

Fiscal and Budgetary Development in 2000-2001

2.10 The fiscal deficit as a proportion of GDP is budgeted at 5.1 per cent in 2000-2001 a level lower than the 5.5 per cent in 1999-2000. The revenue deficit, a measure which shows the excess of current expenditure over the current receipts, is budgeted at 3.6 per cent of GDP in 2000-01(BE) compared with 3.5 per cent in 1999-2000. The primary deficit, i.e., the fiscal deficit net of interest payments, which reflects the current fiscal stance of the Government, is budgeted at 0.5 per cent of GDP in 2000-01 as against 0.8 per cent in the previous year (Table 2.1).

2.11 The fiscal deficit is the outcome of growth in aggregate expenditure and revenue trends. Revenue receipts (tax and non-tax), net to Centre, are budgeted to grow by 12.3 per cent from Rs. 181434 crore in 1999-2000 to Rs. 203673 crore in 2000-2001(BE). The tax

receipts component (net of States' share) is estimated to increase by about 14 per cent during 2000-2001. It is noteworthy that the growth in aggregate expenditure was projected to decelerate from 17.0 per cent in 1999-2000 to 12.8 per cent in 2000-2001. This compression in the growth of aggregate expenditure is sought to be attained by moderating growth in revenue expenditure from 15.3 per cent in 1999-2000 to an estimated to 12.2 per cent in 2000-2001. However, over the same period, capital expenditure which increased by 26.9 per cent in 1999-2000 is budgeted to grow by only 16.2 per cent in 2000-01. (Table 2.2).

2.12 Total capital receipts (excluding States' share in the small savings collections) are budgeted to grow by 13.7 per cent to Rs. 134814 crore in 2000-2001 from Rs. 118560 crore in 1999-2000. Gross borrowings and other liabilities at Rs. 111275 crore in 2000-2001 still account for an overwhelming 82.5 per cent of total capital receipts as against 90.0 per cent (Rs. 106724 crore) in 1999-2000. The non-debt capital receipts (recovery of loans plus PSUs disinvestment receipts) are placed at Rs. 23539 crore in 2000-2001 and show around two fold jump from Rs. 11836 crore in 1999-2000 (Table 2.2). Net market borrowings at Rs. 76383 crore in 2000-01 are budgeted to finance about 69 per cent of the fiscal deficit compared with about 66 per cent in 1999-2000.

Government Debt

2.13 The total outstanding liabilities of the Central Government, comprising internal liabilities and external debt (adjusted for end-March exchange rate), as a proportion of GDP has been fluctuating. This ratio decreased to 57.6 per cent in 1998-99. However, it increased by 1.6 per centage points to 59.2 per cent as per the revised estimates for 1999-2000. Internal liabilities as a per cent of GDP which were 49.8 per cent in 1990-91 declined to 47.5 per cent in 1998-99, but moved up to 49.7 per cent in 1999-2000(RE). The sharp increase in internal debt and corresponding decline in

TABLE 2.1
Trends in Parameters of Deficit of Central Government

Year	Revenue Deficit	Primary Deficit	Fiscal Deficit
(As per cent of GDP)			
1990-91	3.3	2.8	6.6
1991-92	2.5	0.7	4.7
1992-93	2.5	0.6	4.8
1993-94	3.8	2.2	6.4
1994-95	3.1	0.4	4.7
1995-96	2.5	0.0	4.2
1996-97	2.4	-0.2	4.1
1997-98	3.1	0.5	4.8
1998-99	3.9	0.7	5.1
1999-2000*	3.5	0.8	5.5
2000-2001(BE)	3.6	0.5	5.1

* Provisional and unaudited as reported by Controller General of Accounts, Department of Expenditure, Minister of Finance.

- Note: 1. Ratios to GDP at current market prices (New Series, Base: 1993-94).
2. The ratios to GDP at current market prices for 2000-2001 are based on CSO's Advance Estimates.
3. The fiscal deficit excludes the transfer of States' share in the small savings collections.

