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**Report of the
Comptroller and Auditor General
of India**

for the year ended March 1997

**Union Government (Civil)
Accounts of the Union Government
No.1 of 1998**


AUDIT REPORT

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Accounts of the Union Government
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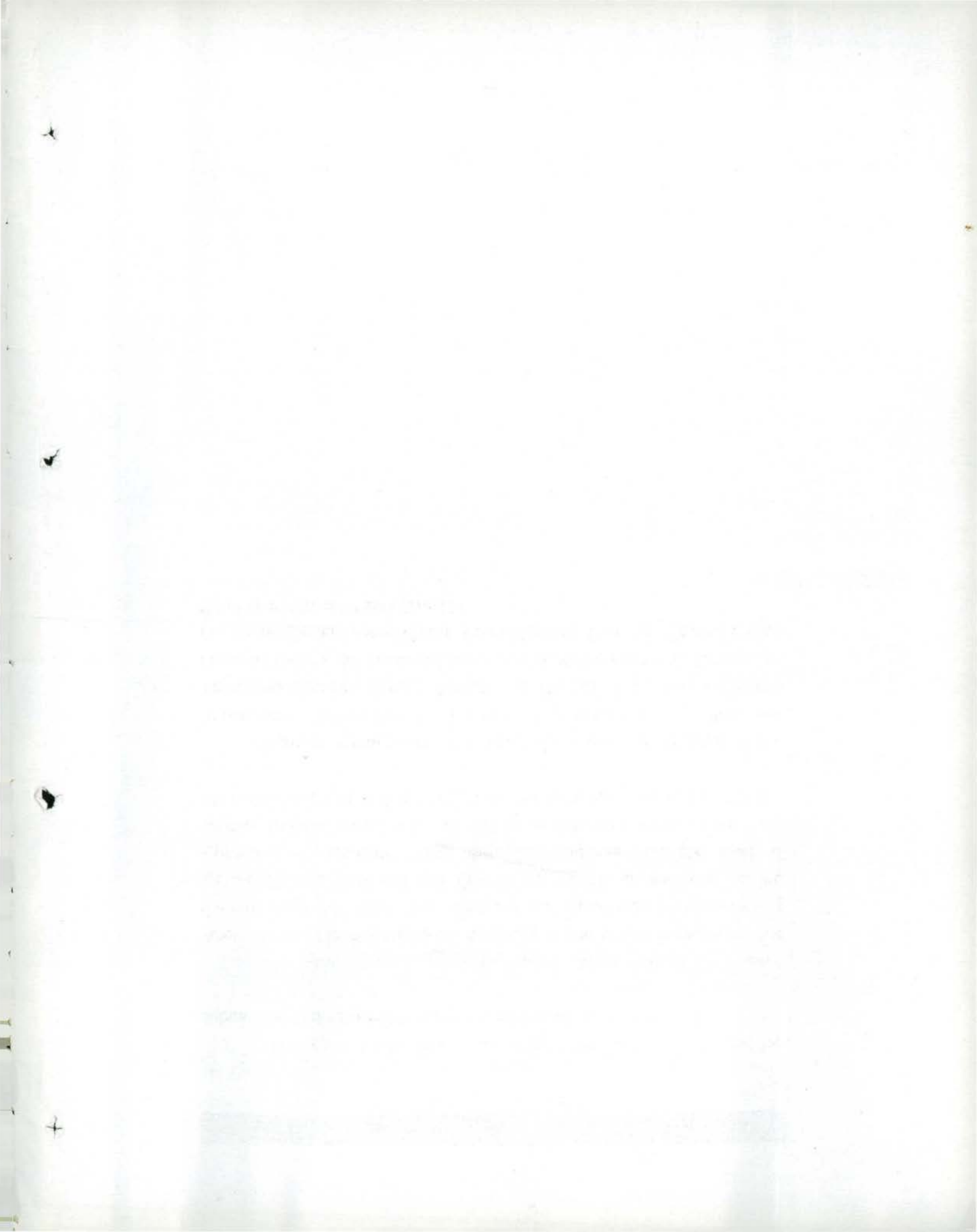
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PREFACE

This Report for the year ended March 1997 has been prepared for submission to the President under Article 151 of the Constitution.

The Report includes matters arising from test audit of the Finance Accounts and the Appropriation Accounts of the Union Government for the year ended 31 March 1997. Part I of the Report includes observations on the Finance Accounts and Part II covers the observations on the Appropriation Accounts. The observations arising from the audit of various financial transactions as well as performance audit of the Civil Ministries have been included separately in Report No.2 and Report No.3.

Separate Reports are also issued for Union Government Other Autonomous Bodies (No.4), Scientific Departments (No.5), Post and Telecommunications (No.6), Ministry of Defence-Army and Ordnance Factories (No.7), Air Force and Navy (No.8), Railways (No.9), Receipts of the Union Government-Indirect Taxes-Customs (No.10), Central Excise (No.11) and Direct Taxes (No.12).



Overview
Accounts (1996-97) at a glance

	Total receipts			Rs 540237 crore
<i>Of which</i>				
	Gross Revenue Receipts			Rs 207234 crore
	Gross Tax Revenue		*Rs 128762 crore	
	Non Tax Revenue		Rs 78472 crore	
	Public Debt Receipts			Rs 210042 crore
	Internal Debt Receipts		Rs 200507 crore	
	91 days' Treasury Bills	Rs 163262 crore		
	364 days' Treasury Bills	Rs 8241 crore		
	Market Loans	Rs 29037 crore		
	Others	Rs (-) 33 crore		
	External Debt Receipts		Rs 9535 crore	
	Public Account Receipts			Rs 127326 crore
	Small Savings, PF etc.		Rs 61647 crore	
	Reserves, Deposits etc.		Rs 65679 crore	
	Capital Receipts and Loans and Advances			Rs 9151 crore

* includes share of net proceeds of Rs 13516 crore assigned to States

	Total disbursements			Rs 540693 crore
<i>Of which</i>				
	Disbursement on Revenue Account			Rs 226372 crore
	Disbursement on Capital Account			Rs 15704 crore
	Public Debt Repayments			Rs 170448 crore
	Internal Debt Repayments		Rs 163901 crore	
	91 days' Treasury Bills	Rs 150534 crore		
	364 days Treasury Bills	Rs 1875 crore		
	Market Loans	Rs 7904 crore		
	Others	Rs 3588 crore		
	External Debt Repayments		Rs 6547 crore	
	Public Account Disbursements			Rs 99134 crore
	Small savings, PF etc.		Rs 36011 crore	
	Reserves, Deposits etc.		Rs 63123 crore	
	Loans and Advances			Rs 29035 crore

Revenue Receipts

- In absolute terms, the **gross Revenue Receipts** of Rs 207234 crore were up by Rs 27389 crore with reference to 1995-96. The Tax Revenue collection was 10.08 *per cent* of the GDP, while it was 6.15 *per cent* for the Non Tax Revenue.
- The gross Revenue Receipts consisted of **Tax Revenue** of Rs 128762 crore and **Non Tax Revenue** of Rs 78472 crore.
- The Tax Revenue consisted of **Direct Tax Revenue** of Rs 38895 crore and **Indirect Tax Revenue** of Rs 89867 crore.
- Of the gross **Direct Tax Revenue** Rs 18567 crore came from **Corporation Tax**, Rs 18234 crore from **Taxes on Income other than Corporation Tax** and Rs 1712 crore from **Interest Tax**.
- Of the total collection of **Indirect Taxes**, Rs 42851 crore was contributed by **Customs duty**, Rs 45008 crore was collected as **Union Excise duty** and Rs 1059 crore came from **Service Tax**.
- Of the gross collection of Rs 18234 crore from **Taxes on Income other than Corporation Tax**, Rs 13516 crore was **assigned to the States**, while Rs 21545 crore out of the gross collection of **Union Excise duties** were assigned to them.
- Collection of the **Indirect taxes** dropped from 8 *per cent* of GDP in 1992-93 to 7.4 *per cent* in 1996-97.
- **Union Excise duty** went up by 46 *per cent* in 1996-97 over 1992-93 while **Customs duty** went up by 80.2 *per cent* over the same period. Over the two decades 1976-1997 the **Customs duty** as percentage of the GDP increased from 1.83 to 3.36 while the **Central Excise duty** dropped from 4.97 to 3.52.
- **Non tax Revenues** dropped from 6.49 *per cent* of GDP in 1992-93 to 6.15 *per cent* in 1996-97.
- The actual collection of both **Direct and Indirect Taxes** was significantly lower than the estimates.
- The receipt from **dis-investment** of the Government's shareholding in Public Sector Units was uniformly negligible with reference to the estimated receipts during 1993-94, 1995-96 and 1996-97. During 1996-97, the actual receipt on account of this was only Rs 380 crore against the estimate of Rs 5000 crore.

Expenditure of the Union Government

- The total **expenditure** from the **Consolidated Fund** of the Union Government, as distinct from the total disbursements, consists of the revenue and capital expenditure including loans and advances paid by the Union Government. The total expenditure of the Union Government increased by 58 *per cent* to Rs 271111 crore in 1996-97 from Rs 170999 crore in 1992-93 but as percentage of the GDP it came down from 24.33 to 21.23 over

the same period. During the same period the **Revenue Receipts** also came down from 17.11 to 16.23 *per cent* of the GDP.

- While in terms of the percentage increase over the period 1992-93 to 1996-97, the **Revenue Receipts** registered an impressive increase of 72 *per cent*, in terms of the absolute value, the total expenditure of the Government increased by Rs 100112 crore while the **Revenue Receipts** increased by Rs 86955 crore, necessitating greater dependence on the borrowed funds.
- As a proportion to total expenditure, the expenditure on economic services declined from 34.1 *per cent* in 1992-93 to 31.09 *per cent* in 1996-97. As a proportion to GDP, it declined from 8.3 *per cent* to 6.60 *per cent* over the same period.
- **Revenue Expenditure** as percentage of the GDP came down from 18.89 in 1992-93 to 17.73 in 1996-97. However, in absolute value it increased from Rs 132794 crore in 1992-93 to Rs 226372 crore in 1996-97. Out of this, the interest payment increased from 4.42 *per cent* of the GDP to 4.66 *per cent*.
- **Revenue Expenditure** during 1996-97 constituted 83.50 *per cent* of the total expenditure while capital expenditure booked in accounts was only 5.79 *per cent*. This was significantly lower than 1986-87, when the capital expenditure accounted for 13.35 *per cent* and the Revenue expenditure was only 70.34 *per cent* of the total expenditure.

Interest payments

- **Interest payments** by the Government increased from Rs 31075 crore (23 *per cent* of revenue expenditure) in 1992-93 to Rs 59478 crore (26 *per cent* of the revenue expenditure) in 1996-97. It constituted 26 *per cent* of total Revenue Expenditure and absorbed 63 *per cent* of the net Tax Revenue. The growth of 91 *per cent* in interest payment over the last five years far outstripped the growth in overall Revenue expenditure of 70 *per cent*.

Subsidies

- **Explicit subsidies** in 1996-97 increased to Rs 16210.59 crore from Rs 12876.48 crore in 1995-96. During 1996-97 the explicit subsidies registered a quantum jump by 25.89 *per cent* over the previous year from a relatively stable position during the last four years. 53 *per cent* of the explicit subsidy was applied to fertilizer.
- Of the many **implicit subsidies**, the Union Government provided subsidy of Rs 1477 crore to the State Governments by charging lower interest on the **loans against the small savings collection**. Another form of implicit subsidy amounting to Rs 1198 crore was the difference between the interest paid by the Government to the **nationalised banks** on re-investment of the share capital released by them in the form of securities and dividend paid by the banks on the investment by the Government. Another form of implicit subsidy was

on account of investment in the PSUs in the background of negligible return as indicated in the succeeding paragraph.

Investment and return

- Public sector companies and corporations paid **dividend** of a mere *2.97 per cent* on the total progressive investment of Rs 53194 crore.
- Eighteen PSUs registered post tax profit of Rs 679.20 crore during 1995-96. But they did not pay any dividend to Government during 1996-97 in violation of the orders of the Ministry of Finance.
- The nationalised banks paid dividend of only Rs 209.77 crore on the total progressive investment of Rs 13146 crore towards the share capital, while the Government paid Rs 1408.04 crore as interest to the nationalised banks on the re-investment by the banks of the share capital released by the Government.

Debt of the Union Government

- Total **liability** of the Union Government, which consisted of the internal borrowings, external borrowings and balances in the Public Account utilised as resource by the Government, increased by *60 per cent* over the last five year period from Rs 480467 crore in 1992-93 to Rs 770513 crore in 1996-97, at the current rate of exchange for the external debt. At the historical rate of exchange, the total liability increased from Rs 401923 crore in 1992-93 to Rs 675675 crore in 1996-97. Thus, the Union Government utilised borrowed funds aggregating Rs 321013 crore (net) during the last five years.
- The total liability consisted of **internal debt** of Rs 344475 crore, **external debt** at the current rate of exchange of Rs 149077 crore, **Small Savings, PF** etc. of Rs 239042 crore and Reserve Funds & Deposits of Rs 37919 crore. Major additions to the total liability of the Government were Rs 145375 crore on account of the internal debt and Rs 102240 crore on account of Small savings, Provident Funds etc over the last five years.
- While *53.4 per cent* of the internal debt was made of the **market borrowings** (Rs 184028 crore), *18.8 per cent* consisted of outstanding Treasury Bills (Rs 64760 crore) and *20.6 per cent* consisted of Treasury Bills converted into securities (Rs 71000 crore).
- The share of outstanding Treasury Bills in the total internal debt increased consistently from *14.76 per cent* in 1992-93 to *18.80 per cent* in 1996-97.
- Government ended up raising net market loans much beyond the amounts budgeted for during all four years viz. 1993-97. The actual net borrowings, after repayments were between 5.16 and 9.18 times the estimated net borrowings. During 1996-97, the net

market loans of Rs 19093 crore raised exceeded the estimates of Rs 3700 crore by Rs 15393 crore.

- **Unutilised committed external assistance** stood at Rs 44771 crore at the end of March 1997. The Union Government paid commitment charges of Rs 93.77 crore on unutilised external assistance during 1996-97, which was the highest during the last five years.
- The pressure of repayment of the principal and payment of interest on the market loans and external debt have already turned the market loans during 1996-97 and external debt since 1994-95 into an **application rather than a resource during 1996-97**. In order to use these channels as a net resource after repayment of the principal and payment of the interest, Government will be compelled to borrow more, exerting still more pressure on the budget in the coming years.

Deficit

- **Fiscal Deficit** of Rs 66733 crore during 1996-97 exceeded the Budget and Revised Estimates by Rs 4467 and Rs 3602 crore respectively, despite deferring the implementation of the recommendations of the Fifth Pay Commission for which Rs 4000 crore were provided.
- Actual **Fiscal Deficit** during 1996-97 was 5.2 per cent of the GDP against five per cent projected in the budget speech of the Finance Minister. Much of the reduction of the Fiscal Deficit from 7.5 per cent of the GDP during 1993-94 to 5.2 per cent in 1996-97 has been achieved by compression of the capital expenditure.
- Government has not been able to meet even the Revenue Expenditure out of its Revenue Receipts. About half of the borrowed funds are applied to the Revenue Expenditure. The balance is used for Capital Expenditure and Loans & Advances.
- **Revenue Deficit** of Rs 32654 crore during 1996-97 exceeded the Budget and Revised Estimates by Rs 1179 crore and Rs 4449 crore respectively.
- **Overall Deficit** during the year was Rs 13184 crore against the Budget Estimate of Rs 6578 crore and Revised Estimates of Rs 6900 crore.
- The position of **Monetised Deficit** improved significantly during 1996-97 to Rs 1934 crore from Rs 19855 crore during 1995-96.

Completeness and accuracy of accounts

- The completeness and accuracy of Accounts of the Union Government were affected by (i) large balances under suspense heads awaiting final clearance (ii) adverse balance in the accounts and (iii) minus expenditure qualified by foot notes to the Accounts.
- The accuracy of the accounts was also compromised by reflecting the external loans at the historical rate of exchange rather than at their current exchange rates.

Appropriation Accounts

At a glance: (Civil ministries and UTs)

	Total number of grants		94
Of which			
	Departmentalised	91	
	Non-departmentalised	3	
	Total provision *		Rs 420902.71 crore
Of which			
	Original	Rs 413575.85 crore	
	Supplementary	Rs 7326.86 crore	
	Provision for recoveries		Rs 6586.72 crore
	Total net provision		Rs 414315.99 crore
	Total gross expenditure #		Rs 376671.49 crore
Of which			
	Revenue		
	Voted	Rs 81398.69 crore	
	Charged	Rs 86785.12 crore	Rs 168183.81 crore
	Capital		
	Voted	Rs 14917.65 crore	
	Charged	Rs 193570.03 crore	Rs 208487.68 crore
	Recoveries in reduction of expenditure		
	Voted	Rs 6121.51 crore	
	Charged	Rs 6.04 crore	Rs 6127.55 crore
	Total net expenditure		Rs 370543.94 crore
	Savings with reference to gross provision and expenditure		Rs 44231.22 crore

*This does not include the figures of Railway, Defence and P&T

Includes repayments of debt

Savings

- The saving of Rs 44231.22 crore constituted 10.51 per cent of the total authorisation. It was six times the supplementary grant/appropriation of Rs 7326.86 crore. Excluding the savings due to the less repayment of 91 days *Ad hoc* Treasury Bills on account of less drawal and consequent less payment of interest on it, the effective savings were Rs 14744.43 crore.
- In 27 cases of 21 grants and four appropriations, savings of Rs 9360.63 crore and Rs 32869.98 crore respectively were in excess of Rs 100 crore.

- Large savings occurred in developmental areas. Some of the major savings were in the Ministries of Agriculture (Rs 631 crore), Chemicals and Fertilisers (Rs 442 crore), Rural Areas and Employment (Rs 837 crore), Industry (Rs 285 crore) and Water Resources (Rs 402 crore), Departments of Expenditure (Rs 4000 crore), Health (Rs 122 crore), Education (Rs 792 crore), Urban Development (Rs 111 crore) etc. Some of the schemes in these areas failed to take off during the year as per the plan.
- In 33 cases involving 28 grants and one appropriation, savings of Rs 1542.76 crore and Rs 50 crore respectively, were between Rs 100 crore and 20 crore.
- In 20 voted grants and 21 appropriations, concerned ministries/departments did not surrender the savings.

Excess expenditure over authorisation

- In five grants and two appropriations, the expenditure exceeded the **authorised** amount by Rs 67.29 crore in civil ministries, which requires regularisation in terms of Article 115 (1)(b) of the Constitution.
- Of the excess expenditure during the year, one grant (No.82 – Urban Development, Urban Employment and Poverty Alleviation) alone accounted for Rs 50.15 crore.

Charged expenditure

- The Charged expenditure of civil ministries constituted between 66 and 74 *per cent* of the total expenditure during 1992-97.
- The scope of the financial control gets limited to a relatively small portion of the total expenditure because charged expenditure is not subject to vote by Parliament.

Re-appropriations

- Re-appropriations in 44 sub heads in 27 grants/appropriations were injudicious. The original provision under those heads to which the amounts were re-appropriated could not be utilised and the re-appropriated amounts remained totally unutilised.
- In 11 sub heads in eight grants/appropriations, from which ministries approved re-appropriations ultimately ended up with excess.

March rush

- Ministries/departments incurred large part of expenditure in the month of March.
- Expenditure incurred in March 1997 relating to 19 major heads in 11 grants/appropriations constituted 61.22 *per cent* of the total expenditure.
- Most of the expenditure on grants, loans and investments etc. were released only in March.

Expenditure on New Service

- In nine cases the expenditure by the Ministry of Finance, Department of Education, Department of Culture, , U.T. Chandigarh (Ministry of Home Affairs), Ministry of Labour and Department of Urban Development, Urban Employment and Poverty Alleviation infringed the provisions relating to New Service or New Instrument of Service.

Supplementary grants

- Supplementary grants in 15 cases relating to 15 grants were unnecessary since the actual expenditure under them were less than the original provision.

Ministry of Labour

- Ministry failed to utilise Rs 88.57 crore in the Revenue (voted) section during the year.
- Persistent savings ranging between 39 and 100 *per cent* occurred in grants in aid to State Government for Centrally Sponsored Plan Schemes.
- Ministry also failed to utilise funds ranging between 10 and 87 *per cent* of allocated funds for labour welfare programme such as Iron, Manganese Chrome Ore Mines Labour Welfare, Limestone and Dolomite Mines Labour Welfare, Improvement in working condition of child/women labour etc.

Ministry of Welfare

- In the voted portion of Revenue section during 1996-97, there was gross saving of Rs 144.61 crore under some heads which was offset by excess expenditure of Rs 135.49 crore under other heads, resulting in net saving of Rs 9.12 crore.
- There were persistent savings between 13 and 99 *per cent* under schemes for welfare of Scheduled Castes and Scheduled Tribes, Child Welfare etc.
- Ministry failed to utilise entire provision relating to "National Rehabilitation Programme for the Handicapped and National Trust for the Mentally Retarded and Cerebral Palsy" during each of the three years 1994-97.

Department of Atomic Energy

- The Department re-appropriated Rs four crore from plan to non-plan without the prior approval of the Ministry of Finance.
- There were persistent savings between 15 and 91 *per cent* of the provision under Modernisation and Replacement Schemes of existing plants, New Zircology Fabrication Plant, Variable Energy Cyclotron Centre and Nuclear Power Board etc.

Ministry of Urban Affairs and Employment

- Department of Urban Development, Urban Employment and Poverty Alleviation failed to utilise net saving of Rs 110.85 crore in Revenue (voted) section.
- Savings between 28 and 100 *per cent* of the provision took place in respect of schemes of Low Cost Sanitation for Liberation of Scavengers, Mega City Scheme, Infrastructure Development, Urban Wage Employment Scheme etc.

Part I

Finance Accounts

1.1 Structure of Government Accounts

Before the Government of India Act, 1935 came into force, the Governor General in Council was the custodian of the Public Account, which was a single account for the whole of India. All the financial transactions of the erstwhile provincial Governments were effected through the central balance and their first effective record was their classification by the Accountant General (AG). The Account of each provincial Government was only a subsidiary account, and the balance of each provincial Government was only an account balance which was worked out by the AG.

Consequent on the coming into force of the Government of India Act, 1935, the balances of the provincial Government were, with effect from 1 April 1937, physically separated from that of the Central Government and a separate Public Account was set up for each Government, into which all moneys received by a Government, whether on revenue account or other account, were paid and credited and from which all disbursements on behalf of that Government were made.

With the adoption of the Constitution, this single Public Account was divided into three separate parts in which the transactions of the Union Government and of each State Governments are recorded; viz. (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

(i) Consolidated Fund

All revenues received by the Union Government, all loans raised by issue of treasury bills, of the internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled "The Consolidated Fund of India" established under Article 266(1)

(ii) Contingency Fund

Contingency Fund of India established under Article 267(1) of the Constitution is in the nature of an imprest placed at the disposal of the President to enable him to make advances to meet urgent unforeseen

expenditure, pending authorisation by the Parliament. Approval of the legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

(iii) Public Account

Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(3) of the Constitution and the connected disbursements are also made therefrom. Generally speaking, Public Account funds do not belong to Government and have to be paid back some time or the other to the persons and authorities who deposited them. Parliamentary authorisation for payments from the Public Account is, therefore, not required.

It is noteworthy here that, whereas in the case of the Consolidated and Contingency Funds, these have been named as FUND, in the case of Public Account, it is only an ACCOUNT.

The table below depicts a summary of the accounts of the Union Government for the five years ending 1996-97.

Table 1.1 : Summarised Accounts of Consolidated Fund and Public Account

	(Rupees in crore)				
	1996-97	1995-96	1994-95	1993-94	1992-93
Opening cash balance	2829	1174	2402	1380	1919
Consolidated Fund receipts	412911	357933	316391	296802	227238
Consolidated Fund disbursements	441559	379902	354133	316793	242709
Surplus/deficit in C.F.I	(-)28648	(-)21969	(-)37742	(-)19991	(-)15471
Public Account receipts	127327	113005	107671	89753	72827
Public Account disbursements	99134	89381	71157	68740	57895
Surplus/deficit in Public Account	28193	23624	36514	21013	14932
Closing cash balance at the end of the year	2374	2829	1174	2402	1380

Article 266 of the Constitution of India provides that "No moneys out of the Consolidated Fund of India or the Consolidated Fund of State shall be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution". This provision read with Articles 112 and 114, culminates in the Appropriation Act after

the Demand for Grants of a financial year are voted by the Lok Sabha, and the connected Appropriation Bill is passed by the Parliament and assented to by the President of India. Also, Sections 2 and 3 of the Appropriation Act provide as under :

‘From out of the Consolidated Fund of India, there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate towards defraying the several charges which will come in course of payment during the financial year in respect of the services specified in column 2 of the Schedule.

The sums authorised to be paid and applied from and out of the Consolidated Fund of India by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year’.

It would be observed from the table 1.1 above that the amount of withdrawal during each year exceeded the amount available in Consolidated Fund of India. Public Account of India, comprising money which does not belong to Government, is being used for expenditure. In that sense, to the extent the balances in the Public Accounts are used for disbursements from the Consolidated Fund of India, it constituted a borrowing by the Government.

1.2 Annual Accounts

The accounts of the Union Government are prepared in six volumes, viz., the Finance Accounts covering the consolidated position of the Union Government and Appropriation Accounts relating to Civil Ministries, Postal Services, Telecommunications, Defence Services and Railways. The Finance Accounts present the details of all the transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts on the other hand, present the details of amounts actually spent by Government vis-à-vis the amounts authorised by the Parliament in the budget grants. Any expenditure in excess of the grants requires regularisation by the Parliament.

Annual Accounts of the Union Government are presented as one volume of Finance Accounts and five volumes of Appropriation Accounts.

Audit Reports of the CAG are presented in different volumes based on the categories of transactions.

1.3 Audit Reports of the CAG

The Finance Accounts and the Appropriation Accounts as well as various transactions in these accounts are audited by the Comptroller & Auditor General of India in accordance with the CAG's (Duties, Powers & Conditions of Service) Act, 1971. CAG certifies the accounts and also submits Audit Reports to the President in terms of Article 151 of the Constitution of India.

CAG's Audit Reports on the accounts of the Union for the year ended March 1997 are structured as follows:

Report No.	Containing observations on
1 of 1998	Union Government (Civil) Volume I - Accounts of the Union Government
2 of 1998	Union Government (Civil) Volume II - Transaction Audit Observations
3 of 1998	Union Government (Civil) Volume - III - Performance Reviews
4 of 1998	Union Government : Other Autonomous Bodies
5 of 1998	Union Government : Scientific Departments
6 of 1998	Union Government : Post & Telecommunications
7 of 1998	Union Government : Defence Services(Army & Ordnance Factories)
8 of 1998	Union Government : Defence Services (Air Force & Navy)
9 of 1998	Union Government : Railways
10 of 1998	Union Government : Indirect Taxes (Customs)
11 of 1998	Union Government : Indirect Taxes (Central Excise)
12 of 1998	Union Government : Direct Taxes

In addition to these, several Audit Reports (Commercial) are also submitted to the President on the working of public enterprises under the Union Government.

1.4 Finance Accounts

Unlike the Appropriation Accounts, which include the expenditure against the authorisation from the Consolidated Fund of India, the Finance Accounts deal with the details of receipt and disbursement from all three parts of Government accounts viz. the Consolidated Fund, the Public

Account and the Contingency Fund. They comprise the accounts of the Union Government as a whole, incorporating transactions of Civil Ministries, Defence, Posts, Telecommunications and Railways. They represent the accounts of receipts and outgoings from the Consolidated Fund of India and the Public Account along with the accounts of public debt and other liabilities as recorded in the accounts.

The Finance Accounts are presented in two parts: Part I containing Summarised Statements and Part II containing Detailed Accounts and other statements. Apart from the summary of all the transactions in the Government Account, the Finance Accounts contain the following statements:

- (a) Summary of debt position
- (b) Loans and advances by Union Government
- (c) Guarantees given by the Union Government
- (d) Summary of balances

These are supported by detailed statements of revenue receipts, capital receipts, revenue and capital expenditure, investments made by Government and detailed account of debt liabilities and other public account transactions as well as account of the Contingency Fund.

1.5 Price trends and GDP growth

As per the Reserve Bank of India's Annual Report 1996-97, the annual inflation rate measured in terms of the wholesale price index for all commodities on the end of period basis moved up to 6.9 *per cent* in 1996-97 as compared to five *per cent* in 1995-96. However, on average basis it declined to 6.4 *per cent* as compared to 7.8 *per cent* in 1995-96. There were a substantial differences in the rate of inflation between the whole sale price index and consumer price index both in 1995-96 and 1996-97. On an average basis the consumer price indices were 10 *per cent* and 9.4 *per cent* during 1995-96 and 1996-97 respectively.

The trend of real growth of GDP along with sectoral composition for the last two decades was as under:

Table 1.5 : Real growth of GDP**(Rupees in crore)**

Year	Real GDP		
	Agriculture and allied	Industry (incl manufacture)	Services
1996-97	77564	92240	127041
1986-87	53281	46382	63608
1976-77	42085	27229	36966
Sectoral composition in real GDP			
1996-97	26.1	31.10	42.80
1986-87	32.6	28.4	39.0
1976-77	39.6	25.6	34.8

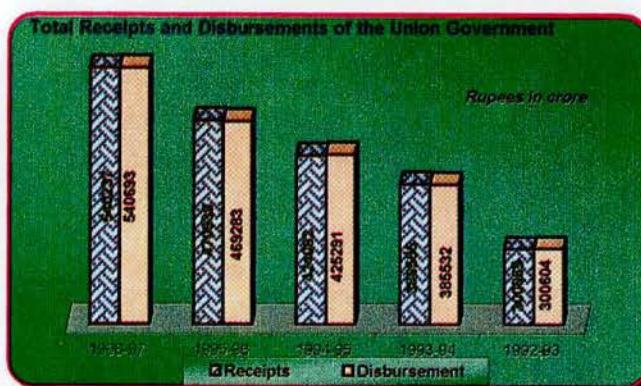
It is pertinent to mention that growth of agriculture and allied sector increased from Rs 42085 crore in 1976-77 to Rs 77564 crore in 1996-97, which constituted an increase of 84.3 *per cent*. On the other hand, increase of service sector was 243.7 *per cent* over the same period. The increase of Industry sector (including manufacturing) was 238.8 *per cent* over the same period.

1.6 Analysis and Audit findings

In the chapters that follow, an analysis of various important facets of the figures included in the Finance Accounts has been presented. Wherever possible, a trend spanning a period of five years or more has been presented for a balanced appreciation. The observations pertaining to the correctness and validity of accounts are based on the test check of accounts and detailed scrutiny in selected areas.

CHAPTER II : Overview of Accounts

2.1 Receipts and disbursements



The total receipts and disbursements of the Union Government during the last five years were as under :

2.1 : Receipts and disbursements

(Rupees in crore)

Year	Receipts		Total	Disbursements		Total
	Revenue	Capital		Revenue	Capital	
1996-97	193718	346519	540237	226372	314321	540693
1995-96	168571	302368	470939	198302	270981	469283
1994-95	146670	277392	424062	177699	247592	425291
1993-94	119602	266953	386555	152317	233215	385532
1992-93	114220	185845	300065	132794	167810	300604

2.1.1 Analysis of receipts

Share of borrowed funds in the receipt of Consolidated Fund of India increased to 61.5 per cent.

The total gross receipts of the Union Government increased from Rs 300065 crore in 1992-93 to Rs 540237 crore in 1996-97, which constituted an increase of 80 per cent. Of the total receipts, borrowed funds constituted 58.3 per cent and 61.5 per cent during 1992-93 and 1996-97 respectively. Thus, more than half of the receipts of the Union Government came through borrowed or repayable funds such as public debt, provident funds, small savings etc. Excluding the 91 days ad hoc treasury bills the gross receipts was Rs 450632 crore against the gross disbursements of Rs 455773 crore.

2.1.2 Analysis of disbursement

60 per cent of total disbursements was applied towards debt servicing.

Similarly, a major portion of the total disbursement of the Union Government was utilised towards repayment of borrowed funds. 42.4 per cent of the total disbursement was applied to repayment of debt during 1992-93. It rose to 48.7 per cent during 1996-97. Furthermore, 10.3 per cent of the total expenditure was consumed towards interest payment on the borrowed funds during 1992-93 which increased to 11 per cent during 1996-97. Thus, nearly 60 per cent of the total disbursement was for the servicing of debt and other liabilities.

2.2 Debt and capital expenditure

The growth of debt as compared to the capital expenditure of the Union Government was as under:

Table 2.2(i) : Growth of debt and capital expenditure

(Rupees in crore)

Year	Total outstanding debt*	Total progressive capital expenditure (including loans and advances)	% of capital expenditure to debt	Revenue deficit
1996-97	675676	433130	64.10	(-) 32654
1986-87	166546	144069	86.50	(-) 7579
1976-77	33607	36791	109.47	(+) 280

In 1976-77 the entire debt raised was used for capital formation purposes, which slipped to 64 per cent by 1996-97.

The total liabilities of the Union Government reckoning external debt at historical cost increased from Rs 33607 crore in 1976-77 to Rs 675676 crore in 1996-97, which constituted an increase of 1910.5 per cent. At the same time, the total progressive capital formation expenditure and lending of the Union Government increased by 1077.3 per cent only over the same period.

It is noteworthy to mention that during 1976-77, the total progressive capital expenditure (capital + loan) was 109.5 per cent of the total debt outstanding as on 31 March 1977. In other words, the entire debt was being utilised towards asset creating expenditure. This trend deteriorated in the subsequent years and the gap between debt and capital expenditure widened.

* External debt at historical cost

During 1996-97, the total asset creating expenditure (capital formation + loans and advances) constituted only 64 *per cent* of the total debt outstanding as on 31 March 1997. The above position worsened due to steep climb in revenue deficit which deteriorated from a surplus of Rs 280 crore in 1976-77 to a deficit of Rs 32654 crore in 1996-97. However, the total progressive capital expenditure are net of expenditure met from recoveries/revenues and various reserve and development funds.

During 1996-97, the internal borrowings increased to Rs 621437 crore from Rs 554984 crore in 1995-96. Similarly, the external debt at historical cost increased from Rs 51249 crore to Rs 54239 crore. The total debt burden of the Union Government at the end of the year 1995-96 was Rs 675676 crore (55 *per cent* of the GDP). If the external debt is translated at the rate of exchange on 31 March 1997, the total debt burden will be Rs 770513 crore, which is 60 *per cent* of GDP* at the current market rate.

It is noteworthy that all the deficits viz. fiscal, revenue and budgetary exceeded the Budget Estimates for 1996-97 as evidenced by the table given below :

Table 2.2(ii) : Comparison of deficit with Budget Estimates

(Rupees in crore)

Deficit	Budget Estimates	Actual	Increase over the BE
Revenue	31475	32654	1179
Fiscal	62266	66733	4467
Budgetary	6578	13184	6606

All deficits outstripped Budget Estimates.

Measures taken to control the deficits were not successful in limiting them to budgeted figures.

2.3 Impact of debt on sectoral spending

The increasing burden of servicing of debt and other liabilities, claimed more than the entire revenue receipts of Union Government and constituted 57 *per cent* of the total disbursement. The compulsion to service debt while containing the deficit has been at the cost of key sectors, where outlays have decelerated or in some cases contracted, as discussed in Chapter IV.

* Quick Estimates : Rs 1276974 crore

2.4 Reporting parameters

In all chapters in this Report, for the facility of comparison, changes in receipts and expenditure of all sectors have been presented in terms of quick estimates of GDP for 1996-97 at market prices notified by the Central Statistical Organisation. For the earlier years also, the quick estimates figures of GDP were used for analysis. Though after presentation of every year's Audit Reports, final figures of GDP are available, the quick estimates used in earlier Reports have been used for the relevant years to maintain uniformity. All other figures from the Finance Accounts have been suitably rounded off, wherever necessary.

2.5 Summary of financial position

A detailed statement of the financial position of the Union Government during the last five years is enclosed at Appendix I.

3.1 Revenue receipts



Revenue receipts consist of tax revenue, non-tax revenue and others. Tax revenue comprises proceeds of taxes and other duties levied by the Union Government viz. taxes on income and expenditure, customs, union excise duty etc.

Non-tax revenue comprises of interest receipts, dividends and profits, miscellaneous general services, broadcasting, petroleum, power, railways, postal and telecommunications receipts etc.

An analysis of total gross revenue receipts during the last five years shows the following :

Table 3.1 : Growth of revenue receipts

(Rupees in crore)

Year	Actual Receipts (gross)*	Increase over the previous year	% age increase	% age of GDP
1996-97	207234	27389	15.22	16.23
1995-96	179845	24615	15.85	16.37
1994-95	155230	27861	21.87	16.41
1993-94	127369	7090	5.89	15.90
1992-93	120279	15345	14.62	17.11

Revenue receipt dropped from 17.11 per cent to 16.23 per cent of GDP over the last five years.

Revenue receipts increased from Rs 120279 crore in 1992-93 to Rs 207234 crore in 1996-97, which constituted an increase of 72.29 per cent. However, as percentage of GDP it declined by 0.88 percentage point

* Inclusive of share of net proceeds of taxes on income other than corporation tax and State's share of union excise duties.

over the same period. Revenue receipts constituted 16.23 *per cent* of the GDP during 1996-97 and registered 0.14 percentage point decrease over the previous year. In absolute terms the revenue receipts increased from Rs 179845 crore in 1995-96 to Rs 207234 crore in 1996-97, which constituted an increase of 15.22 *per cent* against the percentage growth of 15.85 *per cent* during 1995-96.

The rise in revenue receipts during 1996-97 is mainly attributed to increase in corporation tax (Rs 2079 crore), taxes on income other than corporation tax (Rs 400 crore), customs duty (Rs 7094 crore), union excise duties (Rs 4821 crore), interest tax (Rs 542 crore), service tax (Rs 198 crore), interest receipts (Rs 3689 crore), miscellaneous general services (Rs 192 crore), dividends & profits (Rs 987 crore), broadcasting (Rs 209 crore) telecommunication receipt (Rs 2506 crore) and railways commercial lines revenue receipt (Rs 1881 crore).

3.2.1 Tax revenue

The trend of the gross tax revenue during the last two decades including the five years of current decade was as under :-

Table 3.2.1 : Growth of tax revenue

(Rupees in crore)

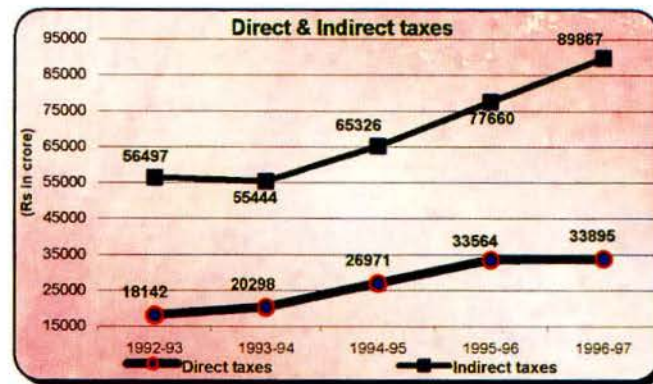
Year	Tax revenue	Total revenue	% age of tax revenue to total revenue receipt	% age of GDP
1996-97	128762	207234	62.13	10.08
1995-96	111224	179845	61.84	10.12
1994-95	92297	155230	59.45	9.76
1993-94	75742	127369	59.46	9.45
1992-93	74639	120279	62.05	10.62
1986-87	32828	52492	62.54	11.21
1976-77	8261	13219	62.49	9.73

Tax revenue slipped from 10.62 *per cent* to 10.08 *per cent* of GDP over the last five years.

The total gross tax collection of the Union Government increased from Rs 74639 crore in 1992-93 to Rs 128762 crore in 1996-97 which constituted an increase of 72.51 *per cent*. As percentage of GDP, tax revenue has been oscillating around 10 *per cent* without significant break through. The growth of tax revenue which showed a substantial increase of 21.85 *per cent* in 1994-95 over the previous year declined to 15.76 *per cent* in 1996-97.

The share of tax revenue as percentage of GDP increased from 9.73 per cent in 1976-77 to 11.21 per cent in 1986-87, but came down to 10.08 per cent in 1996-97. Similarly the share of tax revenue in revenue receipts, which was 62.49 per cent and 62.54 per cent during 1976-77 and 1986-87 respectively remained stagnant at 62.13 per cent in 1996-97. Detailed observations on tax revenue (direct and indirect) are contained in CAG's Reports No. 10, 11 and 12 of 1998 on Revenue Receipts.

3.2.2 Direct and indirect taxes



The gross collection of direct taxes and indirect taxes during the last five years was as under :

Table 3.2.2 : Growth of direct and indirect taxes

(Rupees in crore)

Year	Direct taxes gross	As %age of GDP	As %age of tax revenues	Indirect taxes	As %age of GDP	As %age of tax revenues
1996-97	38895	3.05	30.21	89867	7.03	69.79
1995-96	33564	3.06	30.18	77660	7.1	69.82
1994-95	26971	2.85	29.22	65326	6.9	70.78
1993-94	20298	2.53	26.80	55444	6.9	73.20
1992-93	18142	2.58	24.31	56497	8.0	75.69

Share of indirect taxes in total tax revenue declined.

Over the five year period 1992-97 the direct taxes (gross) increased by 114 per cent from Rs 18142 crore to Rs 38895 crore. During the same period the indirect taxes increased by only 59 per cent from Rs 56497 crore to Rs 89867 crore. During this period the direct taxes as percentage of GDP increased from 2.58 per cent to 3.05 per cent, while the indirect taxes dropped from eight per cent to 7.4 per cent.

As percentage of total tax revenue the direct taxes went up from 24.31 per cent in 1992-93 to 30.21 per cent in 1996-97, while the share of indirect taxes declined from 75.69 per cent to 69.79 per cent.

3.2.3 Actual collection vis-a-vis estimates

The actual gross collection of both direct taxes and indirect taxes during 1996-97 were lower than the estimates as under :

Table 3.2.3(i) : Comparison of tax revenue with Budget Estimates

(Rupees in crore)

Tax	Budget Estimates	Revised Estimates	Actual	Difference	
				from BE	from RE
Direct	38883	40043	38895	(-) 12	(-) 1148
Indirect	92928	91935	89867	(-) 3061	(-) 2068

Collection both direct and indirect taxes fell short of the estimates.

It would be seen from the above that the actuals were much lower with reference to both the Budget Estimates and the Revised Estimates. The difference was more pronounced in indirect taxes.

The major components of direct and indirect taxes were as under :

Table 3.2.3(ii) : Major components of direct taxes and indirect taxes

(Rupees in crore)

	BE	RE	Actual	Difference	
				from BE	from RE
Direct taxes					
Corporation tax	19600	19010	18567	(-) 1033	(-) 443
Taxes on income	17843	18843	18234	391	(-) 609
Interest tax	1250	2000	1712	462	(-) 288
Indirect taxes					
Customs	44435	44135	42851	(-) 1584	(-) 1284
Union excise duties	46883	46190	45008	(-) 1875	(-) 1182
Service tax	970	970	1059	89	89

Corporation tax, custom and union excise duties fell short of BEs and all tax revenues, except service tax fell short of the REs.

The above three components viz. corporation tax, income tax and interest tax constituted 99 per cent of the direct taxes. The corporation tax fell short by Rs 1033 crore over Budget Estimates and Rs 443 crore over Revised Estimates. The actual receipt of other two components was also lower than the Revised Estimates. These fell short by Rs 609 crore and Rs 288 crore respectively over the Revised Estimates for the year 1996-97.

Customs duty, union excise duties and service tax also constituted 99 per cent of the total indirect taxes. The customs receipt and union excise duties also fell short over the Budget Estimates as well as the Revised Estimates.

Different taxes and duties collected by the Union are assigned to/distributed among the States partly or entirely under Article 269 (duties and taxes relating to succession to property other than agricultural land, estate duty in respect of property, taxes on railway fares and freights, taxes other than stamp duties on transactions in stock-exchange and futures markets etc.), Article 270 (taxes on income other than agricultural income) and Article 272 (net proceeds of union excise duties) of the Constitution of India.

