

CHAPTER II: MACRO - ECONOMIC REVIEW OF ACCOUNTS

2 This chapter presents the results of a macro-economic review of accounts of the Union Government including analysis of growth of receipt and expenditure, in absolute terms and as percentage of GDP. It reviews receipts and disbursements of Union and State Governments and an economic classification of accounts netted to balances. The presentation emphasises trends of growth in a larger time span in both gross and net terms and relates Government expenditure to growth of the economy.

2.1 Summary of financial position

A detailed statement of the financial position of the Union Government for the last five years is at Appendix I.

2.2.1 Price trends and GDP growth

Price changes affect Government in several ways. The two important effects being changes in wholesale prices, which affect capital outlays and changes in consumer prices, which determines Government's liability to pay dearness allowance.

Reserve Bank of India (Annual Report 1998-99) measures annual inflation rate, in terms of changes in wholesale price index (WPI) for all commodities point-to-point basis. On this basis, inflation declined to 4.8 per cent in 1998-99 as compared to 5.3 per cent in 1997-98, but on average basis it increased to 6.9 per cent as compared to 4.8 per cent in 1997-98. There were substantial differences in the rate of inflation between the wholesale price index and consumer price index (CPI). On point to point and average basis the change in consumer price index was 8.9 per cent and 13.1 per cent respectively during 1998-99, an increase of 0.6 and 6.3 points over 1997-98.

The annual rate of inflation for the last five years were as under:-

Table 2.2.1(i) : Annual rate of inflation

(Per cent)

	1998-99	1997-98	1996-97	1995-96	1994-95
Wholesale price index (Base year 1981-82)					
(a) Point to point	4.8	5.3	6.9	5.0	10.4
(b) Average	6.9	4.8	6.4	7.8	10.9
Consumer price index(IW) (Base year 1982)					
(a) Point to point	8.9	8.3	10.0	8.9	9.7
(b) Average	13.1	6.8	9.4	10.0	10.3

The growth of GDP at factor cost at constant 1993-94 prices in absolute term with sectoral composition for the last five years was as under:-

Table 2.2.1(ii) Growth of Real GDP and sectoral composition

(Rupees in crore)

Year	Agriculture & allied	Industry	Services	Total GDP at factor cost	Annual Growth (%)
1998-99	290181 (26.82)	292503 (27.04)	499150 (46.14)	1081834 (100)	3.1
1997-98	277418 (26.44)	283444 (27.02)	488329 (46.54)	1049191 (100)	5.0
1996-97	280179 (28.05)	267609 (26.79)	451190 (45.16)	998978 (100)	7.8
1995-96	256096 (27.65)	252390 (27.24)	417926 (45.11)	926412 (100)	7.6
1994-95	255522 (29.67)	224902 (26.12)	380640 (44.21)	861064 (100)	7.8

(Figure in bracket shows share in total GDP)

Over the five year period, the share of the agriculture sector as a percentage declined from 29.67 per cent in 1994-95 to 26.82 per cent in 1998-99. The share of industry which was 26.12 per cent in 1994-95 increased to 27.04 per cent in 1998-99. The services sector maintained its upward trend from 44.21 per cent in 1994-95 to 46.14 per cent in 1998-99.

The GDP during 1998-99 at factor cost at constant 1993-94 prices was estimated to grow by 6.8 per cent. The actual growth of GDP at factor cost was, however, substantially low at 3.11 per cent.

2.2.2 Receipts and disbursements : Trend as percentage of GDF

The pattern of total receipts and expenditure of the Union Government over the last two decades as percentage of the GDP and their absolute value is indicated at Appendix-II, which contains data for 1976-77, 1980-81, 1984-85, 1986-87, 1988-89 and for the last seven years: 1992-99.

There seems to be an increasing tendency to overstate receipts, understate expenditure and present a better financial picture at Budget time. Widespread and significant changes between budget estimates and actuals presented in this Report testify to this hypothesis.

The other point about these trends is the significant gap between growth of expenditure and Government's own receipts. The former ranged between 20 to 23 per cent while the later between 15 to 17 per cent before declining to an all time low of 14.76 per cent in 1998-99. This is the main reason for Government's fiscal woes.

