 which has been revised to ₹9,92,219 crore in RE 2020-21. Direct tax collection has been revised to ₹9,05,000 crore as against budgeted ₹13,19,000 crore, and Non-Tax Revenue has been revised from ₹3,85,017 crore to ₹2,10,000 crore in RE 2020-21. Non-Debt Capital Receipts which comprises Recoveries of Loans and Advances and Disinvestment receipts were estimated at ₹2,24,967 crore in BE 2020-21, which has been revised to ₹46,497 crore in RE 2020-21. Total Net Borrowing was budgeted at ₹5,35,869.62 crore which has to be revised to ₹12.74 lakh crore in RE 2020-21.

13. In RE 2020-21, total expenditure has been estimated at ₹34,50,305 crore with an increase of ₹4,08,075 crore over BE 2020-21, which is 28.4 *per cent* higher than the Provisional Actuals of 2019-20. Revenue expenditure has been revised to ₹30,11,142 crore from budgeted ₹26,30,145 crore in BE 2020-21, and capital expenditure to ₹4,39,163 crore from ₹4,12,085 crore in BE 2020-21. The capital expenditure records 30.8 *per cent* year-on-year growth against Provisional Actuals of FY 2019-20.

Annexure 4.2
(Refer Para 4.3)
Macroeconomic Framework Statement (in Form F-2) for 2020-21

MACROECONOMIC FRAMEWORK STATEMENT (ECONOMIC PERFORMANCE AT A GLANCE)					
Sl.	Item	Absolute value April-December		Percentage change April-December	
		2020-21	2021-22	2020-21	2021-22
Real Sector					
1	GDP at market prices (₹thousand crore) @				
	a)at current prices	19746	23215	-3.0	17.6
	b)at 2011-12 prices	13513	14754	-7.3	9.2
2	Index of Industrial Production(2011-12=100)@@	108.5	127.4	-15.3	17.4
3	Wholesale Price Index (2011-12=100)^	121.8	137.0	0.04	12.5
4	Consumer Price Index: Combined (2012=100)^	154.9	162.9	6.6	5.2
5	Money Supply (M3) (₹thousand crore)$	18059.1	19741.9	12.4	9.3
6	Imports at current prices *				
	a)In ₹Crore	19,56,257	32,98,495	-23.7	68.6
	b)In US $ million	262.8	443.8	-27.9	68.9
7	Exports at current prices *				
	a)In ₹Crore	15,00,020	22,38,821	-10.6	49.3
	b)In US $ million	201.4	301.4	-15.5	49.7
8	Trade Balance (US$ million) *	-61.4	-142.4		
9	Foreign Exchange Reserves (at end March)				
	a) In ₹Crore	4280252	4707812	30.5	43.5
	b) In US $ million	585771	633614	27.4	8.2
10	Current Account Balance (US$ Billion)#	34.4	-3.0		
Government Finances (₹ Crore)##					
		April-November			
1. Revenue Receipts		812710	1358920	-17.3	67.2
Gross tax revenue		1026055	1541920	-12.6	50.3
Tax (net to Centre)		688430	1135264	-8.3	64.9
Non Tax		124280	223026	-46.6	79.5
2. Capital Receipts, of which		1093648	716317	30.7	-34.5
Recovery of loans		11962	11339	9.6	-5.2
Other Receipts		6179	9364	-65.9	51.5
Borrowings and other liabilities		1075507	695614	33.1	-35.3
3. Total Receipts (1+2)		830851	1378993	-17.9	66.0
4.Total Expenditure		1906358	2074607	4.7	8.8
(a)Revenue Expenditure		1665200	1800977	3.7	8.2
(b)Capital Expenditure		241158	273630	12.8	13.5
5. Revenue Deficit		1075507	695614	33.1	-35.3
7. Fiscal Deficit		692082	235291	48.5	-66.0
8. Primary Deficit		812710	1358920	-17.3	67.2

@: GDP is from April to March and 2020-21 is provisional estimate and 2021-22 is the first advance estimate.
@@: April to November
^: Provisional for 2020-21 and CPI-C for the months of April-May, 2020 are imputed, which are based on limited set of observations due to Covid-19 pandemic
**: On Customs basis.*
$: Outstanding as on December 17, 2021 and percentage change year-on-year
#: April – September.
##: Based on data on monthly accounts for April to November 2021 released by Controller General of Accounts, Ministry of Finance and growth of April to November over the corresponding period previous year.