Chapter 1

OVERVIEW OF UNION GOVERNMENT FINANCES

1.1 This chapter provides an overview of the finance and accounts of the Union government during the year 1999-00. It analyses critical changes in major fiscal aggregates in 1999-00 in the context of prevalent trends over the decade of the nineties, in a macroeconomic perspective, using some broad indicators concerning outputs, prices, saving and investment. First, the chapter presents a summary of the position of the different accounts, with reference to the Consolidated Fund of India (CFI), the Contingency Fund of India, and the Public Account for 1999-00, and discusses the salient changes in the macro economy over the decades of the nineties. It then presents an overview of trends in major fiscal aggregates pertaining to the Union government.

Summarised Accounts of the Union Government

The year 1999-00 ended with a surplus in the Consolidated Fund, because of creation of National Small Savings Fund in the Public Account, and consequent adjustments.

1.2 The CFI emerged with a surplus of Rs. 151986 crore at the end of 1999-00. This surplus was due to an accounting adjustment consequent upon the creation of the National Small Savings Fund (NSSF) at the beginning of 1999-00. Under the new arrangement, effective from 01 April 1999, the central government's draft on small savings became part of its internal debt, and was credited to the CFI. This increased the receipts of the CFI, engendering the surplus. This adjustment brought about a reversal of positions of a mutually adjusting nature in the CFI and the Public Account with effect from April 1,1999. Throughout the nineties there was a deficit in the CFI and a surplus in the Public Account. In 1999-00 there was a deficit in the Public Account to the tune of Rs. 152876 crore (Table 1.1).

1.3 The Union government had been using Public Account surplus for meeting government expenditure due to deficit in the CFI upto 1998-99. From 1999-00, the Union government started doing so through investment of Public Account money in the central special securities, through the NSSF. During the year 1999-00, such investments amounted to Rs. 185200 crore.

1.4 Furthermore, the NSSF bears, from 01 April 1999, interest costs and incidental expenditure on the management of the small savings and provident funds, which were hitherto borne by the CFI, and any other expenditure related to its operations.

Box 1.1: Union Government Funds and the Public Account

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

Public Account

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

1.5 The CFI receipts, net of repayments of the public debt, over the nineties have varied in the range of 18 to 21 percent of the GDP at current market prices (Table 1.2). The sudden spurt of this ratio to over 28 percent in 1999-00 is due to securitisation of withdrawals from the public account through the NSSF; and corresponds to a sudden downfall in the ratio of the net public account receipts to the GDP ratio. Chapter 7 on management of public account dwells on this matter in detail.

Table 1.1: Receipts and Disbursements from the CFI and Public Account

Rs in crore

Year	CFI receipts	CFI #disbursements	Surplus/ deficit in CFI	Public Account receipts	Public Account disbursements	Surplus/ deficit in Public Account
1990-91	196823	218721	-21898	64191	41871	22320
1991-92	200455	215123	-14668	66524	51824	14700
1992-93	227238	242709	-15471	72827	57895	14932
1993-94	296802	316793	-19991	89752	68740	21012
1994-95	316391	354133	-37742	107671	71157	36514
1995-96	357933	379902	-21969	113005	89381	23624
1996-97	412911	441559	-28648	127327	99134	28193
1997-98	605472	664478	-59006	169620	109704	59916
1998-99	654249	694929	-40680	159818	118875	40943
1999-00	856651	704665	151986	214736	367612	-152876

'Disbursement' includes repayments of debt

Table 1.2: Summarised Accounts of the Union Government

Rs in crore

Year	Opening cash balance	*CFI receipts net of repayments	As % of GDP	Net Public Account Receipts	As % of GDP	**Total Expenditure	As % of GDP	Closing cash balance
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*10*
1990-91	1465	115161	20.25	22320	3.92	137059	24.10	1887
1991-92	1887	134037	20.52	14700	2.25	148705	22.76	1919
1992-93	1919	155528	20.81	14932	2.00	170999	22.88	1380
1993-94	1380	178851	20.82	21012	2.45	198841	23.14	2402
1994-95	2402	183121	18.13	36514	3.62	220863	21.87	1174
1995-96	1174	218687	18.50	23624	2.00	240656	20.36	2829
1996-97	2829	242463	17.80	28193	2.07	271111	19.91	2374
1997-98	2374	274422	18.11	59916	3.95	333428	22.00	3284
1998-99	3284	331570	18.86	40943	2.33	372250	21.17	[a]3520
1999-00	3520	551564	28.18	-152876	-7.81	399577	20.42	[b]2656

* Does not include taxes on income assigned to the states under article 270 of the constitution.

