CARE Ratings' Interim Budget Expectations for FY20

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The central government's fiscal situation for the current fiscal year has been an area of concern with revenue not keeping up with targets and the gross fiscal deficit having breached the whole year target in the first eight months itself. Against this backdrop, the government's budget presentation next month would be closely watched for insights into the state of finances of the Union Government and their estimates for income and expenditure for FY20.

The government is most likely to present the Interim Budget on 1 Feb'19 in place of a regular budget with the General Elections being scheduled for May'19. The Interim Budget would include a 'vote-on – account' to enable the government to meet its expenditure during the 3-4 months before the new government assumes office. It would also include the complete financial statements (including revenue and expenditure) for the next full financial year similar to a regular budget.

Although, there are no restriction on the government to bring about changes in taxes and announce schemes or make allocations; normally, governments avoid making these in the Interim Budget. Media reports have however quoted the FM stating that this will not preclude the possibility of bringing in measures that are absolutely essential.

The importance of this budget is that it would provide an update and assessment on the governments' financial situation for the 2018-19 fiscal year and the likely expenditure to be incurred in the next few month before a new government comes to office.

This Report provides CARE Ratings' expectations from the Interim Budget in terms of the central government's overall financial profile for FY20 and the probable announcements on the direct tax front.

Our expectations from the Budget for select sectors such as infrastructure, housing & real estate, aviation, automobiles, gems & jewellery, oil & gas among others have also been covered. It is likely however, that these may not be addressed in the Interim Budget. These demands would however be carried forward to the regular Budget. We have also looked at the likelihood of fiscal slippages in the current financial year.

The analysis of fiscal position of the Central Government during Apr-Nov'18 has been included in Annexure 1.

Slippages in Fiscal Deficit in FY19

Based on the latest available information of the government's financial profile so far in 2018-19, there is a high likelihood that the central government's fiscal deficit target of 3.3% for this financial year will not be attained.

We expect the slippage to be **around 0.1%-0.2% of GDP, which would push the fiscal deficit to 3.5% of GDP.**

- The fiscal deficit for FY19 was budgeted to be Rs. 6.24 lakh crs.
- The shortfalls in indirect tax proceeds (namely GST), low disinvestment receipts (up to end Dec’18, 43% of the target was collected) and corresponding intractable expenditure commitments could lead to the slippage in the fiscal deficit target.
- The shortfalls on account of GST receipts is expected to be between Rs 0.5 to Rs 0.7 lakh crs and for the disinvestment receipts could be Rs.20,000 crs.
- In case of expenditure, while the budgeted revenue expenditure is likely to be incurred we could expect some cuts in capital expenditure to manage the fiscal deficit.
- Additional non-tax revenue could come through interim dividend from RBI and some PSUs.
- All this could see the fiscal deficit rise to Rs. 6.54 lakh crs. This translates to 3.5% of GDP (GDP estimated to be Rs.18.8 lakh crs as per the government’s advance estimate).

Expectations from the Interim Budget for FY20

Based on the analysis of the budget trends for the last 5 years and taking cues from the previous Interim Budget (FY15), we have drawn up estimates for the overall size, receipts and fiscal deficit for the FY20 Budget.

In the FY15 Interim Budget, total expenditure was budgeted to rise by 11% (to Rs.17.6 lakh crs) and the regular budget for the year which was passed post the General Elections had estimated a rise of 12.9% (to Rs.17.9 lakh crs). However, the increase in total expenditure that eventually materialized for the year based on the regular budget was 6.7% (Rs.16.6 lakh crs). Similarly, the growth in total receipts (revenue plus non-debt capital receipts) was budgeted to increase by around 16% in the Interim Budget of FY15. However, the growth in actual receipts in FY15 turned out to be only 9%.

For the period FY15-19, the budget size has increased by an average 9% annually (range of 6.7%- 12.2%).

