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CHAPTER

# OVERVIEW OF UNION FINANCES

# Chapter 1 Overview of Union Finances

## 1.1 Introduction

The annual accounts of the Union Government presented to the Parliament consist of the Finance Accounts and the Appropriation Accounts. The Union Government Finance Accounts (UGFA) depicts the receipts and payments from the Consolidated Fund of India (CFI), Contingency Fund and Public Account. The Appropriation Accounts compare expenditure with the amounts authorised by the Parliament and provide explanations of the Executive for variations between the two beyond specified limits under each grant/ appropriation. **Chapter 1** of this Report provides an overview of Union Finances; **Chapter 2** contains audit observations[1] on the Finance Accounts; and **Chapter 3** contains an overview of Appropriation Accounts along with audit observations on the Accounts.

## 1.2 Structure of Union Government Accounts

Union Government finances are maintained in three parts:

a. **Consolidated Fund of India:** It consists of all revenues received by the Government of India, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans forming the one consolidated fund to be entitled the Consolidated Fund of India.

b. **Contingency Fund of India:** It is in the nature of an imprest placed at the disposal of the President to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Parliament.

c. **Public Account:** Besides the normal receipts and expenditure of Government, which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts as a banker. Transactions relating to provident funds, small savings other deposits etc. are a few examples.

## 1.3 Snapshot of Union Finances

This section depicts the budgeted receipts and disbursements (both at Budget Estimates, BE stage and Revised Estimates, RE stage) along with the actual expenditure as per the Union Government Finance Accounts for FY 20. Planned and actual values for key fiscal indicators have also been described. These details are depicted in **Table 1.1**.

[1] Amounts have been rounded off in this Report.

## Table 1.1: Snapshot of Union Finances (FY 20)

*(₹in crore)*

| Sl. No. | Particulars | Budget Estimates (BE)[a] | Revised Estimates (RE)[a] | Actuals | Variation of Actuals to BE (*per cent*)[b] | Variation of Actuals to RE (*per cent*)[b] |
|---|---|---|---|---|---|---|
| 1 | Revenue Receipts | 22,48,038 | 21,53,427 | 19,48,083 | -2,99,955 *(-13.34)* | -2,05,344 *(-9.54)* |
| | Tax Revenue[c] | 16,52,062 | 15,07,377 | 13,59,382 | -2,92,680 *(-17.72)* | -1,47,995 *(-9.82)* |
| | Non-Tax Revenue[d] | 5,95,976 | 6,46,050 | 5,88,701 | -7,275 *(-1.22)* | -57,349 *(-8.88)* |
| 2 | Miscellaneous Capital Receipts[e] | 1,05,000 | 65,045 | 50,349 | -54,651 *(-52.05)* | -14,696 *(-22.59)* |
| 3 | Recovery of Loans and Advances | 66,203 | 54,279 | 18,647 | -47,556 *(-71.83)* | -35,632 *(-65.65)* |
| 4 | Total Non-Debt Receipts (1+2+3) | 24,19,241 | 22,72,751 | 20,17,079 | -4,02,162 *(-16.62)* | -2,55,672 *(-11.25)* |
| 5 | Receipt of Public Debt | 66,70,617 | 71,91,850 | 73,01,387 | 6,30,770 *(9.46)* | 1,09,537 *(1.52)* |
| 6 | Total Receipts in the CFI (4+5) | 90,89,858 | 94,64,601 | 93,18,466 | 2,28,608 *(2.51)* | -1,46,135 *(-1.54)* |
| 7 | Public Account Receipts[f] | 16,43,054 | 18,44,762 | 20,27,744 | 3,84,690 *(23.41)* | 1,82,982 *(9.92)* |
| 8 | Total Receipts (6+7) | 1,07,32,912 | 1,13,09,363 | 1,13,46,210 | 6,13,298 *(5.71)* | 36,847 *(0.33)* |
| 9 | Contingency Fund | 0 | 0 | 0 | 0 | 0 |
| 10 | Revenue Expenditure | 27,33,541 | 26,53,765 | 26,15,320 | -1,18,221 *(-4.32)* | -38,445 *(-1.45)* |
| 11 | Capital Expenditure | 3,81,432 | 3,98,432 | 3,87,744 | 6,312 *(1.65)* | -10,688 *(-2.68)* |
| 12 | Loans and Advances | 91,424 | 82,679 | 45,141 | -46,283 *(-50.62)* | -37,538 *(-45.40)* |
| 13 | Total Expenditure (10+11+12) | 32,06,397 | 31,34,876 | 30,48,205 | -1,58,192 *(-4.93)* | -86,671 *(-2.76)* |
| 14 | Repayment of Public Debt | 59,83,187 | 63,46,389 | 63,26,549 | 3,43,362 *(5.74)* | -19,840 *(-0.31)* |
| 15 | Total Disbursements from CFI (13+14) | 91,89,584 | 94,81,265 | 93,74,754 | 1,85,170 *(2.01)* | -1,06,511 *(-1.12)* |
| 16 | Public Account Disbursements[f] | 15,94,386 | 18,28,099 | 20,05,420 | 4,11,034 *(25.78)* | 1,77,321 *(9.70)* |
| 17 | Total Disbursements (15+16) | 1,07,83,970 | 1,13,09,364 | 1,13,80,174 | 5,96,204 *(5.53)* | 7,08,10 *(0.63)* |
| 18 | Revenue Deficit (10-1) | 4,85,503 | 5,00,338 | 6,67,237 | 1,81,734 *(37.43)* | 1,66,899 *(33.36)* |
| 19 | Fiscal Deficit[g] (13-4) | 7,87,156 | 8,62,125 | 10,31,126 | 2,43,970 *(30.99)* | 1,69,001 *(19.60)* |

*a. BE and RE figures are taken from Annual Financial Statement (2020-21).*
*b. Figures in parentheses indicate percentage variation*
*c. Does not include Taxes on Income assigned to States ₹8,09,133.02 crore (BE), ₹6,56,046.07 crore (RE) and ₹6,50,677.05 crore (Actual) under Article 270 of the Constitution.*

*d. Includes Grants-in-aid and Contributions.*

*e. Includes the value of bonus shares (cash neutral): ₹44.96 crore; disinvestment of equity holdings in public sector and other undertakings: ₹9,009.81 crore; premium received on disinvestment of equity holdings in public sector and other undertakings: ₹39,224.65 crore; and other receipts: ₹2,069.86 crore-Sale of SUUTI etc.*

*f. Excludes balances under Suspense and Miscellaneous heads*

*g. As per Budget at a Glance (2021-22) Fiscal Deficit is ₹9,33,651crore. However, as per Finance accounts, Fiscal Deficit is ₹10,31,126 crore. Net difference of ₹97,475 crore is due to non-inclusion of Receipts of External Assistance for State Government Projects (₹20,607 crore), Issue of Special Securities to PSBs for Capital infusion (₹65,443 crore), Securities issued to Asian Development Bank/ International Monetary Fund (₹540 crore), Recoveries of Loans and Advances from Government Employees (₹121 crore), Issue of Bonds for Equity support to IIFCL (₹5,298 crore), Issue of Bonus Shares (₹45 crore), Issue of Special Securities to EXIM Bank (₹550 crore), Issue of Special Securities to IDBI Bank Ltd (₹4,557 crore and un-reconciled difference of ₹314 crore.*

*Source: UGFA for FY 20 & Annual Financial Statement FY 21*

**Revenue Receipts**

Although the Union Government envisaged a considerable reduction in revenue receipts at the RE stage as compared to BE, actual revenue receipts were lower (₹2,05,344 crore) than the RE.

In the case of Tax Revenue, though RE was lower than BE (₹1,44,685 crore) actuals remained further lower than the RE (₹1,47,995 crore). This was primarily due to collections[2] being less than RE in the case of 'Taxes on income other than Corporation Tax' (₹66,652 crore); Corporation Tax (₹53,624 crore); Central Goods and Services Tax (₹19,929 crore).

For Non-Tax Revenue (NTR), RE was higher than BE due to a sharp increase in estimates for Interest Receipts, Dividends and Profits (₹58,874 crore) even though estimates for "Other non-tax revenue" was reduced (₹9,046 crore) as compared to BE. Actuals were, however, lower than both BE and RE. The shortfall in actuals as compared with RE, was significant in the case of "Dividends and Profits" (₹13,760 crore), "Indian Railways –Revenue Receipts -Commercial lines" (₹31,476 crore), "Roads and Bridges" (₹11,194 crore) and Postal Receipts (₹5,645 crore). However, actuals were higher than estimates under certain heads viz "Interest Receipts" (₹12,861 crore) and "Other Communications Services" (₹10,856 crore) which partially offset the shortfalls under other heads. The overall shortfall in the case of NTR was thus ₹57,349 crore.

**Capital Receipts**

Capital receipts consists of both Non-debt capital receipts and debt receipts. Non-debt receipts cover Miscellaneous Capital Receipts and "Recoveries of Loans and Advances".

Miscellaneous capital receipts primarily include proceeds from disinvestment and "Proceeds from Monetisation of National Highways". There was a substantial

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2 These are Gross Collections as BE/RE for net collections for each tax is not available in the budget documents.

reduction in estimates at the RE stage (₹39,955 crore). The actual receipts were, however, further lower (₹14,696 crore). This was mainly due to "nil" collections under "Proceeds from Monetisation of National Highways" against BE and RE of ₹10,000 crore.

In the case of "Recoveries of loans and advances," estimates were pared down at RE stage (₹11,924 crore) on account of lesser anticipated recoveries from Public Sector Enterprises, statutory bodies, etc. Actual recoveries were still lower (₹35,632 crore) due to less recovery on account of Loans and Advances from Public Sector Enterprises and statutory bodies. These variations were primarily on account of Food Corporation of India (FCI) not being sanctioned Ways and Means Advances (WMA) as provided for in the BE. As the advance itself was not disbursed, recoveries on this account also did not materialize leading to shortfalls.

Overall, actual non-debt receipts into CFI fell short of RE by ₹2,55,672 crore and of BE by ₹4,02,162 crore.

**Revenue Expenditure**

Estimates for revenue expenditure were scaled down at the RE stage (₹79,776 crore). The heads under which estimates were reduced significantly included interest payments (₹12,851 crore), crop husbandry (₹21,594 crore), food subsidy (₹77,012 crore)[3] and Indian Railways-Commercial Lines (₹5,551 crore), and Grants-in-Aid (GIA) to State Government (₹10,653 crore). This was partially offset by increases in estimates at RE stage under "Pensions and Other retirement benefits" (₹9,848 crore), Relief on Account of Natural Calamity (₹9,995 crore), Rural Employment (₹11,002 crore) and GIA to Union Territories (UTs) (₹18,466 crore)[4]. Actuals were, however, further below the RE (₹38,445 crore).

Analysis of variations between actuals and RE showed that under 36 major heads, actual revenue expenditure exceeded RE by ₹65,920 crore. This excess expenditure was mainly due to additional funds accounted under GIA to State Governments (₹48,017 crore) including additional transfer to GST Compensation Cess Fund from CFI of ₹32,710 crore by way of adjustment of short transfer of Integrated Goods and Services Tax (IGST). In addition, actuals exceeded RE in the case of interest payments and "Other Communication Services" (₹5,037 crore). In case of 68 major heads[5], actual revenue expenditure fell short of RE by ₹60,243 crore. Significant shortfalls were observed in Indian Railways – Commercial Lines Working expenses (₹28,639 crore), interest payments (₹8,740 crore) and General Education (₹4,764 crore).

3 Funding from NSSF of ₹63,600 crore was provided instead.
4 For new UT of Ladakh.
5 Excluding MH 2552 relating to North Eastern Areas with provision of ₹44,272 crore which is a pass-through head only, or budget provision with expenditure being accounted under relevant functional heads.

### Capital Expenditure & Disbursement of Loans and Advances

RE for Capital expenditure was higher than BE by ₹17,000 crore with notable increases being seen in estimates for "Defence" (₹7,000 crore), "Industries and Minerals" (₹5,658 crore) and "Investments in General Financial and Trading Institutions" (₹4,848 crore). Leaving aside savings under the head for North Eastern Areas, the variation between actuals and RE (₹2,784 crore) was marginal.

