

Consolidated General Government

2.49 Fiscal consolidation would be meaningful only if the combined fiscal position of the Centre and the States improves. The combined fiscal deficit, which witnessed a reduction in the early nineties, slipped back to the pre-reform level at the end of nineties. In fact, the situation worsened with the combined fiscal deficit reaching a level of 10.1 per cent of GDP in 2002-03 (RE), higher than the pre-reform level of 9.4 per cent. Revenue deficit followed a more disturbing trend and worsened more sharply than the fiscal deficit. The combined revenue deficit as proportion of GDP after declining from 4.2 in 1990-91 to 3.6 per cent in 1996-97 increased to 7.0 per cent in 2001-02. The combined fiscal deficit was budgeted at Rs.2,59,265 crore constituting 9.4 per cent of GDP in 2003-04. The share of capital expenditure (excluding loans) in total expenditure which was 13.5 per cent in 1990-91 came down to 10.3 per cent in 2001-02. The share subsequently improved to 11.8 per cent in 2002-03 with sustained efforts at stepping up capital expenditure. It was budgeted to go up to 14.5 per cent in 2003-04. Details regarding the consolidated position of Central and State Government finances are given in Table 2.11.

Disinvestment in public sector undertakings

2.50 The rationale behind disinvestment in PSUs is to be found in the changing role of the State from a provider of wide range of goods and services to a selective provider of goods and services that are classifiable as public goods and services with a sharper focus on the provision of physical and social infrastructure. This process was also necessitated by budgetary considerations and the need to enhance public investment to facilitate higher growth. The process of disinvestment began in 1991-92 through the sale of minority share holding in small lots. From 1999-2000 onwards, the emphasis changed in favour of strategic sale. The primary objective of disinvestment, especially through the strategic sale route is that with the transfer of management control into private hands, private capital and management practices would be used effectively to increase the operational efficiency of the company. In the Budget for

2000-01, Government made an announcement that strategic sale would be used increasingly for the purpose of disinvestment. In a statement laid in both the houses of Parliament on December 9, 2002, Government indicated that the objective of disinvestment was to facilitate modernisation, creation of new assets, generation of employment, retirement of public debt and setting up a Disinvestment Proceeds Fund.

2.51 In 2003-04, the disinvestment strategy was broadened to include offers for sale of residual shares in privatised PSUs and a minority portion of Government equity in select PSUs. There was an initial public offering by Maruti Udyog Ltd. in June 2003, which received an overwhelming response from institutional and retail investors. This was followed by offers for sale of residual shares of privatised PSUs, viz., CMC Ltd., IBP Ltd and Indian Petro Chemicals Corporation Ltd and a portion of Government equity in Dredging Corporation of India Ltd, Gas Authority of India Ltd., and Oil and Natural Gas Corporation Ltd. During the year 2003-04, as per provisional accounts, an amount of Rs.16,047 crore was realised through disinvestment exceeding the target of Rs.14,500 crore set in the revised estimates.

2.52 To protect the interests of the employees of the PSUs that are being sold, Government through appropriate provisions in the Transaction Agreements entered into with the strategic partner/purchaser at the time of disinvestment, seeks to ensure that there is no retrenchment of employees at least for a period of one year after privatisation. Thereafter, retrenchment is possible only under the Voluntary Retirement Scheme (VRS) as applicable under the Department of Public Enterprises' guidelines or the Voluntary Separation Scheme, which was prevailing in the company prior to disinvestment, which ever is more beneficial to the employees. The National Common Minimum programme pledges to devolve full managerial and commercial autonomy to successful, profit-making companies operating in a competitive environment. It makes a commitment that "navaratna" companies will remain as PSUs. It also states

Table 2.11 : Combined receipts and disbursements of the Central and State Governments

	1990-91	1998-99	1999-2000	2000-01	2001-02	2002-03 (RE)	2003-04 (BE)
(Rs. crore)							
I. Total receipts(A+B)	152398	459746	542701	597944	649686	746760	816507
A Revenue receipts (1+2)	105757	287686	343741	378817	400305	471735	521691
1. Tax receipts	87564	233069	274974	305374	313974	366680	413482
2. Non-Tax receipts	18193	54617	68767	73443	86331	105055	108209
Interest receipts	24995	16175	18202	18050	17141	20118	18427
B. Capital receipts	46641	172060	198960	219127	249382	275025	294816
of which:							
a) Disinvestment proceeds	-	6379	1724	2125	3646	3360	13200
b) Recovery of loans & advances	4336	7115	5905	10466	14514	11298	8076
II. Total disbursements(a+b+c)	163673	463265	545813	595598	653111	751950	823642
a) Revenue	129628	399237	465135	517620	559655	637687	682309
b) Capital	22177	46014	59166	60211	67048	88582	119310
c) Loans and advances	11868	18014	21512	17767	26408	25681	22023
III. Revenue deficit	23871	111551	121394	138803	159350	165952	160618
IV. Gross fiscal deficit	53580	157053	184826	199852	226425	248885	259265
(As per cent of GDP)							
I. Total receipts(A+B)	26.8	26.4	28.0	28.6	28.5	30.2	29.6
A Revenue receipts (1+2)	18.6	16.5	17.7	18.1	17.5	19.1	18.9
1. Tax receipts	15.4	13.4	14.2	14.6	13.8	14.8	15.0
2. Non-tax receipts	3.2	3.1	3.6	3.5	3.8	4.3	3.9
of which:							
Interest receipts	4.4	0.9	0.9	0.9	0.8	0.8	0.7
B. Capital receipts	8.2	9.9	10.3	10.5	10.9	11.1	10.7
of which:							
a) Disinvestment proceeds	0.0	0.4	0.1	0.1	0.2	0.1	0.5
b) Recovery of loans & advances	0.8	0.4	0.3	0.5	0.6	0.5	0.3
II. Total disbursements(a+b+c)	28.8	26.6	28.2	28.5	28.6	30.4	29.9
a) Revenue	22.8	22.9	24.0	24.8	24.5	25.8	24.8
b) Capital	3.9	2.6	3.1	2.9	2.9	3.6	4.3
c) Loans and advances	2.1	1.0	1.1	0.9	1.2	1.0	0.8
III. Revenue deficit	4.2	6.4	6.3	6.6	7.0	6.7	5.8
IV. Gross fiscal deficit	9.4	9.0	9.5	9.6	9.9	10.1	9.4
# The ratios to GDP at current market prices for 2003-04 (BE) are based on CSO's Advance Estimates released in February, 2004.							
Source : Reserve Bank of India.							

