



सत्यमेव जयते

**Report of the  
Comptroller and Auditor General of India  
on  
Compliance of the Fiscal Responsibility and  
Budget Management Act, 2003  
for the year 2021-22**



**SUPREME AUDIT INSTITUTION OF INDIA**  
लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest

**Union Government  
Department of Economic Affairs  
(Ministry of Finance)  
Report No. 1 of 2024**



**Report of the  
Comptroller and Auditor General of India**

**on**

**Compliance of the Fiscal Responsibility and  
Budget Management Act, 2003  
for the year 2021-22**

**Union Government  
Department of Economic Affairs  
(Ministry of Finance)  
Report No. 1 of 2024**



# CONTENTS

---

Title	Page No.
Preface	iii
Executive Summary	v
Chapter 1: Introduction	1
Chapter 2: FRBM Targets and Achievements	5
Chapter 3: Disclosures and Transparency	19
Annexures	25
Glossary	33



## PREFACE

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

This is the seventh report of the CAG on compliance with the provisions of the Act and the Rules made thereunder, by the Central Government for the year ending March 2022. The report examines the achievements vis-à-vis FRBM targets and compares actuals with projections made in fiscal policy statements and adequacy of information in disclosure statements.

The Report contains findings arising from the review of compliance of the provisions of the Act and the Rules. The instances mentioned in this Report are those which came to notice in the course of test audit for 2021-22. Matters pertaining to the period earlier than 2021-22, which have a bearing on fiscal indicators have also been included, wherever relevant.





## Executive Summary

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 was enforced in July 2004 with an objective of ensuring inter-generational equity in fiscal management and ensuring long-term macroeconomic stability. The Act aimed at prescribing the limits for Fiscal Deficit (FD) in order to ensure fiscal health and inter-generational equity (as burden of present-day borrowings would have to be borne by the future generations).

Rule 8 of the FRBM Act, 2003 prescribes an annual review of the Act's compliance by the CAG, and the present report discusses the findings made for the year 2021-22.

One of the key indicators of fiscal health of a Government is the FD, which captures the borrowing of the Government to meet the gap between its own revenue resources and the expenditure (excluding borrowings/debt). The overall aim was to restrict the fiscal deficit in a year to three *per cent* of the Gross Domestic Product (GDP). This decline was extended up to 31 March 2021; therefore, no targets were prescribed for the year 2021-22. However, the Government committed itself to pursue a broad path of fiscal consolidation and attain a level of Fiscal Deficit lower than 4.5 *per cent* of GDP by FY 2025-26.

We noted that the Government is back on the path towards fiscal consolidation, having recovered ground from the covid years. Debt sustainability as measured by the debt sustainability indicator, turned positive in 2021-22. The debt of Central Government at the end of 2021-22 reduced to 58.59 *per cent* of GDP, against the target of 40 *per cent* set in the Act at the end of 2024-25. The General Government Debt which combines the debt of Government of India and of the State Government was on a declining trend as compared to 2020-21 and stood at 82.63 *per cent* of GDP at the end of 2021-22, against the target of 60 *per cent* at the end of 2024-25.

The Government guarantees given to loans raised by the Public Sector entities was maintained within the target ceiling of one-half *per cent* of the GDP for the year 2021-22. We noted deficiencies in disclosures in regard to guarantees. Disclosure on Extra Budgetary Resources (EBR – being a component of the Central Government Debt) was found deficient in respect of completeness.



# **CHAPTER 1**

## **Introduction**



## CHAPTER

## 1

## Introduction

## 1.1 The FRBM Act

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 was enacted on 26 August 2003. The Act and the Rules under the Act were brought into force on 05 July 2004. Since the enactment of the original Act in 2003, it has been amended four times in 2004, 2012, 2015 and 2018. Highlight of the provisions in the Act and Rules at **Annexure 1.1**.

The objectives of the Act are to ensure long term macro-economic stability and inter-generational equity<sup>1</sup>. The targets set in FRBM Amendment Act, 2018 and applicable for the year 2021-22 are as follows:

The Central Government shall ensure by the end of FY 2024-2025 that:

- ❖ The General Government debt **does not exceed 60 per cent of Gross Domestic Product (GDP)**.

[Section 4(1)]

*“General Government debt” is defined as the sum total of the debt of the Central Government and the State Governments<sup>2</sup>, excluding inter-Governmental liabilities<sup>3</sup>.*

- ❖ The Central Government debt **does not exceed 40 per cent of GDP**.

[Section 4(1)]

- ❖ Not give additional guarantees with respect to any loan on security of the Consolidated Fund of India in excess of **one-half per cent of GDP**, in any financial year,

[Section 4(1)]

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

[Section 7(1)]

1 Inter-generational equity is a principle that balances the short-term needs of today's generation with the longer-term needs of future generations.

2 Under Article 293(3) of the Constitution of India, “A State may not without the consent of the government of India raise any loan if there is still outstanding any part of a loan which has been made to the State by the government of India or by its predecessor Government or in respect of which a guarantee has been given by the Government of India or its predecessor Government”. Accordingly, the Government of India sets annual ceiling for borrowings for each State Government based on set parameters.

3 What the Governments, State and Union owe each other.

- ❖ If the outcome of half yearly review (i.e. end of September) shows that (i) total non-debt receipts are less than 40 *per cent* of Budget Estimates (BE), and (ii) Revenue Deficit (RD)<sup>4</sup> and Fiscal Deficit (FD)<sup>5</sup> are higher than 70 *per cent* of the BEs for the year, the Finance Minister shall make a statement in Parliament during the session immediately following the end of first half detailing the corrective measures taken.

[Rule 7]

For the year 2021-22, a mid-year (i.e., end of September) review was presented before both houses of the Parliament, the results being of compliance with the mandated mid-year benchmarks prescribed under FRBM Rules. The detailed outcome is given in **Annexure 1.2**.

- ❖ The Central Government shall reduce the fiscal deficit up to three *per cent* of GDP by 31<sup>st</sup> March 2021. However, in the absence of any further amendment to the Act, the Government has committed to pursue a broad path of fiscal consolidation to attain a level of Fiscal Deficit ***lower than 4.5 per cent of GDP by FY 2025-26, as laid out*** in the Budget Speech for FY 2021-22 and reiterated in MTFP Statement for 2022-23.

## 1.2 Other obligations prescribed under the FRBM Act and Rules

The Central Government shall lay before each House of Parliament:

- ❖ The Medium-Term Fiscal Policy cum Fiscal Policy Strategy (MTFP cum FP) Statement (in Form F1):

*This Statement contains a three-year rolling target for fiscal indicators viz. Revenue Deficit, Fiscal Deficit and Primary Deficit<sup>6</sup>, Tax Revenue and Central Government Debt as a percentage to GDP. It also contains the underlying assumptions<sup>7</sup>.*

- ❖ The Macroeconomic Framework Statement (in Form F2)-MEF Statement:

*Highlights the interaction of the Budget with growth in the economy along with the underlying assumptions.*

- ❖ The Medium-Term Expenditure Framework (MTEF) Statement (in Form F3):

*This Statement (in prescribed Form F3) provides a three-year rolling target for prescribed expenditure indicators along with the underlying assumptions and the risks. With the exception for 2018-19, the Government has not been presenting this Statement(s) before the Parliament. This fact was*

4 "Revenue deficit" means the difference between revenue expenditure and revenue receipts.

5 "Fiscal deficit" means the excess of total disbursements, from the Consolidated Fund of India, over total receipts into the Fund during a financial year excluding the debt receipts and debt repayments.

6 "Primary Deficit" means the fiscal deficit minus the interest payments.

7 It also includes assessment of sustainability relating to balance between revenue receipt and revenue expenditure; use of capital receipts including market borrowings for generating productive assets.

*acknowledged by the Government in MTFP 2022-23 although no reason was provided.*

**[Section 3(1)]**

- The Central Government shall not borrow from the Reserve Bank except in certain<sup>8</sup> circumstances.

**[Section 5(1)]**

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

**[Section 7(1A)]**

- Five disclosure Forms (D-1 to D-5)<sup>9</sup> in respect of Tax Revenue, non-Tax revenue, Guarantee, Asset Register and Liability on Annuity projects have been prescribed in the rules to be laid in Parliament along with the Budget.

**[Rule 6]**

### 1.3 Audit Scope and mandate

As per Section 7A<sup>10</sup> (2018 Amendment Act) read with Rule 8 of the FRBM Act, 2003, the CAG of India is mandated to carry out an annual review of the compliance of the provisions of the Act and the rules made there under by the Central Government, beginning with the financial year 2014-15. The review shall include:

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

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

9 Disclosure Forms (D1) – Tax Revenue raised but not realised, (D2) – Arrears of Non-tax Revenue, (D3) – Guarantee given by the Government, (D4) – Asset Register and (D5) – Liability on Annuity Projects. These disclosures provide data which is not captured in the Finance Accounts (being prepared on cash basis) but hold relevance to fiscal indicators.

