सत्यमेव जयते

Government of India

Mid-Year Review

DECEMBER 2004

MINISTRY OF FINANCE
Economic Division

Outcome of the review of the
trends in receipts and expenditure
in relation to the budget
at the end of the second quarter of
the financial year 2004-2005

and

Statement explaining deviations in meeting
the obligations of the Government under the
Fiscal Responsibility and Budget Management Act, 2003

(vide Section 7(1) and 7(3)(b) of the said Act)

Ministry of Finance

MID-YEAR REVIEW

CONTENTS

I. INTRODUCTION

This mid-year review, the third since its introduction in 2002, reports developments in the economy in the first half of 2004-05, with a particular focus on Central Government finances, and contains reflections on prospects and policy issues. The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 enjoins upon the Government to review the trends in receipts and expenditure in relation to the Budget, every quarter. The first quarterly review for April-June 2004 was presented in both the Houses of Parliament on August 26, 2004. This mid-year review is also the second quarterly review as required under Section 7(1) of the FRBM Act, 2003.

i. Overview

After a drought-induced deceleration in the previous year, the Indian economy recorded an impressive broad-based growth of 8.2 per cent in 2003-04, supported by a turnaround in agriculture. In addition to agriculture bouncing back from a decline of 5.2 per cent in the previous year to a growth of 9.1 per cent in 2003-04, industry and service sectors also grew by 6.7 per cent and 8.7 percent, respectively compared with 6.4 per cent and 7.1 per cent, respectively in 2002-03.

The year 2004-05 began on a promising note with the encouraging continuation of the revival of industrial growth witnessed in 2002-03 through 2003-04, and the Meteorological Department predicting a normal monsoon. An early onset of the monsoon strengthened the hopes of a good agricultural year. However, the rainfall, which was normal in June, 2004, became deficient in the crucial sowing month of July. In the event, relative to its long period average, the south-west monsoon turned out to be deficient by 13 per cent in the current year, and a marginal shortfall is anticipated in kharif production. The prospect of a good rabi crop is likely to offset this kharif shortfall, and overall agricultural output can be expected to be flat or only marginally lower in the current year. With industry and service sectors remaining buoyant, the overall outlook for the Indian economy - one of the fastest growing economies in the world in recent years - continues to be reasonably bright in 2004-05.

In the first quarter of the current year, the real GDP grew by 7.4 per cent compared with 5.3 per cent in the corresponding quarter of 2003-04. All the three sectors, viz., agriculture, industry and services recorded higher growth of 3.4 per cent, 6.8 per cent and 9.5 per cent, respectively, in the first quarter of the current year compared with 0.1 per cent, 6.0 per cent and 7.4 per cent, respectively in the corresponding quarter in the previous year.

ii. Output and prices

Agriculture

The south-west monsoon in June-September 2004 was erratic. Prolonged weak monsoon conditions prevailed in late June, most of July, late August and early September over different parts of the country. Cumulative monsoon rainfall for the country as a whole was 13 per cent below normal with the deficiency at 22, 11, 15 and 6 per cent in North-west , Central, South Peninsular and North-east India, respectively (Table-1).

Table -1

Monsoon rainfall 2004 (June - September)

	Actual (in mm)	Normal (in mm)	Deviation (%)
North-west India	474.5	611.6	-22
Central India	888.0	993.2	-11
South Peninsular India	619.6	726.5	-15
North-east India	1345.6	1430.7	-6
Country as a whole	781.2	893.3	-13

In the first advance estimate released in September 2004, the Agriculture Ministry has put the kharif production of foodgrains at 100 million tonnes, which is less by almost 8 million tonnes than last year's first estimate (Table 2). While production of kharif rice, coarse cereals and pulses is estimated to be less than last year's level, output of commercial crops such as oilseeds and cotton is likely to be higher. The area sown under these two kharif crops was higher than that last year. The southern States, especially Andhra Pradesh, witnessed substantial diversification in favour of oilseeds and away from water-intensive paddy, particularly in areas with deficient rainfall. The increase in areas sown under major oilseeds for the last two years in a row reflects the tilt in price support policy of the Government in favour of oilseeds (through relatively higher increases in the Minimum Support Prices (MSP) for such crops vis-à-vis that of cereals).

Table-2

Kharif production for 2004-05

(In million tonnes, unless otherwise specified)

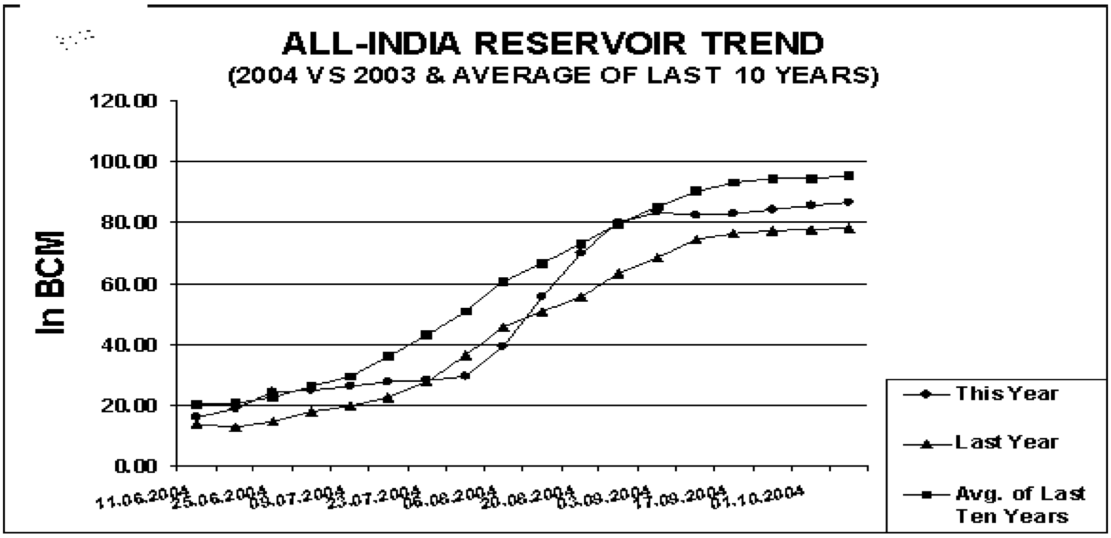
Crop	2002-03	2003-04 4th Advance Estimate	2004-05 1st Advance Estimate	2003-04 1st Advance Estimate
Rice	63.66	73.92	71.1	75.05
Jowar	4.22	5.01	3.58	4.61
Bajra	4.63	11.79	5.76	7.72
Maize	9.30	12.44	12.07	12.80
Coarse Cereals	20.03	31.80	24.50	27.96
Cereals	83.69	105.72	95.60	103.01
Pulses	4.12	6.33	4.69	5.44
Foodgrains	87.81	112.05	100.29	108.45
Oilseeds	90.50	170.09	154.47	150.80
Cotton #	87.16	137.88	138.51	131.20
Jute ##	103.40	102.65	98.47	101.30
Mesta ##	10.37	9.32	9.17	6.20
Jute and Mesta ##	113.77	111.97	107.64	107.50
Sugarcane	2815.75	2361.76	2354.54	2613.70

\# *Lakh bales of 170 kgs each.*

\## *Lakh bales of 180 kgs each.*

Widespread post-monsoon rainfall in October 2004 (the cumulative rainfall during October 1-20, 2004 was 34 per cent above normal for the country as a whole) combined with good reservoir position (Figure 1) augur well for the ensuing rabi crop. By the time the monsoon ended in September 2004, water storage in 71 major reservoirs of the country was 109 per cent of last year's level and 89 per cent of the last 10 years' average. The Rabi crop of foodgrains could offset, at least partially, the likely Kharif shortfall.

Figure 1



BCM = Billion Cubic Metre

Reflecting the good rabi crop in 2003-04, the agriculture and allied sector recorded a growth of 3.4 per cent in terms of gross value added in the first quarter of 2004-05. Although the growth prospects for the second and third quarters are likely to be adversely affected by the deficient monsoon, growth in the fourth quarter and also for 2004-05 as a whole will depend on the rabi crop, for which the projection remains favourable.

The stock position of foodgrains in the central pool remains comfortable in the current year. Although 2004-05 started with a foodgrains stock that was almost 12 million tonnes less than that of last year, the total stock with the Central Pool remained consistently above the buffer stock norm in the first half. The stock on October 1, 2004 at 20.3 million tonnes was 12 per cent higher than the buffer stock norm of 18.1 million tonnes.