The percentage of different types of receipts and expenditure to the GDP is summarised in tables below. **All analysis are in terms of percentage to GDP.**

Table: 2.2.2 (i) : Receipt as percentage of GDP

Year	1976-77	1980-81	1984-85	1986-87	1988-89	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
GDP(Rs in crore)	84894	136013	231343	292949	395782	702829	801032	945615	1098576	1276974	1563552	1762609
Total Receipt	19.46	21.65	23.86	27.64	25.58	24.02	24.97	23.44	22.45	21.57	21.62	21.20
Tax + Non-tax revenue and miscellaneous	15.57	14.99	16.20	17.92	17.34	17.39	15.90	17.01	16.50	16.26	14.88	14.76
Total Tax Receipt	9.73	9.68	10.13	11.21	11.23	10.62	9.46	9.76	10.12	10.08	8.90	8.16
Direct Taxes	2.73	2.19	2.06	2.13	2.23	2.58	2.53	2.85	3.05	3.04	3.09	2.64
Corp Tax	1.16	1.01	1.10	1.08	1.11	1.27	1.25	1.46	1.50	1.45	1.28	1.39
Income Tax	1.41	1.06	0.83	0.98	1.07	1.12	1.14	1.27	1.42	1.43	1.09	1.15
Other DTs	0.16	0.12	0.13	0.07	0.05	0.19	0.14	0.12	0.13	0.16	*0.72	0.10
Indirect Taxes	7.00	7.49	8.07	9.08	9.00	8.04	6.92	6.91	7.07	7.04	5.81	5.52
Customs	1.83	2.51	3.04	3.92	3.99	3.38	2.77	2.83	3.25	3.36	2.57	2.31
Excise Duty	4.97	4.78	4.82	4.94	4.76	4.39	3.96	3.95	3.66	3.52	3.06	3.02
Other Ind Taxes	0.20	0.20	0.21	0.22	0.25	0.27	0.19	0.13	0.16	0.16	0.18	0.19
Non-tax Revenue	5.84	5.31	6.07	6.71	6.11	6.49	6.44	6.66	6.25	6.15	5.92	6.27
Interest	1.30	1.32	1.71	1.83	1.76	1.78	1.88	1.67	1.68	1.73	1.62	1.71
Railways	2.41	1.99	2.36	2.62	2.41	2.29	2.29	2.17	2.08	1.94	1.86	1.71
Postal and Tele-communication	0.73	0.67	0.71	0.61	0.79	0.83	0.90	0.95	1.12	1.16	1.16	1.15
Others	1.40	1.33	1.29	1.65	1.15	1.59	1.37	1.87	1.37	1.32	1.28	1.70
Non-debt capital receipt	--	--	--	--	--	0.28	--	0.59	0.13	0.03	0.06	0.33
Debt	3.89	6.66	7.66	9.72	8.24	6.63	9.07	6.43	5.95	5.31	6.74	6.44
Borrowings	1.84	5.79	4.23	5.95	4.64	4.51	6.45	2.57	3.80	3.10	2.91	4.12
Public Account	2.05	0.87	3.43	3.77	3.60	2.12	2.62	3.86	2.15	2.21	3.83	2.32