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

Accordingly, the CAG has prepared Six (6) reports (**Table 1.1**)

**Table 1.1: CAG reports tabled in both houses of Parliament**

Sl. No.	CAG Report	Financial year to which the report pertains
1	Report No. 27 of 2016	2014-15
2	Report No. 32 of 2017	2015-16
3	Report No. 20 of 2018	2016-17
4	Report No. 06 of 2021	2017-19
5	Report No. 18 of 2022	2019-20
6	Report No. 32 of 2022	2020-21

#### **1.4 Audit Methodology**

The review was undertaken primarily in the Department of Economic Affairs, Ministry of Finance which is the nodal Department for administration of the FRBM Act. The report is based on data derived from Union Government Finance Accounts (UGFA) 2021-22 and successive Budget documents for 2019-20 to 2023-24. In addition, certified annual accounts of the PSEs and GDP data released by National Statistics Office (NSO) for the concerned financial year have been used for analysis.

The draft report was issued to the Ministry of Finance on 10 July 2023 and 12 September 2023. The exit conference with the Ministry was held on 19 July 2023. The present report incorporates the written responses received from the Ministry dated 20 October 2023.

#### **1.5 Acknowledgement**

We acknowledge the cooperation of the Department of Economic Affairs in providing the records and facilitating the conduct of this compliance audit.

#### **1.6 Structure of the Report**

The present Report is the annual review by the CAG of India as per Rule 8 of FRBM (Amendment) Rules 2018 to examine compliance of the provisions of the Act, by the Central Government, for the financial year 2021-22.

Chapter 1 discusses the mandate for FRBM Act and Rules, while the audit findings are discussed in succeeding **Chapters 2 and 3**.

Chapter 2: FRBM Targets and Achievements.

Chapter 3: Disclosures and Transparency.



**CHAPTER 2**

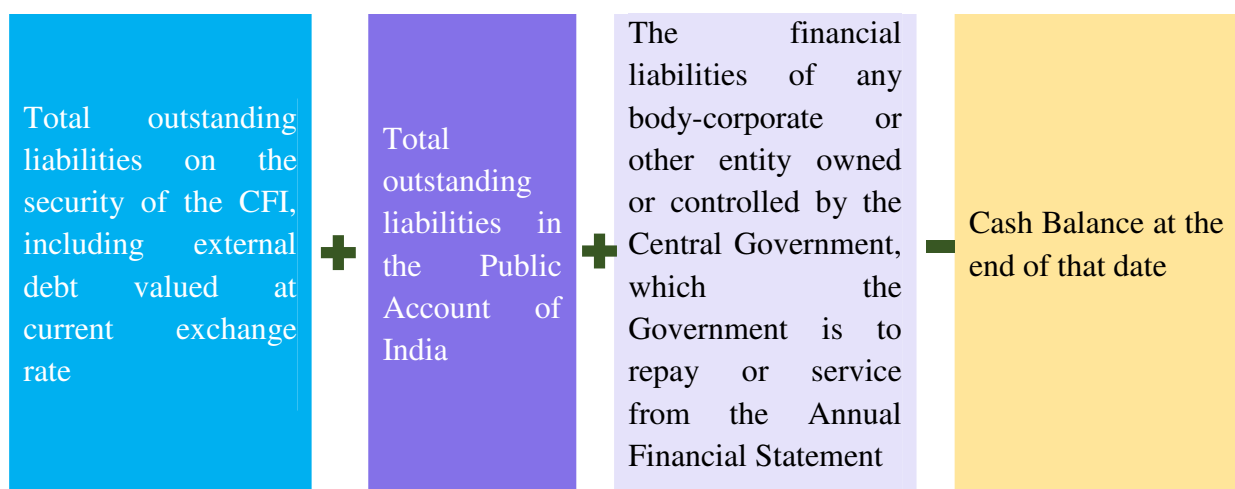
**FRBM Targets and  
Achievements**



CHAPTER	FRBM Targets and Achievements
2	

### 2.1 The Central Government Debt and General Government Debt

The FRBM Act amended in 2018, introduced a new section 2(aa) which defined the concept of Central Government Debt at any date, that included:



Similarly, Section 2(bb) defines General Government Debt as “the sum total of the debt of the Central Government and the State Governments, excluding inter-Governmental liabilities”. The target laid down under FRBM Act is to limit the Central Government Debt to 40 *per cent* of GDP by 2024-25.

#### 2.1.1 Outstanding Central Government Debt

Analysis over a five-year period 2017-2022 (**Table 2.1**) showed that Central Government debt as a ratio of the GDP consistently rose to peak in 2020-21 at 61.55 *per cent* and subsequently dropped to 58.59 *per cent* at the end of 2021-22. The increase in debt in absolute terms, by ₹16.78 lakh crore in 2021-22 or 13.78 *per cent* over 2020-21, was mainly on account of an increase of ₹15.52 lakh crore in internal debt, coupled with a decrease in public account liability by ₹1.17 lakh crore during this period.

**Table: 2.1 Outstanding Central Government Debt**

(₹ in lakh crore)

FY	Internal Debt	External Debt at current exchange rate	Public Account Liability <sup>11</sup>	Extra Budgetary Resource <sup>12</sup>	Cash Balance <sup>13</sup>	Central Government Debt	GDP at Current prices	Central Government Debt as percentage of GDP
	1	2	3	4	5	6 (1+2+3+4-5)	7	8 (6/7x100)
2017-18	64.01	4.45	16.47	*	*	84.94	170.90	49.70
2018-19	70.75	4.74	18.12	0.90	1.25	93.26	189.00	49.34
2019-20	80.20	5.44	18.79	1.12	0.48	105.07	200.75	52.34
2020-21	99.10	6.15	17.61	1.39	2.38	121.87	198.01	61.55
2021-22	114.62	6.58	16.44	1.39	0.38	138.65	236.65	58.59

Source: For Internal debt, External debt, and Public Account liabilities refer to UGFA of the respective years. The Extra Budgetary Resources (gross) are as per Statement 27 of Expenditure Profile in Budget Documents for 2019-20 to 2023-24. For GDP data refer to National Statistical Office (NSO) Press Releases dated 31<sup>st</sup> January 2022 and 06<sup>th</sup> January 2023.

\*The definition of Central Government debt with the components of EBR and cash balance was included through the FRBM Amendment Act in April 2018.

In the Medium-Term Fiscal Policy (MTFP) Statement 2023-24 (February 2023), the Government stated that it planned to reduce Central Government Debt from 58.8 per cent of GDP in FY 2021-22 to 57.0 per cent of GDP in RE 2022-23. The Receipt Budget 2023-24 disclosed the total liabilities of the Central Government as ₹135.67 lakh crore. Our computation based on the definition provided in the FRBM Act 2003 (amended in 2018) was ₹138.65 lakh crore. The difference is reconciled in **Table 2.2** below:

**Table: 2.2 Liabilities of the Central Government at the end of 2021-22 disclosed in Receipt Budget 2023-24**

(₹ in lakh crore)

Sl. No.	Particulars	Receipt Budget 2023-24	Computed in Audit as per the FRBM Act
1	Internal Debt	114.62	114.62
2	External Debt	4.39 (at Book Value)	6.58 (at current exchange rate)
3	Other Liability/ Public Account Liability	16.65	16.44
4	EBR	Not included	1.39
5	Cash Balance	Not included	0.38
6	Central Government Debt	135.67	138.65

Since 2010-11, the Central Government has published an Annual Status Paper on Government Debt, computing inter-alia the figures of the Central Government Debt at

11 It includes liability on Small savings & Provident fund including reserve funds and deposits. For the year 2021-22, these amounts were ₹12.24 lakh crore and ₹4.20 lakh crore, respectively. Also, the liability on Small savings was inclusive of loan extended to Mahanagar Telephone Nigam Ltd (MTNL) of ₹570 crore during 2021-22, the details however, were not disclosed as a part of Statement 27 of Expenditure Profile 2023-24 showing 'Financial support extended through loans from NSSF'.

12 As pointed out in para 2.3(i) later, the Gross EBR for 2020-21 and 2021-22 was overstated by ₹9 crore, and the complete detail for amount of EBR repaid was still awaited (February 2024) from the Ministry. Thus, EBR figures are mentioned at gross value.

13 The figure for Cash Balance for 2018-19 to 2021-22 includes Cash Balance Investment Account (MH-8673) and Cash Balance (MH-8999) of the Union Government Finance Accounts.

the year end. The Ministry informed audit (October 2023) that “the Status Paper on Government Debt for 2021-22 has been approved and was under final stages of publication”. Audit has observed that the Status Paper on Government Debt for 2021-22 got published on 23 October 2023.

