सत्यमेव जयते

GOVERNMENT OF INDIA

Statements of Fiscal Policy as required under the Fiscal Responsibility and Budget Management Act, 2003

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MINISTRY OF FINANCE
BUDGET DIVISION

TABLE OF CONTENTS

PREFACE

The Fiscal Responsibility and Budget Management Act, 2003 was enacted with a view to provide a legislative framework for reduction of deficit and thereby debt, of the Central Government to a sustainable level over a medium term so as to ensure inter-generational equity in fiscal management and long term macro-economic stability. The Fiscal Responsibility and Budget Management Act, 2003 and the Fiscal Responsibility and Budget Management Rules, 2004 made under Section 8 of the Act have come into force with effect from 5th July 2004.

The FRBM framework mandates Central Government to limit the Fiscal Deficit upto three per cent of Gross Domestic Product by the 31st March, 2021. It further provides that, the Central Government shall endeavour to limit the General Government Debt to 60 per cent of GDP and the Central Government Debt to 40 per cent of GDP, by 31st March, 2025.

As on date, the Fiscal Deficit is the only operational target for fiscal consolidation. In RE 2023-24, the Government has revised its Fiscal Deficit target lower to 5.8 per cent. The Government will continue to prioritise on improving the quality of expenditure and fiscal consolidation in the ensuing financial year and beyond.

Further, in line with the commitment made in the Budget Speech for FY 2021-22, the Government would 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.

This document contains the Macroeconomic Framework Statement and Medium-term Fiscal Policy cum Fiscal Policy Strategy Statement. The Statements provide an assessment of the growth prospects of the economy and strategies of the government for the ensuing financial year relating to taxation, expenditure, market borrowings and other liabilities. A Statement of deviation explaining the reasons for deviation from the fiscal targets mentioned in Section 4 and compliance obligations under Section 7(3)(b) of the FRBM Act, 2003 on the Central Government, has also been included. The FRBM policy statements are hereby laid before both the Houses of the Parliament.

1. MACRO-ECONOMIC FRAMEWORK STATEMENT

MACRO-ECONOMIC FRAMEWORK STATEMENT 2024-25

Global Economy

1. Global macro-economic scenario continued to present a mixed picture during 2023. While uncertainty from adverse geopolitical developments remained high, supply chain rigidities appear to have eased. Consumer price inflation in most Advanced Economies (AEs) has moderated. Global growth is showing signs of recovery with global composite PMI in expansionary zone since February 2023.

2. Yet, impact of policy interventions of 2022-23 to counter commodity price rise in wake of geopolitical developments, and expansionary fiscal measures taken during the COVID-19 pandemic, is a legacy that will take some time to recede. However, market expectations on future policy rates have eased with the signalling of rate cuts by major central banks beginning 2024. In response, equity markets have risen, and bond yields have declined.

Indian Economy

3. Amidst these global economic developments, the Indian economy has demonstrated resilience and maintained healthy macroeconomic fundamentals. International Monetary Fund (IMF), in its World Economic Outlook (WEO), January 2024 update, has revised its growth projection for India for FY2023-24 upwards to 6.7 per cent from 6.3 per cent projected in October 2023. This reflects increasing global confidence in India's economic prowess at a time when global growth projection for 2023 remains unchanged at 3 per cent.

4. As per the July-September (Q2) estimates of national income released by the National Statistical Organisation in November 2023, real GDP registered year-on-year (YoY) growth of 7.7 per cent in April-September (H1) of FY2023-24. For the corresponding period, India has registered the highest growth among major advanced and emerging market economies. Strong domestic demand for consumption and investment, and Government's continued emphasis on capital expenditure are seen as key drivers of the GDP in H1 of FY2023-24. On the supply side, industry and services sectors were the primary growth drivers in H1 of FY2023-24.

5. Growth momentum of Q2 was sustained in Q3 of FY 2023-24, as seen from the performance of High-Frequency Indicators (HFIs) during October-December(Q3) 2023. PMI Manufacturing remained in the expansionary zone, reaching 54.9 in December 2023. Robust October prints of the Index of Industrial Production (IIP) and Index of Eight Core Industries (ICI) highlight sustained growth in manufacturing activity. As in manufacturing, PMI Services have also remained in an expansionary zone in last 29 months. Overall sentiment in the services sector remains upbeat, driven, among others, by upswing in the tourism cum hotel industry. Other HFIs, such as passenger traffic, e-way bills, and electronic toll collection (ETC), reflect healthy domestic economic activity.

6. Strong growth in economic activity has imparted buoyancy to revenue collections. GST collection stood at ₹1.65 lakh crore in December 2023. This is the seventh-time that gross GST revenues have crossed ₹1.6 lakh crore benchmark. Net tax revenue of the Government in the first eight months of FY2023-24 registered strong growth, which is higher than the YoY growth budgeted for FY 2023-24.

7. As per the First Advance Estimates of National Income of FY 2023-24, India's Real GDP is projected to grow at 7.3 per cent. This is also in line with the upward revision in growth projections for FY2023-24 by the RBI (in its December 2023 Monetary Policy Committee meeting) from 6.5 per cent to 7 per cent, prompted by strong growth in Q2 of FY2023-24.

8. RBI Services and Infrastructure Outlook Survey suggests an improvement in demand conditions in Q3 and Q4 of 2023-24 for Services and Infrastructure businesses. RBI's Quarterly Industrial Outlook Survey highlights that business climate conditions appear buoyant with the business expectations index for Q3 of FY 2023-24 improving from the previous quarter.

9. On the demand side, share of Private Final Consumption Expenditure (PFCE) in GDP (at Current Prices) is estimated to increase from 60.6 per cent in FY 2022-23 to 60.9 per cent in FY 2023-24. Share of Gross Fixed Capital Formation (GFCF) in GDP (at Current Prices) is estimated to rise from 29.2 per cent in FY 2022-23 to 29.8 per cent in FY 2023-24, supported by the Government's continued emphasis on capital formation. Union Government's Capital expenditure during April-November 2023 stood at 5.9

lakh crore, 58.5 per cent of the Budget Estimates and 31 per cent higher than the corresponding period of the previous year. Share of exports in GDP (at Current Prices) is expected to moderate from 22.8 per cent in FY2022-23 to 21.7 per cent in FY2023-24, in view of a slowdown in global demand. However, due to sharp slowing of imports, the net exports (trade balance) have improved from (-) 3.7 per cent in FY2022-23 to (-) 2 per cent in FY2023-24.