* Mainly VDIS

Table :2.2.2 (ii) : Expenditure as percentage of GDP

year	1976-77	1980-81	1984-85	1986-87	1988-89	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
GDP(Rs in crore)	84894	136013	231343	292949	395782	702829	801032	945615	1098576	1276974	1563552	1762609
Total expenditure	19.46	21.65	23.86	27.64	25.58	24.02	24.97	23.44	22.45	21.57	21.62	21.20
Revenue expenditure	15.24	16.24	17.72	20.50	20.00	19.76	19.98	19.70	19.08	18.79	18.62	17.86
General services	5.66	6.23	6.57	7.92	7.66	7.86	8.02	7.79	7.73	7.66	7.32	7.69
Interest	1.62	1.92	2.58	3.16	3.61	4.42	4.59	4.66	4.56	4.66	4.20	4.42
Others	4.04	4.31	3.99	4.76	4.05	3.44	3.43	3.13	3.17	3.00	3.12	3.27
Social Services	0.72	0.64	0.77	1.01	0.73	0.64	0.63	0.57	0.67	0.73	0.74	0.80
Economic Services	4.90	4.48	5.57	5.99	6.32	5.75	5.91	6.54	6.03	5.79	6.30	5.65
Transfers to states	3.89	4.83	4.74	5.53	5.24	5.48	5.39	4.78	4.63	4.59	4.24	3.69
Others	0.07	0.06	0.07	0.05	0.05	0.03	0.03	0.02	0.02	0.02	0.02	0.03
Capital expenditure	2.18	2.93	3.39	3.75	2.87	2.93	3.08	2.03	1.60	1.23	1.29	1.43
Loans (net)	2.63	2.35	2.78	3.18	2.56	1.41	1.78	1.84	1.62	1.59	1.65	1.90
Total (Capital + Loan)	4.81	5.28	6.17	6.93	5.43	4.34	4.86	3.87	3.21	2.82	2.94	3.33
Increase / Decrease in Cash Balance(-)	0.59(-)	0.13	0.03(-)	0.21	0.15	0.08(-)	0.13	0.13(-)	0.15	0.04(-)	0.06	0.01
Transfer to States including loans	4.83	5.78	6.35	6.71	6.94	6.71	6.64	6.23	5.91	5.90	5.73	5.47

Note :

- The expenditure includes Rs 14480 crore on account of transfer of proceeds of income tax to the states, not booked in accounts of the Union Government.
- Loans are net of repayments
- Interest payment is gross, since the interest receipt is reckoned on the receipt side.

Total expenditure

Most of the containment of the total expenditure achieved through depression of capital expenditure

Total expenditure of the Government increased from 19.46 per cent of GDP in 1976-77 to 21.20 per cent in 1998-99. While the total expenditure as percentage of GDP has come down from 27.64 per cent peak of 1986-87, much of it has been achieved at the cost of compressing the capital expenditure by 3.63 percentage points.

Revenue expenditure

Sharp increase in Revenue expenditure without matching increase in Revenue receipt.

Revenue expenditure of the Union Government increased from 15.24 per cent of the GDP in 1976-77 to 17.86 per cent in 1998-99, an increase of 2.62 percentage points. In the light of decline in the Government revenues, from tax revenue, non-tax revenue and non-debt capital receipt, an increasing proportion of revenue expenditure was financed out of the borrowed funds pledged for asset creation and funds held in trust in Public Account.

More and more borrowed funds used for revenue expenditure.

During 1998-99, out of the total revenue expenditure at 17.86 per cent of GDP, as much as around one sixth was met by the borrowings, since Government's own resources yielded only 14.76 per cent. This gap between revenue expenditure and revenue receipt has deteriorated over the last few years due to drop in the indirect-taxes component.

The revenue expenditure constituting 17.86 per cent of GDP during 1998-99 consisted of General Services at 7.69 per cent, Social Services at 0.80 per cent, Economic Services at 5.65 per cent and transfer to States at 3.69 per cent.

Interest payment, has gone up from a 1.62 per cent of GDP to 4.42 per cent over 1976-99.

General Services included interest payments which increased significantly from 1.62 per cent of GDP in 1976-77 to 4.42 per cent of the GDP in 1998-99, which was 25.92 per cent of the total revenue expenditure. Excluding transfer to States from revenue expenditure, interest payment alone was more than a third of the total revenue expenditure.

The expenditure on Social Services has been stagnant over the years. The transfers to States also included amounts released for social sector schemes but not reflected in this classification.

Capital expenditure

Steady decline in the capital expenditure of the Union Government.

The capital expenditure of the Union Government has consistently come down. Against the capital expenditure of 4.81 per cent of GDP in 1976-77 and 6.93 per cent during 1986-87, it has dropped up to 3.33 per cent of the GDP during 1998-99. During 1998-99, the capital expenditure increased marginally over the previous year by 0.39 percentage point of GDP. As percentage of the total expenditure, the share of the capital expenditure is a meagre 15.69 per cent.