We have estimated 2 likely scenarios for the FY20 interim budget based on

(i) 8% increase in total expenditure
(ii) 10% increase in total expenditure

We have assumed a growth rate of 6.7% in total receipts (revenue plus non-debt capital) for FY20 over FY19 (Budget Estimate). The y-o-y growth in total receipts for the period (Apr-Nov’18) has been 3.5%

Table 1: Estimates for FY20 (Possible scenarios)

Scenario – Growth rate (y-o-y over FY19 Budget Estimate)	Total Expenditures (Rs. Lakh crs)	Total Receipts (Rs. Lakh crs)	Fiscal Deficit (Rs. Lakh crs)	Fiscal deficit to GDP (%)
8%	26.4	19.4	7.0	3.3
10%	26.9	19.4	7.5	3.5

- 8% increase in total expenditure for FY20 would total to Rs. 26.4 lakh crs and with total receipts expected to be Rs.19.4 lakh crs; the gross fiscal deficit for the year would amount to Rs.7.0 lakh crs. The fiscal deficit as a percentage of GDP would be 3.3% (assuming GDP growth at current prices to be 12.4% for FY20).
- 10% increase in total expenditure for FY20 would amount to Rs. 26.9 lakh crs and with total receipts expected to be Rs.19.4 lakh crs; the gross fiscal deficit for the year would amount to Rs.7.5 lakh crs. The fiscal deficit as a percentage of GDP in this case would be 3.5%.

These two scenarios envisage an increase in total expenditure of between Rs 2-2.5 lkh crore over FY19 (B). Of this increase around Rs 1 lkh crore would have to be kept aside for interest payments and establishment expenses which are more or less fixed. The balance could be reapportioned for any new scheme that may have to be introduced.

- In terms of expenditure, departments/ministries such as defense, finance, road transport & highways, rural development and food & public distribution which currently[1] accounts for a high share of total expenditure of around 70% would continue to be the focus in FY20.
- Major subsidies (namely food, fertilizer and petroleum) amounting to Rs. 2.64 lakh crs in FY19 (BE) is around 11% of the total expenditure of the government. Allocations for food subsidy in FY19 were Rs. 1.69 lakh crs and for fertilizers was Rs.0.7 lakh crs. For FY20, there could be an increase in fertilizer subsidy by around 10% and food subsidy by 15%. This could mean an increment of Rs 30-32,000 cr.
- If other expenses are kept unchanged at the FY19 (B) level, then there would be additional resources of 1-1.2 lkh crore which can be directed to capex, loan waivers, additional social welfare schemes including health, insurance, education etc.

As an alternative to subsidies, the government could introduce the concept of Universal Basic Income (UBI) for all individuals below a certain income threshold. Here certain subsidies and social schemes could be subsumed to enable the same. For example food subsidy and Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) among others could be replaced by the UBI.

A back of the envelope estimate puts the allocation for UBI in case the various centrally sponsored schemes and subsidies are subsumed at Rs. 4. 5 lakh crs. However, it is unlikely that the government would fully subsume major subsidies at one go. A roadmap for the same could be announced in the interim budget.

Consistent with these numbers, the gross market borrowings for the year could be in the range of Rs 6-6.25 lkh crore with recourse taken to small savings and cash drawdowns to adhere to the fiscal target. There would be redemption of GSecs of Rs 2.35 lkh cr which is higher than last year. Disinvestment will be determined by the targeted fiscal deficit number and the flows in revenue.

A. Probable announcements on Direct Taxes

We could expect one of the following three announcements in the interim budget for direct taxes:

- Increase in the basic exemption limit from the current level of Rs. 2.5 lakhs to Rs. 3 lakhs.
- The FY19 budget had reintroduced the clause of standard deduction under the income head “Salaries” of Rs. 40,000. This could be increased to Rs. 50,000 for FY20.
- The investment limit of Rs. 1,50,000 set under section 80C could be increased to Rs. 2,00,000.

For corporates, in the FY19 budget a reduction of corporate tax rate from 30% to 25% for companies having a turnover of less than Rs.250 crs was introduced. The roadmap for a similar the reduction for all corporates could be included in the interim budget.

[1] FY19(Budget Estimate)

B. Industry Wise Expectations on duties and allocations in Interim Budget FY20

Being an interim budget, the government has limited room for introducing significant changes in the budget. The government is expected to focus on schemes that are expected to increase benefits available to the rural populace and revitalize growth by reviving the capex cycle and encourage domestic manufacturing.

The table below summarises the customs duty changes expectations. These changes may materialise in the interim budget or could be moved to the final budget post the general elections.