### 2.1.2 General Government Debt

The General Government Debt as worked out from the status Paper (23 October 2023) is given in **Table 2.3** below:

**Table 2.3 General Government Debt**

(₹ in lakh crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	General Government Debt/ Liabilities	119.36	133.03	150.99	174.07	195.54
2	Central Government Debt <sup>14</sup>	84.94	93.26	105.07	121.87	138.65
3	GDP	170.90	189.00	200.75	198.01	236.65
4	General Government Debt / Liabilities as percentage of GDP	69.84	70.39	75.21	87.91	82.63
5	Central Government Debt as percentage of GDP	49.70	49.34	52.34	61.55	58.59
6 = (4-5)	Additional liability exclusively on state government debts as percentage of GDP	20.14	21.05	22.87	26.36	24.04

Source: GDP data refer to National Statistical Office (NSO) Press Releases dated 31<sup>st</sup> January 2022 and 06<sup>th</sup> January 2023.

The General Government Debt/Liabilities expressed as a percentage of the GDP increased from 69.84 *per cent* in 2017-18 to 82.63 *per cent* in 2021-22, after registering an all-time high of 87.91 *per cent* during the pandemic year in 2020-21 (**Table 2.3**). The target set by the FRBM Act 2003, as amended in 2018, is to limit the General Government Debt to 60 *per cent* of GDP by 2024-25.

The additional liability in terms of the GDP, which falls exclusively on the State Government (i.e. after excluding the debts of Central Government) was on an increasing trend till 2020-21 and declined thereafter during 2021-22. It increased from

<sup>14</sup> As per the definition of Central Government Debt given in FRBM Act amended up to 2018, the amount relating to ‘Pakistan Pre-partition Debt’ mentioned in the Status Paper on Government Debt for 2021-22 has not been considered for calculation of Central Government Debt. Further the definition of Central Government debt with the components of EBR and cash balance was included through the FRBM Amendment Act in April 2018.

20.14 *per cent* (2017-18) to 26.36 *per cent* (2020-21) and declined to 24.04 *per cent* in 2021-22.

## **2.2 Guarantees**

As per rule 276 of General Financial Rules (GFR) 2017, the Central Government extends guarantees to Government entities, primarily to lower their cost of borrowings on socio- economic projects or activities. Sovereign guarantee is also given where it is a precondition for bilateral/ multilateral assistance. Guarantees being contingent liabilities do not form part of debt, but in the eventuality of default, they may have an impact on the Government's liabilities.

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

Government in the Medium-Term Fiscal Policy (MTFP) Statement 2023-24 (February 2023) pointed out that while Guarantee given by the Union Government was ₹5.19 lakh crore at the end of FY 2021-22, it decreased as a percentage of GDP to 2.19 *per cent* in FY 2021-22 as compared to 3.3 *per cent* in FY 2004-05. During FY 2021-22, additional guarantee was ₹0.96 lakh crore or 0.40 *per cent* of GDP, which was well within the limit of 0.5 *per cent* set under the FRBM Act, 2003. **Annexure-2.1** gives further details.

The additional guarantee in a financial year has remained within the limit for the last five years. Of the additional guarantees (of ₹0.96 lakh crore) issued during 2021-22, majority were Class-I guarantees amounting to ₹0.25 lakh crore (total: 24) to Department of Financial Services, Ministry of Finance, Class-III guarantee amounting to ₹0.32 lakh crore (total: 4) to Ministry of Civil Aviation and ₹0.22 lakh crore (total: 7) to Department of Financial Services, Ministry of Finance.

## **2.3 Extra Budgetary Resources**

In Medium-Term Fiscal Policy (MTFP) 2019-20 the Central Government introduced the concept of Extra Budgetary Resources as “those financial liabilities that were raised by Public Sector Undertakings for which repayment of entire principal and interest is done from the Union Government Budget”. These borrowings are only reflected in the accounts of the concerned entities and are neither depicted in the Demand for Grants of the concerned Ministry nor do they appear in the Annual Financial Statement (AFS), Union Government Finance Accounts (UGFA) and disclosure statements mandated under FRBM.

From the financial year 2019-20 onwards, the Government started to disclose the amount of EBRs (Statement 27 of Expenditure Profile in the Budget). This statement shows EBRs mobilized through Government fully serviced bonds and financial support extended through loans from National Small Saving Fund (NSSF).

Attention is drawn to the following in Statement 27 of Expenditure Profile, 2023-24 (**Annexure 2.2**) for the year 2021-22.

i. Long Term Irrigation Fund (LTIF) was instituted by the National Bank for Agriculture and Rural Development (NABARD) to support projects under Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) and other irrigation projects. We found the following:

- ❖ An error in disclosure led to overstatement of amount raised (for funding Polavaram Project) under LTIF by ₹9 crore. The Ministry accepted the same.
- ❖ The loan raised under LTIF totaling to ₹55,438 crore was to be serviced in part by NABARD (64.8 *per cent*) and the Government through budgetary support (35.2 *per cent*) under the Grant for Department of Water Resources, River Development and Ganga Rejuvenation under Ministry of Jal Shakti. While the Government serviced ₹1,445.43 crore of the principal amount, this amount was not deducted from the Central Government Debt (₹138.65 lakh crore) as of 31 March 2022, leading to overstatement of Central Government Debt by the same amount. Reply of the Ministry is awaited (February 2024).

ii. Indian Railway Finance Corporation Ltd (IRFC), a Public Sector Undertaking, is the borrowing arm of Indian Railways. It raises loan from the market<sup>15</sup> for purchasing of rolling stock and projects which it leases to the Indian Railways (IR). IR in turn pays lease rentals in advance every six months, under the conditions of the Lease Agreement signed between IR & IRFC. The lease rentals are serviced through annual budgetary support by the Ministry of Railways.

Receipts (Extra Budgetary Resources) of Statement I (Overview of Receipts and Expenditure) of the Railway Budget at a Glance in the Expenditure Profile 2023-24 and further break-up available (at Sl. No. 22) in Statement-III (Railway Receipts) disclosed that the IR had utilized EBR of ₹71,065.90 crore in 2021-22. However, this amount was excluded in Statement 27 of the Expenditure Profile of Union Budget 2023-24.

The Ministry replied (October 2023) that borrowings with specific and explicit commitment from Government for servicing were termed as EBR; while those pooled by CPSU/ Commercial entities independently, based on the strength of their balance sheets, were termed as IEBR. Further, the details of EBR allowed/agreed by Government were brought out as part of disclosure mechanism in Statement No. 27 of Expenditure Profile.

The Ministry further stated that Indian Railways (IR) is a departmentally run Commercial Undertaking, which generates its own resources through commercial operations, to cover for its operational expenditure. Consequently, the resources of IR, though pooled into the CFI (termed Railway Revenue Receipts), were distinct from

---

<sup>15</sup> In addition, IRFC also funds, through loans, projects of Rail Vikas Nigam Ltd (RVNL).

other General Revenues of GoI and were ploughed back to IR for its Operational needs.

However, as the Expenditure Profile 2023-24 containing Railway Budget at a Glance, shows (under Statement I - Overview of Receipts and Expenditure, and further detailed at Sr. No. 22 of Statement-III - Railway Receipts) that IR had utilised EBR (and not IEBR) of ₹71,065.90 crore in 2021-22.

Thus, the Ministry of Finance may like to take a view regarding classification of the IRFC's borrowed amount, and its disclosure in the Union Budget.

## 2.4 Trends in Macro Economic Parameters

- ❖ Fiscal Deficit represents the excess of total disbursements, from the Consolidated Fund of India, over total receipts into the Fund during a financial year excluding the debt receipts and debt repayments.
- ❖ Revenue Deficit is the excess of revenue expenditure over revenue receipts.
- ❖ Primary Deficit means the fiscal deficit minus the interest payments.

### A. Fiscal Indicators-Rolling Targets

**Table 2.4: Projection vis-à-vis Actuals**

(As per cent of GDP)

	MTFP 2019-20	MTFP 2020-21	MTFP 2021-22	MTFP 2022-23	UGFA 2021-22
Type of Projection Fiscal Indicator	Projection for 2021-22 (Y+2)	Projection for 2021-22 (Y+1)	BE for 2021-22	RE for 2021-22	Actual for 2021-22
<b>Fiscal Deficit</b>	3.0	3.3	6.8	6.9	7.4
<b>Revenue Deficit</b>	1.7	2.3	5.1	4.7	4.4
<b>Primary Deficit</b>	0.0	0.2	3.1	3.3	3.9
<b>Gross tax Revenue</b>	11.6	10.7	9.9	10.8	11.4
<b>Non-tax Revenue</b>	1.4	1.5	1.1	1.4	2.6
<b>Central Government Debt</b>	44.4 <sup>16</sup>	48.0	-	59.9	58.6
<b>Of which Liabilities on account of EBR</b>	0.9	0.9	2.9	0.6 <sup>17</sup>	0.6

Source: GDP Figures for Actual 2021-22, as per National Statistical Office (NSO) Press Release dated 06<sup>th</sup> January 2023.

The actuals of Fiscal Deficit and Primary Deficit were higher than the budgeted estimates whereas the actuals of Revenue Deficit and Central Government Debt were lower (**Table-2.4**).