The comfortable foodstock is due to a combination of good procurement and lower off-take. There was a record procurement of 22.6 million tonnes of rice in the rice procurement year October 2003- September 2004. Following a good agricultural year in 2003-04, wheat procurement at 16.8 million tonnes by the end of October 2004 (in the wheat procurement year beginning April, 2004) was also higher than the total wheat procurement of 15.8 million tonnes in the whole of 2003-04. In spite of an increase of 1.7 million tonnes in the off-take from 11.5 million tonnes in the first half of 2003-04 to 13.2 million tonnes under the Targeted Public Distribution System (TPDS), total off-take of food grains was only 19.3 million tonnes in April-September 2004, nearly 8 million tonnes less than in the corresponding period of the previous year. The decline in the off-take in the first half of 2004-05 was mainly on account of a substantial fall in the export and open market sale of foodgrains, from 69.8 and 5.9 lakh tonnes respectively in the first six months of the previous year April-September 2003 to 9.7 and 0.93 lakh tonnes, respectively. From August 2003, as a matter of deliberate food management policy, no fresh allocation of foodgrains was committed for export from the Central pool. The open market sale of foodgrains declined due to a comfortable supply situation in different parts of the country. The increased off-take under TPDS in the first half of the current year is mainly because of an increase in the above-poverty-line (APL) off-take from 1.7 million tonnes in April-September 2003 to 2.9 million tonnes.

Lower but adequate levels of food stocks are expected to lead to a reduction in carrying costs. Carrying costs contributed to more than 20 per cent of the food subsidy in the last two years. There are indications of a revival in foodgrains trade in the open market in 2004-05. With large increases in the MSP of paddy and wheat in the past and their market prices remaining below the relevant MSPs, open market trade in these cereals was under severe strain in some recent years. Market confidence has improved with the Government's policy of restraint in announcing hike in the MSP of principal cereals in the last three seasons combined with the success in bringing down the stock of foodgrains to levels commensurate with the buffer requirements. Market prices of paddy and wheat remained above their MSPs in different parts of the country in 2004-05.

Industry

During April-September, 2004, the growth rate of the index of industrial production (IIP) over the corresponding month of the previous year remained above 7 per cent in each of the six months, except in May 2004, when the rate was marginally lower at 6.8 per cent. Similarly, for the manufacturing sector, the growth rate over the corresponding month of the previous year remained consistently above 8 per cent in each of the six months, except for a slower growth of 7.5 per cent in May 2004. In particular, in terms of use-based classification, there has been an encouraging double digit steady growth (over the same month of the previous year) in the index of capital goods production in each of the six months of the current year. Production of consumer durables has also maintained an impressive double-digit growth rate over the corresponding month of the previous year in each of the six months except in May 2004.

The average annual growth rate of IIP for the period April-September, 2004 was higher at 7.9 per cent compared to 6.2 per cent in the same period of the previous year. At the two-digit level of classification, as many as 12 of the 17 industry groups have shown positive growth during April-September, 2004. Machinery and equipment, other than transport equipment, registered the highest growth of 26 per cent followed by basic chemicals and chemical products (17.6 per cent) and other manufacturing industries (15.4 per cent). However, wood and wood products, food products, jute and other vegetable fibre textiles, basic metal and non-metallic mineral products registered negative growth.

Table 3 : Growth rates of industrial production by broad sectors and use-based classification

(year-on-year, in per cent)

Broad sectors	Weight	2002-03	2003-04	April-September 2003-04	April-September 2004-05
Mining	104.7	5.8	5.3	4.2	4.9
Manufacturing	793.6	6.0	7.4	6.8	8.2
Electricity	101.7	3.2	5.0	3.0	7.7
Use-based classification:					
Basic goods	355.7	4.8	5.5	4.3	5.2
Capital goods	92.6	10.5	13.6	10.0	14.5
Intermediate goods	265.1	3.9	6.4	5.0	7.7
Consumer goods	286.6	7.1	7.2	8.3	8.8
Durables	53.7	- 6.3	11.6	6.7	15.2
Non-durables	233.0	12.0	5.8	8.9	6.7
Overall	1000	5.8	7.0	6.2	7.9

During the period April-September, 2004, total production of yarn increased by 9.2 per cent and that of cloth by 3.0 per cent. Textile exports (in US dollar value terms) registered an increase of 13.2 per cent in April-July 2004, over the same period of the previous year. Again, this increase in exports was broad-based with dollar value of exports of readymade garments rising by 14.4 per cent, cotton textiles by 9.1 per cent, manmade textiles by 17.9 per cent, wool & woolen yarn fabrics by 8.7 per cent, and silk by 20.8 per cent.

The encouraging growth in the automobile sector, with production growing to 7.2 million units in 2003-04 from 6.3 million units during the previous year, has continued in the current year. During April-September, 2004, the automobile industry grew by 15.1 per cent, with a sharp growth of 35 per cent in the commercial vehicles segment, and 28.8 per cent in passenger vehicles. Three-wheeler and two-wheeler segments registered growth of 12.2 per cent and 12.1 per cent, respectively. Export performance of the automobile industry was also encouraging in the first half of the current year, with automobile exports up 35.3 per cent year-on-year at 299,704 units. During this period, the export of passenger cars registered a growth of 41 per cent, commercial vehicles 90 per cent and two-wheelers 35 per cent. There was also an upsurge in the export of automobile components, indicating the steady and convincing emergence of Indian components suppliers as the outsourcing base for global automobiles giants. Indian automobile industry is increasingly able to participate in the world market for automobile design, engineering and component manufacture.

Indian steel industry, after a recession until 2001, has been showing definite signs of revival with strong performance of construction and manufacturing sectors in the domestic economy and buoyant growth in international demand for steel, particularly in China. Finished steel production in India, after a growth of 7.5 per cent to an estimated 36.2 million tonnes in 2003-04, grew further by 4 per cent (year-on-year) to 18.8 million tonnes in the first half of the current year. The production of pig iron, which is estimated to have been 5.2 million tonnes during 2003-04, was 2.3 million tonnes in April-September, 2004. Domestic consumption of finished steel, after increasing by 4.9 per cent in 2003-04 to 30.3 million tonnes, recorded a growth rate (year-on-year) of 6.1 per cent in the first half of the current year to 16.3 million tonnes. Exports of finished steel, after increasing by 17.6 per cent to 5.3 million tonnes in 2003-04, declined by 22.4 per cent year-on-year to 1.8 million tonnes in April-September 2004.

Cement output grew by 6.2 per cent in 2003-04 to 123.5 million tonnes. During April-September 2004, cement production was 62.8 million tonnes, up 4.8 per cent from 59.9 million tonnes during the corresponding period in 2003. The extended rainy season and consequent fall in construction activities from July to September affected the domestic demand for cement. Domestic demand is expected to pick up during the remaining period of the year. In the first half of 2003-04, export of cement and clinker grew by approximately 16 per cent.

Inflation

Despite an average WPI-inflation rate of 5.5 per cent and the point-to-point inflation remaining above 6 per cent in most of the weeks, the year 2003-04 ended with a modest point-to-point inflation rate of 4.6 per cent in the week ending March 27, 2004. The lower point-to-point inflation compared to average inflation in 2003-04 is partly because of a sharp deceleration in the year-on-year inflation rate from early January 2004. This decline in the year-on-year inflation rate from early January 2004 was helped by the public sector oil companies' decision to not adjust the prices charged to domestic consumers of petro-products in line with the rising import-parity price of such products.

The year 2004-05 started with the point-to-point WPI inflation rate of 4.5 per cent in the week ending April 03, 2004, which continued to remain below 5 per cent till mid-May 2004. With international prices of petro-products showing no signs of abating, there was a Government decision on July 16, 2004 to have a systematic revision of the domestic prices of petro-products in line with their tariff-adjusted import parity prices, but within a specified band. Petroleum product prices were revised upwards by the domestic public sector oil companies on June 16 and July 31, 2004. This contributed to an unavoidable upward pressure on WPI inflation. Inflationary pressure was further compounded by rising prices of metals, particularly iron and steel, all around the world. The erratic monsoon rainfall in July and August, 2004 and the truckers' strike in August, 2004, impacted the prices of primary products, including fruits and vegetables, and contributed to the inflationary pressure. Inflation continued to rise after mid-May, reaching a peak of 8.7 per cent in the week ending August 28, 2004. The dominance of the fuel group and the metal products on rising inflation is reflected in the contribution of 49.2 per cent (29.8 per cent from fuel and 19.4 per cent from metals) from these two groups to the inflation rate.