10. On the supply side, agriculture sector is expected to grow at 1.8 per cent in FY2023-24 on account of uneven distribution of rainfall due to El Nino. Real GVA in the manufacturing sector is estimated to grow at 6.5 per cent in FY 2023-24, driven by increasing production and expansion in sales. Construction sector is estimated to grow at 10.7 per cent in FY 2023-24. Growth in the services sector is estimated to moderate from 9.5 per cent in FY 2022-23 to 7.7 per cent in FY 2023-24. This is due to slower growth in the contact-intensive services sector (trade, hotels, transport, communication and services related to broadcasting), which peaked in the previous year due to the opening up of the economy after the pandemic. However, Financial, Real Estate, & Professional Services registered a growth of 8.9 per cent, supported by rising housing demand.

Agriculture

11. The agriculture sector grew 4 per cent in FY 2022-23 (Provisional Estimates). As per the Final Estimates of Production during 2022-23, average production of foodgrains is estimated to be higher by 308.7 lakh tonnes than the previous five years (2017-18 to 2021-22).

12. Paddy procurement of Kharif for the Kharif Marketing Seasons (KMS) 2022-23 has progressed smoothly. Over 860 Lakh Metric Ton (LMT) paddy has been procured for Central Pool up to 31st December 2023 under Minimum Support Price (MSP) operations. Over 1.2 crore farmers have benefitted from ongoing paddy procurement operations of KMS 2022-23, with an MSP outflow of ₹1,71,000 crore transferred directly into their accounts.

13. Wheat procurement during the ongoing Rabi Marketing Seasons (RMS) 2023-24 has also progressed smoothly. The progressive procurement of wheat in the current season up to 31st December 2023 is about 300 LMT, well above last year's total procurement of 188 LMT by 112 LMT.

External Sector

14. India achieved an all-time high annual merchandise export of USD 451 billion in FY 2022-23. Merchandise exports for April-December, 2023 were USD 317.1 billion against USD 336.3 billion during April-December 2022. Merchandise imports for April-December 2023 were USD 505.1 billion against USD 548.6 billion during April-December 2022.

15. Easing of fuel prices during FY 2023-24 (April-December) on a YoY basis, along with decline in the share of crude oil and petroleum products in total imports from 28.9 per cent in April-December 2022 to 25.5 per cent in April-December 2023, led to, among other factors, a decline in import growth during the period. Higher moderation in imports compared to exports resulted in a merchandise trade deficit of USD 188 billion in April-December 2023 as against USD 212.3 billion in April-December 2022.

16. Regarding services trade, the estimated value of India's services export was USD 247.9 billion in April-December 2023, indicating an increase of 3.5 per cent from USD 239.5 billion in April-December 2022. The estimated value of service imports declined by 4.5 per cent to USD 129.2 billion from USD 135.3 billion during the same period last year. Consequently, net surplus of India's service trade in April-December 2023 is projected to be USD 118.7 billion, in contrast to the USD 104.2 billion recorded in April-December 2022. Decline in merchandise trade deficit and increase in surplus on account of service trade resulted in a decline in India's Current Account Deficit (CAD) to USD 17.5 billion (1.0 per cent of GDP) in H1 of FY 2023-24 from the deficit of USD 48.8 billion (2.9 per cent of GDP) in H1 of FY 2022-23.

17. Foreign Portfolio Investment (FPI) recorded a net inflow of USD 31.7 billion in April-December 2023 as against an outflow of USD 2.5 billion a year ago, leading to an accretion of foreign exchange reserves to the tune of USD 42 billion during April-December, 2023. Macroeconomic stability and improvements in India's external position, particularly significant moderation in the current account deficit (CAD) and revival of capital flows on the back of a comfortable foreign exchange reserves buffer, resulted in stability in the Indian rupee during FY 2023-24.

Prices

18. Elevated food inflation is a global phenomenon – it has remained high in major economies like the UK, France, Germany, South Africa and Japan in FY 2023-24. Inflationary pressures in India moderated in FY 2023-24 (April-November), with average retail inflation easing to 5.45 per cent compared to 6.95 per cent in the corresponding period of FY 2022-23. This decline was driven by benign trends in core (non-food, non-fuel) inflation on account of proactive supply side

initiatives by the Government. Overall retail inflation is now stable and within the notified tolerance band of 2 to 6 per cent.

Money, Banking and Capital Markets

19. Monetary Policy Committee (MPC) maintained status quo on the policy repo rate at 6.5 per cent in FY 2023-24 so far (till December 2023). It remains focused on withdrawing accommodation to ensure that inflation gradually aligns with the target on a durable basis while supporting growth.

20. Reserve money (M_0) recorded a YoY growth of 6.5 per cent as of 22nd December 2023 (11.5 per cent a year ago). As on 22nd December, 2023 the Currency in Circulation (CiC) growth moderated to 4.1 per cent from 8.2 per cent in the previous year. Broad money (M_3) growth, excluding the impact of the merger of a non-bank with a bank (with effect from July 1, 2023), was 11.6 per cent (YoY) as of 15th December 2023, as compared to 8.8 per cent a year ago. On the components side, aggregate deposits (AD), the largest component, contributed most to the expansion of M_3. Amongst sources, bank credit to the commercial sector was a major contributor to the increase in M_3.

21. Lending and deposit rates of Scheduled Commercial Banks (SCBs) increased during 2023-24, reflecting the lagged impact of the policy rate hikes during May 2022-February 2023, external benchmark-based lending rate (EBLR) system of loan pricing, and the moderation of surplus liquidity. During the current tightening cycle, i.e., from May 2022 to December 2023, the 1-year median marginal cost of funds-based lending rate (MCLR) increased by 150 bps. Overall, the weighted average lending rate (WALR) on fresh and outstanding rupee loans rose by 148 bps and 99 bps, respectively, from May 2022 to November 2023. On the deposit side, the weighted average domestic term deposit rate (WADTDR) on outstanding deposits and fresh deposits increased by 172 bps and 213 bps, respectively, during the same period.