TABLE 2.2
Receipts and Expenditure of the Central Government

	1990-91	1995-96	1996-97	1997-98	1998-99	1999-2000*	2000-01(BE)
	(Rs crore)						
1. Revenue receipts (2+3)	54954	110130	126279	133886	149510	181434	203673
2. Tax revenue (Net of States share)	42978	81939	93701	95672	104652	128511	146209
3. Non-tax revenue	11976	28191	32578	38214	44858	52923	57464
4. Revenue expenditure of which	73516	139861	158933	180336	217419	250595	281097
(a) Interest payments	21498	50045	59478	65637	77882	91861	101266
(b) Major subsidies	9581	12430	14041	18248	21269	23160	21491
(c) Defence expenditure	10874	18841	20997	26174	29861	35001	40661
5. Revenue deficit	18562	29731	32654	46450	67909	69161	77424
6. Capital receipts of which	31971	48348	50872	82435	106829	118560	134814
(a) Recovery of loans	5712	6505	7540	8318	10633	10116	13539
(b) Other receipts (mainly PSU disinvestment)	0	1397	455	912	5874	1720	10000
(c) Borrowings and other liabilities	26259	40446	42877	73205	90322	106724	111275
7. Capital expenditure	24756	28424	31403	35985	38920	49399	57390
8. Total expenditure of which	98272	168285	190336	216321	256339	299994	338487
(a) Plan expenditure	28365	46374	53534	59077	66818	77655	88100
(b) Non-plan expenditure	69907	121911	136802	157244	189521	222339	250387
9. Fiscal deficit	37606	50253	56062	73205	90322	106724	111275
10. Primary deficit	16108	208	-3416	7568	12440	14863	10009
10.1 Primary deficit consumption	6358	-147	-2364	8817	23522	16570	11245
10.2 Primary deficit investment	9750	355	-1052	-1249	-11082	-1707	-1236
	(As per cent of GDP)						
1. Revenue receipts (2+3)	9.7	9.3	9.2	8.8	8.5	9.3	9.3
2. Tax revenue (Net of States share)	7.6	6.9	6.8	6.3	6.0	6.6	6.7
3. Non-tax revenue	2.1	2.4	2.4	2.5	2.6	2.7	2.6
4. Revenue expenditure of which	12.9	11.8	11.6	11.8	12.4	12.8	12.9
(a) Interest payments	3.8	4.2	4.3	4.3	4.4	4.7	4.6
(b) Major subsidies	1.7	1.0	1.0	1.2	1.2	1.2	1.0
(c) Defence expenditure	1.9	1.6	1.5	1.7	1.7	1.8	1.9
5. Revenue deficit	3.3	2.5	2.4	3.1	3.9	3.5	3.6
6. Capital receipts of which	5.6	4.1	3.7	5.4	6.1	6.1	6.2
(a) Recovery of loans	1.0	0.5	0.6	0.5	0.6	0.5	0.6
(b) Other receipts (mainly PSU disinvestment)	0.0	0.1	0.0	0.1	0.3	0.1	0.5
(c) Borrowings and other liabilities	4.6	3.4	3.1	4.8	5.1	5.5	5.1
7. Capital expenditure	4.4	2.4	2.3	2.4	2.2	2.5	2.6
8. Total expenditure of which	17.3	14.2	13.9	14.2	14.6	15.3	15.5
(a) Plan expenditure	5.0	3.9	3.9	3.9	3.8	4.0	4.0
(b) Non-plan expenditure	12.3	10.3	10.0	10.3	10.8	11.4	11.5
9. Fiscal deficit	6.6	4.2	4.1	4.8	5.1	5.5	5.1
10. Primary deficit	2.8	0.0	-0.2	0.5	0.7	0.8	0.5
10.1 Primary deficit consumption	1.1	-0.0	-0.2	0.6	1.3	0.8	0.5
10.2 Primary deficit investment	1.7	0.0	-0.1	-0.1	-0.6	-0.1	-0.1
Memorandum items	(Rs. crore)						
(a) Interest receipts	8730	18419	22106	25323	30062	33865	36721
(b) Dividend and profit	564	1748	2354	2681	3433	5405	5025
(c) Non-plan revenue expenditure	60896	110840	127298	145162	176900	203454	228768

* Provisional and unaudited as reported by Controller General of Accounts, Department of Expenditure, Minister of Finance.