In a bid to contain inflation, Government reduced customs and excise duties on selected petroleum products twice : first on June 16, 2004 and again with effect from August 18, 2004. Customs duties on non-alloy steel and ships for breaking was reduced from 10 and 15 per cent, respectively, to a uniform 5 per cent on August 20, 2004. Despite the continued surge in international prices of petroleum, with crude price (West Texas Intermediate) per barrel crossing US$50 in end-September 2004 and reaching the record level of US$56 in the last week of October 2004, the Government persuaded oil companies to absorb the increased cost and not to hike domestic prices of petro-products between July 31 and November 4, 2004. Reserve Bank of India (RBI) also initiated appropriate monetary policy measures, such as raising the cash reserve ratio (CRR) and the reverse repo rate. There has been some relief on the inflation front, with the point-to-point inflation rate remaining below 8 percent since the week ending September 4, 2004. The RBI, in its mid-year review of the credit policy, announced on October 26, 2004, has revised upward the inflation projection to 6.5 per cent for the fiscal 2004-05 from its May 2004 projection of 5.5 per cent.

The inflation rate based on the Consumer Price Index for Industrial Workers (CPI-IW), continued to remain at a moderate level in the range of 2 to 3 per cent in 2004-05 before firming up to cross 4 per cent in August 2004 and reach 4.8 per cent in September 2004. The lower weightage of items such as petroleum and metals in the CPI-IW relative to their weightage in WPI explains the lower inflation in CPI-IW. Furthermore, the recent rise in CPI-IW is also in conformity with the trend in the WPI based inflation rate for essential commodities, which have a high weightage in CPI-IW. Increase in the prices of essential commodities, after remaining below 5 per cent until August 2004, experienced a stiffening in the wake of an erratic monsoon and the truckers' strike.

iii. External sector

According to the latest balance of payments (BOP) estimates, both the current and capital accounts recorded surpluses of US$1.9 billion and US$5.6 billion, respectively, during the first quarter of current fiscal year. While the current account surplus was in contrast to a deficit of US$636 million in the corresponding quarter of the previous year, the capital account surplus was somewhat lower by about US$500 million than US$6.1 billion recorded during April-June 2003-04. The strength displayed by the current and capital accounts resulted in an accretion, on BOP basis, to foreign exchange reserves of US$7.5 billion during April-June 2004.

Growth of both merchandise exports and imports at 28.1 per cent and 23.5 per cent respectively for the first quarter of the current fiscal year was robust, resulting in a widening of quarterly merchandise trade deficit to a record level of US$6.3 billion. While export growth was supported, inter alia, by the ongoing recovery in global economy and resurgence in world trade, import growth surged on the back of good industrial performance and rising international crude oil prices. The larger merchandise trade deficit was, however, made up by buoyant invisible receipts, underpinned by remittances, software exports and travel receipts. While private transfers (essentially remittances from Indians abroad) at US$5.2 billion constituted about 30 per cent of gross invisible receipts during this period, software exports at US$3.5 billion were resilient. India also emerged as a favoured travel destination for international tourists, with travel receipts rising by around 28 per cent during this period.

More recent information on merchandise trade, available on customs basis, shows that exports continue to provide significant support to domestic demand and growth of the economy. In the first half of the current fiscal, exports (in US dollar terms) have registered an increase of 24.4 per cent as compared to a modest rise of 8.8 per cent in the corresponding previous period. Commodity-wise details of exports (available for April-July 2004) reveal a rebound in demand for several products across the board, particularly traditional exports in key markets. Exports of manufactured goods, mainly engineering goods, chemical and related products, textiles including readymade garments and gems and jewellery, have accounted for almost two-thirds of the rise in exports, with exports of petroleum products, agricultural products (mainly oil meals) and ores and minerals (mainly iron ore) further accounting for around 13 per cent, 8 per cent and 8 per cent respectively of the incremental exports during this period. Eight major exports, accounting for around 66 per cent of total rise in exports in April-July 2004, include gems and jewellery, petroleum products, plastic and linoleum products, transport equipment, iron ore, readymade garments, manufacture of metals and oil meals.

Similar information on imports, on customs basis, show a continued surge in imports in the first half of the current fiscal, reflecting strong domestic growth and larger domestic absorption. Imports (in US dollar terms) have accelerated from 21.4 per cent in the first half of 2003-04 to 34.3 per cent in the first half of 2004-05. While POL imports increased by 57.8 per cent, due mainly to a surge in average international crude oil prices by around 55 per cent (September 2004 over September 2003), Non-POL imports were also higher by 25.8 per cent, although somewhat lower than the growth of 28.0 per cent in the corresponding previous period.

Detailed commodity-wise data (April-July 2004) show that almost half the rise in imports is accounted for by higher imports of fuel (POL and coal). These imports, together with higher imports of gold and silver, capital goods, electronics, pearls, precious and semi-precious stones, and chemical and related products, account for almost 85 per cent of the total incremental imports in the first four months of the current fiscal. Category-wise, imports of raw materials and intermediates (led by POL, coal, gold and silver, metallic ores and metal scrap) continued to post very high growth rates, followed by imports of manufactured goods (mainly iron and steel, and electronic goods), capital goods (mainly machinery), and export-related imports (mainly chemicals and pearls, precious and semi-precious stones). However, imports of food and related items declined during this period owing mainly to lower import of edible oils. Given such a surge in imports, trade deficit, which denotes the excess of imports over exports, is up 70.5 per cent from US$7.4 billion in the first half of 2003-04 to US$12.7 billion in the first half of 2004-05.

Higher inflows under loans, contributed mainly by larger flows under external commercial borrowings (ECB) and short-term trade credits on account of substantially higher crude oil imports, were the largest contributors to net capital flows during the first quarter of the current fiscal. Net inflows under loans at US$2.8 billion were much higher than such inflows worth US$960 million in the corresponding quarter of the previous year. On the other hand, notwithstanding the rising trend in foreign direct investment (FDI), net foreign investment inflows at US$1.3 billion in April-June 2004 were substantially down from US$2.1 billion that came in during April-June 2003. This reduction in aggregate foreign investment inflows was due to a sharp fall in net portfolio inflows from US$1.4 billion in April-June 2003 to US$82 million in the first quarter of current fiscal. Indications are that this decline in portfolio inflows in the first quarter has more than reversed in subsequent months. Year-on-year, banking capital inflows also registered a decline during the first quarter of 2004-05 from US$1.9 billion in 2003-04 to US$1.1 billion, with non-resident deposits recording net outflows of US$786 million as against net inflows of US$1.8 billion during the first quarter of the previous year. As per latest monthly data released by the RBI, there were net outflows of non-resident deposits (mainly heavy net outflows under the Non-Resident (External) Rupee Accounts, (NR(E)RA scheme) of US$779 million during April-August 2004, compared to net inflows of US$3.2 billion during the corresponding five months of the previous year. Latest information on FDI confirms its continued rising trend, with such inflows in the first half of the current fiscal estimated at almost US$2 billion, more than double the level of US$987 million during the corresponding period of the previous year.

India's total external debt stood almost unchanged at US$112.6 billion at the end of June 2004, as compared to US$112.5 billion at the end of March 2004. While long-term debt declined by US$1.1 billion to US$106.7 billion, short term debt rose by US$1.2 billion, due mainly to a rise in trade related credits on account of buoyant imports. Valuation effects on account of movements in international currencies had a tempering effect on external debt in April-June 2004 in sharp contrast to the experience in the first quarter of the previous year.

The Indian Rupee, which had consistently appreciated against the US Dollar, and depreciated against other major currencies like the Euro, Pound Sterling and the

Japanese Yen during the period May 2002 - April 2004, started weakening against the US Dollar. However, the trend was reversed in September 2004, with the Rupee firming up against the US Dollar, while showing a fluctuating trend against other currencies. On a monthly basis, Indian Rupee depreciated by 2.4 per cent against the US dollar in the first half of the current fiscal (i.e. September over March 2004), as against an appreciation of 3.9 per cent in the corresponding half of the previous year. Compared to a nominal average value of Rs. 45.85 against the US Dollar in September, 2003, the Indian Rupee depreciated to Rs. 46.11 in September 2004, indicating a depreciation of 0.56 per cent.