that generally profit-making companies will not be privatised and all privatisation will be considered on a transparent and consultative case-by-case basis.

Performance of departmental enterprises of the Central Government

Railways

2.53 On account of the efforts to augment earnings and contain expenditure,

considerable improvement was noticed in the performance of Railways in 2002-03 over 2001-02. The gross traffic receipts of the Railways at Rs.41,068 crore registered a growth of 8.5 per cent in 2002-03. Ordinary working expenses in 2002-03 increased marginally by 3.4 per cent. Total working expenses including appropriations to Depreciation Reserve Fund and Pension Fund at Rs.38,026 crore reflect an increase of 4.8 per cent over the previous year. Taking into account the net variation of the

miscellaneous receipts and miscellaneous expenditure, Railways' net revenue in 2002-03 went up to Rs.3,830 crore from Rs.2,338 crore in 2001-02.

2.54 The dividend liability for 2002-03 worked out to Rs.2,665 crore and was discharged fully. Besides, Railways also repaid Rs.50 crore towards deferred dividend liability of Rs.2,823 crore of the past two years. The operating ratio of Railways has improved substantially to 92.3 per cent in 2002-03 as compared with 96 per cent in 2001-02. The net revenue as a proportion of capital-at-charge and investment from Capital Fund, which had declined from 11.7 per cent in 1996-97 to 5.0 per cent in 2001-02, also improved to 7.5 per cent in 2002-03.

2.55 To adapt to increasing competitive freight and passenger traffic environment, rationalisation of freight structure initiated in 2002-03 was continued in 2003-04 reducing the cross-subsidy between services. The freight loading target for 2003-04 was set at 540 million tonnes, 21.26 million tonnes more than that carried in 2002-03. In view of the buoyancy, the freight loading target was enhanced by 10 million tonnes to 550 million tonnes in the revised estimates for 2003-04. Railways achieved a freight loading of 557.39 million tonnes, which is 7.39 million tonnes higher than the revised estimates for 2003-04. Growth in originating number of passengers was estimated to fall short of the growth of 3.2 per cent envisaged in 2003-04(RE). Overall earnings from traffic amounted to Rs.42,845 crore in 2003-04, exceeding the revised estimate by Rs. 240 crore, despite an estimated shortfall in the passenger segment.

2.56 The plan outlay for 2003-04(RE) stood at Rs.13,918 crore, including market borrowings of Rs.2,970 crore by the Indian Railway Finance Corporation (IRFC) and Rs.30 crore through a "BOT" project. Actual plan expenditure in 2003-04 amounted to about Rs. 13,311 crore, including an amount of Rs. 2,789 crore financed by market

borrowings of IRFC and Rs. 30 crore through 'BOT' project.

2.57 Railways are continuing to take up certain important projects on cost-sharing basis with the State Governments. The Udhampur-Srinagar-Baramulla project, declared a national project, is being separately funded, with an allocation of Rs.500 crore in 2003-04. Further, with a view to strengthening the golden quadrilateral, providing port connectivity and constructing mega bridges, the National Rail Vikas Yojana has been initiated. A company named 'Rail Vikas Nigam Ltd.' has been set up to execute the major projects of the 'Yojana', excepting construction of bridges. An outlay of Rs.730 crore was provided to this company during the year 2003-04.

Broadcasting

2.58 The total expenditure of Prasar Bharti, during 2003-04, decreased marginally over the previous year to Rs.1,665 crore. Total receipts decreased from Rs.686 crore in 2002-03 to Rs.674 crore in 2003-04. Consequently, the ratio of total commercial receipts to total expenditure increased from 38.8 per cent in 2002-03 to 40.5 per cent in 2003-04. Total commercial receipts of Doordarshan have been declining and were Rs.554 crore in 2002-03 and Rs.533 crore in 2003-04. In the Union Budget for 2003-04, a provision for a grant of Rs.915.97 crore was made for Prasar Bharti to cover the gap in resources for meeting its revenue expenditure (non-Plan). Further, a provision of Rs.119.37 crore was made under revenue expenditure (plan).

Posts

2.59 The gross receipts of the Department of Posts during the year 2002-03 amounted to Rs.4,010 crore. Gross and net working expenses amounted to Rs.5,476 crore and Rs.5,374 crore respectively. Thus, there was a deficit of Rs.1,364 crore. As per 2003-04 (BE), the gross receipts were placed at

Rs.4,200 crore and the gross working expenses at Rs.5,595 crore with net expenses being Rs.5,510 crore. The deficit was estimated to be Rs.1,310 crore for 2003-04.

2.60 Department of Posts has taken up a number of initiatives aimed at improving revenue performance and service delivery.

Apart from the conventional services, new premium services such as Speed Post, Net Post, Greeting Post, Media Post, e-Bill Post and customised postal services for the corporate sector have been introduced. An agreement has been entered into with US based Western Union and several post offices are engaged in international money transfer services.