

Fiscal deficit narrows to 9-year low; 21% of target

INDIVJAL DHASMANA

New Delhi, 31 August

High tax collections on tighter rules for the goods and services tax (GST) as well as a bit of economic recovery and expenditure compression resulted in the Centre's fiscal deficit narrowing to 21.3 per cent of the Budget Estimates (BE) in the first four months of the current fiscal year.

In absolute terms, the fiscal deficit at ₹3.3 trillion was lowest in the first four months in nine years.

The deficit had breached BE at this point of time in the previous year. That and transparency in food subsidies had led to the fiscal deficit widening to 9.5 per cent of GDP against BE of 3.5 per cent in FY21.

The government had budgeted the deficit to come at 6.8 per cent of GDP in the current fiscal year. Economists believed it could be less than that, given the trend of the first four months.

"We expect FY22 fiscal deficit to be lower than BE," India Ratings Chief Economist Devendra Pant said.

The data released by the Controller General of Accounts showed that the central government's total receipts stood at ₹6.83 trillion or 34.6 per cent of BE 2021-22 up to July against just 10.4 per

ESTIMATES VS ACTUALS

	Budget estimates in ₹ trillion	Actual up to July in ₹trillion	Actual as % of Budget estimates	Actual up to July as % of Budget estimates in 2020-21
Tax revenue	15.4	5.3	34.2	12.4
Non-tax revenue	2.4	1.4	57.6	6.4
Non-debt capital receipts	1.9	0.1	7.5	2.4
Total receipts	19.7	6.8	34.6	10.4
Revenue expenditure	29.3	8.8	29.9	35.8
Capital expenditure	5.5	1.3	23.2	27.1
Total expenditure	34.8	10.1	28.8	34.7
Fiscal deficit (Expenditure-Receipts)	15.1	3.3	21.3	103.1

Source: Controller General of Accounts

cent of the BE of 2019-20 in the same period of the previous financial year.

Of the total receipts, ₹5.29 trillion came from taxes. One of the major contributors is GST collections, which improved after the government enforced e-invoicing and other compliance rules.

Non-tax revenues such as dividends from RBI and public sector banks yielded ₹1.39 trillion. Non-debt capital receipts fetched just Rs 14,148 crore as disinvestment is yet to pick up pace.

The government's total expenditure was ₹10.04 trillion

till July this year, accounting for 28.8 per cent of BE against 34.7 per cent in the corresponding period of 2020-21.

Of this, ₹8.8 trillion was on the revenue account such as salaries, pension, subsidies etc. If interest payments are taken out, revenue expenditure, in fact, contracted 12.6 per cent year-on-year, said Pant.

Capital expenditure stood at ₹1.3 trillion, accounting for 23.2 per cent of BE against 27.1 per cent in the first four months of the current fiscal year.

In absolute terms, the fiscal deficit at ₹3.3 trillion was lowest in the first four months in nine years. The deficit had breached BE at this time last year