The surpluses in the current and capital accounts during the first quarter of the current fiscal were reflected in an accretion to foreign exchange reserves of US$7.5 billion on BOP basis. Including valuation effects on account of cross-currency rates, gold, SDR, and reserve tranche position at the IMF, accretion to reserves during the quarter amounted to US$6.5 billion. As per latest information for the current fiscal, total accretion to reserves, including valuation changes, is placed at US$12.14 billion as on November 19, 2004, compared to US$20.7 billion during April-November, 2003.

iv. Money and capital markets

In the current year (up to November 12, 2004), broad money (M3) grew at a lower rate of 6.3 per cent (net of conversion) compared to 9.0 per cent in the corresponding period of the previous year. This is mainly on account of lower growth of 5.5 per cent in the aggregate deposits of banks compared to a growth of 8.8 per cent in the same period last year. On a year-on-year basis, M3 growth was higher in the current year (as on November 12, 2004) at 13.7 per cent compared with 11.8 per cent last year, mainly on account of higher growth of bank credit to the commercial sector. Growth of bank credit (on year-on-year basis) to the commercial sector was 22.1 per cent as on November 12, 2004 compared to a growth of 11.0 per cent on the corresponding date last year. The year-on year growth of M3 has come down from 16.1 per cent as on April 30, 2004 to the current level of 13.7 per cent, which is marginally lower than the growth rate of 14.0 per cent envisaged for the current year in the Annual Policy Statement of the Reserve Bank of India. Despite a higher growth of bank credit to the commercial sector, the lower growth of net bank credit to Government at 1.6 per cent as on November 12, 2004 compared with a growth of 11.8 per cent a year ago, was primarily responsible for bringing down the year-on-year growth of M3 to 13.7 per cent.

Reserve money grew by 5.1 per cent in the current year (up to November 12, 2004) compared with 3.7 per cent in the corresponding pervious period. On a year on year basis, reserve money growth was higher at 19.9 per cent on November 12, 2004 compared with 9.1 percent a year ago. Net foreign exchange assets (NFA) of the RBI contributed to the higher growth of reserve money so far in the current financial year, despite its lower growth of 14.0 per cent in the current year compared with a growth of 18.6 per cent in the corresponding previous period. Net RBI credit to the government declined by 31.6 per cent in the current year (up to November 12,2004) compared to a decline of 46.7 per cent in the corresponding previous period. Thus, in spite of its lower growth, NFA remains the main contributory factor in the growth of the reserve money in the current year. Liquidity absorption through the Market Stabilisation Scheme (MSS) was Rs. 54, 836 crore up to November 19, 2004. The ceiling under MSS fixed for 2004-05 was raised from Rs. 60,000 to Rs. 80,000 crore on August 26, 2004, after the threshold limit of Rs.50,000 crore was crossed.

Credit by scheduled commercial banks (SCBs) continues to show an increasing trend in the current year. Gross bank credit by SCBs increased by 14.5 per cent in the current year (up to November 12) compared to 4.6 per cent in the corresponding period last year. Growth was observed in both food and non-food credit. Non-food credit increased by 14.5 per cent (Rs.1,16,783 crore) as compared with an increase of 7.0 per cent (Rs.47,382 crore) last year. With lower deposit growth and higher growth of credit to the commercial sector, SCBs investment in Government securities turned negative (Rs.1,587 crore) in the current year (up to November 12, 2004) as compared with Rs.94,652 crore invested in the corresponding period last year.

To contain the growth in money supply, RBI raised the cash reserve ratio (CRR) from 4.50 per cent in two steps to 4.75 per cent from September 18, 2004 and further to 5.00 per cent from October 2, 2004. In its Mid-Term Review of the Annual Policy Statement on October 26, 2004, the RBI announced further steps. RBI has advised liquidity adjustment facility (LAF) participants to switch over to the international usage of the terms 'repo' and 'reverse repo' effective October 29, 2004. Accordingly, absorption of liquidity by the Reserve Bank in the LAF window will be termed as 'reverse repo' and injection of liquidity as 'repo'. To facilitate better liquidity management, RBI announced that the LAF would be operated with overnight fixed repo and reverse repo from November 1, 2004. Accordingly, auctions of 7-day and 14-day reverse repo would stand discontinued. The fixed reverse repo rate was raised by 25 basis points to 4.75 per cent effective from October 27, 2004. Ceiling on Non-Resident (External) Rupee (NRE) deposit interest rates was raised from the existing level of US Dollar LIBOR/SWAP rates to LIBOR/SWAP rates of US Dollar of corresponding maturities plus 50 basis points to align these interest rates with international rates.

On the capital markets, the NSE 50 index rose sharply from 1,796 in April 2004 to 1,950 in November 2004, an increase of 8.6 per cent. The index was 20.7 per cent higher in November 2004 as compared with the level a year ago. At the same time, the price-earnings (P/E) ratio of the broad market - consisting of stocks that are traded on at least three quarters of the days - dropped slightly from 14.8 in April 2004 to 13.5 in October, reflecting strong earnings growth of the corporate sector. The market capitalization of the Indian equity market went up from Rs.9,78,162 crore in October 2003 to Rs.12,34,477 crore in April 2004, and further to Rs.13,25,125 crore - around 45 per cent of GDP - in October 2004.

The buoyant secondary market led to a sharp increase in activity on the primary market. In April-September 2004 there were 25 issues amounting to Rs.11,303 crore, as compared with 15 issues amounting to Rs.2,269 crore in the corresponding period of the previous year. This was an increase of 398 per cent.

Growth of the investor base continued, with NSDL reaching a level of 0.6 crore investor accounts as of November 2004. These investors are served from 1,720 locations spread across the country. The dematerialized securities at NSDL amount to Rs.9,48,442 crore of equity and Rs.2,71,389 crore of debt.

v. Infrastructure

In the roads sector, implementation of highway projects by NHAI has made steady progress. In the first half of the current year, an additional 690 km of highways on the Golden Quadrilateral (GQ) project, or 8.5 per cent of the total project of 5,846 km, was completed. With this, 54 per cent or 3,184 km of the GQ was completed. As of October 31, 2004, 56 per cent or 3,294 km of the GQ has been completed. Limited work has begun on the North-South and East-West corridor projects. In the first half of the year, 11 km of the East-West and 54 km of the North-South corridors were completed. The GQ, North-South (NS) and East-West (EW) projects totally involve 13,146 kilometers of highways. 3,969 kilometers have been completed, making up 30 per cent. Contracts have yet to be awarded for 6,211 kilometers, i.e. 47 per cent of the project.

The strong economic performance in 2004-05 so far has been associated with high growth rates in transportation. Goods traffic on the railways in the first half was 6.9 per cent higher in tonnage terms as compared with the corresponding period in the previous year. Revenue earnings of goods traffic from April to September 2004, measured in terms of originating traffic, on the railways was 8.3 per cent higher than the corresponding period of the previous year. This was 4.2 per cent above budget estimates for 2004-05. The work of the Delhi Metro Rail Corporation is on schedule. The Shahadara - Rithala line (22.1 km) has been completed and is open for traffic.

Tonnage at major ports was higher by 9.8 per cent, on a year-on-year basis, in the first half of the current year. In particular, container cargo at major ports was higher by 12.3 per cent in April-September, despite logistic difficulties experienced at Jawaharlal Nehru Port Trust (JNPT) (Nhava Sheva), India's largest container port. The increased volume of container traffic has put considerable strain on the supporting infrastructure at JNPT, leading to a problem of congestion. In response to these difficulties, many short term and long term measures were undertaken. The short-term measures included mobilisation of additional equipment for handling the goods and containers, creation of additional space for storage and parking, and improved traffic arrangements. The long-term measures included signing of an agreement in August 2004 between JNPT and Gateway Terminals India Pvt. Ltd. for the development of the Bulk Terminal into the 3rd

Container Terminal, setting up the 4th Container Terminal on a BOT basis, and opening the Shallow Draught Berth for handling container traffic. Efforts are also underway for faster customs clearance, and improvement of the road infrastructure.