Note: 1. The figures may not add up to the total because of rounding approximations.

2. Primary deficit consumption = Revenue deficit-interest payments+interest receipts+dividend & profits.

3. Primary deficit investment = Capital expenditure-interest receipts+Dividend & profit-recovery of loans-other receipts.

4. Figures are exclusive of the transfer of states' share in the small savings collections.

'other internal liabilities' in 1999-2000 is due to conversion of other liabilities (small savings, deposits and public provident funds) into Central Government securities.

2.14 External liabilities, reported in the budget are based on historical exchange rates. To get a realistic idea of the outstanding external liabilities, it is appropriate to convert these liabilities by using exchange rate prevailing at the end of the reference period. Accordingly, the outstanding external liabilities at end-March, 2000 were Rs. 186075 crore as against Rs. 57603 crore in terms of the historical exchange rate (Table 2.3).

2.15 Government debt held by the Central Bank should be netted out in a consolidated view of the Central Government debt. The effect of past Central Bank purchase of debt entails monetisation of the deficit at that time, with no continuing effect on the economy (interest is a transfer payment). It is therefore, useful to look at the outstanding non-RBI internal liabilities and total liabilities. Both these rose between end-March'97 to end-March'99. At end-March'99, as per cent of GDP, they were 39.4 per cent and 49.5 per cent respectively. Total Non-RBI outstanding liabilities at end-March 2000, as per revised estimates for 1999-2000, is 51.8 per cent of GDP.

TABLE 2.3							
Outstanding Liabilities of the Central Government							
	At the end of :						
	1990-91	1995-96	1996-97	1997-98	1998-99	1999-2000 (RE)	2000-01 (BE)
(Rs. Crore)							
1. Internal liabilities	283033	554984	621438	722962	834551	973141	1122895
a) Internal debt	154004	307869	344476	388998	459696	728627	821250
i) Market borrowings	70565	164094	184101	216598	285584	362650	443918
ii) Others	83439	143775	160375	172400	174112	365977	377332
b) Other Internal liabilities	129029	247115	276962	333964	374855	244514	301645
2. External debt(outstanding)*	31525	51249	54238	55332	57255	57603	56898
3. Total outstanding liabilities(1+2)	314558	606233	675676	778294	891806	1030744	1179793
4. Amount due from Pakistan on account of share of pre-partition debt	300	300	300	300	300	300	300
5. Net liabilities (3-4)	314258	605933	675376	777994	891506	1030444	1179493
(As per cent of GDP)							
1. Internal liabilities	49.8	46.7	45.4	47.5	47.5	49.7	51.5
a) Internal debt	27.1	25.9	25.2	25.6	26.1	37.2	37.7
i) Market borrowings	12.4	13.8	13.5	14.2	16.2	18.5	20.4
ii) Others	14.7	12.1	11.7	11.3	9.9	18.7	17.3
b) Other Internal liabilities	22.7	20.8	20.2	21.9	21.3	12.5	13.8
2. External debt(outstanding)*	5.5	4.3	4.0	3.6	3.3	2.9	2.6
3. Total outstanding liabilities	55.3	51.0	49.4	51.1	50.7	52.7	54.1
Memorandum items							
(a) External debt (Rs.crore)@ (as per cent of GDP)	66314 11.7	148398 12.5	149564 10.9	161418 10.6	177934 10.1	186075 9.5	N.A. N.A.
(b) Total outstanding liabilities(adjusted) (as per cent of GDP)	349347 61.4	703382 59.2	771002 56.4	884380 58.1	1012485 57.6	1159216 59.2	N.A. N.A.
(c) Internal liabilities(Non-RBI)# (as per cent of GDP)	208978 36.7	437273 36.8	484632 35.4	574256 37.7	692842 39.4	826801 42.2	976295 44.8
(d) Outstanding liabilities (Non-RBI)# (Rs.crore) Outstanding liabilities (Non-RBI) (as per cent of GDP)	275292 48.4	585671 49.3	634196 46.4	735674 48.3	870776 49.5	1012876 51.8	N.A. N.A.
(e) Contingent liabilities of Central Government (Rs.crore) Contingent liabilities of Central Government (as per cent of GDP)	0.0	65573 5.5	69748 5.1	73877 4.9	74606 4.2	N.A. N.A.	N.A. N.A.
(f) Total assets (Rs crore) Total assets (as per cent of GDP)	236740 41.6	396979 33.4	433129 31.7	478774 31.4	537058 30.5	577657 29.5	612747 28.1
N.A. : not available							
* External debt figures represent borrowings by Central Government from external sources and are based upon historical rates of exchange.							
@ Converted at year end exchange rates. For 1990-91,the rates prevailing at the end of March,1991; For 1995-96,the rates prevailing at the end of March,1996 and so on.							
# This includes marketable dated securities held by the RBI.							