With respect to variation between actual numbers with the medium-term projections in MTFP, the Ministry stated (October 2023) that the projections were based on

<sup>16</sup> Total outstanding liabilities.

<sup>17</sup> From statement 27 of Expenditure profile 2022-23.



prevailing macroeconomic conditions. Certain underlying assumptions are impacted by known-unknown risks. However, the Government endeavors to bring this gap between projections and actuals to the least.

## B. Gross Domestic Product (GDP)

**Table 2.5: Movement of GDP**

(₹ in lakh crore)					
GDP	2017-18	2018-19	2019-20	2020-21	2021-22
GDP at current prices (Nominal GDP)	170.90	189.00	200.75	198.01	236.65
Percentage change over previous year (GDP at current prices)	11.03	10.59	6.22	-1.36	19.51
GDP at constant (2011-12) prices (Real GDP)	131.45	139.93	145.16	135.58	147.36
Percentage change over previous year (GDP at constant prices)	6.80	6.45	3.74	-6.60	8.68

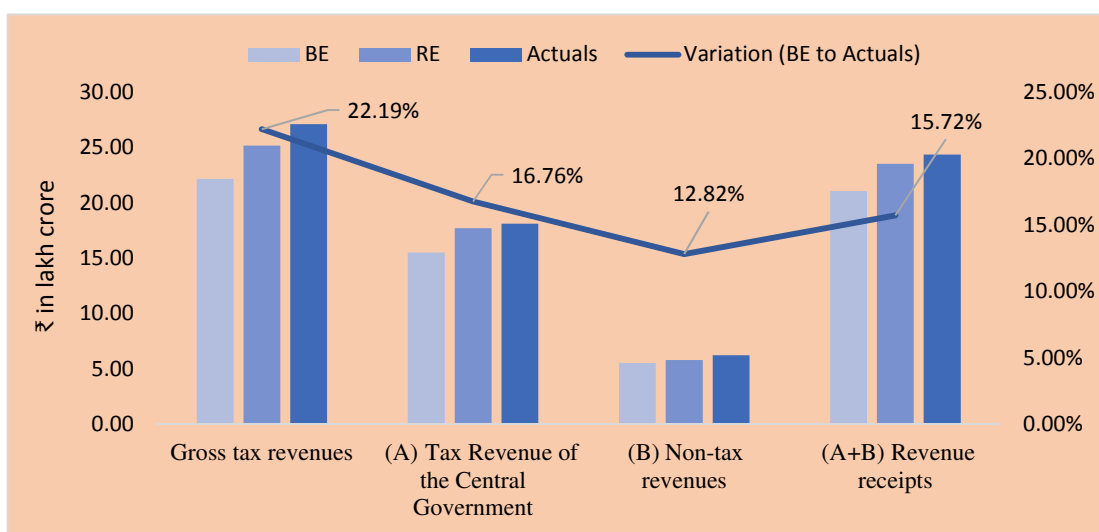
Source: National Statistical Office (NSO) Press Release dated 31<sup>st</sup> January 2022 and 06<sup>th</sup> January 2023.

The Medium-Term Fiscal Policy Statement (MTFP) statement of 2020-21 estimated the GDP of 2021-22 at ₹253.15 lakh crore in nominal terms. Budget 2021-22 estimated the GDP to grow at 14.4 *per cent* over the previous year and attain the level of ₹222.87 lakh crore in 2021-22.

In Budget 2022-23, the estimate of GDP for 2021-22 was revised downwards to ₹232.15 lakh crore. However, the actual GDP for 2021-22 surpassed these estimates at ₹236.65 lakh crore.

## C. Revenue Receipts

**Graph 2.6: Analysis of Actuals vis-à-vis estimates for Revenue Receipt**



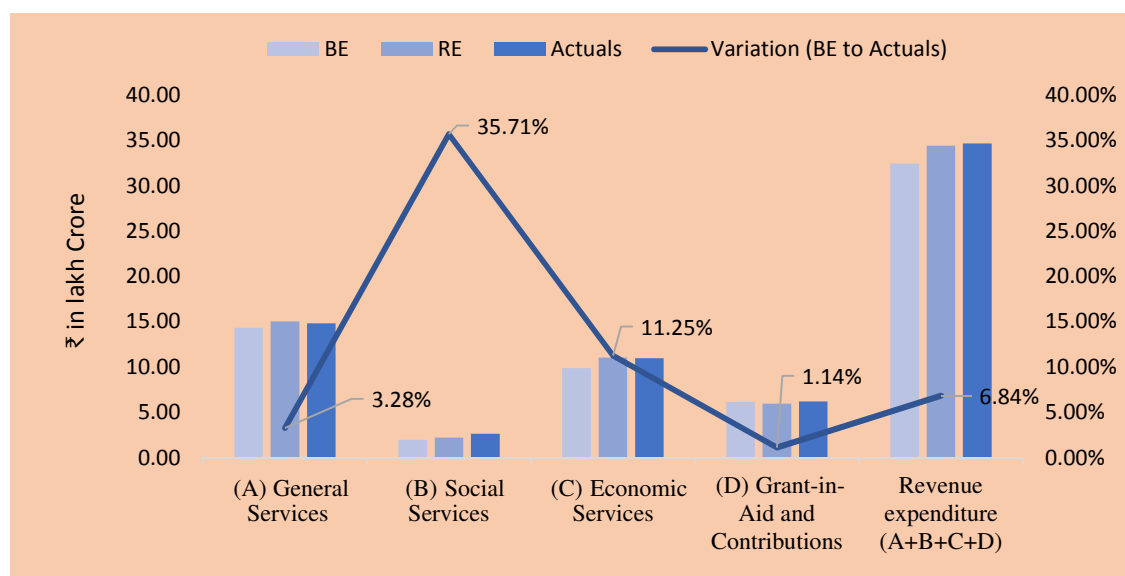
Source: Annual Financial Statement 2021-22 for BE and UGFA 2021-22 for actuals.

A robust collection of revenue receipts led to collection of Gross Tax Revenue of ₹27.09 lakh crore i.e. 22.19 per cent higher than the amount estimated in the budget. As a result, the overall revenue receipt collection was ₹24.36 lakh crore in FY 2021-22 against the budgeted ₹21.05 lakh crore. The increase was registered across all gross revenue components. This also includes non-tax revenue, which at ₹6.25 lakh crore exceeded the budget figure by 12.82 per cent (Annexure-2.3). A small dip was however, observed under the ‘other non-tax revenue’ component of the Non-tax revenues, where ‘Indian Railways - Commercial Lines - Revenue Receipts’ which fell short of projections by 12.1 per cent.

## D. Revenue Expenditure

The revenue expenditure in FY 2021-22 was ₹34.68 lakh crore, 6.84 per cent higher than the budget estimates (Graph 2.7). The Revenue expenditure on **General Services** accounted for 42.7 per cent of the total revenue expenditure and remained close to the budget estimates (3.3 per cent higher). Similar adherence to budgeted estimates was seen in the **Economic Services**. The expenditure towards **Social Services** showed an upward trend, due to an increase in allotment towards ‘Water Supply and Sanitation’ and ‘Housing’. The actual expenditure on social services at ₹2.66 lakh crore was 35.7 per cent higher than the budget estimates (Annexure-2.4).

**Graph 2.7: Analysis of Actuals vis-à-vis estimates for Revenue Expenditure**



Source: Annual Financial Statement 2021-22 for BE and UGFA 2021-22 for actuals.

Government in Medium-Term Fiscal Policy (MTFP) 2021-22 stated that the main focus of the Government in the ensuing year will be to enhance creation of capital assets and that focus sectors will remain to be health, food security, sanitation and water conservation.

**Table 2.8: Trend of revenue expenditures on focus areas**

(₹ in crore)

Year	Grant for creation of capital asset	Health and Family Welfare	Food Storage and Warehousing	Water Supply and Sanitation	Soil and Water Conservation	Total Expenditure on focus area	Revenue Expenditure	Expenditure on Focus area as per cent of Revenue Expenditure
2019-20	1,87,342 (-2.1)	29,432 (26.2)	1,14,678 (6.8)	1,050 (280.3)	33 (-2.1)	3,32,535	26,15,320	12.73
2020-21	2,22,391 (18.7)	33,884 (15.1)	5,55,154 (384.1)	1,297 (23.4)	35 (4.9)	8,12,761	33,14,852	24.52
2021-22	2,42,646 (9.1)	70,236 (107.3)	3,02,620 (-45.5)	37,733 (2810.2)	33 (-3.4)	6,53,268	34,68,189	18.83

Source: UGFA of respective years. Figure in parenthesis depicts the percentage increase or decrease in expenditure over previous year

We noted that expenditure under the head ‘Grant for creation of capital asset’, ‘Health and Family welfare’, and ‘Water Supply and sanitation’ increased, whereas it decreased under ‘Food Storage and Warehousing’ and ‘Soil and Water Conservation’ for the year 2021-22 over 2020-21. Although the amount expended on focus areas was increasing each year in absolute terms, the share of ‘Expenditure on focus areas’ as a percentage of revenue expenditure declined during 2021-22 from 24.52 per cent in 2020-21 to 18.83 per cent in 2021-22; the higher expenditure during 2020-21 on Food Storage and Warehousing was on account of payment of arrears to Food Corporation of India.