Very high growth rates were observed in air transport. In April-September, 2004, domestic passenger traffic was higher by 25.8 per cent and international passenger traffic was higher by 16.4 per cent, as compared with the same period of the previous year.

Electricity generation grew strongly by 7.8 per cent in the April to October 2004 period. Electricity shortages averaged 6.0 per cent of availability over the period April to September 2004, which represented an improvement when compared with the level of 6.9 per cent in the corresponding period of the previous year. The Electricity Act 2003, which provides an enabling framework for accelerated and more efficient development of the power sector by encouraging competition with appropriate regulatory intervention, requires the Central Government to prepare a National Electricity Policy in consultation with all the stakeholders. The preparation of this is presently underway.

Very high growth rates continue to be observed in the area of telephony. The number of mobile phones reached 44.5 million in October 2004, which was 81 per cent above the level of the previous year. The number of mobile phones crossed the number of fixed line phones which reached 43.9 million. With the total number of telephone connections at 88.4 million in October, 2004, up 27 per cent over October, 2003 (69.6 million), teledensity in the country increased to 8.2. At present, the number of mobile phones is growing by nearly 2 million connections per month.

II. CENTRAL GOVERNMENT FINANCES

i. Budget 2004-05

The Budget for 2004-05 was presented on July 8, 2004. The National Common Minimum Programme (NCMP) was the guiding light for the initiatives proposed in the Budget. The NCMP has spelt out seven clear economic objectives, of which maintaining an average growth rate of 7-8 per cent per year, generating gainful employment and fiscal consolidation are the important components. The Budget has announced that the Government will follow a 5-year road map to achieve the NCMP objective of bringing about rapid growth with stability and equity.

The major initiatives in the Budget for 2004-05 include extending the coverage of Antyodaya Anna Yojana from 1.5 crore families to 2 crore families and restructuring of the Universal Health Insurance Scheme and making it exclusive for families below the poverty line. The Budget laid emphasis on infrastructure development through increased allocations and through public-private partnerships. The Budget made an additional allocation of Rs.10,000 crore towards budgetary support to the annual plan. The Budget proposed setting up of an Investment Commission vested with the broad authority of the Government to engage, discuss with and invite domestic and foreign businesses to invest in India. It also proposed to set up a National Manufacturing Competitiveness Council to provide a forum for policy dialogue to energise and sustain the growth in the manufacturing industries. Progress regarding the implementation of Budget proposals is given in Annex I.

In the area of direct taxes, the main Budget proposals relate to exempting individuals with a taxable income of Rs.1,00,000 from income tax, introduction of a securities transaction tax and abolition of tax on long term capital gains from securities transactions on the stock exchange. In the case of indirect taxes, the Budget proposed removal of exemption from CVD enjoyed by some imported goods where there is no corresponding exemption from excise duty on Indian made goods. The peak rate of customs duty on steel, copper, lead, zinc and base metals was reduced to 15 per cent. Custom duty on refined palm oil was increased to 75 per cent. In excise, complete duty exemption was granted to tractors and computers. Excise duty rates were reduced for meat, poultry and fish preparations. CENVAT duty on textiles was withdrawn and instead a new tax regime for the textile sector was introduced. Under the new regime, there will be no mandatory excise duty on pure cotton, wool and silk and there will be a mandatory duty on man-made staple fibre at 16 per cent, on polyester filament yarn at 24 per cent and on other man-made filament yarn at 16 per cent.

ii. Overview of fiscal trends during April-September 2004

An overview of the state of finances of the Government during the period April-September 2004 is given in Appendix Tables V to X. In the following paragraphs, the fiscal outcomes for the first half of the current year have been compared with (i) the corresponding outcomes during the same period of the previous financial year and (ii) the Budget Estimates for 2004-05 (BE2004-05). The receipts and expenditure figures for the first half are un-audited figures and may undergo post-audit revisions. Receipts and recoveries, wherever directly linked to expenditures, have been netted against the expenditures, as is the case with the expenditure figures shown in the Expenditure Budget Volume II.

Total expenditure of the Government during April-September 2004 was Rs.1,95,573 crore (41 per cent of BE2004-05) compared to Rs.2,17,101 crore (49 per cent of BE2003-04) during April-September 2003. Non-debt receipts, on the other hand, were Rs.1,42,338 crore (41.8 per cent of BE2004-05) compared to Rs.1,36,087 crore (47.7 per cent per cent of BE2003-04) during April-September 2003. With non-debt receipts sufficient to cover 73 per cent of the expenditure, the fiscal deficit was Rs.53,235 crore (38.7 per cent of the BE2004-05) compared to Rs.81,014 crore (52.7 per cent per cent of BE2003-04) during the first half of the previous year. Revenue deficit during April-September 2004 was Rs.59,951 crore (79 per cent of BE2004-05) compared to Rs.65,427 crore (58 per cent of BE2003-04) during April-September 2003. There was a primary surplus of Rs.2,164 crore during April-September 2004 as against a primary deficit of Rs.29,208 crore during the corresponding period of the previous year. Thus, in absolute terms, all the three deficit indicators have shown improvement during April-September 2004 compared to April-September 2003. However, as analysed below in detail, the improvements in these key indicators of fiscal performance fell short of targeted improvements.

iii. Receipts

<u>Tax revenue</u>

Gross tax revenue during April-September 2004 was Rs. 1,12,843 crore (36 per cent of BE2004-05), up 20 per cent from Rs. 94,351 crore during April-September 2003 (38 per cent of BE2004-05) (Table 4). Of the total gross tax revenue of Rs.1,12,843 crore, Rs.34,439 crore (31 per cent) was transferred to the States as their provisional share in Union taxes and duties, which is subject to final adjustment at the end of the year. After transferring Rs. 544 crore to the National Calamity Contingency Fund, the net tax revenue of the Central Government was Rs. 77,860 crore, which is Rs. 12,803 crore more than that during April-September 2003.

Table 4. Gross tax revenues of Government of India

(Rs.in crore/percentage growth)

	BE2004-05	Apr-Sep 2004	Apr-Sep 2003	Growth	
Union Excise Duties	109,199	36,622	33,704	2,918	9%
Customs	54,250	25,205	23,183	2,022	9%
Taxes on Income	50,929	25,175	14,520	10,655	73%
Corporation Tax	88,436	20,337	19,073	1,264	7%
Service Tax	14,150	4,899	2,895	2,004	69%
Other Taxes	769	605	976	-371	-38%
Total	317,733	112,843	94,351	18,492	20%

Taken together, Corporate Income Tax (CIT) and Personal Income Tax (PIT) show a 35 per cent increase, which is the same as the increase assumed in the Budget. Online Tax Accounting System (OLTAS) was introduced with effect from June 1, 2004 for accounting of direct tax payments. Under OLTAS, a new single copy *challan* covering Major Heads, CIT, PIT and Wealth Tax has been introduced. In the new *challan,* the taxpayer has to indicate the type of payment by ticking the appropriate box. However, the unfamiliarity of the taxpayer with the new *challan* and consequent ticking of the incorrect box at the time of deposit of tax resulted in a substantial misclassification between CIT and PIT. This is under rectification. CBDT has already identified 80,366 companies whose CIT payments amounting to Rs.6119.8 crore have been misclassified and shown under the head PIT during June-September 2004.

Direct tax refunds issued in the first six months of the current financial year are lower than the corresponding period last year by 1.9 percentage points. Gross direct tax collected (including refunds), show a growth of 22.5 per cent in April-September 2004. Net of the refunds, the growth in direct taxes is placed at 35.2 per cent, same as the growth assumed in the Budget.

Total amount of CIT arrears as on September 1, 2004 was Rs.40,392 crore and that of PIT was Rs.43,190 crore. During April-September 2004, the amount of arrears realised was Rs.3462 crore (Rs.2,923 crore for CIT and Rs.539 crore for PIT), compared to total arrear realisation of Rs.2,780 crore during the corresponding period last year.

With addition of 0.56 lakh new assessees in the first five months of the current financial year, the number of income tax assesses went up from 295.79 lakh on April 1, 2004 to 296.35 lakh on August 31, 2004. Out of the new assessees, 0.19 lakh returns were filed under the one-by-six Scheme.