** 'Total Expenditure' denotes all expenditure out of the CFI, excluding repayment of debt.

[a.] Includes Rs 27 crore as expenditure from Contingency Fund of India not recouped during the year.

[b.] Includes Rs 27 crore as receipt in Contingency Fund of India recouped during the year.

Box 1.2: Reporting Parameters

Fiscal aggregates like tax and non-tax revenues, revenue and capital expenditures, internal and external debt, and revenue and fiscal deficits have been presented as percentage to the GDP at current market prices. The ***New GDP series with 1993-94 as base*** as published by the Central Statistical Organisation has been used. Data up to 1997-98 are final estimates. For 1998-99 and 1999-00, provisional and quick estimates have been used respectively.

Trend growth rates (TGR) have been indicated for relevant variables. The TGR indicates average annual percentage growth over a period. The present analysis has a reference period of ten years from 1990-91 to 1999-00. The TGR is calculated by fitting a trend line over the observations and estimating the slope of the trend line.

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

For most series annual changes have also been indicated. This refers to percentage change of an observation with reference to its value in the previous year.

Three-year averages are used wherever relevant for indicating compositional changes with a view to ironing out random influences.

Finances of the Union Government: 1999-00

The 1999-00 profile of the Union government finances exhibits larger fiscal imbalance relative to the budgetary targets.

1.6 Both revenue deficit and fiscal deficit were higher than what the government had budgeted. Table 1.3 summarises the position of the finances of the Union government in terms of revenue receipts, capital receipts, public account receipts, and total disbursements. The imbalance on the revenue accounts shows up in revenue deficit, which was Rs. 61642 crore as against the budgeted figure of Rs. 49147 crore. The overall imbalance results in fiscal deficit, which was Rs. 103749 crore as the against the budget provision of Rs. 81220 crore. Fiscal deficit was also of a bad quality as 60 percent of it went to meet only revenue deficit. Chapter 5 contains detailed comments on alternative indicators of deficit.

Table 1.3: Estimates and Actuals of Receipts and Disbursements 1999-00

Rs in crore

		Budget estimates	Actuals	Shortfall (-)/ Excess (+)
1	**Total Receipt of the Union Government (7+8+9)**	**1057242**	**1071414**	**14172**
2	Revenue Receipts	279672	281553	1881
	Tax revenue [1]	159787	155230	(-)4557
	Non-tax revenue [2]	119885	126323	6438
3	Non-debt Capital Receipts	10000	1724	(-)8276
4	***Total Revenue and non-Debt Capital receipts (2+3)***	*289672*	*283277*	*(-)6395*
5	Recovery of Loans and Advances	13337	12551	(-)786
6	Receipt of Public Debt	601649	560823	(-)40826
7	Total receipts in the CFI (4+5+6)	904658	856651	(-)48007
8	Contingency fund [3]		27	27
9	Public Account Receipt	152584	214736	62152
10	**Total disbursement by the Union Government (16+17)**	**1057241**	*__1072278__	**15037**
11	Revenue Expenditure	328819	343195	14376
12	Capital Expenditure	30665	29023	(-)1642
13	Loans and Advances	24745	27359	2614
14	***Total expenditure of the Union Government (11+12+13)***	***384229***	***399577***	***15348***
15	Repayment of Public Debt	360893	305088	(-)55805
16	Total disbursement out of the CFI (14+15)	745122	704665	(-)40457
17	Public Account Disbursement	312119	367612	55493
18	Revenue Deficit (11-2)	49147	61642	12495
19	Fiscal Deficit {14-(4+5)}	81220	103749	22529

[1] Does not include Taxes on Income assigned to States Rs. 16987 crore (BE) and Rs. 16523 crore (Actual) under Article 270 of the Constitution.
[2] Includes grants-in-aid and contributions
[3] Rs 27 crore as receipt in the CFI on account of recoupment of previous year expenditure
* Differs due to rounding

1.7 Taxes and non-debt capital receipts including disinvestments under-performed compared to the budget projections. On the expenditure side, revenue expenditure and to some extent loans and advances, mainly claimed more than what the budget had provided. Consequently, revenue deficit was 25.42 percent higher than budgeted, and the fiscal deficit was higher by 27.74 percent.

Box 1.3: Managing Funds: Constitutional Provisions

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

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

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

A Macro Economic Perspective: Some Broad Indicators

The tax base has remained focused on a narrow portion of the GDP.