## E. Revenue and Capital Expenditure

**Table 2.9: Trend Analysis of Revenue and Capital Expenditure**

(₹ in lakh crore)

Financial Year	Revenue Expenditure	Capital Expenditure	Loans and advances	Total Expenditure
2017-18	21.40	3.25	0.82	25.47
	84.02 per cent	12.76 per cent	3.22 per cent	
2018-19	22.62	4.00	0.55	27.16
	83.28 per cent	14.69 per cent	2.03 per cent	
2019-20	26.15	3.88	0.45	30.48
	85.79 per cent	12.73 per cent	1.48 per cent	
2020-21	33.15	3.43	2.50	39.08
	84.83 per cent	8.78 per cent	6.39 per cent	
2021-22	34.68	5.38	2.32	42.39
	81.83 per cent	12.69 per cent	5.48 per cent	

Source: UGFA of respective years. Figures in percentage are shown as a proportion of total expenditure for that year

Revenue expenditure in absolute terms has been increasing consistently in line with the expanding total expenditures, but as a proportion of the total expenditure, it declined across the period from 2017-18 to 2021-22 with the exception of 2019-20. Capital expenditure increased significantly from ₹3.43 lakh crore in FY 2020-21 to ₹5.38 lakh crore in FY 2021-22 (growth of 56.9 per cent). The main component of

this increase was in Economic Services (₹1.82 lakh crore) which in turn was due to increased expenditure on Indian Railways (₹0.87 lakh crore), Civil Aviation (₹0.62 lakh crore) and Roads and Bridges (₹0.25 lakh crore). A similar increase in Capital expenses on ‘Social Services’ during 2021-22 (by 32.7 *per cent*) was on higher expenditure on Urban Development, and that in ‘General Services’ (by 7.8 *per cent*) was on Defence Services, Currency, Coinage and Mint and Police. It may be noted that the expenditure towards loan and advances during 2020-21 and 2021-22 was inclusive of back-to-back loans arranged for States/ UTs in lieu of GST Compensation shortfall<sup>18</sup>, of ₹1.10 lakh crore and ₹1.59 lakh crore during 2020-21, and 2021-22 respectively.

## **F. Capital receipts**

Capital receipts comprise non-debt receipts and debt receipts. The non-debt capital receipts (NDCR) have two major components viz. recovery of loans and advances and other receipts (comprising mostly disinvestment receipts, which accrue to the Government on sale of equities in public sector enterprises which are owned by the Government, besides sale of strategic assets). The major share of Non-Debt Capital Receipts (NDCR) comprises the disinvestment receipts on account of stake sale in the public sector enterprises including the strategic sale of assets. BE 2021-22, projected a sum of ₹1.75 lakh crore from disinvestment could be collected but only ₹0.15 lakh crore was actually collected. Of these actual receipts, the Government received ₹0.08 lakh crore from disinvestment of its equity in PSUs<sup>19</sup>.

## **G. Total Expenditure financed from Non-Debt Receipts**

**Table: 2.10 Year wise collection of non-debt receipts and Total Expenditure**

Financial Year	Total Expenditure (₹ in lakh crore)	YoY increase in Total Expenditure (in percentage)	Non-debt Receipts* (₹ in lakh crore)	YoY increase in non-debt receipts (in percentage)	Total expenditure financed by Non-Debt Receipts (in percentage)
2017-18	25.47	13.55	18.62	9.21	73.11
2018-19	27.16	6.64	19.32	3.76	71.13
2019-20	30.48	12.22	20.17	4.40	66.17
2020-21	39.08	28.22	19.32	-4.21	49.44
2021-22	42.39	8.47	24.76	28.16	58.41

Source: UGFA of respective years.

\*Non-debt Receipts comprise – Revenue Receipt, Miscellaneous Capital Receipts and Recovery of Loans & Advances.

18 State Governments were to be compensated by the Government of India for the shortfall, if any, on shifting to the GST regime with effect from 1st July 2017. In lieu of shortfall in GST Compensation, Government of India decided to extend back-to-back loans of ₹1.10 lakh crore and ₹1.59 lakh crore during 2020-21 and 2021-22 respectively, to be fully serviced by GoI and recouped from future Compensation Cess collections.

19 Sale of stake in National Mineral Development Corporation Ltd. (₹3,654 crore), Housing and Urban Development Corporation Ltd. (₹720 crore), Hindustan Copper Ltd. (₹742 crore); strategic disinvestment of Air India (₹2,700 crore); sale of shares of Indian Petrochemicals Corporation Ltd. (now RIL) through stock exchange (₹219 crore) and buy back of shares of Manganese Ore (India) Ltd. (₹394 crore).

During the pre-pandemic years (2018-19 and 2019-20), the non-debt receipt grew at an average rate of around 4 per cent year on year, and after a contraction of over 4 per cent in 2020-21, that picked up by over 28.16 per cent during 2021-22. We noted that the percentage year on year (YoY) increase in total expenditure far outpaced the percentage YoY increase in non-debt receipts, except in FY 2021-22. This is reflected in the increasing trend in debt receipts financing total expenditure which is above the trend during the pre-pandemic period (FY 2020-21, being a non-standard year).

## 2.5 Fiscal Deficit

The FRBM Act 2003 as amended in April 2018, inter-alia prescribed target of Fiscal Deficit (FD) only up to 31 March 2021. No year-end targets were prescribed under the Act for the year 2021-22. Budget Speech for FY 2021-22 assured “the Government would continue on the broad path of fiscal consolidation to reach a fiscal deficit to GDP level below 4.5 per cent by FY 2025-26” which was reiterated in the Medium-Term Fiscal Policy Statement (MTFPS) for 2022-23.

Our calculation of Fiscal Deficit (**Table 2.11**) is drawn from Union Government Finance Accounts (UGFA):

**Table 2.11: Calculation of the Fiscal Deficit**

Sl. No.	Particulars	Amount (₹ in lakh crore)
1	Non-debt Receipts as per UGFA	24.76
	<i>Revenue Receipts</i>	24.36
	<i>Miscellaneous Capital Receipts</i>	0.15
	<i>Recoveries of Loans and Advances</i>	0.25
2	Total disbursements (excluding debt repayment) as per UGFA	42.39
	<i>Revenue Expenditure</i>	34.68
	<i>Capital Expenditure</i>	5.38
	<i>Loans and Advances</i>	2.32
3	Fiscal Deficit as per UGFA (2-1)	17.63
	<b>As percentage of GDP</b>	<b>7.45</b>
4	<b>Fiscal Deficit as per Budget at a Glance (BAG)</b>	<b>15.85</b>
	<b>As percentage of GDP</b>	<b>6.70</b>

Source: Statement No.1 of UGFA 2021-22 for Fiscal Deficit, BAG 2023-24 and National Statistical Office (NSO) Press Releases dated 06<sup>th</sup> January 2023, for GDP figures. (₹236.65 lakh crore)

The variation in figures of fiscal deficit between UGFA and BAG is on account of inclusion of certain transactions in UGFA like Back to Back Loans to States in lieu of GST Compensation shortfall, External Assistance for State Government Projects and Securities issued to International Financial Institutions.

At the instance of Audit, Ministry included a general disclosure in the BAG 2023-24 stating that “the receipts and expenditure depicted in this document are net of receipt and recoveries as explained in the reconciliation statements provided in the Receipt Budget (Annexure-3) and Expenditure Profile document (Statement No. 17)”.

However, the explanation needs to give the details of the basis for exclusion of above transactions from calculation of FD in BAG.

## **2.6 Borrowings - Public Debt and Other Liabilities**

Total borrowing requirement for 2021- 22 was budgeted at ₹15.06 lakh crore in 2021-22. Out of which the gross and net borrowings through dated securities were planned at ₹12.05 lakh crore and ₹9.17 lakh crore respectively. In Medium Term Fiscal Policy (MTFP) Statement 2022-23, Ministry stated that “due to higher investible amount available under NSSF, coupled with effective utilisation of available cash balance etc., gross and net borrowing through dated securities required to manage Central Government finances have been rationalised to ₹10.47 lakh crore and ₹7.76 lakh crore, respectively, in RE 2021-22.” However, as per UGFA<sup>20</sup> the deficit of ₹17.63 lakh crore in 2021-22 was met through borrowings of ₹15.53 lakh crore from internal debt, ₹0.51 lakh crore from external debt, and another ₹1.56 lakh crore from the Public Account, with a cash draw down of ₹0.03 lakh crore.