In the first half of 2004-05 (April-September), gross revenue collection from customs and excise (including refunds and drawback), year-on-year, grew 6.9 per cent and 12.0 per cent, respectively. Refunds and drawback payments declined by 23 per cent in customs and therefore the actual growth in customs revenue is placed at 9 per cent. In excise, refunds grew by 39.4 per cent and drawback declined by 1.3 per cent. Consequently, the growth in excise, net of refunds, is placed at 9 per cent. Indirect taxes grew by 13.1 per cent, mainly on account of very high growth rate in service tax.

Total amount of arrears as on September 01, 2004 was Rs.3,702 crore for customs and Rs.11,901 crore for excise. Arrears of customs realized in 2004-05 up to October 2004 is Rs.235.26 crore, up 242.69 per cent from the same period of the previous year. Similarly, Rs.557.52 crore of excise arrears realized up to October 2004 is 202.2 per cent higher than the arrears realized in the first seven months of the previous financial year.

Non-tax revenue

Non-tax revenue during April-September 2004 at Rs. 28,647 crore, down 1 per cent on a year-on-year basis, was 38 per cent of BE2004-05. In the first half of the previous year, non-tax revenue constituted 42 per cent of BE2003-04. The decline was mainly because of a significant decrease of Rs.3,434 crore in income by way of surplus profits of the Reserve Bank of India, which could not be fully compensated by growth under other items of non-tax revenue.

Non-debt capital receipts

The receipts from recoveries of loans during April-September 2004 were Rs. 35,639 crore (132 per cent of BE2004-05) compared to Rs. 40,991 crore during April-September 2003 (227 per cent of BE2003-04). These include receipts of Rs. 29,341 crore by way of pre-payment of high cost loans by State Governments under the Debt-Swap Scheme, out of which Rs.11,000 crore are committed for financing defence capital outlay and the remaining Rs.19,631 crore for redemption of special securities issued to National Small Savings Fund. In April – September 2003-04, the entire debt-swap receipts from States amounting to Rs.32,602 crore were used to finance the 'expenditure' towards redemption of securities issued to National Small Saving Fund. Disinvestment receipts in the first half of the current year were Rs.192 crore compared to Rs.1,098 crore during April-September 2003.

iv. Expenditure

During April-September 2004, total expenditure was Rs.1,95,573 crore (40.9 per cent of BE2004-05) compared to Rs.2,17,101 crore during April – September 2003 (49.5 per cent of BE2003-04). Of this, the revenue expenditure was Rs.1,66,458 crore (43.2 per cent of BE2004-05) compared to Rs.1,59,425 crore during April-September 2003 (43.5 per cent of BE2003-04). Capital expenditure was Rs.29,115 crore (31.5 per cent of BE (2004-05) compared to Rs.57,676 crore during the same period last year

(79.5 per cent of BE2003-04). Last year, there was unbudgeted non-plan capital expenditure of Rs.32,602 crore under debt redemption because the proceeds of loan pre-payments received from States were used to redeem securities issued to National Small Saving Fund. This year, there has been no corresponding expenditure so far. Excluding this special transaction for the purpose of a like-to-like comparison, it is seen that the capital expenditure during April-September 2004 was Rs.29,115 crore (31.5 per cent of BE2004-05) compared to Rs.25,074 crore during April-September 2003 (34.6 per cent of BE2003-04).

Plan expenditure

Plan expenditure during April-September 2004 was Rs.53,274 crore (37 per cent of BE2004-05) compared to Rs.46,890 crore during April-September 2003 (39 per cent of BE2003-04) with Central and State Plan break-up as in Table 5.

Table 5. Plan expenditure

(Rs. in crore)

	BE2004-05	April-September 2004	April-September 2003
Central Plan	87,886	33,657	26,834
State and UT Plans	57,704	19,617	20,056
Total	1,45,590	53,274	46,890

Compared to last year, Plan expenditure is up by Rs.6,384 crore in absolute terms. But, this is not commensurate with the increase in the Budget provision, mainly because of the non-availability of the lumpsum Budget provision of Rs. 10,000 crore to the Ministries/Departments pending allocation by the Planning Commission and passing of the required Supplementary Appropriation Act. Besides, a large number of Ministries/ Departments usually register a slow pace of expenditure during the early months of a financial year, and either expenditure gathers pace in the last one or two quarters or a part of the Budget provision remains unutilized at the end of the year. This is especially relevant for budgeted funds for Central Plan expenditure, the bulk of which are spent not directly by the Ministries/Departments themselves but by a number of other implementing agencies - State Governments, Autonomous Bodies and Central Public Sector Undertakings. Under many schemes, the Central Government releases funds directly to even district level autonomous bodies. While it is a matter of satisfaction that the pace of Plan expenditure accelerated in vital social sectors like agriculture, education and rural development as well as in physical infrastructure like roads, the slow pace of expenditure in the energy sector is a cause of concern.

Non-Plan expenditure

Non-Plan expenditure during April-September 2004 was Rs.1,42,299 crore (43 per cent of BE2004-05) compared to Rs.1,70,211 crore (54 per cent of BE2003-04) during April-September 2003. Excluding the unbudgeted capital expenditure of Rs.32,602 crore under Debt-Swap Scheme last year, non-plan expenditure this year is 42.8 per cent of Budget as compared to 43.3 per cent of the Budget last year.

Table 6. Some major variations under non-plan expenditure

(Rs. in crore)

S.No	Item	BE 2004-05	April-September 2004	April-September 2003	Increase(+) Decrease(-)
1.	Interest Payments	1,29,500	55,399	51,806	3,593
2.	Defence	77,000	28,409	23,624	4,785
4.	Major Subsidies	42,021	21,995	26,439	(-)4,444
5.	Pension	15,928	7,804	6,141	1,663

The increase in interest payments under non-plan expenditure (Table 6) is mainly attributable to a significant reduction in accrued interest income in the form of yield-differential premia collected from bidders when government securities are reissued, and netted against gross interest payment. Such receipts decreased significantly from Rs. 6,721 crore in the first half of the previous financial year to only Rs. 1,199 crore during April-September 2004. Increase in defence expenditure was mainly under capital outlay. With effect from April 1, 2004, a portion of the Dearness Allowance/Dearness Relief equal to 50 per cent of basic pay/basic pension/family pension has been converted into Dearness Pay/Dearness Pension/Dearness Family Pension for various specified purposes, including retirement benefits. Further, as a special dispensation to the persons retiring after April 1, 2004, their pre-April, 2004 basic pay reckoned for pension fixation has also been similarly enhanced. The consequent increase in pension benefits, coupled with a recent court judgment granting pension revision benefits to the ex-Government employees absorbed in Coal India Ltd., has resulted in an increase in pension expenditure.

The decrease under disbursements of subsidies is mainly under food and petroleum subsidy. Lower off-take of food grains and lower carrying costs of buffer stock, for reasons mentioned in Chapter 1, led to a decline in food subsidies. Subsidy on kerosene and domestic LPG decreased with a move away from an open-ended, cost-plus subsidy structure and some delays in pre-audit of subsidy claims.

Resources transferred to States / Union Territories

Transfers to States/UTs during April-September 2004 at 23 per cent of BE2004-05 was Rs. 32,679 crore compared to Rs.23,321 crore (18 per cent of BE2003-04) in the same period last year. The increase is owing to the expectation of higher tax collection and hence a higher provision in Budget 2004-05 on this account of Rs.1,44,117 crore, compared to Rs.1,26,623 crore in Budget 2003-04.

Commercial receipts and expenditure

Only the net difference in the receipts and expenditure of the commercial departments and undertakings of the Government are included in receipts and expenditure of the Government, as these entities are expected, to the extent possible, to meet their expenditures from their own receipts. Due to seasonal mismatches in receipts and expenditures, the expenditure by departmental commercial undertakings exceeded their receipts by Rs. 1,647 crore during April-September 2004, considerably in excess of the consolidated deficit of Rs. 325 crore projected for the entire year in the Budget for 2004-05 (Table 7).