During the last five years the assignment of net proceeds of taxes and duties under the Constitution among the States was as under :

Table 3.2.3(iii) : Transfer to States

(Rupees in crore)

Year	Transfer/assignment to States under Article				Net tax revenue of Union Government after transfer to States	Net revenue receipts of Union Government	%age of gross revenue receipts assigned to States
	269	270*	272	Total			
1996-97	17	13516	21545	35078	93684	172156	17
1995-96	16	11274	18011	29301	81923	150544	16
1994-95	14	8560	16283	24857	67440	130373	16
1993-94	58	7767	14473	22298	53444	105071	17.5
1992-93	58	6059	14465	20582	54056	99697	17

The assignment/transfer of taxes and duties collected by the Union Government during 1996-97 with reference to the budget provision was as under :

Table 3.2.3(iv) : Comparison of taxes assigned to States with Budget Estimates

(Rupees in crore)

Items	Actual collection (gross)	Assigned to States			Net tax revenue to Union	%age of shareable taxes assigned to States
		Budget Estimates	Revised Estimates	Actual		
Land revenue and stamp duty	17	13	13	17	-	100
Taxes on income other than corporation tax	18234	13024	13529	13516	4718	74
Union excise duties	45008	21427	21578	21545	23463	48
Total	63259			35078	28181	55

* Derived from the Finance Accounts

3.2.4 Customs and excise duties

The growth of customs and gross union excise receipts during last two decades and during the last five years which are the major components in the entire tax revenue was as under:

Table 3.2.4(i) : Custom and union excise duty

(Rupees in crore)

Year	Customs	As percentage of GDP	Excise	As percentage of GDP	Percentage share of manufacturing sector in GDP
1996-97	42851	3.36	45008	3.52	22.6
1995-96	37757	3.44	40187	3.66	22.28
1994-95	26789	2.83	37347	3.95	21.00
1993-94	22193	2.77	31697	3.96	20.43
1992-93	23776	3.38	30832	4.39	19.97
1986-87	11475	3.92	14470	4.94	19.8
1976-77	1554	1.83	4221	4.97	17.5

Customs duty increased by 27.57 times from Rs 1554 crore in 1976-77 to Rs 42851 crore in 1996-97. On the other hand, growth of excise duty was only about 10.66 times over the same period, though the share of manufacturing sector in the GDP increased from 17.5 *per cent* in 1976-77 to 22.6 *per cent* in 1996-97. As percentage of GDP, the custom duty increased from 1.83 to 3.36 over the period 1976-77 to 1996-97, the union excise duty dropped from 4.97 to 3.52 during the same period.

The growth of custom and union excise receipts and the collection charges during the last five years was as under :

Table 3.2.4(ii) : Customs and union excise duties and collection charges

(Rupees in crore)

Year	Customs duty	Collection charges	Excise duty	Collection charges
1996-97	42851	336	45008	335
1995-96	37757	280	40187	292
1994-95	26789	244	37347	254
1993-94	22193	155	31697	224
1992-93	23776	149	30832	197

Customs duty grew at a much faster rate than the union excise duties.

The growth of customs duty during the five years since liberalisation of economy in 1992-93 was 80.2 per cent in 1996-97 over 1992-93, whereas the growth of excise duty was only 46 per cent over the same period. The share of manufacturing sector in GDP increased from 20 per cent in 1992-93 to 22.6 per cent in 1996-97.

It is interesting to note that the collection charges of excise duty increased from Rs 197 crore in 1992-93 to Rs 335 crore in 1996-97, which constituted an increase of 70 per cent against 46 per cent increase in receipts. On the other hand, the collection charges on customs duty increased by 125 per cent over the same period.

Thus, in terms of percentage increase, the collection charges have far outstripped the growth in actual collection.

3.3 Non-tax revenue

The growth of non-tax revenue for the last two decades, including the last five years of the current decade was as under :

Table 3.3 : Growth of non-tax revenue

(Rupees in crore)

Year	Non tax revenue*	As % age of GDP	As % age of total revenue receipt
1996-97	78472	6.15	37.86
1995-96	68621	6.25	38.15
1994-95	62932	6.66	40.54
1993-94	51627	6.44	40.53
1992-93	45641	6.49	37.95
1986-87	19664	6.71	37.46
1976-77	4957	5.84	37.50

*Includes External Grant Assistance and Aid Material and Equipment

Non-tax revenues as percentage of GDP has declined.

In absolute terms, the non-tax revenues increased from Rs 68621 crore in 1995-96 to Rs 78472 crore in 1996-97, which constituted an increase of 14.35 per cent over the previous year. As percentage of GDP it marginally decreased by 0.1 percentage point over the previous year.

The share of non-tax revenue in total gross revenue receipt increased from 37.50 per cent in 1976-77 to 40.54 per cent in 1994-95.

However, it declined to 37.86 per cent in 1996-97. As percentage of GDP it increased from 5.84 per cent in 1976-77 to 6.71 per cent in 1986-87. But it decreased to 6.15 per cent in 1996-97.

3.3.1 Interest receipts and dividends

The components of interest receipt and dividend and profit have been analysed as under :

Table 3.3.1 : Comparison of interest receipts, dividends and profits with non-tax revenue

(Rupees in crore)

	Interest	As % of non tax revenue	Dividend and profit	As % of non tax revenue
1996-97	22119	28.19	6293	8.02
1995-96	18430	26.86	5306	7.73
1994-95	15806	25.12	8304	13.20
1993-94	15078	29.20	2451	4.74
1992-93	12521	27.43	2493	5.46

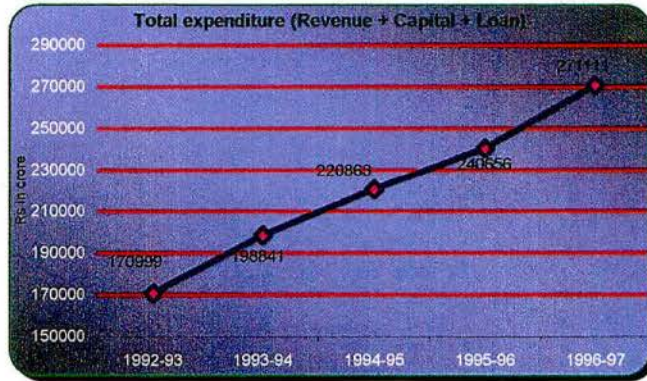
Interest receipts increased from Rs 12521 crore in 1992-93 to Rs 22119 crore in 1996-97, which constituted an increase of 76.7 per cent. The share of interest receipts in non-tax revenue increased from 27.43 per cent in 1992-93 to 29.20 per cent in 1993-94 but decreased to 25.12 per cent in 1994-95. It stood at 28.19 per cent in 1996-97.

Of the total dividend and profits of Rs 6293 crore during 1996-97, Rs 1691.78 crore was dividend from the PSUs, while the share of surplus profits from RBI, LIC, Nationalised Banks and IDBI were Rs 3938.39 crore, Rs 276.37 crore, Rs 209.77 crore and Rs 198.71 crore respectively.

Reserve Bank of India transferred Rs 3938 crore to the Government account during 1996-97. Of this, Rs 2438 crore was transferred to meet the exchange risk liability relating to FCNRA deposits on the outflows of US \$ 2606 million during 01 July 1995 to 30 June 1996 to enable the Union Government to meet the losses without any budgetary provision.

CHAPTER IV : Expenditure of the Union Government

4.1 Trend of expenditure



As against the 'total disbursements', which include the repayment of debt and public account payments, the term 'total expenditure' has been used in this Report to denote all expenditure, both revenue and capital, out of the Consolidated Fund of India, excluding the repayment of debt.

The total expenditure out of the Consolidated Fund of India of the Union Government, excluding the repayment of debt, during the last five years is given below. The figures of total expenditure of Union Government during the last two decades are given in Appendix II.

Table 4.1(i) : Total expenditure of Union Government

(Rupees in crore)

Year	Revenue		Capital		Loans and advances		Total		Grand total	As %age of GDP
	Plan	Non plan	Plan	Non plan	Plan	Non plan	Plan	Non Plan		
1996-97	31668	194704	7671	8033	15737	13298	55076	216035	271111	21.23
1995-96	29021	169281	5786	11758	12417	12393	47224	193432	240656	21.91
1994-95	28304	149395	10543	8723	12932	10966	51779	169084	220863	23.36
1993-94	24890	127427	10879	13771	13658	8216	49427	149414	198841	24.82
1992-93	19862	112932	7023	13563	10561	7058	37446	133553	170999	24.33

Total expenditure as percentage of GDP came down over last five years.

Total expenditure of the Union Government increased from Rs 240656 crore in 1995.96 to Rs 271111 crore in 1996-97 which constituted an increase of 12.65 *per cent* over the previous year. As percentage of GDP it declined from 21.91 *per cent* in 1995-96 to 21.23 *per cent* in 1996-97. During 1996-97 the plan expenditure was 20.32 *per cent* of the total expenditure, whereas the non-plan expenditure was 79.68 *per cent*. However, plan expenditure as percentage of total expenditure increased marginally by 0.7 percentage points in 1996-97 as compared to 1995-96.

Increase in revenue receipts did not match the increase in expenditure, necessitating more dependence on borrowed funds.

The reduction in expenditure as percentage of GDP was attributed largely due to reduction in capital expenditure.

Over the five year period since 1992-93, the total expenditure increased from Rs 170999 crore to Rs 271111 crore, which constituted an increase of over 58 per cent, while the revenue receipts during the same period increased by 72 per cent. However, in absolute terms while the total expenditure increased by Rs 100112 crore, the revenue receipts increased only by Rs 86955 crore increasing the dependence on borrowed funds by about Rs 13157 crore.

The total expenditure of Union Government declined from an average of 26 per cent of GDP during the period 1987-88 to 1991-92, to an average of 23 per cent between 1992-93 and 1996-97. This decline was achieved by (i) reduction in asset creation from 6.48 per cent in 1992-93 to 4.63 per cent in 1996-97 and (ii) compression in expenditure on services provided by Government from 17.76 per cent to 15.78 per cent during the same period. Expenditure on interest payments continued to increase. Over the five year period, the average share of capital expenditure (including loans) in the total expenditure sharply declined from 24.99 per cent during 1987-92 to 19.88 per cent during 1992-97.

Over the last two decades, since 1976-77 the position has been as under :

Table 4.1(ii) : Receipt and expenditure in Consolidated Fund of India

(Rupees in crore)			
Year	Total expenditure	Total receipt	Total deficit
1996-97	271111	202869	68242
1986-87	82333	54458	27875
1976-77	17654	13854	3800

Total deficit in Consolidated Fund of India increased to nearly 18 times over last two decades.

The total expenditure of the Union Government in the Consolidated Fund of India increased from Rs 17654 crore in 1976-77 to Rs 271111 crore in 1996-97, which constituted an increase of 15.36 times. On the other hand, the growth of total receipt was 14.64 times over the same period. As a result of this, total deficit in Consolidated Fund increased from Rs 3800 crore in 1976-77 to Rs 68242 crore in 1996-97, which constituted an increase of 17.96 times.

As would be evident from analysis presented in paragraph 5.2 interest payments on borrowed funds contributed significantly to the increase in the revenue expenditure.

4.2 Sectoral expenditure

In the accounts of Union Government, the transactions are accounted under various heads which, in turn, are grouped into sectors. The expenditure heads are grouped into General Services, Social Services and Economic Services. Specific functions or services are grouped in a sector. For example, Education, Sports, Art and Culture, Health and Family Welfare, Water Supply and Sanitation, Housing and Urban Development etc. are grouped under Social Services. Similarly, Agriculture, Rural Development, Irrigation and Flood Control, Energy, Industry and Mines, Transport Communication, Science, Technology and Environment, Tourism, Foreign Trade and Civil Supplies etc. are included in Economic Services. The General Services on the other hand include the expenditure on organs of State, Collection of Taxes on Commodities and Services, Fiscal Services, Interest Payments, Administrative Services, Defence Services and Pensions.

The sectoral classification, therefore, broadly indicates the expenditure on the group of specific functions and services. Grants-in-aid to State Governments represent a block of distinct expenditure, where detailed utilisation is reflected in the accounts of respective State Governments. These along with loans to State Governments have been analysed separately. A key trend has been movement towards providing services rather than creation of assets.

The sectorwise trend of the expenditure presented on the above basis is analysed in the succeeding paragraphs.

Table 4.2 : Sectoral expenditure of Union Government

(Rupees in crore)

Sector*	1996-97	1995-96	1994-95	1993-94	1992-93
General Services j	107335	93934	81208	71913	61366
As %age of total exp	39.59	39.03	36.77	36.17	35.89
As %age of GDP	8.40	8.55	8.59	8.98	8.73
Social Services	10040	8006	6189	5642	5136
As %age of total exp	3.70	3.33	2.80	2.84	3.00
As %age of GDP	0.78	0.73	0.65	0.70	0.73
Economic Services	84293	79165	77861	70340	58304
As %age of total exp	31.09	32.90	35.25	35.37	34.1
As %age of GDP	6.60	7.21	8.23	8.78	8.30

This classification excludes loans to foreign Governments, State Governments, U.T. Governments and revenue expenditure on account of grant-in-aid, which do not fall distinctly under any specific group.

j This classification includes loans to Government servants and miscellaneous loans.

In absolute terms, the expenditure on General Services increased from Rs 61366 crore in 1992-93 to Rs 107335 crore in 1996-97, which constituted an increase of 75 *per cent*, whereas the increase on Social Services and Economic Services was 95 *per cent* and 45 *per cent* respectively over the same period. As a proportion of the total expenditure, the share of expenditure on General Services increased from 35.89 *per cent* in 1992-93 to 39.59 *per cent* in 1996-97 but as percentage of GDP, it declined by 0.33 percentage point over the same period.

The share of Social Services to total expenditure increased from three *per cent* in 1992-93 to 3.70 *per cent* in 1996-97, and as percentage of GDP it increased from 0.73 *per cent* to 0.78 *per cent*.

The expenditure on Education, which is a major component of social service, as percentage of total expenditure decreased from 1.19 *per cent* in 1992-93 to 1.18 *per cent* in 1996-97 and as a percentage of GDP, the expenditure on Education decreased from 0.29 *per cent* to 0.25 *per cent* over the same period.

The cut in expenditure on Health and Family Welfare has been more severe. It declined from 0.43 *per cent* of total expenditure in 1992-93 to 0.38 *per cent* in 1995-96. However, it increased to 0.44 *per cent* in 1996-97. But as a percentage of the GDP it declined from 0.11 *per cent* in 1992-93 to 0.09 *per cent* in 1996-97.

The general decline in application of funds to the Social sector has also been due to savings in budgetary allocation to programmes in this sector. It is noteworthy that allocations given in the budget for Education, Health and Family Welfare aggregating to Rs 1061 crore could not be spent during 1996-97.

The share of Economic Services which includes crucial infrastructure sectors like roads, coal, power etc. decreased from 32.90 *per cent* of total expenditure in 1995-96 to 31.09 *per cent* during 1996-97, which was the lowest during the last five years. As percentage of GDP, it dropped from 7.21 *per cent* to 6.60 *per cent* over the same period, which was much lower than 8.30 *per cent* registered five years earlier during 1992-93. Government spending on Economic Services is showing a continuous declining trend despite concern expressed by Government in its budget for 1996-97, particularly with regard to power and roads - which are keys to sustain a growth rate for country's economy.

The expenditure on Education and Health as percentage of GDP declined over the last five years.

Large scale savings occurred in the grants for Social Services sector.

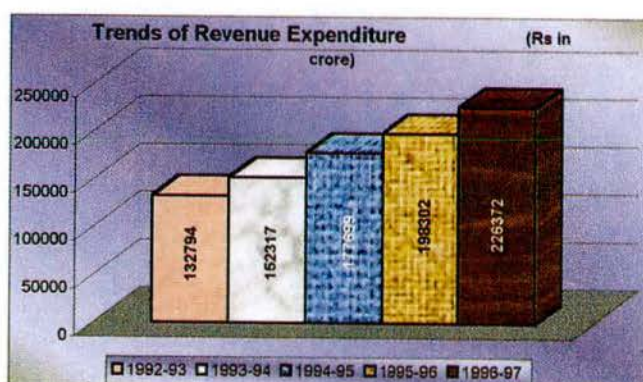
4.3 Transfer to Reserve Funds

Transfers to Reserve Funds are far in excess of requirement of expenditure under them.

Some part of the revenue of Government is set apart in a separate fund for specific objects like Sugar Development Fund, National Renewal Fund and other Welfare Reserve Funds. These amounts are withdrawn from the Consolidated Fund of India with the approval of Parliament and transferred to the reserve funds for expenditure on specific objects. The last eleven years trend of a few Reserve Funds is given in Appendix III.

It would be observed from the Appendix that the amount transferred by the Government to most of the Reserve Funds are far in excess of requirements and calls for a need based transfer.

5.1 Trend of revenue expenditure



Revenue expenditure is for the normal day to day running of Government, departments and various services, interest charges on debt incurred by Government, subsidies, etc.

Broadly speaking, expenditure which does not result in creation of assets is treated as revenue expenditure. All grants given to State Governments and others are also treated as revenue expenditure even though some of the grants may be for creation of assets.

Over the two year period, the revenue expenditure increased from Rs 198302 crore in 1995-96 to Rs 226372 crore in 1996-97, which constituted an increase of 14 per cent over the previous year. The non-plan revenue expenditure increased sharply by 15.2 per cent in 1996-97 over the previous year whereas the plan expenditure increased by 9.1 per cent over the same period. During the last five years, the revenue expenditure registered an increase of Rs 93578 crore, which was 70 per cent more than the revenue expenditure during 1992-93.

Table 5.1 : Revenue expenditure

Year	Plan	Non-plan	Total	Increase over the previous year	(Rupees in crore)
					Revenue expenditure as %age of GDP
1996-97	31668	194704	226372	28070	17.73
1995-96	29021	169281	198302	20603	18.05
1994-95	28304	149395	177699	25382	18.79
1993-94	24890	127427	152317	19523	19.02
1992-93	19862	112932	132794	16703	18.89

While the revenue expenditure as percentage of GDP decreased from 18.89 per cent to 17.73 per cent over the five years 1992-97, the

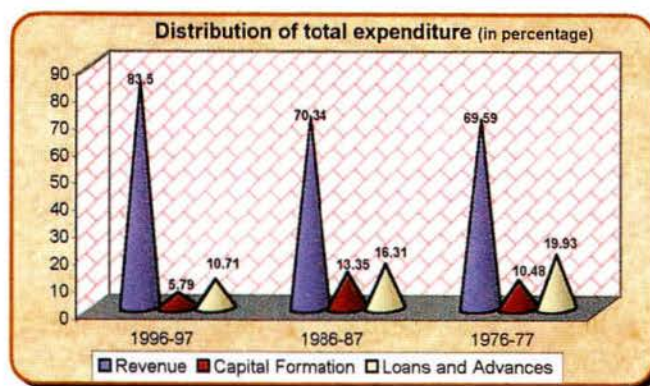
Revenue expenditure as percentage of GDP declined over the last five years but interest payment increased during the same period.

interest payment component of the revenue expenditure increased from 4.42 per cent to 4.66 per cent of the GDP.

The increase of Rs 28070 crore in revenue expenditure during 1996-97 over the previous year was mainly due to higher expenditure on interest payment (Rs 9433 crore), payment of States' share of excise duties (Rs 3534 crore), crop husbandry (Rs 364 crore), housing (Rs 937 crore), industries (Rs 1724 crore), food storage and warehousing (Rs 683 crore), grants-in-aid to State Governments (Rs 1870 crore), police (Rs 773 crore), pension and other retirement benefits (Rs 806 crore), general education (Rs 336 crore) and other general economic services (Rs 451 crore).

At the same time revenue expenditure decreased over the previous year in some areas. The major reductions were in miscellaneous general services (Rs 486 crore), rural employment (Rs 1405 crore), and other fiscal services (Rs 197 crore).

5.1.1 Distribution of total expenditure



The percentage share of each component of expenditure in total expenditure for the last two decades was as under:

Table 5.1.1 : Distribution of total expenditure

(As percentage of total expenditure)

Year	Revenue	Asset formation	Loans and advances
1996-97	83.50	5.79	10.71
1986-87	70.34	13.35	16.31
1976-77	69.59	10.48	19.93

Expenditure on capital account including loans and advances decreased by 13 per cent over last two decades.

Revenue expenditure as percentage of the total expenditure increased at the cost of capital expenditure.

Over the 1977-87 decade, the percentage share of expenditure for capital formation in the total expenditure increased from 10.48 *per cent* in 1976-77 to 13.35 *per cent* in 1986-87, while the share of the revenue expenditure remained at the same level. The next decade 1987-97 registered sharp increase in share of revenue expenditure to the total expenditure. It increased from 70.34 *per cent* in 1986-87 to 83.50 *per cent* in 1996-97 registering a 13.16 percentage point increase. On the other hand, expenditure for capital formation decreased by 7.56 percentage point from 13.35 to 5.79 *per cent* over the same period. The share of loan and advances also registered a decreasing trend. Its share in the total expenditure decreased from 19.93 *per cent* in 1976-77 to 16.31 *per cent* in 1986-87 and further to 10.71 *per cent* in 1996-97.

Some important items of revenue expenditure are discussed in the succeeding paragraphs.

5.2 Interest payments

Government acts both as borrower and lender. Union Government provides loans and advances to State Governments, public sector undertakings, local bodies and Government servants, on which it charges interest at the rates prescribed from time to time.

On the other hand, to finance the gap between the revenue and capital expenditure including the net loans and advances and revenue receipts, the Union Government resorts to borrowings through market loans, issue of treasury bills, securities issued to international financial institutions, gold bonds etc. besides external borrowings. In addition, the Union Government also utilises as resource the net addition to the Public Account consisting of small savings, provident funds, reserve funds, deposits etc., which adds to the liability of the Government. Interest is payable on the balances of internal and external debt and on the balances in the Public Account.

The interest payment discussed below is to be viewed in the background that while the Government also earns interest on loans provided by it, the interest earned is counted as and included in the revenue receipts and the gross figure of interest payment is material in the context of liability to pay interest and its impact on revenue and therefore, total expenditure.

Growth in interest payment was higher than growth of revenue expenditure.

The interest payment included in the revenue expenditure and interest receipts included in the revenue receipts since 1976-77 are indicated in Appendix IV.

Total interest payments by the Union Government increased from Rs 50045 crore in 1995-96 to Rs 59478 crore in 1996-97 which constituted an increase of 18.8 *per cent* over the same period. This increase in interest payments was higher than the overall growth of 14 *per cent* in the revenue expenditure.

The interest receipts and payments during 1992-93 and 1996-97 were as under :

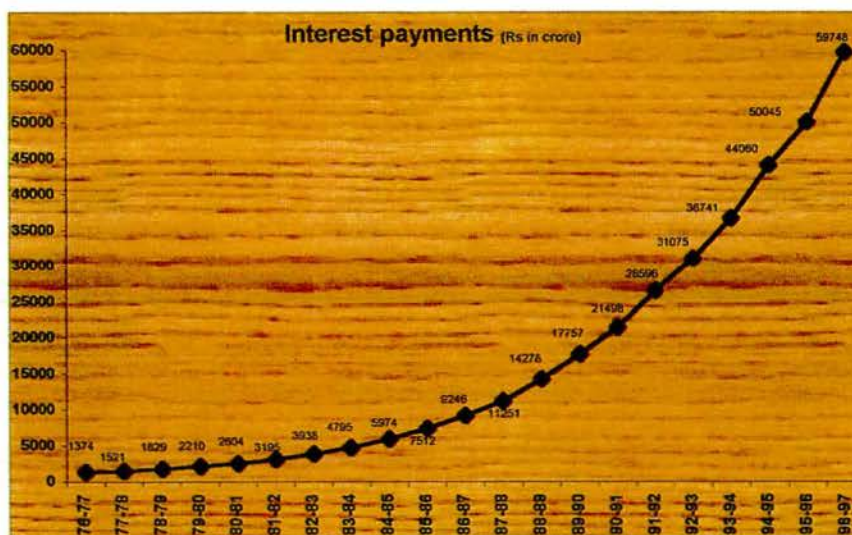
(Rupees in crore)

Union Government	1996-97	1992-93
Interest received	22119	12521
Interest paid	59478	31075
Net	(-) 37359	(-) 18554

The two fold increase in the net interest payment shows that it is not loans to State Governments and others which has increased the interest liability.

The total interest payment during 1996-97, consisted of Rs 27233 crore on internal debt, Rs 4223 crore on external debt, Rs 27101 crore on small savings, provident fund etc. and Rs 921 crore on others.

The rise in interest payments over 1976-77 to 1996-97 is depicted below graphically :



5.2.1 Rate of increase of interest payment on different accounts

The interest payments have nearly doubled every five years.

While the overall interest payment increased by 43 times over 1976-77 to 1996-97, the interest on internal debt increased to about 42 times, on external debt by 20 times and that on small savings and provident funds etc. by 63 times. The interest burden had near about doubled every five years.

The increase in the total interest payment is more prominent in absolute terms after 1986-87.

5.2.1.1 Increase in average interest rate

Rise in average rate of interest has contributed to more rapid increase in interest payment.

Seen in the background of indebtedness of the Union Government analysed in Chapter IX, while the total liability consisting of internal and external debt, small savings, provident funds, deposits advances etc. has increased by about 23 times over the period 1976-77 to 1996-97, the increase in interest payment by 43 times is mainly attributable to higher rate of interest on borrowed funds which has gone up from an average of around 4.09 *per cent* to 8.08 *per cent* during the same period. Most of the increase in the rate of interest was on internal borrowings and small savings, provident fund etc.

Almost the entire borrowed funds are applied towards interest payment.

It would also be seen from the position of borrowed funds i.e. fiscal deficit and interest payments since 1976-77 presented in Appendix V that until 1978-79, the significant part of the borrowed funds after payment of interest were available for meeting other expenditure. By 1996-97, the interest payment is more or less equal to the borrowed funds, implying thereby that almost the entire borrowings are applied towards interest payments. It shows that Government/RBI policy of restricting aggregate borrowing by moving from low interest bearing treasury bill borrowing, market related borrowing did not lead to less borrowing, increased interest payments and became the reason for more interest payment.

Interest payment alone absorbs 63 *per cent* of net tax revenue.

The interest payments are, thus, of principal importance constituting 26 *per cent* of the revenue expenditure and absorbing as much as 63 *per cent* of the Union Government's net tax revenues (i.e. exclusive of States' share of income tax and excise duties). They constitute presently about 4.66 *per cent* of GDP, which is more than the total expenditure on Defence Services (2.39 *per cent* of GDP) and close to the net transfer of resources to the States (4.7 *per cent* of GDP).

5.3 Grants-in-aid

An important component of the revenue expenditure comprises of Grants-in-aid to States, Union Territories and others. The Grants-in-aid paid during the last five years to States and UTs was as under :-

Table 5.3 (i) : Grants-in-aid to States and Union Territories

(Rupees in crore)

Year	States				UTs				Grand total	As %age of revenue expenditure
	Plan schemes	Centrally sponsored plan schemes	Non plan grants	Total	Plan schemes	Centrally sponsored plan schemes	Non plan grants	Total		
1996-97	10276	6775	6106	23157	153	46	189	388	23545	10.4
1995-96	8505	6768	6014	21287	147	49	94	290	21577	10.9
1994-95	10754	6880	2413	20047	118	43	89	250	20297	11.4
1993-94	9757	7944	3129	20830	55	7	64	126	20956	13.8
1992-93	7975	6736	3119	17830	52	8	53	113	17943	13.5

Grants to States/UTs as percentage of revenue expenditure declined over the last five years.

The grants to States and Union Territory Governments as percentage of revenue expenditure ranged between 10 per cent and 14 per cent during the period 1992-93 and 1996-97.

In addition to the above, grants are also released to statutory bodies and non-Government institutions by the Union Government. Detailed observations on working of these bodies are contained in CAG's Report No. 4 of 1998 on 'Other Autonomous Bodies' and 5 of 1998 - Scientific Department.

5.4 Utilisation certificates

The certificate of utilisation of grants are required to be submitted by the sanctioning authorities in the respective ministry or department to the Controller of Accounts. The purpose of furnishing the certificate is to ensure that grants had been properly utilised for the purpose for which they were sanctioned and where the grants released were conditional, the prescribed conditions had been fulfilled.

UCs in respect of grants released up to 20 years ago were awaited.

30072 utilisation certificates relating to Rs 3605.35 crore in respect of grants released up to September 1995 from 28 Ministries/Departments were outstanding at the end of March 1997 as given in Appendix VI. It will be revealed from the Appendix that utilisation certificates were outstanding for up to 20 years. The Ministries/Departments of Information and Broadcasting, Chemicals and Petrochemicals, Welfare, Law, Justice and Supreme Court of India, Science and Technology, Civil Aviation and Tourism, Civil Supplies and Union Territory, Chandigarh did not furnish the information about outstanding utilisation certificates.

CHAPTER VI : Subsidies

The Union budget provides for cash subsidies on certain items. In addition, there are various type of hidden subsidies which are not readily visible from the accounts.

6.1 Explicit subsidies

Item wise explicit subsidies during the last five years were as under :

Table 6.1 : Expenditure on explicit subsidies

	(Rupees in crore)				
	1996-97	1995-96	1994-95	1993-94	1992-93
Food subsidy	6066.00	5377.31	5100.00	5537.14	2800.00
Subsidy on indigenous fertilizers	4743.00	4300.00	4075.00	3800.00	4800.00
Subsidy on imported fertilizers	2184.45	1934.99	1166.00	761.83	996.11
Payment to manufacturers/ Agencies for concessional sale of decontrolled fertilizers	1671.77	500.00	516.76	-	-
Interest subsidy	679.54	58.11	111.26	147.74	112.56
Assistance for export promotion and market development	397.33	318.00	658.00	664.72	818.50
Subsidy to Railways towards dividend relief etc.	468.50	388.07	420.57	412.03	352.61
Debt relief to farmers	-----	-----	341.00	500.00	1500.00
Total	16210.59	12876.48	12388.59	11823.46	11379.78
Increase in explicit subsidies over the previous year	3334.11	498.89	565.13	442.68	(-) 75.44
Percentage increase over previous year	25.89	4.03	4.78	3.89	-

Explicit subsidies went up by 25.89 per cent over previous year.

The above table would indicate that during 1992-93, the explicit subsidies actually decreased with reference to those in the previous year. While the annual increase in the explicit subsidies during the next three years was between Rs 442 crore and Rs 565 crore only, which was between 3.89 and 4.78 per cent, the increase in the total explicit subsidies jumped by Rs 3334.11 crore i.e. by 25.89 per cent over the previous year.

Major contributions to abrupt increase during 1996-97 were on account of subsidy to manufacturers for concessional sale of decontrolled fertilizers (Rs 1171.77 crore), interest subsidy (Rs 621.43 crore) besides increase of Rs 688.69 crore on food subsidy and Rs 443 crore on indigenous fertilizers. As percentage of total revenue expenditure, the explicit subsidies declined from 8.6 *per cent* in 1992-93 to 7.2 *per cent* in 1996-97 and as percentage of total expenditure these decreased from 6.7 *per cent* in 1992-93 to 6 *per cent* in 1996-97.

Out of the total subsidies, as much as 53 *per cent* were on fertilizers. It is noteworthy that subsidies on food and imported fertilizers has been consistently increasing over the period. The subsidy on imported fertilizer during 1996-97 exceeded the Budget Estimates for 1996-97 by 33 *per cent*. The actual expenditure on this account was Rs 2184.45 crore as against the Budget Estimates of Rs 1648 crore.

6.2 Implicit subsidies

In addition to the above subsidies, explicitly provided in the budget, the Union Government is also bearing expenditure which are in the nature of implicit subsidies, some of which are interest or credit subsidy, tax subsidy, equity subsidy, regulatory subsidies, etc. Some of them are analysed below :

6.2.1 Loans to State Government against small savings collection

Less interest charged from State Governments on loans against small savings meant a hidden subsidy of Rs 1477 crore.

In terms of the recommendations of the Finance Commission, 75 *per cent* of the net collection under small savings is transferred to States as loan. State Governments pay interest to the Union Government on the 75 *per cent* of the loan transferred to them. The balance 25 *per cent* is utilised by the Union Government to meet its own financial requirement. On the other hand, the Union Government pays interest to the subscribers on the gross collection (100 *per cent*).

The following table shows interest received from State Governments and that which Union Government paid to the subscriber.

Table 6.2.1 : Implicit subsidies to State Governments on small savings loan
(Rupees in crore)

Year	Interest		Gap
	paid on 75% collection	received from State Government	
1996-97	9354	7877	(-) 1477
1995-96	7033	6550	(-) 483
1994-95	6756	5301	(-) 1455
1993-94	5510	4598	(-) 912
1992-93	3914	4005	(+) 91

The Union Government paid more interest to the subscribers than it actually received from State Governments on loans. At present State Government get loans at the rate of 14.5 *per cent per annum* on the other hand the total cost of servicing of small savings to Union Government works out to 17-18 *per cent* of the collection, which includes the management charges paid to the Postal Department. The gap between interest receipt and interest payment assume the nature of subsidy to State Governments which has turned unfavourable to the Union Government from 1993-94. The loss/subsidy has increased from Rs 912 crore in 1993-94 to 1477 crore in 1996-97, which constituted an increase of 62 *per cent*.

It would, therefore, be desirable for the Union Government to fix the rate of interest as loans to State Governments against small savings collection in such a manner that they bear their prorata full cost of operations and no hidden subsidies are provided.

6.2.2 Budgetary support to nationalised banks

Budgetary support is provided to nationalised banks to increase their share capital. Presently, there are 19 nationalised banks wholly owned by the Union Government. Arrangement has been made with nationalised banks to re-invest the amount released towards share capital in Government securities, thereby ensuring that such investments have no budgetary impact. While Government receives dividends on investment in share capital of nationalised banks, it pays interest at 10 *per cent* to the banks on re-investment of the amount of share capital in Government securities.

The dividends received from the banks and interest paid by Government to banks on securities for last five years was as under:-

The difference between the interest on re-investment of share capital and dividend by PSBs amounted to a hidden subsidy of Rs 1198 crore.

Table 6.2.2 : Subsidy to nationalised banks**(Rupees in crore)**

Year	Total investment	Dividend received	Interest paid by the Government on reinvestment of share capital	Subsidy to nationalised banks (col.4 - 3)
(1)	(2)	(3)	(4)	(5)
1996-97	13146.21	209.77	1408.04	1198.27
1995-96	13673.68	104.15	1342.09	1237.94
1994-95	14753.73	14.35	631.79	617.44
1993-94	9464.89	3.58	327.73	324.15
1992-93	3739.59	80.88	209.89	129.01

The gap between the dividend received by the Union Government on its investments in nationalised banks and interest paid by it on securities issued to banks increased from Rs 129.01 crore in 1992-93 to Rs 1237.94 crore in 1995-96 constituting nine times increase. However, it marginally declined by Rs 39.67 crore in 1996-97. In other words, hidden subsidy is being provided to nationalised banks in the shape of interest on the securities issued to banks while the dividends received on the investment are abysmally low at around 0.03 to 2.16 *per cent*.

Detailed analysis of investments made and securities issued to nationalised banks has been discussed in Chapter VII.

6.2.3 Subsidies to PSUs and Statutory Corporations in the form of equity

The trend of the investment made in PSUs and Statutory Corporations for the last five years was as under :

Table 6.2.3 : Subsidies to PSUs and Statutory Corporations**(Rupees in crore)**

Year	Total investment	Dividend received	Percentage of dividend to investment	Weighted average of coupon rate on Government's dated securities
1996-97	53194	1577	2.96	13.69
1995-96	49737	1216	2.44	13.75
1994-95	47070	824	1.75	11.90
1993-94	44116	633	1.43	12.63
1992-93	41858	592	1.41	12.46

It would be observed from the above that the percentage of dividend received from the PSUs and Statutory Corporations on investment

made by Union Government ranged between 1.41 *per cent* and 2.96 *per cent* during the year 1992-93 to 1996-97.

The revenue receipts are not sufficient to meet even revenue expenditure. Therefore, the Government has to borrow from the market to finance the capital expenditure of the Union Government. The investment in PSUs and Statutory Corporations is an expenditure of capital nature all of which are met through borrowings.

During 1996-97, the average coupon rate on Government dated securities was 13.69 *per cent*. On the other hand, percentage of dividend received from PSUs and Statutory Corporations was merely 2.96 *per cent* during the same period.

Thus the difference between the dividend received and interest paid on borrowed funds is in the form of hidden subsidy.

Investment in PSUs which paid negligible dividend also amounted to hidden subsidy.

7.1 Trend of capital expenditure

Capital expenditure may be broadly defined as expenditure incurred with the object of increasing concrete assets of a material and permanent character. In addition, financial assets arise from moneys invested in institutions or commercial undertaking (i.e. PSU and Corporation) and loans and advances to States, Union Territories, Foreign Governments, etc.

The trend of capital expenditure over the last five years was as under :

Table 7.1 (i) : Capital expenditure

(Rupees in crore)

Year	Capital expenditure During the year	%age growth over the previous year	As %age of total expenditure	As %age of GDP
1996-97	15704	(-) 10.49	5.79	1.23
1995-96	17544	(-) 8.94	7.29	1.60
1994-95	19266	(-) 21.84	8.72	2.04
1993-94	24650	19.74	12.40	3.08
1992-93	20586	47.98	12.03	2.93

Growth of capital expenditure turned negative since 1994-95.

Capital expenditure of the Union Government came down from Rs 17544 crore in 1995-96 to Rs 15704 crore in 1996-97 which constituted a decline of 10.49 *per cent* over the previous year. As a percentage of total expenditure and of GDP, it declined by 1.50 and 0.37 percentage points respectively over the previous year. The plan capital expenditure increased by 32.58 *per cent* as against 31.68 *per cent* decrease in the non-plan capital expenditure during 1996-97 over the previous year.

However, the capital expenditure are net of expenditure met from recoveries/revenues and various reserves and development funds.

The major capital expenditure in infrastructural sector for the last five years was as under:-

Table : 7.1(ii) Major capital expenditure in infrastructural sector

	(Rupees in crore)				
	1996-97	1995-96	1994-95	1993-94	1992-93
Roads	1157 (0.09)	829 (0.08)	928 (0.10)	816 (0.10)	733 (0.10)
Power	1041 (0.08)	1038 (0.09)	1549 (0.16)	1707 (0.21)	1428 (0.20)
Petroleum	74 (0.006)	1035 (0.09)	529 (0.06)	26 (0.003)	26 (0.004)
Investment in general financial and trading institutions	(-) 2 (-) (0.0002)	(-) 656 (-) (0.06)	4865 (0.51)	5725 (0.71)	761 (0.11)

(Figures in the brackets are as percentage of GDP)

From the above table it would be seen that capital expenditure on roads has increased in absolute terms from Rs 733 crore in 1992-93 to Rs 1157 crore in 1996-97, but as percentage of GDP, it has gone down from 0.10 *per cent* to 0.09 *per cent* over the same period.

In power sector the cut in capital expenditure was more severe, as it has decreased from Rs 1428 crore in 1992-93 to Rs 1041 crore in 1996-97 and as percentage of GDP there has been a decrease of 0.12 percentage points over the same period.

In petroleum sector the capital expenditure during 1996-97 has gone down by Rs 961 crore as compared to 1995-96. As percentage of GDP it was 0.09 *per cent* in 1995-96, which has scaled down to 0.006 *per cent* in 1996-97.

Expenditure on investment in general financial and trading institutions, which involves investments in public sector undertakings experienced steep decline, which turned negative from the year 1995-96.

The major items of capital expenditure have been analysed in the succeeding paragraphs.

7.2 Investment and returns

The details of investments by Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, international bodies etc. along with dividend received during the years 1992-93 to 1996-97 is given in Appendix VII.

7.2.1 Total progressive investment

The progressive total investment (excluding Reserve Bank of India) of the Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, international bodies etc. increased from Rs 73814.26 crore on 31 March 1996 to Rs 76838.50 crore on 31 March 1997.

7.2.2 Dividend from Government companies and corporations

The Union Government received a dividend of Rs 1577.33 crore during 1996-97 against the total investment of Rs 53194.32 crore in 243 Government companies and corporations, which was only 2.97 *per cent* of investment as on 31 March 1997.

Against the total investment of Rs 53194 crore in 243 PSUs the yield in the form of dividend was only 2.97 *per cent*.

7.2.3 Dividend from State co-operative banks etc.

The total dividend of Rs 20 crore on investment of Rs 1679 crore in State co-operative banks and other banks (excluding nationalised banks, Industrial Development Bank and Reserve Bank) in 1996-97 was 1.21 *per cent* as compared to 1.13 *per cent* in 1995-96. From rural banks set up in 1975 no dividend has been received so far on the total investment of Rs 472 crore up to 31 March 1996. A further amount of Rs 200 crore was invested in these banks during 1996-97. National Bank for Agriculture and Rural Development (NABARD) and Industrial Reconstruction Bank of India in which Rs 494 crore (Rs 350 crore and Rs 144 crore respectively) were invested up to 1996-97, also did not pay any dividend.

7.2.4 Non compliance of directive by PSUs

PSUs which register post-tax profit are required to pay 20 *per cent* of their post-tax profit as dividends. Eighteen PSUs, which together registered post tax profit of Rs 679.20 crore in 1995-96 as indicated in Appendix VIII did not pay dividend of Rs 135.84 crore in compliance to the directive of the Government. Some of the more important PSUs which earned profit but did not pay dividend are Neyveli Lignite Corporation Ltd., Indian Railways Finance Corporation Ltd., National Fertilisers Ltd., Ircon International Ltd. and Container Corporation of India Ltd.

18 PSUs did not pay dividend amounting to Rs 136 crore.

Detailed observations on investments and returns in Government companies and corporations, to which the audit jurisdiction of the CAG extends, are contained in CAG's Reports on Public Enterprises.

7.3 Recapitalisation assistance to nationalised banks

In April 1992 Reserve Bank of India introduced a prudential norm of income recognition, asset classification, provisioning requirements for non performing assets (NPA) and depreciation on investments to be followed by Public Sector Banks. In the said norm, PSBs were required to achieve certain prescribed rate of capital to risk assets ratio (CRAR). Since most of the PSBs started reporting losses due to the above norm of income recognition etc., it was not possible for them to achieve the prescribed level of CRAR because while calculating the capital, the losses made by the banks were reduced.

A statement showing bank wise details of capital subscribed/written down during 1993-94 to 1996-97 is given in Appendix IX.

Since a substantial amount had been paid out of Consolidated Fund to improve the financial position of the banks, the question of accountability on the part of the Ministry for the outgo of the funds from Consolidated Fund needs no over emphasis.

The trend of dividends received from nationalised banks and interest paid by Government to nationalised banks on securities for the last five years, which has also been discussed in para 6.2.2 from subsidy also was as under :

Table 7.3(i) : Recapitalisation assistance to nationalised banks (NBs)
(Rupees in crore)

Year	Investment in NBs as on 31 March	Dividends received	Securities issued to NBs by Union Government as on 31 March	Interest paid by the Government
1996-97	13146.21	209.77	16150.94	1408.04
1995-96	13673.68	104.15	15147.43	1342.09
1994-95	14753.73	14.35	14297.44	631.79
1993-94	9464.89	3.58	9934.90	327.73
1992-93	3739.59	80.88	4212.13	209.89

Government paid interest to the tune of Rs 1408 crore to banks on special securities but dividend received from them was only Rs 210 crore.

Investment of the Union Government in nationalised banks decreased by 3.9 *per cent* from Rs 13673.68 crore in 1995-96 to Rs 13146.21 crore in 1996-97. It would be seen that while the banks paid a dividend of less than two *per cent* on the investments, the Government paid interest on securities of identical amount invested by the banks at 8.7 *per cent*.

Government has invested in all Rs 12421.94 crore in the share capital of the nationalised banks since 1993-94, out of which it has written down Rs 3463.44 crore for adjustment of their losses as detailed below :

Table 7.3(ii) : Investment in share capital and capital written down

(Rupees in crore)

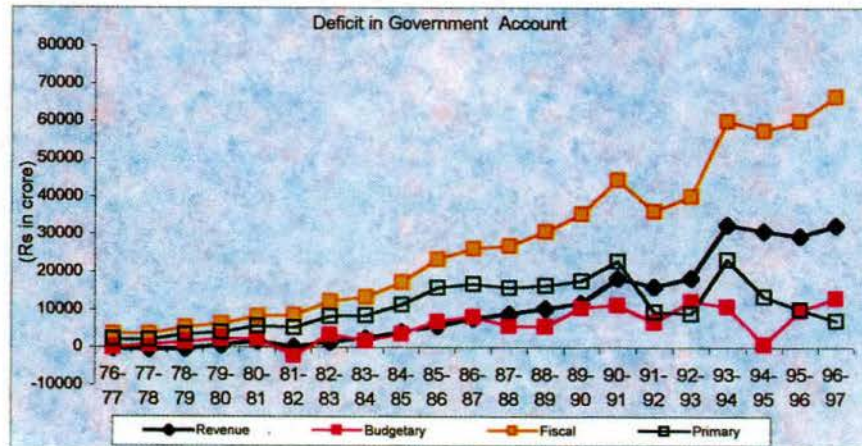
Year	Total investment	Amount written down	Name of the banks the capital investment in which were written down
1996-97	1509.00	1532.00	Allahabad Bank (Rs 532 crore) Indian Overseas Bank (Rs 1000 crore)
1995-96	850.00	1506.21	Bank of India (Rs 1369.92 crore) Dena Bank (Rs 136.29 crore)
1994-95	4362.94	425.23	Punjab National Bank
1993-94	5700.00	Nil	--
Total	12421.94	3463.44	

This scheme served no purpose because (i) it did not increase the non interest bearing funds available to the banks, (ii) it increased Government's liability on account of interest paid vis-à-vis dividends received, (iii) it convinced nobody that banks had secured higher capital adequacy and (iv) it was at odds with Government's policy of reducing SLR over the last few years.

8.1 Deficit in Government Account

Deficit in Government Accounts are defined in many ways, each indicating distinct facets of the budgetary, economic or monetary policy of the Government. These are worked out in different ways, by including or excluding specific elements of public expenditure or receipts. Four types of deficits namely, revenue deficit, budgetary deficit, fiscal deficit and primary deficit are indicated in the annual budget, while monetised deficit is worked out by the sum of increase in the RBI's holdings of Government debt plus any draw down by the Government of its cash balances with RBI. Manner in which the deficit was financed further added to the deficit.

