Government of India
Ministry of Finance
Department of Economic Affairs

LOK SABHA
UNSTARRED QUESTION NO. 1767
ANSWERED ON – 02.03.2020

FISCAL DEFICIT

1767. SHRI VASANTHAKUMAR H:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken any action against fiscal deficit during economic slow down and if so, the details thereof;
(b) whether the expenditure is higher than its revenue and if so, the details thereof along with the steps being taken by the Government in this regard; and
(c) the manner in which the Government deficit is mainly measured?

ANSWER

MINISTER OF STATE FOR FINANCE (SHRI ANURAG SINGH THAKUR)

(a) During economic slowdown, the Government has restricted its Fiscal Deficit to 3.8 per cent of GDP for RE 2019-20 and 3.5 per cent of GDP for BE 2020-21.

(b) As per the provisional unaudited Statement of Monthly Accounts for the Month of December, 2019, the Total Expenditure is greater than Total Non-Debt Receipts by ₹9,31,725 crore. Details may be seen in Annex-I. Government has issued guidelines for expenditure management in the last quarter/month of fiscal year 2019-20 (Annex-II).

(c) Fiscal Deficit, defined as "*fiscal deficit means the excess of total disbursements, from the Consolidated Fund of India, excluding repayment of debt, over total receipts into the Fund, (excluding the debt receipts), during a financial year*" (As per Section 2(a) of the Fiscal responsibility and Budget Management Act, 2003) is used for measuring Government Deficit.

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Annex -I

Government of India

Union Government Accounts

as at the end of December, 2019

S. No.	Items	BE 2019-20	RE 2019-20	Upto December 2019
1	**Revenue Receipts**	**19,62,761**	**18,50,101**	**11,46,897**
2	Tax Revenue (Net)	16,49,582	15,04,587	9,04,944
3	Non-Tax Revenue	3,13,179	3,45,514	2,41,953
4	**Non-Debt Capital Receipts**	**1,19,828**	**81,605**	**31,025**
5	Recovery of Loans	14,828	16,605	12,925
6	Other Receipts	1,05,000	65,000	18,100
7	**Total Receipts (1+4)**	**20,82,589**	**19,31,706**	**11,77,922**
8	Revenue Expenditure	24,47,780	23,49,645	18,54,125
9	*of which* Interest Payments	6,60,471	6,25,105	4,24,314
10	Capital Expenditure	3,38,569	3,48,907	2,55,522
12	**Total Expenditure (8+10)**	**27,86,349**	**26,98,552**	**21,09,647**
13	**Fiscal Deficit (12-7)**	**7,03,760**	**7,66,846**	**9,31,725**

Source: 1. Union Budget 2020-21
2. http://cga.nic.in/

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Annex-II

F.No.12(15)-B(W&M)/2019
Ministry of Finance
Department of Economic Affairs
(*Budget Division*)
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New Delhi,
27th December, 2019.

OFFICE MEMORANDUM

Subject: Cash Management System in Central Government - Guidelines for Expenditure Management in the last quarter/month of current fiscal viz. 2019-2020.

The undersigned is directed to invite a reference to this Ministry's O.M. issued under F.No.15(39)-B(R)/2016 dated 21.8.2017 (copy enclosed for ready reference) regarding modified exchequer control based expenditure management under Cash Management System in Central Government and to state that the existing guidelines for expenditure control have been reviewed. Considering the fiscal position of the Government in the current financial year, it has been decided to cap the expenditure in the last quarter/last month of the current financial year viz 2019-20 as indicated below:

Expenditure during -	Existing criteria	Revised criteria for 2019-20
Last quarter (Jan-Mar)	33% of BE	25% of BE
Last Month (March)	15% of BE	10% of BE
Balance period (Jan & Feb)	18% of BE	15% of BE

2. For further clarity in regulating the expenditure, the following guidelines for incurring expenditure in the last quarter/last month of current financial year (2019-2020) are issued:

(i) Expenditure in the last quarter 2019-20 is to be restricted to 25% of BE;
(ii) Expenditure in the last month of current financial year should not be more than 10% BE;
(iii) In case of reduction in expenditure ceiling in RE vis-à-vis BE, the expenditure should be restricted to ceiling indicated in RE;
(iv) In case of any expenditure (through re-allocation of savings within the Grant) requiring prior approval of Parliament, expenditure may be incurred only after obtaining the approval of Parliament through Supplementary Demands for Grants; and
(v) In case of additionality agreed in RE, any additional expenditure may be incurred after having obtained the approval of Parliament.