Table 2: Summary of Duty Changes across select industries

Item	Current Rate (%)	Suggested Rate (%)
Aluminium Scrap	2.5	10
LNG	2.5	Nil
Gold	10	5
Non industrial diamond (other than rough diamonds), i.e., cut and polished diamond	7.5	5
Diamonds-semi processed, half cut or broken	7.5	5
Lab grown diamonds	7.5	5
Cut and polished Coloured gemstone	7.5	5
PTA	5	10
MEG	5	10
Ferro Nickel	2.5	Nil

Industry-wise expectations on taxes/duties, expenditure allocations and specific sector measures in the Interim Budget 2019-20 have been detailed below.

1. Infrastructure

Allocations

- We expect the allocation to infrastructure sector to be similar to Budget 2018's overall allocation of approximately ₹6 trillion. We expect more special packages for dedicated segments of infrastructure projects for timely completion.
- A one-time package for completion of long-stuck projects from NHDP which have now been combined with Bharatmala Pariyojana would be an enabling step, helping both developers as well as help in completion of long-pending projects. This package should be in-addition to the outlay for Ministry of Roads Highways and Transport (MoRTH). We expect the allocation to road sector in line with
- Railways & Coal sector: Special package for coal sector for development of railway infrastructure around coal-mines for speedy-evacuation and transportation.
- Railways: Expect a technology upgrade scheme especially for the freight division of Indian railways and the Government would make an initial allocation for initiation and subsequent implementation of the scheme.
- Allocation for power sector is expected to be increased by an additional 10% for infrastructure augmentation of grid and distribution. As the Government has near-achieved its target to electrify 100% households in the country, the focus should shift back to providing fiscal support to discoms who have been able to achieve their UDAY targets as envisaged earlier.
- Increased allocation for Ministry of New and Renewable Energy to improve pace of installation of renewable energy capacity to achieve 2022 target of 175 GW.
- We expect bulk of the allocation towards Roads & highways, Railways and Power sector.

2. Housing and Real Estate:

Capital Markets: Reduction in the holding period of Real Estate Investment Trust (ReITs) to be made in line with listed equity instruments to be eligible for "Long-Term Capital Asset" benefit, 12 months vs 36 month applicable currently). ReIT segment is yet witness any listing, this measure may be viewed as an enabling measure to help create a larger pool of investors. Additionally, stipulating a time period for listing of such instruments and investors subscribing to those issuances getting the reduced time period benefit, would expedite some of the listing of ReIT instruments.

Allocations

Pradhan Mantri Awas Yojana: We expect the Government to make an allocation in line with last years' allocation of ₹31,500 crore out of which ₹6,500 crore was GBR. Even though the implementation of the scheme has been happening at a slower pace than expected, making adequate allocation would ensure, there is no abrupt departure from the current pace of implementation of scheme. A higher allocation would be a welcome move for the industry.

3. Aviation

Duties

Bringing ATF under GST and allocating a package to incentivize states for a possible loss of revenue is an expected move.

Allocations

We also expect an increased allocation to development of airports, especially development of regional airports into international airports.

4. Aluminium

Duties

Low import duty on aluminium scrap has led to an increase in the import of aluminium scrap by 22.4% for the April –October 2018 period as compared to similar period last year. Producers find this an issue as it impedes with the production of primary aluminium. The industry expects the government to increase the import duty on aluminium scrap from the current 2.5% to 10% which would be in line with other base metals such as copper, lead and zinc.

5. Fertilizers

Duties

Raw materials (except phosphoric acid) used to manufacture fertilizers are levied an 18% GST rate which is creating an inverted duty structure (final production fertilizer is subject to a 5% GST). The government needs to reduce the GST rate to 5%, for the raw materials used to manufacture fertilizers. This move will help in bringing down the credit accumulation issue faced by the fertilizer industry.

Allocations

According to the 2018-19 union budget the government had allocated ₹70,080 crore as the fertilizer subsidy where ₹44,989 crore was earmarked as urea subsidy and the remaining ₹25,090 crore was earmarked as nutrient based subsidy.

For the 2019-20 interim union budget the industry expects an increase in allocation towards the fertilizer subsidy as the focus of the government is to improve agricultural output and boost agricultural income. In order to achieve this goal, the production of fertilizers will have to be increased as it would help in increasing the productivity of land and farm produce.

Within the fertilizer subsidy, the industry expects the allocation towards the nutrient based subsidy to be increased, so as make up the increase in raw material costs experienced by the industry during the year and to encourage production of decontrolled fertilizers.