1.8 The Indian economy is undergoing a structural transformation. The services sector exhibited a trend growth rate (TGR) of 8.47 percent per annum during 1993-94 to 1999-00 (Table 1.4). In contrast, agriculture and allied services have grown only by 3.16 percent. The agricultural sector also shows a high degree of fluctuation in the annual growth rates ranging from –1.92 percent in 1997-98 to 6.50 percent in 1998-99. The industrial sector achieved a peak growth rate of 12.82 percent in 1995-96. More recently, for three years running from 1996-97 to 1998-99, it showed deceleration of growth from 6.80 to 3.28 percent. There was a improvement in 1999-00. The services sector has not only shown the highest trend growth rate but also less fluctuation in the annual growth rates. As a result of differential growth rates between the three sectors, the services sector now constitutes about 53 percent of the GDP. The share of agricultural sector has declined by about 5 percent points to about 25 percent, while that of the industrial sector has remained static at about 22 percent.

Table 1.4: GDP and its components
(at factor cost at 1993-94 prices)

Rs in crore

Year	Agriculture forestry & fishery	% change over prev. year	Industry	% change over prev. year	Services	% change over prev. year	GDP at factor cost	% change over prev. year
1993-94	241967		164569		374809		781345	
1994-95	254090	*5.01*	181605	*10.35*	400169	*6.77*	835864	*6.98*
1995-96	251892	*-0.87*	204891	*12.82*	440207	*10.01*	896990	*7.31*
1996-97	276091	*9.61*	218830	*6.80*	469469	*6.65*	964390	*7.51*
1997-98	270791	*-1.92*	229563	*4.90*	512462	*9.16*	1012816	*5.02*
1998-99	288401	*6.50*	237087	*3.28*	557559	*8.80*	1083047	*6.93*
1999-00	290334	*0.67*	251434	*6.05*	610223	*9.45*	1151991	*6.37*
TGR	**3.16**		**7.09**		**8.47**		**6.66**	
							Percent to the GDP	
1993-94	*30.97*		*21.06*		*47.97*		*100.00*	
1994-95	*30.40*		*21.73*		*47.87*		*100.00*	
1995-96	*28.08*		*22.84*		*49.08*		*100.00*	
1996-97	*28.63*		*22.69*		*48.68*		*100.00*	
1997-98	*26.74*		*22.67*		*50.60*		*100.00*	
1998-99	*26.63*		*21.89*		*51.48*		*100.00*	
1999-00	*25.20*		*21.83*		*52.97*		*100.00*	

Notes:
1. Industry consists of mining and quarrying, manufacturing and electricity, gas and water supply.
2. Services consist of construction, trade/ hotels and restaurant, transport, storage and communications, financing, insurance, real estate and business services, and community, social and personal services.
3. Data for 1998-99 are provisional estimates and for 1999-00 quick estimates

Source: Data for 1993-94 to 1997-98 is taken from National Accounts Statistics 2000, CSO, July 2000 and data for 1998-99 and 1999-00 are taken from quick estimates of National Income 1999-00, press note, January 30, 2001.

1.9 The tax planning of the government should respond to the structural changes in the Indian economy. The tax base remained focussed on a narrow portion of the GDP. The industrial sector which constitutes the core of the tax base of important central taxes like the corporation tax and the Union excise duties accounted for only 21-22 percent of output throughout the nineties. The services sector, its largest segment, shows the highest and the steadiest growth rate and offers itself as a more buoyant and less volatile source of tax revenue. Detailed comments on this aspect follow in Chapter 2.

Relatively lower inflation during the last three to four years and deceleration of GDP growth were coincident.

1.10 Table 1.5 contains a summary of the movements of the wholesale price index as also the consumer price indices for industrial workers and for urban non-manual employees over the period 1990-91 to 1999-00. There was little inflationary pressure during the year 1999-00. The movement of the price indices over the decade of the nineties, however, shows that, on a trend basis, the wholesale price index rose by an average rate of a little over 6 percent per annum. The consumer price indices rose by about 3 percentage points higher. Inflation was more than two digits in three years in the early nineties as indicated by percentage change in the wholesale price index over respective previous years. Growth in aggregate demand, of which the government is an important modulator, has been sluggish owing significantly to a fall in capital expenditure of the government relative to the GDP. Relatively lower inflation during the last three to four years and deceleration of GDP growth were coincident.