In case of disbursement of Loans and Advances, estimates were reduced at RE stage by ₹8,745 crore. Finally, actual disbursement was lower than RE by an amount of ₹37,538 crore. This was because provision for WMA to FCI was first reduced by ₹14,000 crore at RE stage but finally no WMA was provided to FCI. Likewise, provision for "Loans for Other General Economic Services" of ₹1,000 crore was also totally unutilized.

### Revenue Deficit and Fiscal Deficit

Actual Revenue Deficit exceeded the BE and RE by 37.43 *per cent* and 33.36 *per cent* respectively. This was on account of shortfall in actuals of both Tax and non-tax revenue receipts as compared to BE and RE. Though some compression in actual revenue expenditure was achieved as compared to BE/RE, the same was not commensurate with the shortfall in revenue receipts.

Similarly, actual Fiscal Deficit was also higher than what was estimated both at BE and RE stage was higher by ₹2,43,970 crore and ₹1,69,001 crore, respectively. This was due to shortfalls in actual miscellaneous capital receipts while the scope for compressing capital expenditure was limited.

### Additional Public Debt

At the BE stage additional public debt estimated was ₹6,87,430 crore. This was projected to increase to ₹8,45,461 crore at the RE stage. Actual additional Public Debt contracted was however, much higher at ₹9,74,838 crore. This, by and large, mirrors the variation in estimates for FD and actuals.

## 1.4 Resources: Sources and Application of Funds

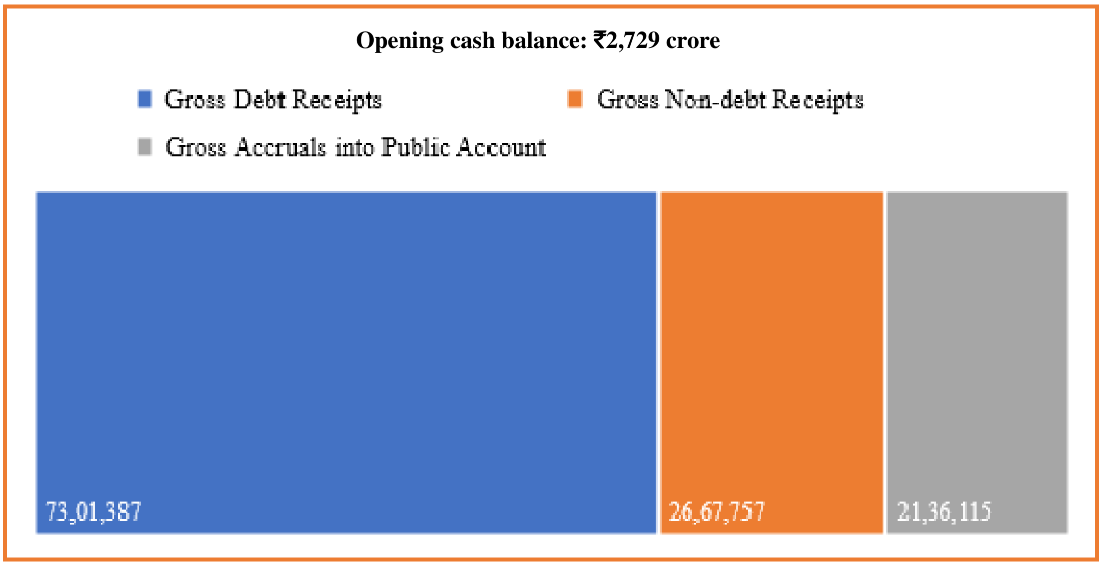
During the year, the Union Government mobilised total resources of ₹1,21,07,987 crore, which were applied for various purposes[6].

[6] The figures used in this section are gross figures, which may be at variance with the figures in Table 1.1, which are based on net figures.

### 1.4.1 Sources of Funds

**Figure 1.1: Sources of Funds**

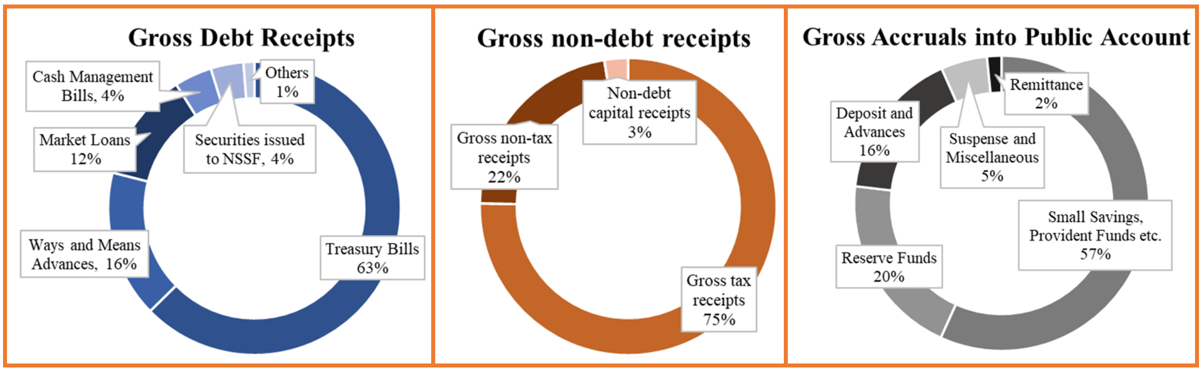
*(₹ in crore)*




*Source: UGFA for FY 20*

Further break-up of the sources of funds is as follows:

**Figure 1.2: Details on sources of funds**




*Source: UGFA for FY 20*

Gross Revenue Receipts consisting of tax revenue (₹20,10,059 crore), non–tax revenue (₹5,88,328 crore) and external assistance (₹373 crore) contributed 21 *per cent* of resources. Under tax revenues, direct taxes amounted to ₹10,49,549 crore (52 *per cent*) and indirect taxes to ₹9,60,510 crore (48 *per cent*). Non-tax revenue receipts included Railway revenues (₹1,74,695 crore), dividends (₹1,86,142 crore), Communications receipts (₹83,404 crore) and Miscellaneous General Receipts (₹21,238 crore).

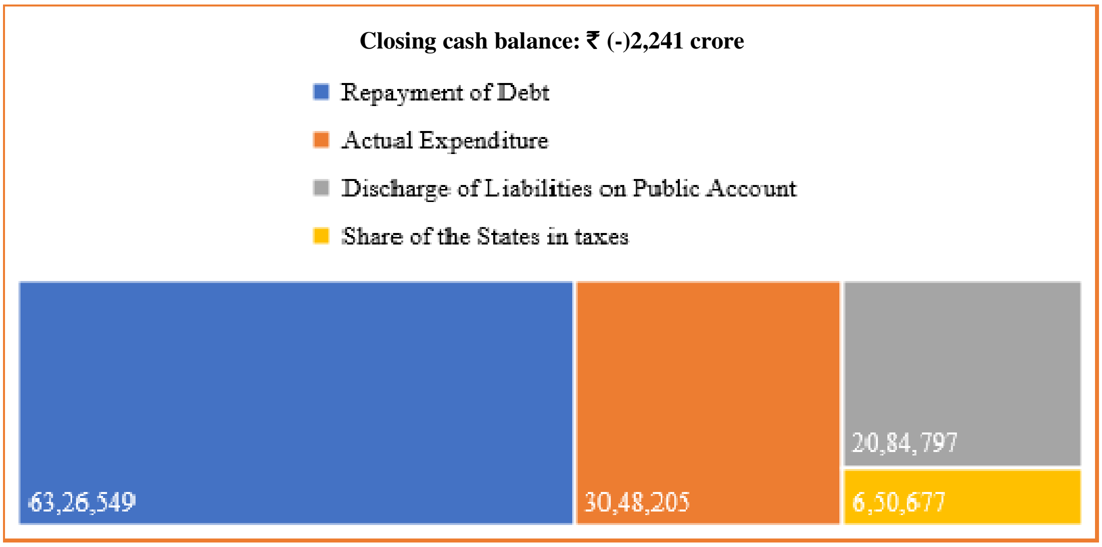
Capital receipts has two components. The first is debt receipts (₹73,01,387 crore) which create future payment obligations and contributed 60 *per cent* of the total gross receipts of the year. The second is non-debt capital receipts comprising miscellaneous capital receipts (₹50,349 crore) and recoveries of loans and advances (₹18,647 crore). The former primarily consisted of proceeds from disinvestment of Public Sector and other Undertakings. The proceeds from the second component constituted less than one *per cent* (0.57 *per cent)* of total gross receipts and represented reduction in actual or potential asset base.

Public Account Receipts constituted 18 *per cent* of resource mobilisation.

### 1.4.2 Application of Funds

**Figure 1.3: Application of funds**

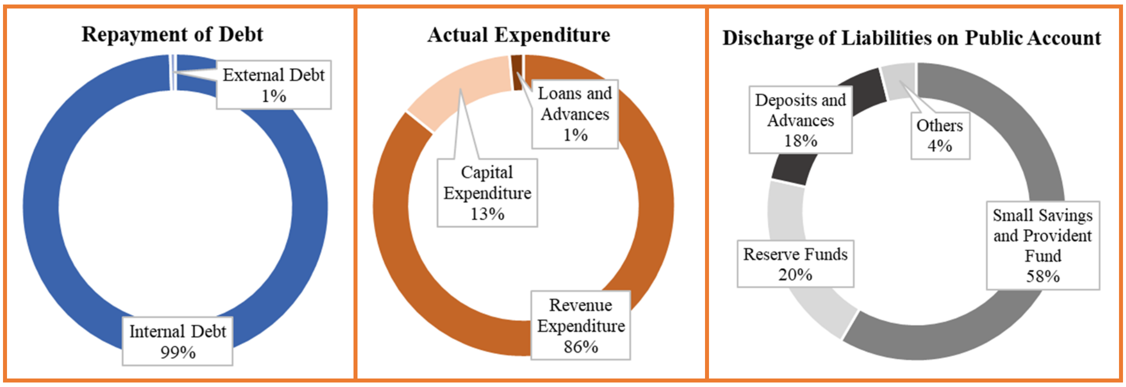
*(₹ in crore)*




*Source: UGFA for FY 20*

Further breakup of the application of funds is as follows:

**Figure 1.4: Details on application of funds**




*Source: UGFA for FY 20*

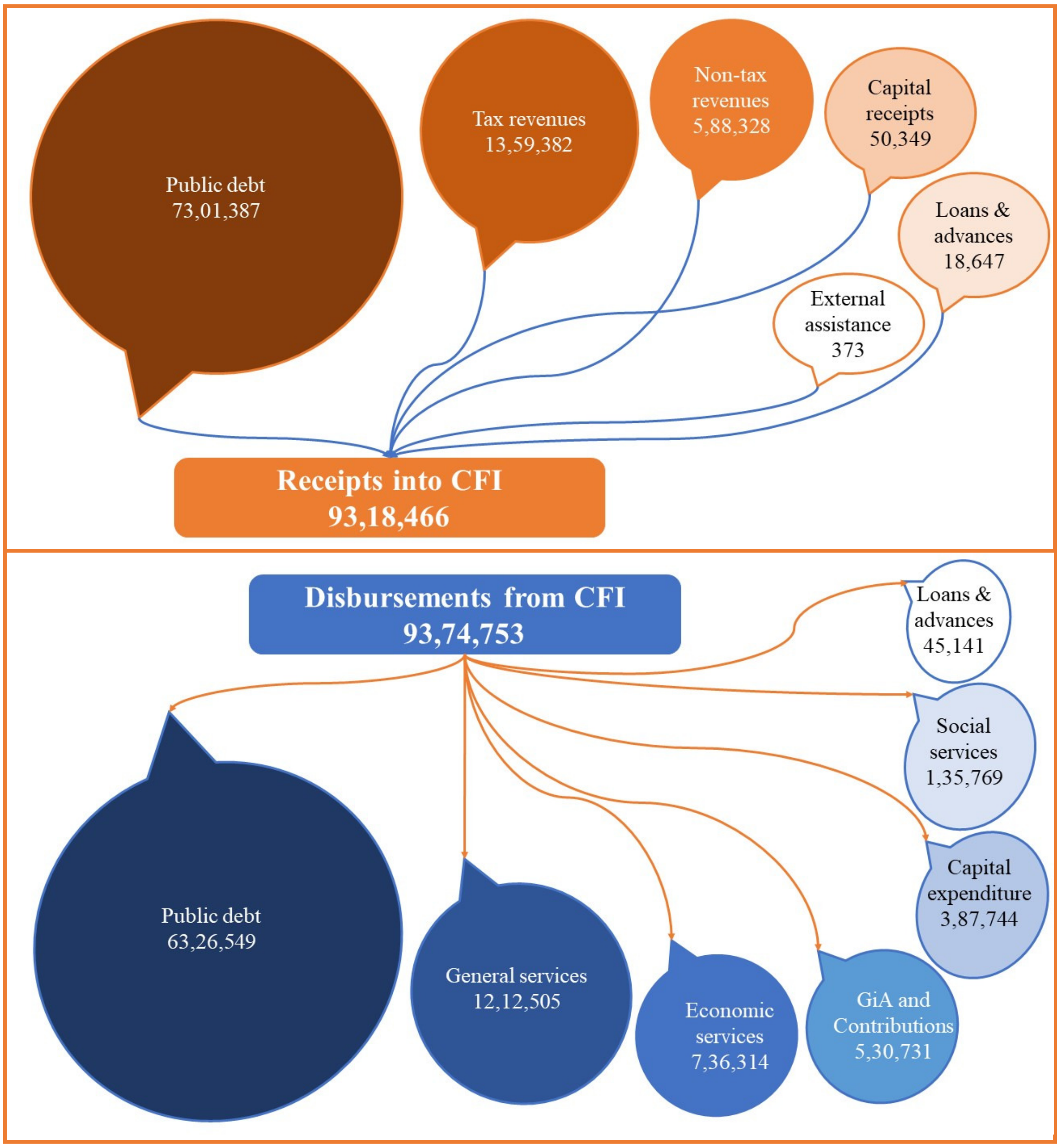
Out of the total resources mobilised during the year, 83 *per cent* were deployed on committed expenditure, comprising repayment of debt (52 *per cent*), discharge of Public Account liabilities (17 *per cent*), interest payments (five *per cent*) and assignment of mandated portion of gross tax receipts to States (five *per cent*). From the balance, after accounting for Grants-in-aid to States/UTs and closing cash balance (four *per cent*), Government was left with 17 *per cent* of its gross mobilisation to spend on its own activities.

## 1.5 Receipts and Disbursements of CFI

Receipts and Disbursements from the Consolidated Fund of India (CFI) for FY 20 and the growth rates in last four years are given in **Figures 1.5** and **1.6**.

**Figure 1.5: Receipts and disbursements – CFI (FY 20)**

*(₹in crore)*

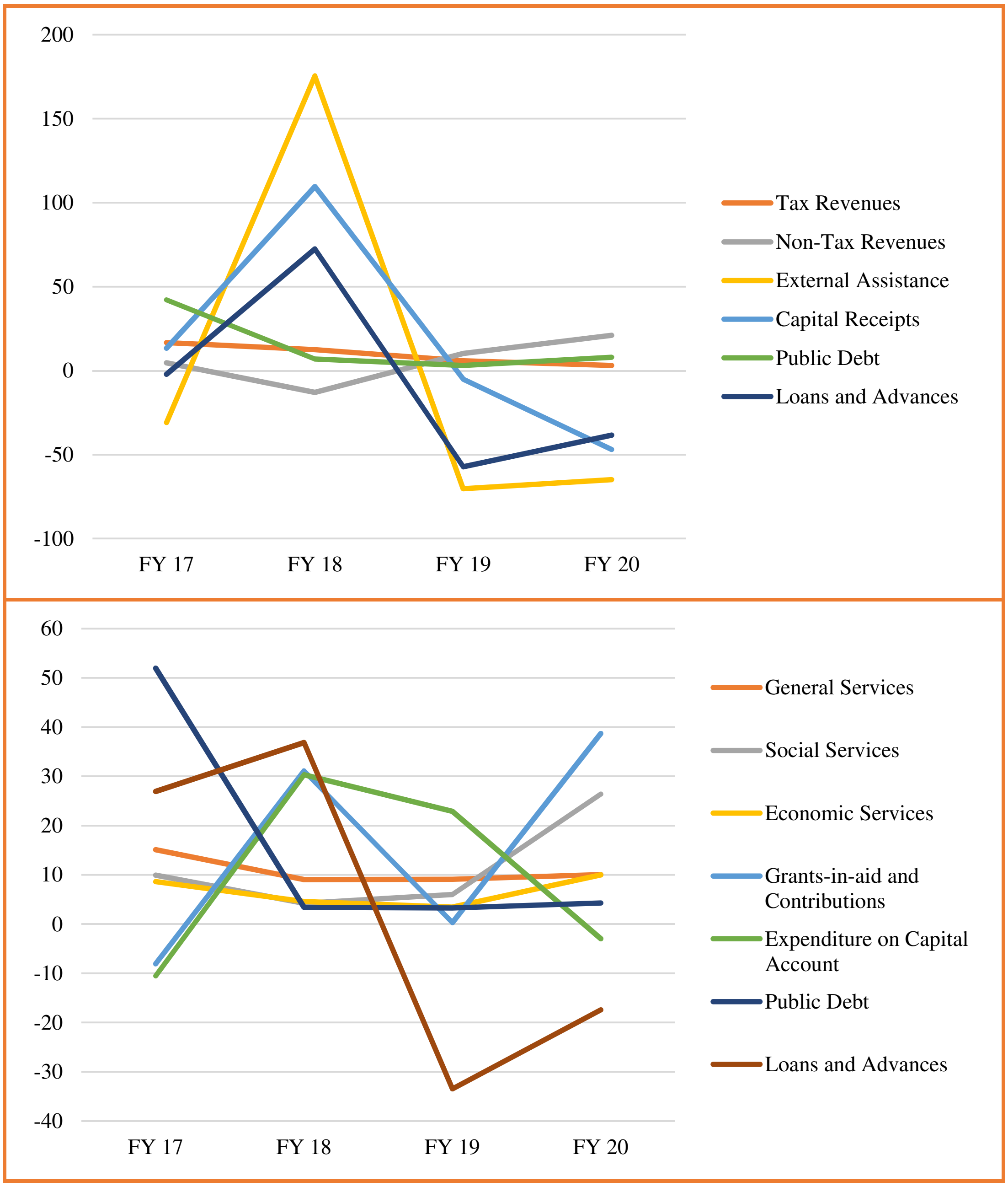



**Net figures after excluding proceeds assigned to states from Tax Revenue*

*Source: UGFA for FY 20*

**Figure 1.6: Growth rates of receipts and disbursements - CFI**

*(in per cent)*




*Source: UGFAs for FYs 17 to 20*

Total receipts grew by 7.23 *per cent* (₹6,28,286 crore) YoY in FY 20. Non-debt receipts increased by 4.42 *per cent* (₹85,381 crore) and debt receipts increased by 8.03 *per cent* (₹5,42,905 crore).

Increase in non-debt receipts over the previous year was significant in the following cases:

i. Tax Revenues increased marginally by ₹40,371 crore (three *per cent*), with major increases coming from receipts from CGST by ₹39,860 crore (14.79 *per cent*) and Taxes on income other than Corporation Tax by

₹40,061 crore (15 *per cent*). This was offset by decrease in collections under Corporation Tax (₹63,707 crore).

ii. Non-Tax Revenues grew by ₹1,01,940 crore (21 *per cent*), of which receipts from dividends/ profits increased by ₹72,715 crore (64 *per cent*), interest receipts by ₹29,798 crore (110 *per cent*) and from 'Other Communication Services' increased by ₹29,031 crore (71 *per cent*). Higher receipts under dividends / profits were primarily due to higher receipts of surpluses/dividend from Reserve Bank of India.

iii. Non-debt Capital Receipts were lower compared to FY 19 by ₹56,240 crore. The reasons for the decrease included 42 *per cent* less premium received on face value of equity disinvested (₹28,946 crore). Premium on total disinvestment decreased from 94 *per cent* in FY 19 to 81 *per cent* in FY 20. This was mainly due to SUUTI[7] receipts being lower in FY 20 by ₹10,356 crore (83 *per cent*) compared to FY 19 and non-receipt of proceeds from Monetisation of National Highways.

Revenue expenditure increased by ₹3,53,749 crore (15.64 *per cent*) in FY 20 over the previous year. Most of this increase was on account of higher expenditure on "Grants-in-Aid and Contributions" (₹1,48,020 crore, 38.68 *per cent*) and "Social Services" (₹28,355 crore, 26.40 *per cent*). The increases in expenditure on "General Services" and "Economic Services" were ₹1,10,483 crore (10.03 *per cent*) and ₹66,891 crore (9.99 *per cent*) respectively. Further, increase in "Grants-in-Aid and Contributions" was due to higher compensation paid to States and UTs for loss of revenue arising out of implementation of GST (₹47,699 crore; ₹3,524 crore) and on account of Grants for Rural Local Bodies (₹24,297 crore).

Analysis of expenditure on General Services revealed that the largest increase of ₹54,350 crore was on Interest payments. Other significant increases were on Pension and Miscellaneous (₹26,968 crore), Defence Services (₹11,414 crore) and Police (₹9,555 crore). In Economic Services, the largest increase was witnessed in Crop Husbandry – primarily under PM Kisan Samman Nidhi (₹48,714 crore) and Petroleum (₹14,086 crore).

On the other hand, the expenditure on capital account decreased by ₹11,779 crore (2.95 *per cent*) mainly due to reduction in expenditure on recapitalization of PSBs.

## 1.6 Assets and Liabilities of the Union Government

The overview of assets and liabilities position of the Union Government is given in **Table 1.2**.

[7] SUUTI – Specified Undertaking of the Unit Trust of India

### Table 1.2: Assets and Liabilities of the Union Government

*(₹in crore)*

| Assets | As on 31 March 2019 | As on 31 March 2020 | Growth Rate |
|---|---|---|---|
| Gross Capital Outlay-Investment in shares of Companies, Cooperative Societies etc. | 9,89,546 | 11,28,168 | 14.01% |
| Other Capital Expenditure | 19,16,969 | 21,59,706 | 12.66% |
| Loans to Government corporations, non-Government institutions, local funds, cultivators etc. | 1,25,546 | 1,43,247 | 14.10% |
| Loans to State/ Union Territory Governments | 1,71,531 | 1,80,814 | 5.41% |
| Loans to Foreign Governments | 13,558 | 14,228 | 4.94% |
| Loans and Advances to Government Servants | 159 | 183 | 15.09% |
| Suspense and Miscellaneous Balances (net) | 42,262 | 73,649 | 74.27% |
| Remittance Balances | 14,058 | 16,810 | 19.58% |
| Cash Balance Investment | 1,22,692 | 50,573 | -58.78% |
| General Cash Balance | 2,729 | -2,241 | -182.12% |
| Cash with Departmental Offices | 8,654 | 17,279 | 99.66% |
| Permanent Cash Imprest | 100 | 106 | 6.00% |
| Accumulated Deficit (balancing figure) | 48,17,592 | 54,09,166 | 12.28% |
| **Total** | **82,25,396** | **91,91,688** | **11.75%** |

| Liabilities | As on 31 March 2019 | As on 31 March 2020 | Growth Rate |
|---|---|---|---|
| Internal Debt | 70,74,941 | 80,20,490 | 13.36% |
| External Debt | 2,69,961 | 2,99,250 | 10.85% |
| Small Savings, Provident Funds etc. | 5,79,609 | 5,74,880 | -0.82% |
| Contingency Fund | 500 | 500 | 0.00% |
| Reserve Funds (Not bearing interest) | 13,084 | 50,294 | 284.39% |
| Reserve Funds (bearing interest) | 13,007 | 13,792 (DR) | -206.04% |
| Deposits and Advances | 2,74,294 | 2,60,066 | -5.19% |
| **Total** | **82,25,396** | **91,91,688** | **11.75%** |

*Source: UGFAs for FY 19 and FY 20*

On the assets side, during the last two years it was noticed that 34 *per cent* of the cumulative Capital expenditure consisted of investments of the Union Government in Government companies, Statutory Corporations and Other Joint Stock Companies.