3. Ministries/Departments are requested to observe the above guidelines strictly and regulate the expenditure accordingly in the current financial year. Items of large expenditure would continue to be governed by the guidelines issued vide this O.M. dated 21.8.2017

4. This issues with the approval of Secretary, Department of Expenditure.

27/12/19
(Rajat Kumar Mishra)
Joint Secretary (Budget)

Secretaries of all Ministries/Departments;
Financial Advisers/Pr.CCAs/CCAs of all Ministries/Departments;
Controller General of Accounts, Ministry of Finance;
Office of the Comptroller & Auditor General of India.

F.No.15(39)-B(R)/2016
Government of India
Ministry of Finance
Department of Economic Affairs
(Budget Division)
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Dated Aug 21, 2017

Office Memorandum

Sub: Cash Management System in Central Government – Modified Exchequer Control Based Expenditure Management

1. This OM is issued in supersession of following OMs: -
F.NO. 4(10)-W&M/2016 dated August 4, 2016
F. No. 21 (1)-PD/2005 dated December 27, 2006
F. No. 21 (1)-PD/2005-Vol II dated July 30, 2012
F. No. 21 (1)-PD/2005 dated January 15, 2013
F. No. 21 (1)-PD/2005 dated July 3, 2013
F. No. 21 (1)-PD/2005 dated January 10, 2014
F. No. 21 (1)-B(PD)/2014 dated July 22, 2015

2. To bring about more effectiveness and efficiency in cash management system, a Cash Co-ordination Committee (CCC) headed by JS(Budget) with members from office of CGA, RBI and Budget Division was constituted by the Government on 19.05.2016 vide OM dated 19.5.2016.

3. Based on the deliberations of the Committee, consultation with Financial Advisors of some key Ministries representing infrastructure, Social, and economic Sector was undertaken. Inputs from O/o Controller General of Accounts were also sought. Accordingly, guidelines for more effective and efficient cash and expenditure management in the Government of India have been prepared and outlined here. **This will help avert situation of temporary mismatches in cash outflows and cash inflows, and thereby prevent additional transitory borrowing through treasury bills/ CMBs and thereby help save on interest expenses. It would also prevent unnecessary build-up of cash, which creates liquidity crunch in the economy and in process again raises cost of Government borrowing.**

4. Accordingly, the following guidelines are hereby notified:

(i) All FAs shall ensure that Monthly/Quarterly Expenditure Plan (**MEP/QEP**) of respective Ministries are prepared and sent to Budget Division, DEA, Ministry of Finance within two weeks of passing of their Detailed Demand for Grants (**DDG**) in Parliament. MEP/ QEP would be worked out and included as Annex to the DDG in respect of the concerned Demand for Grants (**DG**). MEP/ QEP form the basis of cash forecast and preparation of indicative calendar for Government borrowings. **Deviations from MEP/ QEP may result into distortions in the cash planning by GoI with multiple negative implications including increased cost of borrowing and hence would be viewed seriously.**

(ii) The MEP would form the basis of QEP and Ministries/ Departments concerned will not be allowed to release payments beyond QEP (equal to sum of MEPs within that quarter) without prior consent of Budget Division. **Practice of expenditure beyond QEP without prior approval of Secretary (Expenditure) would be viewed adversely.** No ex-post facto approval for the deviations from the approved QEP shall be normally considered.