2.16 Contingent liabilities in the form of guarantees provided by the Central Government are in the nature of implicit liabilities that could become explicit at a future date. These contingent liabilities have increased from Rs. 69748 crore at end-March, 1997 to Rs. 73877 crore at end-March, 1998 and to Rs.74606 as at end-March 1999. However, as a proportion of GDP, these outstanding liabilities have shown a decline from 5.1 per cent in 1997 to 4.9 per cent in 1998 and 4.2 per cent in end-March 1999.

2.17 Total assets of the Central Government (at book value) are estimated at Rs.577657 crore at end-March, 2000. These include purchase of physical and financial assets as well as loans to States and UTs. These assets therefore amount to about 70 per cent of the total internal liabilities (non-RBI).

Subsidies

2.18 Major subsidies are budgeted to decrease to Rs. 21491 crore in 2000-2001 compared with Rs. 23160 crore as per the provisional (unaudited) data for 1999-2000. Concomitantly, outgo on subsidies, as a proportion of non-interest non-plan revenue expenditure, is budgeted to fall from 20.8 per cent in 1999-2000 to 16.9 per cent in 2000-2001. These explicit subsidies are estimated to absorb about 10.6 per cent of the revenue receipts (net to Centre) in 2000-2001 as against 12.8 per cent in 1999-2000. As proportion of GDP, these subsidies are estimated at 1.0 per cent in 2000-2001 as against 1.2 per cent in 1999-2000 (Table 2.2).

Interest Payments

2.19 This is the single largest-component of the non-plan revenue expenditure and is in the nature of contractual obligation arising out of past borrowings. The budget for 2000-2001 has estimated interest outgo at Rs.101266 crore as against Rs.91861 crore in 1999-2000 showing a rise of 10.2 per cent. The share of interest payments in the non-plan revenue expenditure is budgeted at 44.3 per cent in 2000-2001 as against 45.2 per cent in 1999-2000. Interest payments are estimated to absorb 69.3 per cent of total tax receipts (net to Centre) during 2000-2001 as against

71.5 per cent in 1999-2000. As a proportion of GDP, interest payments are budgeted at 4.6 per cent in 2000-01 compared with 4.7 per cent in 1999-2000 (Table 2.2).