Table 1.5: Price Indices

Year	Index of Wholesale prices (all commodities)	% change over prev. year	Consumer price indices			
			Industrial workers	% change over prev. year	Urban non-manual employees	% change over prev. Year
	Base 1993-94		Base 1982		Base 1984-85	
1990-91	73.73		193		161	
1991-92	83.86	*13.74*	219	*13.47*	183	*13.66*
1992-93	92.29	*10.06*	240	*9.59*	202	*10.38*
1993-94	100.0	*8.35*	258	*7.50*	216	*6.93*
1994-95	112.5	*12.50*	284	*10.08*	237	*9.72*
1995-96	121.6	*8.09*	313	*10.21*	259	*9.28*
1996-97	127.2	*4.61*	342	*9.27*	283	*9.27*
1997-98	132.8	*4.40*	366	*7.02*	302	*6.71*
1998-99	140.7	*5.95*	414	*13.11*	337	*11.59*
1999-00	145.3	*3.27*	428	*3.38*	352	*4.45*
TGR	**6.09**		**9.06**		**8.65**	

Note: The index of wholesale prices for the period 1990-91to 1992-93 is derived by a conversion factor using 1981-82 base series and the 1993-94 base series.
Source: RBI, Handbook of Statistics on Indian Economy, December 2000.

Saving and Investment

In 1998-99 and 1999-00, the public sector savings became negative.

1.11 Table 1.6 draws the profile of gross domestic savings and gross capital formation over the years from 1993-94 to 1999-00 at current prices (based on 1993-94 series). The saving rate, having achieved a peak of 25.46 percent in 1995-96, fell to 21.99 percent in 1998-99. Correspondingly, the investment rate, as measured by gross capital formation also fell from a peak of 26.50 percent in 1995-96 to a low of 21.16 percent in 1998-99. In 1996-97, gross capital formation actually fell in absolute terms. A decomposition of the gross domestic savings in to the household, private corporate and public sector savings, brings to the fore the dismal contribution of the public sector. In 1998-99 and 1999-00, the public sector savings turned negative.

Table1.6: Gross Domestic Savings and Investment

Rs in crore; rates in percent

Year	Gross domestic savings	% change over prev. year	Saving rate	Gross capital formation	% change over prev. year	Investment Rate
1993-94	193621		22.53	182619		21.25
1994-95	252080	*30.19*	24.96	237812	*30.22*	23.55
1995-96	300956	*19.39*	25.46	313217	*31.71*	26.50
1996-97	317567	*5.52*	23.32	298069	*-4.84*	21.89
1997-98	374415	*17.90*	24.70	353999	*18.76*	23.36
1998-99	386732	*3.29*	21.99	372018	*5.09*	21.16
1999-00	435572	*12.63*	22.26	444423	*19.46*	22.71
TGR	**13.34**			**14.07**		

Gross Domestic Savings by Type of Institutions

Year	Household Sector	Saving rate	Private corporate sector	Saving rate	Public sector	Saving Rate
1993-94	158310	*18.42*	29866	*3.48*	5445	*0.63*
1994-95	199972	*19.80*	35266	*3.49*	16842	*1.67*
1995-96	218378	*18.48*	58550	*4.95*	24028	*2.03*
1996-97	233508	*17.15*	61101	*4.49*	22958	*1.69*
1997-98	288550	*19.04*	64786	*4.27*	21079	*1.39*
1998-99	336469	*19.14*	64608	*3.67*	-14345	*-0.82*
1999-00	386913	*19.77*	71879	*3.67*	-23220	*-1.19*
TGR	**15.36**		**15.14**		**NA**	

Note: Data for 1998-99 are provisional estimates and for 1999-00, quick estimates

Source: Data for 1993-94 to 1997-98 is taken from National Accounts Statistics 2000, CSO, July 2000 and data for 1998-99 and 1999-00 are taken from quick estimates of National Income 1999-00, press note, January 30, 2001

Overview of Government Finances

The decline in tax revenues relative to the GDP has adversely affected the fiscal position of both the centre and the states.

1.12 Tables 1.7 to 1.10 present an overview of the Union government finances, in relation to revenue receipts, capital receipts, revenue expenditure and disbursements including capital expenditure, loans and advances, and repayment of public debt.

1.13 Tax revenues have grown at a TGR of 12.55 percent over the period 1990-91 to 1999-00. This is much lower than the TGR of the GDP at current market prices, which was 15.05 percent per annum over the same period. As a result the tax-GDP ratio has fallen from 9.4 percent in 1990-91 to 7.94 percent in 1999-00. A part of this fall has depleted the resources of the states, which they get by way of their share in the Union tax revenues. In particular, states' share of Union excise duties have fallen from 1.83 percent of the GDP in 1990-91 to 1.38 percent in 1999-00. The decline in tax revenues of the Union government relative to the GDP has, therefore, affected adversely the fiscal position of both the centre and the states.

1.14 Non-tax revenues of the centre showed a TGR of 16.43 percent over the ten year period from 1990-91 to 1999-00. Together, therefore, the total revenue receipts of the centre were 13.01 percent of the GDP both in 1990-91 and 1999-00. If we compare, however, three-year averages at the beginning and at the end of the decade, there is a fall in the revenue receipts of the centre relative to the GDP of about half a percentage point.