The balance 66 *per cent* constituted cumulative expenditure for creation of infrastructure for transport sector, health, education, public works, etc.

The additional expenditure under 'Gross Capital Outlay-Investment' of ₹1,38,622 crore during FY 20 was chiefly accounted for by "Recapitalisation of PSBs/ Nationalised Banks (₹65,443 crore), and investments in National Highways Authority of India (₹31,333 crore), Dedicated Freight Corridor Corporation of India (₹8,900 crore) and in Indian Infrastructure Finance Company Limited (₹5,798 crore).

Similarly, there was accretion of ₹2,42,737 crore[8] under 'Other Capital Expenditure' during FY 20 on account of capital expenditure on Defence Services (₹1,11,092 crore), General Economic Services (₹81,116 crore), Transport (₹71,640 crore), Railways (₹67,842 crore), etc.

However, on the assets side a significant reduction in the Cash Balance Investment of the Union Government was also noted. This item records transactions connected with temporary investment of cash balance. The reduction was to the extent of ₹72,119 crore in FY 20 and represented a diminution in cash balances of the Union Government with RBI available for investment.

Further, on the Liabilities side, internal debt constituted around 87 *per cent* of total liabilities of the Union Government during FY 20. Internal debt of the Union Government increased from ₹70,74,941 crore in FY 19 to ₹80,20,490 crore in FY 20. In the case of Reserve Funds, balances increased from ₹26,091 crore in FY 19 to ₹36,502 crore in FY 20. This increase was primarily on account of increase in the balance under GST Compensation Fund by ₹33,412 crore, Central Road Fund by ₹2,262 crore and National Compensatory Afforestation Fund by ₹1,203 crore. The increase in the GST Compensation fund was the result of partial adjustment of short payment of IGST to States/UTs during the year.

## 1.7 Resource Generation

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

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8 Other Capital Expenditure = Total capital expenditure – equity investment in CPSEs, therefore, the increase under capital expenditure on services gets offset by disinvestment figures

**Table 1.3: Resources of the Union Government during 2015-20**

***(₹in crore)***

| Period | Gross Revenue Receipts* (1) | Non-debt Capital Receipts (2) | Gross Debt Receipts (3) | Gross Accruals into Public Account (4) | Gross Receipts (1+2+3 +4) (5) |
|---|---|---|---|---|---|
| FY 16 | 19,42,353 *(26)* | 84,010 *(1)* | 43,16,950 *(58)* | 11,16,692 *(15)* | 74,60,005 |
| FY 17 | 22,23,988 *(23)* | 88,714 *(1)* | 61,34,137 *(63)* | 12,73,949 *(13)* | 97,20,788 |
| FY 18 | 23,64,148 *(22)* | 1,70,687 *(2)* | 65,54,002 *(62)* | 14,34,393 *(14)* | 1,05,23,230 |
| FY 19 | 25,67,917 *(23)* | 1,25,236 *(1)* | 67,58,482 *(60)* | 17,45,217 *(16)* | 1,11,96,852 |
| FY 20 | 25,98,760 *(21.47)* | 68,996 *(0.57)* | 73,01,387 *(60.32)* | 21,36,115 *(17.64)* | 1,21,05,258 |

**Includes figures of taxes and duties assigned to States (₹6, 50,677 crore for current year). Net revenue receipts to the Centre was ₹19,48,083 crore in current year, as reflected in Table 1.1.*

*Note: Figures in parentheses indicate percentage of Gross receipts.*

*Source: UGFAs for FYs 16 to 20*

As can be seen from **Table 1.3**, gross receipts showed an increasing trend during FY 16 to FY 20, with the maximum growth of 30 *per cent* noticed in FY 17. Gross revenue receipts achieved highest growth of 17 *per cent* in FY 16 and lowest growth of one *per cent* in FY 20. Non-debt capital receipts showed a decline in the last two FYs.

Ratio of gross debt receipts to gross receipts remained above 60 *per cent* except in FY 16 (58 *per cent*), indicating continued dependence on debt to finance the Union Budget.

### 1.7.1 Revenue Receipts

Revenue receipts, comprising tax and non-tax receipts, are important sources of financial resources as these do not create the future payment obligations. Components of revenue receipts are discussed in succeeding sections.

#### *1.7.1.1 Revenue Receipts: Gross and Net*

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

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

*(₹in crore)*

| Period | Gross Tax Revenue | Share of States* | Net Tax Revenue | Non-Tax Revenue# | Net Revenue Receipt | Gross Revenue Receipt |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4)=(2)-(3) | (5) | (6)=(4)+(5) | (7)= (2)+(5) |
| FY 16 | 14,55,891 | 5,06,193 | 9,49,698 | 4,86,462 | 14,36,160 | 19,42,353 |
| FY 17 | 17,15,968 | 6,08,000 | 11,07,968 | 5,08,020 | 16,15,988 | 22,23,988 |
| FY 18 | 19,19,183 | 6,73,005 | 12,46,178 | 4,44,965 | 16,91,143 | 23,64,148 |
| FY 19 | 20,80,465 | 7,61,454 | 13,19,011 | 4,87,451 | 18,06,462 | 25,67,916 |
| FY 20 | 20,10,059 | 6,50,677 | 13,59,382 | 5,88,701 | 19,48,083 | 25,98,760 |
| Annual Rate of Growth (*per cent*) | | | | | | |
| FY 16 | *16.93* | *49.85* | *4.67* | *15.39* | *8.07* | *16.54* |
| FY 17 | *17.86* | *20.11* | *16.67* | *4.43* | *12.52* | *14.50* |
| FY 18 | *11.84* | *10.69* | *12.47* | *-12.41* | *4.65* | *6.30* |
| FY 19 | *8.40* | *13.14* | *5.84* | *9.55* | *6.82* | *8.62* |
| FY 20 | *-3.38* | *-14.55* | *3.06* | *20.77* | *7.84* | *1.20* |

*# includes Grant-in-aid and contributions from External Agencies*

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

*Source: UGFAs for FYs 16 to 20*

As seen from **Table 1.4**, the rate of increase in gross tax revenues is showing a decreasing trend from FY 17 to FY 19, with growth being negative in FY 20. In respect of the share of States, the maximum growth was noticed in FY 16 due to enhancement of devolution of the divisible pool of the taxes from 32 *per cent* to 42 *per cent* by the Fourteenth Finance Commission.

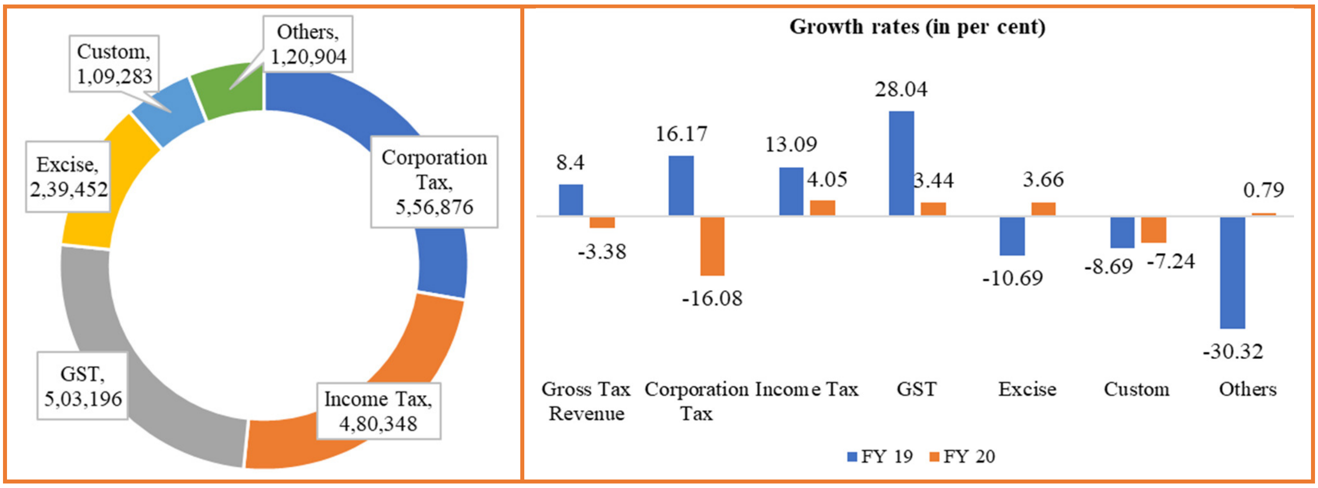
Non-tax revenues of the government showed a fluctuating trend during FYs 16-20, while FY 20 saw a substantial jump on account of higher receipts of premium on Market Loans (₹29,609 crore in FY 20 and ₹2,961 crore in FY 19) on account of switching of securities, and in Telecommunications License Fees (₹27,463 crore), and due to rise in surplus profits from the Reserve Bank of India (₹79,988 crore).

### *1.7.1.2 Components of Tax Revenue*

Tax Revenue consists of two components – Direct Taxes and Indirect Taxes. Corporation Tax, Taxation on Income other than Corporation Tax, etc. are part of Direct Taxes, and Goods and Service Tax (GST), Customs and Excise, etc. are part of Indirect Taxes. **Figure 1.7** depicts components of Direct and Indirect Tax Revenue in absolute terms as well as their annual rate of growth.

**Figure 1.7: Components of Tax Revenue**

*(₹ in crore)*



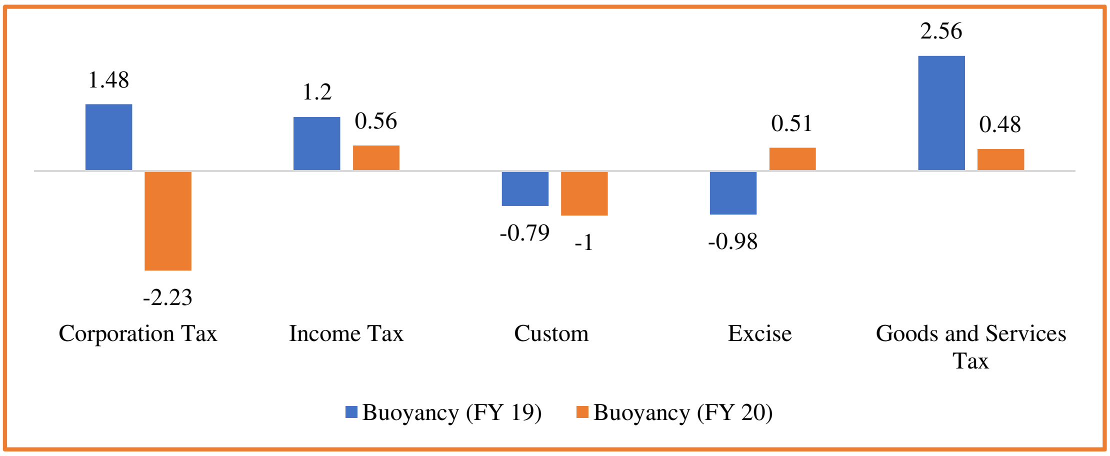

*Source: UGFAs for FY 19 and FY 20*

Compared to FY 19, the Gross Tax Revenue saw a negative growth in FY 20, which was fueled by substantial negative growth in Corporation Tax due to the decrease in tax rates for companies and corporations.

***Buoyancy of Major Union Taxes***

The buoyancy coefficient indicates the *percentage* change in tax revenue following a one *per cent* increase in the GDP[9]. A buoyancy of more than one is considered desirable. If buoyancy is more than one, it would lead to an increase in the tax-GDP ratio. A buoyancy of less than one indicates that the concerned tax may effectively be regressive because as incomes increase, a lower part of the increase gets taxed. The tax buoyancy of major tax revenue components in the last two years was as shown in **Figure 1.8**.