The various types of deficits in the Union Government Accounts since 1976-77 are indicated in Appendix X which is represented graphically as under :



8.2 Overall deficit

Overall deficit, also known as budgetary deficit, refers to the excess of total expenditure over total receipts (both in the Consolidated Fund as well as the Public Account).

This gap is financed by the issue of 91 days treasury bills including ad hoc treasury bills held by the Reserve Bank of India. Treasury bills are instruments issued by the Reserve Bank of India on behalf of the Government to raise short term loans intended to fill transient resource gap.

Various aspects of treasury bills as borrowing instrument have been discussed in Chapter IX of this Report.

The break-up of the deficit during 1996-97 was as under :

Table 8.2 (i) : Break-up of the overall deficit

(Rupees in crore)

CONSOLIDATED FUND					
Receipt	Amount			Disbursement	Amount
Revenue	193718	Revenue deficit :	32654	Revenue	226372
Miscellaneous capital receipts (including disinvestment)	455			Capital	15704
Recovery of loans & advances	8696	Gross fiscal deficit	68242	Loans & advances disbursement	29035
Sub total CFI (other than public debt)	202869	Less Securities issued to nationalised banks	1509		271111
		Net Fiscal deficit	66733		
Public debt (excluding 91 days treasury bills)	46780			Public debt repayment (Excluding 91 days treasury bills)	19914
Total (CFI)	249649	A: Deficit in CFI :	41376		291025
PUBLIC ACCOUNT					
Small savings, provident funds etc.	61647			Small savings, provident funds etc.	36011
Deposits and advances ♦	45981			Deposits and advances	44036
Reserve funds ♣	14643			Reserve funds	12597
Suspense & miscellaneous φ	3771			Suspense & miscellaneous	3974
Remittances ψ	1284			Remittances	2516
Total Public Account	127326	B: Financed by Public Account :	28192		99134
Budgetary Deficit (Overall Deficit) : 13184					
Financed By					
		91 days treasury bills including ad hoc (Net)			12728
		Add : Decrease in cash balance			456
		Total			13184

♦ Includes Security Deposits, Deposits of Railways, Telephone Application Deposit, Postal Deposits, Forest Advances, Departmental Advances etc.

- ▲ Includes Depreciation Reserve Funds - Railways, Revenue Reserve Funds - Railways, Sugar Development Fund, Mines Welfare Funds, National Renewal Fund etc.
- φ Includes amounts awaiting final adjustments in the accounts like Pay and Accounts Office Suspense, Suspense Account P&T, Defence, Railways and Tele-communications, Coinage Accounts, Cheques and Bills etc.
- ψ Includes the money in transit like Money Orders, RBI Remittances, Small Coin Depot remittances, Mint remittances etc.

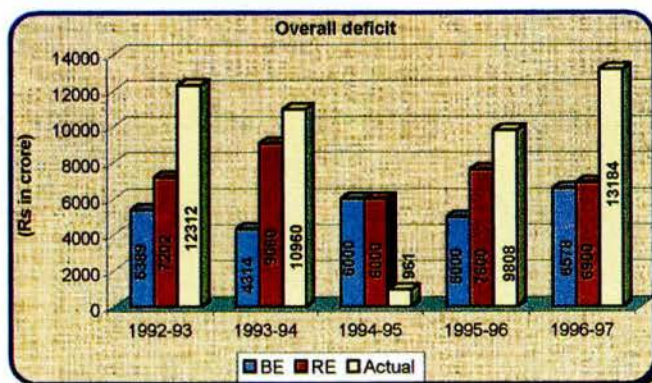
The overall deficit during the last five years against the Budget and Revised Estimates have been as under:

Table 8.2(ii) : Overall deficit

(Rupees in crore)

Year	BE	RE	Actual
1996-97	6578	6900	13184
1995-96	5000	7600	9808
1994-95	6000	6000	961
1993-94	4314	9060	10960
1992-93	5389	7202	12312

Overall deficit exceeded the estimates in four out of the last five years.



During 1996-97, even after spending all the tax revenues, non-tax receipts, borrowings, net proceeds of small savings, provident funds and reserve funds etc., the Government was still short of funds, which were obtained by issue of treasury bills.

The overall deficit in 1996-97 increased to Rs 13184 crore as compared to Rs 9808 crore during 1995-96.

The overall deficit also exceeded the estimated deficit of Rs 6578 crore and Rs 6900 crore in the Budget and Revised Estimates for 1996-97 by Rs 6606 crore and Rs 6284 crore respectively which constituted an increase of more than 100 per cent.

The substantial increase in the overall deficit from Rs 9808 crore during 1995-96 to Rs 13184 crore in 1996-97 was financed by net increase in *ad hoc* treasury bills. The Government entered into an agreement with

the RBI in September 1994 to the effect that money financing of the deficit would be gradually brought down to nil by 1997-98. As per the agreement, it was agreed that the net issue of ad hoc treasury bills should *not exceed* Rs 6000 crore at the end of the financial year and Rs 9000 crore for more than ten continuous working days at any time during the financial year.

During 1996-97, the 'within the year' ceiling of Rs 9000 crore for issue of net ad hoc treasury bills was exceeded during the first half of the financial year, as would be evident from the fortnightly average of net issue of 91 days *ad hoc* treasury bills indicated in the table below :

**Table 8.2 (iii) : Fortnightly average of net issue of ad hoc treasury bills
(Rupees in crore)**

	1996-97	1995-96
Ist Quarter	13654	10398
IInd Quarter	9299	12445
IIIrd Quarter	5633	10030
IVth Quarter	2861	8844

At the close of the fiscal 1996-97, the outstanding net ad hoc treasury bills stood at Rs 4685 crore.

8.2.1 Devolvement on RBI of 91 days auction treasury bills

Furthermore, there was significant devolvement on RBI to subscribe to 91 days auction treasury bills[¶] during the last three years, as they were not fully subscribed as detailed below :

Table 8.2.1 : Devolvement on RBI

(Rupees in crore)

Year	Total notified amount	Subscription by RBI	%age of col. 3 to 2
1996-97	25200	3369	13.4
1995-96	24050	7788	32.4
1994-95	12450	2405	19.3

[¶] 91 days auction *treasury bills* were introduced from January 1993 in order to move towards market related rates and offering wider choice to investors.

It would be observed from the above table that the RBI's subscription in Union Government 91 days auction treasury bills increased from 19.3 *per cent* in 1994-95 to 32.4 *per cent* in 1995-96 but declined to 13.4 *per cent* in 1996-97

To the extent the issue of treasury bills devolved on RBI, there is little difference between borrowing from RBI by issuing ad hoc treasury bills and borrowing against subscription by RBI of 91 days auction treasury bills.

However, Union Government has entered into an agreement with RBI in March 1997 regarding discontinuing the practice of issuing ad hoc treasury bills to replenish the cash balance with effect from April 1997. From April 1997, the RBI shall make ways and means advances to Union Government, if so required. As per the agreement, the outstanding ad hoc treasury bills as on 31 March 1997, would be funded into special securities, without any specified date of maturity at an interest rate of 4.6 *per cent per annum* on 1 April 1997. The outstanding tap treasury bills as on 31 March 1997 would be paid off on maturity with an equivalent creation of special securities without any specified date of maturity, at an interest rate of 4.6 *per cent per annum*.

8.3 Revenue deficit

The revenue deficit refers to the excess of revenue expenditure over revenue receipt. The trend of revenue deficit for the last five years was as under :

Table 8.3 : Revenue deficit

(Rupees in crore)

Year	Estimated revenue		Revenue receipt	Actual		As a %age of GDP
	BE	RE		Revenue expenditure	Revenue deficit	
1996-97	31475	28205	193718	226372	32654	2.6
1995-96	35541	33331	168571	198302	29731	2.7
1994-95	32727	34132	146670	177699	31029	3.3
1993-94	17630	34058	119602	152317	32715	4.1
1992-93	13882	16700	114220	132794	18574	2.6

Revenue deficit in the Government Accounts indicates that not only the entire capital expenditure is met out of borrowed funds but part of the

**Revenue deficit
outstripped BE & RE.**

revenue expenditure, to the extent of revenue deficit, is also met out of the borrowed funds.

The revenue deficit increased from Rs 18574 crore in 1992-93 to Rs 32654 crore in 1996-97. The increase of revenue receipts in 1996-97 over 1992-93 was 69.6 *per cent* whereas the growth of revenue expenditure was 70.5 *per cent* over the same period.

The revenue deficit as percentage of GDP declined marginally by 0.1 *per cent* in 1996-97 as compared to 1995-96.

The actual revenue deficit in absolute terms outstripped the Budget Estimates and Revised Estimates of 1996-97 by Rs 1179 crore and Rs 4449 crore respectively.

It would be evident from the Appendix XI that up to 1978-79, the accounts ended up with revenue surplus. Thereafter, the revenue deficit has been increasing steadily. The revenue deficit jumped abruptly from Rs 18574 crore in 1992-93 to Rs 32715 crore in 1993-94. Thereafter, it has been oscillating around this figure.

8.4 Fiscal deficit

Fiscal deficit is the difference between the revenue receipts plus certain capital receipts and the total expenditure including loans, net of repayments. Since ideally the capital expenditure of the Government should be financed from the revenue surplus, fiscal deficit provides a measure of macro economic imbalance.

The fiscal deficit net of investment in the nationalised banks and IMF, which are reinvested in Government securities, for the last five years was as under:

Table 8.4 (i) : Net fiscal deficit

(Rupees in crore)

Year	BE	RE	Fiscal deficit	As a % age of GDP
1996-97	62266	63131	66733*	5.2
1995-96	57634	64010	60244	5.5
1994-95	54915	61035	57704	6.1
1993-94	36959	58551	60256	7.5
1992-93	34408	36722	40173	5.7

* Does not include component of investment in nationalised banks (Rs 1509 crore) as there is no cash outflow.

Fiscal deficit exceeded the estimates despite deferring the implementation of the recommendation of the Fifth Pay Commission.

The fiscal deficit in absolute terms increased from Rs 40173 crore in 1992-93 to Rs 66733 crore in 1996-97, an increase of 66 *per cent*. The actual fiscal deficit in 1996-97 also exceeded the estimated fiscal deficit of Rs 62266 crore and Rs 63131 crore in the Budget and Revised Estimates respectively. As percentage of GDP it was higher than the estimate of five *per cent* projected in the speech of Finance Minister while presenting Central Government budget for 1996-97 by 0.2 *per cent*.

There was a provision of over Rs 4000 crore for payment due to implementation of the recommendations of Fifth Pay Commission, which was entirely saved by deferring the decision/timing of implementation of the recommendations. With timely implementation as expected, the actual fiscal deficit would have been much more.

During 1996-97, the gross fiscal deficit arose on account of the Government's necessity to borrow in order to meet the following expenditure. Expenditure financed by borrowing during the last two decades including five years of current decade are given in Appendix XI.

Table 8.4 (ii) : Expenditure financed by borrowings
(Rupees in crore)

Expenditure to be financed through borrowings	Amount
Revenue expenditure	32654
Capital expenditure	15249
Loans and advances	20339
Total	68242

In order to meet the above expenditure the Government sourced the borrowing through the following :-

Table 8.4 (iii) : Sources of borrowings
(Rupees in crore)

Borrowings	Amount
91 days treasury bills *	13184
Public debt (Net)	26866
Small savings, provident fund etc. ^Φ (Net)	25636
Deposits & advances ^Φ (Net)	1945
Reserve funds ^Φ (Net)	2046
Suspense & miscellaneous ^Φ (Net)	(-) 203
Remittances ^Φ (Net)	(-) 1232
Total	68242

* 91 days treasury bills (Net) after adding the decrease in cash balances

Φ As explained in Table 8.2(i).

An important aspect of the fiscal deficit is that its reduction as a percentage of GDP has been achieved through compression in capital expenditure. The trend of the last five years is given below :-

Table 8.4. (iv) : Impact of fiscal deficit

(Figures as %age of GDP)

Year	Revenue receipt	Fiscal deficit	Revenue expenditure	Capital expenditure
1996-97	15.17	5.2	17.73	1.23
1995-96	15.34	5.5	18.05	1.60
1994-95	15.51	6.1	18.79	2.04
1993-94	14.93	7.5	19.02	3.08
1992-93	16.25	5.7	18.89	2.93

Fiscal deficit as percentage of GDP was contained at the cost of capital expenditure and Social sector expenditure.

It would be observed from the above table that the fiscal deficit as percentage of GDP declined from 7.5 *per cent* in 1993-94 to 5.2 *per cent* in 1996-97 by reducing the capital expenditure by 1.85 percentage points of GDP and reduction of the expenditure on services sector as brought out in paragraph 4.1 of this Report. This pattern is also reflected in the fact that while the fiscal deficit in 1996-97 increased by 66 *per cent* over that in 1992-93, the revenue deficit increased by 76 *per cent* over the same period.

8.4.1 Less than anticipated capital receipts

One of the main components responsible for the inability of the Government to contain fiscal deficit within the estimated figure, was mismatch between the budget figure and actual figure on account of capital receipt. The estimated figure for 1996-97 was Rs 5001 crore, whereas actual receipt was only Rs 455 crore.

8.4.2 Disinvestment of equity holding in PSUs

Receipt on account of disinvestment of equity holdings in public sector enterprises was projected as the major part of capital receipt. The receipt from disinvestment since 1991-92 has been as under:-

Table 8.4.2 :Receipt from disinvestment**(Rupees in crore)**

Year	BE	RE	Actual receipts	Excess (+) Short fall (-)
1996-97	5000	500	380	(-) 4620
1995-96	7000	357	362	(-) 6638
1994-95	4000	5237	5078	(+) 1078
1993-94	3500	2500	(-) 48	(-) 3548
1992-93	2500	3500	1961	(-) 539
1991-92	2500	2500	3038	(+) 538

Shortfall in disinvestment receipts upset the estimates of fiscal deficit.

It would be seen from the above that the actual receipts from disinvestment of Government holding in PSUs have been negligible as compared to the estimates during 1993-94, 1995-96 and 1996-97, upsetting the estimated limit of fiscal deficit.

8.5 Primary deficit

Primary deficit is measured by subtracting the interest payments from fiscal deficit. It is a measure of current year's fiscal operation after excluding the liability of interest payment created due to borrowings undertaken in the past.

The last five year's trend of the primary deficit was as under :

Table 8.5 : Primary deficit**(Rupees in crore)**

Year	BE	RE	Actual
1996-97	2266	4631	7255
1995-96	5634	12010	10199
1994-95	8915	17035	13644
1993-94	1041	21051	23515
1992-93	5389	5400	9098

The actual primary deficit of Rs 7255 crore during 1996-97 was 320 per cent of the budget estimate of Rs 2266 crore.

The concept of primary deficit fails to indicate any economic or budgetary parameter. The objective behind coining a definition of the deficit by subtracting the interest payments does not serve any purpose.

8.6 Monetised deficit

Monetised deficit goes beyond the Government's budgetary operations. The monetised deficit represents increase in the net RBI credit to the Union Government which is the sum of increases in the RBI's holdings of Government debt plus any draw down by the Government of its cash balance with RBI. Simply stated, the monetised deficit represents the expansion in money supply for the like amount by the RBI.

The monetised deficit during the last five years was as under:-

Table 8.6 : Monetised deficit

(Rupees in crore)

Year	Amount	As a % age of fiscal deficit
1996-97	1934	2.90
1995-96	19855	32.96
1994-95	2130	3.69
1993-94	260	0.43
1992-93	4257	10.60

The position of monetised deficit improved in 1996-97 over the previous year.

The monetised deficit at the end of March 1997 was Rs 1934 crore, which accounted for three *per cent* of the fiscal deficit as against 33 *per cent* during 1995-96.

8.7 Debt and deficit

The deficit is financed by debt in one form or other. The persistence of deficit in the account is, therefore, accompanied by increase of debt in the Government account. The quantum of internal and external debt and its impact have been analysed in the following chapter.

9.1 Debt/liability of the Union Government

To bridge the gap between expenditure and revenue, Government resorts to borrowing from internal and external sources. These borrowings are termed as Public Debt comprising internal and external debt. Apart from this, there are certain other liabilities which are accounted for in the Public Account of India which also serve as a source to finance the Government's deficit budgeting.

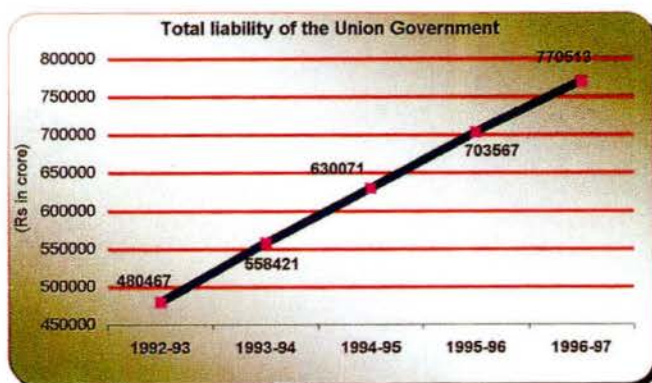
Total liability of the Government reckoning the external debt at current rate of exchange at the end of the last five years was as under:

Table 9.1 : Total liability of the Union Government

(Rupees in crore)

Year	Public debt		Public Account		Total liability
	Internal debt	External debt (at current rate of exchange)	Small savings, provident fund etc.	Reserve fund and deposit	
1996-97	344475	149077	239042	37919	770513
1995-96	307869	148583	213435	33680	703567
1994-95	266467	142389	192222	28993	630071
1993-94	245712	127798	160355	24556	558421
1992-93	199100	120813	136802	23752	480467

Total liability at current rate of exchange increased by 60 per cent over last five years.



Total liability of the Union Government increased from Rs 480467 crore in 1992-93 to Rs 770513 crore in 1996-97 which constituted an increase of 60 per cent. The total liability of the Government for the last 21 years is given in Appendix XII.

9.2 Ceiling on borrowing

No ceiling on borrowing fixed as yet as envisaged in Article 292 despite recommendation of PAC and Estimates Committee.

The Union Government is empowered under Article 292 of the Constitution of India to “borrow upon the security of the Consolidated Fund of India, within such limits, if any, as may be fixed by Parliament by law.” Clearly total borrowings should bear some proportion to the receipts in the Consolidated Fund of India. Fixing of such limits on the borrowing power of Government under this Article was recommended by the Public Accounts Committee in para 15 of their Ninth Report (1962-63-Third Lok Sabha), in para 5 of their Thirty-Sixth Report (1964-65-Third Lok Sabha) and in para 2.13 of their Fifty-Second Report (1965-66-Third Lok Sabha) as well as by the Estimates Committee in para 1.192 of their Twelfth Report (1991-92-Tenth Lok Sabha). In view of this piquant situation wherein debt service obligations outstrip revenue receipts, debt receipts constitute more than half of the Government receipts and debt servicing absorbs more than half of the Government disbursement, there is an urgent need to contain debt.

However, the Government has not fixed any limit on the borrowing with the approval of the Parliament in compliance to the provision of the Constitution despite recommendations of the PAC and the Estimates Committee.

9.3 Internal debt

The term internal debt refers to regular loans from the public in India and is also termed as “Debt raised in India”. It includes market loans, special securities issued to RBI, compensation and other bonds etc. In addition it also includes borrowing through treasury bills, non interest bearing rupee securities issued to IMF, IBRD (World Bank) IDA, IFAD, African Development Bank and Asian Development Bank. The receipt and repayment of internal debt are accounted for in the Consolidated Fund of India.

The internal debt of the Union Government for the last five years was as under:

Table 9.3(i) : Growth of internal debt

(Rupees in crore)

	1996-97	1995-96	1994-95	1993-94	1992-93
Opening balance	307869	266467	245712	199100	172750
Addition	200507	174207	148556	159614	93754
Repayment of principal	163901	132805	127801	113002	67404
Net addition during the year	36606	41402	20755	46612	26350
Closing balance	344475	307869	266467	245712	199100
As %age of GDP	27.0	28.1	28.2	30.7	28.3

Internal debt increased by 73 per cent over last five years.

Total internal debt of the Union Government increased from Rs 199100 crore at the end of March 1993 to Rs 344475 crore at the end of March 1997 which constituted an increase of 73 per cent over 1992-93.

The composition of the internal debt at the end of the last five years was as under:

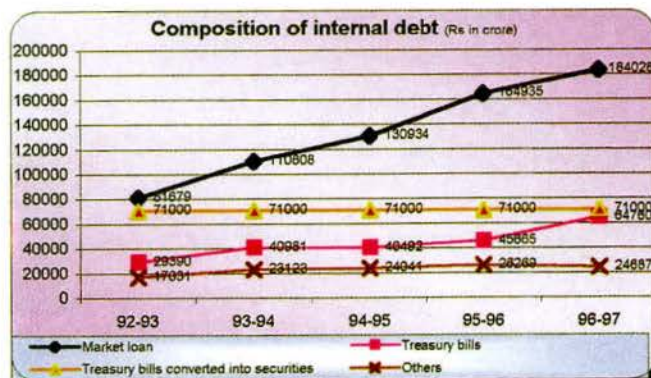
Table 9.3(ii) : Composition of internal debt

(Rupees in crore)

	1996-97	1995-96	1994-95	1993-94	1992-93
Market loan	184028 (53.4)	164935 (53.6)	130934 (49.1)	110608 (45.0)	81679 (41.0)
Treasury bills	64760 (18.8)	45665 (14.8)	40492 (15.2)	40981 (16.7)	29390 (14.8)
Treasury bills converted into securities	71000 (20.6)	71000 (23.1)	71000 (26.7)	71000 (28.9)	71000 (35.7)
Securities issued to international financial institutions	19562 (5.7)	22771 (7.4)	20366 (7.6)	20365 (8.3)	14670 (7.4)
Compensation and other bonds	4079 (1.2)	2452 (0.8)	2629 (1.0)	1712 (0.7)	1315 (0.6)
Special securities issued to RBI	1046 (0.3)	1046 (0.3)	1046 (0.4)	1046 (0.4)	1046 (0.5)
Total	344475	307869	266467	245712	199100

(Figures in brackets denotes percentage of internal debt.)

Share of treasury bills and treasury bills converted as securities in the internal debt increased.



Market loan, treasury bills and treasury bills converted into securities, which constituted more than 90 per cent of the internal debt obligations, have been analysed in detail in the succeeding paragraphs.

9.4 Treasury bills

A substantial part of the internal debt is held by treasury bills.

Treasury bills are instruments issued by the Reserve Bank of India on behalf of the Union Government to raise short term loans ranging between 91 to 364 days intended to fill transient resource gaps. The volume of treasury bills outstanding has grown substantially in recent years because of the large budget deficits and now constitute a significant portion of internal debt of the Union Government as indicated below:-

Table 9.4 (i) : Internal debt and treasury bills

(Rupees in crore)

Year	Total internal debt	Treasury bills			Total	% age of col. 6 to 2
		91 days		364 days		
		Auction	Ad hoc			
1996-97	344475	22389	34130	8241	64760	18.80
1995-96	307869	14345	29445	1875	45665	14.83
1994-95	266467	8847	23480	8165	40492	15.20
1993-94	245712	10865	21730	8386	40981	16.68
1992-93	19910	5183	15430	8777	29390	14.76

The percentage of treasury bills in the internal debt increased from 14.76 *per cent* in 1992-93 to 18.80 *per cent* in 1996-97 which constituted an increase of 4.04 percentage points.

The net accretion of internal debt and treasury bills during the last five years was as under:

Table 9.4 (ii) : Net addition of internal debt and treasury bills

(Rupees in crore)

Year	Net addition to internal debt	Net addition to treasury bills
1996-97	36606	19094
1995-96	41402	5174
1994-95	20755	(-) 489
1993-94	46612	11591
1992-93	26350	16564

It would be seen that net addition to treasury bills jumped abruptly during 1996-97. During this year, treasury bills constituted 52 *per cent* of net addition to the total internal debt against only 12 *per cent* during 1995-96. While heavy dependence on treasury bills as a measure of resource generation through borrowing during 1992-93 and 1993-94 can be attributed to introduction of 364 days treasury bills during 1992-93, almost

four fold jump in 1996-97 is indicative of uncertainty of market borrowings.

At present there are two types of treasury bills

- i) 91 days treasury-bills
- ii) 364 days treasury-bills

9.4.1 91 days treasury bills

(i) Ad hoc treasury bills

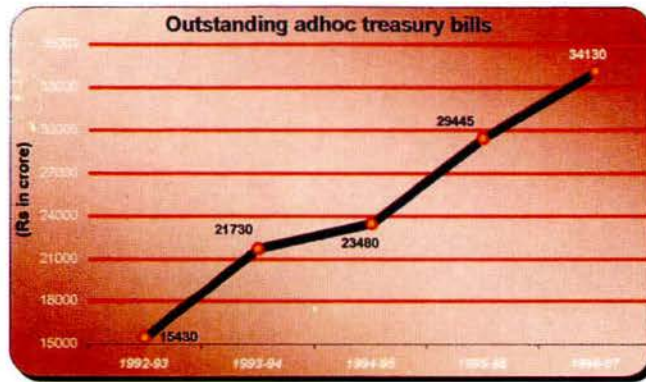
Ad hoc treasury bills, in effect, means increase in money circulation leading to monetisation of the deficit. The Reserve Bank acts as a banker to the Union Government. Under a working arrangement with the Reserve Bank of India, the minimum balance of Government with the Bank, with effect from 1953-54, is to be maintained at Rs 50 crore. Any deficiency in this balance on Friday of each week is made good generally by the creation of ad hoc treasury bills in favour of the RBI. The RBI issued ad hoc treasury bills for the required amount whenever the balance of the Government with them dropped below Rs 50 crore and discharged them with a view to retaining the level of the minimum balance. As explained earlier the system of ad hoc treasury bills has been replaced with ways and means advance with effect from April 1997.

The trend of ad hoc treasury bills during the last five years was as under:

Table 9.4.1 (i) : Ad hoc treasury bills

(Rupees in crore)

Year	Addition during the year	Discharge during the year	Outstanding amount of ad hoc treasury bills at the end of the year
1996-97	89605	84920	34130
1995-96	76790	70825	29445
1994-95	69895	68145	23480
1993-94	62930	56630	21730
1992-93	52775	41330	15430



It would be observed from the above table that volume of undischarged ad hoc treasury bills have gone up significantly since 1992-93 from Rs 15430 crore at the end of 1992-93 to Rs 34130 crore at the end of 1996-97 which constituted a rise of 121 *per cent* over the last five years.

Except during 1994-95, the ad hoc treasury bills ranging between Rs 4685 crore to Rs 11445 crore remained undischarged during other four years. During 1996-97 the addition to undischarged ad hoc treasury bills was Rs 4685 crore.

(ii) 91 days auction treasury bills

These bills are issued at a pre-determined discount rate and are subscribed by banks, corporations, State Governments etc. for investment of their surplus cash. 91 days auction treasury bills were introduced from January 1993 in order to move towards market related rates and offering wider choice to investors. The amount of bills offered and the date of auction is announced by the Reserve Bank of India from time to time. The bills are issued at a discounted price. The rate of discount and the corresponding issue price is determined at each auction. Successful bids up to the minimum discounted price determined at the auction are accepted. The Reserve Bank retains the right to participate in the auction and buy part of the offer at the cut-off price in case the bids fall short of the amount offered or the whole of the amount notified if all the bids are rejected.

The growth of 91 days auction treasury bills over the last five years was as under :

Table 9.4.1 (ii) : 91 days treasury bills**(Rupees in crore)**

Year	Addition during the year	Discharge during the year	Amount
1996-97	73657	65614	22389
1995-96	53051	47553	14345
1994-95	39441	41459	8847
1993-94	39960	34278	10865
1992-93	20607	20279	5183

The above table shows that the balance of 91 days auction treasury bills which was Rs 5183 crore at the end of 1992-93 increased to Rs 22389 crore at the end of 1996-97, which constituted an increase of 332 *per cent* over the last five years. Except during 1994-95, the addition to undischarged treasury bills during the other four years were between Rs 328 crore and Rs 8044 crore. 1996-97 saw an unprecedented increase in the amount of undischarged 91 days auction treasury bills by Rs 8044 crore.

(iii) 364 days treasury bills

These bills were notified for issue on 28 April 1992. Any Indian resident inclusive of individual, firms, companies, corporate bodies, institutions except State Governments and provident funds can subscribe to these bills. The trend of these treasury bills during the last five years was as under:-

Table 9.4.1 (iii) : 364 days treasury bills**(Rupees in crore)**

Year	Addition during the year	Discharge during the year	Balance at the end of the year
1996-97	8241	1875	8241
1995-96	1875	8165	1875
1994-95	16857	17078	8165
1993-94	20323	20714	8386
1992-93	8777	--	8777

It would be seen that 364 days treasury bills did not prove to be a popular instrument.

9.5 Funding of ad hoc and other treasury bills

The treasury bills which were acknowledged as an instrument for meeting the short term and need based requirement of the Government to handle the fiscal management scenario, in fact, became a long term financing instrument.

This tendency was corroborated by the fact that during the year 1981-82 to 1991-92 ad hoc treasury bills amounting to Rs 71000 crore were converted into special securities at an interest rate of 4.6 per cent without any specific date of maturity as detailed below:

Table 9.5(i) : Ad hoc treasury bills converted into securities
(Rupees in crore)

Year of funding	Amount of ad hoc treasury bills funded
1991-92	5000
1990-91	30000
1987-88	17500
1986-87	15000
1981-82	3500
Total	71000

Short term loan of Rs 107399 crore was converted into long term loan.

Apart from the above undated conversions, 91 days and 364 days treasury bills amounting to Rs 8463 crore and Rs 27936 crore respectively were converted into dated stock at a much higher rate of interest ranging between 11 per cent to 13.25 per cent during 1992-93 to 1995-96 as indicated below:

Table 9.5 (ii) : Funding of 364/91 day treasury bills
(Rupees in crore)

Year	364 days treasury bills		91 days treasury bills	
	Amount	Converted into dated stock	Amount	Converted into dated stock
1996-97	---		-	-
1995-96	1585	13.25 per cent Government stock 2000		
1994-95	8078	11.75 per cent Government stock 2001	4417	12 per cent Government stock 1999
	101	11 per cent Government stock 1997	-	-
1993-94	6946	12.75 per cent Government stock 1996	4046	12 per cent Government stock 1995
1992-93	11226	12.50 per cent Government stock 2004	-	-
Total	27936		8463	

It would be evident from the above that from the year 1981-82 to 1995-96 a total liability aggregating Rs 107399 crore was deferred by way of conversion of short term loan into long term loan. These increased the interest liability of Government without any advantage to Government.

9.6 Market borrowings

Market loan grew by 125 per cent but interest payment on it grew by 135 per cent over last five years.

Market borrowing consists of raising of funds through dated stock certificates/bonds maturing after specific period which carry specific rate of interest individually.

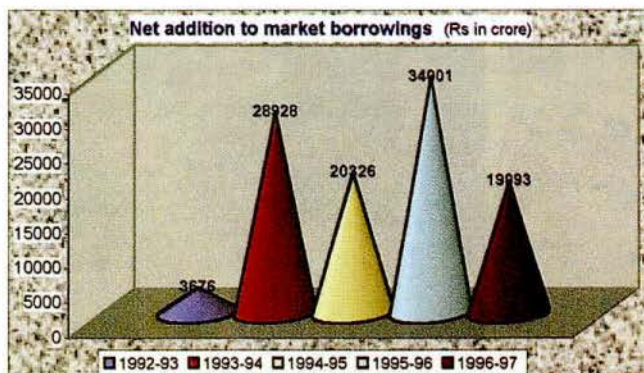
The net addition of market loans in comparison to Budget Estimates and Revised Estimates for the last five years was as under:

Table 9.6 (i) : Addition of market loans net of repayments

(Rupees in crore)

Year	BE	RE	Receipt	Repayment	Net addition	Increase over BE
1996-97	3700	4025	26998	7905	19093	15393
1995-96	3700	3700	39548	5547	34001	30301
1994-95	3700	3700	21250	924	20326	16626
1993-94	3700	3700	30065	1137	28928	25228
1992-93	5000	3670	4821	1145	3676	(-) 1324

Net market loans raised exceeded the estimates by many times.



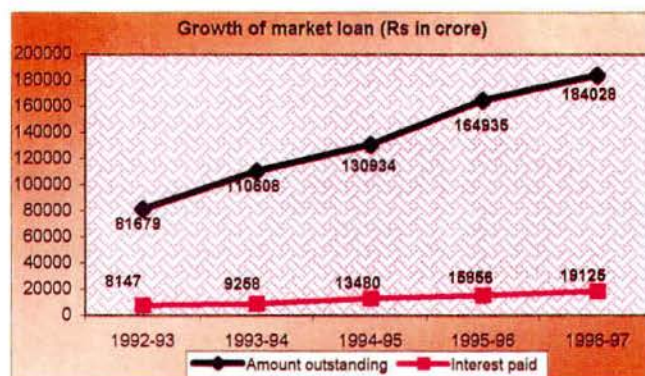
It would be observed from the above table that net addition of market loans was much higher than the Budget Estimates, except during 1992-93. The increase of market loans over Budget Estimates ranged between Rs 15393 crore to Rs 30301 crore during the period 1993-94 to 1996-97.

The growth of market loans during the last five years was as under:

Table 9.6 (ii) : Growth of market loans

(Rupees in crore)

Year	Amount outstanding	Interest paid
1996-97	184028	19125
1995-96	164935	15856
1994-95	130934	13480
1993-94	110608	9258
1992-93	81679	8147



It would be observed from the above table that the outstanding amount of market loans increased from Rs 81679 crore at the end of 1992-93 to Rs 184028 crore at the end of March 1997 which constituted a steep increase of 125 per cent.

Market loans increased by 125 per cent in five years.

During the last five years, Rs 106024 crore has been added to the balance of the market borrowings, the actual accretion to resources after deducting the interest payment during the last five years has been Rs 40158 crore only. The net accretion to resource during 1996-97 after reckoning the repayments and interest payments was (-) Rs 32 crore. The interest payments on market loans increased from Rs 8147 crore in 1992-93 to Rs 19125 crore in 1996-97, an increase of 135 per cent. The rate of interest on these loans ranged between 5.5 per cent to 14 per cent per annum.

As per Annual Report of RBI for 1996-97, the proportion of the short term loans (below 5 years) in the total market loans has sharply risen from 7.4 per cent as at the end of March 1992 to 38.4 per cent at the end of March 1996. The short term maturity loans constituted almost 50 per cent of the total market loans raised by the Government in 1996-97. Short term debt entails more frequent repayment obligations and amortisation problems as would be clear from repayment schedule of market loans, excluding the interest liability of the Union Government for the next six years is as under:

**Table 9.6 (iii) : Repayment schedule of market loans
(Rupees in crore)**

Year	Amount
2002-2003	12165
2001-2002	16464
2000-2001	19428
1999-2000	16353
1998-1999	14803
1997-1998	10903

Net accretion from the market loans after repayment and payment of the principal, has started turning negative.

During the next six years Union Government has to repay Rs 90116 crore as principal on existing market loans. It would be observed from Table 9.6 (i) that during 1992-93 the repayment of market loan was Rs 1145 crore only which rose to Rs 7905 crore in 1996-97 constituting an increase of 590 *per cent*. During 1997-98 the repayment of market loans is likely to increase by around 38 *per cent* over 1996-97.

Viewed in the background of heavy liability both towards repayment of loan and interest, Government is likely to be compelled to resort to still heavier borrowings to ensure that market loans are retained as a 'source' rather than turning them into an application.

9.6.1 Devolvement of market borrowing on RBI

As per Annual Report of RBI for 1996-97, the devolvement on the RBI of market borrowings which were not absorbed by the market during the last three years was as under :

**Table 9.6.1 : Devolvement of market borrowing on RBI
(Rupees in crore)**

Year	Amount
1996-97	3698
1995-96	12655
1994-95	1752

It would be seen from above table that the devolvement of market borrowing on RBI in absolute term was Rs 12655 crore in 1995-96. But in 1996-97, the position improved and devolvement on RBI was Rs 3698 crore only.

9.7 Other internal liabilities

Small savings, provident funds, other accounts (special deposits, Non-Government provident funds etc.) reserve funds and deposits form part of Public Account. The balances of Public Account are carried forward annually. The net addition to small savings, provident funds, other accounts, reserve funds and deposits are utilised by the Government as resource, while adding substantially to the liability of the Government.

The position of addition, repayment and balances in various Public Accounts during the last five years was as under :-

Table 9.7 : Growth of other internal liabilities

(Rupees in crore)

	1996-97	1995-96	1994-95	1993-94	1992-93
Small savings					
Opening balance	91786	81710	67284♣	60127♣	55755
Addition	33339	32810	34438	24731	17605
Repayment of principal	21197	22734	20012	17573	13232
Closing balance (a)	103928	91786	81710	67285	60128
Provident funds					
Opening balance	29611*	24721*	20592	16877	13925*
Addition	11130	9561	8141	7132	5886
Repayment of principal	5714	4643	4008	3417	2934
Closing balance (b)	35027	29639	24725	20592	16877
Other accounts (special deposits and Non-Government provident funds etc.)					
Opening balance	92009*	85787	72477♣	59797	51818
Addition	17178	16508	16066	16243	11685
Repayment of principal	9100	10285	2756	3562	3706
Closing balance (c)	100087	92010	85787	72478	59797
Deposits					
Opening balance	27299	23325♣	20404	19895*	19906
Addition	33637	28031	25139	21914	21087
Repayment of principal	31337	24044	22217	21405	21112
Closing balance (d)	29599	27312	23326	20404	19881
Reserve funds					
Opening balance	6275	5672*	4153*	3872*	3560*
Addition	14643	13907	11356	9114	7574
Repayment of principal	12597	13211	9842	8834	7263
Closing balance (e)	8321	6368	5667	4152	3871
Grand total of closing balance (a+b+c+d+e)	276962	247115	221215	184911	160554
As %age of GDP	21.7	22.5	23.4	23.1	22.8

* Changes in opening balances due to prior period adjustment

♣ Changes in opening balances due to rounding

During 1996-97, the total other internal liabilities aggregated to Rs 276962 crore, out of which, Rs 100087 crore (36.1 per cent) was under special deposits and Non-Government provident funds etc. and Rs 103928 crore (37.5 per cent) was from small savings. The balance Rs 72947 crore (26.4 per cent) was on account of provident funds :Rs 35027 crore, deposits :Rs 29599 crore and reserve funds :Rs 8321 crore.

The total of other internal liabilities of the Union Government increased from Rs 160554 crore at the end of 1992-93 to Rs 276962 crore at the end of 1996-97, which constituted an increase of 72.5 per cent. Over the last five years, the Union Government has utilised the net accretion of Rs 116408 crore in the Public Accounts as resource to fund the deficit.

Other internal liabilities increased by 72.5 per cent over the last five years.

9.8 Debt servicing of the internal borrowings

The trend of debt servicing (repayment of principal and payment of interest) of the internal borrowings including treasury bills was as under:

Table 9.8 (i) : Net inflow of internal debt

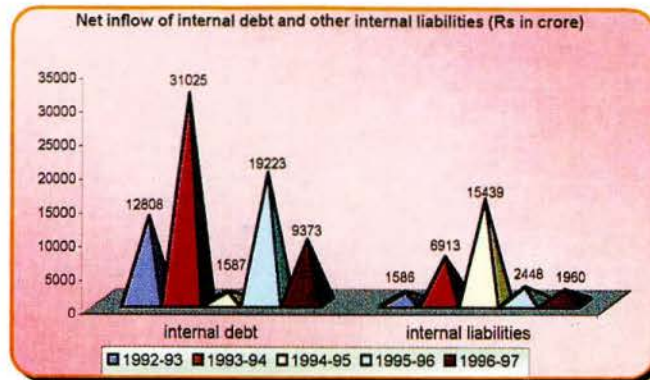
(Rupees in crore)

Year	Addition during the year	Debt servicing		Net inflow	Net inflow % age of addition
		Repayment	Interest payment		
1996-97	200507	163901	27233	9373	4.67
1995-96	174207	132805	22179	19223	11.03
1994-95	148556	127801	19168	1587	1.07
1993-94	159614	113002	15587	31025	19.44
1992-93	93754	67404	13542	12808	13.66

Table 9.8 (ii) : Net inflow of other internal liabilities

(Rupees in crore)

Year	Addition during the year	Debt servicing		Net inflow	Net inflow % age of addition
		Repayment	Interest payment		
1996-97	109927	79945	28022	1960	1.78
1995-96	100817	74917	23452	2448	2.43
1994-95	95140	58835	20866	15439	16.23
1993-94	79134	54791	17430	6913	8.74
1992-93	63837	48247	14004	1586	2.48



It would be observed from the above table that the net inflow of the internal debt, which was 11.03 per cent during 1995-96, declined to 4.67 per cent during 1996-97.

Most of the borrowings / liabilities are consumed by repayments and interest payments.

The net flow in the other internal borrowings which was 2.43 per cent of the addition in 1995-96 declined to 1.78 per cent in 1996-97. The percentage of net inflow of resource over the five years would suggest that almost entire borrowings and increase in other liabilities are consumed in repayment of the principal and the payment of interest and practically no addition to resources is available through raising of internal debt and through Public Account.

9.9 External debt of the Union Government

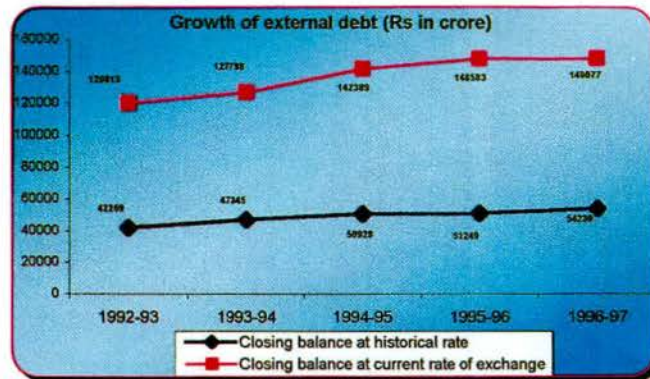
The growth of outstanding external debt at the close of the last five years at historical exchange rates was as under :

Table 9.9 (i) : Growth of external debt

(Rupees in crore)

	1996-97	1995-96	1994-95	1993-94	1992-93
Opening balance	51251	50931 ^x	47347 ^x	42271 ^x	36950 ^x
Addition	9535	6759	9050	10024	9625
Repayment of principal	6547	6441	5469	4950	4306
Closing balance at historical rate	54239	51249	50928	47345	42269
As %age of GDP	4.2	4.7	5.4	5.9	6.0
Closing balance at current rate of exchange	149077	148583	142389	127798	120813
As %age of GDP at current rate of exchange	11.7	13.5	15.1	16.0	17.2

^x Change in opening balances due to prior period adjustment



The outstanding amount of external debt at historical rates of exchange as percentage of GDP decreased from 6 per cent in 1992-93 to 4.2 per cent in 1996-97. However, in absolute terms the external debt increased from Rs 42269 crore at the end of 1992-93 to Rs 54239 crore at the end of 1996-97 which constituted an increase of about 28 per cent.

However, since repayments of principal and payment of interest is made at the current rate of exchange, the real magnitude of external debt is its value at the prevailing exchange rate. The Government Accounts, however, reflect the external debt at historical rate. At current rates of exchange the external debt stood at Rs 149077 crore, which was 11.7 per cent of GDP at the end of 1996-97.

It is noteworthy that since 1994-95, external debt flows have turned negative in the sense that repayment of principal and payment of interest is more than the annual addition as is indicated below :-

Table 9.9 (ii) : Net inflow of external debt

(Rupees in crore)

Year	Addition during the year	Debt servicing		Net inflow	Net inflow % age of addition
		Repayment	Interest payment		
1996-97	9535	6547	4223	(-) 1235	(-) 12.95
1995-96	6759	6441	4414	(-) 4096	(-) 60.60
1994-95	9050	5469	4026	(-) 445	(-) 4.91
1993-94	10024	4950	3724	1350	13.47
1992-93	9625	4306	3529	1790	18.60

It would be observed from the above table that debt service payments as percentage of the inflow of external debt which was 81 per cent in 1992-93 shot up to 161 per cent in 1995-96 resulting in Rs 4096 crore of net outflow from the Union Government's resources. However, it

External debt inflow has turned negative since 1994-95.

has come down to 113 *per cent* in 1996-97 resulting in an outflow of Rs 1235 crore which is attributable to high external borrowings during 1996-97. Thus, far from being a source, the external debt has become an application in real sense.

9.10 Unutilised external assistance

Large amounts of committed external assistance remained unutilised on which commitment charges of Rs 93.77 crore was paid.

As on 31 March 1997, unutilised external assistance was of the order of Rs 44771 crore. The low rate of utilisation of external assistance is particularly worrying now, when net inflows have turned negative. Much of the unutilised external assistance is for projects in the infrastructure sector. The sectorwise details of unutilised external aid as on 31 March 1997 is given in Appendix XIII.

The Standing Committee on Finance (1995-96) – Tenth Lok Sabha in their Thirteenth Report took a serious view of the fact that a significant portion of the country's external debt stocks is lying unutilised and the country has to pay commitment charges on these undrawn amounts. The Committee, therefore, felt that there was an urgent need to review these foreign aided projects so as to identify the reasons for delay in their implementation and recommended that suitable steps should be taken to improve the utilisation of loans.