(iii) MEP/QEP may accordingly be prepared, with due diligence by factoring the overall trend of expenditure, seasonality of specific expenditure items, and the following broad principles:

a. To the extent possible, the bulk expenditure items of more than ₹2000 crore may be timed in the last month of each quarter to utilize the direct tax receipt inflows in June, September, December, and March. The releases may be kept within 17th (or next working day if 17th is a holiday) and 25th (or next working day if 25th is a holiday) in these months.

b. Within the MEP/QEP, a calendar of big releases of ₹200 crore to ₹2000 crore shall be prepared to build certainty in cash outflows, as far as possible. The range of dates of such releases may be kept between 21st (or next working day if 21st is a holiday) and 25th (or next working day if 25th is a holiday) of a month to take advantage of the GST (excise duty and service tax) inflows.

c. The dates for these major expenditure of ≥ ₹200 crore shall be annexed to the MEP/QEP.

d. As at present, Salary would be released on last working day of each month.

e. In case a major expenditure of more than ₹200 crore and above needs to be released outside these dates, prior approval with two working days' notice, shall be taken from Budget Division which shall, depending on cash position, convey acceptance (through fax or email) or suggest another appropriate date for such release. In case of any exigency, if so made out, the permission shall be given on same day.

f. **Prior permission from Budget Division shall be a pre-requisite for any single payment release in excess of ₹5000 crore.** The FAs may guard against attempts to deliberately split expenditure to stay within limits.

g. Not more than 33% and 15% of expenditure of Budget Estimates shall be permissible respectively in the last quarter and last month of the financial year. **The restriction shall be observed both scheme-wise as well as for the Demand for Grants as a whole.**

h. The FAs will monitor the release of funds to autonomous bodies and other organizations to ensure that there is no undue build-up of funds with such bodies/ organizations and money is released to them just in time.

(iv) The exchequer control would apply cumulatively at the Demand for Grant (DG) level only i.e. inter-se variations between months within a quarter would be permissible, subject to statutory restrictions and guidelines in this regard.

(v) The relaxation in the QEP and carry forward of the unspent amount across quarters may be exception rather than norm. While seeking such relaxations, detailed justification for the deviations shall be recorded. The generic reasons such as 'delays in sanction order', 'late receipt of claims', delays in necessary approvals' shall not be accepted unless substantiated by specific reasons.

(vi) **Savings, if any, incurred during QEP would not be available for automatic carry forward to the next quarter, without revalidation of such savings by the Budget Division for the next quarter through modification in QEP.** However, spillover in MEP, not inconsistent with QEP will not require prior revalidation from the Budget Division. The FAs may nonetheless use such MEPs for their internal monitoring with the target of complying by the QEP limits.

(vii) The Budget Division would convey its decision on revalidation of QEP, within 7 days of the request, unless there are some specific queries.

(viii) The provisions stipulated under Rule 209 (6) (iii) of GFR shall be strictly complied by all Ministries/Departments and accordingly, the releases to the various Implementing Agencies (IAs) have to be restricted / rationalized keeping in view the unspent balances lying with the IAs. For this purpose, the Programme Division of Ministries/Departments shall take help of PFMS Portal to know the bank balance of the recipients (IAs) before making every fresh release. The instructions of Department of Expenditure regarding the use of PFMS Portal for Central Sector Schemes issued vide F.No. 66 (29) PF-II/2016 dated 15-07-2016 shall be strictly followed by all

Ministries/Departments. It is learnt that O/o Controller General of Accounts has been making efforts to extend the PFMS portal to all types of payments. Accordingly, the same principles of 'just in time release' should be applied for releases in respect of all payments to the extent possible.

(ix) The releases to any Implementing Agencies (**IA**), including an Autonomous body, shall be on monthly basis, rather than in an ad-hoc manner, to avoid any avoidable parking of funds.

(x) Financial Advisers shall review and freeze the timing of the receipts of Dividend and various other Non-Tax receipts (**NTRs**) of their respective Ministry/Departments. The dividend payments and buy back considerations would be targeted in the H1 part of financial year. The FAs shall also monitor the timely realization of other NTR and submit collection details of other NTR through the online portal **'Bharat Kosh'** developed by CGA.

(xi) Each Ministry/ Department would indicate month-wise estimate of the possible non-tax revenue inflows concerning that Ministry/ Department to Budget Division, while communicating their MEP/QEP, so that these inflows are factored in while according permission for expenditure. In case month-wise estimate is not feasible, such information would be provided on quarterly basis.

This issues with the approval of Finance Minister

(Prashant Goyal)
Joint Secretary (Budget)

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