**Figure 1.8: Tax Buoyancy**




*Source: UGFAs for FY 19 and FY 20, and CSO Press Release dated 21-May-2020*

[9] GDP figures are as per CSO press release dated 29 May 2020 (Provisional Estimates).

Thus, it is evident that during FY 20 tax buoyancy of all the major components of tax revenue was less than one. In case of Income Tax, and Goods and Services Tax it was significantly lower than in FY 19.

### 1.7.2 Collection of Cess

A cess is an additional tax levied by the Government to raise funds for a specific purpose. Cess collections are initially credited to the CFI. Goods and Services Tax (GST) has been implemented from July 2017. GST subsumed taxes like Central Excise, Service Tax, Value Added Tax, Entry Tax, Octroi, etc. and cesses like Krishi Kalyan Cess, Swachh Bharat Cess, Clean Energy Cess and Cesses on Tea, Sugar and Jute, etc.

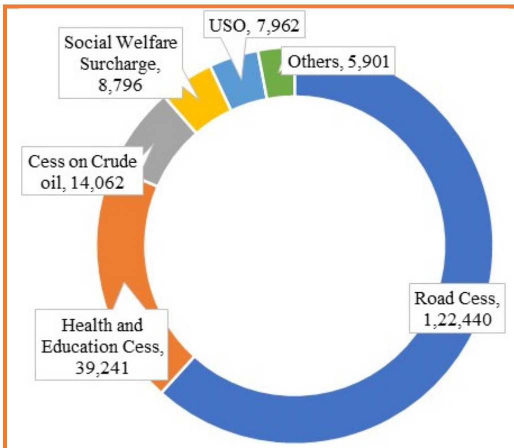
The Union Government has abolished various cesses on goods and services in recent years while levying new cesses like Health and Education Cess in place of Primary Education and Secondary Education Cess on direct taxes, and Social Welfare Surcharge in place of Education Cess, on customs with effect from FY 18.

Further, Education Cess on Imported Goods, Secondary and Higher Education Cess on Imported Goods, Cess on Crude Petroleum Oil, Additional Duty of Excise on Motor Spirit (Road Cess), Additional Duty of Excise on High Speed Diesel Oil (Road Cess), Special Additional Duty of Excise on Motor Spirit, Road and Infrastructure Cess , National Calamity Contingent Duty on Tobacco and Tobacco Products and Crude Petroleum Oil, Universal Access levy and Social Welfare Surcharge, etc. continue to be levied.

The total collection of various cesses[10] amounting to ₹1,98,402 crore in FY 20 (increase by 5.60 *per cent* over FY 19) and their growth rates is shown in **Figure 1.9**.

**Figure 1.9: Collection of Cesses**

*(₹ in crore)*




**Growth rates (in *per cent*)**

| Year | Road Cess | Health and Edu Cess | Cess on Crude oil |
|---|---|---|---|
| FY 20 | *10.45* | *-5.01* | *-21.06* |

| Year | Social Welfare Surcharge | USO | Others |
|---|---|---|---|
| FY 20 | *-0.85* | *15.19* | *178.93* |

*Source: UGFAs for FY 19 and FY 20*

[10] Additional Excise duty on Indigenous Motor Spirit, Road and Infrastructure Cess, Infrastructure Cess, Additional Excise duty on High Speed Diesel Oil and Cess On Oil. 'Others' comprises Cess on Export, Cess on Coal and Coke, Cess on Jute, Cess on Tea, Cess on Bidi Swachh Bharat Cess, Krishi Kalyan Cess, Receipt under Research and Development Cess Act, 1986, Cess on Sugar, etc.

The increase in Road Cess was on account of increase in rate of Road and Infrastructure Cess, while the increase in USO levy reflected higher collections under 'Other Communication Services'. 'Others' increased by 179 *per cent* mainly on account of more collections under "Cess on Exports" (₹5,759 crore). Further, the negative growth in collections under Social Welfare Surcharge, Cess on Crude Oil, and Health and Education Cess reflected lower growth in underlying basic taxes.

### 1.7.3 Non-Tax Revenue

Non-tax revenues comprise interest receipts, income from sovereign functions like judiciary, police, currency and coinage and those arising from assets/investment or dividends or from user charges collected by Railways, Post and Departmental Undertakings. The composition of non-tax revenue is given in **Table 1.5**.

**Table 1.5: Composition of Non-Tax revenue**

*(₹in crore)*

| Period | Total Non-Tax Revenue# | Interest Receipts | Dividends and Profits | Social Services | Economic Services | Sovereign and Other Functions** |
|---|---|---|---|---|---|---|
| FY 16 | 4,86,462 | 46,325 | 1,12,136 | 10,100 | 2,79,710 | 38,191 |
| FY 17 | 5,08,020 | 43,496 | 1,23,021 | 11,998 | 2,86,597 | 42,908 |
| FY 18 | 4,44,965 | 45,732 | 91,367 | 3,081 | 2,58,592 | 46,193 |
| FY 19 | 4,87,451 | 27,166 | 1,13,427 | 3,167 | 2,94,445 | 49,246 |
| FY 20 | 5,88,701 | 56,964 | 1,86,142 | 3,507 | 2,94,717 | 47,371 |
| Annual Rate of Growth | | | | | | |
| FY 16 | *15.39* | *(-)3.50* | *24.79* | *482.13* | *14.86* | *(-)0.72* |
| FY 17 | *4.43* | *(-)6.11* | *9.71* | *18.79* | *2.46* | *12.35* |
| FY 18 | *(-)12.41* | *5.14* | *(-)25.73* | *(-)74.32* | *(-)9.77* | *7.66* |
| FY 19 | *9.55* | *(-)40.60* | *24.14* | *2.79* | *13.86* | *6.61* |
| FY 20 | *20.77* | *109.69* | *64.11* | *10.74* | *0.09* | *(-)3.81* |

*# includes Grants-in-aid and contributions from external agencies.*
*** Fiscal Services and General Services*
*Source: UGFAs for FYs 16 to 20*

In FY 20 the largest share of non-tax revenue (50 *per cent*) came from Economic Services. Interest receipts constituted 9.67 *per cent* of non-tax revenue, while dividends and profits accounted for 31.62 *per cent.* Compared to FY 19, the substantial increase of more than one lakh crore in Gross Non-tax revenue in FY 20 was mainly driven by increases in Interest receipts, and dividends and profits.

Interest receipts witnessed a growth of 109.69 *per cent* over the previous year due to higher receipts of premium on Market Loans (₹26,648 crore). Dividend and Profits also witnessed a growth of 64.11 *per cent* during FY 20 as the 'Share of Surplus Profits from the Reserve Bank of India' increased by ₹79,988 crore.

Further, the receipts from Economic Services, which accounted for half of the non-tax revenue, had the following major components as shown in **Table 1.6**.

**Table 1.6: Major Components of Economic Services**

*(₹in crore)*

| Period | Indian Railways-Commercial Lines | Postal Receipts | Other Communication Services | Others | Total Economic Services |
|---|---|---|---|---|---|
| FY 16 | 1,63,497 | 12,940 | 56,477 | 46,796 | 2,79,710 |
| FY 17 | 1,61,583 | 11,511 | 70,241 | 43,262 | 2,86,597 |
| FY 18 | 1,76,779 | 12,833 | 32,066 | 36,914 | 2,58,592 |
| FY 19 | 1,87,738 | 13,196 | 40,816 | 52,695 | 2,94,445 |
| FY 20 | 1,72,021 | 13,558 | 69,846 | 39,292 | 2,94,717 |

*Source: UGFAs for FYs 16 to 20*

While the receipts of Economic Services during the year grew by ₹272 crore (0.09 *per cent*), they decreased as a *percentage* of total non-tax revenue by 10.34 *per cent*. The major reason for this decrease was less receipt on Goods earnings (lower by ₹14,993 crore) from Indian Railways Commercial Lines.

Further, during FY 20, the Union Government received dividend/surplus[11] of ₹1,86,142 crore from 103 entities with an investment of ₹1,49,554 crore, compared to ₹1,13,427 crore received from 112 entities during FY 19.

Of the amount received, the share of surplus received from RBI (₹1,47,988 crore) alone constituted around 80 *per cent* of total receipts under this head. Other major entities in this respect were Coal India Limited (₹4,891 crore), Oil and Natural Gas Commission (₹4,394 crore), Bharat Petroleum Corporation of India Ltd (₹2,821 crore), Life Insurance Corporation (₹2,611 crore), Indian Oil Corporation Ltd (₹2,545 crore) and Power Grid Corporation of India (₹2,325 crore).

**Table 1.7: Composition of Dividend and Profit**

*(₹in crore)*

| Period | Share of surplus profits from RBI | Dividends from Public Undertakings | Share of profit from Nationalised Banks | Dividend from Others | Total Dividend and profits |
|---|---|---|---|---|---|
| FY 16 | 65,896 | 39,897 | 4,214 | 2,129 | 1,12,136 |
| FY 17 | 65,876 | 53,195 | 1,445 | 2,505 | 1,23,021 |
| FY 18 | 40,659 | 46,495 | 1,826 | 2,386 | 91,366 |
| FY 19 | 68,000 | 43,049 | 108 | 2,270 | 1,13,427 |
| FY 20 | 1,47,988 | 35,509 | 0 | 2,645 | 1,86,142 |

*Source: UGFAs for FYs 16 to 20*

The share of dividend from Public Undertakings decreased from ₹43,049 crore (8.83 *per cent* of non-tax revenue) in FY 19 to ₹35,509 crore (6.03 *per cent* of non-tax revenue) in FY 20, mainly due to lower dividends from Indian Oil Corporation

[11] Compared to the previous year, there was no change in dividend in eight entities, while 56 entities declared higher dividend amounting to ₹85,101 crore, 06 entities declared dividend of ₹1,579 crore and 33 entities declared less dividend than in the previous year.

(₹2,838 crore), Oil and Natural Gas Commission (₹1,896 crore), National Thermal Power Corporation (₹1,356 crore), Airport Authority of India (₹1,283 crore) and Coal India Limited (₹949 crore). Also, the share of profits from Nationalised Banks became zero in FY 20 after a period of consistent reduction.

### 1.7.4 Capital Receipts

Capital Receipts consists of non-debt receipts (disinvestment) and debt receipts (Internal and External). Debt receipts have been discussed in paragraph 1.5.

Non-debt receipts are primarily on account of partial disinvestment of the Union Government holding in the equity capital of selected Public Sector Enterprises. Disinvestment proceeds constitute a major part of non-debt Capital Receipts. Statement 8 of UGFA depicts the total proceeds from disinvestment, while Statement 11 shows the entity wise position.

During the year, Government received ₹48,234 crore from disinvestment[12] compared to ₹72,620 crore in FY 19. This included strategic disinvestment of Tehri Hydro Development Corporation (₹7,500 crore) and North Eastern Electric Power Corporation Limited (₹4,000 crore) to National Thermal Power Corporation (NTPC), and Kamarajar Port Limited (₹2,383 crore) to Chennai Port Trust.

Further, receipts came from initial public offerings of Rail Vikas Nigam Limited and IRCTC Limited (₹1,114 crore); offers for sale of RITES Limited (₹1,130 crore); buy back of shares by MOIL Limited, Mazagaon Dock Shipbuilders Limited and Security Printing and Minting Corporation India Limited (₹821 crore); and further fund offers through exchange traded funds – CPSE ETF (₹26,500 crore) and Bharat-22 ETF (₹4,369 crore). Through ETFs there were stake sales of National Thermal Power Corporation (₹6,165 crore), Coal India Ltd (₹5,673 crore), Oil and Natural Gas Corporation (₹5,719 crore), Power Grid Corporation of India Limited (₹3,850 crore), etc.

## 1.8 Expenditure Analysis

The total disbursements from the Consolidated Fund of India and the Public Account were to the tune of ₹1,14,59,551 crore in FY 20.