Savings and Capital Formation

2.20 The combined impact of various budget proposals of the Central Government, including those of Railways, Posts and Telecommunications, on the savings and capital formation in the economy can be gauged only when the total expenditure is put in terms of distinct macro analytic categories as per the Economic and Functional Classification of the Central Government Budget. This classification of expenditure helps in analysing how much the Central Government is allocating to different economic categories and functions/purposes in accordance with the priorities enunciated in the Budget of the Central Government. The total expenditure of the Central Government according to these classifications is budgeted to go up by about 12.9 per cent to Rs. 354028 crore in 2000-2001(BE). As a proportion of the GDP, it is budgeted at 16.2 per cent in 2000-2001 up from 16.0 per cent in 1999-2000(RE). The growth in consumption expenditure of the Central Government is budgeted to decelerate from 18.6 per cent 1999-2000(RE) to 17.4 per cent in 2000-2001. Expenditure on current transfers are budgeted to grow by about 15 per cent in 2000-2001 as against a growth of about 19 per cent in 1999-2000(RE) (Table 2.4).

2.21 Gross dissavings of the Central Government as a proportion of GDP, are budgeted at 2.5 per cent in 2000-2001 compared with 2.4 per cent in 1999-2000(RE) (Table 2.4). Gross capital formation (GCF), out of budgetary resources of the Central Government, is budgeted to rise by 11.5 per cent (to Rs. 76954 crore) in 2000-2001 compared with a growth of 19.4 per cent in 1999-2000(RE). As proportion of GDP, GCF is budgeted at 3.5 per cent in 2000-2001 the same as in 1999-2000 (RE) (Table 2.4).

Central Plan Outlay

2.22 The central plan outlay is budgeted at Rs. 117334 crore in 2000-2001, reflecting an increase of 21.8 per cent compared with 1999-2000(RE). Similarly, sectoral outlays are

TABLE 2.4
Total Expenditure and Capital Formation by the Central Government and its Financing

	1990-91	1995-96	1996-97	1997-98	1998-99	1999-2000 (RE)	2000-01 (BE)
	(Rs. Crore)						
I. Total expenditure	97947	175243	200589	224866	263755	313477	354028
II. Gross capital formation out of budgetary resources of Central Government	28032	45286	50279	54815	57807	69016	76954
(i) Gross capital formation by the Central Government	8602	16685	17946	18955	20647	26541	31987
(ii) Financial assistance for capital formation in the rest of the economy	19430	28601	32333	35860	37160	42475	44967
III. Gross Saving of the Central Government	-10502	-9835	-9406	-23396	-41893	-47666	-53538
IV. Gap(II-III)	38534	55121	59685	78211	99700	116682	130492
Financed by							
a. Draft on other sectors of domestic economy	34768	53665	55507	76102	96793	114927	129807
(i) Domestic capital receipts	23421	43858	42323	77012	97029	111457	129807
(ii) Budgetary deficit/draw down of cash balance	11347	9807	13184	-910	-236	3470	0
b. Draft on foreign savings	3766	1456	4178	2109	2907	1755	685
	(As per cent of GDP)						
I. Total expenditure	17.2	14.8	14.7	14.8	15.0	16.0	16.2
II. Gross capital formation out of budgetary resources of Central Government	4.9	3.8	3.7	3.6	3.3	3.5	3.5
(i) Gross capital formation by the Central Government	1.5	1.4	1.3	1.2	1.2	1.4	1.5
(ii) Financial assistance for capital formation in the rest of the economy	3.4	2.4	2.4	2.4	2.1	2.2	2.1
III. Gross Saving of the Central Government	-1.8	-0.8	-0.7	-1.5	-2.4	-2.4	-2.5
IV Gap(II-III)	6.8	4.6	4.4	5.1	5.7	6.0	6.0
Financed by							
a. Draft on other sectors of domestic economy	6.1	4.5	4.1	5.0	5.5	5.9	6.0
(i) Domestic capital receipts	4.1	3.7	3.1	5.1	5.5	5.7	6.0
(ii) Budgetary deficit/draw down of cash balance	2.0	0.8	1.0	-0.1	-0.0	0.2	0.0
b. Draft on foreign savings	0.7	0.1	0.3	0.1	0.2	0.1	0.0
II. Gross capital formation out of budgetary resources of Central Government	-15.1	1.7	11.0	9.0	5.5	19.4	11.5
Memorandum items							
	(Rs. Crore)						
1. Consumption expenditure	22359	41881	44238	53090	59920	71085	83477
2. Current transfers	45134	85304	100807	111577	137611	163290	187752
Notes :	<p>(i) Gross capital formation in this table includes loans given for capital formation on a gross basis. Consequently domestic capital receipts include loan repayments to the Central Government.</p> <p>(ii) The ratios given here may differ from those given in the earlier issues of Economic Survey due to revision in the series of GDP.</p> <p>(iii) Total expenditure as per Economic and Functional classification.</p> <p>(iv) Gross capital formation & total expenditure are exclusive of loans to States/UTs against States'/UTs share in the small savings collection.</p>						