Table 1.7: Overview of Union Government Finances: Revenue Receipts

Rs in crore

Year	Revenue				
	Tax	States' share of Union Excise Duties	Net to Union Govt.	Non-tax	Total
1990-91	53456	10414	43042	30947	73989
1991-92	62257	12093	50164	37573	87737
1992-93	68580	14465	54115	45641	99756
1993-94	67975	14473	53502	51627	105129
1994-95	83737	16283	67454	62932	130386
1995-96	99950	18011	81939	68621	150560
1996-97	115246	21545	93701	78472	172173
1997-98	125712	22446	103266	92587	195853
1998-99	129317	24665	104652	110572	215224
1999-00	155230	26958	128272	126323	254595
TGR	**12.55**	**10.88**	**12.94**	**16.43**	**14.54**
					Percent to GDP
1990-91	9.40	1.83	7.57	5.44	13.01
1991-92	9.53	1.85	7.68	5.75	13.43
1992-93	9.18	1.94	7.24	6.11	13.35
1993-94	7.91	1.68	6.23	6.01	12.24
1994-95	8.29	1.61	6.68	6.23	12.91
1995-96	8.46	1.52	6.93	5.81	12.74
1996-97	8.46	1.58	6.88	5.76	12.64
1997-98	8.29	1.48	6.81	6.11	12.92
1998-99	7.35	1.40	5.95	6.29	12.24
1999-00	7.94	1.38	6.55	6.45	13.01
A: Avg(1990-93)	9.37	1.87	7.50	5.77	13.26
B: Avg(1997-00)	7.81	1.42	6.44	6.28	12.72
C: B-A	**-1.56**	**-0.45**	**-1.06**	**0.52**	**-0.54**

1.15 Capital receipts come from recovery of loans and advances, receipts from public debt and the Public Account. There are also some non-debt capital receipts mainly in the form of disinvestments. The main increase is in the receipts on account of public debt, which has increased from 18.58 percent of the GDP to 28.66 percent *albeit* in gross terms, i.e. a straight increase of more than 10 percentage points in ten years.

Table 1.8: Overview of Union Government Finances: Capital Receipts

Rs in crore

Year	Capital			Public Debt	Receipts in the CFI	Public Account
	Non-debt capital receipts	Recovery of loans & advances	Total			
1990-91	0	6769	6769	105652	186410	64191
1991-92	3038	7001	10039	90586	188362	66524
1992-93	1961	7678	9639	103379	212774	72827
1993-94	0	7611	7611	169637	282377	89753
1994-95	5607	9507	15114	157606	303106	107671
1995-96	1397	6999	8396	180965	339921	113006
1996-97	455	8690	9145	210042	391360	127327
1997-98	912	9596	10508	376665	583026	169620
1998-99	5874	13189	19063	395297	629584	159818
1999-00	1724	12551	14275	560823	829693	214736
TGR	**NA**	**7.02**	**7.28**	**21.83**	**18.51**	**14.49**
						Percent to GDP
1990-91	0.00	1.19	1.19	18.58	32.77	11.29
1991-92	0.47	1.07	1.54	13.87	28.83	10.18
1992-93	0.26	1.03	1.29	13.83	28.47	9.74
1993-94	0.00	0.89	0.89	19.74	32.86	10.45
1994-95	0.56	0.94	1.50	15.61	30.01	10.66
1995-96	0.12	0.59	0.71	15.31	28.76	9.56
1996-97	0.03	0.64	0.67	15.42	28.74	9.35
1997-98	0.06	0.63	0.69	24.85	38.47	11.19
1998-99	0.33	0.75	1.08	22.48	35.81	9.09
1999-00	0.09	0.64	0.73	28.66	42.40	10.97
A: Avg(1990-93)	0.24	1.10	1.34	15.42	30.03	10.40
B: Avg(1997-00)	0.16	0.67	0.84	25.33	38.89	10.42
C: B-A	**-0.08**	**-0.42**	**-0.50**	**9.91**	**8.86**	**0.01**

* Receipts in the CFI is the sum of Revenue Receipts (Table 1.7) Capital Receipts and Public Debt

Revenue expenditures in general services excluding interest payment and social and economic services have fallen, while interest payments continue to grow relative to the GDP