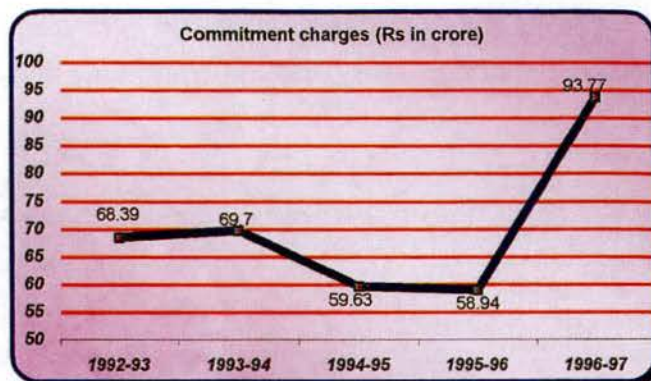
9.11 Commitment charges

In respect of external loans raised from World Bank and other foreign governments the agreement provides for payment of commitment charges on the amount of principal which have been rescheduled for drawal on later dates. As there is no distinct head in the accounts for reflecting the payment of commitment charges, it is shown under the head interest obligation. The details of the charges paid to various bodies/governments during the last five years was as under:-

Table 9.11 :- Commitment charges

(Rupees in crore)

Sl No	Name of lender	1996-97	1995-96	1994-95	1993-94	1992-93
1.	A.D.B.	69.52	35.37	31.80	29.04	21.68
2.	France	0.27	0.30	0.22	0.41	1.22
3.	Germany	2.09	2.43	2.57	4.15	4.59
4.	IBRD	21.41	20.12	24.25	34.79	40.18
5.	Sweden	0.48	0.72	0.79	1.31	0.72
	Total	93.77	58.94	59.63	69.70	68.39



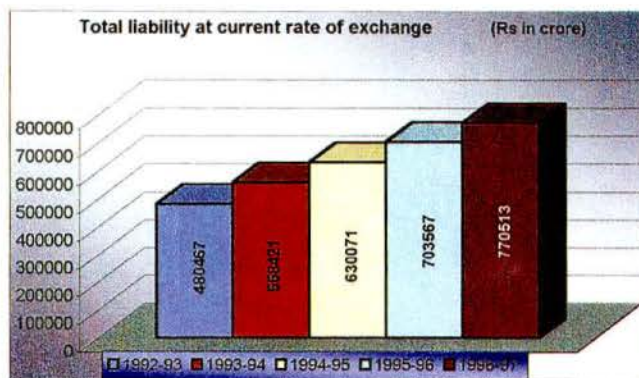
Market loan at a higher rate of interest grew by 11.58 per cent whereas soft external loans remained unutilised.

It is interesting to note that as already mentioned in para 9.6, the market loans during the period 1995-96 and 1996-97 increased by 11.58 per cent on which Government was paying interest at much higher rate ranging between 10 per cent to 14 per cent in respect of loans raised after 1992-93 as compared to the soft external loans raised from World Bank and other sources which varied between 0.75 per cent to 6.98 per cent. Yet these loans remained unutilised and Government had to pay commitment charges as mentioned above.

Despite the concern expressed by Public Accounts Committee (1968-69) in paragraph 2.35 of its Fifty Fifth Report (Fourth Lok Sabha) and Estimates Committee in paragraph 4.38 of its Eleventh Reports (Fourth Lok Sabha) on the payment of commitment charges, it went up from Rs 68.39 crore in 1992-93 to Rs 93.77 crore in 1996-97.

9.12 Indebtedness of the Union Government

The total indebtedness of the Union Government for the last five years reckoning the external debt at current rate of exchange was as under:-



The above indebtedness of the Union Government is based on the Union Government Finance Accounts and is different from the external indebtedness of the country. In addition to the external debt exhibited in the Finance Accounts, there are other liabilities like public sector borrowings from abroad, imports funded from foreign loans, Non-Resident Indian (NRI) and other Foreign Currency (FC) deposits and accounts, commercial borrowings, as well as guarantees given by the Union Government which also contribute indirectly to the external debt of the country.

9.13 Guarantees given by Union Government

The position regarding the maximum amount of guarantees for which Government have entered into agreements and sums guaranteed outstanding at the end of the years 1992-93 to 1996-97 are given below :

Table 9.13 : Guarantees given by Union Government

(Rupees in crore)

Position at the end of the year	Maximum amount of guarantee for which Government have entered into agreement	Sums Guaranteed Outstanding (internal & External)	External guarantees outstanding	% age col.4 to col.3
1996-97	124705	69748	30839	44.2
1995-96	94761	65573	29345	44.8
1994-95	89563	63153	30268	47.9
1993-94	84738	62857	30626	48.7
1992-93	79552	58027	28988	50.0

9.14 Impact of public debt

The ever increasing amount of public debt has inevitable impact on other areas of expenditure and aspects of Public Finance. The committed liability towards debt service obligations account for nearly half of public expenditure and Government has to resort to more borrowings to meet the liability of debt servicing besides raising resources to meet the expenditure. Therefore, the requirements for increased spending in various sectors have to be reconciled with the need to curb the expenditure and reduce deficit.

9.14.1 Parliamentary control over the budget

As a result of the sharp rise in debt servicing an overwhelming proportion of the total disbursement out of the Consolidated Fund of India is charged on the Fund i.e. it is not subject to the vote by Parliament. Only about *one-third* of the total budgetary expenditure is now within the ambit of the discretion of Parliament and is subjected to vote. During 1997-98 (BE) out of a total disbursement of Rs 539069 crore from the Consolidated Fund of India, 65 *per cent* amounting to Rs 349585 crore is charged. Of the charged expenditure, 85 *per cent* is to be applied towards debt service obligations i.e. to repay instalments of the loan and pay interest dues.

It is significant that the receipt from borrowed funds (Public Debt) of the Government increased from Rs 180966 crore in 1995-96 to Rs 210042 crore in 1996-97. In other words, during 1996-97 more than half of the Consolidated Fund receipts amounting to Rs 412911 crore comprised of borrowed funds.

10.1 Nature of observations

The Finance Accounts of the Union Government are prepared in accordance with the Government Accounting Rules, 1990 and various other rules and instructions issued by the Union Government in this regard. The validity of the accounts is therefore adjudged in accordance with the observance of these rules and instructions. The correctness of the accounts, on the other hand, is to be judged on the basis of the completeness, reliability of accounts as revealed by supporting documents and procedures laid down and such other material as is noticed in the course of test check.

This chapter contains observations pertaining to the correctness and validity of Finance Accounts and are therefore qualificatory in nature.

10.2 Reconciliation of accounts

The figures exhibited in the Finance Accounts represent those figures of expenditure and receipt which have been booked in the books of various Pay and Accounts Offices which are subsequently consolidated. Each of such transaction also represents the receipts and payments booked by the Reserve Bank of India into their books. At the end of the year the net effect of transactions in the Government accounts is represented by 'Deposits with the RBI'. This figure, which is both in the books of Government as well as in the books of RBI, should normally tally. The difference, if any, between these two figures should be reconciled and explained satisfactorily to ensure the accuracy of the accounts.

Para 1.19.4 of the Civil Accounts Manual provides for the reconciliation of these figures. It was, however, noticed from the accounts that the figure of 'Deposits with the RBI' as on 31 March 1997 in the Finance accounts is shown as Rs 2377 crore, while that reported by the RBI was Rs 2071 crore, thereby showing a difference of Rs 306 crore between the two figures. The difference has not been reconciled. Difference of Rs 333 crore in the two sets of figures at the end of March

1996 was pointed out also in last years Report (Report No. 1 of 1997 of Comptroller and Auditor General of India).

10.3 Factor affecting the accuracy and correctness of accounts

Under the major head 5053-Capital Outlay on Civil Aviation-02 Airport-102 Aerodromes in Grant No. 97; Andaman & Nicobar Island, the expenditure during 1996-97 indicated against the total provision of Rs nine crore, which included re-appropriation of Rs four crore, is minus Rs 0.75 crore.

In fact, the actual expenditure under this major head during 1996-97 was Rs 9.25 crore and therefore, an excess of Rs 25 lakh should have been reflected in the column for excess or savings. The minus expenditure resulted due to irregular action of Andaman and Nicobar Administration in treating the amount of a cheque for Rs 10 crore drawn in favour of Hindustan Aeronautics Ltd. in 1994-95 for purchase of a Dornier Aircraft as reduction in expenditure during 1996-97, since the ministry did not approve purchase of the aircraft.

The Andaman and Nicobar Administration had reappropriated Rs 9.99 crore to this head during 1994-95 after obtaining a token supplementary grant of Rs one lakh for purchase of a Dornier Aircraft in violation of Rule 10(1) of Delegation of Financial Power Rules 1978, which prescribes that funds should not be appropriated or reappropriated to meet expenditure which has not been sanctioned by an authority competent to sanction it. The Administration drew cheque in favour of M/s HAL by reappropriating the funds without the sanction of the Ministry of Civil Aviation. The Ministry, eventually, did not approve their proposal. The Andaman and Nicobar Administration cancelled the cheque during 1996-97, two years after it was drawn in 1994-95 and booked it as minus expenditure in the accounts of 1996-97.

Thus, instead of the actual expenditure of Rs 9.25 crore under the above head, the accounts reflected a minus expenditure of Rs 0.75 crore by incorrectly treating the amount of cancelled cheque as minus expenditure which did not present the true and fair view of accounts during 1996-97 relating to Grant No. 97 - Andaman and Nicobar Administration.

10.4 Suspense balances

10.4.1 Balances under major suspense accounts

All such transactions as are ultimately cleared either by payment or recovery in cash or by book adjustment are recorded initially under suspense head. All balances under Suspense heads ought to be reviewed at short intervals so that it may be secured that no item remains unadjusted longer than is reasonably necessary to bring about its clearance in the ordinary course with due regard to the rules applicable to each case. There is, therefore, a need to clear these amounts expeditiously and classify them to appropriate heads of accounts.

10.4.1.1 Compensating errors in reporting

Net figures under suspense heads do not show the total dimension of outstanding balances.

The Suspense balances on debit side represent expenditure items and those on credit side represent receipt items awaiting adjustments. In the Finance Accounts, both are merged and only the net figures are shown. The figures exhibited as net figures do not show the total dimension of the value of transactions awaiting adjustment on both sides.

The figures lying under suspense heads for the last five years are given below:

**Table 10.4.1.1 (i) : Suspense Balances
(Rupees in crore)**

Year	Amount (Net)
1996-97	Dr. 11515
1995-96	Dr. 10320
1994-95	Dr. 7716
1993-94	Dr. 28085*
1992-93	Dr. 5894

* Rs 20138.69 on account of misclassification.

It would be observed from the above table that the suspense balances during 1996-97 increased by Rs 1195 crore over the previous year which constituted an increase of 10 per cent. Leaving aside the misclassification during 1993-94, the balances under suspense heads have been increasing over the years.

The position of Suspense balances under major suspense heads for the last five years are given below:

**Table 10.4.1.1 (ii) : Balances under major suspense heads
(Rupees in crore)**

Heads of Account	Net balance as on				
	31 March 1997	31 March 1996	31 March 1995	31 March 1994	31 March 1993
Pay and accounts Office Suspense (PAO Suspense)	Dr. 262.90	Dr. 217.19	Dr. 267.98	Dr. 436.50	Dr. 628.77
Suspense A/C (Civil)	Dr. 354.84	Dr. 456.84	Dr. 568.99	Dr. 829.02	Dr. 361.76
Suspense A/C P & T	Dr. 68.66	Dr. 48.64	Dr. 97.41	Dr. 20573.09	Dr. 239.46
Suspense Accounts Defence	Dr. 980.42	Dr. 794.38	Dr. 635.18	Dr. 914.95	Dr. 1239.11
Suspense Accounts Railways	Dr. 145.08	Dr. 121.30	Dr. 215.52	Dr. 185.74	Dr. 117.03
Telecommunication Accounts office Suspense	Dr. 1700.10	Dr. 2017.58	Dr. 1830.01	Dr. 1564.36	Dr. 1497.66
Public Sector Bank Suspense	Dr. 563.28	Dr. 498.73	Dr. 581.35	Dr. 528.55	Dr. 360.23
Suspense Account for purchases abroad	Dr. 2151.68	Dr. 1848.78	Dr. 1426.68	Dr. 1539.50	Dr. 1365.09
Reserve Bank Suspense (Head quarters)	Cr. 198.95	Cr. 172.77	Cr. 178.12	Cr. 176.75	Cr. 176.35
Cash settlement Suspense	Dr. 205.26	Dr. 191.38	Dr. 186.40	Dr. 211.93	Dr. 286.82
Discount sinking fund	Dr. 4273.09	Dr. 3004.91	Dr. 2005.61	Dr. 1375.73	--

From the above table it is seen that balances under PAO suspense, R.B. Suspense Head Quarters, Suspense Accounts P&T, Suspense Accounts Defence, Suspense Accounts Railways, Public Sector Bank Suspense, Cash settlement suspense and Suspense Accounts for purchases abroad have increased in 1996-97 over the previous year. The balances under Suspense Account (Civil) and Telecommunication Accounts Office Suspense have come down in 1996-97 over the previous year.

Under PAO suspense some of the increase in balances were in Ministry of Finance, Department of Economic Affairs :Rs 49.50 crore (Cr), Health and Family Welfare : Rs 12.70 crore(Dr), Atomic Energy : Rs 16.46 crore(Cr), CBDT : Rs 26.44 crore(Dr) and External Affairs : Rs 46.18 crore(Dr).

Under R.B.Suspense Head Quarters, the increase by Rs 26.18 crore (Cr), in 1996-97 over the previous year is mainly due to increase in balances in Ministry of Finance, Department of Economic Affairs by Rs 24.74 crore(Cr).

Balance under Cash Settlement Suspense has increased by Rs 13.88 crore(Dr), in 1996-97 over the previous year which is mainly due to increase in balance under this head in Ministry of Urban Affairs and Employment by Rs 11.79 crore(Dr), and Lakshadweep Island by Rs 1.30 crore (Dr).

10.4.2 Suspense account for purchases abroad

The balance under this minor head has increased from Rs 1848.78 crore(Dr) in 1995-96 to Rs 2151.68 crore(Dr) in 1996-97. Over the five years 1992-93 to 1996-97 the balance has increased by Rs 787 crore which is about 58 *per cent*.

The minor head 'Suspense Account for Purchases Abroad' is operated in the books of Controller of Aid Accounts and Audit, Ministry of Finance, Department of Economic Affairs. In cases where imports under direct payment procedures by importers holding licences for imports are to be financed out of foreign loans credit, the payment for imports is directly made by Government and an equal amount is kept under this suspense, till the payment is received from the importer. The debit balances under this head will indicate the amount which is yet to be recovered from the importers, although the Government has already made the payment for these imports.

Huge amounts are due from the importers although the Government has already made payment for the imports.

A list showing selected importer-wise details are given in Appendix XIV. From the Appendix it is also seen that huge amounts are pending from various importers like Pawan Hans Helicopter - Rs 130.75 crore; N.H.P.C - Rs 120.43 crore; NTPC - Rs 105.69 crore; Singareni Collieries - Rs 62.03 crore; MMTC - Rs 19.28 crore; Anpara UPSEB - Rs 207.52 crore; Railway Board - Rs 270.72 crore; A.P.S.E.B. Hyderabad - Rs 155.55 crore; Hindustan Zinc Aid - Rs 106.53 crore; and Power Grid Corporation of India Rs 324.03 crore. From the information made

available from the Department it is seen that purchases have been made against various importers in 1996-97 when the payments for the purchases of earlier years are still due from them for even as long as ten years in some cases.

10.4.3 Central Board of Excise and Customs, Ministry of Finance

Detailed scrutiny of suspense balances in the Central Board of Excise and Customs, (CBEC) Ministry of Finance revealed the following position.

The net outstanding balances under various suspense heads in the books of CBEC for the last five years are given below.

Table 10.4.3 (i) Trends of suspense balances of CBEC

(Rupees in crore)

Year	PAO Suspense	PSB Suspense	Suspense A/C Civil
1996-97	Cr. 14.81	Dr. 241.79	Dr. 0.66
1995-96	Cr. 14.80	Dr. 84.17	Dr. 0.45
1994-95	Cr. 10.79	Dr. 15.25	Dr. 0.41
1993-94	Cr. 8.17	Dr. 6.02	Dr. 0.14
1992-93	Cr. 6.44	Dr. 12.15	Dr. 0.01

Increase in balances under public sector bank suspense over the previous year is 187 per cent.

It would be observed from the above table that the suspense balances have increased considerably over the five years. The increase of balances under Public Sector Bank Suspense which represents amount owned by Banks to Government is up by 187 per cent from 1995-96 whereas the increase in collection of Excise and Custom duties was only 16 per cent over the previous year. Over the last five years balance under this head has gone up by Rs 229.64 crore which is about 19.90 times.

It would be seen that instead of netting the debit and credit balances, both of which depict inaccuracy in accounts, the actual magnitude of inaccuracy gets suppressed due to compensating entries.

The minor head wise analysis of suspense balances are given below:

(a) Pay and Accounts Office Suspense

Transactions under Pay and Accounts office suspense (PAO Suspense) represent either recoveries effected or payments made by an Accounts officer on behalf of another Accounts Officer which are

eventually to be adjusted to the final head of accounts in the books of the Accounts Officer against whom the "PAO suspense" has been operated.

Yearwise break up of outstanding balances under PAO suspense as on 31 March 1997 is given below:

Table 10.4.3 (ii) (PAO Suspense)

(Rupees in crore)

Year	Amount Outstanding		
	Dr.	Cr.	Net
Up to 1992-93	0.11	0.45	Cr. 0.34
1993-94	--	1.09	Cr. 1.09
1994-95	--	3.20	Cr. 3.20
1995-96	--	3.24	Cr. 3.24
1996-97	--	6.94	Cr. 6.94
Total	0.11	14.92	Cr. 14.81

Reckoning the debit and credit balances separately the actual suspense balance would be Rs 15.03 crore.

The earliest period of outstanding balances is 1987-88. The reasons for non clearance of credit balances of all these years under this head is mainly on account of sales tax recovered on sale of confiscated goods which is being booked under this minor head and the clearance depends on the final decision of the writ petition filed by State Governments in the Supreme Court. Debit balance under this head is on account of non settlement of outward claims in respect of PAO Customs Calcutta, Bombay and by PAO Ministry of Finance Department of Revenue.

(b) Public Sector Bank Suspense

Public Sector Bank nominated for the Department initially pays the amount from its cash balance against the cheques issued by the concerned Ministry/Department/PAO and then claims reimbursement from the Central Accounts Section (CAS) RBI Nagpur which maintains the account of each Ministry/Department. Similarly when Government receipts are paid into a Public Sector Bank, it passes on the proceeds to the Central Accounts Section RBI Nagpur. As there is a time lag for a Government transaction carried out by the bank to get reflected in Government cash balance, this

minor head Public Sector Bank Suspense is operated to account for transactions awaiting settlement.

Debit balance under this head represent the amounts owed by the public sector banks to Government.

The yearwise break up of outstanding balance under this minor head up to 1996-97 is given below:

Table 10.4.3 (iii) PSB Suspense

(Rupees in crore)

Year	Outstanding balance		Net
	Dr.	Cr.	
Up to 1992-93	0.03	(-) 0.03	Dr. 0.06
1993-94	0.06	(-) 0.11	Dr. 0.17
1994-95	(-) 0.95	0.27	Cr. 1.22
1995-96	(-) 0.98	2.31	Cr. 3.29
1996-97	218.28	(-) 27.79	Dr. 246.07
Total	216.44	(-) 25.35	Dr. 241.79

Out of net Rs 241.79 crore(Dr) outstanding at the end of 1996-97, Rs 218.28 crore alone pertains to 1996-97. Moreover balances are outstanding since 1987-88. The CBEC should take steps to clear the old balances.

The Department stated, in August 1997, that balances are outstanding due to the following reasons and constraints faced by them.

i) Due to incorrect settlement of the transactions by the focal point banks concerned.

ii) Due to arithmetical/clerical error in the put through statement.

iii) Due to the inclusion of transactions pertaining to other departments.

In addition to these reasons, the delayed remittance of revenue collections to Government account by the focal point bank/local branches of nominated bank is also one of the main reasons for outstanding balance under PSB Suspense. Delays up to 2136 days have also been seen in such remittances.

(c) Suspense Account (Civil)

Suspense Account (Civil) is operated for accounting of transactions which for want of certain documents viz vouchers, challans etc. cannot be taken to the final head of expenditure or receipt.

The year wise break up of outstanding balance under the minor head Suspense Account (Civil) as on 31 March, 1997 is given below:

Table 10.4.3 (iv) Suspense Account (Civil)

(Rupees in crore)

Year	Balance outstanding		Net
	Dr.	Cr.	
Up to 1994-95	--	(-) 0.01	Dr. 0.01
1995-96	0.12	--	Dr. 0.12
1996-97	1.76	1.23	Dr. 0.53
Total	1.88	1.22	Dr. 0.66

The actual suspense balance taking the debit and credit items distinctly would work out to Rs 3.10 crore rather than Rs 0.66 crore arrived at by netting of the debit and credit.

The earliest period of outstanding balance is 1987-88. The Department stated, in August 1997, that the debit balance under this head is mainly due to booking of the Pay and allowances for March paid through demand drafts under this head and these amounts are cleared in April subsequently. However the reasons for outstanding as old as 1987-88 were not explained.

10.4.4 Central Board of Direct Taxes

Detailed scrutiny of suspense balances in the Central Board of Direct Taxes (CBDT) Ministry of Finance revealed the following position.

The outstanding net balances under various suspense heads in the books of CBDT for the last five years are given below :

Table 10.4.4 (i) Trends of suspense balances of CBDT
(Rupees in crore)

Year	PAO Suspense	PSB Suspense	Suspense Account (Civil)
1996-97	Dr. 152.33	Dr. 79.69	Dr. 3.32
1995-96	Dr. 125.89	Dr. 110.28	Dr. 2.90
1994-95	Dr. 94.59	Dr. 201.98	Dr. 2.44
1993-94	Dr. 81.73	Dr. 100.08	Dr. 2.06
1992-93	Dr. 85.49	Dr. 92.48	Dr. 1.90

Balances under PAO suspense have increased by 78 per cent over the five year period.

The balances under PAO suspense have increased over the five year period by 78 per cent while the balance under PSB suspense has decreased over the five year period by 14 per cent. Suspense A/c Civil has also increased by 75 per cent over the five year period.

The minor head wise analysis of these balances is given below.

(a) PAO Suspense

This minor head is operated by CBDT as an intermediary head to accommodate the tax deducted at source by various States towards the fag end of March. These collections of receipts in the forms of cheques/demand drafts are to be accounted for in the same year by crediting the relevant receipt head per contra debit to PAO suspense. This suspense head will be cleared subsequently in next year when the cheques/demand drafts are encashed. This suspense head is also operated normally in respect of transactions adjustable by other Accounts Offices.

Out of net debit balances of Rs 152.33 crore outstanding at the end of 1996-97, net debit balance of Rs 4.19 crore is pending in respect of period up to 1995-96. Earliest period of outstanding balance is shown as 1986-87. The Chief Accounting authority should take steps to clear the old balances.

(b) Public Sector Bank Suspense

The yearwise break up of outstanding balance under PSB suspense up to 1996-97 is given below :

Table 10.4.4 (ii) : PSB Suspense

(Rupees in crore)

Year	Balance outstanding		Net
	Debit	Credit	
Up to 1988-89	-18.05	27.76	Cr. 9.71
1989-90	0.07	0.10	Cr. 0.03
1990-91	4.19	(-) 0.64	Dr. 4.83
1991-92	13.06	2.46	Dr. 10.60
1992-93	4.71	1.39	Dr. 3.32
1993-94	(-) 0.05	1.83	Cr. 1.88
1994-95	(-) 1.69	(-) 0.62	Cr. 1.07
1995-96	97.87	0.91	Dr. 96.96
1996-97	(-) 21.91	1.42	Cr. 23.33
Total	114.30	34.61	Dr. 79.69

Reckoning the debit and credit balances distinctly the actual magnitude of PSB suspense is Rs 148.91 crore rather than Rs 79.69 crore arrived at after netting the two sides.

The balances are outstanding since 1988-89. The department should take steps to clear the old balances with the concerned Zonal Accounts Offices and the concerned Focal Point Banks.

The delayed remittances of revenue collections to Government Accounts by the Focal Point Banks/local branches of the nominated banks is the main reason for the outstanding balance under this head. The impact of such delayed remittances are discussed in detail in Para 10.6 of this Chapter.

(c) Suspense Account (Civil)

The yearwise breakup of outstanding balances under this head up to 1996-97 is given below :

Table 10.4.4 (iii) : Suspense Account (Civil)

(Rupees in crore)

Year	Balance outstanding		Net
	Dr.	Cr.	
Up to 1992-93	0.05	-	Dr. 0.05.
1993-94	-	-	-
1994-95	-	-	-
1995-96	-	-	-
1996-97	3.27	-	Dr. 3.27
Total	3.32	-	Dr. 3.32

From the above it is seen that only net debit balance of Rs 0.05 crore is pending up to 1992-93. Out of net debit of Rs. 3.32 crore outstanding as on 31 March 1997, Rs 0.05 crore pertain to 1989-90 and 1991-92.

10.4.5 Chief Controller of Accounts, Department of Supply, Ministry of Commerce

Detailed scrutiny of Suspense balances of Department of Supply, Ministry of Commerce revealed the following.

The trends of major suspense balances in the books of the Department of Supply for the last five years is given in the table below.

Table 10.4.5 (i) : Trends of Suspense balances

(Rupees in crore)

Year	Outstanding balances		
	PAO Suspense	Suspense Account (Civil)	RB Suspense CAO
1996-97	Dr. 141.13	Dr. 160.68	Dr. 48.85
1995-96	Dr. 120.94	Dr. 171.61	Dr. 108.89
1994-95	Dr. 119.39	Dr. 177.66	Dr. 72.40
1993-94	Dr. 212.82	Dr. 136.96	Dr. 81.52
1992-93	Dr. 376.86	Dr. 38.71	Dr. 57.42

Balances under suspense account civil have increased by 315 per cent over the five year period.

From the above it is seen that while the PAO Suspense balance has come down from Rs. 376.86 crore in 1992-93 to Rs 141.13 crore in 1996-97 constituting a reduction by 63 per cent, but it has increased from Rs 120.94 crore in 1995-96 to Rs. 141.13 crore in 1996-97. The balance under Suspense Account (Civil) has increased from Rs 38.71 crore in 1992-93 to Rs 160.68 crore in 1996-97, which constituted an increase of 315 per cent over the five year period. RB suspense (CAO) has decreased by 15 per cent over the five year period.

The minor headwise analysis of these balances is given below :

(a) PAO Suspense

This minor head is operated by Department of Supply to pass on the debits of payments made to contractors through outward claim account to the concerned Accounts Officer of Civil Ministries/Departments for purchases made through Director General Supplies and Disposal. This suspense head is cleared after the cheque/demand draft is received from the concerned Accounts Officer.

The outstanding balance under this minor head indicates the expenditure for purchases which have not been adjusted in the books of the concerned Accounts Officers.

From the yearwise break up of balances collected from the MIS Statements to the close of 30 September 1997 sent by the Controller of Accounts to the Controller General of Accounts, it is seen that balances are outstanding from the period even prior to 1986-87. The Yearwise breakup is given below :

**Table 10.4.5 (ii) : PAO Suspense
(Rupees in crore)**

Year	Balance outstanding		Net
	Dr.	Cr.	
1986-87	4.94	0.10	4.84
1987-88	9.50	--	9.50
1988-89	4.56	0.05	4.51
1989-90	14.27	0.08	14.19
1990-91	4.93	--	4.93
1991-92	5.03	--	5.03
1992-93	7.17	--	7.17
1993-94	7.37	--	7.37
1994-95	13.60	--	13.60
1995-96	12.96	0.83	12.13
1996-97	22.17	0.81	21.36
	106.50	1.87	104.63

The figures of PAO suspense in respect of PAO supply New Delhi could not be checked as the broad sheet was not being maintained and the work was in arrears. But from some of the data made available it was seen that some major debit claims are pending from the following Accounts Officers.

Table 10.4.5(iii) : Amount outstanding from various Accounts Officers.

		(Rupees in lakh)				
		96-97	95-96	94-95	93-94	92-93
1.	PAO AIR New Delhi	12.32	10.50	--	--	62.09
2.	PAO Transport Wing New Delhi	3.64	1.80	--	--	--
3.	Pocham Pad Project Nizamabad	--	13.60	3.80	--	0.71
4.	Delhi Administration	799.76	32.81	95.24	64.55	122.89
5.	T.H.Development Corporation Ltd., Rishikesh	45.60	37.76	--	0.27	--
6.	PAO DAVP New Delhi	2.14	1.20	0.36	0.29	11.60
7.	PAO AIR Calcutta	--	--	--	--	4.75
8.	PAO,IMD New Delhi	--	0.47	2.27	--	--
9.	PAO Civil Aviation	--	--	1.09	2.93	3.27
10.	B.T.P.S. New Delhi	11.81	15.42	--	--	83.57

The Department should take steps to clear the balances as the accumulation of balances under this head represents that the expenditure on purchases by various Accounts Officers of various Civil Departments/Ministries have not been adjusted .

(b) Suspense Account (Civil)

The Department of Supply operates this minor head for the following specific transactions arising in their books.

(i) The cheques/demand drafts received from various Ministries/Departments in settlement of outward claims are booked under this head before their remittances into bank by clearing PAO Suspense with the aim that the true picture of the outstanding claims under PAO Suspense at any date is known with certainty. Delays involved in the clearance of cheques by banks will not therefore affect the position. A sub minor head "Remittances into bank" is operated for this purpose.

(ii) When an erroneous debit passed on by the PAO, Department of Supply to any State Government, Railways, Defence etc. has not been accepted, and supporting vouchers are not received, then this minor head is operated by the Department by corresponding credit to R.B. suspense. When the vouchers are received back, the debit under Suspense Accounts (Civil); is reversed and the debit is passed on to the Accounts Officer concerned through outward claim.

(iii) When a debit claim is not accepted by Civil Ministries, awaiting details the claims are kept under this suspense head.

The yearwise breakup of balances under Suspense Account (Civil) up to 1996-97 as on 30th September, 1997 collected from MIS statement is given below :

Table 10.4.5(iv) : Suspense Account (Civil)

(Rupees in crore)

Year	Balance outstanding		Net
	Dr.	Cr.	
Up to 1986-87	6.04	1.52	Dr. 4.52
1987-88	0.35	0.16	Dr. 0.19
1988-89	0.11	0.03	Dr. 0.08
1989-90	0.02	0.03	Cr. 0.01
1990-91	0.01	0.02	Cr. 0.01
1991-92	0.02	0.03	Cr. 0.01
1992-93	0.09	0.02	Dr. 0.07
1993-94	0.15	0.01	Dr. 0.14
1994-95	0.08	(-)0.01	Dr. 0.09
1995-96	0.17	0.03	Dr. 0.14
1996-97	0.02	1.42	Cr. 1.40
Total	7.06	3.26	3.80

Reckoning the debit and credit balances distinctly the actual suspense balance under suspense account (civil) is Rs 10.32 crore.

From the above table it is seen that balances are outstanding even prior to 1986-87. The Department should take steps to clear the old balances.

(c) Reserve Bank Suspense (Central Accounts Office)

The yearwise breakup of balances under Reserve Bank Suspense (CAO) as per MIS statements up to 1996-97 to the close of 30 September 1997 is given below :

Table 10.4.5 (v) : RB suspense (CAO)

(Rupees in crore)

Year	Outstanding balance		
	Dr.	Cr.	Net
1986-87	0.11	--	Dr. 0.11
1987-88	2.65	--	Dr. 2.65
1988-89	0.02	--	Dr. 0.02
1989-90	1.08	--	Dr. 1.08
1990-91	0.12	0.10	Dr. 0.02
1991-92	0.78	0.04	Dr. 0.74
1992-93	(-) 5.97	0.05	Cr. 6.02
1993-94	(-) 3.13	0.01	Cr. 3.14
1994-95	0.26	0.01	Dr. 0.25
1995-96	2.04	--	Dr. 2.04
1996-97	4.34	--	Dr. 4.34
Total	2.30	0.21	2.09

From the above it is seen that balances are outstanding since 1986-87. The Department should take steps to clear the old outstanding balances.

Suspense balances affect the accuracy of Appropriation and Finance Accounts.

10.4.6 Impact of suspense balances

Suspense balances, particularly those under the heads which await final classification due to one reason or other, indicate those amounts, which are yet to be accounted for under the appropriate functional heads. Therefore, to the extent, these exist in accounts, the Appropriation and Finance Accounts are incomplete and affect functional expenditure under various service heads quantitatively. In turn, the savings and excesses with reference to approved provisions are also affected.

10.5 Adverse balances

10.5.1 Adverse balances in accounts

The adverse balances are negative balances appearing under those heads of accounts where normally there cannot be a negative balance. For example, against the accounting head of any loan or advance, a negative balance will indicate more repayment than the original amount advanced. Such situations arise largely due to accounting errors or accounting situations arising out of rationalisation of the classification of accounts or administrative re-organisation breaking up one accounting unit into many.

In the Finance Accounts of the Union government for the year 1996-97, there are 52 cases of adverse balances under Debt, Deposit and Remittance heads. Out of these, 4 balances became adverse during the year 1996-97. 48 cases are continuing to occur in the Finance Accounts from earlier years. Out of 48 old cases, five balances are adverse ever since 1976-77, nine balances are adverse since 1978-79 to 1986-87, eight balances are adverse since 1987-88 to 1991-92 and 26 are adverse since 1992-93 to 1995-96. All these cases are qualified by a note mentioning that adverse balances are under investigation. The amounts of adverse balance in respect of Statement No. 13, Statement No. 14, Statement No. 14A and Statement No. 15 of Union Government Finance Accounts are (-) credit Rs 3033.04 crore and (-) Debit Rs 38.41 crore.

These represent the aggregate effect of the balances of various account circles taken together. In certain circumstances, the adverse balances may conceal irregularities or fraud. At unit level, adverse balances

appear in the books of Pay and Accounts Offices and Principal Accounts Offices also but many of these adverse balances get eclipsed since these balances get aggregated when the accounts of the accounting circles are consolidated. The major items of adverse balances in the books of various Controllers of Accounts are given in Appendix XV.

10.5.2 Major adverse balances

(a) Controller of Aid Accounts and Audit, Ministry of Finance, Department of Economic Affairs

The adverse balances of Ministry of Finance Department of Economic Affairs, Controller of Aid Accounts and Audit shown in Appendix XV under ten minor heads pertaining to major head 6002 External Debt are because of changes in rates of exchange at the time of repayment of loan and are to be adjusted to miscellaneous Government Account after completion of repayment of loans. There are two adverse balances under major head 8449-other Deposits relating to Advance Deposits for IBRD aided projects and Advance deposits for USA aided projects. There is one adverse balance under major head 8012-Special Deposits in respect of Deposits by Kudremukh Iron Ore Co. Ltd. All these three adverse balances are also to be adjusted to Miscellaneous Government Account and the adjustment proposals are stated to be under consideration.

(b) Ministry of Information and Broadcasting

Under Major head 8670 "Cheques and bills", adverse balance has occurred in the books of Ministry of Information and Broadcasting. This adverse balance is to be analysed to check whether it has become adverse due to fraudulent payments or due to misclassification.

(c) Central Board of Excise and Customs, Ministry of Finance

The adverse balance in the books of CBEC amounting to Rs 123.42 crore under 8443 Civil Deposits 102 customs and opium deposits pertain to Collectorate Customs Calcutta. The balance became adverse in 1996-97. The scrutiny disclosed that the lump sum revenue deposits made by M/s Indian Oil Corporation Calcutta amounting to Rs 1440 crore during

1996-97 to be utilised subsequently against clearance of imported goods have not been credited to the deposit head. But the duty realised subsequently has been correctly debited to the deposit head resulting in adverse balance. As such the adverse balance might have inflated the revenue receipts during the year. Reasons for misclassification need immediate investigation.

(d) Ministry of External Affairs

Comments on two adverse balances under Deposit heads in the books of Ministry of External Affairs were made in Para 9.4.2 of the Audit Report of the Comptroller and Auditor General of India No.1 of 1997. Neither the balances have been cleared nor the steps taken by the Department to clear these balances intimated to audit.

**(e) Ministry of Finance
Department of Economic Affairs**

Comments on the adverse balances of Ministry of Finance Department of Economic Affairs were also made in Para 9.4.3 of Comptroller and Auditor General of India Report No.1 of 1997. Some adverse balances were cleared in 1996-97, but further steps to clear the remaining adverse balances are required.

Action is required to be taken for rectification of the adverse balances in Finance Accounts under the Debt, Deposit and Remittances Heads so that the statements of balances held by the Government are correctly exhibited in the annual accounts. The accounting arrangements should also be streamlined to check the recurrence of such balances.

10.5.3 Impact of adverse balances

Adverse balances are the result of misclassifications, errors or omissions which need a timely follow up by the Accounting authorities. To the extent these are present in the Finance Accounts, the accuracy of accounts stands compromised.

Adverse balances are the result of misclassifications, errors or omissions which affect the accuracy of the accounts.

10.6 Penal interest on delayed transfer of revenue receipts

Government receipts are paid into public sector banks. The banks are to remit the proceeds to the Central Accounts Section, Reserve Bank of

India, Nagpur. The public sector banks have been allowed transit period of 5 and 9 days for local and outstation banks respectively, within which they have to remit the receipts to the Central Accounts Section of the RBI, Nagpur.

While only five and nine days have been allowed to the public sector banks as transit time for remittances of the Government receipts, the RBI has provided for levy of interest on only such of the remittances as are delayed beyond one month. As such, the public sector banks escaped interest liability on remittances delayed between 6/10 and 30 days, which accounts for the bulk of the delays in remittance of receipts.

The system of claiming of interest and accounting of delayed remittances were test checked in the offices of Principal Chief Controller of Accounts, Central Board of Direct Taxes and Principal Chief Controller of Accounts, Central Board of Excise and Customs which disclosed the following :

(a) Delayed remittances by more than 5/9 days but less than one month

Public sector banks delayed remittance of collection of taxes, but interest on delayed remittances was claimed only for delays beyond 30 days.

Test check disclosed that public sector banks did not remit Rs 4601 crore of direct taxes collection (remittances exceeding Rs 10 lakh in each case) and Rs 4252 crore indirect taxes collection within 5/9 days. Of this, remittances of Rs 90.83 crore for the period from 14 February 1996 to 31 March 1997 and Rs 50.67 crore respectively were delayed beyond one month. However, in view of the provision of the letter No. GA.NB.No.2375/GA.64(10) G-90/91 dated 27 March 1991 of RBI the Chief Controller of Accounts claimed interest only on the remittances delayed beyond one month. As a result, the Public Sector Banks escaped the liability of payment of interest on the bulk of the delayed remittances between 6/10 and 30 days. The accounting data of delayed remittances maintained by the Principal Chief Controller of Accounts, CBDT and CBEC was oriented towards reckoning of the delay only in respect of remittances beyond 30 days. As such, the delays between 6/10 and 30 days could not be segregated to work out the interest forgone by the Government on delayed remittances.

Public sector banks
delayed payment of
interest.

(b) Delay in realisation of interest on delayed remittances beyond 30 days

The scrutiny of claims for interest by Principal Chief Controller of Accounts, CBDT and CBEC of remittances delayed beyond a month and the interest actually realised disclosed that the public sector banks delayed payment of interest recoverable from them. Position of claims raised during 1996-97 and claims realised are as under :

Table 10.6 : Interest on delayed remittances

(Rupees in lakh)

	Claims raised	Claims realised	Balance
CBDT*	318.43	48.38	270.05
CBEC	60.98	17.19	43.79

* Claims raised for the period from 14 February 1996 to 31 March 1997 and claims realised up to 31 December 1997.

There is, thus, a need for strengthening the existing system to follow up the recovery of interest.

10.6.1 Recommendations of the Public Accounts Committee

The PAC in the Action Taken Report (98th Report 10th Lok Sabha) on "Systems defects in the working of Chief Account Offices" recommended, among others, that the penal interest on delayed remittances should be charged irrespective of the amount and the period of delay. The Ministry of Finance has taken up the matter regarding levy of penal interest irrespective of time involved with the RBI. The final action in the matter was awaited as of March 1998.

10.7 Unclaimed market loans to be transferred to revenue

As per Rule 38 of Government Accounting Rules, 1990, read with Note 1 below the major head 6001, unclaimed market loans are usually retained in government Accounts as debt for 20 years from the date of discharge of the loans and there after these balances are to be transferred to revenue. As per statement 14A of Union Government Finance Accounts, an amount of Rs 10.45 crore pertaining to four loans was lying outstanding

against various loans for more than 20 years which had not been credited to revenue. Action needs to be taken by the Chief Accounting Authorities for crediting these loans to revenue.

10.8 Review of balances

It is imperative that the Government should ascertain at regular intervals, its precise liabilities in respect of outstanding balances in the Public Accounts under various Debt, Deposit and Remittance heads. All Accounting Officers are therefore required to review and verify such balances and ascertain whether the correctness of the balances is accepted by the persons/parties by whom the balances are owned or to whom these are due and are required to furnish annually, a detailed statement showing the unreconciled differences and the cases where acceptance of balances is awaited. The Principal Accounts Officer is required to send a consolidated report for the Ministry/Department as a whole to the Controller General of Accounts by 15th October. Purpose of conducting this review is to ascertain the quality of maintenance of various books of accounts and reconcile the figures of Debt, Deposits and Remittances. In respect of Civil Departments the review of balances for the year 1996-97 has been completed only in Department of Atomic Energy, Department of Space, President's Secretariat and Rajya Sabha Secretariat. The remaining Principal Accounts Offices have not completed the review of balances and to that extent, the accuracy of balances under Debt, Deposits and Remittance heads has not been verified.

10.9 Minus expenditure figures shown in Finance Accounts

In statement Nos.9 and 10 of Union Government Finance Accounts minus expenditure are seen under various major/minor heads of accounts which are qualified by a foot note that they are under investigation. Such minus expenditure in Finance Accounts for the last five years are given as under :

Table 10.9 : Cases of minus expenditure

(Rupees in crore)

Year	Revenue expenditure		Capital expenditure		Total	
	No. of item	Amount	No. of item	Amount	No. of item	Amount
1996-97	7	11.68	12	292.94	19	304.62
1995-96	9	25.52	8	881.17	17	906.69
1994-95	8	131.76	13	632.56	21	764.32
1993-94	16	116.84	11	191.20	27	308.04
1992-93	17	365.38	4	48.27	21	413.65

As all expenditure heads of revenue and capital close to Government Accounts every year and its balances are not carried forward the investigation, if any, of such bookings are not brought up by the accounting authorities in subsequent years. Such transactions do not depict a true picture of financial affairs of the Government.

10.10 Accounting of external debt

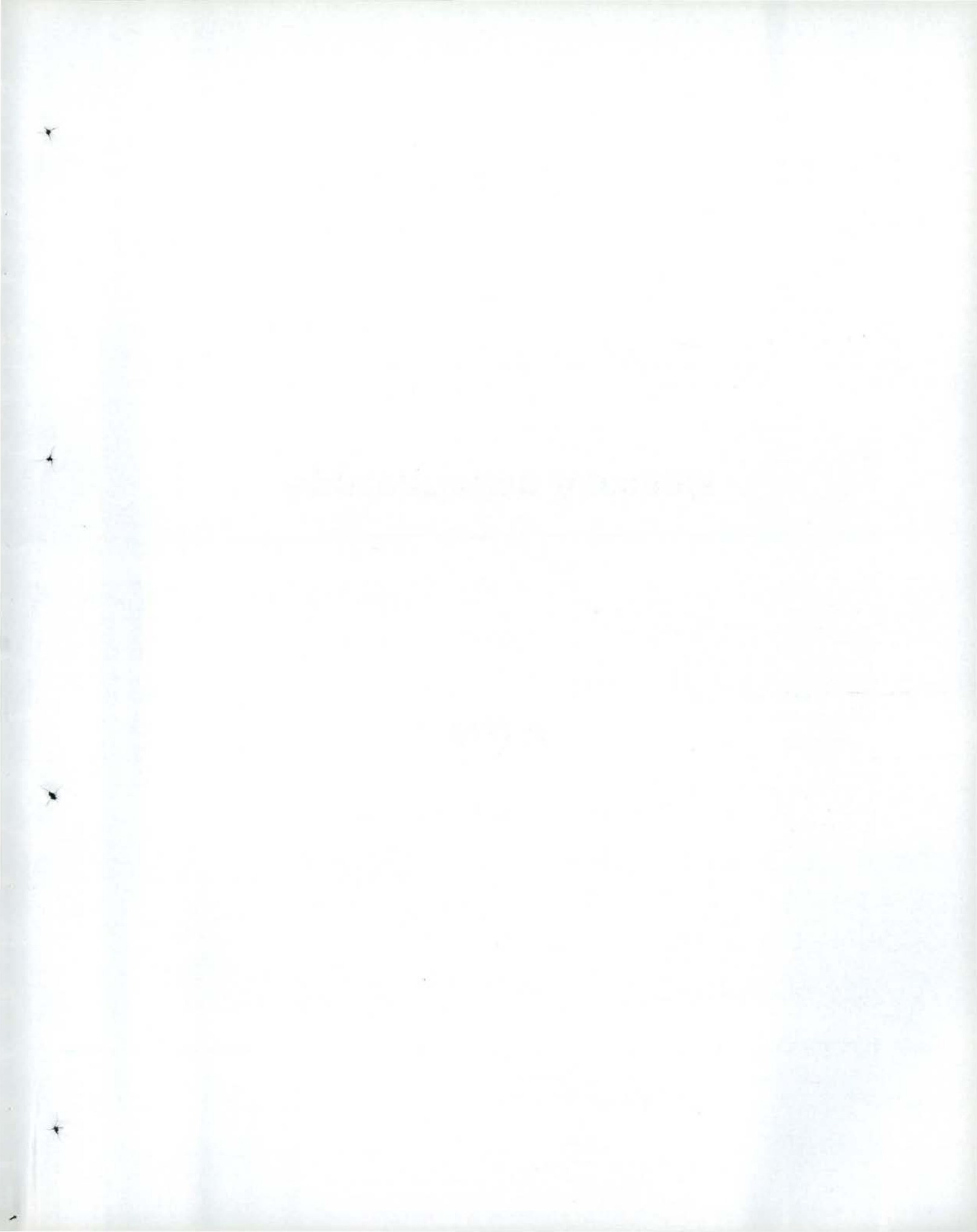
External debt are depicted in the accounts at historical rate of exchange, which is not a true reflection of liability.