During FY 20 total disbursements increased by 9.82 *per cent* as compared to FY 19. Of the total disbursements of ₹1,14,59,551 crore, disbursements from CFI was 81.80 *per cent* (repayment of public debt was 55.20 *per cent* and total expenditure from CFI was 26.60 *per cent*). The balance 18.20 *per cent* of disbursement was from Public Account as detailed in **Table 1.8**.

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[12] ₹9,009 crore against face value (18.68 *per cent*) and ₹39,225 crore (81.32 *per cent*) against premium.

**Table 1.8: Various components of total Disbursement**

*(₹in crore)*

| Particulars | FY 16 | FY 17 | FY 18 | FY 19 | FY 20 |
|---|---|---|---|---|---|
| *Components of Total Disbursement of the Union Government* | | | | | |
| **Disbursement from CFI** | 58,43,324 *(83.87)* | 79,21,324 *(87.01)* | 84,19,941 *(85.44)* | 87,80,706 *(84.15)* | 93,74,754 *(81.81)* |
| **Disbursements from Public Account** | 11,23,658 *(16.13)* | 11,82,568 *(12.99)* | 14,34,375 *(14.56)* | 16,53,371 *(15.85)* | 20,84,797 *(18.19)* |
| *Components of Total Disbursement from CFI* | | | | | |
| **Repayment of Public Debt** | 37,37,657 *(63.96)* | 56,78,823 (71.69) | 58,72,604 (69.75) | 60,64,945 (69.07) | 63,26,549 (67.48) |
| **Revenue Expenditure (RE)** | 17,79,529 *(30.45)* | 19,33,018 (24.40) | 21,40,085 (25.42) | 22,61,571 (25.76) | 26,15,320 (27.90) |
| **Capital Expenditure (CE)** | 2,78,866 *(4.77)* | 2,49,472 (3.15) | 3,25,116 (3.86) | 3,99,523 (4.55) | 3,87,744 (4.14) |
| **Loans and Advances (LA)** | 47,272 (0.81) | 60,011 (0.76) | 82,136 (0.98) | 54,667 (0.62) | 45,141 (0.48) |

*Figures in parentheses show percentage of total disbursement.*
*Source: UGFAs for FYs 16 to 20*

In the last three years, as a proportion of total disbursement, the share of disbursement from CFI was on a slightly declining trend, with a concomitant increasing trend for the disbursement from Public Account. In respect of CFI disbursements in the last three years, the shares of repayment of Public Debt and Loans and Advances were both on a declining trend, while the share of Revenue Expenditure was on the rise.

### 1.8.1 Sectoral Expenditure

In the accounts of the Union Government, expenditure is accounted under various major heads which, in turn, are grouped into four sectors, namely ‘General Services’, ‘Social Services’, ‘Economic Services’ and ‘Grants-in-aid and Contributions'.

**Table 1.9** presents details of sectoral expenditure (both Revenue and Capital Expenditure).

**Table 1.9: Sectoral expenditure of the Union Government**

*(₹in crore)*

| Year | General Services | Social Services | Economic Services |
|---|---|---|---|
| **FY 16** | 8,96,486 *(50.56)* | 1,00,682 *(5.68)* | 7,75,879 *(43.76)* |
| **FY 17** | 10,25,561 *(53.07)* | 1,16,023 *(6.01)* | 7,90,729 *(40.92)* |
| **FY 18** | 11,16,653 *(53.59)* | 1,11,108 *(5.33)* | 8,55,914 *(41.08)* |
| **FY 19** | 12,15,111 *(53.33)* | 1,17,237 *(5.15)* | 9,46,034 *(41.52)* |
| **FY 20** | 13,37,499 *(54.10)* | 1,45,668 *(5.89)* | 9,89,165 *(40.01)* |

*Note: The sectoral classification excludes loans to Foreign Governments, State governments, UTs, and Government Servants and revenue expenditure on account of Grant in Aid which do not fall under any specific group.*
**Figures in parenthesis show the proportion of total expenditure*
*Source: UGFAs for FYs 16 to 20*

As seen from **Table 1.9**, the sectoral share has remained steady over the last five years. Further, during FY 20 the highest YoY growth of 24.25 *per cent* was noticed in Social Sector expenditure, which was due to release of relief of ₹8,985 crore on the account of Natural Calamities to States, and increased expenditure (₹6,519 crore) on public health and on secondary and higher education (₹6,161 crore).The second highest growth of 10 *per cent* was noticed in expenditure on General Sector, which was on account of increase in expenditure on Interest Payments by ₹54,350 crore, capital expenditure on Defence Services by ₹15,862 crore and extra provision of *₹5,469 crore* on *'Appropriation for Reduction or Avoidance of Debt'*-extra payment of premium on switching of Market Loans.

Further, the expenditure on Economic Sector witnessed an increase of ₹43,131 crore in FY 20 over FY 19 (increase of 4.56 *per cent*, lowest among the three sectors). This was mainly due to increase in expenditure on 'Crop Husbandry' (primarily under PM Kisan Samman Nidhi) and 'Food, Storage and Warehousing' (Food Subsidy).

### 1.8.2 Trends in Revenue Expenditure

The Government incurs revenue expenditure for the normal day-to-day running of government departments, for various services, payment of interest on its incurred debt, Pensions, subsidies, etc. Revenue expenditure is an expenditure that does not result in creation of assets. For the Union Government all grants given to State Governments and others also fall in the category of revenue expenditure. Of the revenue items, interest payments, salary and pension payments constitute committed expenditures.

**Table 1.10: Components of Revenue Expenditure**

*(₹in crore)*

| Period | Revenue Expenditure | Salary# | Interest Payments | Pensions* | Grants to States | Others## |
|---|---|---|---|---|---|---|
| FY 16 | 17,79,529 | 1,44,552 | 4,57,270 | 1,11,285 | 3,06,129 | 7,60,293 |
| FY 17 | 19,33,018 | 1,77,153 | 5,04,512 | 1,49,237 | 2,80,836 | 8,21,280 |
| FY 18 | 21,40,085 | 1,93,503 | 5,43,707 | 1,63,196 | 3,72,742 | 8,66,937 |
| FY 19 | 22,61,571 | 2,18,022 | 5,95,552 | 1,76,910 | 3,68,172 | 9,02,915 |
| FY 20 | 26,15,320 | 2,27,627 *(8.70)* | 6,55,371 *(25.06)* | 2,03,877 *(7.80)* | 4,94,975 *(18.92)* | 10,33,470 *(39.52)* |
| **Average Annual Rate of Growth** | | | | | | |
| FY 16 | *4.98* | *7.89* | *7.57* | *3.13* | *(-)7.16* | *8.86* |
| FY 17 | *8.63* | *22.55* | *10.33* | *34.10* | *(-)8.26* | *8.02* |
| FY 18 | *10.71* | *9.23* | *7.77* | *9.35* | *32.73* | *5.56* |
| FY 19 | *5.68* | *12.67* | *9.54* | *8.40* | *(-)1.23* | *4.15* |
| FY 20 | *15.64* | *4.41* | *10.04* | *15.24* | *34.44* | *14.46* |

*# Source: Expenditure Profile; * includes Civil and Defence pension only under MH-2071,*
*## Others include expenditure on Defence and Railways.*
*Figures in parentheses shows percentage of revenue expenditure.*
*Source: UGFAs for FYs 16 to 20*

**Table 1.10** shows that interest payment was the largest single component of revenue expenditure constituting one-quarter of the total. Further, there was double digit YoY growth in every component of revenue expenditure in FY 20. The highest growth rate was in Grants to States/UTs due to release of additional funds of ₹51,223 crore on compensation of loss of revenue arising out of implementation of GST, transfer of additional amounts to GST Compensation Fund to clear the past backlog and additional grants to newly created UTs (Jammu & Kashmir and Ladakh) with effect from 31st October 2019.

### *1.8.2.1 Interest Payments*

This head provides for payment of interest on public debt (both internal and external) and other interest bearing liabilities of the Government, which include insurance and pension funds, provident funds, reserve funds, deposits and interest on special securities issued to various Companies and Corporations. It also includes expenditure on reduction or avoidance of debt. The interest payments as a proportion of revenue expenditure hovered around 25 *per cent*, and as a proportion of revenue receipts, these were around 32 *per cent*.

**Table 1.11: Interest payments to revenue expenditure**

| Year | Interest Payments (IP) | Revenue Receipt (RR) | Revenue Expenditure (RE) | Growth of IP | Share of IP to RR | Share of IP to RE |
|---|---|---|---|---|---|---|
| | (₹ in crore) | | | (in *per cent*) | | |
| **FY 16** | 4,57,270 | 14,36,160 | 17,79,529 | *7.57* | *31.84* | *25.70* |
| **FY 17** | 5,04,512 | 16,15,988 | 19,33,018 | *10.33* | *31.22* | *26.10* |
| **FY 18** | 5,43,707 | 16,91,143 | 21,40,085 | *7.77* | *32.15* | *25.41* |
| **FY 19** | 5,95,552 | 18,06,463 | 22,61,571 | *9.54* | *32.97* | *26.33* |
| **FY 20** | 6,55,371 | 19,48,084 | 26,15,320 | *10.04* | *33.64* | *25.05* |

*Source: UGFAs for FYs 16 to 20*

Interest payments during FY 20 comprised *inter alia* interest payments on internal debt (₹5,78,186 crore, 88 *per cent*), interest on Small Savings and Provident Fund, etc. (₹43,709 crore) and interest payments on external debt (₹9,420 crore).

### *1.8.2.2 Pension payments*

**Table 1.12** shows that expenditure on pensions and other retirement benefits increased by 12.49 *per cent* to ₹2,42,561 crore in FY 20.

**Table 1.12: Expenditure on Pension and other Retirement Benefits**

***(₹in crore)***

| Year | Defence | Civil | Railways | Post | Total |
|---|---|---|---|---|---|
| **FY 16** | 60,238 *(45.33)* | 36,533 *(27.49)* | 30,701 *(23.10)* | 5,408 *(4.07)* | 1,32,880 |
| **FY 17** | 87,826 *(48.95)* | 43,575 *(24.29)* | 40,463 *(22.55)* | 7,547 *(4.21)* | 1,79,411 |
| **FY 18** | 92,000 *(46.11)* | 53,745 *(26.94)* | 45,275 *(22.69)* | 8,511 *(4.27)* | 1,99,531 |
| **FY 19** | 1,01,775 *(47.20)* | 58,437 *(27.10)* | 46,718 *(21.66)* | 8,706 *(4.04)* | 2,15,636 |
| **FY 20** | 1,17,810 *(48.57)* | 66,144 *(27.27)* | 49,188 *(20.28)* | 9,419 *(3.88)* | 2,42,561 |

| Annual rate of Growth (in *per cent*) | | | | | |
|---|---|---|---|---|---|
| **FY 16** | *-0.35* | *10.17* | *7.19* | *7.43* | *4.39* |
| **FY 17** | *45.80* | *19.28* | *31.80* | *39.55* | *35.02* |
| **FY 18** | *4.75* | *23.34* | *11.89* | *12.77* | *11.21* |
| **FY 19** | *10.63* | *8.73* | *3.19* | *2.29* | *8.07* |
| **FY 20** | *15.76* | *13.19* | *5.29* | *8.19* | *12.49* |

*Source: For Civil and Defence pensions, figures are from Finance Accounts (Major Head 2071). For Railways and Post, figures are from their Appropriation Accounts.*
**Figures in parenthesis show proportion of total expenditure on pension and other retirement benefits.*
*Source: UGFAs for FYs 16 to 20*

Thus, the share of Defence Pension and Civil Pension showed an increasing trend in last three years with corresponding decrease in both Railways and Post. In FY 20, the YoY growth in Defence Pension payments in FY 20, which constituted a little less than half of total pension payments, was the highest at 15.76 *per cent*.

Further, there was a closing net suspense balance of ₹17,913 crore in the accounts of PSB Suspense-Defence at the end of FY20 due to non-clearance of pension transactions in the books of the Defence Ministry. Inclusion of this amount would increase the expenditure under Defence Pension.