Receipts

The generation of own resources consisting of tax, non-tax and non-debt capital receipt has been sliding down since 1994-95 and was the lowest in 1998-99.

The total own resources consisting of tax, non-tax and non-debt capital receipt generated by the Union Government in 1998-99 as percentage of GDP was less than in 1976-77. The total own resources have, in fact, come down significantly from a peak of 17.39 per cent achieved during 1992-93 to 14.76 per cent during 1998-99. There has been consistent slide in the growth rates of total own receipts generated by the Union Government since 1994-95, which has dropped from 17.01 per cent in that year to 14.76 per cent in 1998-99.

Tax receipt

The tax receipt during 1998-99 in terms of GDP was the lowest since 1976-77.

The total tax receipt consisting of Direct Taxes and Indirect Taxes as percentage of GDP was the lowest during 1998-99 at 8.16 per cent with reference to all the years for which the data is indicated in the table 2.2.2 (i). With reference to 1997-98, the tax receipt came down by 0.74 per cent of the GDP during 1998-99.

Tax revenue slipped from 8.90 to 8.16 per cent of GDP over the previous year.

The trend would show that while tax revenue constituted 10.09 per cent of GDP in the decade ending 1978-79, and 11.24 per cent of GDP in the decade ending 1988-89, it has dipped to the lowest level in the decade ending 1999 at 8.16 per cent. Tax revenue, which constituted 64.65 per cent and 64.78 per cent of the total revenue receipt during the previous decades 1978-79 and 1988-89 respectively, regressed to 56.53 per cent at the end of 1998-99. Tax revenue increased more than four times in 1988-89 from 1978-79. It has increased only 3.23 times in the decade ending 1999.

Direct Taxes and Indirect Taxes

Significant drop in the Indirect taxes of Central Excise and Customs. The drop in Central Excise is more pronounced.

Collection from Direct Taxes have been on the rise albeit marginally up to 1997-98. However, it came down to 2.64 per cent of GDP in 1998-99 as compared to 3.09 per cent in 1997-98, suggesting that the Tax amnesty of 1997-98 was a flash in the pan.

Collection from Indirect Taxes have dropped significantly to 5.52 per cent of GDP from the peak collections of 9.08 and 9.00 per cent achieved during 1986-87 and 1988-89 respectively. While the decrease in the Excise Duty component of the Indirect Taxes from 4.97 and 4.94 per cent during 1976-77 and 1986-87 respectively to 3.02 per cent of GDP in 1998-99 is striking, the Customs duty has also come down with reference to 1986-87 and 1988-89, as also with reference to the level achieved during 1995-96 and 1996-97.

Non-tax revenue

The non-tax revenue as percentage of GDP has been oscillating around 6 per cent. It increased to 6.27 per cent in 1998-99 as compared to 5.92 per cent in 1997-98.

Borrowed funds

To the extent the total 'own resources', consisting of tax, non-tax and non-debt capital receipt of the Government are insufficient to meet the total expenditure of Government, it is met out of the borrowed funds, consisting of internal and external debt (borrowings) and utilisation of net surplus in the Public Account, consisting of Small Savings, Provident Fund, etc.

The steady improvement in the position of the borrowed funds during the last four years, necessitated to meet the shortfall in own receipt has been upset in 1997-98.

While in 1976-77, Union Government borrowings were 3.89 per cent of the GDP, these increased to 9.72 per cent in 1986-87 and 9.07 per cent in 1993-94. Thereafter, there was gradual improvement over the next three years. In 1996-97, the borrowed fund required to meet the expenditure was brought down to 5.31 per cent of the GDP. Aggregate borrowing, however, increased rather sharply during 1997-98 by 1.43 per cent of GDP over the previous year, to 6.74 per cent, and declined marginally to 6.44 per cent in 1998-99.