Table 7. Commercial receipts and expenditure

(Rs. in crore)

Item	BE 2004-05	April-September 2004	BE 2003-04	April-September 2003
Revenue Expenditure	14,816	5,997	13,596	5,789
Receipts	14,491	4,350	13,606	4,713
Net	325	1,647	-10	1,076

The receipts of Telecom were Rs. 2,276 crore, while their revenue expenditure (excluding that financed by receipts from BSNL under special arrangements) was Rs. 383 crore. The receipts of Railways at Rs.21,452 crore fell short of their revenue expenditure of Rs.21,779 crore. Capital expenditure of Railways at Rs. 4,005 crore was Rs. 546 crore more than half of Rs. 6,919 crore of budgetary support provided for this purpose.

v. Financing of deficit and liability position

The fiscal deficit of Rs. 53,235 crore was financed mainly through issue of internal debt (Rs. 33,682 crore), cash draw-down (Rs. 16,343 crore) and external assistance (Rs. 7,554 crore) (Table 8). With fresh debt contracted at Rs. 2,37,635 crore and discharge of past debts at Rs. 1,96,399 crore, the net increase in debt was Rs. 41,236 crore during April-September 2004.

Receipts into the National Small Savings Fund (NSSF), which are part of the liabilities of the Government, increased to Rs. 35,205 crore during April-September 2004 (54 per cent of BE2004-05) compared to Rs.29,292 crore (48.0 per cent of BE2003-04) during the same period of the previous year. With steady increase in small savings collections and such collections lent to States, the NSSF investment in State Government securities significantly increased to Rs. 45,288 crore during April-September 2004 (30.0 per cent of BE2004-05) compared to Rs.35,488 crore during April-September 2003 (59 per cent of BE2003-04).

Table 8. Financing of deficit

(Rs. in crore)

	April-September 2004	April-September 2003
Fiscal Deficit	53,235	81,014
Sources of Financing		
Internal Debt	33,682	156,802
Market Loans	20,884	74,545
Treasury Bills	23	- 10,094
Compensation and Other Bonds	13,189	48,340
Others	- 414	44,011
External Assistance including Revolving fund	7,554	-552
Cash Draw Down	16,343	-8,700
WMA	0	0
Net financing from Public Account	-4,344	-66,536

vi. Assessment of prospects and corrective measures

In April-September 2004, the fiscal and revenue deficits were lower by Rs. 27,779 crore and Rs. 5,476 crore than the corresponding fiscal indicators in the same period of the previous year, mainly because of an appreciable increase under tax receipts (Rs. 12,803 crore) and loan prepayments by States (Rs. 29,341 crore). Yet, the improvements in these key parameters of fiscal performance fall short of the targets set by the Fiscal Responsibility and Budget Management (FRBM) Rules, 2004 (framed under the FRBM Act, 2003). Under Rule 7 of the said Rules, Government is required to take appropriate corrective measures in case the outcome of the second quarterly review shows that –

(i) total non-debt receipts are less than 40 per cent of Budget Estimates for that year; or

(ii) fiscal deficit is higher than 45 per cent of the Budget Estimates for that year; or

(iii) revenue deficit is higher than 45 per cent of the Budget Estimates for that year.

The fiscal performance in the first half of the current year does not fully measure up to the above benchmarks. In the first half, while non-debt receipts at 41.8 per cent and fiscal deficit at 38.7 per cent of Budget Estimates are **better** than the FRBM targets of 40 per cent and 45 per cent respectively, both reflect an excess of receipts under prepayment of high-cost State loans relative to the Budget estimate. Such prepayments are of a one-off nature and unlikely to continue in the years to come. Furthermore, the revenue deficit during the first half at 78.7 per cent of Budget Estimates is **considerably in excess** of the FRBM target of 45 per cent.

The main reason of slippage in achieving the FRBM target of revenue deficit is that the growth in overall tax revenue during April-Sept, 2004 has been only 20 per cent against 25 per cent assumed in the Budget. This in turn is largely attributable to normal lower collections in the first half of the financial year, delay in passage of the Finance Act, and, to some extent, to the post-budget duty concessions.

Another major contributing factor is tax devolution to States. The gross tax revenue collection was 36 per cent of the Budget. However, in order to assist the States in meeting ways and means difficulties, there were advance releases of share in Central taxes to some States. This resulted in release of 42 per cent of budgeted States' share against 36 per cent actual tax collection. Thus, there was excess devolution of Rs.5,235 crore over prorata share due to the States, based on actual tax collection. Had there been no occasion to make advance releases to States and the States' share been released in line with actual tax collection, the revenue deficit during April-September 2004 would have been lower by Rs.5,235 crore (as about 6.87 per cent).

To soften the impact of a continuous rise in international oil prices, post-Budget, the Government reduced the duties on crude and petroleum products twice in the current year, first in June and then in August. In June, excise duty on petrol was reduced from 30 per cent to 26 per cent, on diesel from 14 per cent to 11 per cent, and on LPG from 16 per cent to 8 per cent. In August, customs duty on petrol and diesel was reduced from 20 per cent to 15 per cent, and on kerosene and LPG from 10 percent to 5 per cent. Excise duty on petrol was reduced from 26 per cent to 23 per cent, on diesel from 11 per cent to 8 per cent, and on kerosene from 16 per cent to 12 per cent. To share the fiscal burden of reducing duties to contain the fall-out on inflation from rising prices of petroleum in the international markets, Government is seeking the cooperation of States in moderating domestic trade taxes on petroleum products at the State level. In August, Government also reduced customs duties on non-alloy steel and ships for breaking from 10 per cent and 15 per cent, respectively, to a uniform 5 per cent to check inflation in metals and metal products.

The *ad valorem* nature of duties, to some extent, will make up for the revenue loss from duty reduction. Nevertheless, there may be some shortfall in indirect taxes, especially excise revenue, because of the post-budget duty reductions. The overall target of tax collection envisaged in the Budget will, however, be helped by the education cess, and a step-up in collection under expanded service tax, securities transaction tax and estimated receipts from recovery of arrears of tax revenue. These revenues started flowing to the exchequer only after the Finance Bill was passed late in August 2004. Two special Task Forces for expediting collection of arrears of direct and indirect tax revenue were constituted only on August 10 and August 12, 2004, respectively. Salutary effect of these developments on revenue collections may, therefore, be discernible only in the second half of the financial year.

On expenditure side, the budget is likely to be under stress from demands for several additional expenditure commitments. In the midst of a large number of mutually canceling expenditure increases and decreases, which is a normal feature, there are two rather large demands for additional commitments that appear difficult to accommodate within the overall budgeted level of expenditure. These relate to (i) increased requirement of Government-funded supply of foodgrains for employment programmes such as National Food For Work Programme and Sampoorna Gramin Rozgar Yojana, due to expanded coverage including as part of calamity relief works (ii) increased requirement of fertilizer subsidy due to increase in the cost of inputs, especially petroleum-related feedstock. Essentially the commitments are on account of subsidies on food and fertilizers.

Continued and even stepped-up support to both consumers and producers has been a source of fiscal stress and an enduring concern in public expenditure management. Government is exploring ways and means of appropriately targeting and rationalising subsidy disbursements and sharing of calamity relief related expenditure with the States and finding additional savings in the expenditure budget. The National Institute of Public Finance and Policy (NIPFP) was asked to conduct a detailed study on subsidies. The draft report from NIPFP has been received by the Government and is under examination.

Quite often, the funds released by the Ministries/Departments to a large number of implementing agencies (e.g., State Governments, Autonomous Bodies and Central Public Sector Undertakings and even District level autonomous bodies) remain unspent for a period with the long chain of intermediaries. The Government has improved fiscal discipline in this regard and the Ministries have been advised to keep a close watch on the position of unspent balances available with the State Governments and implementing agencies, and to insist upon furnishing of utilization certificates for funds released earlier, wherever due under the rules, before releasing more funds. The Government is keen to encourage investment consolidation, i.e., priority to completion of ongoing projects and prevent parking or diversion of funds or indiscriminate advance payments. These steps are expected to deliver concrete benefits in the realm of expenditure management.

Under the FRBM Act and the National Common Minimum Programme, the Government is committed to elimination of revenue deficit by 2008-09. In a front-loaded fiscal correction path, the Government has targeted the revenue deficit as a proportion of GDP to be 2.5 per cent in BE2004-05 as against 4.1 per cent in BE2003-04 and 3.6 per cent in the revised estimates for 2003-04. The targeted reduction of 1.1 percentage point relative to the revised estimates for the previous year is significantly higher than the minimum 0.5 percentage points required under the FRBM Rules. The revenue deficit of Rs. 76,171 crore in BE2004-05 is substantially less even in absolute terms than the corresponding deficit of Rs.1,12,292 crore in BE2003-04. Government is committed to meeting the stiff targets prescribed under the FRBM Rules, 2004. While the cumulative impact of post-budget duty concessions and additional expenditure commitments could lead to some slippage in meeting the ambitious Budget targets of reducing revenue deficit, the targets under FRBM Rules are likely to be met. To ensure that there are no slippages from the targets under FRBM Rules, the Government has already initiated a number of corrective measures to tone up tax administration, contain growth of low priority expenditures, prescribe norms for dividend receipts from Central Public Sector Undertakings and improve fiscal discipline. The specific measures already taken by Department of Revenue and Department of Expenditure are detailed in Annex II and III, respectively.