22. Gross non-performing assets (GNPA) ratio of SCBs continued its downward trend, reaching 3.2 per cent at the end of September 2023. Lower GNPAs and high provisions accumulated in recent years contributed to a decline in net NPAs to 0.8 per cent at the end of September, 2023. In banks' domestic operations, the proportion of standard assets to total advances increased for all bank groups, and there was an overall reduction in GNPAs.

23. Capital-to-risk-weighted assets ratio (CRAR) of SCBs has been rising sequentially in the post-asset quality review period. At the end of September 2023, the CRAR of SCBs stood at 16.8 per cent. With the activation of the last tranche in October 2021, the total capital conservation buffer (CCB) to be maintained by banks increased to 2.5 per cent, thereby raising the total minimum capital requirement to 11.5 per cent. At the end of September 2023, all banks met this regulatory minimum and the CET-1 ratio requirement of 8 per cent. During H1 of FY 2023-24, the profitability of SCBs, measured in terms of return on equity and return on assets, improved to levels last observed in 2014-15.

Central Government Finances

24. Continuing on the path of fiscal consolidation witnessed in the post-pandemic years, the fiscal deficit is expected to decline to 5.8 per cent of GDP in FY 2023-24 in line with the fiscal glide path envisioned by the Government. Fiscal deficit, at the end of November 2023, stood at 50.7 per cent of the Budget Estimates, lower than the five-year moving average of 94 per cent of BE during the same period. Revenue deficit for April-November 2023 is 39.8 per cent of BE, lower than the corresponding figure of 57.8 per cent in the previous year.

25. Revenue receipts have shown continued buoyancy in the past years, driven by robust growth in the collection of all major direct taxes and the Goods and Services Tax. Gross tax revenue registered a YoY growth of 14.7 per cent from April to November 2023, and the net tax revenue to the centre after the assignment to states registered a YoY growth of 17.2 per cent.

26. Total expenditure of the Union Government has registered a growth of 8.6 per cent from April to November 2023. The Government of India has budgeted ₹10 lakh crore of Capital Expenditure for FY 2023-24, of which more than 58 per cent has been spent from April to November 2023. Revenue expenditure has shown an increase of 3.6 per cent from April to November 2023 over the same period last year.

27. Revised Estimates place fiscal and revenue deficits at 5.8 per cent of GDP and 2.8 per cent of GDP, respectively, in FY 2023-24.

Growth Outlook

28. As per the IMF, India is likely to become the third-largest economy in 2027 (in USD at market exchange rate). It also estimates that India's contribution to global growth will rise by 200 basis points in 5 years.

29. The growth estimate of the Indian economy in FY 2023-24 is 7.3 per cent as per the National Statistics office. For FY 2024-25 the RBI has forcast a growth of 7.0 per cent.

MACROECONOMIC FRAMEWORK STATEMENT					
(ECONOMIC PERFORMANCE AT A GLANCE)					
S.No.	Item	Absolute value		Percentage change	
		April-December		April-December	
		2022-23	2023-24	2022-23	2023-24
Real Sector					
1	**GDP at Market Prices (₹ Thousand Crore) @**				
(a)	at current price	27,241	29,658	16.1	8.9
(b)	At 2011-12' price	16,006	17,179	7.2	7.3
2	Index of Industrial Production@@	134.3	143.5	5.3	6.9
3	Wholesale Price Index (2011-12=100) ^	153.1	151.4	11.6	-1.1
4	Consumer Price Index: Combined (2012=100) ^	174.0	183.6	6.8	5.5
5	Money Supply (M3) (₹ thousand crore) $	21,484.5	23,986.3	8.8	11.6
6	**Imports at current prices ***				
(a)	In Crore	43,73,218	41,79,191	33.3	-4.4
(b)	In USD Million	5,48,640	5,05,146	24.3	-7.9
7	**Exports at current prices ***				
(a)	In Crore	26,77,325	26,23,069	18.1	-2.0
(b)	In USD Million	3,36,299	3,17,121	10.2	-5.7
8	Trade Balance (USD Million) *	-2,12,341	-1,88,025	55.6	-11.5
9	**Foreign Exchange Assets ***				
(a)	In Crore	47,54,265	51,58,895#	3.4	8.5
(b)	In USD Million	5,78,449	6,20,441#	-4.8	7.3
10	Current Account Balance #	-48.8	-17.5	-	-
Government Finances##					
1	Revenue Receipts	14,23,152	17,20,120	4.8	20.9
2	Gross tax revenue	17,80,654	20,42,027	15.5	14.7
3	Tax Revenue (net to Centre)	12,24,833	14,35,755	7.9	17.2
4	Non-Tax Revenue	1,98,319	2,84,365	-11.1	43.4
5	Capital Receipts of which	10,19,635	9,32,047	42.3	-8.6
6	Recovery of loans	13,052	16,604	15.1	27.2
7	Other Receipts	28,429	8,859	203.6	-68.8
8	Borrowings and other liabilities	9,78,154	9,06,584	40.6	-7.3
9	Total Expenditure	24,42,787	26,52,167	17.7	8.6
10	Revenue Expenditure	19,95,674	20,66,522	10.8	3.6
11	Capital Expenditure	4,47,113	5,85,645	63.4	31.0
12	Revenue Deficit	5,72,522	3,46,402	29.3	-39.5
13	Fiscal Deficit	9,78,154	9,06,584	40.6	-7.3
14	Primary Deficit	4,32,955	2,98,621	85.1	-31.0

@: GDP for April to March 2022-23 is a Provisional estimate, and 2023-24 is the First Advance estimate.
@@: April to October
^: Provisional for 2023-24 and data for April to November.
*: On a Customs basis.
$: Outstanding as of December 15, 2023, and percentage change year-on-year.
#: April – September.
##: Based on data on monthly accounts for April to November 2023 released by Controller General of Accounts, Ministry of Finance

MEDIUM TERM FISCAL POLICY CUM FISCAL POLICY STRATEGY STATEMENT

1. Since the emergence of the CoVID-19 pandemic, India's fiscal policy stance has been to increase development/welfare-related expenditures (to contain the pandemic) and at the same time, accelerate capex to boost economic recovery. As a strategy of having pre-fixed annual targets for fiscal consolidation has inherent limitations especially during times of uncertainty, the medium-term fiscal policy strategy has been to adopt a calibrated approach that strikes a considered balance between the need to strengthen growth momentum and fiscal consolidation without compromising the country's macroeconomic fundamentals.