6. Oil and Gas

Duties

LNG imports account for a 47% share in total consumption. Consumption of natural gas has increased by 15% during the April to November period in FY19 as compared to the same period in the previous fiscal year. The industry expects LNG customs duty to be waived off completely from the current 2.5%, to benefit domestic regasification terminals.
Include natural gas and Jet Fuel under the GST regime. Presently only LPG, kerosene and naphtha are subject to a GST rate. Bringing fuel products under the ambit of GST has been deliberated for long. The state and Centre however have not been able to build a consensus on revenue sharing.

Allocations

As per the 2018-19 union budget the oil and gas industry had received ₹24,932 crore as fuel subsidies where ₹20,377 crore was earmarked as LPG subsidy and the remaining ₹4,555 crore was classified as kerosene subsidy. The industry expects the government to widen the fuel subsidy and include all cooking fuels such as piped natural gas and bio gas, a move to which will benefit all consumers besides making it attractive for consumers to switch to alternate cooking fuels.

The Government will also have to increase the petroleum subsidy as they aim to provide LPG connections to all poor households under the Pradhan Mantri Ujjwala Yojana (PMUY). The scheme, launched in 2016, originally targeted giving LPG connections to mostly rural women members of below the poverty line (BPL) households. The list was later expanded to include all SC/ST households and forest dwellers among others. The scheme is now being extended to all poor households.

7. Automobiles

Duties

Industry expects subsidy on the battery and lithium imports or incentives to the companies to set up this business in India. The industry also expects additional funding from government to the support infrastructure – charging infra and robust smart electricity grid to take the additional load.

Allocations

- The programme on Faster Adoption of Manufacturing of Hybrid and Electric Vehicles (FAME) to promote clean fuel technology cars, is expected to get further push with the auto industry gearing itself first for the transition to BS-VI (Bharat Stage – VI) emission norms by 2020, skipping the BS-V norms completely, post which the industry would be gearing for transformation of moving completely towards Electric vehicles (EVs) by 2030
- The government to encourage R&D spends by companies in India – move that will auger well for the industry that will shift to BS-VI emission norms in 2020 and to electric vehicles by 2030
- Along with these, government's focus on rural development (positive for tractors and two-wheelers segment), infrastructure and affordable housing (positive for commercial vehicles segment), lowering of direct taxes on income (higher disposable income – positive for passenger vehicles and two-wheelers), allocation of funds to skill development centres (technical skills for auto industry) should benefit the automobile industry going forward
- Also, if fund allocation to MNERGA increases, the volatility in the rural income will reduce leading to higher demand from Tier 3 towns and rural India for entry level motorcycles and passenger vehicles.

8. Tyres

Duties

- Automotive Tyre Manufacturers Association (ATMA) expects the government to lower the import duty of natural rubber to meet growing demand for automobile tyres. According to the ATMA release, consistent fall in the domestic availability of natural rubber (NR) and its erratic supply is hurting the production process at tyre companies at a time in case of large capacities going on-stream
- According to the latest numbers released by Rubber Board of India, NR production contracted by over 18% while consumption went up by ~16% in FY19 (April – August), leading to widening of the demand-supply gap. The industry has already raised its pitch for NR imports duty waiver, i.e., 'nil' rate of duty to the extent of gap between domestic production and consumption.

9. Hotels & Tourism

Allocations

- Hospitality industry has maintained a long standing demand from the government for Infrastructure & Industry status for projects over ₹25 crore
- The industry needs more resources to create new infrastructure and develop tourist packages along with publicity on the huge potential the country has by developing areas that are not usual tourist destinations. Also, developing tourism, particularly in the remote north-eastern states, is one of the top priorities of the country.
- Industry wants the government to announce measures in the interim budget to promote investment in the tourism sector
- We expect the allocation to tourism ministry to be higher in the interim budget 2019-20 vis-à-vis last year.

10. Gems and Jewellery

Expedite release of the draft integrated gold policy to promote the domestic gold industry and exports of gems and jewellery.

Duties

Item	Basic Customs Duty (%)	
	Current	Expectation
Gold	10	5
Non industrial diamond (other than rough diamonds), i.e., cut and polished diamond	7.5	5
Diamonds-semi processed, half cut or broken	7.5	5
Lab grown diamonds	7.5	5
Cut and polished Coloured gemstone	7.5	5

- Recently exporters were exempted from the levy of 3% IGST on gold supplied to them by Nominated Agencies. Extension of the above benefit to silver and platinum supplies.