## **2.7 Debt Sustainability Analysis**

Debt Sustainability Analysis (DSA) is a measure to assess the ability of the Government to service its debt-related financial obligations over a period of time. The cornerstone of the analysis is the debt-to-GDP ratio. The premise is that the rise of debt should be commensurate to growth in the economy (measured as Gross Domestic Product-GDP). A sustainable fiscal policy is one where the debt-to-GDP ratio is stable or declining over the long term.

**A debt stabilization indicator** is a useful indicator. The assumption is that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable, provided primary deficit is curtailed.

- Debt stabilization indicator = Quantum Spread<sup>21</sup> + Primary Deficit<sup>22</sup>
- Debt sustainability condition states that if:
  - ✓ Debt stabilization indicator = 0, Debt-GDP ratio would be constant, or debt would stabilize eventually.
  - ✓ Debt stabilization indicator is negative, Debt-GDP ratio would rise.
  - ✓ Debt stabilization indicator is positive, Debt-GDP ratio would eventually fall.

In 2021-22 the debt stabilization indicator turned positive, which is a positive indicator towards stability (**Table 2.12**).

20 Union Government Finance Account.

21 Quantum Spread = Central Government debt x Interest Spread/100.

22 Primary Deficit = Fiscal Deficit – Interest payments.

Table 2.12: Trends in Debt Sustainability Indicators

(₹ in lakh crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Central Government Debt	84.94	93.26	105.07	121.87	138.65
2	Rate of growth of Central Government Debt (in per cent)	10.74	9.80	12.66	15.99	13.77
3	GDP at current prices	170.90	189.00	200.75	198.01	236.65
4	Rate of growth of GDP at current prices (in per cent)	11.03	10.59	6.22	-1.36	19.51
5	Debt-GDP ratio (in per cent)	49.70	49.34	52.34	61.55	58.59
6	Interest Paid on Debt	5.44	5.96	6.55	7.21	8.28
7	Total Revenue Receipts	16.91	18.06	19.48	18.65	24.36
8	Average interest rate on Debt (in per cent) <sup>23</sup>	6.73	6.69	6.61	6.35	6.36
9	Interest payment on Debt to Revenue Receipt (in per cent)	32.17	33.00	33.62	38.66	33.99
10	Public Debt Repayment	58.73	60.65	63.27	61.85	66.45
11	Public Debt Receipt	65.54	67.58	73.01	81.63	82.49
12	Public Debt Repayment to Public Debt Receipt (in per cent)	89.61	89.75	86.66	75.77	80.56
13	Interest spread (in per cent) <sup>24</sup>	4.30	3.90	-0.39	-7.71	13.15
14	Quantum Spread <sup>25</sup>	3.65	3.64	-0.41	-9.40	18.23
15	Primary Deficit <sup>26</sup> (-)	1.42	1.89	3.76	12.54	9.34
16	Debt Stabilisation <sup>27</sup>	2.23	1.75	-4.17	-21.94	8.89

Source: UGFA of respective years. National Statistical Office (NSO) Press Releases dated 31<sup>st</sup> January 2022 and 06<sup>th</sup> January 2023, for GDP figures.

Further analysis shows the following:

- ❖ Central Government's **debt-to-GDP ratio** increased from 49.70 per cent in 2017-18 to a peak of 61.55 per cent in 2020-21. However, the ratio decreased to 58.59 per cent in 2021-22. The target under the Act is 40 per cent, achievable by the end of 2024-25.
- ❖ **Public debt repayment to public debt receipts** was 89.61 per cent in 2017-18 but improved in 2021-22. The debt repaid was 80.56 per cent of the new debt acquired, freeing up borrowings for productive expenditure.

23 Average Interest cost = Interest payments / average outstanding debt of previous financial year and current year x 100.

24 Interest Spread = Rate of growth of GDP (current price) – Average interest cost.

25 Quantum Spread = Central Government debt x Interest Spread/100.

26 Primary Deficit = Fiscal Deficit – Interest payments.

27 Debt Stabilisation = Quantum Spread + Primary Deficit.

- ❖ **Interest payments to revenue receipts ratio** is an important indicator of the Government's fiscal health. It is a measure of how much of the Government's revenue is used to pay interest on its debt. The ratio reached its peak at 38.66 *per cent* in 2020-2021 before falling to 33.99 *per cent* in 2021-22, which is a healthy sign.



**CHAPTER 3**

**Disclosures and Transparency**



## CHAPTER

## 3

## Disclosures and Transparency

## 3.1 Disclosure statements

Section 6 (1) of the FRBM Act, 2003 (as amended) states that the Central Government shall take suitable measures to ensure greater transparency in its fiscal operations in the public interest and minimise as far as practicable, secrecy in the preparation of the Annual Financial Statements and Demand for Grants. Rule 6 of the FRBM Rules, 2004 amended from time-to-time, also mandates that the Central Government shall at the time of presenting the Annual Financial Statement and Demands for Grants, make disclosures (D-1 to D-5) in the format prescribed. Also, any significant change in accounting standards, policies and practices affecting or likely to affect the computation of prescribed fiscal indicators is also required to be disclosed under the FRBM Rules.

Table 3.1: Disclosure Statements as per FRBM Act

Title of disclosure statement	
D1	Tax Revenue raised but not realized
D2	Arrears of Non-Tax Revenue
D3	Guarantee given by the Government
D4	Asset Register
D5	Liability on Annuity Projects

### 3.1.1 Disclosure Form 1 (D1) on Tax Revenue raised but not realized

Disclosure Statement 1 provides details of Tax Revenue raised but not realized i.e., not collected. These are then bifurcated into separate categories of ‘under dispute’ and ‘not under dispute’ items. In FY 2021-22, an amount of ₹15.83 lakh crore was raised but not realized which is 58.42 *per cent* of total tax collected. This was an improvement over corresponding figure of ₹16.19 lakh crore during FY 2020-21, being 68.81 *per cent* of the total tax collected.

In the statement ₹12.03 lakh crore was disclosed as ‘under dispute’ of which ₹10.36 lakh crore<sup>28</sup> pertains to Income Tax and the rest ₹1.67 lakh crore was towards Taxes on Commodities and services. Our analysis showed that ₹0.35 lakh crore that was reflected under the item ‘under dispute’ pertained to periods of over 10 years. Pendency of cases under dispute for more than five years in Income Tax increased during 2020-22 from ₹0.59 lakh crore to ₹0.62 lakh crore and in respect of Taxes on commodities and services, from ₹0.53 lakh crore to ₹0.62 lakh crore.

An amount of ₹3.80 lakh crore, that was ‘not under dispute’, included ₹3.54 lakh crore on Income tax, and the rest ₹0.25 lakh crore towards Taxes on commodities and services, which were yet to be recovered. The pendency over 5 years of amount ‘not under dispute’ in Income Tax decreased (from ₹0.17 lakh crore to ₹0.16 lakh crore) but registered an increase under the head Taxes on commodities and services (from ₹0.12 lakh crore to ₹0.13 lakh crore). The disclosure statement attributed non-recovery to “no assets or inadequate asset for recovery, assets not traceable, etc.”

### 3.1.2 Inconsistencies in Figures

Details of arrears of non-tax revenue (NTR) are disclosed in Form D2. Past CAG report(s)<sup>29</sup> have pointed out differences between the actual figures disclosed as arrears in interest receipts<sup>30</sup> in Form D-2 vis-à-vis figures disclosed in Union Government Finance Account (Statement 15) for that year. The differences persist as shown in **Table 3.2**.

**Table 3.2: Inconsistency in arrears of interest receipts**

(₹ in lakh crore)

Loanee entity	Arrears of Interest		Variation
	As in D2 (Receipt Budget 2023-24)	As in UGFA 2021-22	
State/Union Territory Government	0.03	0.05	0.02
Public Sector and other Undertakings	0.39	0.42	0.03

Source: Receipt Budget 2023-24 and Union Government Finance Accounts 2021-22.

28 Out of the ₹10.36 lakh crore, an amount of ₹4.78 lakh crore relates to Corporation Tax, and ₹5.58 lakh crore relates to Taxes on Income other than Corporation Tax.

29 Report No. 6 of 2021 (for the period 2017-19), Report No. 18 of 2022 (for the period 2019-20) and Report No. 32 of 2022 (for the period 2020-21).

30 Arrears in interest receipts from State/Union territory Government, Department Commercial Undertakings and Public Sector Undertakings.

We noted that the administrative Ministries/Departments prepare state-wise details of arrears that are consolidated in Statement 15 section 2. The online utility of Union Budget Information System (UBIS) under Ministry of Finance is a consolidation of responses from individual Ministries. These two sets of data remained unreconciled for want of a common parameter i.e. state-wise information.

The Ministry replied (October 2023) that the process of the preparation of the statement is considerably different from the one followed in the case of UGFA. FRBM Section receives information from all Ministries/Departments on its UBIS facility for this purpose. The process of compilation of the UGFA takes time and it generally is not available in advance for the reconciliation exercise to be carried out timely. Further, we were assured that the Government is taking all possible efforts to ensure the correctness of the data reported by the various Ministries/Departments. The observation of Audit was however noted.