2. Real GDP growth for FY 2023-24 was pegged at 7.3 percent as per the first advance estimate released by the NSO (National Statistical Office). At this rate, India remains one of the fastest growing major economies in the world. However, the ongoing geo-political conflicts can disrupt global supply chains, especially for food and energy. Further, slower than expected global growth at 3 percent in 2023 and 2.9 percent in 2024, as projected by the IMF in World Economic Outlook (October, 2023), are some of the factors that need to be carefully watched.

3. In the aforesaid context, the Union Budget for FY 2024-25 aims at sustaining growth through renewed emphasis on capital expenditure and strengthening social safety net for the poor and vulnerable through prudent fiscal management. Major fiscal indicators of the Central Government with respect to the Revised Estimates (RE) of FY 2023-24 and the Budget Estimates (BE) of FY 2024-25, as a per cent of GDP, are summarized in the table below.

Fiscal Indicators - Rolling Targets as a Percentage of GDP

	Revised Estimates	**Budget Estimates**
	2023-24	**2024-25**
1. Fiscal Deficit	5.8	5.1
2. Revenue Deficit	2.8	2.0
3. Primary Deficit	2.3	1.5
4. Tax Revenue (Gross)	11.6	11.7
5. Non-tax Revenue	1.3	1.2
6. Central Government Debt	58.1	57.2

Notes:

1. *"GDP" is the Gross Domestic Product at Current Market Price.*
2. *Central Government Debt includes external public debt valued at current exchange rates, total outstanding liabilities on Public Account including investment in Special Securities of States under NSSF and EBR liabilities, etc.*
3. *Liabilities on account of investment in Special Securities of States, under NSSF are 1.1 per cent and 0.9 per cent of GDP in RE 2023-24 and BE 2024-25, respectively. The Central Government Debt net of these liabilities comes at 57.1 per cent and 56.3 per cent of GDP in RE 2023-24 and BE 2024-25, respectively.*

4. For reasons explained above, this Statement does not outline medium-term fiscal projections. Instead, and as announced in the Budget Speech for FY 2021-22, the Government would continue on the broad glide path of fiscal consolidation to reach a fiscal deficit to GDP level below 4.5 percent by FY 2025-26. In line with this commitment, RE 2023-24 projects Fiscal Deficit to GDP of 5.8 per cent, which is lower than the budget estimate of 5.9 per cent. It is estimated that the Fiscal Deficit will be 5.1 per cent of GDP in FY 2024-25.

5. A Statement explaining the reasons thereof for deviation from the fiscal commitments / obligations mentioned in Section 4 and compliance obligations under Section 7(3)(b) of the FRBM Act, 2003, is provided at the end of this Statement.

Fiscal Outlook and Fiscal Policy Strategy for FY 2023-24

6. Central Government's total expenditure (Revenue and Capital) during April to November 2023 was ₹26.52 lakh crore which is 58.9 per cent of BE 2023-24. Within total expenditure, capital expenditure recorded a growth of 31.0 percent and stood at ₹5.86 lakh crore. Effective capital expenditure, defined as capital expenditure plus Grant-in-Aid for creation of capital assets, was at ₹7.61 lakh crore and recorded a growth of 25.4 per cent over the corresponding period of FY 2022-23.

7. In the context of receipts, Central Government finances have remained robust during April-November 2023. Gross Tax Revenue (GTR) recorded YoY growth of about 14.7 per cent in first eight months over the corresponding period in FY 2022-23. Also, during the same period, total Revenue Receipts (Tax Net to Centre plus Non-Tax Revenue) of the Centre, at about 65.3 per cent of budget estimates, was higher than the last five years' moving average of 56.2 per cent of BE. Individually, the Tax Revenue (Net to Centre) and Non-Tax Revenue were at 61.6 per cent and 94.3 per cent of their budget estimates, respectively, during April-November 2023.

8. In the first eight months of FY 2023-24, Direct and Indirect taxes recorded a YoY growth of around 24.7 per cent and 4.8 per cent, respectively. Within Direct taxes, Corporation Tax and Income Tax recorded growth of 20.1 per cent and 29.4 per cent, respectively, during April-November 2023. Momentum in the domestic economy also translated into robust collection of Goods and Service Tax (GST). The Central Goods and Service Tax (CGST) grew by 13.4 per cent during April-November 2023 over April-November 2022.

9. Non-Tax Revenues (NTR) of the Government of India mainly comprise of interest, dividend from Public Sector Undertakings, receipts from services, etc. NTR collection for the first eight months of FY 2023-24 was ₹2.84 lakh crore which was 94.3 per cent of BE and higher than the five years' moving average of 65.7 per cent of BE.

10. Against the budgeted target of Non-Debt Capital Receipts (NDCR) of ₹84,000 crore, collection up to November 2023 was ₹25,463 crore or 30.3 per cent of BE.

11. Centre's Fiscal Deficit at the end of November 2023, was ₹9.07 lakh crore which was 50.7 per cent of the budget estimates. Fiscal Assessment vis-à-vis mid-year benchmarks under Rule 7 of FRBM Rules, 2004, was analysed in H1 of FY 2023-24, and no deviation against any of the three mid-year benchmarks prescribed under the FRBM Rules was observed.

12. To further strengthen the growth momentum, the Government allocated ₹1.3 lakh crore in BE 2023-24 towards interest-free loan to the States to boost their respective capital expenditures. From 2022-23, release of devolution of shareable proceeds of taxes to States was advanced from 20th to 10th of each month. During FY 2023-24, the Central Government has already released ₹8.20 lakh crore of shareable proceeds in 12 instalments (including 2 advance instalments) to the States till January 2024 against the BE 2023-24 target of ₹10.21 lakh crore.

13. The total expenditure in RE 2023-24 is estimated at ₹44.90 lakh crore which slightly less than the BE of ₹45.03 lakh crore in FY 2023-24. This translates into a growth of 7.1 per cent over actuals of FY 2022-23. The Expenditure on Revenue account is estimated at ₹35.40 lakh crore in RE as against BE of ₹35.02 lakh crore in FY 2023-24. Expenditure under Capital account in RE is estimated at ₹9.50 lakh crore as against ₹10.0 lakh crore in the BE 2023-24.