11. Education

Allocations

- Additional funds for teacher training to boost learning outcomes
- Additional funds to build capacities of existing central institutions

- Scholarships for students in higher education who are from an economically or social weaker section of the society

12. Textiles

Duties

- Increase the basic customs duty on PTA and MEG from the existing level of 5% to 10%.

Allocations

- Sufficient provision for the Technology Upgradation Fund Scheme (TUFS) in the interim union budget
- Allocate funds to the special package for the knitwear sector to make domestic manufacturers competitive

13. Paper

Duties

- Increase Customs Duty on Paper and Paperboard from the current level
- Keep paper and paper products in negative list while reviewing the existing and formulating new FTAs and agreements
- Create a policy on waste paper management in accordance with e-Waste (Management and Handling) Rules 2011
- Import safeguards and/or stringent environmental norms for the import of waste paper in India

14. Iron Ore

Duties

- Imports of iron ore increased by 183% in H1-FY19 to 7.97 mn tonnes, from 2.81 mn tonnes in H1-FY18. The industry expects an increase of customs duty on iron ore and iron ore pellets from the current 2.5%, to protect the domestic miners.

15. Media and Entertainment

India is an under penetrated market with a total of 8 screens per million people, compared with China (~16 screens) and US (~125 screens). The requirements for obtaining a cinema license are archaic and need updation. The industry expects single window clearance mechanism for setting up screens, along with tax holiday for setting up new multiplexes or for conversion of single screen to multiplexes.

Grant infrastructure status which will aid it in availing better financing options, given the high investments required for digitization, technology upgradation and setting up of multiplex theatres, etc.

Duties

- Lowering of license fee of radio for operating in smaller cities.
- A relaxation in the import duty on set-top boxes, which has been doubled to 20%. This has affected the ongoing digitisation of cable services in India and hence, the industry expects that the customs duty be brought back to the earlier rate.

16. IT & ITeS

Taxation

- Introduce weighted deduction or tax incentives on R&D activities and skill development expenditure carried out by companies engaged in the IT services industry

17. Sugar

Allocations

- It is likely that the government will continue to make allocations towards schemes for development of sugar industry amid restricted growth in sugar prices that impacts cane paying capacity of these mills. Programmes meant for extending financial assistance to sugar mills, loans for rehabilitation/modernization of sugar mills, cane development, power project among others are expected to see allocation of funds.
- With the government aiming to increase diversion of sugarcane towards ethanol, we may see higher loan allocation to sugar mills for production of ethanol.
- The industry is seeking for an upward revision in Minimum Selling Price (MSP) of sugar which is currently at ₹ 29 per kg.

18. Edible oils

Allocations

- The government had released an agenda note on oilseeds production by 2022 in September 2018 and the predominant idea of the agenda is to reduce India's edible oil imports dependency and increase domestic production. With this aim, we expect the government would increase fund allocation for National Mission on Oil Seed and Oil Palm scheme as the scheme envisages increase in output of vegetable oils.

19. Steel

Duties

- The industry expects the import duty on ferro-nickel (one of the key raw materials used in manufacturing of stainless steel) to be removed. The import duty on ferro-nickel currently stands at 2.5%. The withdrawal of import duty will encourage production of stainless steel in the country.

Allocations

- The government is expected to continue to spend on infrastructure and construction. This is likely to result in higher budget allocation for these sectors which will provide support to the steel industry.
- The budget allocation for steel industry is expected to give significance to domestic production of steel that involves high end value added steel like automotive steel for high end applications, electrical steel (CRGO), special steel and alloys for power equipment, aerospace, defence and nuclear applications, rails for railways among others.

20. Telecom

Allocations

- With the approval of National Digital Communications Policy 2018 in September 2018, the government aims to connect, propel and secure India with the help of digitization. Additionally, the usage of data has increased and broadband subscribers' base grew by 45.8% y-o-y to 496.1 million users as on October 2018. Considering these factors, it is expected that the government will increase allocation of funds towards the development of telecom infrastructure.
- The telecom industry expects a flat rate for Spectrum Usage Charges (SUC).

21. Healthcare

Allocations

- In the Union Budget 2018-19, the government had announced Ayushman Bharat Scheme. However, the scheme did not find clear allocation of funds in the budget. Thus we expect the government to allocate funds for operation of this scheme in the upcoming budget. The Centre would bear around 60% of the payment of the scheme. Ayushman Bharat was officially implemented in September 2018.
- For implementation of this scheme, the government recently came up with broad guidelines for private investments in setting up of hospitals in Tier 2 and Tier 3 cities and therefore restored the status of hospital as industry so that the hospitals get the advantage of Viability Gap Funding (VGF). Thus, it is very likely that the government would allocate funds to place hospitals in these cities.