External borrowings received by the Government of India from lender countries or institutions abroad are recorded in Government Accounts at the historical rate of exchange, i.e. the rate prevailing on the date of transaction/receipt. The outstanding balances of loan are not reflected in Government Accounts with reference to subsequent changes in rates of exchange. On account of the subsequent changes in exchange rate the repayments are higher than the amount payable as worked out on the basis of accounts. To the extent of difference arising on account of change in the rates of exchange, the external debt expressed as rupees in the Finance Accounts stands understated.

The amount of external debt outstanding as on 31 March 1997, which is shown as Rs 54238.56 crore and which had not been adjusted for exchange rate variations, works out to Rs 149077.07 crore, if adjusted for the exchange rate variations. To the extent of the difference, the external debt is understated in the Finance Accounts.

Part II

Appropriation Accounts



CHAPTER XI

Summary of Appropriation Accounts 1996-97

Appropriation Accounts : Union Government (Civil)

Total No. of grants	94	<i>of which</i>	⇒	Departmentalised grants	91
				Non-departmentalised grants	3

Total provision and actual expenditure

(Rs in crore)

PROVISION	EXPENDITURE
Original 413575.85	
Supplementary 7326.86	
Total gross provision 420902.71	Total gross Expenditure 376671.49
6586.72 (Estimated)	(Actual) 6127.55
	Recoveries in reduction of expenditure
Total net provision 414315.99	Total net Expenditure 370543.94

Analysis of voted and charged provision and expenditure

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	90564.92	87485.94	81398.69	86785.12
Capital	17017.58	225834.27	14917.65	193570.03
Total : gross	107582.50	313320.21	96316.34	280355.15
Recoveries in reduction of expenditure	6581.45	5.27	6121.51	6.04
Total : net	101001.05	313314.94	90194.83	280349.11

11.1 Introduction

In accordance with the provisions of Article 114 of the Constitution of India, soon after the grants under Article 113 are made by the House of People, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of India. The Appropriation Act passed by Parliament contains authority to appropriate the specified sums from the Consolidated Fund of India for the specified services. Supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 115 of the Constitution of India.

The Appropriation Acts include the expenditure which has been voted by Parliament under various grants in terms of Articles 114 and 115 of the Constitution of India and also include the expenditure which is required to be charged on the Consolidated Fund of India in terms of Article 112(3) as well as Article 293(2) of the Constitution of India. The Appropriation Accounts are prepared every year indicating the details of gross amounts on various services actually spent by Government vis-a-vis those authorised by the Appropriation Acts.

Five different Appropriation Accounts pertaining to different sectors of activities of the Government viz., Civil, Defence Services, Postal Services, Telecommunication Services and Railways are presented to Parliament. These Appropriation Accounts exhibit the total sanctioned grant/appropriation, actual expenditure and savings/excess for the grant/appropriation as a whole during the financial year. The total number of demands for grants/appropriations under which various Ministries/Departments obtained the grants during 1996-97 under different sectors of activities are as under :

Sector of activity	No. of demands for grants/appropriations
Civil	94
Defence Services	5
Postal Services	1
Telecommunication Services	1
Railways	16
Total:	117

The Appropriation Accounts in respect of the grants for Post and Telecommunications, Defence Services and Railways are prepared by the respective Ministries. The Appropriation Accounts (Civil) in respect of 94 grants and appropriations mentioned above are prepared by the Controller General of Accounts in Ministry of Finance.

11.2 Appropriation Audit

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure incurred is in conformity with the law, relevant rules, regulations and instructions.

This part contains detailed audit observations on the Appropriation Accounts (Civil) prepared by the Controller General of Accounts for the year 1996-97 besides brief gist of audit findings on the Appropriation Accounts of Postal Services, Telecommunication Services, Defence Services and Railways, where appropriate. Detailed audit findings in respect of the appropriation accounts of Post and Telecommunications, Defence and Railways have been incorporated in CAG's Reports No. 6, 7, 8 and 9 of 1998.

11.3 Appropriation Accounts

A summary of Appropriation Accounts of gross sums expended during the year ended March 1997 compared with the several sums authorised in the schedules appended to the various Appropriation Acts passed by Parliament during the year 1996-97 under Articles 114 and 115 of the Constitution of India, is given below:

Table 11.3: Authorisation and expenditure

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Savings
Civil						
Voted	I. Revenue	86187.12	4377.80	90564.92	81398.69	9166.23
	II. Capital	9042.27	767.16	9809.43	8920.03	889.40
	III. Loans and Advances	6790.26	417.89	7208.15	5997.62	1210.53
Total Voted		102019.65	5562.85	107582.50	96316.34	11266.16
Charged	IV. Revenue	87431.39	54.55	87485.94	86785.12	700.82
	V. Capital	9.06	11.28	20.34	15.26	5.08
	VI. Public Debt	201913.74	--	201913.74	170448.12	31465.62
	VII. Loans and Advances	22202.01	1698.18	23900.19	23106.65	793.54
Total Charged		311556.20	1764.01	313320.21	280355.15	32965.06
Total-Civil		413575.85	7326.86	420902.71	376671.49	44231.22
Post and Telecommunications (P&T)						
Voted		23360.56	902.98	24263.54	23803.00	460.54
Charged		0.52	0.02	0.54	0.24	0.30
Total-P&T		23361.08	903.00	24264.08	23803.24	460.84
Defence Services						
Voted		28898.96	2068.40	30967.36	30536.41	430.95
Charged		21.34	6.16	27.50	8.86	18.64
Total Defence Services		28920.30	2074.56	30994.86	30545.27	449.59
Railways						
Voted		40800.52	870.37	41670.89	40809.89	861.00
Charged		19.98	11.10	31.08	22.86	8.22
Total Railways		40820.50	881.47	41701.97	40832.75	869.22
Total Voted		195079.69	9404.60	204484.29	191465.64	13018.65
Total Charged		311598.04	1781.29	313379.33	280387.11	32992.22
Total according to Union Government Appropriation Accounts		506677.73	11185.89	517863.62	471852.75	46010.87

Note: In a demand for grants, provision for the charged expenditure is called appropriation and for voted expenditure, it is called grant.

Out of the overall savings of Rs 44231.22 crore in the grants pertaining to civil ministries/departments, Rs 29466.03 crore was on account of less than the budgeted drawal of 91 days Treasury bills resulting in less than the budgeted repayments. Excluding this, the effective savings was of Rs 14765.19 crore which was more than two times the supplementary grant of Rs 7326.86 crore and 3.5 per cent of total provision of Rs 420902.71 crore. Out of the effective savings of Rs 14765.19 crore, Rs 20.76 crore was attributable to less interest payment on 91 days Treasury bills for the reason stated above.

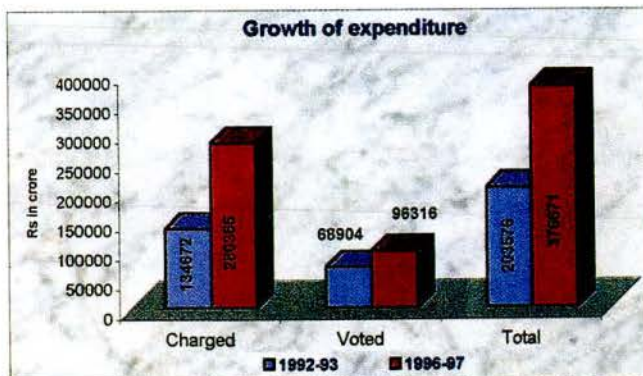
11.3.1 Detailed results of Appropriation Audit of selected ministries

While overall results of Appropriation Audit (Civil) are included in Chapter XI to XVI, the detailed results of Appropriation Audit of a few selected ministries/departments are included in Chapter XVII to XX.

Similarly detailed results of Appropriation Audit of Post and Telecommunications, Defence Services (Army and Ordnance factories); Defence Services (Air Force and Navy) and Railways are included in Report Nos. 6,7, 8 and 9 of 1998 of the Comptroller and Auditor General of India respectively.

11.4 Charged and voted expenditure

The details of the amounts of the expenditure actually incurred against approved demands (grants and appropriations) of the civil ministries/departments for the years 1992-93 to 1996-97 are given in Annexure I. It would be seen that during the last five years 66 to 74 per cent of the expenditure of the civil ministries was charged on the Consolidated Fund of India.



While the total expenditure of the civil ministries has increased from Rs 203576 crore in 1992-93 to Rs 376671 crore during 1996-97, charged expenditure has increased from Rs 134672 crore to Rs 280355 crore and voted expenditure has increased from Rs 68904 crore to Rs 96316 crore.

Limited scope of financial control by Parliament over the expenditure of civil ministries due to very high charged expenditure.

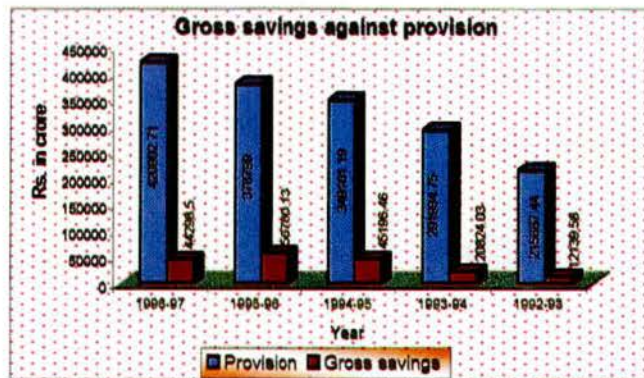
The charged expenditure of civil ministries during 1996-97 was mainly on account of interest payments (Rs 59478 crore), repayment of debt (Rs 170448 crore), transfers to States and Union Territory Governments mainly on account of states share of basic and additional Union Excise Duties, block grants and loans for state plan schemes, loans to States and Union Territories against net small savings collection, loans for rural electrification etc. excluding share of net provision of Income Tax (Rs 49078 crore) and others (Rs 1351 crore) and constituted 74 per cent of the total expenditure. Since charged expenditure is not subject to vote by the Parliament, the scope of financial control by the Parliament gets limited to only about 26 per cent of the total disbursement in the civil ministries. However, viewed in the background of the total expenditure from the Consolidated Fund of India (Rs 471852.75 crore), the percentage of charged expenditure was 59 (Rs 280387.11 crore). If the expenditure on salary and allowances is also added to it, less than 35 per cent of the total disbursement of the Consolidated Fund of India is effectively voted by the Parliament.

11.5 Results of Appropriation Audit (Civil Ministries)

Savings in each grant are worked out separately for voted and charged sections for both the Revenue and Capital expenditure. The overall saving as mentioned in para 11.3 above was the net result of savings in 204 cases and excess in eight cases as shown below:

Table 11.5: Net Savings in selected Grants/Appropriations
(Rupees in crore)

Grants and Appropriations affected	Savings		Excess		Net savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted	9177.37	2153.80	11.14	53.87	9166.23	2099.93
No. of grants	84	63	3	2	--	--
Charged	702.39	32264.94	1.57	0.70	700.82	32264.24
No. of Appropriations	40	17	2	1	--	--



The original provision of Rs 413575.85 crore obtained for the year 1996-97 was 13.96 per cent more than Rs 362902.81 crore obtained for 1995-96.

However, the supplementary grants and appropriations obtained during 1996-97 was 1.77 per cent of the original grants and appropriations, as against 4.38 per cent during the year 1995-96.

11.6 Expenditure incurred without sanction

In accordance with the provisions of Rule 6 of General Financial Rules, 'Subject to the provisions of Article, 266(3), 267(1) and 283(1) of the Constitution, no authority may incur any expenditure or enter into any liability involving expenditure or transfer of moneys for investment or deposit from Government account unless such expenditure or transfer, as the case may be, has been sanctioned by general or special order of the Government or by any authority to which power has been duly delegated in this behalf'.

Scrutiny of Annexure 'B' of the appropriation accounts for 1996-97 revealed that expenditure on 347 items aggregating Rs 82.46 crore had been incurred by the Ministries of Finance and Surface Transport without sanction in contravention of the aforesaid rules. This amount is included in the expenditure figures of respective grants. The Controller General of Accounts, while certifying the expenditure has qualified this amount from the point of view of sanction. Details of such cases for the last five years is given in the Annexure II of this chapter.

Ministries spent
Rs 82.46 crore without
proper sanction.

11.7 Expenditure incurred in the month of March

As per Note 3 of Rule 69 of General Financial Rules, rush of expenditure particularly in the closing month of the financial year is to be regarded as a breach of financial regularity and should be avoided. Test check revealed that contrary to the above provision, more than 50 *per cent* of the total expenditure was incurred in the month of March 1997 in a number of cases. A few instances are indicated in Appendix XVI.

Rush of expenditure in the month of March persistent during 1996-97 also.

The expenditure incurred in March 1997 in respect of 19 Major Heads pertaining to 11 grants/appropriations constituted 61.22 *per cent* of the total expenditure in these grants/appropriations.

The details in Appendix XVI would indicate that in respect of almost all expenditure on grants, loans and investments, the funds are released only in the month of March. It is necessary to consider the functional impact of this practice. It should also be ascertained whether this practice has any impact on the overall targets of development, which takes into account the utilisation of these funds during the financial year for which these are voted or appropriated.

Since the funds released in March to various organisations can not be constructively spent during the year, it is not possible to conclude whether these funds were applied during the year for the purpose for which these were authorised.

11.8 Unrealistic budgeting

As per instructions contained in Appendix - 3 to Rule 53 of General Financial Rules, ministries/departments are required to prepare their estimates, keeping in view the trends of expenditure over the previous years. Due attention to economy must be paid while all inescapable and foreseeable expenditures are provided for, care should be taken that the estimates are not influenced by undue optimism.

While scrutinising the appropriation account in respect of Grant No. 26 - Payments to Financial Institutions for the year 1996-97 it was seen that under the following sub-heads the entire provision remained unutilised during the last three years which indicated a tendency of over optimistic

budgeting in the Ministry, resulting in non-utilisation of funds under these sub-heads.

(Rupees in crore)

Sl No	Sub-Head	Entire Provision remained unutilised			Reasons as stated by the Ministry
		1994-95	1995-96	1996-97	
1.	International Co-operation-Contribution to International Fund for Agricultural Development (M.H. 2416)	8.54	8.53	8.53	Non-receipt of claims for subscription
2.	Grants to Industrial Development Bank of India (M.H. 2885)	7.50	13.72*	11.10	Non/ Less requirement of funds for re-imburement owing to non/ less utilisation of external assistance
3.	Multilateral Investment Guarantee Agency- Investment in Securities (M.H. 5466)	20.77	10.00	10.00	Non receipt of demand for payment from the International body

* Out of total provision of Rs 16.50 crore

11.9 Analysis and Audit findings

In the chapters that follow, an analysis of various facets of Appropriation Accounts has been presented. It includes an analysis of excess expenditure requiring authorisation by Parliament, savings requiring explanation, reappropriations, utilisation of supplementary grants and detailed observations in respect of the Ministries selected for indepth examination. In respect of crucial areas of expenditure, trends over the past few years have been presented for a balanced appreciation.

Annexure I
(Refers to Paragraph 11.4)
Proportion of charged and voted expenditure
(civil sector)

(Rupees in crore)

Sl. No	Year	Authorisation					Expenditure				
		Voted	Charged	Total	%age of Voted	%age of Charged	Voted	Charged	Total	%age of Voted	%age of Charged
1	2	3	4	5	6	7	8	9	10	11	12
1.	1992-93	74367	141321	215688	34	66	68904	134672	203576	34	66
2.	1993-94	88069	203866	291935	30	70	82497	188621	271118	30	70
3.	1994-95	94380	254781	349161	27	73	87054	216958	304012	29	71
4.	1995-96	96720	282079	378799	26	74	90196	231831	322027	28	72
5.	1996-97	107583	313320	420903	26	74	96316	280355	376671	26	74

Annexure II
(Refers to Paragraph 11.6)
Statement of miscellaneous expenditure held under objection
(Amount in thousands of rupees)

Year	Ministry of					
	Finance		Surface Transport		Total	
	No. of items	Amount	No. of Items	Amount	No. of items	Amount
1992-93	69	2483	363	646919	432	649402
1993-94	91	731	393	866793	484	867524
1994-95	45	8951	395	1178450	440	1187401
1995-96	23	4456	335	868375	358	872831
1996-97	27	4552	320	820060	347	824612

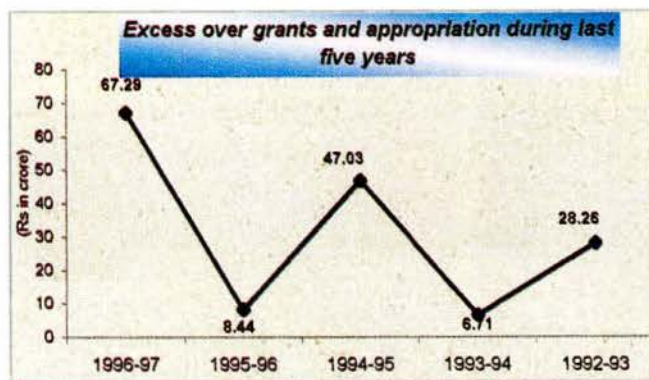
Expenditure relating to the Ministry of Surface Transport relates to National Highways Works, the execution of which is entrusted to State/Union Territory Governments.

CHAPTER XII

Excess expenditure

		Civil	Post and Telecommunications	Railways
		<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Voted	Revenue	→ 111447571	4480748.000	1389514999
	Capital	→ 538683339	--	499114775
Charged	Revenue	→ 15745110	--	1103402
	Capital	→ 7018673	151000	20369574
	Total Excess	→ 672894693	4480899000	1910102750

12.1 Excess expenditure over Grants/Appropriations (Civil)



As per Article 114(3) of the Constitution, no money is to be withdrawn from the Consolidated Fund of India except under appropriations made by law passed in accordance with the provisions of this Article.

Civil ministries / departments exceeded the authorisation by Rs 67.29 crore, which require regularisation.

Further, General Financial Rule 71 stipulates that no expenditure should be incurred which might have the effect of exceeding the total grant or appropriation authorised by Parliament by law for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund. However, in the revenue section, there was an excess of Rs 111447571 over the authorised sums in three grants and of Rs.15745110 in two appropriations. In the capital section, excess expenditure of Rs 538683339 was in two grants and Rs 7018673 in one appropriation. Details of these grants/appropriations are given below:

Revenue- Voted				
Sl.No	Grant	Rupees	* Contributing reasons as stated by Government	
1.	24-Department of Economic Affairs	<i>T.G</i> 30562900000 <i>A.E</i> 30584705862 <i>Excess</i> 21805862	* More funds required for transfer * Increase in the insurance of ships * Additional requirement of funds from certain International Bodies towards contribution * Exchange rate variation.	

Sl.No	Grant	Rupees		* Contributing reasons as stated by Government
2.	56-Broadcasting Services	<i>T.G</i>	14421200000	<ul style="list-style-type: none"> * Increase in Dearness Allowance, Interim Relief, bonus etc; incentive to the staff put on Jammu and Kashmir elections * Increase in power tariffs by various State Electricity Boards * Increase in the rates of stationery items * Hike in salaries at various All India Radio installations in Rajasthan * Expenditure incurred on repairs of many All India Radio Stations damaged due to heavy rains * Transfer of more funds to non-lapsable fund following increase in revenue earned by commercial centres of All India Radio * Increase in rates of electricity charges and payment of arrears to owners of private buildings occupied by the Low Power Transmitters * Materialisation of more than anticipated supply orders by the Public Sector Undertakings.
		<i>A.E</i>	14448501021	
		<i>Excess</i>	27301021	
3.	83-Public Works	<i>T.G</i>	4247900000	<ul style="list-style-type: none"> * Increase in Interim Relief and Dearness Allowance paid to work charged staff * Payments made to avoid contractual implications * Some major works in the form of projects of deposits clients and also the clients under Cash Settlement Suspense Account were taken up for execution * Enrouting of bulk purchases of materials like cement and steel through Suspense Account * More advance to contractors owing to accelerated progress of work.
		<i>A.E</i>	4310240688	
		<i>Excess</i>	62340688	

Sl.No	Grant	Rupees	Contributing reasons as stated by Government
	Total Revenue-Voted	<i>T.G</i> 49232000000 <i>A.E</i> 49343447571 <i>Excess</i> 111447571	
Revenue-Charged			
4.	62-Ministry of Mines	<i>T.A</i> 500000 <i>A.E</i> 593364 <i>Excess</i> 93364	* Obligatory expenditure which could not be avoided due to court awards.
5.	83-Public Works	<i>T.A</i> 12200000 <i>A.E</i> 27851746 <i>Excess</i> 15651746	* Payment of contractual awards * Payment to work charged staff in terms of Supreme Court directions.
	Total Revenue-Charged	<i>T.A</i> 12700000 <i>A.E</i> 28445110 <i>Excess</i> 15745110	
Capital Voted			
6.	8-Department of Tourism	<i>T.G</i> 161000000 <i>A.E</i> 198197921 <i>Excess</i> 37197921	* Requirement of additional funds owing to an impetus given to development of tourism infrastructure in the country.
7.	82-Urban Development, Urban Employment and Poverty Alleviation	<i>T.G</i> 2261600000 <i>A.E</i> 2763085418 <i>Excess</i> 501485418	* Accelerated progress of work at Mumbai and New Delhi * meet committed liability in the form of rebated bills to avoid financial and contractual implications * Accelerated progress of work for the quarters of Income Tax at Madurai, Tanjore, Raipur and Mumbai * Payment of rebated bills of contractors to avoid contractual implications.
	Total Capital Voted	<i>T.G</i> 2422600000 <i>A.E</i> 2961283339 <i>Excess</i> 538683339	
Capital-Charged			
8.	83-Public works	<i>TA</i> 8800000 <i>AE</i> 15818673 <i>Excess</i> 7018673	* Payment in compliance to court directives to avoid contempt of court.

Sl.No	Grant	Rupees	Contributing reasons as stated by Government
	Total Capital Charged	T.A 8800000 A.E 15818673 Excess 7018673	
T.G = Total Grant : T.A = Total Appropriation : A.E = Actual Expenditure			

Increase in excess expenditure over the previous year.

During 1995-96, excess expenditure occurred only under two grants. During 1996-97, the excess occurred under eight grants/appropriations. Thus, the quality of financial control to avoid excess over grants/appropriations deteriorated during 1996-97.

In terms of the amount of excess expenditure also, the overall excess of Rs 67.29 crore was significantly higher than only Rs 8.44 crore.

Out of the total excess expenditure of Rs 67.29 crore during 1996-97, one grant (No. 82 - Urban Development, Urban Employment and Poverty Alleviation) alone accounted for Rs 50.15 crore, which is more than 22 *per cent* of the approved provision. The detailed audit observation on this is included in chapter-XX of this Report.

12.1.1 Persistent Excess

Three of the eight cases of excess related to grant No.83 - Public Works.

Three out of eight grants/appropriations in which excess expenditure over sums authorised by the Parliament took place are under a single grant no. 83- Public Works. While the grant administering authority exceeded the provision by Rs 6.23 crore under Revenue (voted) section, the excess under Revenue (charged) section was Rs 1.57 crore and that under Capital (charged) section was Rs 70.19 lakh.

This grant had registered an excess of Rs 8.43 crore under Revenue (voted) section during 1995-96 also.

As can be seen from the reasons advanced by the Department, while the reasons for excess under charged appropriation were beyond the control of the Department, the reasons advanced for excess under Revenue (voted) section are not such as can be termed unique to this Department or those which cannot be anticipated to provide adequate funds.

The persistent excess warrants an investigation and appropriate corrective measure.

12.1.2 Regularisation

The excess expenditure of Rs 67.29 crore under these eight grants/appropriations require regularisation under Article 115 (1) (b) of the Constitution of India.

CHAPTER-XIII

Savings

	Above Rs 100 crore			Below Rs 100 crore but above Rs 20 crore		
	No. of			No. of		
	Cases	Grants	Appropriations	Cases	Grants	Appropriations
Civil	27	21	4	33	28	1
P&T	1	1	-	4	2	-
Defence Services	1	1	-	-	-	-
Railways	5	5	-	1	1	-

13.1 Savings under various grants/appropriations in civil ministries

Excluding savings due to less drawal of *ad hoc* Treasury bills, the total saving of civil ministries was Rs 14744 crore.

Savings in the grant or appropriation indicate that the expenditure could not be incurred as estimated, anticipated and planned. They are indicative of poor budgeting or shortfall in performance depending upon the circumstances and the purpose for which the original grant or appropriation was provided. As already mentioned in para 11.3 above, the overall savings in the budget of Government (other than Post and Telecommunications, Railways and Defence Services) totalled Rs 44231.22 crore. Out of this, savings of Rs 29466.03 crore were due to less discharge of 91 days treasury bills consequent upon less issue of the treasury bills than what was estimated. The total savings also included Rs 20.76 crore on account of less payment of interest on 91 days treasury bills for the same reason. Excluding these two, the effective saving was Rs 14744.43 crore.

A detailed scrutiny of the Appropriation Accounts revealed that certain grants and appropriations such as Agriculture, Transfers to State/Union Territory Governments, Department of Industrial Development and Industrial Policy and Promotion, Education, Rural Development, Coal, Loans to Government Servants, Payments to Financial Institutions, Interest Payments, Repayment of Debt etc. have been registering savings which are not only persistent but display an increasing trend which continued during the year 1996-97. Such large scale savings are indicative of the need on the part of these ministries to review their requirements of funds. Necessary steps need to be taken to make the budgetary exercise more realistic not only to minimise large scale variations between the estimates and actuals but also to gainfully utilise the scarce resources to meet the competing demands of various sectors of the economy.

Savings of more than Rs 100 crore occurred in 27 cases of 25 grants/appropriations.

13.2 Savings of Rs 100 crore or more

The Public Accounts Committee in para 1.24 of their 60th Report (Tenth Lok Sabha) presented in February 1994 commented on the sharp increase in the savings as compared to the sanctioned provision. The Committee desired that Ministry of Finance should take the issue seriously with appropriate measures to overcome the unfortunate situation of large savings and also desired that detailed explanatory note in respect of savings from a grant or appropriation of Rs 100 crore and above during each year be furnished to the Committee. As against 20 cases during 1995-96, 27 cases where savings of Rs 100 crore and above occurred during 1996-97 are given in Table 13.2 below along with main contributory reasons and schemes affected by savings.

Table 13.2 : Savings exceeding Rs 100 crore under a grant/appropriation

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	Amount of savings (Percentage to the total provision)
		(Rupees in crore)
	Revenue - Voted	
1.	1-Agriculture (Ministry of Agriculture)	630.62 (19.85 %)
	Contributory reasons stated by the Ministry/Department	
	* Availability of unspent balance of previous year with the implementing agencies	
	* Delay in announcement of prices and the scheme.	
	* Shortfall in requirement of funds.	
	Previous years' savings	Amount of savings
	1995-96	206.70
	1994-95	179.79
	1993-94	232.74
	Schemes / Projects / Activity affected by savings	
	⇒ Setting up of Small Farmers Agri-Business Consortium.	
	⇒ Payment to Manufacturers/Agencies for concessional sale of decontrolled fertilizers.	
	⇒ Grants in aid to National Horticulture Board.	
	⇒ Crop Husbandry	
2.	5-Department of Chemicals and Petro-Chemicals (Ministry of Chemicals and Fertilisers)	328.61 (79.98 %)
	Contributory reasons stated by the Ministry/Department	
	* Non release of subsidy owing to non-setting up of Assam Gas cracker project.	
	* Delay in revival of Indian Drugs and Pharmaceuticals Ltd. (IDPL)	
	* Less utilisation of funds from Dollar Account.	
	Schemes / Projects / Activity affected by savings	
	⇒ Subsidy to Assam Gas Cracker Complex	
	⇒ Grant-in-aid to IDPL	
	⇒ Expenditure on account of exchange variation for Settlement amount	

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)
		Amount of savings (Percentage to the total provision)
3.	11-Department of Commerce (Ministry of Commerce)	141.63 (16.65%)

Contributory reasons stated by the Ministry/Department

- * Late finalisation of guidelines for removing crucial bottlenecks in infrastructures hampering exports.
- * Economy measures and carry over of unspent balance from previous year.
- * Late receipt of proposals from exporters.
- * Post-budget decision to phase out the liabilities of interest payable by Export Credit and Guarantee Corporation (ECGC) in respect of bonds issued under deferred payment arrangements with Government of Iraq in cash.

Schemes / Projects / Activity affected by savings

- ⇒ Export subsidy
- ⇒ Critical Infrastructure Balance
- ⇒ Release of funds to Marine Products Export Development Authority, Agricultural Products Export Development Authority and Rubber Board.
- ⇒ Grants-in-aid to Export Promotion and Market Development Organisations
- ⇒ Payment to ECGC to meet liabilities in respect of interest payable on bonds.

4.	28-Transfers to State and Union Territory Governments (Ministry of Finance)	415.93 (3.83%)
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Contributory reasons stated by the Ministry/Department

- * Cuts in central assistance on account of shortfall in achievements of plan targets by State Governments
- * Non-submission of anticipated expenditure for 1996-97 / actual expenditure for the previous years.
- * Non-receipt of expenditure details of transferred centrally sponsored schemes from nineteen States.
- * Lesser claims for Sardar Sarovar Project.
- * Less writing off of actual loans on the basis of recommendations of the Tenth Finance Commission.

Previous
years' savings

1995-96	277.38
1994-95	232.16
1993-94	388.92
1992-93	305.17

Amount of savings

Schemes / Projects / Activity affected by savings

- ⇒ Grants for State Plan Schemes- Block Grants
- ⇒ Loans to State Governments written off in terms of the recommendations of the Tenth Finance Commission

5.	31-Department of Expenditure (Ministry of Finance)	4000.36 (99.65%)
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Contributory reasons stated by the Ministry/Department

- * Non-implementation of the recommendations of Fifth Central Pay Commission.

(Rupees in crore)

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	Amount of savings (Percentage to the total provision)
6.	<p>Previous years' savings 1992-93</p> <p>Amount of savings 450.01</p> <p>39-Department of Health (Ministry of Health and Family Welfare)</p> <p>Contributionary reasons stated by the Ministry/Department</p> <ul style="list-style-type: none">* Adhoc exemption from payment of custom duty to Kalawati Saran Children's Hospital on the imported medical equipment and construction material procured from Japan, purchase of less equipment and materials etc.* Non-setting up of Illness Assistance Fund and non-receipt/less-receipt of proposals from State Governments.* Slow implementation of the programmes and less demand of commodity from State Governments.* Delay in approval of the World Bank Assistance Project Phase III by World Bank.* Non-materialisation of procurement orders of equipment owing to late finalisation of the proposals	<p>121.96 (9.51%)</p>
7.	<p>Previous years' savings 1994-95</p> <p>Amount of savings 198.05</p> <p>47-Department of Education (Ministry of Human Resource Development)</p> <p>Contributionary reasons stated by the Ministry/Department</p> <ul style="list-style-type: none">* Adjustment of unspent balance of previous years available with the institutions* Less allocation of food grains owing to non-availability of enrolment data from most of the State/Union Territory Governments* Non-receipt of viable/adequate proposals.	<p>792.12 (17.69%)</p>
	<p>Previous years' savings 1995-96</p> <p>Amount of savings 408.81</p> <p>Schemes / Projects / Activity affected by savings</p> <ul style="list-style-type: none">⇒ Elementary Education envisaged under Bihar Education Project.⇒ Vocationalisation of secondary education.⇒ Promotion of Science Laboratories.⇒ National Programme of Nutritional Support to Primary Education.⇒ Special Project for eradication of illiteracy.⇒ Strengthening of Teachers Training Institutions for elementary education.⇒ Post Literacy and Continuing Education Activities and Strengthening of Administrative Structures in States envisaged under adult education.⇒ Computer Education in secondary schools.	

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)	
		Amount of savings (Percentage to the total provision)	
8.	51-Department of Industrial Development and Industrial Policy and Promotion (Ministry of Industry)	183.45 (37.28 %)	

Contributory reasons stated by the Ministry/Department

- * Reduction of allocation at revised estimate stage.
- * Less transfer of funds to the National Renewal Fund.
- * Non-finalisation of the scheme of the area regeneration for closed textile mills of Ahmedabad.
- * Slow implementation of the scheme by State Governments and their undertakings owing to non-availability of land etc.

Previous years' savings	Amount of savings	Schemes / Projects / Activity affected by savings
1995-96	504.00	⇒ Protection of labour affected by industrial restructuring/closures
1994-95	725.08	⇒ Transfer to National Renewal Fund.
1993-94	525.37	⇒ Counselling, retraining and area regeneration schemes.
		⇒ Regulation of Patents Designs and Trade Mark

9.	54-Department of Small Scale Industries and Agro and Rural Industries (Ministry of Industry)	101.84 (15.44%)
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Contributory reasons stated by the Ministry/Department

- * Merger of SEGP with the Rural Employment Generation Programme (REGP)
- * Non-approval of the scheme for Indo-Danish Tool Rooms at Jamshedpur and Bhubaneswar and delayed approval of 2nd phase of Indo-German Tool rooms at Ahmedabad, Aurangabad and Indore
- * Non-receipt of proposals from the State Governments of Andhra Pradesh, Gujarat, Haryana and Rajasthan and non-receipt of information from SIDBI in respect of Jammu and Kashmir
- * Less distribution of funds to the beneficiaries by the bank
- * Carry forward of unspent balance released during previous year
- * Non-approval of the programme (REGP) by the Cabinet Committee on Economic Affairs

Schemes / Projects / Activity affected by savings

- ⇒ Special Employment Generation Programme (SEGP).
- ⇒ Opening of Tool Rooms.
- ⇒ Infrastructure Development of Small Scale Industries in Rural Areas.
- ⇒ Prime Minister's Rozgar Yojana.
- ⇒ Rural Employment Generation Programme (REGP).

10.	58-Law and Justice (Ministry of Law, Justice and Company Affairs)	203.47 (37.36%)
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Contributory reasons stated by the Ministry/Department

- * Non-receipt of claims from State/Union Territory Governments owing to less than anticipated expenditure on elections
- * Economy cut imposed by Ministry of Finance

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)	
		Amount of savings (Percentage to the total provision)	
	Schemes / Projects / Activity affected by savings		
	⇒ Reimbursement to State/Union Territory Governments for simultaneously conducting elections for Lok Sabha/UT Legislative Assemblies		

11.	71-Department of Rural Development (Ministry of Rural Areas and Employment)	398.08 (17.97%)
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Contributory reasons stated by the Ministry/Department

- * Non-receipt of proposals for release of funds from Council for Advancement of People's Action and Rural Technology (CAPART) owing to less utilisation of resources made available in the previous year
- * Non-achieving of numerical targets by certain State Governments owing to non-performance of the scheme at the desired level and inability to generate awareness among the people
- * Non-utilisation of funds for conducting Economic Census (1996) by Department of Statistics owing to non-receipt of clearance from the Expenditure Finance Committee during the year

Previous years' savings	Amount of savings	Schemes / Projects / Activity affected by savings
1995-96	303.02	⇒ Rural Water Supply Programme.
1993-94	167.09	⇒ Assistance to implementing agencies of National Old Age Pension Scheme, National Family Benefit Scheme and National Maternity Benefit Scheme.

12.	73-Department of Rural Employment and Poverty Alleviation (Ministry of Rural Areas and Employment)	439.16 (6.82%)
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Contributory reasons stated by the Ministry/Department

- * Non-utilisation of funds provided for the fourth Economic Census, 1996 by the Department of Statistics owing to delay in clearance of the scheme from Expenditure Finance Committee
- * Economy cut/less release of funds to States owing to availability of unspent balances of previous years
- * Slow pace of utilisation of funds

Schemes / Projects / Activity affected by savings

- ⇒ Training for rural youth for self employment and subsidy to District Rural Development Agencies under Integrated Rural Development Programme.
- ⇒ Drought Prone Areas Development Programme
- ⇒ Desert Development Programme
- ⇒ Million Wells Scheme
- ⇒ Jawahar Rozgar Yojna

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)
		Amount of savings (Percentage to the total provision)
13.	82-Department of Urban Development, Urban Employment and Poverty alleviation (Ministry of Urban Affairs and Employment)	110.85 (19.73%)

Contributory reasons stated by the Ministry/Department

- * Shortfall in requirement of funds owing to non-completion of works in time resulting in non-receipt of bills in time
- * Curtailment of plan expenditure and lesser utilisation of funds due to economy measures
- * Post-budget decision to reduce the budgetary support to State Governments for Centrally sponsored Plan Schemes at Revised Estimates stage as an economy measure

Schemes / Projects / Activity affected by savings

- ⇒ Low Cost Sanitation for Liberation of Scavengers.
- ⇒ Maintenance and repairs of Government Residential Buildings.
- ⇒ Grants for Centrally Sponsored Plan Schemes of Mega City Scheme Infrastructure Development, Integrated Development of Small and Medium Towns, Prime Minister's Integrated Urban Poverty Eradication Programme, Nehru Rozgar Yojna

14.	Revenue – Charged 27-Interest Payments (Ministry of Finance)	521.59 (0.87%)
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Contributory reasons stated by the Ministry/Department

- * Less borrowing and non-preference of claims by the holders
- * Less rate of discount determined in the 91 days Treasury Bills
- * More favourable fluctuations in the rate of exchange of loan than anticipated
- * Conversion of certain future repayments into grants
- * Less than anticipated claims of interest received consequent upon decision to reduce the percentage of fresh accretion from 30 per cent to 20 per cent w.e.f. 1-10-96
- * Less payment of interest on deposit schemes than anticipated and less payment of agency commission to Banks
- * More transfer of credit balances from the Capital Fund to Capital under Inventories Funds and also due to more withdrawals from Railway Pension Fund than anticipated
- * More redemption/encashment by the Non-resident India Bond holders than anticipated
- * Less utilisation of Special Drawing Rights

Previous years' savings	Amount of savings	Schemes / Projects / Activity affected by savings
1995-96	1954.97	⇒ Interest on Market Loans
1994-95	1939.99	⇒ Treasury Bills and connected securities issued to RBI
1993-94	1259.45	⇒ Interest on loans from Asian Development Bank, IBRD, International Development Association and Governments of France, Germany, Japan, USSR, Netherlands, Swiss Confederation and Swiss Banks.
1992-93	1424.53	⇒ Interest on Small Savings, Provident Fund etc.

(Rupees in crore)

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	Amount of savings (Percentage to the total provision)
	⇒ Interest on Reserve Funds	
	⇒ Interest on other Obligations	

15.	28-Transfers to State and Union Territory Governments (Ministry of Finance)	109.51 (0.41%)
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Contributory reasons stated by the Ministry/Department

- * Non-receipt of action plans from State Governments of Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Meghalaya and Punjab
- * Release of funds in advance during 1995-96 subsequent to finalisation of budget estimates for 1996-97

Previous years' savings	Amount of savings	Schemes / Projects / Activity affected by savings
1995-96	1599.38	⇒ Grants of upgradation of services and special problems
1993-94	975.53	⇒ Contribution to Calamity Relief Fund.

Capital - Voted

16.	6-Department of Fertilizers (Ministry of Chemicals and Fertilizers)	112.80 (14.03%)
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Contributory reasons stated by the Ministry/Department

- * Transfer of funds as equity following purchase of shares of Nauru Government in the company (PPL)
- * Delay in supply of equipment by the overseas India vendors/contractors for the externally aided project (FCTL)

Schemes / Projects / Activity affected by savings

- ⇒ Loans to Paradeep Phosphates Limited (PPL) and Fertilizers and Chemicals Travancore Limited (FCPL)

17.	10-Ministry of Coal	183.15 (51.59%)
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Contributory reasons stated by the Ministry/Department

- * Non-payment of loans to Coal India Limited consequent upon its capital restructuring and the policy support package provided to the company by the Government
- * Non-receipt/less receipt and admission of compensation claims
- * Non-payment to the supplier due to defects in the equipment
- * Reduction in budgetary support to Neyveli Lignite Corporation Limited owing to non-declaration of dividends by the company

Previous years' savings	Amount of savings	Schemes / Projects / Activity affected by savings
1995-96	143.74	⇒ Coal India Limited
1994-95	176.33	⇒ Acquisition of Coal bearing areas
1993-94	139.73	⇒ Loans to Singareni Collieries Company
		⇒ Loans to Neyveli Lignite Corporation Limited

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)
		Amount of savings (Percentage to the total provision)
18.	25-Currency, Coinage and Stamps (Ministry of Finance)	125.76 (32.64%)

Contributory reasons stated by the Ministry/Department

- * Non-receipt of treasure wagons from Bharat Earth Movers Ltd.
- * Non-taking up of various major and minor construction works by the executing agency for want of sanctions and cancellation of some work envisaged
- * Non-incurring of expenditure towards replacement of two lines of machines owing to non-approval of the proposal
- * Less receipt of metal against agreement by India Government Mint
- * Delay in procurement of the machinery, non-receipt of inward claims against supply orders etc.
- * Non-finalisation of formalities for procurement of passport manufacturing machine
- * Delay in procurement of five colour offset machines owing to non-finalisation of tender

Previous years' savings	Amount of savings	Schemes / Projects / Activity affected by savings
1994-95	396.20	<ul style="list-style-type: none"> ⇒ Construction of Buildings and Procurement of Plant and Machinery for Currency Note press and Bank Notes Press ⇒ Purchase of metal and procurement of machinery for Security Paper Mill ⇒ Procurement of Plant and Machinery for India Security Press, Nasik and Security Printing Press, Hyderabad.

9.	26-Payments to Financial Institutions (Ministry of Finance)	230.35 (7.31%)
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Contributory reasons stated by the Ministry/Department

- * Non-receipt of demands for payments from MIGA
- * Less than anticipated amount utilised by IBRD for its expenses
- * Less than anticipated withdrawals made by the IMF
- * Less amount required towards investment on account of exchange rate adopted by the ADB
- * Non-finalisation of talks regarding the VIIIth replenishment of African Development Fund
- * Less amount required for reimbursement owing to less disbursement of foreign assistance by the external agencies than anticipated.

Previous years; savings	Amount of savings	Schemes / Projects / Activity affected by savings
1995-96	283.87	<ul style="list-style-type: none"> ⇒ Investment in Multilateral Investment Guarantee agency (MIGA) ⇒ Subscription to International Bank for Reconstruction and Development (IBRD). ⇒ Subscription to International Monetary Fund (IMF) ⇒ Investment in Asian Development Bank (ADB) ⇒ Subscription to African Development Fund. ⇒ Loans to National Bank for Agricultural and Rural Development (NABARD).
1994-95	1819.69	
1992-93	755.77	

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)	
		Amount of savings (Percentage to the total provision)	
20.	28-Transfers to State and Union Territory Governments (Ministry of Finance)	378.71 (32.23%)	
	Contributory reasons stated by the Ministry/Department		
	* Less receipt of claims for loans from Rural Electrification Corporation		
	* Release of lesser loans to the Union Territory Governments owing to lesser collections than anticipated		
	Schemes / Projects / Activity affected by savings		
	⇒ Loans to Rural Electrification Corporation for State Plan Scheme		
	⇒ Loans for Non-Plan Schemes-Share of small savings collections		
21.	29-Loans to Government Servants etc. (Ministry of Finance)	133.97 (45.18%)	
	Contributory reasons stated by the Ministry/Department		
	* Less than anticipated receipt of applications for loans from Government servants		
Previous years' savings 1995-96	Amount of savings	Schemes / Projects / Activity affected by savings	
	112.02	⇒ House Building Advances	
		⇒ Advances for purchase of Motor conveyances	
22.	35-Direct Taxes (Ministry of Finance)	105.57 (59.99%)	
	Contributory reasons stated by the Ministry/Department		
	* Less than anticipated acquisition of immovable properties following orders passed by the appropriate authority;		
	* Non-materialisation of some of the expected proposals for purchase of ready built flats which were rejected by competent authority on technical grounds		
	Schemes / Projects / Activity affected by savings		
	⇒ Acquisition of immovable property under Chapter XXC of Income Tax Act.		
	⇒ Construction of Residential Buildings for Income Tax Employees.		
23.	36-Indirect Taxes (Ministry of Finance)	104.72 (38.77%)	
	Contributory reasons stated by the Ministry/Department		
	* Slow progress of procurement of Hovercraft, Bristol boats and Depot spares and upgradation of armament naval and communication equipment owing to non-finalisation of proposals		
	* Shortfall in requirement of funds by the Military Engineering Service owing to non-acquisition of land from private parties		

Sl. No. Grant No./Description of grant (Controlling Ministry/Department) Amount of savings (Percentage to the total provision) (Rupees in crore)

- * Non-finalisation of procurement of medium range Surveillance Aircraft
- * Slow progress by Hindustan Aeronautics Ltd in supply of spares
- * Non-finalisation of proposals for purchase of ready built flats.