14. In addition to the above, there are transfers such as Grant-in-Aid for capital creation, which are accounted as revenue expenditure. However, they are primarily capital in nature given their economic impact. Grants-in-Aid for Creation of Capital Assets (GiA-Capital) is estimated at ₹3.21 lakh crore in RE 2023-24. As a result, Effective Capital Expenditure or, GiA-Capital plus Capital Expenditure is estimated to be around ₹12.71 lakh crore in RE 2023-24.

15. Fiscal Deficit in RE 2023-24 is estimated at 5.8 per cent of GDP which is lower than the BE of FY 2023-24. Revenue Deficit is expected to be lower at 2.8 per cent of GDP in RE 2023-24 as compared to 2.9 per cent in BE 2023-24.

16. Gross and net borrowings through dated securities (G-Sec) were planned at ₹15.43 lakh crore and ₹11.81 lakh crore in BE 2023-24, respectively. Up to January 8, 2024, the Government has completed Gross and Net borrowings of ₹13.40 lakh crore and ₹10.37 lakh crore, respectively, with a weightage average yield of about 7.25 per cent and weightage average maturity of about 17.93 years. The Gross borrowings as per cent of GDP are estimated to remain stable at 5.2 percent while Net borrowings through dated securities are expected to decline to 4.0 percent of GDP in RE 2023-24 as compared to 4.1 percent in FY 2022-23.

17. Central Government issued Sovereign Green Bonds (SGrB) in FY 2022-23 within its overall borrowing limits. It raised ₹16,000 crore in FY 2022-23 and expected to issue bonds of ₹20,000 crore in BE 2023-24. Up to January 8, 2024, the Government has issued ₹10,000 crore of SGrB. Further details are available in Statement No. 15A of the Expenditure Profile.

18. Central Government debt, based on FRBM definition, is estimated to be at 58.1 per cent of GDP in RE 2023-24. It also includes the liabilities on account investment in Special Securities of the States, under the NSSF which is expected to be 1.1 per cent of GDP in RE 2023-24. The Central Government debt net of these liabilities comes at 57.1 per cent of GDP in RE 2023-24.

19. FRBM Act mandates the Central government to specify the annual target for assuming contingent liabilities in the form of guarantees. Accordingly, Section 4(1)(c) of the FRBM Act prescribes a ceiling of 0.5 per cent of GDP for assuming incremental guarantees in a financial year. The Guarantees given by the Union Government was about 3.14 lakh crore at the end of FY2022-23 which was 1.2 per cent of GDP and declined from the level of 3.3 per cent of GDP in FY 2004-05. During FY 2022-23, net accretion to the stock of guarantees was ₹60,594 crore or 0.2 per cent of GDP, which was well within the limit of 0.5 per cent set under the FRBM Act. A disclosure statement on outstanding guarantees is appended in Part B of the Receipt Budget 2023-24.

Fiscal Outlook for FY 2024-25

20. According to the World Economic Outlook published by the IMF in October, 2023, "*the global economy is limping along, not sprinting*". This could be taken as a baseline case for the global economy in FY 2024-25. Given this, India's fiscal policy should accordingly be calibrated to provide necessary support to the domestic economy while keeping healthy macroeconomic parameters. Nominal GDP in FY 2024-25 is projected to grow by 10.5 per cent over the Advance Estimates of FY 2023-24.

21. Fiscal Deficit in BE 2024-25 is projected to be 5.1 per cent of GDP against the 5.8 per cent of GDP in RE 2023-24. In absolute terms, the Fiscal Deficit in BE 2024-25 is expected to be at ₹16.85 lakh crore which is lower than the Fiscal Deficit of ₹17.35 lakh crore in RE 2023-24. Revenue Deficit is estimated at 2.0 per cent of GDP in BE 2024-25 against 2.8 per cent of GDP in RE 2023-24.

Revenue Receipts (Tax and Non-tax)

22. For BE 2024-25, Gross Tax Revenue (GTR) is projected to grow at 11.5 per cent over RE 2023-24. This translates into a tax buoyancy of 1.10. Within the GTR, direct and indirect taxes are individually estimated to grow at 13.1 percent and 9.4 percent, respectively. Further, direct and indirect tax are estimated to contribute 57.4 per cent and 42.6 per cent, respectively, to GTR. In BE 2024-25, the GTR to GDP ratio is estimated at 11.7 per cent which is 0.1 percentage point higher than the RE of 2023-24. In BE 2024-25, the Tax Revenue (Net to Centre) is projected at ₹26.01 lakh crore.

23. Revenue Receipts of the Union Government consisting of Tax Revenue (Net to Centre) and Non-Tax Revenue (NTR) is estimated at ₹30.01 lakh crore in BE 2024-25. It assumes a growth of 11.2 percent over RE of FY 2023-24. Tax Revenue (Net to Centre) and NTR are estimated to contribute 86.7 percent and 13.3 per cent, respectively, of the Revenue Receipts in BE 2024-25. NTR is projected to be at ₹3,99,701 crore which is 6.4 per cent more than the RE 2023–24 of ₹3,75,795 crore.

Non-Debt Capital Receipts

24. Non-Debt Capital Receipts (NDCR) in BE 2024-25 are estimated at ₹79,000 crore which includes the receipts under the recovery of loans and advances (₹29,000 crore), other miscellaneous capital receipts (₹50,000 crore). Realisation of the other miscellaneous capital receipts significantly depends on the prevailing market conditions.

Expenditure

25. In the Budget Estimates of FY 2024-25, total expenditure is pegged at ₹47.66 lakh crore. The expenditure is expected to grow by 6.1 per cent over RE 2023-24.

Capital Expenditure

26. Budget for FY 2024-25 has an outlay of about ₹11,11,111 crore (3.4 per cent of GDP) for capital expenditure. The budgeted capital expenditure is almost 3.3 times of the capital expenditure in FY 2019-20. Further to strengthen the hands of the States, the scheme for providing financial assistance to the States for capital expenditure has been continued in FY 2024-25, with a total outlay of ₹1.3 lakh crore accounting for nearly 0.4 per cent of GDP of FY 2024-25.