In the light of persistent deteriorating adverse balance of current revenues position, more and more borrowed funds are applied to meet the revenue expenditure

It is noteworthy that during 1976-77, revenue surplus met part of the capital expenditure and the entire borrowed funds were applied to capital expenditure. The trend has reversed since 1979-80 with large part of the borrowed funds being applied to revenue expenditure consistently. The extent of application of borrowed funds for current expenditure deteriorated sharply in 1998-99, with borrowed funds to the extent of 3.44 per cent of GDP being applied to revenue expenditure against 2.56 per cent during 1996-97.

The debt-trap is increasingly tightening its noose.

In its anxiety to contain galloping expenditure in the background of marked decline in the revenue receipts, Government has consistently compressed the capital expenditure and depended heavily on the borrowed funds to meet its commitments. This would inevitably result in heavier interest burden; restricting the room for manoeuvrability and thwarting the possibility of augmenting capital expenditure in any significant manner.

2.3 Receipts and disbursements: Trend in a absolute terms

2.3.1 Composition of receipts and disbursements

The total receipts and disbursements of the Union Government during the last five years were as under :

2.3.2 Trends:

Receipts

Total receipts and disbursement of the Union Government including Public Account increased by 91.97 per cent and 91.36 per cent over the last five years.

The total receipts of the Union Government including receipt into Public Account increased from Rs 424062 crore in 1994-95 to Rs 814067 crore in 1998-99, which constituted an increase of 91.97 per cent. The overall increase during 1998-99 in the total receipt of Union Government over previous year was Rs 38975 crore. The increase in receipts into the Consolidated Fund of India during 1998-99 on revenue and capital account was Rs 21590 crore and Rs 27187 crore respectively, whereas in Public Account it decreased by Rs 9802 crore as compared to 1997-98.

Disbursements

The total disbursement of the Union Government including from Public Account increased from Rs 425291 crore in 1994-95 to Rs 813831 crore in 1998-99, which constituted an increase of 91.36 per cent. During 1998-99 the overall increase in total disbursement over previous year was Rs 37649 crore. The increase in disbursement from Consolidated Fund of India during 1998-99 on revenue and capital account was Rs 22724 crore and Rs 7727 crore respectively, whereas from Public Account the increase in disbursement was Rs 9171 crore as compared to 1997-98.

An expenditure of Rs 27 crore was met out of the Contingency Fund of India during 1998-99, which remained unrecouped to the fund.

2.3.3 Application of resources

The growth of debt as compared to the capital expenditure of the Union Government was as under:

Table 2.3.3(i) : Application of resources*(Rupees in crore)*

Year	Total outstanding debt*	Total progressive capital expenditure (including loans and advances)	% age of capital expenditure to debt	Revenue deficit
1998-99	891806	537059	60.22	60567
1997-98	778293	478774	61.52	59433
1996-97	675676	433130	64.10	32654
1995-96	606232	396979	65.48	29731
1994-95	538611	361828	67.18	31029
1988-89	229771	184305	80.21	10515
1978-79	43483	46785	107.60	(+) 292

(+) indicates revenue surplus

In 1978-79 the entire debt raised was used for capital formation purposes, which slipped to 60.22 per cent by 1998-99.

The total liabilities of the Union Government reckoning external debt at historical cost increased from Rs 43483 crore in 1978-79 to Rs 891806 crore in 1998-99, which constituted an increase of 1950.98 per cent. At the same time, the total progressive capital formation expenditure and lending of the Union Government booked in the accounts at their face value increased by 1047.93 per cent only over the same period. During 1994-99, debt of the Union Government increased by 65 per cent whereas progressive capital outlay increased only by 48 per cent.

It is noteworthy that up to 1978-79, the total progressive capital expenditure (capital + loan) was 107.60 per cent of the total debt outstanding as on 31 March 1979. In other words, the entire debt was being utilised towards asset creating expenditure. This trend deteriorated in the subsequent years and the gap between debt and capital expenditure widened. During 1998-99, the total asset creating expenditure (capital formation + loans and advances) constituted only 60.22 per cent of the total debt outstanding as on 31 March 1999.