We noted the Accounts are finalised in the Office of the Controller General of Accounts (CGA), under Ministry of Finance which also has access to Monthly Accounts prepared by CGA. Thus, Ministry should ensure that the data entered in the UBIS, specifically the “interest receipts pending from ‘State/Union territory Government’ and ‘Public Sector and Other Undertakings’ in Form D-2”, corresponds with that as per UGFA.

Similar reasons were cited by the Ministry for inconsistencies in respect of Financial asset (**Table 3.3**) disclosed in Form D-4. We noted significant differences of ₹4.87 lakh crore under loans and advances, compared with the figures given in Statement No. 1(ii) of Receipt Budget 2023-24.

**Table 3.3: Inconsistency in figures of financial assets (loans and advances)**

(₹ in lakh crore)

Items	Form D-4 (Asset Register) in Receipt Budget 2023-24	Statement No.1(ii) of Receipt Budget 2023-24 and UGFA2021-22	Difference
Loans to Foreign Governments	0.16	0.15	0.01
Loans to State and Unions Territories	0.05	4.92	4.87

Source: Receipt Budget 2023-24 and Union Government Finance Accounts 2021-22.

The Ministry further assured (October 2023) that a footnote has been incorporated with respect to the Ministries/Departments with considerable variation from FY 2023-24 onwards.

### 3.1.3 Omissions in Disclosures

Government of India issued single default guarantee amounting to ₹9,495 crore (after merger of pulses guarantee of ₹500 crore dated 29.06.2020 in food guarantee) which on renewal was valid up to 31.03.2022. This was not disclosed in footnote in D-3 ‘Guarantee given by the Government’.

While accepting (October 2023) the audit comment, Ministry informed that “Department of Food & Public Distribution has been advised to disclose details of renewal of guarantees under footnotes in Disclosure Statement of Guarantees as per Form D3.

We further observed that an amount of ₹1770.84 crore (in respect of nine guarantees) was invoked during the year and shown as "Discharged" by the Ministry of Finance, Department of Financial Services. The Ministry accepted the audit observation and replied (October 2023) that the Department of Financial Services has been advised to disclose details of invocations of guarantees under footnotes in Disclosure Statement of Guarantees as per Form D3.

### 3.1.4 Variation in disclosure of details in Form D5

As per Rule 6 (1)(c) of FRBM Rules 2004, the Central Government shall make disclosure of a statement of explicit contingent liabilities, which are in the form of stipulated annuity payments over a multi-year timeframe in Form D-5.

We noted that in respect of the project “Development of new police headquarters at the Jai Singh Road, Parliament Street, New Delhi” under the Ministry of Home Affairs, the total annuity committed was stated as ₹1,178.80 crore. However, based on the annual annuity amount of ₹78 crore required to be paid for 13 years (no. of years), the calculated value comes to ₹1,014 Crore (i.e., 13x78) as depicted in **Table 3.4**.

**Table 3.4: Variation in details in Form D5**

(₹ in crore)

Ministry/ Department	Name of the Project	Value of Project	Total Annuity Committed	Terms in years	Annual Annuity	Annual Annuity as per calculation	Variation
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (5) x (6)	(8) = (4) – (7)
<b>Ministry of Home Affairs</b>	Development of New Police Headquarter at Jai Singh Road, Parliament Street, New Delhi	286.0	1178.8	13	78	1,014	164.8

Source: Receipt Budget 2023-24.

While accepting the audit observation, the Ministry furnished the reconciliation of the figures and stated that the variation was due to pre-payment of two installments (of ₹80.80 crore) and lump sum payment of an amount of ₹84 crore towards change of scope of the project. We recommend that such reconciliation should be depicted in the disclosure statement in the future. The Ministry assured (October 2023) that the Ministry of Home Affairs has been advised to disclose such lump sum payments in respect of annuities in Statement of Liability on annuity projects as per Form D5 under footnotes.

**New Delhi**

**Dated: 21 March 2024**



**(ROLI SHUKLA MALGE)**

Principal Director of Audit  
Finance & Communication

*Countersigned*

**New Delhi**

**Dated: 22 March 2024**



**(GIRISH CHANDRA MURMU)**

Comptroller and Auditor General of India





# **Annexures**



**Annexure-1.1**  
**(Refer Para 1.1)**

**A brief highlight of the provisions of FRBM Act and Rules**  
**since their first enactment in 2003**

(Figures as percentage of GDP)

Fiscal Indicators	Target detail	Principal Act/ Rules	1 <sup>st</sup> Amendment (in 2004)	2 <sup>nd</sup> Amendment (in 2012)	3 <sup>rd</sup> Amendment (in 2015)	4 <sup>th</sup> Amendment (in 2018)
1. Revenue Deficit <sup>31</sup>	Target	Zero	Zero	2	2	No target
	Annual reduction	0.5	0.5	0.6	0.4	
	Beginning with financial year	2004-05	2004-05	2013-14	2015-16	
	Sunset date	31.03.08	31.03.09	31.03.15	31.03.18	
2. Fiscal Deficit <sup>32</sup>	Target	3	3	3	3	3
	Annual reduction	0.3	0.3	0.5	0.4	0.1
	Beginning with financial year	2004-05	2004-05	2013-14	2015-16	2018-19
	Sunset date	31.03.08	31.03.09	31.03.17	31.03.18	31.03.21
3. Guarantee <sup>33</sup>	Aggregate guarantee in any financial year not to exceed 0.5 per cent of GDP, beginning with 2004-05					No additional guarantee for any loan on security of CFI, in excess of one-half per cent of GDP, in any financial year

<sup>31</sup> Rule 2(ca) defines revenue deficit as difference between revenue expenditure and revenue receipts.

<sup>32</sup> Section 2(a) defines fiscal deficit as excess of total disbursements, from the Consolidated Fund of India, excluding repayment of debt, over total receipts into the Fund (excluding debt receipts), during a financial year.

<sup>33</sup> Section 4(1) of the FRBM Act, amended in April 2018 specifies limit on additional guarantee issued during a year, which prior to amendment targeted the total guarantee as at the year end.

**Report No. 1 of 2024**

Fiscal Indicators	Target detail	Principal Act/ Rules	1 <sup>st</sup> Amendment (in 2004)	2 <sup>nd</sup> Amendment (in 2012)	3 <sup>rd</sup> Amendment (in 2015)	4 <sup>th</sup> Amendment (in 2018)
4. <b>Liability/ Debt</b>	Not to assume additional liabilities (including external debt at current exchange rate) in excess of 9 <i>per cent</i> of GDP for 2004-05 and progressively reduce the limit of 9 <i>per cent</i> of GDP by at least one <i>percentage</i> point of GDP in each subsequent financial year.					General Government debt and Central Government debt not to exceed 60 <i>per cent</i> and 40 <i>per cent</i> of GDP respectively by the end of the 2024-25.

**Annexure-1.2**  
**(Refer Para 1.1)**

**Outcome of Mid-Year Review by Ministry of Finance**

(₹ in lakh crore)

Parameter	Target for 2021-22	Actuals
		during 2021-22
<b>Non-Debt Receipt</b>		
Non-Debt Receipt (BE - ₹19.76)	₹7.90	₹10.99
Mid-year Benchmark	Not less than 40 per cent	55.60 per cent
(as per cent of BE)		(no adverse variation)
<b>Revenue Deficit</b>		
Revenue Deficit (BE - ₹11.41)	₹7.98	₹3.16
Mid-year Benchmark	Not more than 70 per cent	27.70 per cent
(as per cent of BE)		(no adverse variation)
<b>Fiscal Deficit</b>		
Fiscal Deficit (BE - ₹15.07)	₹10.55	₹5.27
Mid-year Benchmark	Not more than 70 per cent	35.00 per cent
(as per cent of BE)		(no adverse variation)

Source: Mid-Year (H1) Statement for actuals against mid-year Benchmark for 2021-22.