Table 1.9: Overview of Union Government Finances: Revenue Expenditure

Rs in crore

Year	Revenue expenditure			
	Total	**States share of Union Excise Duties**	**Net Revenue expenditure**	**Interest payments included in Revenue Expenditure**
1990-91	102964	10414	92550	21498
1991-92	116091	12093	103998	26596
1992-93	132794	14465	118329	31075
1993-94	152317	14473	137844	36741
1994-95	177699	16283	161416	44060
1995-96	198302	18011	180291	50045
1996-97	226372	21545	204827	59478
1997-98	277732	22446	255286	65637
1998-99	300456	24665	275791	77882
1999-00	343195	26958	316237	94593
TGR	**14.60**	**10.88**	**14.98**	**17.19**
				Percent to GDP
1990-91	18.10	1.83	16.27	3.78
1991-92	17.77	1.85	15.92	4.07
1992-93	17.77	1.94	15.83	4.16
1993-94	17.73	1.68	16.04	4.28
1994-95	17.60	1.61	15.98	4.36
1995-96	16.78	1.52	15.25	4.23
1996-97	16.62	1.58	15.04	4.37
1997-98	18.32	1.48	16.84	4.33
1998-99	17.09	1.40	15.69	4.43
1999-00	17.54	1.38	16.16	4.83
A: Avg(1990-93)	17.88	1.87	16.01	4.00
B: Avg(1997-00)	17.65	1.42	16.23	4.53
C: B-A	**-0.23**	**-0.45**	**0.22**	**0.53**

1.16 The net revenue expenditures of the government marginally fell from 16.27 percent of the GDP in 1990-91 to 16.16 percent in 1999-00. This fall is due to a decline in expenditure on general, social and economic services, as the interest payments rose sharply from 3.78 percent of the GDP in 1990-91 to

4.83 percent in 1999-00. Chapter 3 contains further analysis of the sectoral adjustments in revenue expenditure.

Table 1.10: Overview of Union Government Finances: Capital Expenditure, Loans and Advances and Repayment

Rs in crore

Year	Capital expenditure	Loans & advances	Total Expenditure	Repayment of Public Debt	Disbursement out of CFI	Public Account
1990-91	13387	20708	126645	81661	208306	41871
1991-92	13911	18703	136612	66418	203030	51824
1992-93	20586	17619	156534	71710	228244	57895
1993-94	24650	21874	184368	117951	302319	68740
1994-95	19266	23898	204580	133271	337851	71157
1995-96	17544	24810	222645	139246	361891	89381
1996-97	15704	29035	249566	170448	420014	99134
1997-98	20225	35471	310982	331050	642032	109704
1998-99	25200	46594	347585	322679	670264	118876
1999-00	29023	27359	372619	305088	677707	367612
TGR	**5.98**	**8.38**	**13.35**	**21.20**	**16.50**	**19.86**
						Percent to GDP
1990-91	2.35	3.64	22.27	14.36	36.62	7.36
1991-92	2.13	2.86	20.91	10.17	31.08	7.93
1992-93	2.75	2.36	20.94	9.59	30.54	7.75
1993-94	2.87	2.55	21.46	13.73	35.19	8.00
1994-95	1.91	2.37	20.26	13.20	33.45	7.05
1995-96	1.48	2.10	18.84	11.78	30.62	7.56
1996-97	1.15	2.13	18.32	12.51	30.84	7.28
1997-98	1.33	2.34	20.52	21.84	42.36	7.24
1998-99	1.43	2.65	19.77	18.35	38.12	6.76
1999-00	1.48	1.40	19.04	15.59	34.63	18.78
A: Avg (1990-93)	2.41	2.95	21.37	11.37	32.75	7.68
B: Avg (1997-00)	1.42	2.13	19.78	18.59	38.37	10.93
C: B-A	**-1.00**	**-0.82**	**-1.60**	**7.22**	**5.62**	**3.25**

Capital expenditures continue to fall.

1.17 One fallout of the resource depletion was a steady decline in government capital expenditure as also in loans and advances. Capital expenditures fell from 2.35 percent in 1990-91 to 1.48 percent of the GDP in

1999-00. Loans and advances fell from 3.64 percent to 1.40 percent of the GDP during the same period. This is discussed further in Chapter 3.

Deficit and Debt

The fall in fiscal deficit in 1999-00 was due largely to the securitisation of small savings and not due to any improvement in the fiscal scenario.

1.18 Table 1.11 presents the profile of deficits, which are critical parameters in the fiscal profile of the Union government.