This position of progressively decreasing application of debt to capital formation was due to steep rise in revenue deficit which deteriorated from a surplus of Rs 292 crore in 1978-79 to a deficit of Rs 60567 crore in 1998-99. In 1998-99, 11.39 per cent of debt raised was applied towards meeting revenue deficit. However, the total progressive capital expenditure given in the above table is net of capital expenditure met from recoveries/revenues and various reserve and development funds. The progressive capital expenditure during 1998-99 was netted at Rs 79122 crore. The amount was spent on capital account in Railways, P&T and Civil, which were directly met out of receipts/recoveries, etc. The amount, therefore, was not separately booked as capital expenditure.

* Includes external debt at historical cost

During 1998-99, the outstanding internal borrowings increased to Rs 834552 crore from Rs 722962 crore in 1997-98. Similarly, the external debt at historical cost increased from Rs 55332 crore to Rs 57254 crore. The total debt burden of the Union Government at the end of the year 1998-99 was Rs 891806 crore which was 50.60 per cent of the GDP. If the external debt is reckoned at the rate of exchange on 31 March 1999, the total debt burden would be Rs 1012486 crore, which is 57.44 per cent of GDP* at the current market prices.

It is noteworthy that all the deficits viz. fiscal, revenue and primary exceeded the Budget Estimates for 1998-99 in an unprecedented manner as evidenced by the table given below :

Table 2.3.3(ii) : Comparison of deficit with Budget Estimates
(Rupees in crore)

Deficit	Budget Estimates	Actual	Increase over the BE
Revenue	48068	60567	12499
Fiscal	91025	113298	22273
Primary	16025	35416	19391

All deficits
outstripped
Budget
Estimates

Measures to contain the deficits to the budgeted levels were unsuccessful. The revenue, fiscal and primary deficits overshoot the Budget Estimates by over Rs 12000 crore, Rs 22000 and Rs 19000 crore respectively.

2.4 Receipts and disbursements : Magnitude in terms of economic classification

In the entire set up of Union Government, there are some departments, the functioning of which are of commercial nature although their transactions of receipts and expenditure are accounted for in the Government system of accounting. Apart from this, with a view to avoiding the exaggeration of receipts and expenditure, as appearing in the Finance Accounts, the expenditure of some of the segments of the department of the Union Government are netted to the extent of their receipts.

Thus, the economic classification of accounts reveals the real magnitude/size of the Government's receipt and expenditure, which have been arrived at after netting the expenditure by the receipt of the commercial department functioning in the sectors i.e. fiscal, social and economic, apart from defence, postal, telecommunication, transport, etc.

* Quick Estimates : Rs 1762609 crore

2.4.1 Receipt

The netted receipts of the Government for the year 1998-99 under various sectors and the amount so netted was as under.

Table: 2.4.1 Net receipts

(Rupees in crore)

Sl. No.		Amount as per Finance Accounts	Amount adjusted	Net Amount
1.	Revenue receipt (2+3)	239889	83997	155892
2.	Tax revenue	129317	24665	104652
3.	Non-tax revenue Of which,	110572	59332	51240
	a) Interest receipt	30076	--	30076
	b) Dividend	9411	1827	7584
4.	Non-debt capital receipt Of which,	19063	2556	16507
	a) Recovery of loans and advances	13189	2556	10633
	b) Misc. receipt	5874	--	5874
5.	Total receipt (1+4)	258952	86553	172399

Total net receipts of the Union Government (excluding receipts from public debt) was Rs 172399, which was arrived at after netting a sum of Rs 86553 crore.