also expected to increase in 2000-2001 in agriculture and allied activities (20 per cent), industry & minerals (44 per cent), science, technology & environment (26 per cent), communications (31 per cent), and transport (22 per cent). Budgetary support to the central plan outlay was hiked by 17.4 per cent (Rs. 51276 crore) in 2000-2001(BE). However,

the contribution of the budgetary support in financing of the central plan outlay is estimated to decline marginally to 43.7 per cent in 2000-2001 from 45.3 per cent in 1999-2000 (RE).

2.23 The net transfer of resources (excluding loans to States against States' share in the small savings collections) to State and Union

Territory Governments, comprising shareable tax revenue, grants & loans, are estimated at Rs. 104351 crore in 2000-2001. This reflects an increase of 24.6 per cent compared with 1999-2000(RE). Assistance for Central and Centrally sponsored schemes is budgeted to increase by about 11 per cent at Rs. 9759 crore in 2000-2001. Besides, Central assistance for State and UT plans is budgeted to increase by about 6 per cent at Rs. 33340 crore.

Current Fiscal Trends: 2000-2001

2.24 The fiscal parameters for the nine months of the current fiscal year (April-December) reveal enhanced revenue receipts and lower growth in expenditure compared with the same period of 1999-2000 thereby yielding a lower fiscal deficit. Revenue receipts (net to Centre) increased by 15.3 per cent to Rs. 132691 crore

as against Rs. 115075 crore in the same period last year. Other receipts (mainly disinvestment receipts) were only a miniscule Rs.236 crore against a budgeted target of Rs. 10000 crore. Borrowings and other liabilities at Rs. 64628 crore were lower by 3.7 per cent as against Rs. 67082 crore in the same period of last year. Total expenditure at Rs. 204821 crore rose by only 7.7 per cent over Rs. 190260 crore in the same period of the last year (Table 2.5).

Increase in international prices of crude oil

2.25. The increase in international prices of crude oil have had a significant impact on fiscal deficit (excluding the oil pool account) through increase in customs duty collections. While increasing the selling price of petroleum products, the Government also reduced customs and excise duties thereon. Through

TABLE 2.5
Central Government Finances

	(Rs. crore)				Col. 4 as percentage Of BE 2000-2001	Percent Change Col. 4 / 3
	Budget Estimates 2000- 2001	April—December*				
		1999-2000	2000- 2001			
1	2	3	4	5	6	
1. Revenue receipts	203673	115075	132691	65.1	15.3	
Tax revenue (net to Centre)	146209	79162	91605	62.7	15.7	
Non tax revenue	57464	35913	41086	71.5	14.4	
2. Capital receipts	134814	75185	72130	53.5	-4.1	
<i>of which:</i>						
Recovery of loans	13539	6720	7266	53.7	8.1	
Other receipts	10000	1383	236	2.4	-	
<i>Of which:</i> Disinvestment proceeds committed for redemption of public debt	1000					
Borrowings and other liabilities	112275	67082	64628	57.6	-3.7	
3. Total receipts (1+2)	338487	190260	204821	60.5	7.7	
4. Non-plan expenditure (a)+(b)	250387	140683	154064	61.5	9.5	
(a) Revenue						
<i>of which:</i>	228768	130948	144440	63.1	10.3	
Interest payments	101266	55753	63385	62.6	13.7	
Major subsidies	21491	15639	15931	74.1	1.9	
Pensions	15843	10578	8772	55.4	-17.1	
(b) Capital	21619	9735	9624	44.5	-1.1	
5. Plan expenditure (i)+(ii)	88100	49577	50757	57.6	2.4	
(i) Revenue	52330	29044	29075	55.6	0.1	
(ii) Capital	35770	20533	21682	60.6	5.6	
6. Total expenditure (4)+(5)=(a)+(b)	338487	190260	204821	60.5	7.7	
(a) Revenue expenditure	281098	159992	173515	61.7	8.5	
(b) Capital expenditure	57389	30268	31306	54.6	3.4	
7. Revenue deficit	77425	44917	40824	52.7	-9.1	
8. Fiscal deficit	111275	67082	64628	58.1	-3.7	
9. Primary deficit	10009	11329	1243	12.4	-89.0	