Table 1.11: Union Government Finances: Deficits

Rs in crore

Year	Deficits			
	Revenue	**Fiscal**	**Primary**	**Monetised**
1990-91	18561	45887	24389	14746
1991-92	16261	38836	12239	5508
1992-93	18574	47140	16065	4257
1993-94	32715	71677	34935	260
1994-95	31029	62079	18019	2130
1995-96	29731	63689	13644	19855
1996-97	32654	68242	8764	1934
1997-98	59433	104621	38984	12914
1998-99	60567	113298	35416	11800
1999-00	61642	103749	9156	-5587
TGR	**16.91**	**12.00**	**-0.83**	
				Percent to GDP
1990-91	3.26	8.07	4.29	2.59
1991-92	2.49	5.94	1.87	0.84
1992-93	2.49	6.31	2.15	0.57
1993-94	3.81	8.34	4.07	0.03
1994-95	3.07	6.15	1.78	0.21
1995-96	2.52	5.39	1.15	1.68
1996-97	2.40	5.01	0.64	0.14
1997-98	3.92	6.90	2.57	0.85
1998-99	3.44	6.44	2.01	0.67
1999-00	3.15	5.30	0.47	-0.29
A: Avg (1990-93)	2.75	6.77	2.77	1.34
B: Avg (1997-00)	3.51	6.22	1.68	0.41
C: B-A	**0.76**	**-0.56**	**-1.09**	**-0.92**

1.19 Revenue deficit, the difference between revenue expenditure and revenue receipt, has been as high as 3.81 percent of the GDP in 1993-94 and 3.92 percent in 1997-98. It came come down, however, to 3.15 percent of the

GDP in 1999-00. Fiscal deficit is the excess of total expenditure including loans net of repayments over non-debt receipts. It was as high as 8.07 percent in 1990-91 and 8.34 percent in 1993-94 as a percent of the GDP. It was close to 7 percent in 1997-98. It came down to 5.30 in 1999-00. This sharp fall between 1998-99 and 1999-00 was, however, the result of transferring borrowings based on small savings to the Public Account, and therefore does not indicate any improvement in the basic trends causing the imbalance. Chapter 5 contains further details.

1.20 Primary deficit represents fiscal deficit net of interest payment. In other words, it represents the balance in the finances due to current decisions about expenditure and performance about revenues. In primary deficit, there has been some noticeable improvement. In 1990-91, primary deficit was 4.29 percent of the GDP. It came down to as low as 0.64 percent in 1996-97, although it again increased in the next two years to above 2 percent of GDP. Thereafter, it declined to 0.47 percent in 1999-00. This improvement should again be read in the context of the lower fiscal deficit arising from accounting shift of some part of borrowing to the public account.

1.21 Monetised deficit represents government's net borrowing from the Reserve Bank of India. It, therefore, feeds into the expansion of money supply through increases in reserve money, which constitutes the monetary base. There has been greater control on monetised deficit during the nineties as part of the overall fiscal reforms policy. In nominal terms monetised deficits fell from Rs. 14746 crore in 1990-91 to as low as Rs. 260 crore in 1993-94. It rose sharply to a level of Rs. 19855 crore in 1995-96. In 1999-00, a surplus is indicated at the level of Rs. 5587 crore. According to the RBI's annual report 1999-00, it was the first time since 1977-78, when the central government account with the RBI showed a surplus. We have further comments on the situation of deficit in Chapter 5.

The outstanding debt levels are uncomfortably high, and need to be brought down further to reduce the growing interest burden.

1.22 Table 1.12 presents outstanding debt of the Union government both at historical exchange rates and at current exchange rates. Evaluating external debt at historical rates, the outstanding debt as on 31 March 1991 was 55.30 percent of the GDP. At the end of March 2000, this ratio fell to 50.71 percent. An improvement is also visible when external debt is evaluated at the current exchange rate. The difference between the two, however, is about 7 percentage points of the GDP presently. At the beginning of 1999-00, outstanding debt, with external debt evaluated at current exchange rate, was 57.23 percent. The outstanding debt levels are, however, still uncomfortably high, and need to be brought down further to arrest and reduce the growing interest burden on the government. Chapter 6 has further comments on the government's debt and liabilities.

Table 1.12: Outstanding Debt: 1990-91 to 1999-00

Rs in crore

Year	**Total liability of Union Government		Percent to GDP		Change in *debt-GDP ratio (% points)
	Current Rate	Historical Rate	Current Rate	Historical Rate	
1990-91	--	314558	--	55.3	--
1991-92	427322	354662	65.41	54.29	-1.01
1992-93	480467	401923	64.29	53.78	-0.51
1993-94	558421	477968	64.99	55.63	1.85
1994-95	630071	538610	62.39	53.33	-2.30
1995-96	703567	606233	59.53	51.29	-2.04
1996-97	770512	675675	56.57	49.61	-1.68
1997-98	884404	778294	58.35	51.35	1.74
1998-99	1012486	891806	57.58	50.72	-0.63
1999-00	1120049	992411	57.23	50.71	-0.01
TGR	**12.77**	**13.75**	**Avg (1991-92 to 1995-96):**		**-0.08**
			Avg (1996-97 to 1999-00):		**-0.15**

* Historical rate
** Closing balance as on 31 March.