**Annexure-2.1**  
**(Refer Para 2.2)**  
**Details of Guarantee**

(₹ in lakh crore)

Sl. No.	Components	2017-18	2018-19	2019-20	2020-21	2021-22
1	Maximum amount guaranteed during the year	4.32	4.59	5.10	5.34	5.93
2	Outstanding at the beginning of the year	3.66	3.81	4.50	4.70	4.98
3	Addition during the year	0.66	0.78	0.61	0.64	0.96
4	Deletions (other than invoked)	0.52	0.11	0.44	0.36	0.72
5	Invoked during the year	0.00	0.00	0.00	0.00	0.02
6	Aggregate Guarantee	0.14	0.67	0.17	0.28	0.22
7	Outstanding at the end of the year	3.80	4.48	4.67	4.98	5.19
8	GDP	170.90	189.00	200.75	198.01	236.65
9	Maximum amount of Guarantee during the year as percentage of GDP	2.53	2.43	2.54	2.69	2.51
10	Additional Guarantee as percentage of GDP	0.38	0.41	0.30	0.32	0.40
11	Outstanding at the end of the year as percentage of GDP	2.14	2.01	2.24	2.37	2.10

Source: UGFA of respective years

**Annexure-2.2**  
**(Refer Para 2.3)**

**Statement of Extra Budgetary Resources (EBRs)**  
**(Government fully serviced bonds and other resources)**  
**(adopted from Statement 27 of the Expenditure Profile of Union Budget 2023-24)**

**Part-A – EBRs mobilised through issue of Government fully serviced bonds**

Demand No.	Name of the Ministry/Department and Name of the Scheme	Cumulative Amount for 2016-17 to 2021-22 (₹ in crore)
26	<b>Department of Higher Education</b> Revitalising Infrastructure and Systems in Education (RISE)	---
46	<b>Department of Health &amp; Family Welfare</b> Pradhan Mantri Swasthya Suraksha Yojana	---
60	<b>Ministry of Housing &amp; Urban Affairs</b> Pradhan Mantri Awas Yojana (PMAY) - Urban	20,000
62	<b>Department of Water Resources, River Development &amp; Ganga Rejuvenation</b> (i) Polavaram Irrigation Project (ii) Pradhan Mantri Krishi Sinchai Yojana (Accelerated Irrigation Benefits Programme & other Projects)	6,245 1,470.80
63	<b>Department of Drinking Water &amp; Sanitation</b> (i) Swachh Bharat Mission (Rural) (ii) Jal Jeevan Mission/National Rural Drinking Water Programme	12,298.20 ---
71	<b>Ministry of New &amp; Renewable Energy</b> (i) Grid Interactive Renewable Power, Off-Grid/ Distributed & Decentralized Renewable Power (ii) Pradhan Mantri-Kisan Urja Sanrakshan Evam Utthan Mahabhayan (PM-KUSUM)	NIL 1,640 ---
78	<b>Ministry of Ports, Shipping and Waterways</b> Inland Waterways Authority of India (IWAI) Projects	1,000
79	<b>Ministry of Power</b> (i) Deen Dayal Upadhyaya Gram Jyoti Yojana/SAUBHAGYA (ii) Power System Development Fund Projects	29,109 5,504.70
87	<b>Department of Rural Development</b> Pradhan Mantri Awas Yojana (PMAY) - Rural	48,819.60
<b>Total</b>		<b>1,39,287.30</b>

Notes:

- ❖ (i) M/o Railways was permitted to meet fund requirement of up to ₹10,200 crore (₹5,200 crore in FY 2018-19 & ₹5,000 crore in FY 2019-20) through borrowings for financing its National Projects. The repayment liability is being borne on General Revenues of Government.
- ❖ (ii) Capital Infusion in Public Sector Banks: An amount of ₹80,000 crore in 2017-18, ₹1,06,000 crore in 2018-19, ₹65,443 crore in 2019-20, ₹17,364 crore in 2020-21 and ₹4,600 crore in 2021-22 was infused for recapitalization of Public Sector Banks (PSBs).
- ❖ (iii) Statement of liability on annuity projects is given in Part-B of the Receipt Budget 2022-23. The amount of unpaid annual liability at the end of financial year 2021-22 was ₹39,927.66 crore.

**Annexure-2.3**  
**(Refer Para 2.4 C)**

**Analysis of Actuals vis-à-vis estimates for Revenue Receipt**

(₹ in lakh crore)

Item	BE	RE	Actuals	Variation
				(BE to Actuals) (in per cent)
Gross tax revenues	22.17	25.16	27.09	22.19
Taxes on income and expenditure	10.96	12.30	13.85	26.37
Taxes on Property and Capital Transactions	0.13	0.20	0.23	76.92
Taxes on commodities and services other than GST	4.72	5.84	5.95	26.06
Goods and Service Tax (GST)	6.33	6.78	7.02	10.90
(A) Tax Revenue of the Central Government	15.51	17.71	18.11	16.76
(B) Non-tax revenues	5.54	5.82	6.25	12.82
(A +B) Revenue receipts	21.06	23.54	24.36	15.72

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



**Annexure 2.4**  
**(Refer Para 2.4 D)**

**Analysis of Actuals vis-à-vis estimates for Revenue Disbursements**

(₹ in lakh crore)

Item		BE	RE	Actuals	Variation
					(BE to Actuals) (in per cent)
<b>(A) General Services</b>		14.35	15.05	14.82	3.28
<b>(B) Social Services</b>		1.96	2.22	2.66	35.71
Heads with Major variation	i. Water Supply and Sanitation	0.19	0.35	0.38	100
	ii. Housing	0.10	0.22	0.55	445
<b>(C) Economic Services</b>		9.87	11.07	10.98	11.25
<b>(D) Grant-in-Aid and Contributions</b>		6.15	5.95	6.22	1.14
<b>Revenue expenditure (A+B+C+D)*</b>		32.46	34.43	34.68	6.84

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

\* BE and RE of total revenue expenditure also includes Disbursements of Union Territories without Legislature.



# **Glossary**



## Glossary

<b>Annual Financial Statements (Budget)</b>	In terms of Article 112 of the Constitution the President shall in respect of every financial year cause to be laid before both the Houses of Parliament a statement of the estimated receipts and expenditure of the Government of India for that year, referred to as the “annual financial statement”. Receipt and disbursements are shown under three parts in which government accounts are kept, viz. (i) Consolidated Fund, (ii) Contingency Fund, and (iii) Public Account.
<b>Budget at a Glance</b>	This document shows in brief, receipts and disbursements along with broad details of tax revenues, other receipts and details of resources transferred by the Central Government to State and Union Territory Governments. This document also shows deficits of the Government.
<b>Consolidated Fund of India</b>	All revenues received by the Government of India, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled the “Consolidated Fund of India” established under Article 266 (1) of the Constitution.
<b>Public Account</b>	All other public moneys than those credited in the Consolidated Fund, received by or on behalf of the Government of India, are credited to the Public Account of India in terms of Article 266 (2) of the Constitution. These are the moneys in respect of which the Government acts more as a banker.
<b>Finance Accounts</b>	The Finance Accounts presents the accounts of receipts and disbursements together with the financial results disclosed by the revenue and capital accounts, the accounts of the public debt and the liabilities and assets as worked out from the balances recorded in the accounts.
<b>Fiscal Policy</b>	The fiscal policy of a Government is concerned with the raising of government revenue and the incurring of government expenditure, to ensure how well the financial and resource management responsibilities have been discharged.
<b>Gross Domestic Product</b>	Gross Domestic Product (GDP) is the monetary value of all finished goods and services produced within a country’s borders in specific time period, generally calculated on an annual basis. It includes all private and public consumption, government’s outlays, investments and exports less imports that occur within a defined territory. GDP is worked out at constant prices with reference to specified base year and also at current prices (which includes changes in prices due to inflation or a rise in the overall price level).
<b>Guarantees</b>	Article 292 of the Constitution extends the executive power of the Union to giving of guarantees on the security of the Consolidated Fund of India within such limits, if any, as may be fixed by the Parliament.
<b>Revenue Deficit</b>	Excess of revenue expenditure over revenue receipts.
<b>Revenue Expenditure</b>	Charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order and also all other expenses incurred for the day to day running of the organisation, including establishment and administrative expenses are classified as revenue expenditure. Grants given to State/UT Government and other entities are also treated as revenue expenditure, even if some of the grants may be meant for creating capital assets.

<b>Revenue Receipts</b>	These include proceeds of taxes and duties levied by the Government, interest and dividend on investments made by the Government, fees and other receipts for services rendered by the Government.
<b>Effective Revenue Deficit</b>	Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets. It can be interpreted as the difference between the government's current expenditure (on revenue account) and revenue receipts less grants for creation of capital assets which is recorded as revenue expenditure.
<b>Capital Expenditure</b>	Expenditure of a capital nature is broadly defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character or of reducing recurring liabilities.
<b>Capital Receipt</b>	Capital receipt comprises of loans raised by the Government, borrowing from the Reserve Bank of India and loans taken from foreign Governments/institutions. It also embraces recoveries of loans advanced by the Government and sale proceeds of government assets, including those realized from divestment of Government equity in PSUs.
<b>Fiscal Deficit</b>	Excess of total disbursements from the Consolidated Fund of India, excluding repayment of debt over total receipts in the Fund, excluding the debt receipts, during a financial year.
<b>External Debt</b>	Bilateral and multilateral debt contracted by the Government from foreign Governments and financial institutions abroad, mostly in foreign currency.
<b>Internal Debt</b>	Internal Debt comprises loans raised in India. It is confined to loans raised and credited into the Consolidated Fund of India.
<b>Loans and Advances</b>	This includes loans and advances given by the Union Government to the State and UT Governments, Foreign Governments, Public Sector Undertakings, Government Servants, etc.
<b>Public Debt</b>	Government debt from internal and external sources contracted in the Consolidated Fund of India is defined as Public Debt.



**© CONTROLLER AND  
AUDITOR GENERAL OF INDIA  
[www.cag.gov.in](http://www.cag.gov.in)**