

UNION GOVERNMENT FINANCES AND ACCOUNTS: 2004-05

HIGHLIGHTS

This Report discusses the finances of the Union Government and trends in the major fiscal indicators over two Plans *i.e.*, VIII (1992-1997) and IX (1997-2002) and the two most recent years. It also contains an analysis of the Appropriation Accounts for 2004-05.

- The year 2004-05 ended with a surplus of Rs. 45,222 crore and Rs. 27,119 in the Consolidated Fund of India and the Public Account of India respectively.
- The revenue deficit in 2004-05 was Rs. 78,700 crore while the fiscal deficit amounted to Rs. 103,798 crore. The revenue deficit constituted 2.53 *per cent* of Gross Domestic Product while the fiscal deficit amounted to 3.34 *per cent* of GDP.
- The resources of the Union Government in 2004-05 amounted to Rs. 1664,333 crore. The non-debt receipts constituted around 32 *per cent* of the total receipts. The balance came from borrowings and Public Account receipts.
- Total non-tax revenue in 2004-05 amounted to Rs. 150508 crore, which constituted 40 *per cent* of the net revenue of the Union Government. This ratio had a moderate positive annual shift rate of 0.33 *per cent* in its relative share during 1985-2005, though there was a deceleration in its relative share in recent years.
- The total disbursement of the Union Government increased from an average of Rs. 433716 crore during the VIII Plan (1992-1997) to Rs. 1584585 crore in 2004-05. The average annual trend of growth of disbursement during 1985-2005 at 11.92 *per cent* was; however, lower than the rate of growth of GDP, which in the same period averaged 13.89 *per cent*.
- Revenue expenditure continued to be the dominant component of the total expenditure and its share increased from an average of 78.88 *per cent* during the VIII Plan to 82.93 *per cent* in 2004-05. Relative share of the capital expenditure and loans and advances declined from an average of 21.12 *per cent* during VIII Plan to 17.07 *per cent* in 2004-05.
- The share of plan expenditure in total expenditure remained nearly stagnant during 1985-2005. As against a long-term average of 23.15 *per cent* of total expenditure during 1985-2005, its share only moderately improved to 24. 20 *per cent* in 2004-05.

- The overall expenditure of the Union Government on social services increased from an average of Rs. 6903 crore during the VIII Plan (1992-1997) to Rs. 24,593 crore in 2003-04 and to Rs. 31,115 crore in 2004-05. The long-term trend rate of growth in expenditure on social services was 15.26 *per cent* (1987-2005).
- Aggregate fiscal liabilities-GDP ratio peaked during 1991-92 when it reached 65.43 *per cent* of GDP. This ratio decelerated to an average of 60.72 *per cent* during the VIII plan (1992-1997) and further to an average of 59.08 *per cent* during the IX Plan (1997-2002). In the recent three years, while the ratio of fiscal liabilities to GDP increased to 62.69 *per cent* in 2002-03, it decelerated in 2003-04 to 60.13 *per cent* and 58.71 *per cent* in 2004-05, close to the long-term trend levels
- The ratio of fiscal liabilities to revenue and non-debt receipts had a positive shift rate during 1985-2005. Average ratio of fiscal liabilities to non-debt receipts increased from 446 *per cent* during the VIII Plan (1992-97) to 453 in 2002-03. It, however, declined to 409 *per cent* in 2004-05.