Schemes / Projects / Activity affected by savings

- ⇒ Acquisition of Ships and Fleets, Land and Aircraft by Coast Guard Organisation
- ⇒ Construction of Residential Buildings for Customs and Central Excise employees.

24. 44-Police (Ministry of Home Affairs) 117.52 (24.02%)

Contributory reasons stated by the Ministry/Department

- * Less requirement projected by C.P.W.D owing to slow progress of works
- * Non-receipt of sanction from the competent authority
- * Delay in acquisition of land and slow progress of work owing to non-availability of land in West Bengal sector
- * Non-finalisation/suspension of Jammu sector work owing to firing from Pakistan's side.

Previous years' savings 1993-94

Amount of savings

120.93

Schemes / Projects / Activity affected by savings

- ⇒ Construction of Border outpost and office buildings for Border Security Force.
- ⇒ Construction of Office Building for National Security Guard.
- ⇒ Construction of Office Building, Residential Building for Delhi Police.
- ⇒ Erection of barbed wire fencing on Indo-Bangladesh Border
- ⇒ Erection of barbed wire fencing and wire obstacles and Flood lighting on Indo-Pak Border.

Capital-Charged

25. 28-Transfers to State and Union Territory Governments (Ministry of Finance) 371.47 (1.63%)

Contributory reasons stated by the Ministry/Department

- * Cuts in central assistance on account of shortfall in achievements of plan targets by State Governments.
- * Non-receipt of expenditure details of transferred Centrally Sponsored Schemes from nineteen states
- * Lesser claims of Sardar Sarovar Project
- * Release of lesser loans to the States and Union Territory Governments owing to lesser collections than anticipated
- * Less than anticipated ways and means advances to the State Governments

(Rupees in crore)

Sl. No.

Grant No./Description of grant
(Controlling Ministry/Department)

Amount of savings
(Percentage to the total provision)

Previous
years' savings

Amount of savings

Schemes / Projects / Activity affected by savings

1995-96

953.67

⇒ Loans for State Plan Schemes

1994-95

296.33

⇒ Loans for Share of Small Savings Collections

1993-94

605.51

⇒ Ways and Means advances.

1992-93

617.10

26.

30-Repayment of Debt
(Ministry of Finance)

31465.62
(15.58%)

Contributory reasons stated by the Ministry/Department

- * Non-preferring of claims for repayment
- * Less discharge of 91 Days Treasury Bills
- * Less demands for encashment of securities from IBRD
- * Favourable Rupee SDR exchange rate
- * Revised amortisation schedule

Previous
years' savings

Amount of savings

Schemes / Projects / Activity affected by savings

1995-96

45682.33

⇒ Treasury Bills and connected securities issued to Reserve Bank of India.

1994-95

35542.69

⇒ Securities issued to IBRD

1993-94

12289.46

⇒ Bilateral loans

1992-93

4569.87

⇒ Loans from OPEC Special Fund, IFAD, IBRD, IDA, ADB

27.

85-Ministry of Water Resources

401.79
(44.30%)

Contributory reasons stated by the Ministry/Department

- * Less demands for funds from eastern sector states
- * Restriction imposed by Ministry of Finance on release of loans

Schemes / Projects / Activity affected by savings

- ⇒ Special Loan Assistance for emergent Flood Protection Works in the Eastern and Western Sectors
- ⇒ Accelerated irrigation benefit scheme

Large saving in welfare
and developmental
areas.

The savings of Rs 100 crore or more in each grant/ appropriation in the 27 cases of 21 Grants and four Appropriations aggregated to Rs 9360.63 crore and Rs 32869.98 crore respectively. It will also be seen that large savings occurred in developmental areas like health, education, rural/urban employment and poverty alleviation etc. The contributory reasons attributed for the savings by the Ministries/Departments reveal that some of the schemes in these areas as planned during the year, failed to take off.

13.3 Savings between Rs 20 crore and Rs 100 crore

Apart from the above 27 cases, there were 33 other cases in 28 grants and one appropriation where savings in each case were less than Rs 100 crore but in excess of Rs 20 crore aggregated to Rs 1542.76. crore and Rs 50.00 crore respectively. Details of these cases are given in the Table 13.3 below:

Table 13.3 : Savings between Rs 20 crore and Rs 100 crore

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department) ⇒ Schemes / Projects / Activity affected by savings	(Rupees in crore)	
		Amount of savings	(Percentage to the total provision)
1.	4	Revenue-Voted Department of Animal Husbandry and Dairying (Ministry of Agriculture) ⇒ Project Management Unit on National Project on Rinderpest Eradication ⇒ Grants-in-aid to National Dairy Development Board ⇒ Improvement of existing abattoirs and Meat units	20.80 (6.92%)
2.	6	Department of Fertilisers (Ministry of Chemicals and Fertilisers) ⇒ Import of Fertilisers ⇒ Payments under Fertilisers Retention Price Scheme ⇒ Payments towards Deemed Export Benefits for New Fertilisers Projects without multi-lateral financing	45.88 (0.66%)
3.	9	Ministry of Civil Supplies, Consumer Affairs and Public Distribution ⇒ Re-imbursment of losses to State Trading Corporation in its trading operations on government account. ⇒ Strengthening of Consumer Disputes Redressal Agencies ⇒ Awareness Programme including training and education under Project under Consumer Welfare Fund	48.72 (34.78%)
4.	10	Ministry of Coal ⇒ Environmental measures and subsidence control ⇒ Schemes of Research and Development ⇒ Assistance to Coal and Lignite Companies	32.23 (17.34%)
5.	22	Ministry of Environment and Forests ⇒ Eco-development around important protected areas ⇒ Release of funds to Indian Council of Forestry Research and Education under Externally aided project ⇒ Indo-Canada- Environmental Facility Projects ⇒ Prevention of Pollution of River Ganga	32.73 (6.00%)

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)	
		Amount of savings (Percentage to the total provision)	
6.	23	Ministry of External Affairs	64.80 (5.00%)
		⇒ Schemes / Projects / Activity affected by savings	
		⇒ Passport and Emigration	
		⇒ Aid to Bhutan, Nepal, Maldives, Myanmar under Bilateral Cooperation Programme	
		⇒ Aid to African countries under Multilateral Cooperation Programme	
7.	25	Currency, Coinage and Stamps (Ministry of Finance)	22.87 (3.15%)
		⇒ Operation and Maintenance of Security Paper Mill, Currency Note Press and Security Printing Press	
8.	26	Payments to Financial Institutions (Ministry of Finance)	48.79 (2.31%)
		⇒ Grants to Housing Development Finance Corporation	
		⇒ Payment of charges under extended arrangement with International Monetary Fund	
		⇒ Grants to Industrial Development Bank of India	
		⇒ Contribution to International Fund for Agricultural Development	
9.	41	Department of Family Welfare (Ministry of Health and Family Welfare)	77.82 (3.85%)
		⇒ Child Survival and Safe Motherhood Project	
		⇒ Family Welfare compensation	
		⇒ Selected Area Project (including India Population Project)	
		⇒ Social Marketing of Nirodh	
10.	43	Cabinet (Ministry of Home Affairs)	22.10 (24.03%)
		⇒ Foreign Tours	
11.	44	Police (Ministry of Home Affairs)	37.60 (0.91%)
		⇒ Central Reserve Police, Border Security Force, Industrial Security Force and Delhi Police	
12.	45	Other Expenditure of Ministry of Home Affairs (Ministry of Home Affairs)	30.07 (8.68%)
		⇒ Grants to North-Eastern Electric Power Corporation Ltd	
		⇒ Rehabilitation schemes in Assam	
		⇒ Army's civic action programme	
		⇒ Introduction of Helicopter services in States	

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)	
		Amount of savings (Percentage to the total provision)	
13.	57 Ministry of Labour	88.57 (12.85%)	
	Schemes/ Projects/Activity affected by savings ⇒ Improvement in working condition of child/ women labour ⇒ World Bank Assisted Vocational Training Project ⇒ Training of Craftsmen and Supervisors ⇒ Housing Scheme for Economically weaker section of Beedi Workers		
14	63 Ministry of Non-Conventional Energy Sources	87.04 (34.17%)	
	⇒ National Programme for Bio-gas Development ⇒ Biomass co-generation and combustion ⇒ Integrated Rural Energy Planning Programme ⇒ Demonstration, Technology Utilisation and Market Development in respect of Solar Thermal Energy Programme ⇒ Demonstration and Technology in respect of photovoltaic ⇒ SPV Pump Programme, Grid connected SPV Power Project ⇒ Small Hydro Power Development		
15	67 Planning (Ministry of Planning and Programme Implementation)	23.70 (22.56%)	
	⇒ Grants-in-aid to Universities and Research Institutions ⇒ Expertise for Planning Methodology ⇒ Assistance from Government of Norway		
16	78 Surface Transport (Ministry of Surface Transport)	20.33 (31.97%)	
	⇒ Grants to Inland Waterways Authority of India		
17	79 Roads (Ministry of Surface Transport)	34.59 (4.23%)	
	⇒ Commodities Assistance from Government of Japan for second Nizamuddin Bridge at New Delhi ⇒ Highways Research ⇒ Road Communications in sensitive Border Areas		
18	80 Ports, Lighthouses and Shipping (Ministry of Surface Transport)	66.82 (27.92%)	
	⇒ Maintenance and Dredging in Haldia channel by Calcutta Port Trust ⇒ Commodities Assistance from Government of Japan for updating maritime training facilities ⇒ Basic Design and Research facilities at National Ship Design Research Centre		

(Rupees in crore)

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	Amount of savings (Percentage to the total provision)
	⇒ Schemes / Projects / Activity affected by savings	
19	81 Ministry of Textiles	91.01 (16.54%)
	⇒ Assistance for meeting subsidy on Janta Cloth	
	⇒ Special Rebate on sale of Handloom Cloth	
	⇒ Project Package Scheme for Handloom weavers	
	⇒ Research and Development in Textile Industry	
	⇒ Transfer to Jute Special Development Fund	
	⇒ Housing Scheme for Handloom weavers	
20	84 Stationery and Printing (Ministry of Urban Affairs and Employment)	40.67 (27.45%)
	⇒ Supplies of paper for printing in Government Presses	
21	85 Ministry of Water Resources	69.69 (15.24%)
	Schemes/ Projects/Activity affected by savings	
	⇒ Hydrology Projects	
	⇒ Flood Control in Brahmaputra Valley	
	⇒ Sutlej Yamuna Link Canal Project	
	⇒ Flood Proofing Programmes	
	Revenue - Charged	
22	5 Department of Chemicals and Petro-Chemicals (Ministry of Chemicals and Fertilisers)	50.00 (100%)
	⇒ Interim Relief to victims of Bhopal Gas Leak Disaster	
	Capital - Voted	
23	4 Department of Animal Husbandry and Dairying (Ministry of Agriculture)	51.89 (46.71%)
	⇒ Loans to National Dairy Development Board	
24	7 Department of Civil Aviation (Ministry of Civil Aviation and Tourism)	33.88 (63.70%)
	Schemes/ Projects/Activity affected by savings	
	⇒ Investment in Airports Authority of India (N.A. Division)	
	⇒ Loans to Airports Authority of India (N.A. Division)	
	⇒ Civil Aviation Security	
25	24 Department of Economic Affairs (Ministry of Finance)	94.44 (54.54%)
	⇒ Loans under the Excise Relief Scheme	
	⇒ Loans to foreign Governments of Guyana, Laos, Tunisia, Kyrgyzstan, Sri Lanka, Turkistan and Tazikistan	

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)	
		Amount of savings	(Percentage to the total provision)
	⇒ Schemes / Projects / Activity affected by savings		
26	39	Department of Health (Ministry of Health and Family Welfare)	65.59 (14.90%)
	⇒ Bulk purchase of materials and equipment for National AIDS Control Programme, Leprosy Control Programme, T.B. Control Programme and Prevention of Visual Impairment and Control of Blindness and Trachoma Control Programme		
27	54	Department of Small Scale Industries and Agro and Rural Industries (Ministry of Industry)	20.58 (6.94%)
	⇒ Loans for development of khadi		
	⇒ Loans for development of Village Industries		
28	70	Ministry of Power	84.95 (3.47%)
	⇒ Loans to Power Finance Corporation		
	⇒ Loans to Nathpa Jhakri Power Corporation		
	⇒ Loans to Rural Electrification Corporation		
29	78	Surface Transport (Ministry of Surface Transport)	35.55 (39.68%)
	⇒ Loans to Delhi Transport Corporation		
	⇒ Investment in Central Inland Water Corporation Limited		
	⇒ Loans to Central Inland Water Transport Corporation Limited		
30	79	Roads (Ministry of Surface Transport)	23.45 (1.86%)
	⇒ Work financed from the National Highway Permanent Bridges fees fund		
	⇒ Works under Roads Wing		
31	80	Ports, Lighthouses and Shipping (Ministry of Surface Transport)	67.23 (25.47%)
	Schemes/ Projects/Activity affected by savings		
	⇒ Loans for Paradip Port		
	⇒ Construction and development of other Navigational Aids		
	⇒ Construction of landing facilities and jetties		
	⇒ Schemes to the benefit of seamen of Merchant Navy Training		
32	83	Public Works (Ministry of Urban Affairs and Employment)	33.33 (17.10%)
	⇒ Capital Outlay on Social Services		
	⇒ Capital Outlay on Shipping		
	⇒ Capital Outlay on Public Works		

Sl. No.	Grant No./Description of grant (Controlling Ministry/Department)	(Rupees in crore)	
		Amount of savings (Percentage to the total provision)	
33	⇒ Schemes / Projects / Activity affected by savings Andaman and Nicobar Islands (Ministry of Home Affairs (Union Territories without Legislature))	25.04 (14.14%)	
	⇒ Acquisition and Expansion of Tonnage in respect of Ships		
	⇒ Purchase of Dornier Aircraft		

13.4 Surrender of savings

(Rupees in crore)

	Voted	Charged	Total
Final Saving	11266.16	32965.06	44231.22
Amount Surrendered	10566.52	14220.83	24787.35
Amount not Surrendered	699.64	18744.23	19443.87

'Surrender' is a budgetary device by which the portion of grant or appropriation not utilised by the spending department gets communicated to the Ministry of Finance and accepted by the latter, which can be reallocated to any other sector. According to the provisions of the General Financial Rule 69, savings in a grant or appropriation are to be surrendered to Government as soon as these are foreseen without waiting for the last day of the year. Savings should also not be held in reserve for possible future excess.

Savings partially
surrendered on the last
day of financial year.

In the Accounts for the year 1996-97, out of the final savings aggregating to Rs 44231.22 crore., the final savings in Charged appropriations were Rs 32965.06 crore (included saving of Rs 29466.03 crore due to lesser discharge and cancellation of 91 days treasury bills) against which the amount surrendered was Rs 14220.83 crore only, 99.98 *per cent* of this (Rs 14218.17 crore) was surrendered on the last day of the financial year.

In the voted grants, the final savings under the Revenue and Capital Sections were Rs 9166.23 crore and Rs 2099.93 crore respectively against which, the amount surrendered were Rs 8612.72 crore and Rs 1953.80 crore respectively. Out of the amounts surrendered, Rs 8611.54 crore was surrendered in Revenue Section on the last day of the financial year, whereas the entire amount of surrender under Capital Section was made on the last day of the financial year.

13.4.1 Savings not surrendered

Saving of Rs 22.84 crore were not surrendered.

In 20 voted Grants and 21 appropriations, the entire savings aggregating to Rs 19.55 crore and Rs 3.29 crore respectively were not surrendered. Savings were surrendered only partly in many cases. Details of major items where more than 20 *per cent* of the savings or Rs one crore were not surrendered, are given in Appendix XVII. Rs 19443.87 crore constituting 43.96 *per cent* of the total savings were not surrendered by different ministries/departments in compliance to the General Financial Rules.

13.5 Recoveries in reduction of expenditure

		(Rupees in Crore)
Estimated Recoveries	₹	6586.72
Actual Recoveries	₹	6127.55

The overall actual recoveries shown above are the net effect of less recoveries by many, offset by more than budgeted recoveries by some.

The Demands for Grants are for the gross amount of expenditure i.e. inclusive of recoveries arising from use of stores etc. procured in the past or expenditure transferred to other departments or ministries. While appropriation audit is done by comparing the gross expenditure with the gross amount of grant, the excess and shortfall in recoveries indicate inaccurate estimation of recoveries and inaccurate budgetary assumption. It also ultimately alters the net amount of expenditure finally booked under the relevant service head in the Finance Accounts and has the effect of increasing the net expenditure.

The net expenditure was more due to short recoveries.

In the revenue section against the estimated recoveries of Rs 2882.78 crore, actual recoveries were Rs 2810.23 crore. In the capital section, against the estimated recoveries of Rs 3703.94 crore, actual recoveries were Rs 3317.32 crore. Grant-wise details of major variations involving more than 20 *per cent* of the original estimates or Rs one crore are given in Appendix XVIII. Few such cases where the recoveries were short and as a result of which net expenditure in Finance Accounts has increased to that effect are given below. There is, need to strengthen the budgetary control in this regard.

Table 13.5: Short recoveries

(Rupees in crore)

Sl No	Grant	Budget estimates	Actual recoveries	Variation	
				Amount	Percentage
Revenue					
1.	34-Department of Revenue	18.95	5.59	13.36	70.50
2.	39-Department of Health	46.00	28.90	17.10	37.17
3.	44-Police	32.60	23.84	8.76	26.87
4.	51-Industrial Development and Industrial Policy and Promotion	54.73	6.40	48.33	88.31
5.	55-Information, Films and Publicity	6.03	2.52	3.51	58.21
6.	57-Ministry of Labour	55.22	35.47	19.75	35.77
7.	79-Roads	69.65	43.44	26.21	37.63
8.	84-Stationery and Printing	67.20	40.41	26.79	39.87
9.	97-Andaman & Nicobar Islands	67.67	53.24	14.43	21.32
Capital					
10.	35-Direct Taxes	130.00	36.31	93.69	72.07
11.	39-Department of Health	416.80	329.42	87.38	20.96

CHAPTER XIV

Re-appropriations

	No of Cases	Amount (Rupees in crore)
Unnecessary re-appropriation	44	85.13
Re-appropriation done without availability of provision from where reappropriated	11	8.09
Re-appropriation without prior approval of Secretary (Expenditure)	3	9.66
Re-appropriation without prior approval of Ministry of Finance	3	5.12

14.1 Injudicious re-appropriation

A grant or appropriation for expenditure is distributed by sub-heads or standard objects under which it is accounted. Re-appropriation of funds can take place between primary units of appropriation within a grant or appropriation before the close of financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or that savings can be effected in the unit of appropriation.

14.1.1 Injudicious re-appropriation to sub-head

Test check of the accounts for 1996-97, revealed that in the case of 44 sub-heads in 27 grants/appropriation as per the details in Appendix XIX, re-appropriations aggregating Rs 85.13 crore were injudicious as the original provision under the sub-head to which funds were transferred by re-appropriation was more than adequate and consequently the final saving under the sub-heads were more than the amount re-appropriated to these sub-heads.

Test checks disclosed unnecessary re-appropriation of Rs 85.13 crore to 44 sub-heads.

14.1.2 Injudicious re-appropriation from sub-head

Injudicious re-appropriations of Rs 8.09 crore were made from 11 sub-heads.

Similarly in 11 sub-heads in 8 grants/appropriations (detail in Appendix XX) there was injudicious re-appropriation aggregating Rs 8.09 crore wherein the final expenditure under each of them was more than the original provision before re-appropriation from them. In each of them, the excess over the final provision after re-appropriation from these heads was more than the amounts re-appropriated

The position of similar injudicious re-appropriations in respect of grants of Railways, Posts and Telecommunications and Defence Services have been included in the respective Audit Reports

14.2 Irregular re-appropriation of funds

14.2.1 Re-appropriation in infringement of Public Accounts Committee recommendations

As per the extant instructions of Ministry of Finance issued at the instance of the Public Accounts Committee (Eighth Lok Sabha) vide its recommendation in 147th Report, any re-appropriation order issued during the year which has the effect of increasing budget provision by more than 25 per cent or Rs one crore whichever is more, under a sub-head should be reported to Parliament along with the last batch of Supplementary Demands. Any order of re-appropriation issued by the Ministries/Departments after presentation of the last batch of Supplementary Demands, exceeding the above limit would require prior approval of the Secretary/Additional Secretary, Department of Expenditure.

Re-appropriations in contravention of PAC's recommendations.

Scrutiny of headwise Appropriation Accounts pertaining to grant No.49 - Department of Culture for the year 1996-97 revealed that against the original provision of Rs 0.22 crore, the Department re-appropriated Rs 1.94 crore to the sub-head 'Secretariat for Commemoration of 50th Anniversary of India's Independence' under Major Head '2205'. Neither the re-appropriation was reported to Parliament nor prior approval of Secretary (Expenditure) was obtained.

14.2.2 Re-appropriation without prior approval of Secretary (Expenditure)

(i) In the context of the efforts to keep the fiscal deficit under control, Ministry of Finance had prescribed that all re-appropriations which would have the effect of increasing the budget provision by more than Rs one crore under the sub-head, should be made only with the prior approval of the Secretary (Expenditure).

In the following cases, the re-appropriation during 1996-97 exceeded the limit of Rs one crore for which approval of Secretary (Expenditure) was not obtained.

Table 14.2.2 : Re-appropriation without prior approval of Secretary (Expenditure)

Sl. No.	No. and Name of Grant	Major Head	Sub-head	Amount (Rs in crore)	Remarks
1.	44-Police	2055-Police	District Police	O 76.73 S 8.98 R 1.24	At the instance of audit <i>ex-post facto</i> approval of Secretary, Ministry of Finance (Department of Expenditure) was obtained.
2.	49 - Department of Culture	2205 - Art and Culture	Conservation of Ancient Monuments	O 40.91 R 6.48	-

O= Original Provision; S=Supplementary Provision; R=Re-appropriation

14.2.3 Re-appropriation without prior approval of Ministry of Finance

(i) As per Government of India decision No.3(ii) below Rule 10 of Delegation of Financial Power Rules, re-appropriation of funds from direct heads of expenditure to grants-in-aid to State/Union Territory Governments in the Revenue Section and vice versa are to be made only with the prior approval of Ministry of Finance.

Test check of the Appropriation Account in respect of Grant No.11 - Ministry of Commerce for the year 1996-97 disclosed that the Ministry augmented provisions under the sub head 'Critical Infrastructure Balance' below major head '3601' by reappropriating Rs one crore from sub-head "Critical Infrastructure Balance" below major head "3453" in the Revenue Section without the prior approval of Ministry of Finance. However, on

being pointed out by audit the Ministry stated (December 1997) *that ex-post facto* approval of Ministry of Finance had been obtained.

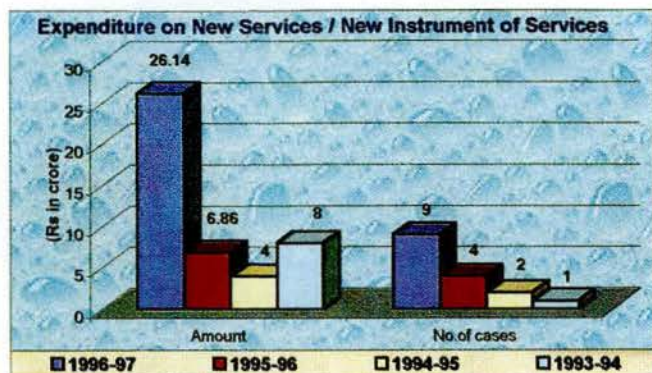
(ii) As per Government of India decision No.7 below Rule 10 of Delegation of Financial Power Rules, re-appropriation of funds from the head "Salaries" to other heads of expenditure can not be made without the prior approval of Ministry of Finance.

Test check of headwise appropriation account of grant No.77 - Ministry of Steel revealed that the Ministry re-appropriated Rs 12 lakh from the head 'Salaries' to 'Rent' Rates and Taxes' under the major Head '2852' vide re-appropriation Order No.BGT-2(2)/96 dated 31 March 1997 which is contrary to the extant orders of the Ministry of Finance. The re-appropriation of funds without prior approval of Ministry of Finance was irregular. At the instance of Audit, *ex-post facto* approval of Ministry of Finance, Department of Expenditure for the above re-appropriation of funds was obtained by the Ministry of Steel in January 1998.

(iii) A case involving re-appropriation of Rs four crore from Plan to Non-Plan without the prior approval of Ministry of Finance in respect of grant pertaining to Department of Atomic Energy has been mentioned in chapter-XIX.

CHAPTER XV

Expenditure on 'New Service'



New Service without approval of Parliament	(Rupees in crore)
Payments to Financial Institutions (Ministry of Finance)	23.09
Department of Education	0.35
Department of Culture	0.50
Chandigarh Administration	0.25
Ministry of Labour	0.24
Department of Urban Development, Urban Employment and Poverty Alleviation	1.71

15.1

Expenditure on "New Service/New Instrument of Service"

On the recommendations of the Public Accounts Committee, Government has prescribed financial limits for different categories of expenditure beyond which the additional expenditure constitutes New Service/New Instrument of Service and requires prior approval of Parliament.

In the following cases although the prescribed limit had exceeded, the ministries did not obtain prior approval of Parliament.

15.2 Ministry of Finance, Department of Economic Affairs (Grant No. 26- Payments to Financial Institutions)

Scrutiny of accounts of grant No. 26-Payments to Financial Institutions for 1996-97 revealed that although the Ministry furnished certificate to the effect that there were no cases of "New Service/New Instrument of Service", in the following three cases the limit prescribed vide Government of India Decision (1) below Rule 10 of Delegation of Financial Power Rules, had exceeded the budget provisions, yet the Ministry did not obtain the prior approval of Parliament. As such the re-appropriations made to these heads attracted the provisions of "New Service/New Instrument of Service".

Expenditure of Rs 23.09 crore attracted limitations of "New Service/New Instrument of Service" in the Ministry of Finance.

**Table 15.2 : Cases of "New Service/New Instrument of Service"
(Ministry of Finance)**

(Rupees in lakh)

<i>Sl. No.</i>	<i>Sub-head/ Name of Institutions</i>	<i>Budget Provision</i>	<i>Actual Expenditure</i>	<i>Excess</i>	<i>Remarks</i>
1	Grants to Export-Import Bank of India (External Aided Component) (M.H. 2885)	200.00	262.25	62.25	The additional expenditure exceeded the limit of 10 <i>per cent</i> of the budget provision, for which prior approval of Parliament was required to be obtained (vide item II (F) (ii) of GOI Dec(1) below Rule 10 of DFPRs).
2	Grants to Nationalised Banks (External Aided Component) (M.H. 3465)	225.00	341.00	116.00	
3	Loans to Industrial Credit and Investment Corporation of India- External Aided Component (M.H. 6885)	10869.00	13000.00	2131.00	Exceeded the limit of Rs 1500 lakh beyond which prior approval of Parliament was required to be obtained (vide item I(B) (ii) (b) of GOI Dec(1) below Rule 10 of DFPRs.)

The observations were sent to Ministry in September 1997, their reply was awaited as of March 1998.

15.3 Department of Education

Grant of Rs 35.20 lakh to Bal Bhawan Society attracted the limitations of New Service/New Instrument of Service.

Scrutiny of headwise appropriation account of grant No. 47- Department of Education for 1996-97 revealed that as against the sanctioned provision of Rs 273 lakh towards grants to Bal Bhawan National Children's Museum (Bal Bhawan Society), the Department paid Rs 308.20 lakh to the Society. Payment of excess amount of Rs 35.20 lakh over the provision exceeded the prescribed limit of 10 *per cent* of the budget provision vide item II(F)(ii) of GOI Decision(1) below Rule 10 of DFPRs, for which prior approval of Parliament was required. The department did not obtain such approval.

15.4 Department of Culture

Payment of Rs 49.50 lakh to Kalakshetra, Madras attracted the limitations of New Service/New Instrument of Service.

Scrutiny of headwise appropriation account of Grant No.49 - Department of Culture revealed that as against the original provision of Rs 119 lakh towards grants-in-aid, the Department released Rs 168.50 lakh to Kalakshetra, Madras. Payment of Rs 49.50 lakh in excess of the budget provision exceeded the prescribed limit of 10 per cent of the budget provision vide item II(F)(ii) of GOI Decision(1) below rule 10 of Delegation of Financial Power Rules for which prior approval of Parliament was required but the department did not obtain such approval. As such payment of the excess amount attracted the provisions of "New Service/New Instrument of Service".

15.5 Ministry of Home Affairs - Union Territories (without Legislature) - Chandigarh

Release of Rs 25 lakh to the Food Craft Institute attracted the limitations of New Service/New Instrument of Service.

As against the original provision of Rs 10 lakh, the Chandigarh administration released grants-in-aid of Rs 35 lakh to the Food Craft Institute. Payment of excess amount of Rs 25 lakh exceeded the prescribed limit of Rs 10 lakh vide item II(F)(i) of G.O.I. Decision (1) below Rule 10 of Delegation of Financial Power Rules for which prior approval of Parliament was required. In the absence of any such prior approval of Parliament the excess payment attracted the provisions of 'New Service/New Instrument of Service'.

15.6 Other cases attracting the provisions of New Service/New Instrument of service details of which are included in other chapters

(Rupees in crore)

Sl. No.	Ch.No.	Ministry/Department	Amount	Name of the grantee institution
1.	XVII	Ministry of Labour	0.24	V.V.Giri National Labour Institute
2.	XX	Department of Urban Development, Urban	0.52	Delhi Urban Arts Commission
3.	XX	Employment and Poverty Alleviation	1.19	National Institute of Urban Affairs

CHAPTER XVI

Utilisation of Supplementary Grants

1	Supplementary provision obtained but not utilised	
	15 Grants	Rs 236.20 crore
2	Sub-heads within the Grant where Supplementary provision remained completely un-utilised	
	7 cases	Rs 31.34 crore

16.1 Estimation of supplementary grant/appropriation

If the amount provided for in the sanctioned budget for any service in a financial year is found to be insufficient for the purpose in that year or when a need has arisen during that year for supplementary or additional expenditure upon some 'New Service' not contemplated in the original budget for that year, Government is to obtain supplementary grants or appropriations in accordance with the provision of Article 115 (1) of the Constitution.

While obtaining the supplementary grant, Ministry has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirement of funds and seeking supplementary provision. Resort to supplementary demands should only be in exceptional and urgent cases.

Public Accounts Committee of 10th Lok Sabha in its 88th Report in Para 1.39 has also commented on obtaining the supplementary grant or appropriation in an ill conceived manner without conducting a proper and close scrutiny of expenditure incurred or likely to be incurred by them during the financial year.

In 15 cases relating to 15 grants as detailed below although the supplementary provisions were obtained in anticipation of higher expenditure, the final expenditure was less than even the original grants. Thus, the entire amount of supplementary provision aggregating to Rs 236.20 crore proved to be unnecessary.

Net savings exceeding supplementary grant in 15 grants.

Table 16.1: Savings more than supplementary grant/appropriation

Sl. No.	Grant/Appropriation	Amount (Rupees in crore)	Batch of Supplementary grants	* Reasons for obtaining supplementary grants
Revenue - Voted				
Ministry of Agriculture				
1.	4 - Department of Animal Husbandry and Dairying	O. 293.15 S. 7.39 AE. 279.74 Sav. 20.80	2nd (March 97)	* For meeting additional expenditure of Delhi Milk Scheme.
Ministry of Civil Supplies, Consumer Affairs and Public Distribution				
2.	9 - Ministry of Civil Supplies, Consumer Affairs and Public Distribution	O. 108.80 S. 31.30 AE. 91.38 Sav. 48.72	2nd (March 97)	* For assistance to Hindustan Vegetable Oils Corporation for implementation of voluntary retirement scheme (Rs 1.30 crore) * Grants-in-aid to State/Union Territory Governments for strengthening of the infrastructures of consumer courts (Rs 30.00 crore)
Ministry of Finance				
3.	26 - Payments to Financial Institutions	O. 2093.43 S. 18.94 AE. 2063.58 Sav. 48.79	2nd (March 97)	* External grant assistance to Industrial Credit and Investment Corporation of India.
4.	34 - Department of Revenue	O. 163.47 S. 11.36 AE. 161.83 Sav 13.00	2nd (March 97)	* Setting up of three regional units of Narcotic Control Bureau * Computerisation and other establishment related expenditure * Payment of additional collection charges for Inland Air Travel tax * Additional grants to National Institute of Public Finance and Policy.

Sl. No.	Grant/Appropriation	Amount (Rupees in crore)	Batch of Supplementary grants	Reasons for obtaining supplementary grants
Ministry of Health and Family Welfare				
5.	39 - Department of Health	O. 1251.93 S. 31.00 AE. 1160.97 Sav 121.96	2nd (March 97)	<ul style="list-style-type: none"> * For meeting additional establishment related expenditure * Providing medical treatment to poor and needy from Minister's discretionary funds * Setting up of Central/State blood transfusion councils * Payment of subvention to students of recognised private medical colleges * Providing grants to hospitals and medical institutions * Additional expenditure of D.G.H.S. and Government hospitals and dispensaries * Making accounting adjustments in respect of external grant assistance in kind received under Leprosy Control Programme.
6.	41 - Department of Family Welfare	O. 1950.65 S. 71.11 AE. 1943.94 Sav 77.82	Ist (Dec. 96) 2nd (March 97)	<ul style="list-style-type: none"> * Providing additional grant assistance to Government of Andhra Pradesh under Family Welfare Scheme * Passing on to State Governments external grant assistance for population activities * Carrying out accounting adjustment in respect of external grant assistance in kind expected to be received during 1996-97
Ministry of Home Affairs				
7.	43 - Cabinet	O. 89.81 S. 2.19 AE. 69.90 Sav 22.10	2nd (March 97)	<ul style="list-style-type: none"> * Meeting additional establishment related expenditure * Operational commitments relating to Special Protection Group.

Sl. No.	Grant/Appropriation	Amount (Rupees in crore)	Batch of Supplementary grants	Reasons for obtaining supplementary grants
Ministry of Human Resource Development				
8.	49 - Department of Culture	O. 203.23 S. 3.02 AE. 201.53 Sav 4.72	2nd (March 97)	* For providing non-plan assistance to Netaji Research Bureau, Sardar Patel Trust and Delhi Public Library.
Ministry of Mines				
9.	62 - Ministry of Mines	O. 224.66 S. 8.73 AE. 216.07 Sav 17.32	2nd (March 97)	* For providing additional plan assistance to Hindustan Copper Ltd. for implementation of voluntary retirement scheme and establishment related expenditures.
Ministry of Non-Conventional Energy Sources				
10.	63 - Ministry of Non-Conventional Energy Sources	O. 220.58 S. 34.12 AE. 167.66 Sav 87.04	1st (December 96)	* For making counterpart rupee deposits against payments made to suppliers abroad out of the grant assistance received from Denmark for the Windmill farm project.
Ministry of Petroleum and Natural Gas				
11.	66 - Ministry of Petroleum and Natural Gas	O. 3.62 S. 0.17 AE. 3.53 Sav 0.26	2nd (March 97)	* For meeting additional establishment related expenditure.
Ministry of Surface Transport				
12.	78 - Surface Transport	O. 61.36 S. 2.22 AE. 43.25 Sav 20.33	2nd (March 97)	* For meeting additional expenditure on dearness allowance, interim relief and bonus * Computerisation and holding of international conferences.
13.	80 - Ports, Lighthouses and Shipping	O. 236.61 S. 2.70 AE. 172.49 Sav 66.82	2nd (March 97)	* For providing additional grant assistance to Hindustan Shipyard Ltd. for implementation of voluntary retirement scheme.

Sl. No.	Grant/Appropriation	Amount (Rupees in crore)	Batch of Supplementary grants	Reasons for obtaining supplementary grants
Ministry of Home Affairs- Union Territories (without legislature)				
14.	101 - Lakshadweep	O. 125.04 S. 0.22 AE. 124.00 Sav 1.26	2nd (March 97)	* For meeting establishment related expenditure.
Capital Voted				
Ministry of Information and Broadcasting				
15.	56 - Broadcasting Services	O. 313.05 S. 11.73 AE. 311.15 Sav 13.63	2nd (March 97)	* For meeting expenditure on installation of robotic cameras in Lok Sabha and Rajya Sabha.

O = Original Provision : S = Supplementary Provision : AE = Actual Expenditure : Sav = Savings

As the expenditure under these grants was less than the original provision, the supplementary grants proved to be unnecessary.

There is, therefore, a need to assess the requirement of the supplementary grants judiciously.

16.2 Supplementary grants remaining unutilised under specific heads

A few cases of supplementary grants in individual subheads remaining entirely unutilised disclosed in the test check are as under:

16.2.1 Ministry of Civil Supplies, Consumer Affairs and Public Distribution

Test check of the appropriation account in respect of Grant No 9- Ministry of Civil Supplies, Consumer Affairs and Public Distribution for the year 1996-97, disclosed that supplementary grant of Rs 1.30 crore was obtained by the Ministry in March 1997 under the sub-head "Voluntary Retirement Scheme to Public Sector Undertakings- Hindustan Vegetable Oil Corporation" below the Major Head "3456" against the budget provision of Rs one crore for providing grant assistance to Hindustan Vegetable Oil Corporation for implementation of "Voluntary Retirement Scheme". But the Ministry surrendered Rs 2.19 crore in March 1997 due

to less receipt of applications for Voluntary Retirement Scheme from the employees of Hindustan Vegetable Oil Corporation.

The incorrect assessment of possible cases of Voluntary Retirements and lack of monitoring of fund available with Hindustan Vegetable Oil Corporation and also lack of monitoring of the refund of unutilised amount by HVOC rendered the supplementary provision of Rs 1.30 crore infructuous.

16.2.2 Department of Revenue (Ministry of Finance)

While scrutinising the headwise appropriation accounts in respect of Grant no.34-Department of Revenue for the year 1996-97 it was noticed that the Ministry obtained supplementary grant of Rs 1.91 crore in March 1997 under sub-head 'Secretariat-Department of Revenue' for setting up three regional units of Narcotics Control Bureau, payment of additional instalment of dearness allowance and other establishment related expenditure which remained unutilised to the extent of Rs 1.36 crore.

Thus, deficient budgetary assumption/control resulted in non-utilisation of most of the supplementary grant.

16.2.3 Ministry of Home Affairs

In grant No. 44 - Police, the Ministry of Home Affairs obtained supplementary grants in March 1997 under different sub-heads for payment of instalments of dearness allowance, interim relief and bonus, purchase of more clothing and tentage, more expenditure on POL, maintenance of vehicles, movement of battalion, maintaining law and order, election duty and airlifting of battalions which, however, remained unutilised to the extent of more than Rs one crore as detailed below:

Table 16.2.3 (a): Supplementary grants under sub-heads remained unutilised

(Rupees in crore)

SI No	Sub-head	Amount of Supplementary Grant	Amount of Saving	Percentage of Supplementary grant unutilised
M.H. 2055- Police				
1	Criminal investigation Vigilance- Central Forensic Science Laboratory	2.07	4.15	100
2.	Central Reserve Police	48.73	28.92	59
3.	Border Security Force- Director General of Border Security Force	34.23	10.95	32
4.	National Security Guard	2.71	3.53	100
5.	Industrial Security Force	10.24	8.02	78
6.	Criminal Investigation and Vigilance	2.83	1.40	49
7.	Indo- Bangladesh Border Works	3.50	1.37	39
MH 3601- Grants-in-aid to State Governments				
8.	Police Criminal Investigation and Vigilance - Criminal Information System	1.00	1.93	100

ii) Scrutiny of headwise appropriation account relating to grant No 45 - Other Expenditure of Ministry of Home Affairs for 1996-97 revealed that in the following cases although supplementary grant was obtained in anticipation of higher expenditure, the final expenditure was 'NIL' or far less than the supplementary grant.

Table 16.2.3 (b): Supplementary grant under sub-heads remained unutilised

(Rupees in crore)

SI No	Major Head/ Sub-Head -	Supplementary Grant obtained	Final Saving	Percentage of Supplementary grant unutilised
1	M.H. 2801- Power - North Eastern Electric Power Corporation Ltd	12.66	12.66	100
2.	M.H. 3601-Grants-in-aid to State Governments - Assam	25.00	16.75	67

16.2.4 Ministry of Information and Broadcasting

Scrutiny of headwise appropriation account of grant No. 56- Broadcasting Services for 1996-97 disclosed that Ministry of Information and Broadcasting had obtained supplementary grants in March 1997 under different sub-heads which remained unutilised to the extent of more than Rupees one crore in each case as detailed below:-

Table 16.2.4: Supplementary grant under sub-heads remained wholly unutilised

(Rupees in crore)

<i>Sl No.</i>	<i>Sub-head</i>	<i>Amount of Supplementary Grant</i>	<i>Amount of Saving</i>	<i>Percentage of Supplementary grant unutilised</i>
Revenue Section M.H. 2221				
1	Sound Broadcasting-Commercial Services, Commercial Broadcasting Services	1.25	1.32	100
Capital Section M.H. 4221				
2	Television-Studios - New equipment	10.35	22.33	100

16.2.5 Ministry of Personnel, Public Grievances and Pension

Under grant No. 65- Ministry of Personnel, Public Grievances and Pension for 1996-97, the Ministry obtained supplementary grant of Rs 5.78 crore under sub-head "Central Bureau of Investigation" for meeting additional establishment related expenditure, purchase of new vehicle, meeting secret service expenditure and travel expenses which, however, remained unutilised to the extent of Rs 5.35 crore.

17.1 Introduction

The Ministry of Labour is responsible for promotion of harmonious industrial relations and speedy implementation of labour laws, awards and agreements, laying down code of discipline etc. for improving industrial relations to regulate wages and other conditions of work for conducting evaluatory studies of implementation of labour laws, industrial relations, personnel policies and practices collection and publication of statistics, conducting enquiries, surveys and research studies on various labour subjects etc.

17.2 Over all position

During 1992-97, the provision and expenditure in grant No.57-Ministry of Labour was as under.

(Rupees in crore)

	Total provision/appropriation	Actual expenditure	Saving	Surrender
1996-97	690.87	601.83	89.04	65.44
1995-96	578.90	529.68	49.22	44.06
1994-95	568.10	451.76	116.34	80.76
1993-94	548.30	543.10	5.20	-
1992-93	420.19	346.48	73.71	51.61

Ministry of Labour has been saving large amounts.

17.3 Savings and excess leading to net savings Revenue (Voted)

In the voted portion of revenue section of the grant during 1996-97, there was gross saving of Rs 107.31 crore which was offset by excess expenditure of Rs 18.74 crore under other heads resulting in net saving of Rs 88.57 crore.

Gross savings partially offset by excess resulting in net saving of Rs 88.57 crore.

Table 17.3(a): Sub-heads under which major savings occurred

(Rupees in crore)

Sl. No.	Name of sub-head	Total provision	Actual expenditure	Saving
1.	Transfer to Limestone and Dolomite Mines Labour Welfare Fund	6.80	5.56	1.24
2.	Iron Manganese Chrome Ore Mines Labour Welfare	9.98	5.19	4.79

Sl. No.	Name of sub-head	Total provision	(Rupees in crore)	
			Actual expenditure	Saving
3.	Housing for Limestone and Dolomite Mines Labour	1.76	0.32	1.44
4.	Health for Beedi Workers	13.49	10.58	2.91
5.	Child Labour Cell	56.00	33.84	22.16
6.	Training of Craftmen	3.27	1.66	1.61
7.	World Bank Assisted Vocational Training Project	31.15	4.03	27.12
8.	Housing Scheme for Economically Weaker Section of Beedi Workers	7.52	0.83	6.69
9.	Compensation to Families of Heavy Duty Inter-State Vehicle Drivers killed in Accident	5.00	-	5.00
10.	Providing Homes for Hamalis	5.00	3.32	1.68
11.	World Bank Scheme for States	53.80	32.56	21.24

Table 17.3(b): Sub-heads under which major excess occurred

Sl. No.	Name of sub-head	Total provision	(Rupees in crore)	
			Actual expenditure	Excess
1.	Education for Beedi Workers	8.27	9.61	1.34
2.	Family Pension ; cum-life Assurance Scheme	346.00	354.31	8.31
3.	Grants to Central Board for Workers Education	8.96	10.00	1.04

Diversion of Rs 18.74 crore to certain heads was made for paying interim relief, additional instalments of dearness allowance, bonus etc. and also to clear the arrears under discontinued 'Employees Family Pension Scheme 1971' and 'Employees Deposit Linked Insurance Scheme'.

The funds sanctioned for the implementation of labour welfare schemes were diverted to meet the establishment related expenses etc. defeating the purpose for which the amounts were sanctioned by the Parliament.