22. Drugs & Pharmaceuticals

Allocations

- The government will proceed with its focus on medicines that are available at affordable prices and thus we will continue to see allocation towards Jan Aushadhi scheme.
- The government wants to reduce India's dependence on imports of bulk drugs and drug intermediaries (raw materials for formulations) and also prefers domestically manufactured drugs in its procurement programmes. Therefore, it is likely that these factors would be given significant importance while making budget allocation for drugs and pharma industry.

Annexure 1: **Fiscal Position of the Central Government during Apr-Nov'18**

Table 3: Summary of actual receipt and expenditure of the central government as a percentage of Budget Estimates

Heads	Total Receipts FY19 (till Nov'18) Rs. lkh crs	FY19(BE) Rs. lkh crs	% actual to BE-FY19	% actual to BE-FY18	Heads	Total Expenditure FY19 (till Nov'18) Rs. lkh crs	FY19(BE) Rs. lkh crs	% actual to BE-FY19	% actual to BE-FY18
Revenue Receipts	8.70	17.26	50.4	53.1	**Revenue Expenditure**	14.21	21.42	66.4	70.5
Tax Revenue (net)	7.32	14.81	49.4	57	*Interest*	3.48	5.76	60.5	59.5
Non- tax revenue	1.39	2.45	56.6	36.5	**Capital Expenditure**	1.91	2.99	63.8	59.5
Non-debt Capital receipts	0.26	0.92	28.5	73.3	*Loans disbursed*	0.14	0.22	60.5	59.2
Disinvestment	0.16	0.80	19.8	72.2	**Total Expenditure**	16.13	24.42	66.1	68.9
Total Receipts	8.96	18.17	49.3	54.2					

Source: Controller General of Accounts

Receipts

- As a percentage of budget estimates, the total receipts for the first 8 months of FY19 have been lower than in FY18. The receipts this year at 49.3% of the budgeted estimate (BE), is 5% lower than the receipts in the comparable period of last year.
- This decline in total receipts can be primarily attributed to lower tax receipts (mainly indirect tax) and disinvestment proceeds. Tax revenues account for nearly 80% of the total receipts.
- Indirect tax proceeds[2] have witnessed a notable decline this year. In the first 8 months of the last fiscal, 66% of the budgeted indirect tax revenues were collected. This year only 56% has been collected. Likewise, disinvestment proceeds so far this year have been below 20% of the target. For the comparable period last year, 70% of the target was achieved.
- The direct tax proceeds for FY19 have been largely at par with the corresponding period in the previous year.
- The budgeted estimate for customs and excise for 2018-19 is notably lower as these duties for many products have been subsumed under GST. Consequently, for the current fiscal, the proceeds under customs (77.1% in FY19 vs 42% in FY18) and excise duty collections (53.2% in FY19 vs 41% in FY18) have seen a significant increase.
- The government has received higher non-tax revenue in the form of dividends from PSUs, interest and other non-tax revenue (economic services) in the current financial year. The collection under non-tax revenue which stood at 56% of the budget estimate during Apr-Nov'18 is 20% than the collections in the corresponding period of the previous year.

Expenditure

- As a percentage of budget estimates, the expenditure incurred during the 8 month period (Apr-Nov) of FY19 has been marginally lower than in comparable period of FY18. During Apr-Nov'18, 66% of the budgeted expenditure has been incurred by the government as against the 69% of Apr-Nov'17.