Revenue Expenditure

27. In the Budget Estimates of FY 2024-25, expenditure on revenue account has been estimated at about ₹36.55 lakh crore (11.2 per cent of GDP) which is 3.2 per cent over ₹35.40 lakh crore in RE 2023-24. Few significant items under the revenue expenditure head are discussed briefly in the following paragraphs.

(i) Interest Payments

28. Interest payment is estimated based on the prevailing interest rate for different securities in the market. The interest rates on various securities are dynamic in nature. In BE 2024-25, interest payment bill is estimated at ₹11.90 lakh crore, which at 3.6 percent of GDP is at par with RE 2023-24.

(ii) Major Subsidies

29. Major subsidies which include food, fertiliser, and petroleum subsidies, are another major contributor to Revenue expenditures. Major subsidies at ₹3.81 lakh crore form roughly 10.4 per cent of Revenue Expenditure in BE 2024-25. The major subsidies as percent of GDP are expected to decline from 1.4 percent in RE of 2023-24 to 1.2 percent in BE of 2024-25. Further, upward revision of Food Subsidy in RE 2023-24 to ₹2.12 lakh crore as compared to ₹1.97 lakh crore in BE 2023-24 was mainly on account of the extension of the free food grain programme PMGKAY and payment of write-off accrued under the erstwhile 'Food for Work programme'. Likewise, upward revision in fertiliser subsidy is to protect the farmers from the negative effects of an increase in global fertiliser prices.

(iii) Finance Commission Grants

30. Finance Commission grants are given to the State Governments under Article 275(1) of the Constitution. In BE 2024-25, the Finance Commission grants are estimated at ₹1.32 lakh crore. Within the Finance Commission grants, the Revenue Deficit Grants to the States, Grants for Urban and Rural Local Bodies are estimated at ₹0.24 lakh crore, ₹0.26 lakh crore and ₹0.50 lakh crore, respectively BE of FY 2024-25.

(iv) Pensions

31. Pension payments are mostly part of the four Government of India Demands for Grants viz, Defence (Pensions), Civil (Pensions), Telecommunications and Department of Health & Family Welfare. While Civil (Pensions) covers all departments, the other three demands cover pension expenses for specific Ministries/ Departments and Medical treatment of pensioners. The Central Government's expenditure on pensions is expected to be at ₹2.40 lakh crore in BE 2024-25, representing 0.7 per cent of the estimated GDP.

(v) Tax devolution to the States

32. FY 2024-25 will be the fifth year of the 15th Finance Commission (FFC) award period. Based on its recommendations, devolution of the States' share of taxes, which was estimated at about ₹10.21 lakh crore in BE 2023-24 has been substantially enhanced in RE to about ₹11.04 lakh crore. Tax devolution to the States works out to be ₹12.20 lakh crore in BE 2024-25 which is 3.7 percent of GDP.

Borrowings- Public debt and other liabilities

33. The Central Government finances its fiscal deficit mainly through issuing dated securities. In BE 2024-25, the Central Government has estimated the gross and net borrowings through dated securities (G-Sec) of about ₹14.13 lakh crore and ₹11.75 lakh crore, respectively, which are 8.4 per cent and 0.4 per cent lower than gross borrowings of ₹15.43 lakh crore and net borrowing of ₹11.80 lakh crore in RE 2023-24. In terms of per cent of GDP, the Gross and Net Borrowing are expected to go down from 5.2 per cent and 4.0 per cent, respectively, in RE of 2023-24 to 4.3 percent and 3.6 percent, respectively, in BE 2023-24.

34. Other sources of financing the Fiscal Deficit are NSSF investments in Special securities of the Central Government, net external assistance and the Public Account balances, etc. For financing the Fiscal Deficit in BE 2024-25, borrowing from NSSF is estimated at about ₹4.66 lakh crore; whereas, those from external sources and State Provident Funds are estimated at ₹15,952 crore and ₹5,200 crore (on Net basis), respectively. Of the total financing of Fiscal Deficit, the share of net market borrowings and NSSF is 69.7 per cent and 27.7 per cent, respectively, in BE 2024-25.

35. In accordance with the definition of 'Central Government debt' as prescribed in the FRBM Act, Central Government debt is estimated at 57.2 per cent of GDP in BE 2024-25 which is lower than 58.1 percent of GDP in RE of FY 2023-24. In BE 2024-25, the total liability of the Central Government (as per the FRBM definition) includes public debt of 52.1 per cent of GDP and other liabilities in the Public Account of India of 4.7 per cent of GDP. In the public debt portion of the liabilities, major component pertains to internal public debt and the rest is external debt component. External debt of the Centre is 4.4 per cent of total liabilities in BE 2024-25. This debt is mainly contracted through multilateral agencies.

36. Total public debt, including external debt at book value, of the Centre and as depicted in the Receipts Budget (Statement 1(i)), is estimated at ₹168.3 lakh crore in BE 2024-25 against ₹152.0 lakh crore in RE 2023-24. As per cent of GDP, the total public debt is estimated to remain stable at 51.3 per cent of GDP in BE 2024-25 when compared to RE 2023-24. However, if the external debt is valued at the current exchange rate, the public debt to GDP ratio is estimated at 52.1 per cent in BE 2024-25.

37. Significant portion of outstanding liabilities on Public Account of India is on account of NSSF investment in the State Government special securities (which are *de facto* liabilities of the State Governments) and would be repaid by the States at the time of maturity. If such investments are excluded, the adjusted Central Government debt, valuing the external debt at current exchange rate, is estimated at 56.0 per cent of GDP at the end of FY 2024-25.

Assessment of sustainability relating to

(i) The balance between Revenue receipts and Revenue expenditure

38. In BE 2024-25, revenue receipts and revenue expenditure of the Central Government are estimated at ₹30.01 lakh crore and ₹36.55 lakh crore, respectively. This translates into the ratio of revenue receipts to revenue expenditure of 82.1 per cent in BE 2024-25. If necessary adjustment of Grants-in-Aid for capital creation provided to States is considered, the ratio of revenue receipts to revenue expenditure is estimated at 91.8 per cent in BE 2024-25 which is higher than 83.9 per cent of RE of FY 2023-24. This is important as significant portion of grants to States under the various Schemes is in the form of Grant-in-Aid for capital creation (these are booked as revenue expenditure in Central Government's accounts even though the end use of such grants is capital in nature).