Gross and Net Receipts: Pressure on Interest Rates

Government has been getting less and less resources, for current application for the services, and is borrowing at progressively higher interest costs.

1.23 The deteriorating trends in the Union government finances are partly due to a self-sustaining adverse cycle linking higher fiscal deficit to higher cost of borrowing. This is due to the government's compulsion to go for large borrowing to service its bulging debt repayment obligations. Since the government has to lift this large amount of money from the system, it has to bear a high cost. Consequently, there is steady depletion of net receipts to government relative to gross receipts. Table 1.13 brings out this fact in numerical focus. The ratio of net receipts to gross receipts has fallen from 53.41 percent in 1990-91 to 38.17 percent in 1999-00. Thus, there is a continuous depletion in the government's resources, for current application for the services that it provides.

Table 1.13: Resources: Gross and Net

Rs in crore

Year	Gross Receipts	Total Repayment/ Discharges	Net Receipts	Interest Payment	Total Repayment/ Discharges Plus Interest Payment
1990-91	265134	123532	141602	21498	145030
1991-92	272083	118243	153840	26596	144839
1992-93	306125	129605	176520	31075	160680
1993-94	394322	186691	207631	36741	223432
1994-95	432620	204428	228192	44060	248488
1995-96	482212	228627	253585	50045	278672
1996-97	553754	269582	284172	59478	329060
1997-98	788600	440754	347846	65637	506391
1998-99	828547	441555	386992	77882	519437
1999-00	*1087910	672700	415210	94593	767293
TGR	**17.32**	**21.26**	**13.28**	**17.19**	**20.63**

Percent

Year	Net Receipts/ Gross Receipts	Repayment/ Discharges Plus Interest Payment/Gross Receipts	Repayment/ Discharges Plus Interest Payment/ GDP	Gross Receipts/ GDP	Net Receipts/ GDP
1990-91	53.41	54.70	25.50	46.62	24.90
1991-92	56.54	53.23	22.17	41.65	23.55
1992-93	57.66	52.49	21.50	40.96	23.62
1993-94	52.66	56.66	26.00	45.89	24.17
1994-95	52.75	57.44	24.61	42.84	22.60
1995-96	52.59	57.79	23.58	40.80	21.45
1996-97	51.32	59.42	24.16	40.66	20.87
1997-98	44.11	64.21	33.41	52.03	22.95
1998-99	46.71	62.69	29.54	47.12	22.01
1999-00	38.17	72.55	40.33	55.59	21.22

Note: Net receipts refers to gross receipts minus repayment/discharges

* Excludes Rs 27 crore towards recoupment of contingency fund expenditure for 1998-99

1.24 The interest rate has gone up from 8.02 percent per annum in 1990-91 to 10.61 percent in 1999-00 where external debt is taken at historical rates. We have taken the effective interest rate as the ratio of interest payment during the year to outstanding debt at the beginning of the financial year. Table 1.14 presents the position of the effective interest rate with the external debt taken at historical rates and at current exchange rates. There is an increase in the effective rate of interest both in the context of external debt being reckoned at historical as also the current exchange rates along with the other liabilities.

Table 1.14: Effective Interest Rate on Government Borrowing

Rs in crore

Year as on 1 April	**Debt** (at historical rate)	**Interest payment**	**Effective rate of interest (1)**	**Debt** (at current rate)	**Effective rate of interest (2)**
1990	268193	21498	8.02		
1991	314558	26596	8.46		
1992	354662	31075	8.76	427322	7.27
1993	401923	36741	9.14	480467	7.65
1994	477968	44060	9.22	558421	7.89
1995	538610	50045	9.29	630071	7.94
1996	606233	59478	9.81	703567	8.45
1997	675675	65637	9.71	770513	8.52
1998	778294	77882	10.01	884404	8.81
1999	891806	94593	10.61	1012486	9.34

Note: (1). With reference to outstanding debt where external debt is evaluated at historical exchange rates.

(2) With reference to outstanding where external debt is evaluated at current exchange rates.

1.25 This overview highlights some of the major trends in the revenue receipts, capital receipts, repayment of debt and expenditures. **A critical reason for the persistent deterioration is the self-sustaining adverse cycle between interest payments and fiscal deficit. The ensuing chapters contain analyses of the structural reasons for the continued deterioration in the profile of Union government finances, as evinced from the Finance and Appropriation Accounts of the Union government**.