[2] Includes GST, customs, excise, service tax and other indirect taxes

- Revenue expenditure, which accounts for over 85% of the total expenditure, has been slightly lower this year. In the 8 month period Apr-Nov’17, 70% of the budgeted expenditure was incurred whereas this year for the comparable period 66% of the expenditure has been incurred.
- Capital expenditure, which accounts for the balance 12% of the total expenditure, in this financial year, has been higher. Nearly 64% of the budgeted capital expenditure has been incurred this year (Apr-Nov’18) compared with the 60% of the corresponding period last year.
- Within revenue expenditure, expenditure incurred on the school education & literacy department has declined significantly from 65% of FY18 (BE) to 39% of FY19 (BE). There has also been a decline in food & public distribution (from 92% in FY18 to 84% in FY19) and pensions (86% in FY18 to 78% in FY19).
- In terms of expenditure on subsidies, during Apr-Nov’18, 83% of the budgeted expenditure on subsidies has been incurred, marginally lower than 86% incurred in the corresponding period last year. Food subsidy, which accounts for 64% of total subsidies, has seen a decline from 93% in FY18 to 84% in FY19. On the other hand, urea subsidy (64% in FY18 vs 74% in FY19) and petroleum subsidy (86% in FY18 and 93% in FY19) has seen a notable increase.
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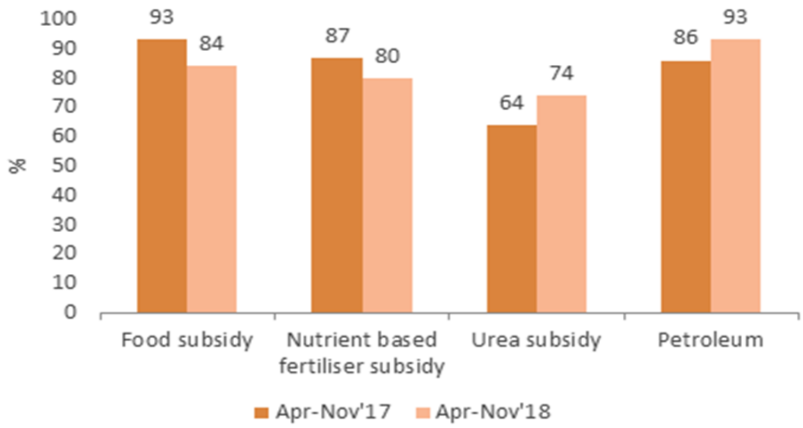
Chart 1: Subsidy Disbursal

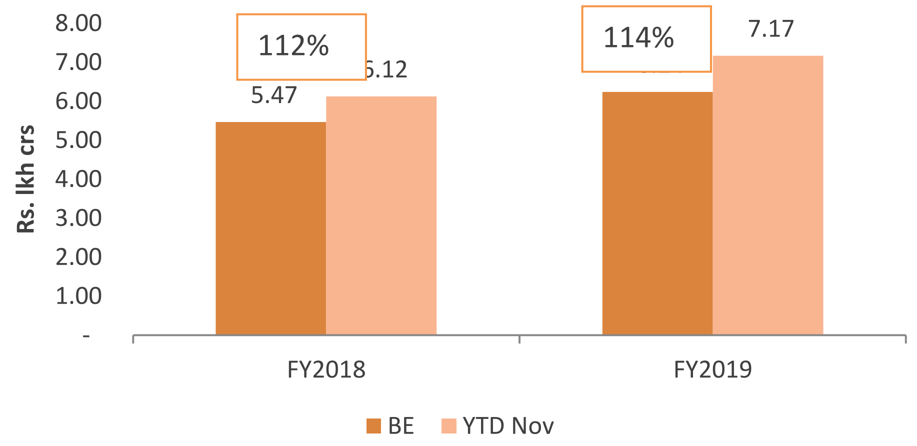


- Within capital expenditure, railways and road transport & highways, each accounting for around 20% of the total capital expenditure has seen a rise from 65% of budgeted expenditure in FY18 (Apr-Nov) to 69% in FY19 on the back of government’s push towards infrastructure development from . On the other hand, defence (excluding miscellaneous) which has the highest share of 31.3% in the total capital expenditure has seen a decline from 76% of FY18 (BE) to 71% of FY19 (BE).
- The top 10 departments for capital spending (atomic energy, telecommunication, defence, police, housing & urban development, railways, road transport & highways, space), which account for 88% of the total capital expenditure has seen a marginal increase in expenditure on asset creation from 63% of budgeted expenditure in FY18 (Apr-Nov) to 64% in FY19.

Fiscal Deficit

The government has budgeted a fiscal deficit target of 3.3% of GDP for FY19. This amount of Rs. 6.24 lk crs . This amount has been surpassed in the first 8 months of the fiscal itself. It was at 114% of the BE numbers compared with 112% in the corresponding period in previous year.
In FY18, the government had revised the fiscal deficit target upward from 3.3% to 3.5%.

Chart 2: Budgeted vs Actual (till Nov'18) Fiscal Deficit



Source: Controller General of Accounts