Total revenue receipt of the Union Government after netting was Rs 155892 crore. A sum of Rs 83997 crore was netted, of which, Rs 24665 crore was netted from tax revenue on account of States' share of union excise duties. Remaining adjustment of receipt of Rs 59332 crore, was made from non-tax revenue on account of receipt of Currency Note Press (Rs 252 crore), Bank Note Press (Rs 188 crore), Security Paper Mill (Rs 56 crore), India Security (Rs 85 crore), Security Printing Press (Rs 22 crore), Defence Services (1338 crore), Canteen Stores Department (Rs 2688 crore), Broadcasting and TV (Rs 516 crore), Delhi Milk Scheme (Rs 103 crore), Badarpur Thermal Power Station (Rs 501 crore), Fuel Inventory (Rs 879 crore), Fuel Fabrication Facility

(Rs 373 crore), Rajasthan Atomic Power Station (Rs 55 crore), Heavy Water Pool Management (Rs 430 crore), Opium and Alkaloid Industries (Rs 235 crore), Light House and Light Ships (Rs 83 crore), Railways (Rs 30234 crore), Postal (Rs 1723 crore), Telecommunication (Rs 17744 crore) and Excess dividend from RBI to meet exchange loss under FCNRA (Rs 1827 crore).

Non-debt capital net receipt was Rs 16507 crore, after adjusting Rs 2556 crore (Rs 2342 crore on account of recovery of ways and means advances from State Governments and Rs 214 crore from Government servants).

Of the netted revenue receipt of Rs 155892 crore, Rs 104652 crore (67 per cent) came from tax revenue and remaining Rs 51240 crore (33 per cent) came from non tax revenue. The major part of non-tax revenue comprised receipt from interest Rs 30076 crore (59 per cent) and Rs 7584 crore (15 per cent) from dividend.

Out of the non-debt capital receipt of Rs 16507 crore, Rs 10633 crore was on account of recovery of loans and advances and Rs 5874 crore on account of miscellaneous capital receipts including Rs 5369 crore from disinvestment.

2.4.2 Expenditure

The net expenditure for the year 1998-99 under various sectors and amount of receipt taken into account for netting was as under:-

Table: 2.4.2 Net expenditure**(Rupees in crore)**

Sl. No.		Amount as per Finance Accounts	Amount adjusted	Net Amount
1.	Revenue account expenditure Of which,	300456	83997	216459
	a) Fiscal services	2857	603	2254
	b) General services excluding Fiscal Of which,	132700	4026	128674
	i) Interest payment	77882	--	77882
	ii) Defence	31200	1338	29862
	c) Social services	14146	516	13630
	d) Economic services	99687	54187	45500
	Subsidy ^δ	25104	--	25104
	e) Grant-in-aid	51066	24665	26401
2.	Capital account expenditure Of which,	71794	2556	69238
	a) Loans and advances	46594	2556	44038
	b) Capital expenditure Of which,	25200	--	25200
	i) General services	10921	--	10921
	ii) Social services	1015	--	1015
	iii) Economic services	13264	--	13264
3.	Total expenditure (1+2)	372250	86553	285697
4.	Revenue Deficit (Col. 1 of Table 2 - Col. 1 of Table 1)	60567	--	60567
5.	Fiscal Deficit (Col. 3 of Table 2.4.2 - Col 5 of Table 2.4.1)	113298	--	113298

Net revenue expenditure during 1998-99 was Rs 216459 crore. Of the total revenue expenditure, Rs 77882 crore (35.98 per cent) constituted interest payment and Rs 25104 crore (11.60 per cent) subsidy.

Interest payment, which formed part of general services exclusive of fiscal services consumed alone 60.53 per cent of the expenditure and defence expenditure accounted for 23.21 per cent.

On sectoral account, the share of general services sector (inclusive of fiscal), social services sector, economic services sector and grants-in-aid, out of revenue expenditure was Rs 130928 crore (61 per cent), Rs 13630 crore (6 per cent), Rs 45500 crore (21 per cent), Rs 26401 crore (12 per cent) respectively.

^δ Does not take into account Rs 27 crore not recouped to the Contingency Fund of India
• Major amount of subsidy relates to economic services

Expenditure of the Government on capital account was Rs 69238 crore. Of this, loans advanced was Rs 44038 crore (64 per cent) and remaining Rs 25200 crore was capital expenditure. Of the capital expenditure, Rs 10921 crore (43 per cent) was spent on general services, Rs 1015 crore (4 per cent) on social services and Rs 13264 crore (53 per cent) on economic services.