* Provisional and unaudited as reported by Controller General of Accounts, Department of Expenditure, Ministry of Finance.

BOX 2.1
Trends In Select Fiscal Parameters of the Central Government :
1980-81 to 1991-92 and 1992-93 to 1999-2000

	As per cent of GDP (Annual average)		Growth rate (Annual average)	
	1980-81 to 1991-92 (Period-I)	1992-93 to 1999-2000 (Period-II)	1980-81 to 1991-92 (Period-I)	1992-93 to 1999-2000 (Period-II)
Total expenditure	17.6	14.9	15.5	13.9
(a) Revenue expenditure	11.7	12.2	17.7	15.0
(b) Capital expenditure	5.9	2.7	11.1	9.9
Gross tax revenue	10.0	9.1	15.5	12.7
Direct taxes	2.0	2.7	15.5	18.6
(a) Corporation tax	1.1	1.3	16.4	18.9
(b) Income tax	0.9	1.2	14.8	18.6
Indirect taxes	7.9	6.3	15.4	10.9
(a) Customs	3.2	2.7	18.7	11.1
(b) Union excise duties	4.5	3.4	13.8	10.6
Revenue receipts @	9.8	9.1	16.1	13.7
Tax revenue @	7.4	6.6	15.9	12.9
Revenue deficit	1.9	3.1		
Gross fiscal deficit	6.6	5.0		

@ Net to Centre

Note: 1. Ratios to GDP at current market prices (New Series, Base : 1993-94)

2. Figures for 1990-91 onwards are exclusive of the transfer of states' share of small savings collections.

3. Figures used for 1999-2000 are provisional and unaudited figures of Controller General of Accounts, Department of Expenditure, Ministry of Finance.

Financing of the Gross Fiscal Deficit (per cent share)

	1980-81 to 1991-92	1992-93 to 1999-2000
Market borrowings	26.2	49.7
Budget deficit*	22.6	12.7
Other liabilities	40.9	32.4
External financing	10.3	5.2

* Variation in 91 day Treasury bills issued net of changes in cash balances with RBI upto end March 1997. From April 1997 these figures represent draw down of cash balances.

- The total Government expenditure as a proportion of GDP declined from an average of 17.6 per cent in Period-I to 14.9 per cent in Period-II. However, the ratio of capital expenditure and revenue expenditure as per cent to GDP over the same period show divergent trends. The fall in the share of capital expenditure as per cent to GDP in Period-II reflects deceleration in the growth of capital expenditure.
- The share of gross tax revenue (net tax revenue) as a proportion of GDP has fallen from 10.0 per cent (7.4 per cent) on an average in Period-I to 9.1 percent (6.6 percent) in Period-II. This has been accompanied by some significant structural changes as regards composition of tax revenue. Over the same period, the share of direct taxes to GDP has increased and that of indirect taxes fallen. Direct taxes are less distortionary and more equitable in impact vis-à-vis indirect taxes.
- Revenue deficit as a proportion of GDP on an average basis swelled from 1.9 per cent in Period-I to 3.1 per cent in Period-II while similar ratio for Gross Fiscal Deficit (GFD) shows a decline. This reflects that borrowings during Period-II were mainly used for current consumption rather than investment.
- There is perceptible shift towards market related borrowings in the financing of GFD in Period-II. The share of market borrowings in the financing of GFD increased from an average of about 26 per cent in Period-I to about 50 per cent in Period-II.

these adjustments, an amount of about Rs. 8,000 crore was sought to be passed on to the consumers, which is around one-third of the anticipated oil pool deficit at the end of the current financial year. Duty reductions on petroleum products will result in foregone revenue of Rs. 2400 crore and Rs. 1600 crore under customs and excise respectively.

