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Title: The Minister of Finance laid a statement regarding reconciliation of revenue and fiscal deficit as in Finance Accounts 2006-07 and Accounts-at-a-Glance/Budget-at-a-Glance.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): I am laying a statement regarding the reconciliation of revenue and Fiscal Deficit as in Finance Accounts 2006-2007 and Accounts-at-a-Glance/Budget-at-a-Glance.

In the Report of the Comptroller & Auditor General of India on Union Government Finance Accounts 2006-2007, the Comptroller & Auditor General of India has made the following observations-

"The revenue deficit in 2006-07 was Rs. 1,32,847 crore while the fiscal deficit amounted to Rs. 1,82,934 crore. The Revenue deficit constituted 3.22 percent of Gross Domestic Product (GDP) while the Fiscal deficit was 4.43 percent of GDP. The actual levels of revenue and fiscal deficits as per Union Finance Accounts for 2006-07 were significantly higher than their budget estimates respectively by 1.12 and 0.63 percentage points."

2. I would like to clarify that there has been no shortfall vis-à-vis the Fiscal and Revenue deficit targets projected in the Budget estimates for the year 2006-07. The fiscal deficit and Revenue deficit as a proportion of GDP indicated in the Budget Estimates at 3.8 and 2.1 percentage points, respectively, have not only been fully achieved but also improved upon. The Fiscal deficit for 2006-07 was 3.5% and Revenue deficit was 1.9% of GDP as indicated in the Accounts at a Glance for 2006-07.

3. Figures for Revenue and Fiscal deficits as indicated/derived from the Union Finance Accounts are different from those derived in Accounts at a Glance/Budget at a Glance and some of the papers accompanying Budget Documents due to inclusion/exclusion of some of the transactions on Revenue and Expenditure sides. While these are indicated in the Budget documents, the table below highlights the reasons for the difference in Revenue and Fiscal Deficits figures as indicated/derived in Finance Accounts and as depicted in Budget at a Glance/Accounts at a Glance along with necessary reconciliation transactions.

* Laid on the Table and also placed in Library. See No. LT 7959/07

(Rs. Crore)

2006-2007

Deficit as per Finance Accounts

Revenue Deficit 132847

Fiscal Deficit 182934

Deficit as per Accounts at a Glance*

Revenue Deficit 80221

Fiscal Deficit 142573

Difference in the two figures

Revenue Deficit **52626**

Fiscal Deficit **40361**

Factors explaining the Differences Revenue Fiscal

Deficit Deficit

- (i) Bonds issued to Oil Companies 24122 24122
- (ii) Securities issued to Food Corporation of India 16200 16200
- (iii) Write off of loans to State Governments 12304 12304
- (iv) Securities issued to IMF 39 39

Total 52626 40361

** Prepared on the lines of 'Budget-at-a-glance.'*

4. The reconciliation of the deficit figures with the Accounts at a Glance submitted by the Controller General of Accounts and figures obtaining in the Finance Accounts as derived by C&AG above, indicates the reasons for the difference between the Revenue and Fiscal Deficit figures therein. The main reason for the difference of Rs. 52,626 crore in Revenue deficit and Rs. 40,361 crore in the Fiscal deficit is on account of the fact that the receipts, which have been shown against issue of securities/bonds/write off of loans in the Government account, being in the nature of 'non-cash' transactions, have been "netted" against the matching amounts and hence excluded from the calculations deriving Revenue and Fiscal Deficits in Accounts-at-a-Glance/Budget-at-a-Glance.

5. It may, however, be clarified that while these transactions are included in the Annual Financial Statement and Demands for Grants presented to Parliament, the Reconciliation Statements explaining the difference between Annual Financial Statement/Demands for Grants and the Expenditure/Receipt Budget/Budget at a Glance are given as part of the Expenditure/Receipt Budget for the year. The procedure of depicting net expenditure in the Budget at a Glance (Gross expenditure as reported in AFS minus non-cash outgo items) has been followed over the years for budgeting and accounting of Government transactions.

12.09 ¾ hrs.