17.4 Persistent savings

Persistent saving have occurred under Centrally Sponsored Plan Schemes.

Under Grants to State Governments for Centrally Sponsored Plan Schemes in the following sub-heads/schemes persistent saving occurred during 1992-97:-

Sl. No.	Description of Scheme			(Rupees in crore)	
				Amount of saving (percentage of saving)	
1.	Rehabilitation of Bonded Labour			0.70 (80%)	
	Previous years	Savings	Percentage of saving	Contributory reasons stated by the Ministry	
	1995-96	1.57	64%	* Receipt of less proposals of funds from State Governments	
	1994-95	1.37	62%		
	1993-94	0.81	23%		
	1992-93	1.50	79%		
2.	Employment Services			0.59 (100%)	
	1995-96	1.12	100%	Non-clearance of Scheme by the Planning Commission	
	1994-95	1.11	100%		
	1993-94	1.11	100%		
	1992-93	2.07	100%		
3.	Training of Craftsmen and Supervisors - World Bank Scheme for States			21.24 (39%)	
	1995-96	19.28	53%	<ul style="list-style-type: none"> - Receipt of lesser claims from the States/DGS&D/Suppliers - Delay in execution of work by PWD - Non-filling up of vacant posts - Imposition of ban on disbursement and procurement activities by World Bank - Lesser expenditure on civil works - Non-implementation of the scheme of Management Information System - Less expenditure on procurement of equipments 	
	1994-95	40.21	64%		
	1993-94	62.61	74%		
	1992-93	35.30	66%		

The persistent less expenditure than the provision ranging from 23 to 100 *per cent* of grants-in-aid to State Governments under the above Centrally Sponsored Plan Schemes for weaker sections of the Society indicated slackness in implementation of the above schemes or inaccurate budgetary assumptions.

Besides the above under the following labour welfare programmes also, the Ministry was unable to spend the allocated funds ranging from 10 to 87 *per cent* of the sanctioned budget during 1994-95 to 1996-97.

(Rupees in crore)

Sl. No.	Description of scheme	Amount of saving (percentage of saving)
Major head "2230-Labour and Employment"		
	Iron Manganese Chrome Ore Mines Labour Welfare	4.79 (48%)
1.	Previous Years	Amount of saving Percentage of saving
	1995-96	1.07 15%
	1994-95	2.90 41%
Contributory reasons stated by the Ministry		
		<ul style="list-style-type: none"> * Receipt of less proposals under housing scheme and recreation facilities * Non-implementation of water supply scheme * Less expenditure on salaries, scholarship and stipends * Less expenditure on repair of hospital and staff quarters * Non-appointment of medical and para medical staff
2.	Limestone and Dolomite Mines Labour Welfare	3.76 (53%)
	1995-96	1.81 37%
	1994-95	1.90 41%
		<ul style="list-style-type: none"> * Less expenditure on housing and recreation facilities * Non-organisation of sports meet * Non-filling up of vacant posts * Less purchase of medicines * Non-receipt of bills for purchase of ambulance van * Less expenditure on scholarship and stipends

(Rupees in crore)

Sl. No.	Description of scheme		Amount of saving (percentage of saving)
3.	Improvement in Working Condition of Child/Women Labour		22.18 (40%)
1995-96	0.40	1%	* Delay in finalisation of proposals/schemes
1994-95	2.90	64%	* Non-constitution of grants-in-aid committee * Non-release of grants to National Child Labour Project
4.	Training of Craftsmen and Supervisors		1.50 (10%)
1995-96	7.85	36%	* Non-filling up of vacant posts
1994-95	2.09	15%	* Non/less purchase of equipments and machinery * Delay in setting up of Regional Vocational Training Institutes * Late-introducing of new courses/activities * Non-identification of land for construction of building * Fall in training targets * Non-payment of scholarship/stipend to absent workers * Less proposals for professional services
5.	World Bank Assisted Vocational Training Project		27.12 (87%)
1995-96	6.66	61%	* Non-filling up of vacant posts
1994-95	13.14	88%	* Delay in awarding the contracts to consultants for High Tech Training Schemes * Less payment for technical assistance * Delay in providing land for RVTIS by State Governments * Non-procurement of vehicles, machinery * Non-commencement of the scheme of establishment of management information system

17.5 Expenditure on "New Service/New instrument of Service".

On the recommendations of the Public Accounts Committee, government has prescribed certain financial limits for different categories of expenditure beyond which the additional expenditure constitutes 'New Service/New Instrument of Service' and requires prior approval of

Parliament vide item no.II(F) of Government of India Decision No.(1) below rule 10 of Delegation of Financial Powers Rules.

Expenditure on "New Service/New Instrument of Service".

Test check of headwise appropriation account of the grant for 1996-97 revealed that against the sanctioned provision of Rs.1.61 crore towards grants to V.V.Giri National Labour Institute, the Ministry had paid Rs 1.85 crore to the Institute. Payment of excess amount of Rs 0.24 crore over the provision has exceeded the prescribed limit of 10 *per cent* of the sanctioned provision of Rs 1.61 crore, for which prior approval of Parliament was required but the Ministry did not obtain such approval. As such payment of excess amount attracted the provisions of 'New Service/New Instrument of Service'.

Ministry's reply that the additional fund was released with the prior approval of Ministry of Finance is not tenable since prior approval of Parliament was required to be obtained to release the additional funds to the Institute.

17.6 Rush of Expenditure:-

As per Note 3 of Rule 69 of General Financial Rules, rush of expenditure particularly in the closing months of the financial year is to be regarded as a breach of financial regularity and should be avoided. Contrary to the above provisions, test check in audit revealed that in the following cases large portion of the total expenditure was incurred in the month of March during the last three years i.e. 1994-95 to 1996-97.

(Rupees in lakh)

Sl. No.	Name of Scheme	1994-95		1995-96		1996-97	
		Total Exp.	March Exp (%)	Total Exp.	March Exp. (%)	Total Exp.	March Exp. (%)
M.H.-2230							
1.	Beedi Workers Welfare	1451.60	769.12 (53)	1929.32	899.26 (47)	2192.82	1078.15 (49)
2.	Cine workers Welfare	5.15	4.43 (86)	7.31	6.36 (87)	13.18	8.11 (62)
3.	Improvement in working conditions of child/women labour.	164.90	156.80 (95)	3450.39	1051.31 (30)	3396.95	2613.44 (77)

(Rupees in lakh)

Sl. No.	Name of Scheme	1994-95		1995-96		1996-97	
		Total Exp.	March Exp. (%)	Total Exp.	March Exp. (%)	Total Exp.	March Exp. (%)
MH-3601							
4.	Housing Scheme for Economically Weaker Section of Bcedi workers	538.15	538.15 (100)	532.88	402.68 (76)	83.32	38.32 (46)
5.	Providing homes for hamalis	-	-	-	-	332.37	332.37 (100)

The Ministry stated, in December 1997, that due to delay in completion of formalities by the State Governments, voluntary agencies and implementing agencies, large portion of funds were released during the month of February/ March 1997.

Since the funds released to the various organisations in the month of March cannot be constructively spent during the year, it is not possible to conclude whether the funds were applied for the purpose for which these were authorised during the period of such authorisation.

18.1 Introduction

This Ministry is responsible for looking after the welfare of the disadvantaged and marginalised sections of society such as the scheduled castes, scheduled tribes, minorities, backward classes, children in need of care and protection, aged persons, persons with disability and victims of drug abuse. In addition to the organisations under the administrative control of the Ministry, plan and non-plan schemes are implemented with the help of State/Union Territory Governments, non-governmental organisations and institutions of the local-self government.

18.2 Overall position of grant

During 1996-97, the total provision, supplementary grant, actual expenditure, saving and surrender in Grant No.86-Ministry of Welfare in Revenue and Capital sections (Voted & Charged), was as under.

Overall position of grant

(Rupees in crore)

Section		Total provision	Actual expenditure	Saving	Surrender
Voted	Revenue	686.60	677.48	9.12	1.07
	Capital	187.67	187.66	0.01	0.01
Charged	Revenue	466.74	466.73	0.01	0.01

In the voted portion of Revenue Section during 1996-97, there was gross saving of Rs 144.61 crore under some heads which were offset by excess expenditure of Rs 135.49 crore under other heads resulting in net saving of Rs.9.12 crore.

Sub-heads under which major savings/excess occurred were as under:-

Table 18.2(a): Sub-heads under which major saving occurred:

(Rupees in crore)

Sl. No.	Name of Sub-head	Total provision	Actual expenditure	Saving
1.	Secretariat of Ministry of Welfare	7.60	6.56	1.04
2.	Girls Hostels	1.00	Nil	1.00
3.	Assistance to Voluntary Organisations for Scheduled Castes	17.33	10.00	7.33
4.	Interest subsidy for National Scheduled Castes, Scheduled Tribes Finance and Development Corporation	4.25	Nil	4.25
5.	Scheme for pre-examination Coaching for Weaker Sections based on economic criteria	2.00	0.28	1.72
6.	Scholarship to students of Scheduled Castes, Scheduled Tribes and other categories for studies abroad	4.90	1.80	3.10
7.	Aids and Appliances for the Handicapped	12.85	6.85	6.00
8.	National trust for mentally retarded and cerebral palsy	1.25	Nil	1.25
9.	National Rehabilitation programme for the Handicapped	1.50	Nil	1.50
10.	Education work for prohibition and drug abuse	14.66	9.64	5.02
11.	Assistance to voluntary organisation for Old Age Homes etc.	5.00	1.30	3.70
12.	Book Banks	2.93	1.77	1.16
13.	Machinery for implementation of protection of Civil Rights Act 1955 and Prevention of Atrocities Act 1989	15.18	12.21	2.97
14.	Liberation and Rehabilitation of Scavengers	88.00	Nil	88.00
15.	Girls Hostels	1.00	Nil	1.00
16.	Other Schemes	4.11	0.45	3.66

Table 18.2(b): Sub-heads under which major excess occurred

(Rupees in crore)

Sl. No.	Name of Sub-head	Total provision	Actual expenditure	Excess
1.	Grant-in-aid to State Scheduled Castes Development Corporation for implementation of scheme of liberation and Rehabilitation of scavengers and their dependants	1.00	90.01	90.00
2.	Welfare of Scheduled Castes Education-Pre-matric Scholarship Scheme	6.49	14.04	7.55
3.	Post-Matric Scholarship Scheme	103.05	134.26	31.21

18.3 Persistent savings

In the following sub-heads/schemes persistent savings occurred during 1994-97:

Persistent saving occurred against provision for welfare schemes.

(Rupees in crore)

Sl. No. Description of Scheme

Amount of saving
(percentage to the total provision)

Welfare of Scheduled Castes-Education

2.07
(92%)

1.	Previous years	Amount of saving	Percentage to total provision	Contributory reasons stated by the Ministry
	1994-95	2.56	80%	* Non-receipt of adequate proposals from Union Territory Administrations/Voluntary Organisations
	1995-96	1.24	99%	* Release of funds through Scheduled Castes Development Corporation instead of State/Union Territory Governments

Sl. No.	Description of Scheme			(Rupees in crore)
				Amount of saving (percentage to the total provision)
2.	Assistance to Voluntary organisations for Scheduled Castes (for imparting training in technical and skill development)			7.33 (42%)
	1995-96	9.49	47%	* Recast of the scheme * Less receipt of proposals from Voluntary Organisations * Non-receipt of recommendations from State/Union Territory Governments
3.	Welfare of Scheduled Tribes-Education			0.53 (96%)
	1994-95	0.69	13%	* Non-receipt of adequate proposals from Union Territory Administration
	1995-96	0.53	71%	* Less expenditure from Ministry of External Affairs
4.	Scheme for pre-examination coaching for weaker sections based on economic criteria			1.72 (86%)
	1994-95	1.50	50%	* Non/less-receipt of proposals from voluntary organisations
	1995-96	0.68	34%	
5.	Scheme for Street Children			0.60 (13%)
	1994-95	2.00	40%	* Non/less-receipt of recommendations from State Governments
	1995-96	2.18	44%	* Non-receipt of adequate proposals from voluntary organisations
6.	Grants-in-aid to Union Territory Governments for Other Schemes of Scheduled Castes Education			3.66 (89%)
	1994-95	3.54	81%	* Receipt of less demands from Union Territory Governments
	1995-96	3.38	82%	

The persistent savings ranging from 13 to 99 *per cent* under the above schemes indicated that there was slackness on the part of the Ministry/State/Union Territory Governments in the implementation of the schemes or the budget estimates were framed without adequate review of the trends of expenditure.

The savings during 1996-97 were partially offset by excess expenditure of Rs.7.55 crore (116 *per cent*) on pre-matric scholarship and Rs 31.21 crore (30 *per cent*) on post-matric scholarship schemes through State Governments due to receipt of more proposals for grants from State Governments.

18.4 Prohibition and drug abuse prevention

The Ministry made budget provisions under revenue section of the grant for imparting education in the field of prohibition and prevention of drug abuse. Under this scheme, voluntary organisations/institutions are assisted for maintenance/setting up of de-addiction and counselling centres for treatment, follow-up and rehabilitation of drug addicts.

During 1995-96, out of the provision of Rs 15.16 crore the Ministry spent only Rs 11.09 crore resulting in a saving of Rs 4.07 crore constituting 27 *per cent* of the provision. In 1996-97 also, against the provision of Rs 14.66 crore, only Rs 9.64 crore could be utilised resulting in a saving of Rs 5.02 crore constituting 34 *per cent* of the sanctioned provision.

The Ministry stated, in November 1997, that it was not possible to fix physical targets and their co-relation with the financial targets. They further stated that no authentic data was available with the Ministry as no comprehensive study at All India level had been conducted so far. Under utilisation of funds under the scheme was attributed to non-receipt of complete proposals from the Non Governmental Organisations (NGOs) as well as recommendations from the State Governments. There is, thus, a need for strengthening the statistical base and appropriate budgetary assumption for this programme.

18.5 Non-implementation of welfare schemes

The Planning Commission had approved plan outlay of Rs 47.55 crore under the scheme "National Rehabilitation Programme for the Handicapped" and Rs 1.25 crore under the scheme "National Trust for the Mentally Retarded and Cerebral Palsy" respectively for the Eighth Five Year Plan (1992-97). The entire budget provision under these schemes

Unrealistic budgetary assumption.

Non-implementation of welfare schemes for handicapped by the Ministry resulted in savings.

during the years 1994-95 to 1996-97 remained unutilised as detailed below.

(Rupees in crore)

Scheme	1994-95	1995-96	1996-97	Reasons attributed by Ministry
1) National Rehabilitation Programme for the Handicapped	12.75	1.50	1.50	Poor response from State/ UT Governments
2) National Trust for the Mentally Retarded and Cerebral Palsy	1.25	1.25	1.25	Administrative delay in getting the necessary legislation passed

The Ministry stated that the entire provision under these schemes remained unutilised due to non-finalisation of the schemes.

This calls into question the system of programme management in the Ministry. Firstly the Ministry failed to finalise the schemes during the five years for the plan period. Secondly, the Ministry continued to provide funds redundantly despite its inability to finalise the scheme.

18.6 Rush of expenditure

Test check revealed that in the following cases more than 50 per cent of the total expenditure was incurred in the last quarter of January to March of 1996-97.

(Rupees in lakh)

	Name of the Scheme	Total expenditure during 1996-97	Expenditure incurred in last quarter of 1996-97 (%age of expn)	Reasons attributed by the Ministry
1.	2225.800.07 Assistance to Voluntary Organisation for Scheduled Castes.	999.97	570.00 (57%)	Late receipt of recommendations of the State Governments.
2.	2225.800.25 - Grant-in-aid to State Scheduled Caste Development Corporation for implementation of scheme of Liberation and Rehabilitation of scavengers and their dependents.	9001.00	9001.00 (100%)	Due to release of funds directly to the SCDCs instead of through State Governments Budget provision and budget head could be obtained only in January 1997.

	Name of the Scheme	Total expenditure during 1996-97	Expenditure incurred in last quarter of 1996-97 (%age of expn)	Reasons attributed by the Ministry
3.	2235-101.10.01 Assistance to Voluntary Organisations for the Handicapped	1670.71	1081.17 (65%)	
4.	2235-101.10.01 - Aids and Appliances for the Handicapped	685.47	471.00 (69%)	Late receipt of recommendations from the State Governments.
5.	2235.105.01 - Education work for prohibition and drug abuse	963.51	575.48 (60%)	
6.	3601.341.03 - Machinery for implementation of protection of Civil Rights Act 1955 and Prevention of Atrocities Act 1989	1220.60	922.47 (76%)	Delay in receipt of proposals and information from State Governments.

Since the Parliament approves the budget for meeting the expenditure during the current financial year and not for the subsequent years, the funds released in the last quarter of the financial year can not be constructively spent during the year. It is not possible to conclude whether these funds were applied for the purpose during the year for which they were provided by the Parliament.

19.1 Persistent savings

Savings in the grant indicate that the expenditure could not be incurred as estimated, anticipated and planned. These are indicative of deficient budgeting or shortfall in performance depending upon the circumstances and purposes for which the original grant/ appropriation was provided.

Sequential to the observation made by the Public Accounts Committee (Eighth Lok Sabha) in its 147th Report, the Ministry of Finance issued instructions in February 1990 that utmost care should be exercised in framing budget estimates under each sub heads so that the actuals are not substantially different from the sanctioned provisions.

Test check of appropriation accounts of Department of Atomic Energy revealed that persistent savings of more than 15 to 91 *per cent* of the sanctioned provision and Rupees one crore were registered in six sub heads of Grant No.87 and 88 as detailed below :

Table 19.1: Persistent savings

(Rs in crore)

Sl No.	Sub-head	Savings (Percentage of provision)			Reasons attributed by the Department for saving
		1994-95	1995-96	1996-97	
Grant No. 87 - Atomic Energy					
Major Head "4861 - Capital Outlay on Atomic Energy Industries"					
1.	Modernisation and Replacement schemes of existing plants	8.41 (91 %)	1.30 (22 %)	2.81 (36 %)	Postponement of procurement of some equipments and slow progress of work.
2.	New Zircology Fabrication plant (250 tonnes)	12.10 (58 %)	4.20 (28 %)	2.22 (26 %)	Deferment of upgrading of computers and delay in procurements.
Major Head "5401 - Capital Outlay on Atomic Energy - Research"					
3.	Variable Energy Cyclotron Centre	1.42 (41 %)	2.63 (44 %)	1.41 (23 %)	Non-materialisation of purchase of liquid helium and computer server.

Grant No. 88 - Nuclear Power Schemes					
Major Head "2801 - Power"					
4.	Fuel Inventory	129.40 (44 %)	45.55 (18 %)	74.87 (30 %)	Reduction in procurement of stock of fuel owing to shortfall in production.
5.	Rajasthan Atomic Power Station	50.66 (64 %)	36.65 (51 %)	7.20 (15 %)	Delay in receipt of equipments. Less expenditure on interest adjustments.
6.	Nuclear Power Board	2.11 (42 %)	8.61 (86 %)	5.64 (80 %)	Reduction in requirements owing to absorption of personnel in Nuclear Power Corporation of India Ltd.

19.2 Overestimation of supplementary grant

If the amount provided in the sanctioned budget for any service in a financial year is found to be insufficient for the purpose in that year or when a need has arisen during that year for supplementary or additional expenditure upon some new service, not contemplated in original budget for that year, Government has to obtain supplementary grant in accordance with the provision of Article 115 (1) of the constitution.

While obtaining the supplementary grant, Ministry has to keep in view the resources available or likely to be available during the year and exercise due caution by forecasting its additional budgetary requirement of funds. Resort to supplementary demand should only be in exceptional and urgent cases.

Scrutiny of appropriation accounts of grant No.87-Department of Atomic Energy for the year 1996-97 revealed that the Department had obtained supplementary grant of Rs 17.21 crore for Bhaba Atomic Research Centre and Rs 3.96 crore for Indira Gandhi Centre for Atomic Research under Major head "3401-Atomic Energy Research" in March 1997 for meeting establishment related expenditure. However, the supplementary grant remained unutilised to the extent of Rs 16.60 crore (96 per cent) and Rs 2.86 crore (72 per cent) respectively.

The Department stated that the savings in the above cases were mainly due to distribution of supplementary grant to other needy heads of the revenue section. The Parliament authorises the grants for specified

Supplementary grant exceeding requirement.

purpose. Distribution of these grants to other needy heads was contrary to the instructions of Ministry of Finance issued in February 1990 to the effect that the original objective for which the provisions are made under various sub heads should not be substantially altered by exercise of power of re-appropriation. Besides, since the supplementary grants were obtained in the last batch in March 1997, the Department cannot present demands for funds and re-appropriate it to other heads at the same time.

19.3 Irregular re-appropriation

As against the sanctioned provision of Rs 14 crore for "Other Research Facilities for the advanced Research in Plasma Technology" under major Head "5401-Capital Outlay on Atomic Energy Research", the Department re-appropriated Rs 8.46 crore in anticipation of approval of the Ministry of Finance but the Ministry of Finance did not agree to the proposal of re-appropriation of plan savings of Rs four crore to grant interest free loan to Electronics Corporation of India Limited which resulted in savings of Rs four crore out of the re-appropriated amount of Rs 8.46 crore. The reason for savings of Rs four crore that this was due to non-materialisation of procurement action, was factually incorrect and the re-appropriation of funds of Rs four crore from Plan to Non-plan was irregular.

The department re-appropriated Rs four crore from plan to non plan irregularly.

19.4 Rush of expenditure in March

According to notes below Rule 69 of General Financial Rules, rush of expenditure particularly in the closing month of financial year is to be treated as a breach of financial regularity and should be avoided. The Ministry of Finance reiterated in June 1996 that the budget formulation should lay greater emphasis on explicit recognition of the revenue constraints and there must be strict and rigid adherence to budgetary ceilings. Moreover, it was also emphasised that all releases to public sector undertakings against budgeted outlays should be made only after adjusting the defaults, if any, pertaining to the current year in their obligation of repayment of loans and interest.

Contrary to the above instructions and guidelines, the department of Atomic Energy drew one cheque of Rs 23.58 crore on 31 March 1997 towards reimbursement of expenditure incurred by Nuclear Power Corporation of India Ltd. (NPCIL) towards operation and maintenance of Rajasthan Atomic Power Station-I (RAPS-I). The cheque was not released

on the plea that NPCIL did not come forward to collect it. In fact, fresh cheque was drawn and issued to NPCIL on 28 August 1997.

It is noteworthy the NPCIL owe Rs 227.62 crore to Government towards repayment of interest on Government loan.

Chapter XX : Ministry of Urban Affairs and Employment

Department of Urban Development, Urban Employment & Poverty Alleviation

There are two departments in the Ministry viz. (i) Department of Urban Development and (ii) Department of Urban Employment and Poverty Alleviation.

The Department of Urban Development handles matters of urban development, water supply, sanitation, urban transport etc., while the Department of Urban Employment & Poverty Alleviation is responsible for implementation of the National Housing Policy, formulation of specific programmes/schemes/projects relating to poverty alleviation and employment in urban areas.

20.1 Overall position of the grant

During 1996-97, the overall position of total provision (including supplementary grant), actual expenditure, savings/excess and surrender in Grant No. 82 - Urban Development, Urban Employment and Poverty Alleviation in Revenue and Capital section (voted and charged) was as under :

Table 20.1: Overall position of the grant

(Rupees in crore)

	Provision	Total provision	Actual expenditure	Savings (-) Excess (+)	Surrender
Voted	Revenue	561.76	450.91	(-) 110.85	48.83
	Capital				
	O. 226.11 S. 0.05	226.16	276.31	(+) 50.15	12.01
Charged	Revenue				
	O. 9.28 S. 0.07	9.35	8.28	(-) 1.07	0.23
	Capital	11.02	8.85	(-) 2.17	2.83

Gross saving partially offset by excess resulting in net saving of Rs 110.85 crore.

20.2 Savings and excess leading to net saving - Revenue (Voted)

During 1996-97 overall savings in voted portion of the Revenue section was Rs 127.54 crore which had been offset by excess of Rs 16.69 crore under other sub-heads resulting in a net saving of Rs 110.85 crore constituting 20 per cent of the sanctioned provision. Few cases of major saving and excess are given below:-

Table 20.2(a) Sub-heads under which major savings occurred

(Rupees in crore)

Sl. No.	Name of sub-head	Total provision	Actual expenditure	Saving
1.	Department of Urban Development	8.13	6.93	1.20
2.	Low cost sanitation for liberation of scavengers	27.80	-	27.80
3.	Maintenance and repairs	110.34	100.08	10.26
4.	Urban Transport Planning	6.85	4.85	2.00
5.	Research in Urban and Regional Planning	2.70	1.50	1.20
6.	Mega City Scheme Infrastructure Development	83.50	60.50	23.00
7.	Central Assistance for Integrated Development of small and medium towns	26.00	19.92	6.08
8.	Prime Minister's Integrated Urban Poverty Eradication Programme	99.00	70.00	29.00
9.	Housing and Shelter Upgradation Scheme	14.20	1.96	12.24
10.	Urban Micro Enterprises Scheme	30.24	23.75	6.49
11.	Urban Wage Employment Scheme	24.92	23.81	1.11

Table 20.2(b) Sub-heads under which major excess occurred

Sl. No.	Name of sub-head	Total provision	Actual expenditure	Excess
1.	Maintenance and repairs	21.50	34.01	12.51
2.	National Institute of Urban Affairs	0.60	1.79	1.19
3.	Urban basic services for the poor	16.29	17.32	1.03

20.3 Excess expenditure over grant/appropriation : Grant No. 82

In the voted portion of the capital section, there was an excess expenditure of Rs 50.15 crore over the authorised sums in Grant No.82 -

Urban Development, Urban Employment & Poverty Alleviation. Major head wise details of main excess expenditure are given below :

Table 20.3: Excess expenditure over grants/appropriation

(Rupees in crore)

Sl No	Major head		Total provision	Actual expenditure	Amount of excess
Voted					
1.	4216	Capital Outlay on Housing			
		O 139.01	139.04	141.45	2.41
		S 0.03			
2.	4217	Capital Outlay on Urban Development			
		O 45.00	45.01	95.00	49.99
		S 0.01			

20.4 Analysis of excess expenditure

20.4.1 Irregular re-appropriation of funds

Major Head "4217-Capital Outlay on Urban Development"

Ministry obtained a token supplementary grant of Rs one lakh under capital (voted) section for release of Rs 50 crore to Delhi Metro Rail Corporation (DMRC) and informed the Parliament that savings in the grant would be utilised for the balance requirement of funds. However, the Ministry of Finance did not agree to the proposal of the Department for reappropriation of savings in the revenue (voted) section to the capital (voted) section on the grounds that the savings of the revenue section can not be reappropriated to the capital section.

Despite this, the Department issued reappropriation order transferring Rs 49.99 crore from revenue (voted) section to the capital (voted) section of the grant and released Rs 50 crore to DMRC on the plea that Parliament had already been informed about utilisation of savings within the grant. The Controller of Accounts did not accept the reappropriation of funds from the revenue section to capital section, which resulted in an excess of Rs 49.99 crore in the capital (voted) section of the grant besides a saving of Rs 127.54 crore (net saving of Rs 110.85 crore) in the revenue (voted) section.

20.4.2 Excess expenditure under Major Head 4216-Capital Outlay on Housing

Under the Major Head "4216" Capital Outlay on Housing, the Ministry incurred expenditure in excess of the approved provision under the following sub-head :

Table 20.4.2: Excess expenditure under Major Head '4216'- Capital Outlay on Housing

(Rupees in crore)

Sub-head Voted	Total provision	Actual Expenditure	Excess
03 Urban Development Construction	41.90	47.64	5.74
06 Finance			
O 41.00			
S 0.01	42.19	51.13	8.94
R 1.18			

20.5 Expenditure on 'New Service/New Instrument of Service'

As per the limits prescribed in Rule 10 of Delegation of Financial Power Rules 1978, for determining the 'New Service/New Instrument of Service', grants-in-aid to statutory and other public institutions, additional expenditure of Rs 10 lakh over the approved provision for institutions in receipt of grants-in-aid up to Rs one crore and 10 *per cent* of the budget provision or Rs two crore, whichever is less in respect of institution in receipt of grants-in-aid of more than Rs one crore will require prior approval of Parliament. In the following two cases pertaining to the grant No.82 - Urban Development, Urban Employment and Poverty Alleviation for 1996-97, the excess expenditure attracted the limitations of 'New Service/New Instrument of Service'.

(i) Against the budget provision of Rs 0.31 crore for grants-in-aid to Delhi Urban Arts Commission, the Department of Urban Development incurred an expenditure of Rs 0.83 crore. The additional expenditure to the extent of Rs 0.52 crore, met by re-appropriation of fund exceeded the limit of Rs 0.10 crore, as prescribed in Government of India Decision No. I/II(F) below Rule 10 of Delegation of Financial Power Rules, for which prior approval of Parliament was not obtained.

Release of Rs 0.52 crore to Delhi Urban Arts Commission attracted provisions of 'New Service/New Instrument of Service'.

Grants to NIUA in infringement of limits of 'new Service/New Instrument of Service'.

(ii) In another case Ministry incurred an expenditure of Rs 1.79 crore towards grants-in-aid to National Institute of Urban Affairs against the provision of Rs 0.60 crore.

The Ministry incurred an excess expenditure of Rs 1.19 crore against the approved provision of Rs 0.60 crore, without obtaining prior approval of Parliament for incurring additional expenditure of more than Rs 10 lakh in terms of Government of India's decision (I) below rule 10 of Delegation of Financial Power Rules which attracted the limitation of 'New Service/New Instrument of Service'.

20.6 Excess expenditure without re-appropriation of fund

Excess expenditure without sufficient provision of funds.

As per provisions of Annexure 'A' to the note 3 under rule 66 of the General Financial Rules, it is an important part of the function of the Accounts Offices to see that no payment is made in excess of the budget allotment under any sub-head or primary unit of appropriation. In cases where the existing provision is not sufficient to cover the payment, PAO can make payment only on receipt of an assurance in writing from the Head of the Department controlling the grant so that necessary funds to accommodate the expenditure will be provided by issue of re-appropriation orders etc.

Scrutiny of headwise appropriation accounts revealed that the Ministry incurred excess expenditure of Rs 12.51 crore against the approved provision of Rs 21.50 crore in Revenue (voted) section under the sub-head "Other Housing - Maintenance and Repairs" below Major Head '2216 - Housing'. Since the PAO released the payment in excess of the provision, it is suggestive of deficient internal control.

20.7 Rush of expenditure during the month of March

Despite being pointed out in Appendix IX to para 10.7 of the Report of the C&AG of India for the year ended 31 March 1996 - No. 1 of 1997, expenditure ranging from 51 to 97 *per cent* of the total expenditure in 4 out of 13 major heads were incurred in the month of March 1997 as per details given below :

Table 20.7: Rush of expenditure

(Rupees in lakh)

Sl No	Major head	Total expenditure	Expenditure Incurred in March 1997	% of Expenditure in March 1997
1.	2215 - Water Supply & Sanitation	2085.38	2028.10	97
2.	3475 - Other General Economic Services	36.37	18.72	51
3.	4217 - Capital outlay on Urban Development	9500.00	5100.00	54
4.	7601 - Loans & Advances to State Governments (Charged)	600.00	419.10	70

Since more than 50 *per cent* of total expenditure on grants, loans and investments were released only in the month of March 1997 to various organisations, it was not possible to conclude whether these funds were utilised during the year for the purpose for which these were authorised.

20.8 Savings under specific sub-heads

Under the following sub-heads there were large scale saving ranging from 28 to 100 *per cent* of the provision.

Table 20.8: Saving under various Schemes/ Sub-heads

(Rupees in crore)

Sl No	Sub head	Budget provision	Saving (percentage)
Major Head 2215 - Water Supply & Sanitation			
1.	Sanitation Services- Low Cost Sanitation for Liberation of Scavengers	27.80	27.80 (100%)
Major Head 3601 - Grants-in-aid to State Governments			
2.	Department of Urban Development - Grants for Centrally Sponsored Plan Schemes - Other Urban Development Schemes - Other Grants - Mega City Scheme Infrastructure Development	83.50	23.00 (28 %)

(Rupees in crore)

SI No.	Sub-head	Budget provision	Saving (percentage)
Major Head 3601 - Grants-in-aid to State Governments			
3.	Department of Urban Employment & Poverty Alleviation - Prime Minister's Integrated Urban Poverty Eradication Programme	99.00	29.00 (29%)
Major Head 3475 - Other General Economic Services			
4.	Urban Wage Employment Scheme	0.95	0.63 (67%)

New Delhi
Dated: 8 May 1998



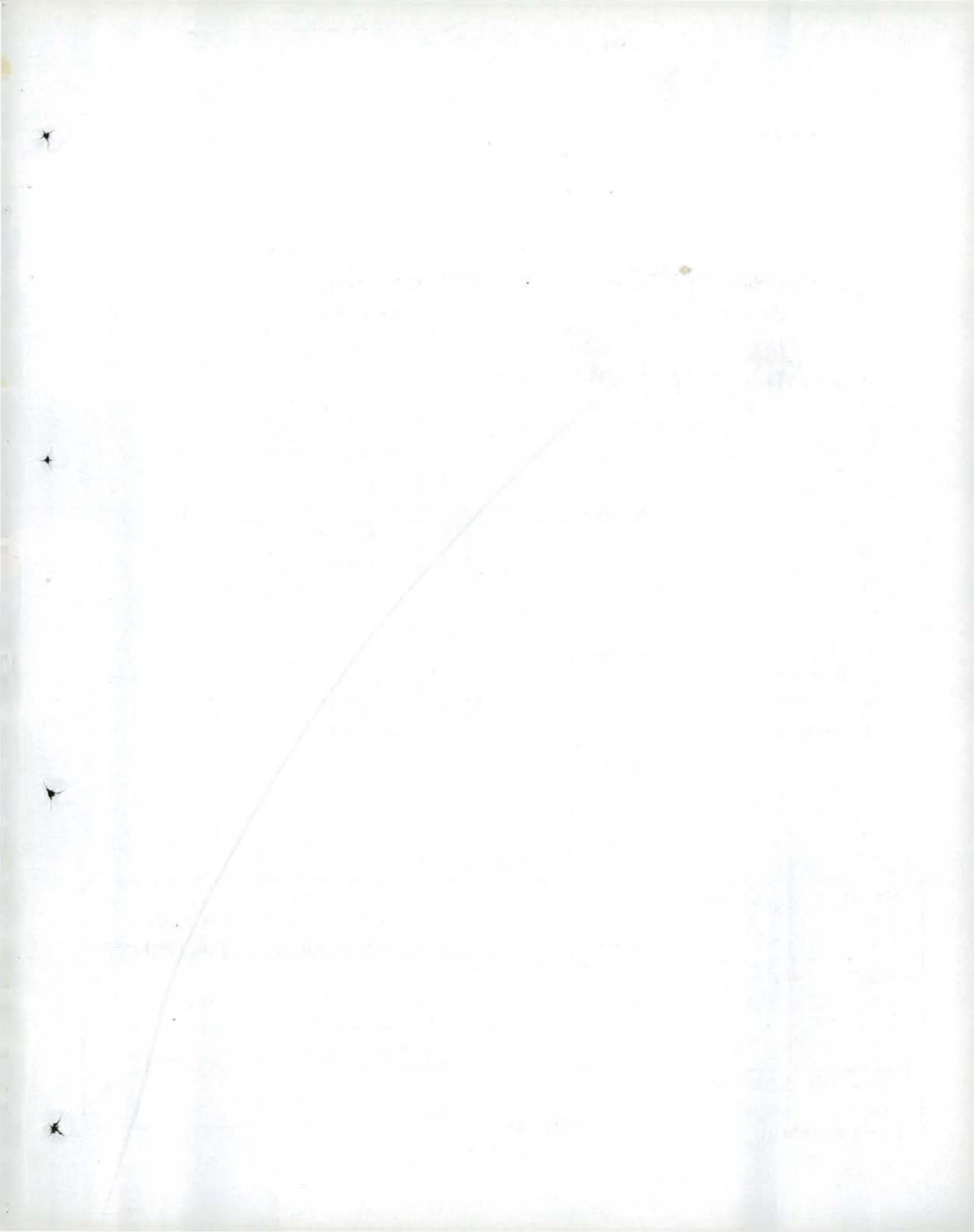
(A.L. GANAPATHI)
Director General of Audit
Central Revenues

Countersigned

New Delhi
Dated: 8 May 1998



(V.K. SHUNGLU)
Comptroller and Auditor General of India



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cAppendix I : Overall Financial Position as emerging from the Finance Accounts

(Refers to Paragraph 2.5)

(Rupees in crore)

Sl No	Particulars	1996-97	1995-96	1994-95	1993-94	1992-93
1	Revenue Receipts	193718 (15.17)	168571 (15.34)	146670 (15.51)	119602 (14.93)	114220 (16.25)
	a) Tax Revenue	115246 (9.02)	99950 (9.10)	83737 (8.86)	67975 (8.49)	68579 (9.76)
	b) Non-tax revenue	78472 (6.15)	68621 (6.25)	62932 (6.66)	51627 (6.45)	45641 (6.49)
2	Capital Receipts	346519 (27.14)	302368 (27.52)	277392 (29.33)	266953 (33.33)	185845 (26.44)
	a) Recovery of loans	8696 (0.68)	6999 (0.64)	6507 (0.69)	7611 (0.95)	7678 (1.09)
	b) Misc. Capital Receipts	455 (0.04)	1397 (0.13)	5607 (0.59)	(-) 48 (-0.00)	1961 (0.28)
	c) Public debt receipts	210042 (16.45)	180966 (16.47)	157607 (16.67)	169637 (21.18)	103379 (14.71)
	d) Receipt of small savings, Provident Funds, Reserve Funds, Deposits & Advances	122271 (9.57)	111162 (10.12)	104126 (11.01)	87677 (10.95)	71558 (10.18)
	e) Suspense, Misc. & Remittances	5055 (0.40)	1844 (0.17)	3545 (0.37)	2076 (0.26)	1269 (0.18)
3	Total Receipts (1 + 2)	540237 (42.31)	470939 (42.87)	424062 (44.85)	386555 (48.26)	300065 (42.69)
4	Non-Plan Expenditure	202737 (15.88)	181039 (16.48)	158117 (16.72)	141198 (17.63)	126495 (18.00)
	a) On revenue account	194704 (15.25)	169281 (15.41)	149395 (15.80)	127427 (15.91)	112932 (16.07)
	b) On capital account	8033 (0.63)	11758 (1.07)	8723 (0.92)	13771 (1.72)	13563 (1.93)
5	Plan expenditure	39337 (3.08)	34807 (3.17)	38847 (4.11)	35769 (4.47)	26885 (3.83)
	a) On revenue account	31668 (2.48)	29021 (2.64)	28304 (2.99)	24890 (3.11)	19862 (2.83)

Sl No	Particulars	1996-97	1995-96	1994-95	1993-94	1992-93
	b) On capital account	7671 (0.60)	5786 (0.53)	10543 (1.11)	10879 (1.36)	7023 (1.00)
6	Total expenditure	540693 (42.34)	469283 (42.72)	425291 (44.98)	385532 (48.13)	300604 (42.77)
	a) Revenue expenditure	226372 (17.73)	198302 (18.05)	177699 (18.79)	152317 (19.02)	132794 (18.89)
	b) Capital expenditure	15704 (1.23)	17544 (1.60)	19266 (2.04)	24650 (3.08)	20586 (2.93)
	c) Disbursement of loans	29035 (2.27)	24810 (2.26)	23898 (2.53)	21874 (2.73)	17619 (2.51)
	d) Repayment of debt	170448 (13.35)	139246 (12.68)	133271 (14.09)	117951 (14.72)	71710 (10.20)
	e) Repayment of small savings, Provident Funds, Reserve Funds, Deposits & disbursement of Advances	92644 (7.25)	85425 (7.78)	67998 (7.19)	63444 (7.92)	55706 (7.93)
	f) Suspense, Misc., & Remittances	6490 (0.51)	3956 (0.36)	3159 (0.29)	5296 (0.66)	2189 (0.31)
7	Revenue deficit	32654 (2.56)	29731 (2.71)	31029 (3.28)	32715 (4.08)	18574 (2.64)
8	Budget deficit	13184 (1.03)	9808 (0.89)	961 (0.10)	10960 (1.37)	12312 (1.75)
9	Fiscal deficit	66733 (5.23)	60244 (5.48)	57704 (6.10)	60256 (7.52)	40173 (5.72)
10	Primary deficit	7255 (0.57)	10199 (0.93)	13644 (1.44)	23515 (2.94)	9098 (1.29)
11	Monetised Deficit	1934 (0.15)	19855 (1.81)	2130 (0.23)	260 (0.03)	4257 (0.61)

Note : Figures in brackets are percentages to GDP at current market price.

Appendix II : Total Expenditure of Union Government

(Refers to Paragraph 4.1)

(Rupees in crore)

Year	Revenue	Capital Formation	Loans & Advances	Total
1996-97	226372	15704	29035	271111
1995-96	198302	17544	24810	240656
1994-95	177699	19266	23898	220863
1993-94	152317	24650	21874	198841
1992-93	132794	20586	17619	170999
1991-92	116091	13911	18703	148705
1990-91	102964	13387	20708	137059
1989-90	90138	13399	17370	120907
1988-89	76415	11340	15205	102960
1987-88	65895	10523	13794	90212
1986-87	57911	10991	13431	82333
1985-86	49032	8900	13805	71737
1984-85	39758	7843	10173	57774
1983-84	33730	6276	9005	49011
1982-83	28813	4858	9769	43440
1981-82	23996	4299	6248	34543
1980-81	21096	3983	5664	30743
1979-80	17948	2439	4720	25107
1978-79	15265	2418	5666	23349
1977-78	13414	2243	4155	19812
1976-77	12286	1851	3517	17654

Appendix III : Undisbursed Reserve Fund

(Refers to Paragraph 4.3)

(Rupees in crore)

Sl No	Name of Reserve Fund	1996-97 Closing Balance	1995-96 Closing Balance	1994-95 Closing Balance	1993-94 Closing Balance	1992-93 Closing Balance	1991-92 Closing Balance	1990-91 Closing Balance	1989-90 Closing Balance	1988-89 Closing Balance	1987-88 Closing Balance	1986-87 Closing Balance
1.	Sugar Development Fund	1045	1013	917	753	624	584	497	434	403	357	302
2.	Industrial Development Fund	22	31	40	50	61	65	74	78	86	92	100
3.	Mines Welfare Fund	72	55	42	36	29	24	23	19	16	20	17
4.	Custom and Central Excise Welfare Fund	10	7	4	3	2	2	13	12	13	7	1
5.	Performance Award Fund	45	26	24	16	14	11	4	1	--	--	--
6.	Custom & Central Excise Special Fund for Acquisition of Anti Smuggling Equipments	49	41	24	18	13	12	3	1	--	--	--
7.	Consumer Welfare Fund	45	35	19	8	5	--	--	--	--	--	--
8.	Other Development & Welfare Fund	11	14	26	34	34	34	33	27	23	18	11
9.	General Insurance Fund	173	140	126	115	103	90	82	75	69	65	63
10.	National Renewal Fund	29	80	150	302	141	--	--	--	--	--	--
	Total	1501	1442	1372	1335	1026	822	729	647	610	559	494

Appendix IV : Interest Payment

(Refers to Paragraph 5.2)

(Rupees in crore)

Year	Internal debt	External debt	Small Savings, PFs	Others	Total	Interest Receipt	Intt. Payment as %age of total tax revenue	Intt. payment as %age of GDP
1996-97	27233	4223	27101	921	59478	22119	51.61	4.66
1995-96	22179	4414	22531	921	50045	18430	50.07	4.56
1994-95	19168	4026	20313	553	44060	15806	52.62	4.66
1993-94	15587	3724	16936	494	36741	15078	54.05	4.59
1992-93	13542	3529	13436	568	31075	12521	45.31	4.42
1991-92	11317	2704	12083	492	26596	10933	42.72	4.31
1990-91	9814	1834	9413	437	21498	7580	40.22	4.01
1989-90	8273	1494	7573	417	17757	7691	37.22	3.89
1988-89	6912	1242	5801	323	14278	6982	34.22	3.61
1987-88	5510	977	4490	207	11251	5755	32.08	3.38
1986-87	4763	766	3489	228	9246	5353	30.15	3.16
1985-86	3919	538	2869	186	7512	4595	28.02	2.86
1984-85	3101	460	2153	206	5974	3963	26.89	2.58
1983-84	2499	356	1733	207	4795	2668	24.55	2.31
1982-83	2020	304	1455	159	3938	2852	23.80	2.21
1981-82	1635	258	1182	120	3195	2215	21.57	2.00
1980-81	1369	231	901	103	2604	1795	21.41	1.91
1979-80	1071	235	822	82	1829	1369	19.91	1.93
1978-79	887	226	646	70	1829	1427	18.65	1.76
1977-78	692	209	553	67	1521	1440	18.61	1.58
1976-77	643	208	426	97	1374	1105	18.06	1.62

Appendix V : Fiscal Deficit and Interest Payment

(Refers to Paragraph 5.2)

(Rupees in crore)

Year	Fiscal Deficit	Interest	Percentage of Col. 3 to Col.2
1996-97	66733	59478	89.1
1995-96	60244	50045	83.1
1994-95	57704	44060	76.4
1993-94	60256	36741	61.0
1992-93	40173	31075	77.4
1991-92	36325	26596	73.2
1990-91	44632	21498	48.2
1989-90	35633	17757	49.8
1988-89	30923	14278	46.2
1987-88	27044	11251	41.6
1986-87	26342	9246	35.1
1985-86	23484	7512	32.0
1984-85	17416	5974	34.3
1983-84	13430	4795	35.7
1982-83	12334	3938	31.9
1981-82	8667	3195	36.9
1980-81	8446	2604	30.8
1979-80	6384	2210	34.6
1978-79	5451	1829	33.6
1977-78	3681	1521	41.3
1976-77	3740	1374	36.7

Appendix VI : Outstanding Utilisation Certificates

(Refers to Paragraph 5.4)

(Rupees in crore)

Sl. No.	Ministry/Department	Number of Utilisation Certificates outstanding at the end of March 1997 in respect of grants released upto September 1995	Amount	Earliest year of pendency of grants
1	Agriculture	364	247.14	1976-77
2	Andaman and Nicobar Islands	31	4.84	1993-94
3	Atomic Energy	55	0.77	1985-86
4	Commerce and Textiles			
	i) Commerce	73	88.08	1984-85
	ii) Development Commissioner of Handicraft, Delhi	734	13.20	1978-79
5	Central Board of Direct Taxes	28	0.02	1988-89
6	Civil Supplies, Consumers Affairs and Public Distribution	22	0.47	1981-82
7	Chemicals and Fertilizers			
	i) Fertilizers	02	1.00	1994-95
8	Electronics	1311	198.12	1986-87
9	Environment & Forests	3634	2.45	1980-81
10	Ocean Development	834	55.42	1983-84
11	External Affairs	28	3.03	1987-88
12	Finance-			
	i) Revenue	01	0.21	1994-95
	ii) Economic Affairs*	32	60.56	1990-91
13	Food	23	1.97	1994-95
14	Food Processing Industries	201	16.80	1988-89
15	Health & Family Welfare			
	(i) Family Welfare	780	67.91	1976-77
	(ii) Health	952	265.61	1976-77

Contd ⇒

Sl. No.	Ministry/Department	Number of Utilisation Certificates outstanding at the end of March 1997 in respect of grants released upto September 1995	Amount	Earliest year of pendency of grants
16	Home Affairs	66	0.13	1987-88
17	Human Resource Development			
	i) Education	7887	1021.05	1977-78
	ii) Women and Child Development	6321	725.76	1986-87
	iii) Youth Affairs and Sports	2216	106.20	1987-88
	iv) Culture	2783	179.50	1982-83
18	Industry			
	i) Heavy Industry	03	14.47	1994-95
	ii) Small scale Industries and Agro Rural Industries	85	244.59	1993-94
	iii) Industrial Development and Industrial Policy & Promotion	63	17.66	1993-94
19	Labour	407	15.18	1979-80
20	Mines	01	0.05	1995-96
21	Planning and Statistics			
	i) Statistics	01	0.10	1995-96
	ii) Planning Commission and National Informatics Centre	137	9.99	1990-91
22	Power	114	28.52	1992-93
23	Rural Areas and Employment	67	43.34	1989-90
24	Space	247	4.00	1976-77
25	Surface Transport	33	13.68	1992-93
26	Urban Affairs and Employment	431	146.62	1981-82
27	Water Resources	98	6.79	1985-86
28	Personnel Public Grievances and Pension	07	0.12	1992-93
	Total	30072	3605.35	

* Does not include outstanding utilisation certificates in respect of Banking Division PAO, ERIS and Banking.