### *1.8.2.3 Subsidies*

Subsidies are disbursed not only explicitly, i.e. through the Budget, but also by providing subsidised goods and services to the people, termed as implicit subsidy. **Table 1.13** presents details of the subsidies which the Government provided explicitly through the budget.

**Table 1.13: Explicit Subsidies in the Union Government Budget**

***(₹in crore)***

| Period | Food | Fertilisers* (Urea) | Fertilisers# (Decontrolled) | Petroleum Subsidy | Others** | Total Subsidies | Subsidies as % of Revenue Expenditure |
|---|---|---|---|---|---|---|---|
| **FY 16** | 1,39,419 *(18.48)* | 50,478 *(0.11)* | 21,938 *(6.15)* | 29,999 *(-50.22)* | 16,637 *(79.49)* | 2,58,471 *(0.07)* | 14.52 |
| **FY 17** | 1,10,173 *(-20.98)* | 51,257 *(1.54)* | 15,056* *(-31.37)* | 27,539 *(-8.20)* | 28,777 *(72.98)* | 2,32,802 *(-9.93)* | 12.04 |
| **FY 18** | 1,00,282 *(-8.98)* | 64,756 *(26.34)* | 22,244 *(47.74)* | 24,460 *(-11.18)* | 34,334 *(19.31)* | 2,46,076 *(5.70)* | 11.50 |
| **FY 19** | 1,01,327 *(1.04)* | 46,514 *(-28.17)* | 24,090 *(8.30)* | 24,837 *(1.54)* | 28,210 *(-17.84)* | 2,24,978 *(-8.57)* | 9.95 |
| **FY 20** | 1,08,688 *(7.26)* | 54,755 *(17.72)* | 26,369 *(9.46)* | 38,529 *(55.13)* | 33,963 *(20.39)* | 2,62,304 *(16.59)* | 10.03 |

*Figures in parentheses indicate percentage of annual growth.*
**Indicates the subsidies given on indigenous and imported fertilisers (Urea)*
*# Indicates subsidies given for decontrolled fertilisers. Since 2011-12, it is nutrient based subsidy.*
***Others include interest subsidy, Price Stabilisation Fund in the Department of Consumer Affairs, movement of food grains and Fair Price Shop Dealers' margin under National Food Security Act, etc.*
*Source: UGFAs for FYs 16 to 20*

The bulk of the expenditure under this head was towards food, fertilizer and petroleum subsidies which are under the category of major subsidies. Compared to FY 19, the expenditure on various explicit subsidies increased substantially in FY 20 with total expenditure on subsidy rising by 16.59 *per cent*. Audit observed that expenditure on food subsidy as in previous years, was understated[13] in the accounts of the Government due to replacement of subsidy payment to Food Corporation of India (FCI) by loans from National Small Savings Fund, creating future liability for Union Government. Further, Petroleum subsidy increased by 55.13 *per cent* in FY 20 due to increase in LPG subsidy (₹13,692 crore), after witnessing negative or minimal growth in the previous years. The expenditure booked under Petroleum and Fertiliser subsidies in accounts also remained understated to the extent payment of subsidy claims withheld by the Ministries.

Overall, the share of expenditure on subsidies in revenue expenditure showed a decreasing trend during FYs 16 to 19. However, during FY 20, the share of subsidies as *percentage* of Revenue Expenditure increased marginally from 9.95 *per cent* in FY 19 to 10.03 *per cent* in FY 20 due to significant increases in Fertiliser subsidies, Petroleum subsidy and subsidies under the "Others" category.

## 1.9 Public Account Liabilities

Public Account liabilities of the Union Government arise in its capacity as a banker or a trustee rather than a borrower. These include Small Savings (Provident Funds, Insurance Funds), Reserve Funds and Deposits. These liabilities are not secured by the CFI and are shown as part of the Public Account. All these liabilities, however, are obligations of the Government either in terms of their repayment or for making specified expenditure. These transactions are summarised in Statement 13 of the UGFA.

As on 31 March 2020, the total outstanding Public Account liabilities stood at ₹8,79,325 crore, which included ₹5,74,881 crore of Small Savings and Provident Fund and ₹3,04,444 crore on account of other obligations[14]. **Figure 1.10** represents the total Public Account Liabilities of the Union Government.

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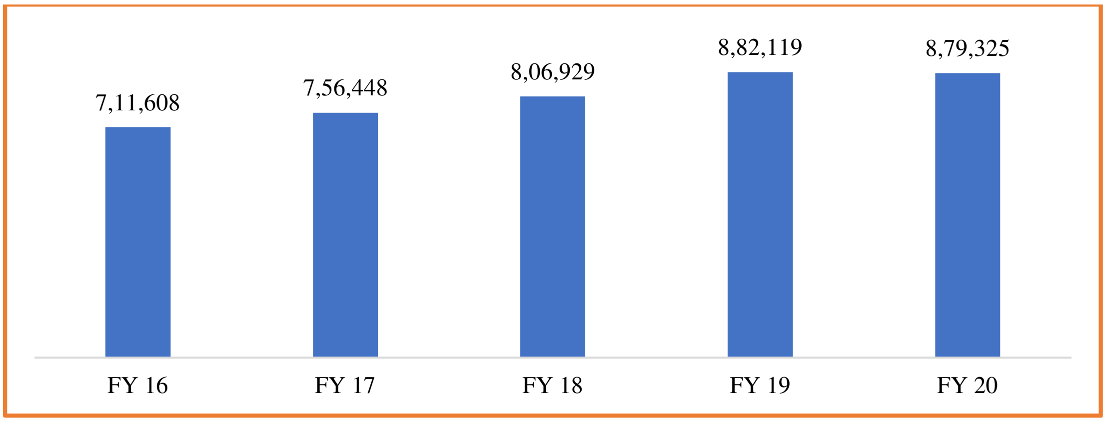
[13] There were savings of ₹76,000 crore under 'Subsidy payable to FCI and others on food-grains transactions under NFSA' due to reduction of provision at RE stage by the MoF owing to sanction of NSSF loan in lieu of food subsidy to Food Corporation of India.

[14] All Reserve Funds and Deposits in Public Account

**Figure 1.10: Public Account Liability (reported in UGFA)**

*(₹in crore)*




*Source: UGFAs for FYs 16 to 20*

From FY 2000, Public Account liabilities exclude the liabilities on account of small savings and insurance funds to the extent invested in Special State Government securities and other instruments as well as losses incurred in National Small Savings Fund (NSSF) operations. Consequently, the total figure for Public Accounts liabilities did not include liabilities of ₹9,99,409 crore corresponding to investment of NSSF in Special State Government Securities (₹4,40,438 crore) and Government Undertakings (₹3,66,546 crore), investment of ₹82,963 crore relating to Post Office Insurance Fund[15], and accumulated deficit (₹1,09,462 crore) in NSSF.

### 1.9.1 Reserve Funds and Deposits

Reserve Funds and Deposits in the Public Account of the Union Government are categorised as interest bearing and non-interest bearing. Out of 58 Reserve Funds in the Public Account, 21 are interest bearing and 37 are non-interest bearing. Interest of ₹2,192 crore and ₹988 crore was paid during the year on Interest bearing Reserve Funds and Deposits, respectively. During the year, 13 out of the 58 Reserve Funds were not operated. In UGFA, only seven Reserve Funds were created at the minor head level for accounting the collection and utilisation of cesses, levies and fees collected for specific purposes. One fund – State Disaster Response Fund – was made operational during FY 20. Seven Reserve Funds had adverse balances at the end of FY 20, which were stated to be under investigation.

#### *1.9.1.1 Analysis of transfer to and from Reserve funds*

Article 266 of the Constitution defines the Public Account as being those funds that are received on behalf of the Government of India. Money held by the government in a trust such as in the case of Provident Funds, Small Savings collections, income of

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[15] Transactions relating to Post Office Insurance Fund relating to investments from the fund are accounted for in the Public Account under Major Head 8015. PLI funds amounting to ₹60,106 crore and RPLI funds amounting to ₹22,857 crore have been invested through fund managers iviz. SBI Fund Management Private Limited (SBIFMPL) and UTI Asset Management Company Limited (UTIAMCL). This investment of ₹82,963 crore is not included in the balance of Public Account liabilities reflected in Statement 13 of UGFA.

Government set apart for expenditure on specific objects like road development, primary education, reserve/special Funds, etc. are kept in the Public Account. These funds do not belong to the Government and have to be finally paid back to the persons and authorities that deposited them. Parliamentary authorisation for such payments is not required. However, when money is withdrawn from the Consolidated Fund with the approval of Parliament and kept in the Public Account for expenditure for a specific purpose, it is submitted for a vote in Parliament.

There were seven Reserve Funds[16] under the Public Account in which Government of India had made the budget provisions for transfer to the Reserve Funds and amount utilized from the Reserve Funds. Scrutiny of Statement 13 of UGFA and Budget documents revealed that an amount of ₹54,723 crore was short transferred to the six Reserve Funds[17] against the budgeted provisions.

In case of utilization of fund from the Reserve Funds, it was noticed that an amount of ₹57,219 crore was short utilized in seven Reserve funds against the budgeted figures. Further, in respect of Madhyamik and Uchhatar Shiksha Kosh, an amount of ₹14,460 crore was to be transferred and utilized from the Reserve Funds in budget estimates, but no such funds were created in the Public Account. In case of Monetisation of National Highways Fund, only 50 *per cent* funds were transferred and utilized from the Reserve fund against the budget provisions. It was however, noted that while the fund is supposed to be credited with proceeds from monetization of National Highways, the Fund was credited even though there were no receipts on this account during FY 20. This has been detailed in paragraph 2.7.1.

## 1.10 Public Debt Management

Statement 14 of UGFA gives the detailed position of Internal and External Debt which together constitute Public Debt of the Union Government and are secured on the CFI. Internal Debt primarily includes market loans, securities issued to international financial institutions, treasury bills, and Special Union Government Securities issued to NSSF, Postal Life Insurance (PLI) and Public Sector Banks. External Debt represents loans received from foreign Governments and multilateral bodies.

Total debt of the Union Government grew from ₹66,51,365 crore as on 31 March 2018 to ₹73,44,902 crore as on 31 March 2019 and further grew to ₹83,19,740 crore as on 31 March 2020. Public Debt, however, remained within the band of 39-41 *per cent* of GDP in the last three years.

**Table 1.14** presents the components of internal debt, viz. market loans, treasury bills, securities issued to international financial institutions, compensation and other bonds at the end of the respective financial years.