It is noteworthy that social services sector, activities of which are directed towards development of human resources and welfare of the socially disadvantaged consumes only 6 per cent of revenue expenditure and 4 per cent of capital expenditure.

2.5 Receipts and disbursements : Union and States (combined)

The financial assistance from the Union to state governments flows in the shape of assignment of central tax, grants-in-aid, loan, etc.

The financial transactions of the Union and each state government are recorded in three separate parts namely : (i) Consolidated Fund, (ii) Contingency Fund, and (iii) Public Account (except Delhi State and Pondicherry U.T.).

2.5.1 Receipts and disbursements

The total receipts and disbursements of the Union Government from the Consolidated Fund, Contingency Fund and Public Account of Union Government and by all state governments for the year 1998-99 are presented graphically as under:-

2.5.2 Receipt and disbursement in Consolidated Fund

Under Article 266(1) of the Constitution of India, Union Government and state governments are to credit all revenues received, all loans raised, all moneys received in repayment of loans into “The Consolidated Fund of India” or “The Consolidated Fund of State”, as the case may be.

The receipts and disbursements of Union Government and all state governments from the “Consolidated Fund” during 1998-99 are presented graphically as under :

The Union Government's receipt and disbursement in Consolidated Funds were Rs 654249 crore and Rs 694929 crore respectively. The state governments' receipt and expenditure were Rs 272536 crore and Rs 298245 crore respectively.

35.19 per cent of the total receipt in Consolidated Fund of States formed assistance/loans from Union Government to state governments. State governments' own revenue constituted 40.56 per cent of the total receipt in Consolidated Fund which were in the form of non-tax revenue (8.80 per cent) and tax revenue (other than income tax-31.76 per cent) and remaining 24.25 per cent constituted receipt from internal debt and recoveries from loans and advances.

Excess of expenditure over receipt of Union as well as state governments to the tune of Rs 40679 crore and Rs 25709 crore in the Consolidated Fund were financed from the surpluses of their respective Public Accounts.

2.5.3 Transfer of funds

During 1998-99, Rs 91291 crore being 13.14 per cent of the total disbursement of Rs 694929 crore from the Consolidated Fund of Union Government constituted transfer of funds to States/UTs, exclusive of states' share of income tax of Rs 14480 crore, directly assigned to states.

Transfer of funds during 1998-99 is presented graphically as under:

2.5.4 Revenue receipts and expenditure

Revenue receipts consist of tax revenue, non-tax revenue and other receipt. Revenue expenditure encompasses the expenditure required for day to day running of government, for various services, interest charges on debt, subsidies, etc.

The revenue receipts, expenditure and deficit of the Union Government and state governments during 1998-99 are presented graphically as under :

The revenue expenditure and receipt of the Union Government were Rs 300456 crore and Rs 239889 crore respectively, leaving a deficit of Rs 60567 crore.

The revenue expenditure and receipt of the state governments were Rs 210156 crore and Rs 167914 crore respectively, leaving a deficit of Rs 42242 crore.

The combined revenue deficit of Union Government and state governments during 1998-99 was Rs 102809 crore.

2.5.5 Distribution of revenue expenditure

Revenue expenditure of the Union Government and state governments during 1998-99 was Rs 300456 crore and Rs 210156 crore respectively. Sector-wise distribution of expenditure is presented graphically as under:

Out of the revenue expenditure of Rs 300456 crore of Union Government, the expenditure on social services was Rs 14146 crore (4.71 per cent), on interest payment Rs 77882 crore (25.92 per cent), on transfer of resources Rs 51066 crore (16.99 per cent), on general services (other than interest payment) Rs 57675 crore (19.20 per cent), and on economic services Rs 99687 crore (33.18 per cent).

On the other hand, the state governments' revenue expenditure was Rs 210156 crore, of which, Rs 78453 crore (37.33 per cent) was on social services, Rs 34839 crore (16.58 per cent) on interest payment, Rs 3570 crore (1.70 per cent) on grants-in-aid and Rs 45415 crore (21.61 per cent) on general services (other than interest payment) and Rs 47879 crore (22.78 per cent) on economic services.