Appendix VII : Returns on Investment*

(Refers to Paragraph 7.2)

(Rupees in crore)

Sl No	Investment at the end of the year	1992-93	1993-94	1994-95	1995-96	1996-97
1	Public Sector Undertakings & Statutory Corporations					
i	Total Investment	41858.23	44116.15	47070.59	49737.75	53194.32
ii	Share of dividend	592.45	633.07	823.78	1216.46	1577.33
iii	Percentage of dividend	1.42	1.44	1.75	2.45	2.97
2	Nationalised Banks					
i	Total investment	3739.59	9464.89	14753.73	13673.68	13146.21
ii	Share of profits	80.88	3.58	14.35	104.15	209.77
iii	Percentage of profits	2.16	0.04	0.10	0.76	1.60
3	Life Insurance Corporation of India					
i	Total investment	5.00	5.00	5.00	5.00	5.00
ii	Share of surplus profits	100.06	118.53	140.35	161.28	226.33
iii	Percentage of surplus profits	2001.20	2370.60	2807.00	3225.60	4526.60
4	General Insurance Corporation					
i	Total Investment	107.50	215.00	215.00	215.00	215.00
ii	Share of dividend	32.37	26.94	53.76	53.81	53.75
iii	Percentage of dividend	30.11	12.53	25.00	25.03	25.00
5	Industrial Development Bank of India					
i	Total investment	753.00	753.00	753.00	670.00	500.00
ii	Share of surplus profits	93.00	112.95	120.48	146.83	198.71
iii	Percentage of profits	12.35	15.00	16.00	21.91	39.74
6	State Co-operative Banks and other banks					
i	Total Investment	644.67	690.74	1045.60	1434.86	1679.23
ii	Dividend received	10.00	12.39	14.20	16.28	20.29
iii	Percentage of dividend	1.55	1.79	1.36	1.13	1.21

Sl No	Investment at the end of the year	1992-93	1993-94	1994-95	1995-96	1996-97
7	Co-operative Societies					
i	Total Investment	723.72	726.69	695.92	696.50	696.94
ii	Dividend received	61.01	45.74	49.58	49.52	68.43
iii	Percentage of dividend	8.43	6.29	7.12	7.11	9.82
8	Cooperative Credit Societies					
i	Total Investment	0.19	0.19	0.05	0.07	0.07
ii	Dividend received	NA	NA	NA	NA	NA
iii	Percentage of dividend	NA	NA	NA	NA	NA
9	International Bodies					
i	Total Investment	679.81	718.85	751.31	1070.39	1090.72
10	Under Construction					
i	Total Investment	3520.93	6309.51	6311.01	6311.01	6311.01
I	Total Investment	52032.64	63000.02	71601.21	73814.26	76838.50
II	Dividend received	969.77	953.20	1216.50	1748.33	2354.61
III	Percentage of dividend/ profits	1.86	1.51	1.70	2.37	3.06

* Excludes Reserve Bank of India

Appendix VIII : PSUs not paying dividend

(Refers to Paragraph 7.2.1)

(Rupees in crore)

Sl No	Name of Public Sector Undertaking	Total investment upto 1996-97	Net profit/loss before tax during 1995-96	Post Tax Profit
1.	Electronics corporation of India Limited	49.22	0.53	0.32
2.	Uranium Corporation of India Limited	369.22	0.31	0.19
3.	Neyveli Lignite Corporation limited	1692.42	307.75	184.65
4.	Bharat Earth Movers Limited	22.50	23.92	14.35
5.	Garden-reach Ship Builders and Engineers Limited	124.09	22.66	13.60
6.	Semi Conductor Complex Limited	156.42	3.90	2.34
7.	National Fertilisers Limited	479.04	206.26	123.76
8.	Bridge & Roof Company (India) Limited	4.88	7.37	4.42
9.	Tungabhadra Steel Products Limited	1.52	0.19	0.11
10.	North Eastern Electric Power Corporation Limited	729.31	23.74	14.24
11.	Ircon International Limited	4.94	181.12	108.67
12.	Indian Railway Finance Corporation Limited	232.00	208.84	125.30
13.	Rail India Technical and Economic Services Limited	1.00	25.24	15.14
14.	Container Corporation of India Limited	50.01	106.86	64.12
15.	Antrix Corporation of India Limited	1.00	4.72	2.83
16.	Central Cottage Industries Corporation Limited	10.85	0.88	0.53
17.	Chandigarh S.C. Finance & Development Corporation Limited	3.56	0.12	0.07
18.	National Backward Classes Finance and Development Corporation	198.90	7.60	4.56
Total		4130.88	1132.01	679.20

Appendix IX : Nationalised Banks whose capitals were subscribed by the GOI out of budget provisions/Banks whose investments were written down

(Refers to Paragraph 7.3)

(Rupees in crore)

Sl No	Name	Capital subscribed/ written down				1993-94 In Jan. 94
		1996-97 In March 97	1995-96 In March 96	1994-95 In Feb. 95 In Dec. 94		
1.	Allahabad Bank	532.00*	160.00	--	356.20	90.00
2.	Syndicate Bank	--	172.00	--	278.59	680.00
3.	Bank of Maharashtra	--	80.00	94.61	239.58	150.00
4.	Punjab and Sind Bank	150.00	72.00	--	116.03	160.00
5.	Uco Bank	54.00	110.00	235.56	279.96	535.00
6.	United Bank of India	338.00	256.00	67.44	471.43	215.00
7.	Andhra Bank	165.00	--	75.72	108.60	150.00
8.	Central Bank	500.00	--	--	632.46	490.00
9.	Vijaya Bank	302.00	--	--	62.31	65.00
10.	Bank of Baroda	--	--	--	--	400.00
11.	Canara Bank	--	--	--	--	365.00
12.	Corporation Bank	--	--	--	--	45.00
13.	Bank of India	--	1369.92*	--	848.38	635.00
14.	Dena Bank	--	136.29*	--	6.11	130.00
15.	Indian Bank	--	--	--	230.96	220.00
16.	Indian Overseas Bank	1000.00*	--	--	258.60	705.00
17.	Oriental Bank of Commerce	--	--	--	--	50.00
18.	Punjab National Bank	--	--	--	425.23*	415.00
19.	Union Bank	--	--	--	--	200.00
	Total Capital subscribed	1509.00	850.00	473.33	3889.61	5700.00
	Capital Written down	1532.00	1506.21		425.23	--

Capital Written down

Appendix X : Deficits in Union Government Accounts

(Refers to Paragraph 8.1)

(Rupees in crore)

Year	Deficit					GDP at current market price*
	Revenue	Budgetary	Fiscal	Primary	Monetised	
1996-97	32654	13184	66733	7255	1934	1276974
1995-96	29731	9808	60244	10199	19855	1098576
1994-95	31029	961	57704	13644	2130	945615
1993-94	32715	10960	60256	23515	260	801032
1992-93	18574	12312	40173	9098	4257	702829
1991-92	16261	6855	36325	9729	5508	616061
1990-91	18561	11347	44632	23134	14746	535517
1989-90	11914	10592	35633	17876	13813	456902
1988-89	10515	5642	30923	16645	6503	395782
1987-88	9137	5816	27044	15993	6559	333201
1986-87	7579	8261	26342	17096	7091	292949
1985-86	5565	6942	23484	15972	6190	262243
1984-85	3498	3745	17416	11439	6055	231343
1983-84	2398	1817	13430	8635	3949	207589
1982-83	1254	3399	12334	8396	3368	178132
1981-82	293	(+) 2107	8667	5472	3270	159760
1980-81	1702	2476	8446	5842	3551	136013
1979-80	696	2377	6384	4174	2650	114356
1978-79	(+) 292	1508	5451	3622	2191	104190
1977-78	(+) 429	742	3681	2160	(-) 260	96067
1976-77	(+) 280	54	3740	2366	816	84894

* Quick estimate figures notified by CSO

Appendix XI : Expenditure financed by borrowings

(Refers to Paragraph 8.4)

(Rupees in crore)

Year	Revenue	Capital	Loans and Advances	Total
1996-97	32654	15249	20339	68242
1995-96	29731	16147	17811	63689
1994-95	31029	13659	17391	62079
1993-94	32715	24698	14263	71676
1992-93	18574	18625	9941	47140
1991-92	16261	10873	11701	38835
1990-91	18561	13387	13939	45887
1989-90	11914	13399	11909	37222
1988-89	10515	11340	10152	32007
1987-88	9137	10523	8613	28273
1986-87	7579	10990	9306	27875
1985-86	5565	8900	9940	24405
1984-85	3498	7843	6444	17785
1983-84	2398	6276	5260	13934
1982-83	1254	4822	6397	12473
1981-82	293	4299	4075	8667
1980-81	1702	3983	3203	8888
1979-80	696	2436	3259	6391
1978-79	--*	2404	3584	5988
1977-78	--*	2243	1867	4110
1976-77	--*	1850	2230	4080

* There was a revenue surplus of Rs 280 crore, Rs 429 crore and Rs 292 crore during 1976-77, 1977-78 and 1978-79 respectively.

Appendix XII : Total liability of the Union Government

(Refers to Paragraph 9.1)

(Rupees in crore)

Year	Internal Debt	External Debt		Public Account		Total Liability	
		At historical rate	At current rate	Small Savings, Provident Fund etc.	Reserve Fund & Deposits	At historical rate	At current rate
1996-97	344475	54239	149077	239042	37919	675675	770513
1995-96	307869	51249	148583	213435	33680	606233	703567
1994-95	266467	50928	142389	192222	28993	538610	630071
1993-94	245712	47345	127798	160355	24556	477968	558421
1992-93	199100	42269	120813	136802	23752	401923	480467
1991-92	172750	36948	109608	121500	23464	354662	427322
1990-91	154004	31525	*	107107	21922	314558	*
1989-90	133193	28343	*	87065	19592	268193	*
1988-89	114498	25746	*	68536	20991	229771	*
1987-88	98646	23223	*	54528	19165	195562	*
1986-87	86312	20299	*	44928	15006	166545	*
1985-86	71039	18153	*	36859	11433	137484	*
1984-85	58537	16636	*	29705	8563	113441	*
1983-84	50264	15120	*	23874	6003	95261	*
1982-83	46939	13682	*	19887	4364	84872	*
1981-82	35653	12328	*	16578	3626	68185	*
1980-81	30864	11298	*	13953	3633	59748	*
1979-80	24319	9964	*	12486	3445	50214	*
1978-79	19855	9373	*	10756	3499	43483	*
1977-78	18996	8985	*	9130	3062	40173	*
1976-77	14458	8611	*	7709	2830	33608	*

* Current rate of exchange is not available.

Appendix XIII : Unutilised loans - sectorwise

(Refers to Paragraph 9.10)

(Rupees in crore)

Sl No	Sector	Unutilised loans at current rate
1	Power	12369.05
2	Social	9268.95
3	Urban Development	3784.61
4	Others	477.76
5	Agriculture and Rural Development	2434.19
6	Water Resources Management	3863.40
7	Roads	2659.74
8	Infrastructure	2622.15
9	Industry and Finance	1462.86
10	Railways	1080.31
11	Fertiliser	472.05
12	General	669.45
13	Structural Adjustment/Fast Disb.	1111.21
14	Ports	298.97
15	Oil	153.50
16	Coal	299.01
17	Environment and Forestry	1671.03
18	Energy	18.61
19	Energy(Non-Conventional)	53.76
	Total	44770.61

Appendix XIV : Major amounts owned by Importers as on 31 March 1997

(Refers to Paragraph 10.4.2)

(Rupees in crore)

Sl No.	Name of the importer	Country (Sources of Loan)	Amount	Period from which amounts are awaited
1.	O.N.G.C.	Canada	0.37	1992-94
		Italy	0.11	1992-93
		U.K.	2.96	1993-94
		U.S.S.R.	2.83	1991-92 to 1992-93
			6.27	
2.	Telecom	France	4.57	1985-86 to 1991-92
		Japan	0.75	1986-87 to 1992-93
			5.32	
3.	Pawan Hans Helicopter	France	63.42	1986-87 to 1988-89
		U.K.	21.91	1985-86 to 1986-87
		U.K.	45.30	1987-88 to 1988-89
		U.k	0.02	1993-94
			130.75	
4.	N.H.P.C.	Sweden	14.33	1992-93 to 1996-97
		France	106.10	1991-92 to 1996-97
			120.43	
5.	C.I.L.	France	3.98	1993-94 to 1995-96
		U.S.S.R.	0.93	1988-89 to 1991-92
			4.91	
6.	MCD/DWSSDU	France	11.75	1993-94 to 1996-97
7.	N.T.P.C.	France	10.01	1993-94
		France	0.82	1993-94
		Germany	10.00	1992-93 to 1996-97
		Japan	57.61	1992-93 to 1996-97
		U.S.S.R.	27.25	1985-86 to 1996-97
			105.69	
8.	Deptt. of Irrigation (Maharashtra)	France	3.67	1993-94 to 1996-97
9.	Narmada Water	France	4.95	1994-95 to 1996-97
10.	Deptt. of Mines & Geological	France	5.08	1994-95 to 1996-97
11.	Singareni Collieries	Germany	57.20	1994-95 to 1996-97
		France	4.83	1993-94 to 1996-97
			62.03	
12.	D.E.S.U.	Netherlands	7.80	1994-95 to 1996-97
		Switzerland	8.47	1992-93 to 1996-97
			16.27	

Sl. No.	Name of the importer	Country (Sources of Loan)	Amount	Period from which amounts are awaited
13.	West bengal Electricity Board Calcutta	Japan	5.01	1988-89 to 1996-97
14.	M.M.T.C	EEC	17.84	1990 to 1994
		Japan	1.44	1991-92 to 1993-94
			19.28	
15.	Ministry of Tourism	Japan	5.38	1990-91 to 1996-97
16.	Fishery Project Kerala	Japan	28.33	1993-94
17.	ANPARA (UPSEB)	Japan	207.52	1993-94 to 1996-97
18.	Hindustan Cables	ADB	14.94	1995-96
19.	Railway Board New Delhi Railway Project	ADB	214.95	1995-96 to 1996-97
	Railway Board New Delhi	Switzerland	4.52	1994-95
	IIIrd Rly. Modernisation Railway Board	IBRD	16.77	1992-93 to 1993-94
	Railway Board	Germany	0.84	1988-89 to 1990-91
	Railway Inst. Programme	Germany	1.21	1994-95 to 1996-97
	Railway Project Grant, 90 and 83	U.K.	28.23	1988-89 to 1995-96
	Railway Pro. Sector Grant	U.K.	4.20	1996-97
			270.72	
20.	Steel Authority of India Ltd.	Switzerland	5.63	1994-95 to 1995-96
21.	Child Survival & Safe Mother Ministry of Health and Family Welfare	IDA	15.05	1995-96
22.	National Aid Control Ministry of Health and Family Welfare	IDA	32.30	1995-96
23.	Indian Council of Forestry Research and Education, Dehradun	IDA	6.86	1995-96
24.	Ministry of Health New Delhi	IDA	22.90	1996-97
25.	Ministry of Agriculture New Delhi	IDA	4.48	1996-97
26.	Rajiv Gandhi Cancer Institute	Germany	4.88	1995-96
27.	A.P.S.E.B. Hydrabad	Japan	155.55	1994-95 to 1996-97
28.	Mysore Paper Mills Karnataka	Japan	13.48	1994-95 to 1996-97
29.	Banaras Hindu University U.P.	Japan	5.66	1994-95 to 1995-96
30.	Ghatghar pumped storage Irrigation Deptt. Maharashtra	Japan	50.05	1996-97
31.	West Bengal Power Development Coporation Calcuatta	Japan	60.48	1996-97
32.	Cement Industry ICICI Bombay	IBRD	9.44	1992-93 to 1994-95
33.	Cement Industry Director (IF) Ministry of Finance	IBRD	4.42	1993-94 to 1994-95

Sl. No.	Name of the importer	Country (Sources of Loan)	Amount	Period from which amounts are awaited
34	Haryana Power Restructuring	IBRD	5.37	1994-95 to 1995-96
35	Coal Sector Rehabilitation	IBRD	3.61	1994-95 to 1995-96
36	U.P. Power Sector	IBRD	4.76	1995-96 to 1996-97
37	Hindustan Zinc Aid	U.K.	106.53	1990-91 to 1995-96
38	Nagarjuna Sagar Project	U.K.	4.62	1991-92 to 1993-94
39	Energy Efficient Grant - 90, Power Grid Corporation of India, New Delhi	U.K.	324.03	1993-94 to 1996-97
40	Bombay Delhi Air port Grant - 90, National Airport Authority, New Delhi	U.K.	5.83	1994-95 and 1995-96
41	Visakapatnam Steel Plant	USSR	3.15	1983-84 to 1991-92

Appendix XV : Major items of adverse balances
(Refers to Paragraphs 10.5.1 and 10.5.2)

(Rupees in crore)

Name of the Ministry/Department	Head of Account	Balance (As on 31 March 1997)
Ministry of Finance Department of Economic Affairs, Controller of Aid Accounts and Audit	i) 6002-201-Loan from Abu Dhabi	(-) Cr. 20.13
	ii) 6002-218-Loan from Kuwait	(-) Cr. 39.54
	iii) 6002-203-Loan from Belgium	(-) Cr. 66.49
	iv) 6002-220-Loan from Govt. of Netherlands	(-) Cr. 151.98
	v) 6002-221-Loan from OPEC Special Fund	(-) Cr. 95.91
	vi) 6002-224-Loan from Saudi Fund for Development	(-) Cr. 106.15
	vii) 6002-225-Loans from UK(bearing interest)	(-) Cr. 131.35
	viii)6002-225-Loans from UK (not bearing interest)	(-) Cr. 224.18
	ix) 6002-226-Loan from the Agency for international development USA	(-) Cr. 644.54
	x)6002-227-Loan from USA under PL 480	(-) Cr. 137.40
	xi) 6002-231-Loan from United Arab Emirates	(-) Cr. 53.03
	xii) 8449-115-Advance Deposits for IBRD Aided Projects	Dr. 481.04
	xiii) 8449-115-Advance Deposits for USA Aided Projects	Dr. 15.67
	xiv) 8012-00-112-Deposits by Kudremukh Iron Ore Co. Ltd	(-) Cr. 578.95
Information and Broadcasting	8670-00-105 IRLA cheques	Dr. 45.13
Ministry of Finance Central Board of Excise and Customs	8443-102-Customs and Opium Deposits	Dr. 123.42
Department of Posts	i) 8001-104-Cumulative Time Deposits	(-) Cr. 102.92
	ii) 8002-104-Defence Saving Certificates	(-) Cr. 29.81
	iii) 8002-104- National Development Bonds	(-) Cr. 1.33
External Affairs	i)8443-113-Deposits for purchases etc. abroad	Dr. 12.29

Name of the Ministry/Department	Head of Account	Balance (As on 31 March 1997)
	ii) 8443-117-Deposits for work done for public bodies or private individuals	Dr. 13.64
Ministry of Finance Controller of Accounts, Department of Economic Affairs	i) 8656-104-Bronze and Copper Coinage Account	Cr. 2.14
	ii) 8656-105-Nickel Coinage Account	Cr. 25.40
	iii) 6001-106-Compensation and other bonds	
	a. Special Bearer Bonds 1991	(-) Cr. 4.33
	b. P.P. Bonds 1964	(-) Cr. 0.38
	c. 5 year interest free prize bonds 1965	(-) Cr. 1.35
d. Loan from LIC	(-) Cr. 0.45	
iv) 8002-106-National Development Bonds	(-) Cr. 2.41	
v) 8670-Cheques and bills - 103 - Departmental cheques	Dr. 18.52	
Controller of Accounts M/o Commerce Department of Supply	i) 8443 - 800 Other Deposits	Dr. 5.02

Appendix XVI
(Refers to Paragraph 11.7)
Rush of expenditure during the month of March

(Rupees in lakh)

Sl. No	Description of the Grant and Major Head	Total expenditure	Expenditure in March	Percentage of expenditure in March to Total expenditure
1	34- Department of Revenue 4216-Capital Outlay on Housing	64.00	64.00	100
2	36-Indirect Taxes 4059-Capital Outlay on Public Works	870.90	670.88	77
3	39-Department of Health 3601-Grants-in-aid to State Governments 6210-Loans for Medical and Public Health	32060.67 529.00	17432.05 529.00	54 100
4	43-Cabinet 4055-Capital Outlay on Police	1500.00	1104.21	74
5	45-Other Expenditure of Ministry of Home Affairs 3053-Civil Aviation 3601-Grants-in-aid to State Governments 6552-Loans for North Eastern Areas 7601-Loans and Advances to State Governments (Charged)	482.35 11019.18 3803.34 445.36	364.40 6369.58 3324.34 332.99	76 58 87 75
6	47-Department of Education 2552-North Eastern Areas 3602-Grants-in-aid to Union Territory Governments	1233.00 229.19	869.00 151.75	70 66
7	49-Department of Culture 3601-Grants-in-aid to State Governments	363.38	313.38	86
8	56-Broadcasting Services 2221-Broadcasting Charged 4221-Capital Outlay on Broadcasting Voted	2939.34 31114.70	1801.30 20491.02	61 66
9	83-Public Works 4403-Capital Outlay on Animal Husbandry	63.42	62.39	98
10	85-Ministry of Water Resources 4701-Capital Outlay on Major and Medium Irrigation	1087.41	575.34	53
11	97-Andaman and Nicobar Islands 2245-Relief on account of Natural Calamities 2885-Other Outlays on Industries and Minerals 5052-Capital Outlay on Shipping	75.90 155.89 2785.72	75.41 155.14 911.13	99 99 33
	Total	90822.75	55597.31	61.22

Appendix XVII
(Refers to Paragraph 13.4)
Surrender of funds

Instances of cases where the amount greater than 20 per cent of the savings and Rs one crore not surrendered :

(Rupees in crore)					
Sl. No	Grant/ Appropriation	Total savings	Amount surrendered	Amount not surrendered	Percentage not surrendered
Revenue-Voted					
1	4 - Department of Animal Husbandry and Dairying	20.80	13.07	7.73	37.16
2	7 - Department of Civil Aviation	10.29	7.21	3.08	29.93
3	9 - Ministry of Civil Supplies, Consumer Affairs and Public Distribution	48.72	9.19	39.53	81.14
4	11 - Department of Commerce	141.63	102.94	38.69	27.32
5	22 - Ministry of Environment and Forests	32.73	9.53	23.20	70.88
6	25 - Currency, Coinage and Stamps	22.87	14.56	8.31	36.34
7	34-Department of Revenue	13.00	1.76	11.24	86.46
8	35 - Direct Taxes	8.56	2.00	6.56	76.64
9	36 - Indirect Taxes	15.62	6.15	9.47	60.63
10	37 - Ministry of Food	3.48	2.31	1.17	33.62
11	42 - Ministry of Home Affairs	7.02	-	7.02	100.00
12	44 - Police	37.60	1.35	36.25	96.41
13	45 - Other Expenditure of the Ministry of Home Affairs	30.07	1.20	28.87	96.01
14	48 - Department of Youth Affairs & Sports	1.27	0.14	1.13	88.98
15	49 - Department of Culture	4.72	--	4.72	100.00
16	50 - Department of Women and Child Welfare	19.25	14.36	4.89	25.40
17	53 - Department of Heavy Industry	6.58	0.48	6.10	92.71
18	55 - Information, Films and Publicity	1.59	0.08	1.51	94.97
19	57 - Ministry of Labour	88.57	65.02	23.55	26.60
20	59 - Election Commission	0.02	-	0.02	100.00
21	62 - Ministry of Mines	17.32	4.95	12.37	71.42
22	65 - Ministry of Personnel, Public Grievances and Pensions	8.42	1.10	7.32	86.94
23	67 - Planning	23.70	17.29	6.41	27.05
24	68 - Department of Statistics	2.69	1.35	1.34	49.81
25	70 - Ministry of Power	11.36	5.41	5.95	52.38
26	74 - Department of Science and Technology	10.78	4.88	5.90	54.73
27	78 - Ministry of Surface Transport	20.33	14.25	6.08	29.91
28	79 - Roads	34.59	5.62	28.97	83.75
29	81 - Ministry of Textiles	91.01	66.08	24.93	27.39
30	82 - Urban Development, Urban Employment and Poverty Alleviation	110.85	48.83	62.02	55.95
31	86 - Ministry of Welfare	9.12	1.07	8.05	88.27
32	87 - Atomic energy	1.29	-	1.29	100.00
33	88 - Nuclear Power Schemes	5.93	4.67	1.26	21.25
34	97 - Andaman and Nicobar Islands	13.04	8.04	5.00	38.34

Sl. No	Grant/ Appropriation	Total savings	Amount surrendered	Amount not surrendered	Percentage not surrendered
35.	101 - Lakshadweep	1.26	-	1.26	100.00
	Revenue-Charged				
36	39 - Department of Health	1.04	-	1.04	100.00
37	56 - Broadcasting Services	7.79	4.69	3.10	39.79
	Capital-Voted				
38.	11 - Department of Commerce	3.02	1.86	1.16	38.41
39	23 - Ministry of External Affairs	6.71	2.74	3.97	59.17
40	25 - Currency, Coinage and Stamps	125.76	73.75	52.01	41.35
41.	29 - Loans to Government Servants etc	133.97	91.91	42.06	31.40
42.	42 - Ministry of Home Affairs	7.38	5.09	2.29	31.03
43.	45 - Other Expenditure of Ministry of Home Affairs	1.62	0.01	1.61	99.38
44.	48 - Department of Youth Affairs and Sports	0.02	-	0.02	100.00
45.	53 - Department of Heavy Industry	1.63	0.36	1.27	77.91
46.	56 - Broadcasting Services	13.63	0.48	13.15	96.48
47.	74 - Department of Science and Technology	3.70	2.38	1.32	35.68
48.	79 - Roads	23.45	17.13	6.32	26.95
49.	81 - Ministry of Textiles	2.27	-	2.27	100.00
50.	83 - Public Works	33.33	19.37	13.96	41.88
51.	85 - Ministry of Water Resources	5.47	1.48	3.99	72.94
52.	87 - Atomic Energy	10.46	3.79	6.67	63.77
53.	97 - Andaman and Nicobar Islands	25.04	13.49	11.55	46.13
54.	101 - Lakshadweep	0.06	-	0.06	100.00
	Capital-Charged				
55.	30 - Repayment of Debt	31465.62	11753.90	19711.72	62.65

APPENDIX XVIII
(Refers to Paragraph 13.5)
Major variations in recoveries

Details of major variations between budgeted recoveries and actuals adjusted in reduction of expenditure

(Rupees in crore)

Sl No	Grant	Budget estimates	Actual recoveries	Variation	
				Amount	Percentage
Short recoveries against budget estimates					
Revenue					
1	7 - Department of Civil Aviation	2.50	-	2.50	100.00
2	9 - Ministry of Civil Supplies, Consumer Affairs and Public Distribution	12.31	2.12	10.19	82.78
3	28 - Transfers to State and Union Territory Governments	6.00	1.06	4.94	82.33
4	34 - Department of Revenue	18.95	5.59	13.36	70.50
5	39 - Department of Health	46.00	28.90	17.10	37.17
6	44 - Police	32.60	23.84	8.76	26.87
7	51 - Industrial Development and Industrial Policy and Promotion	54.73	6.40	48.33	88.31
8	54 - Department of Small Scale Industries and Agro & Rural Industries	4.00	2.56	1.44	36.00
9	55 - Information, Films and Publicity	6.03	2.52	3.51	58.21
10	57 - Ministry of Labour	55.22	35.47	19.75	35.77
11	67 - Planning	5.62	-	5.62	100.00
12	68 - Department of Statistics	1.16	-	1.16	100.00
13	74 - Department of Science and Technology	3.00	1.60	1.40	46.67
14	78 - Ministry of Surface Transport	11.06	0.30	10.76	97.29
15	79 - Roads	69.65	43.44	26.21	37.63
16	80 - Ports, Lighthouses and Shipping	17.20	6.25	10.95	63.66
17	84 - Stationery and Printing	67.20	40.41	26.79	39.87
18	89 - Department of Electronics	8.20	4.90	3.30	40.24
19	97 - Andaman and Nicobar Islands	67.67	53.24	14.43	21.32
Capital					
20	10 - Ministry of Coal	10.00	1.29	8.71	87.10
21	35 - Direct Taxes	130.00	36.31	93.69	72.07
22	39 - Department of Health	416.80	329.42	87.38	20.96
23	80 - Ports, Lighthouses and Shipping	25.40	13.61	11.79	46.42
Excess recoveries against budget estimates					
Revenue					
24	5 - Department of Chemicals and Petro-Chemicals	6.00	55.66	49.66	840.83
25	6 - Department of Fertilizers	826.00	1025.62	199.62	24.17
26	63 - Ministry of Non-Conventional Energy Sources	-	5.47	5.47	547.00
27	87 - Atomic Energy	8.93	14.75	5.82	65.17
Capital					
28	98 - Chandigarh	47.00	61.63	14.63	31.13

Appendix-XIX
(Refers to Paragraph 14.1.1)

Significant cases of major re-appropriation which were Injudicious on account of non-utilisation

(Rupees in lakh)					
Sl No	Number and Nature of Grant	Major Head	Sub-head	Amount of re-appropriation to the sub-head	Amount of final saving under the sub-head after re-appropriation
1	2 - Other Services of Department of Agriculture and Cooperation	4405 - Capital Outlay on Fisheries	Central Institute of Fisheries Nautical and Engineering Training	50.00	51.44
2	4 - Department of Animal Husbandary & Dairying	2404 - Dairy Development	Processing	84.37	85.57
		3601 - Grants-in-aid to State Governments	Systematic control of livestock diseases of National Importance including creation of disease free zones and infertility, sterility and abortions	55.94	117.71
3	11 - Department of Commerce	3451-Secretariat Economic Services.	Department of Commerce	107.00	115.50
		3453-Foreign Trade and Export Promotion	Other Organisations	33.65	87.21
4	23 - Ministry of External Affairs	2061 - External Affairs	Entertainment of Dignitaries	155.00	329.90
			Expenditure on Haj	78.00	120.46
			Special Grants to Missions	7.01	78.45
5	24 - Department of Economic Affairs	2052 - Secretariat - General Services	Department of Economic Affairs	176.26	215.31
		2047 - Other Fiscal Services	National Saving Organisation	8.63	51.55
6	25 - Currency, Coinage and Stamps	2046 - Currency, Coinage and Mint	Management	11.00	62.38
			Management (Charged)	46.00	68.00
			4046 - Capital Outlay on Currency, Coinage and Mint	Purchase of Metal	3200.00

Sl No	Number and Nature of Grant	Major Head	Sub-head	Amount of re-appropriation to the sub-head	Amount of final saving under the sub-head after re-appropriation
7.	30 - Repayment of Debt	6002 - External Debt	Other Miscellaneous loans from the Government of USA (Charged)	24.14	569.93
			Loans from ADB (Charged)	2268.31	2770.31
8.	34 - Department of Revenue	2875 - Other Industries	Management	29.79	65.63
9.	35 - Direct Taxes	2020 - Collection of Taxes on Income and Expenditure	Investigation	32.06	50.14
10.	39 - Department of Health	2210 - Medical and Public Health	National Malaria Eradication Programme	19.78	59.14
			Trachoma and Blindness Control Programme	53.00	121.60
11.	41 - Ministry of Family Welfare	2211 - Family Welfare	Activities at Headquarters	7.50	76.92
12.	42 - Ministry of Home Affairs	2070 - Other Administrative Services	Intelligence Bureau	193.61	278.09
13.	44 - Police	2055 - Police	Inter-State Police Wireless Scheme	2.00	63.66
14.	45 - Other Expenditure of the Ministry of Home Affairs	2552 - North Eastern Areas	Other Expenditure	68.00	475.80
15.	49 - Department of Culture	2205 - Art and Culture	Centenaries and Anniversaries Celebrations	25.00	56.26
			National Archives of India	10.05	55.78
16.	50 - Department of Women and Child Development	2235 - Social Security and Welfare	Integrated Child Development Services	2.67	72.21
			Assistance to Voluntary Organisations for Hostels for Working Women	75.00	87.41
			Grants-in-aid to Central Social Welfare Board for its headquarters, field organisations and assistance to voluntary organisations	69.99	192.58
17.	56 - Broadcasting Services	4221-Capital Outlay on Broadcasting	Equipment Renewal and Replacement	430.00	487.00
18.	63 - Ministry of Non-Conventional Energy Sources	3451 - Secretariat - Economic Services	Ministry of Non Conventional Energy Sources	50.00	81.04

Sl No	Number and Nature of Grant	Major Head	Sub-head	Amount of re-appropriation to the sub-head	Amount of final saving under the sub-head after re-appropriation
19.	65 - Ministry of Personnel, Public Grievances and Pensions	2055 - Police	Central Bureau of Investigation	63.79	599.12
20.	70 - Ministry of Power	2801 - Power	Operation and Maintenance Central Electricity Authority	29.46 2.05	55.67 105.76
21	79 - Roads	5054 - Capital Outlay on Roads and Bridges	Externally aided Schemes	44.00	619.93
22.	81 - Ministry of Textiles	2851 - Village and Small Industries	Development Commissioner for Handlooms	8.78	61.39
23	83 - Public Works	2059 - Public Works	Training and Extension	92.65	171.13
			Ordinary Establishment	42.10	82.81
			Architectural Planning	43.95	98.48
			Personnel and Training	96.00	165.60
		4210 - Capital Outlay on Medical and Public Health	Buildings	133.00	154.24
24.	85 - Ministry of Water Resources	2701 - Major and Medium Irrigation	Monitoring of Water Quality in rivers of India	52.07	82.24
25.	87 - Atomic Energy	2852 - Industries	Bhabha Atomic Research Centre	122.50	143.46
26.	97 - Andaman and Nicobar Islands	5053 - Capital Outlay on Civil Aviation	Aerodromes	400.00	974.75
27	101 - Lakshadweep	2801 - Power	Power Plant and Ancilliary Works	9.12	58.96
Total				8513.23	

Appendix XX
(Refer to paragraph 14.1.2)

Cases of re-appropriation to other sub-heads under which the expenditure finally showed excess over the balance provision

(Rupees in lakh)

Sl No	Number and Nature of Grant	Major Head	Sub-head	Amount of re-appropriation from the sub-head	Amount of excess under the sub-head after reappropriation
1.	24 - Department of Economic Affairs	3605 - Technical and Economic Cooperation	Technical aid to South and South-East Asia under Colombo Plan	35.45	52.27
2.	29 - Loans to Government Servants etc.	7610 - Loans to Government Servants etc	Other Advances	3.45	210.94
3.	49 - Department of Culture	2205 - Art and Culture	National Museum	50.00	68.78
4.	74 - Department of Science and Technology	3455 - Meteorology	Other Meteorological Services	126.96	215.96
5.	80 - Ports, Lighthouses and Shipping	3051 - Ports and Lighthouses	General Reserve Fund	27.36	800.28
		5051 - Capital Outlay on Ports and Lighthouses	Suspense	170.00	192.06
6.	82 - Urban Development, Urban Employment and Poverty Alleviation	2216 - Housing	Furnishing	19.72	88.95
7.	83 - Public Works	2059 - Public Works	Maintenance and Repairs	40.00	495.17
		4059 - Capital Outlay on Public Works	Buildings (Charged)	25.00	53.19
8.	87 - Atomic Energy	4861 - Capital Outlay on Atomic Energy Industries	Heavy Water Plant, Manuguru	200.00	347.30
		5401 - Capital Outlay on Atomic Energy Research	National Programmes	111.00	116.87
			Total	808.94	

Appendix XXI

GLOSSARY

- Amortisation :- The retirement of debt by serial payments of principal and interest, usually over a period of time.
- Appropriation :- Appropriation means assignment to meet specified expenditure, of funds included in a primary unit of appropriation
- Appropriation Bill :- As soon as may be after the grants under article 113 have been made by the House of the people there shall be introduced a bill to provide for the appropriatiobn out of the Consolidated fund of India of all money required to meet (a) the grants so made by the House of People (b) the expenditure charged upon Consolidated fund of India but not exceeding in any case the amount shown in the statement previously laid before the Parliament.
- Appropriation Act :- When appropriation bill has been passed by the Parliament it shall be presented to the President and he assents to the Bill after that it becomes act.
- Appropriation Accounts :- Appropriation Accounts present the total amount of funds (original and supplementary) authorised by the Parliament in the budget grants under each Voted and charged appropriation vis-a-vis the actual expenditure incurred against each and the savings or excess under each grant of appropriation. Any expenditure in excess of the grants required regularisation by the Parliament.
- Budgeted Recoveries Actual Recoveries :- The demand for grants are for the Gross amount of Expenditure i.e. inclusive of recoveries arising from use of stores etc. procured in past or expenditure transferred to other department or Ministry are called budged recoveries. And recoveries actually made there against during the financial year (in excess or short) is termed as recoveries adjusted.
- Book of Demand for Grants :- Demand for grants shall be, for gross amount of expenidture to be incurred and shall show recoveries to be taken in reduction of expenditure separately by way of foot notes, presented to Parliament at two levels. The main Demands for Grants are presented by the Ministry of Finance alongwith the Annual Financial statement. The detailed Demand for Grants are laid on the table of Lok Sabha by the concerned Ministries a few days in advance of the discussion of respective Ministry's demand in that House.

As the demands for grants are for gross expenditure and the Annual Financial Statement gives the net amount to be expended under each head, the total of the two should be reconciled after adjustment of the recoveries taken in accounts in reduction of gross expenditure.

- Book of Supplementary Grant :- If the amount authorised by any law made in accordance with the provisions of article 114 to be expended for a particular service for the current financial year is found to be insufficient for the purpose of that year or when a need has arisen during the current financial year for the supplementary or additional expenditure upon some 'new service' not contemplated in the original budget for that year, Government is to obtain supplementary grants or appropriations in accordance with the provision of Article 115(1) of the Constitution.
- Consolidated Fund of India(CFI) :- The fund constituted under Article 266(1) of the Constitution of India into which all receipts, revenues and loans flow. All expenditure from the CFI is by appropriation voted or charged. It consists of two main divisions namely Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Public Debt and Loans etc.). See also Public Account.
- Contingency Fund of India :- Parliament may by law establish a contingency fund in the nature of an imprest to be entitled "The Contingency fund of India" into which shall be paid from time to time such sums as may be determined by such law, and the said fund shall be replaced at the disposal of the President to enable advances to be made by him out of such fund for the purpose of meeting unforeseen expenditure pending authorisation of such expenditure by Parliament by law under article 115 or article 116.
- Capital and Revenue Section :- Capital section contains the provisions for expenditure which generally met from receipt of a capital, debt, deposit, or banking character as distinguished from the Revenue Section, Expenditure under which derived from taxes, duties, fees, fines and similar items of current income including extra ordinary receipts. It is open to Government to meet Capital expenditure from ordinary revenues provided there are sufficient revenue resources to cover this liability.
- Charged Appropriation :- Sums required to meet expenditure 'Charged' on Consolidated fund under Article 112(3) of the Constitution is called charged Appropriation.
- Voted Grants :- Sums required to meet other expenditure for which vote of Parliament is required under article 113(2) of the Constitution is called voted grant.
- Debt service :- Payments to creditor(s) of matured principal and of interest. It usually includes service charges, etc.
- External Debt :- Debt contracted by the Government from abroad, mostly in foreign currency and also mostly from World Bank(IBRD, IDA, etc.). See para 7 for a more comprehensive definition covering Country's External Debt.
- Excess Grant :- In cases where expenditure in individual 'segment' of grant/appropriation, i.e. Revenue (Charged) Revenue (voted), Capital(Charged) and Capital(Voted), exceeds the authorisation as such the grant/appropriation is termed as excess grant.

Fiscal Deficit	:-	Excess of Capital and Revenue Expenditure over Revenue Receipts and recoveries of Loans and Advances.
Internal Debt	:-	Internal Debt comprises of regular loans from the public in India, also termed 'Debt raised in India'. It is confined to loans credited the Consolidated Fund.
Major Head	:-	The main unit of classification in account is known as Major Head. A four digit code has been allotted to the Major Head, the first digit indicating whether the major head is a receipt head or Revenue expenditure head or Capital expenditure head or Loan head.
Minor Head	:-	Three digit code has been allotted to the Minor Head starting from "001" under each sub Major head/Major head (where there is no sub major head).
Monetised Deficit	:-	Net RBI credit to Government of India.
New Service	:-	Government has prescribed certain financial limits for different categories of expenditure beyond which the expenditure constitute "new service/new instrument of service".
Original Grant	:-	The amount provided for the sanctioned budget for any service in a financial year is called original grant or appropriation.
Public Accounts	:-	All moneys other than those included in the Consolidated Fund, received by or on behalf of Government of India are credited to the Public Account of India [Article 266(2) of the Constitution of India]. It includes transactions relating to 'debt' other than those included in the Consolidated Fund of India. Public Account transactions are not subject to vote/appropriation by Parliament and the balances are carried forward.
Public Debt(of India)	:-	Borrowing by the Government of India internally as well as externally.
Reappropriation	:-	Means the transfer of funds from one Primary unit of appropriation to another such unit.
Saving	:-	When expenditure fall short of budget provision it results into saving.
Stock	:-	A form of Government security held as stock certificate and not transferable by endorsement and delivery but by executing a transfer deed and by registering the transfer in the books of the Public Debt Office.
Surrender of Saving	:-	Department of the Central Government shall surrender to the Finance Ministry, before the close of the financial year, all the anticipated savings noticed in the grants or appropriations controlled by them. The Finance Ministry shall communicate the acceptance of such surrenders as are accepted by them to the Audit Officer and/or the Accounts Officer, as the case may be, before the close of the Financial year.

Treasury Bills :- A form of security by which Government borrows money for short periods, say 91 days, but of late even upto 364 days. These are issued to Reserve Bank of India. *Ad hoc* Treasury Bills are without specified maturity and resorted to when prescribed limits are exceeded.