(ii) The use of capital receipts including market borrowings for generating productive assets

39. Ratio of Capital Expenditure to Fiscal Deficit measures the extent to which borrowed resources are used for financing the capital expenditure or asset creation of the Government. In BE 2024-25, this ratio is estimated at 65.9 per cent which higher than 54.8 per cent in RE of FY 2023-24 and 42.6 per cent in FY 2022-23. Further, if wider definition of capex or effective capital expenditure (sum of capital expenditure plus the Grants-in-aid for creation of capital assets) is considered then the ratio is estimated at 88.8 per cent in BE 2024-25 as compared to 73.3 per cent in RE of FY 2023-24.

Fiscal Policy Strategy for 2024-25

40. Fiscal policy strategy for 2024-25 would continue to focus on increased development/ welfare related expenditures along with capex to enhance productive capacity of the economy with strong commitment to fiscal prudence.

Tax Policy

41. Overall medium term thrust of the tax policy is towards rationalizing tariff structure and widening the tax base. In Budget 2024-25, the gross tax revenue (GTR) has been estimated at 11.7 per cent of GDP.

42. In the context of Indirect taxes, several measures to augment receipts under Goods and Services Tax (GST) have been taken. They, *inter-alia*, include:

(i) Unregistered suppliers and composition taxpayers have been allowed to make intra-state supply of goods through E-Commerce Operators (ECOs), subject to certain conditions.

(ii) A Special composition Scheme has been introduced for service providers to boost the MSME sector. Service providers covered under the Composition Scheme shall be required to file one annual return and make quarterly payment of GST after completion of provision of service.

(iii) "Account Aggregator" has been notified as the systems with which information can be shared by the common portal based on consent provided by the registered person/ taxpayer.

(iv) Mera Bill Mera Adhikaar Scheme, launched as a pilot project in select States/ UTs, provides for rewards to the persons uploading B2C invoices on the Mera Bill Mera Adhikaar Application to encourage consumers to demand GST invoices for their purchases.

(v) Amendments have been made in the CGST Act 2017 and IGST Act 2017 with effect from 01.10.2023 to provide clarity on the taxation of supplies in casinos, horse racing and online gaming.

(vi) Risk Rating of Registration Applications: Registration process has been strengthened by use of data analytics and artificial intelligence to identify risky applicants and prevent fraudulent access to GST.

43. Progressively higher GST collections point towards maturing of GST regime. GST receipts are estimated at ₹10.68 lakh crore in BE 2024-25, registering a growth of 11.6 per cent over Revised Estimates.

44. Basic Customs Duty (BCD) rates have been calibrated to incentivize domestic manufacturing with increased value addition under Make in India and Atma Nirbhar Bharat schemes.

45. Central repository for all Non-Tariff Measures: CBIC created a mechanism based on the globally accepted UNCTAD methodology for issuance of a Centralized Control Number (CCN) for mapping NTMs issued by all PGAs.

46. Indian Customs Electronic Commerce/Electronic Data Interchange (ICEGATE) 2.0: ICEAGTE 2.0 website has been designed to provide contemporary user interface for enhanced user experience.

47. Corporation Tax is estimated at ₹10.43 lakh crore in BE 2024-25 indicating a growth of 13.0 per cent over RE 2023-24. Similarly, Taxes on Income are estimated to grow to ₹11.56 lakh crore in BE 2024-25 which is higher by 13.1 per cent over RE 2023-24. Some important reform measures, initiated under direct taxes cover the following:

(a) Expansion of scope of TDS/TCS: Scope of TDS and TCS has been widened by including new transactions like foreign remittance, purchase of luxury cars, e-commerce participants.

(b) Succession to business reorganisation: A new provision has been introduced in the Income Tax Act requiring the successor entity to file a modified return within 6 months of the order of reorganization being passed by the competent authority.

(c) e-Verification scheme: This scheme enables the authorities to collect information for the purpose of accurate and comprehensive determination of income to reduce tax evasion.

(d) PAN is now being leveraged to become Business Identification Number (BIN) for providing registration to a number of government department and services. During the year 47.09 lakh new e-PANs have been allotted.

(e) Integration of PAN with AADHAR has been carried out to facilitate de-duplication. As on 31st December, 2023, a total of 58.76 crore PANs are linked with Aadhaar.

(f) For grant of registration to FPIs by SEBI and allotment and issuance of PAN, integration has been carried out.

(g) An Integrated e-Filing and Centralised Processing Center 2.0 (CPC 2.0) project was launched with a view to providing better e-filing experience, ease of compliance, more accurate and faster processing of ITRs. Till 31st December, 2023, a total of 8.18 crore ITRs have been filed for AY 2023-24 which is 9% higher than the ITRs filed during the corresponding period for AY 2022-23. Out of these 8 crore ITRs have been verified.

(h) Tax Information Network 2.0: A new payment system, that is, TIN 2.0 was launched to enable real time credit of taxes as well as faster refunds to taxpayer's bank account. 6 crore challans involving an amount of ₹12.54 lakh crores have been processed till 27th November, 2023.

Expenditure Policy

48. The Government of India continues to leverage technology as a significant tool for public financial management. Single Nodal Agency (SNA) and Central Nodal Agency (CNA) guidelines have ensured completely visibility of the money reaching the end beneficiary. The e-Bill Processing system has enabled suppliers and contractors to submit their claim online which can be tracked on real time basis.

49. SNA SPARSH is an attempt to facilitate more effective cash management with the aim of achieving the goal of "Just-in-time" fund flow from both the Centre and State Consolidated Funds through an integrated network of State IFMIS, e-kuber of RBI. Pilot rollout has been notified in a phased manner with effect from 01.08.2023 with the onboarding of five states (Rajasthan, Odisha, Karnataka, Telangana and Jharkhand) and two schemes.

50. PM GatiShakti National Master Plan for Multi-modal Connectivity is essentially a digital platform desired to bring 16 Ministries including Railways and Roadways together for integrated planning and coordinated implementation of infrastructure connectivity projects thereby optimising costs.