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16 Central Road and Infrastructure Fund (CRIF), Madhyamik and Uchchatar Shiksha Kosh, Monetisation of National Highways Fund, National Investment Fund, Nirbhaya Fund, Prarambhik Shiksha Kosh, Universal Service Obligation fund

17 No shortage in transfer to Nirbhaya Fund

**Table 1.14: Composition of Internal Debt**

*(₹in crore)*

| Year | Market Loans | Treasury Bills | Securities issued to | | | Compensation and other bonds | Others | Total Internal Debt |
|---|---|---|---|---|---|---|---|---|
| | | | International Financial Institutions | National Small Savings Fund | Postal Life Insurance | | | |
| **FY 16** | 43,00,102 *(81.06)* | 4,85,822 *(9.16)* | 1,06,726 *(2.01)* | 3,13,856 *(5.92)* | 20,894 *(0.39)* | 11,114 *(0.21)* | 66,321 *(1.25)* | 53,04,835 *(100)* |
| **FY 17** | 46,49,487 *(80.98)* | 4,91,372 *(8.56)* | 1,08,740 *(1.89)* | 3,81,291 *(6.64)* | 20,894 *(0.36)* | 20,325 *(0.36)* | 69,600 *(1.21)* | 57,41,709 *(100)* |
| **FY 18** | 50,70,744 *(79.21)* | 5,36,321 *(8.38)* | 1,04,370 *(1.63)* | 4,83,919 *(7.56)* | 20,894 *(0.33)* | 44,531 *(0.70)* | 1,40,496 *(2.19)* | 64,01,275 (100) |
| **FY 19** | 55,00,141 *(77.74)* | 5,43,218 *(7.68)* | 1,06,523 *(1.51)* | 6,08,919 *(8.61)* | 20,894 *(0.30)* | 46,854 *(0.66)* | 2,48,392 *(3.51)* | 70,74,941 *(100)* |
| **FY 20** | 59,86,127 *(74.64)* | 6,13,321 *(7.65)* | 1,01,909 *(1.27)* | 8,48,919 *(10.58)* | 20,894 *(0.26)* | 53,212 *(0.66)* | 3,96,108 *(4.94)* | 80,20,490 *(100)* |

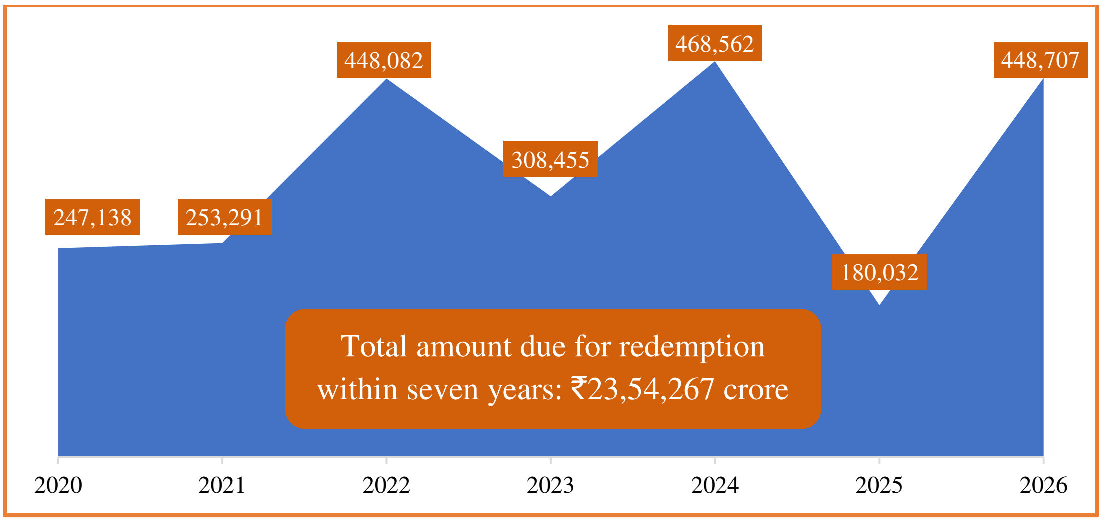
*Figures in parentheses show percentage of total internal debt. 'Others' include marketable securities issued in conversion of special securities, Gold Monetisation Scheme, Sovereign Gold Bonds, special securities issued to banks, etc.*
*Source: UGFAs for FYs 16 to 20*

As seen from **Table 1.14**, Market loans was the primary component, constituting 74.64 *per cent* of the internal debt in FY 20. Its proportion, however, decreased consistently from 81 to 75 *per cent* from FY 16 to FY 20. On the other hand, NSSF and Others were the two components which saw secular increase as proportion of internal debt. Further, total Internal debt of the Union Government grew by 13.36 *per cent* as compared to FY 19, which was the highest YoY increase in last five years.

Market loans due for redemption within seven years (till 31 December 2026) amounted to ₹23,54,267 crore (around 37 *per cent* of market loans), as shown in **Figure 1.11**.

**Figure 1.11: Maturity profile of Market Loans**

*(₹in crore)*



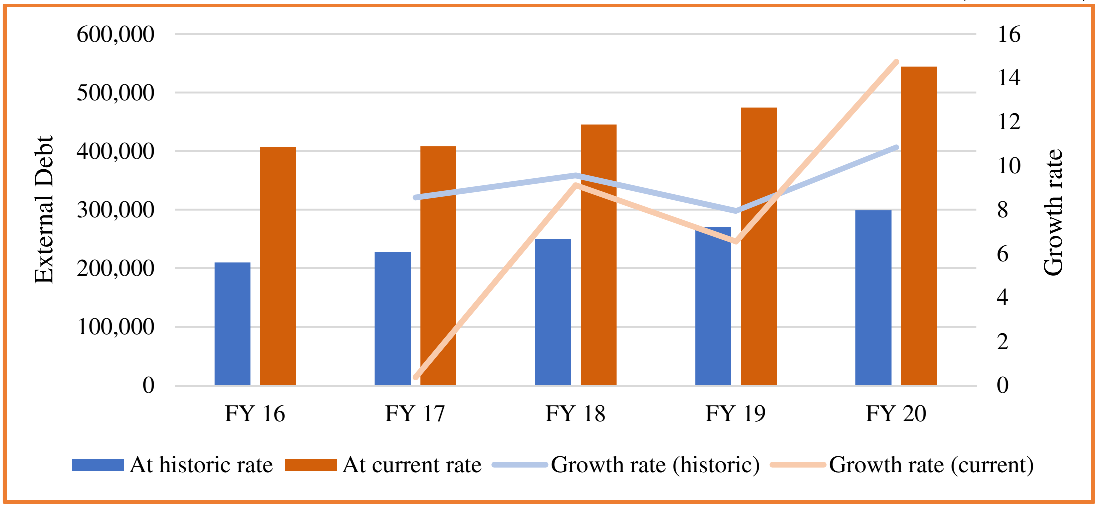

*Source: UGFA for FY 20*
*Note: The figures shown are for maturity by the end of the calendar year depicted above.*

In the year 2020, the dated securities contracted with the longest maturity tenor were of 39 years.

Further, **Figure 1.12** presents the external debt of the Union Government for the last five years at historic exchange rates and at current exchange rates.

**Figure 1.12: External Debt**

***(₹ in crore)***




*Source: UGFAs for FYs 16 to 20*

Like internal debt, the growth rate of external debt at both historic rate and at current rate was also the highest in FY 20. Further, the YoY growth rate at historic rate hovered around 9-10 *per cent* mark during 2016-20.

**Table 1.15** represents the Public debt receipt and repayment for the last five years.

**Table 1.15: Public debt receipt and repayment**

***(₹ in crore)***

| Year | Repayment of internal debt | | Repayment of external debt | | Total repayment of public debt | Total receipt of public debt | Total non-debt receipts |
|---|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | | | |
| | 1 | 2 | 3 | 4 | 5 = 1+2+3+4 | 6 | 7 |
| **FY 16** | 37,14,352 | 4,05,242 | 23,305 | 3,925 | 41,46,824 | 43,16,950 | 15,20,170 |
| **FY 17** | 56,52,628 | 4,48,928 | 26,195 | 5,144 | 61,32,895 | 61,34,137 | 17,04,702 |
| **FY 18** | 58,45,919 | 4,87,527 | 26,685 | 5,951 | 63,66,082 | 65,54,002 | 18,61,830 |
| **FY 19** | 60,34,206 | 5,33,265 | 30,739 | 8,150 | 66,06,360 | 67,58,482 | 19,31,699 |
| **FY 20** | 62,92,658 | 5,78,186 | 33,891 | 9,420 | 69,14,155 | 73,01,387 | 20,17,080 |

*Source: UGFAs for FYs 16 to 20*

From **Table 1.15**, it is seen that the total repayment of public debt was 3.4 times the non-debt receipts and 3.54 times the revenue receipts in FY 20. Further, during FY 16 to FY 20 the repayment of public debt was 95 to almost 100 *per cent* of the total receipt of public debt.

### 1.10.1 Fiscal Deficit

Fiscal deficit is the excess of total expenditure over non-debt receipts. It also indicates the required borrowing of the Government and the increment to its outstanding debt. It normally represents the net incremental liabilities of the Government or additional borrowings made to bridge the budgetary gap between revenue and expenditure. The shortfall is met either by additional public debt (internal or external) or by using surplus funds from the Public Account as detailed in **Table 1.16**, which presents the sources of financing the fiscal deficit of the Union Government.

**Table 1.16: Sources of financing of Fiscal Deficit**

*(₹ in crore)*

| Year | Internal debt (Net) | | External debt (Net) | | Public Account (Net) | | Cash draw down | | Fiscal Deficit* |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | *Per cent* | Amount | *Per cent* | Amount | *Per cent* | Amount | *Per cent* | |
| **FY 16** | 5,66,544 | 96.76 | 12,748 | 2.18 | -6,965 | -1.19 | 13,170 | 2.25 | 5,85,497 |
| **FY 17** | 4,37,317 | 81.32 | 17,997 | 3.35 | 91,381 | 16.99 | -8,896 | -1.65 | 5,37,799 |
| **FY 18** | 6,59,566 | 96.22 | 21,832 | 3.18 | 18 | 0.00 | 4,091 | 0.60 | 6,85,507 |
| **FY 19** | 6,73,666 | 85.92 | 19,871 | 2.53 | 91,846 | 11.71 | -1,321 | -0.16 | 7,84,062 |
| **FY 20** | 9,45,549 | 91.70 | 29,290 | 2.84 | 51,317 | 4.98 | 4,970 | 0.48 | 10,31,126 |

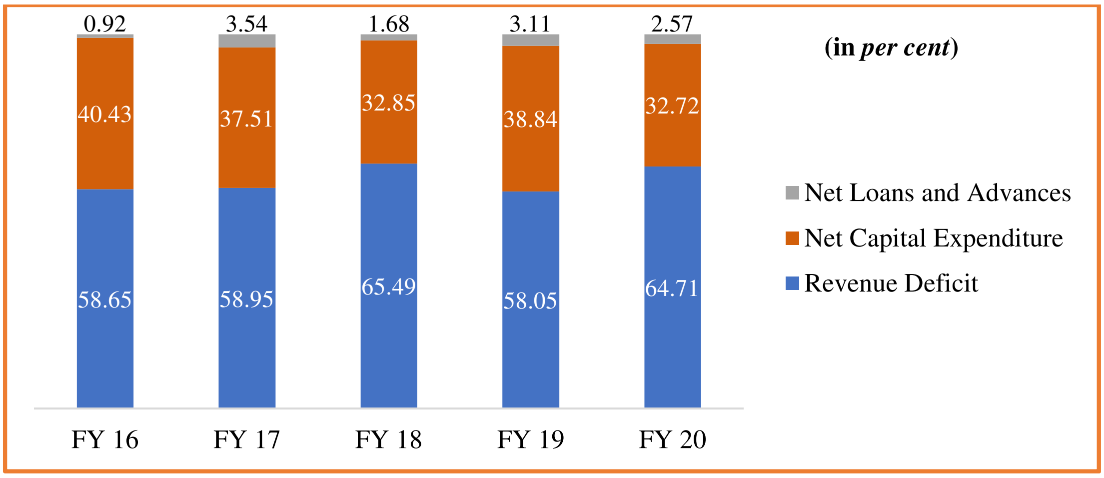
** These figures differ from figures given in Budget at a Glance for these years due to netting of certain expenditure, depiction of expenditure on Externally Aided Projects, etc. Also, refer to Table 1.1.*

*Source: UGFAs for FYs 16 to 20*

Thus, fiscal deficit was financed mainly from net internal debt. Also, the amount of external debt used to finance fiscal deficit saw a consistent increase through FYs 16-20. The usage of surplus funds from Public Account, however, came down by 44.18 *per cent* in FY 20 as compared to FY 19.

If the bulk of fiscal deficit is for sustaining capital expenditure or for providing financial accommodation to entities for capital formation, such deficits may be considered desirable up to a certain point. The components of fiscal deficit are shown in **Figure 1.13**.

**Figure 1.13: Components of Fiscal Deficit**




*Source: UGFAs for FYs 16 to 20*

Thus, the bulk of the fiscal deficit was towards financing the revenue deficit. Out of the fiscal deficit of ₹10,31,126 crore, ₹6,67,237 crore was on revenue account in FY 20, with a YoY increase of 6.66 *per cent*. The share of net capital expenditure, and loans and advances showed a fluctuating trend during FYs 16-20, with decreases in FY 20 as compared to FY 19.