Supplementary Demands for Grants

2.26. The first batch of supplementary demands for grants for the Central Government for 2000-2001 presented to Parliament includes twenty seven Grants, for appropriations for gross additional expenditure of Rs. 2537 crore. Of this the proposals involving net cash outgo aggregate to Rs. 633 crore. The second batch of supplementary demands for grants for 2000-2001 presented to Parliament includes twenty seven grants and one appropriation. The appropriations sought to authorise gross additional expenditure of Rs. 2639 crore of which Rs. 1067 crore is matched by savings of the concerned Ministries/Departments or by enhanced receipts/recoveries. The net cash outgo involved in the second batch of supplementary demands will be Rs. 1572 crore.

Expenditure Management

2.27 Over the years the composition of central government expenditure has acquired rigidity on account of growing precommitted items of expenditure. Defence, internal security, major subsidies, salaries, allowances and pensions and non-plan grants to States account for about 95 per cent of non-plan expenditure and about 70 per cent of total expenditure. With a view to curbing built-in expenditure growth and bring about structural changes in the composition of expenditure, the budget proposed a number of initiatives which, inter alia, included the following: all ongoing schemes would be subjected to rigorous zero base budgeting scrutiny; assessment of the manpower requirements of Government departments by reviewing the norms for creation of posts and limiting fresh recruitment in Government Departments and institutions to minimum essential needs; the scheme for redeployment of surplus staff to be made more effective and introduction of a voluntary retirement scheme (VRS) for staff in the surplus pool; review of all subsidies with a view to bringing in cost-based user charges

wherever feasible; review of budgetary support to autonomous institutions which would be encouraged to maximise generation of internal resources; reduction in the interest rate on General Provident Funds by 1 per cent to 11 per cent effective April 1, 2000 to align it with the overall interest rate structure. This followed restructuring of the interest rates on small savings and public provident funds effected on January 15, 2000; and earmarked Rs.1,000 crore out of disinvestment proceeds for retiring Government debt.

2.28 During the course of the year, Government took a series of measures to control growth in non-plan, non-developmental expenditure which include; a mandatory 10 per cent cut in the budgetary allocation for non-plan non-salary expenditure of all ministries/departments and autonomous institutions; a complete ban on purchase of new vehicles for one year, ten per cent cut in the consumption and allocation of funds for expenditure on POL for staff cars; ban on creation of new posts for one year; ban on foreign travel for study tours, seminars, etc.

Tax measures

2.29 The emphasis of the direct tax proposals in the Budget was to continue with the policy of stability in basic tax rates and widen the tax base, provide incentives for housing and infrastructure and development of capital market and information technology industry. The Venture Capital Funds (VCFs) providing finance to Venture Capital Undertakings (VCUs) have been accorded complete pass through status. Provisions relating to amalgamations, demergers and slump sales have been further rationalized to provide tax-neutrality of corporate restructuring. All tax concessions relating to earning in foreign exchange are being phased out in a five year-period. "One by-six" scheme criterion identifying potential tax-payers has been extended to 79 more cities. The details of various direct tax measures are given in the Box 2.2. To mobilise additional resources required for the relief and rehabilitation in the wake of Gujarat earthquake, a further surcharge of 2 per cent has been levied on income tax payable by domestic companies, firms etc. as well by other assesseees (individuals, Hindu undivided families, etc.) having income above Rs. 60,000 for the current financial year.