Government Borrowings, Lending and Investments

51. India's Debt Management Strategy is based on three broad pillars viz. low-cost borrowing, risk mitigation and market development. Accordingly, strategic benchmarks shape the structure and composition of the debt portfolio in terms of characteristics such as interest rate, currency and overall maturity. The Government's Medium Term Debt Management Strategy seeks to reduce the cost of borrowing for the Government in the medium to long-term through the issuance of appropriate instruments, and by controlling rollover risk by lengthening maturities and switching/buying back securities. It also reduces interest rate risk by keeping floating rate debt low, and manages foreign currency risk by issuing debt in the domestic currency.

52. In BE 2023-24, Gross and Net market borrowing by the Government of India (GoI) through dated securities were budgeted at ₹15.43 lakh crore and ₹11.81 lakh crore, respectively. Further, net borrowing through Treasury bills for BE 2023-24 was budgeted at ₹50,000 crore. Net market borrowings through dated securities and treasury bills were budgeted to finance 68.89 per cent of Fiscal Deficit (FD) in FY 2023-24 (BE). Gross and Net market borrowings through dated securities in the FY 2023-24 (up to January 8, 2024) aggregated to ₹13.40 lakh crore i.e. 86.8 per cent of the Gross borrowings of FY 2023-24(BE) and ₹9.40 lakh crore i.e. 79.6 per cent of Net borrowings of FY 2023-24(BE), respectively.

53. External Debt (at current exchange rate) to GDP ratio was at 2.7 per cent at the end of FY 2022-23. External debt (at current exchange rate) is expected to be at 4.6 per cent of the Central Government's gross liabilities and 5.1 per cent of public debt in RE of FY 2023-24. The external debt at ₹15,592 crore as a source of financing FD has a share of 0.9 per cent in BE of FY 2024-25. Also, the external borrowing is limited to multilateral/ bilateral loans from select development partners for financing development projects and, thus, not exposed to reversal of capital flows.

54. The risk profile of Central Government's debt stands out as safe and prudent. Also, the rollover risk in the Government debt portfolio continues to be low. The Weighted Average Maturity (WAM) of primary issuances of dated securities in FY 2023-24 (as on January 8, 2024) has increased to 17.93 years vis-à-vis 16.05 years in previous FY 2022-23. Also, the Weighted Average Yield (WAY) of primary issuance of dated securities in FY 2023-24 (as on January 8, 2024) moderated to 7.25 per cent from 7.32 per cent in the previous FY.

55. The Government is also moving toward the alignment of administered interest rates with the market rates. Interest rates on small savings are broadly linked to yields in the secondary market of dated securities and the interest rates are reviewed quarterly, albeit taking into account (in some cases) post-tax returns.

Strategic priorities for FY 2024-25:

56. The FY 2024-25 fiscal strategy of the government is based on the following broad goals:

(a) Focus on more inclusive, sustainable and more resilient domestic economy to absorb the unanticipated shocks, if any;

(b) Channelising and allocating resources towards capital spending to sustain infrastructure development momentum;

(c) Strengthening the fiscal federalism by enhancing the public infrastructure by supporting efforts of the States for capital spending;

(d) Focus on integrated and coordinated planning and implementation of infrastructure projects, embracing the principles of PM GatiShakti;

(e) Prioritisation of expenditure towards the key developmental sectors viz., drinking water, housing, sanitation, green energy, health, education, agriculture, rural development etc. for welfare of the citizens;

(f) Enhancing the effectiveness of cash management through just-in-time release of resources by using SNA/TSA system etc.

Conclusion and Policy Evaluation

57. Though some global uncertainties that prevailed during FY 2023 may spill-over in FY 2024, the Central Government remains committed towards ensuring that India remains protected from unforeseen external shocks.

58. The fiscal policy stance in BE 2024-25 is two-fold: first, to provide positive impulses to the growth environment, and second, to make the domestic economy more resilient to global headwinds. The augmented capex plan has a multiplier effect. It is expected to strengthen domestic growth momentum, which in turn will complement private investments. Cumulatively, these would foster rapid, sustainable and inclusive growth over the medium term.

59. Fiscal Deficit target of 5.9 per cent of GDP in BE 2023-24 has been revised downward in RE 2023-24 at 5.8 per cent. Continuing on the path fiscal consolidation the Fiscal Deficit has been targeted at 5.1 per cent of GDP in BE 2024-25.

Statement explaining the reasons for deviation from the fiscal targets mentioned in Section 4 and compliance obligations under Section 7(3)(b) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.

60. Section 4(1)(a) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 mandates the Central Government to take appropriate measures to limit the Fiscal Deficit to three per cent of Gross Domestic Product (GDP) by the 31st March, 2021. In continuation to this, Section 4(1)(b)(ii) requires that the Central Government shall endeavour to ensure that the Central Government debt does not exceed forty percent of GDP by the end of FY 2024-25. Further, Section 4(1)(d) of the FRBM Act, 2003, also requires the Central Government to endeavour that the aforementioned fiscal targets are not exceeded after the stipulated dates. According to Section 7(3)(b)(i) of the FRBM Act, 2003, the Minister of Finance is required to make a statement in both Houses of Parliament explaining the deviation in meeting the obligations cast on the Central Government under this Act.

61. The path to achieve the targeted level of Fiscal Deficit and Debt to GDP ratio was being followed during the pre-Covid era. However, the CoVID-19 pandemic induced unprecedented economic and fiscal crisis across the globe and in India. The pandemic caused the Central Government to raise the level of Fiscal Deficit to 9.2 per cent of GDP in FY 2020-21 as against 3.5 per cent of GDP estimated for BE 2020-21.

62. Budget for FY 2024-25 is being presented at a time when global uncertainty continues to linger with newer geo-political challenges coming to fore. In order to retain requisite fiscal flexibility to effectively respond to the emerging challenges, the Government is unable to place the Medium-term Expenditure Framework Statement in FY 2023-24 before both Houses of Parliament as mandated under Section 3(1B) of the FRBM Act. However, in line with the commitment made in the Budget Speech for FY 2021-22, the Government would 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 while continuing with its efforts to usher and sustain broad based inclusive economic growth for the people.

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