Therefore, the Government's assessment as required under S.7(3)(b) of the Fiscal Responsibility and Budget Management Act, 2003, is that all necessary steps are being taken to ensure that the deficit targets envisaged in the Budget are substantially met. The supplementary demands for grants, which are separately being introduced in the current session of the Lok Sabha, are not likely to increase the fiscal deficit and the revenue deficit as matching savings in expenditure in normal course are expected to neutralize their effect. There is no necessity at this stage to take recourse to any reduction in budgeted outlays. Further remedial measures will be considered and taken as appropriate after the receipt of the report of the Twelfth Finance Commission.

vii. State finances

The Eleventh Finance Commission (EFC) had projected that States should progressively reduce their overall revenue deficit from 3.0 per cent of GDP in 1999-2000 to 0.6 per cent of GDP in 2003-04 (RE). As against the overall correction of 2.4 points of GDP envisaged by the EFC, States' revenue deficit has come down by only 0.2 percentage points of GDP by 2003-04. For the same period, EFC projected a reduction in the fiscal deficit by 1.8 percentage points. The fiscal deficit of States after coming down from 4.7 per cent of GDP in 1999-2000 to 4.1 per cent of GDP in 2002-03, has worsened to 5.1 per cent of GDP in 2003-04 (RE). The States' Fiscal Reforms Facility envisaged a reduction in the aggregate ratio of revenue deficit to revenue receipts of States by 25 percentage points during the period 2000-01 to 2004-05. The actual reduction in this ratio achieved by States is 4.3 percentage points upto 2003-04 (RE). Under the Medium Term Fiscal Reforms programme, an amount of Rs.4,917 crore was released to States till the end of September, 2004 out of the amount of Rs.10,608 crore earmarked.

Under the debt swap scheme, States have swapped Central loans bearing a coupon rate of over 13 per cent with low cost market borrowings and small saving loans. In the first six months of the current year, high cost Central loans amounting to Rs.29,341 crore were swapped with additional market borrowings of Rs.13,781 crore and small saving loans of Rs.15,559 crore. The total amount of high cost debt swapped from the inception of the scheme till September, 2004 is Rs.87,625 crore. In order to support the States in their fiscal consolidation efforts, the Budget for 2004-05 has proposed extension of the facility of debt swap scheme to high cost loans taken from NABARD and other agencies. The Budget also announced reduction of interest rate on Central Government loans to States from 10.5 per cent to 9.0 per cent from April 1, 2004.

III. PROSPECTS AND POLICY ISSUES

In its recently released Mid-Term Review of the Annual Policy Statement for the year 2004-05, the RBI has projected the economy to grow at a rate between 6.0 and 6.5 per cent for the current year. Even at a relatively lower growth rate of 6 per cent plus for the current year, India will continue to be one of the fastest growing economies of the world.

A less than abundant monsoon has pared expectations regarding farm sector growth, but confidence regarding the overall growth prospects of the economy has been strengthened by the resilience displayed by industry and services. Domestic industrial activity continues to remain buoyant and there are definite signs of a pick up in investment. The manufacturing sector has been particularly upbeat, and this is also reflected in the robust growth of non-POL imports during the year. The threat to price stability and structural reform of the petroleum sector from the unprecedented rise in global crude oil prices persists, but perhaps with reduced intensity.

i. Agriculture

Prospects for the rabi crop continue to remain favourable, thereby allaying apprehensions regarding a much lower level of agricultural output for the year because of lower kharif output. Foodgrain stocks on October 1, 2004 were 2.2 million tonnes higher than the buffer stock norms, indicating comfortable levels of food supplies.

Higher yields and diversification away from cereals to high-value and labour-intensive agriculture and allied activities holds the key to achieving sustained annual agricultural growth of 4 per cent or more. In this context, adequate credit to agriculture in time and at competitive market rates is critical for encouraging adoption of efficient agro-practices (such as use of high-yielding seeds and fertilizer), and enhancement of productivity.

The credit package announced and measures implemented in June-July 2004 should help to improve the agricultural credit environment. What is critical in this context is the recognition that there are enough profitable opportunities in agriculture that need to be seized and worked upon. There are about 47,000 branches of scheduled commercial banks including RRBs, and over one lakh outlets of cooperatives in rural and semi-urban areas. Inspite of this, the problem of building an adequate outreach system through a low-cost network remains. There is a paramount need for regulatory reforms to allow a better integration of micro-finance institutions such as Non-bank Finance Companies (NBFCs), trusts and not-for-profit Section 25 companies with the formal financial architecture. Developing the concept of agent-banking need to be considered and documentation for rural lending requires to be simplified.

Public sector banks have been advised by Indian Banks' Association to reduce their lending rate for agriculture to no more than 9 per cent per annum on crop loans up to a ceiling of Rs 50,000. The contradiction between adequate and timely credit on the one hand and cheap credit on the other, however, needs to be carefully considered before raising demand for any reduction in rates. Rather than relapsing to a regime of directed credit, the banks, particularly the public sector banks, should be provided with adequate incentives and encouragement to seek out profitable lending opportunities in agriculture. Reviving the rural cooperative credit system is important, and this has to be done without diluting prudential norms, creating any systemic risks, or jeopardizing the interest of the depositors.

Under the restructured Accelerated Irrigation Benefit Programme (AIBP) wihtin the intent to give priority to truly last mile projects, out of a total of 181 irrigation projects under AIBP, 37 major/medium projects have been identified for completion during 2004-05, and 46 during 2005-06. It is imperative to maintain this focus on last-mile projects to derive some returns from money already invested in long-gestation irrigation projects. Further, under the National Water Resources Development Scheme, it is important to start the pilot work on identified projects to repair, renovate and restore all water bodies linked directly to agriculture from January 1, 2005.

A longstanding problem in the farm sector has been the absence of a vibrant and competitive unified national common market for agriculture. Following the Model Act on Agricultural Marketing drafted by the Central Government and national consultations on January 7, 2004, 18 State Governments /UTs have initiated action for amending their State Agricultural Produce Marketing (Regulation) Acts. This critical area of agricultural reform needs a rapid translation of intentions into action in all States.

A medium-term strategy including the rationalization of the minimum support price (MSP) regime, introduction of other risk-mitigation measures, and strengthening research and development needs to be adopted and implemented vigorously. Substantial increase in the MSP of paddy and wheat, starting with the mid-nineties (MSP of paddy and wheat increased by Rs 100/q and Rs 170/q respectively during the three years 1997-98 to 1999-00), resulting in a huge mark-up in the procurement price of such crops vis-à-vis their C2 cost (all cost in cash and kind, including the imputed cost of family labour) led to excess build up of foodgrain stocks with the FCI, which in turn necessitated special measures for disposal of excess stocks of foodgrains. Excess stocks of foodgrains have subsidy implications in the form of carrying costs. Similarly, special measures to dispose of the excess stocks, which would invariably involve disposal below economic cost, have subsidy implications too. The quantum jump in food subsidy during the years 2000-01 to 2002-03 (with an annual growth of 28 per cent, 45 percent and 38 per cent in 2000-01, 2001-02 and 2002-03 respectively) was mainly due to the high carrying costs and disposal of foodgrains at prices much below the economic cost.

High MSP of paddy and wheat vis-à-vis the C2 cost of production is largely responsible also for excessive concentration on production of these two crops, because with relatively higher levels of productivity, farmers find it more profitable to produce paddy and wheat rather than oilseeds and pulses. Thus, if the objective of diversification of crops away from paddy and wheat is to be attained, there is not only need to keep the divergence between the MSP and C2 cost of such crops to the minimum, but also offer comparatively higher MSP to crops such as oilseeds and pulses vis-à-vis their C2 cost of production.

Thus, the need to keep the food subsidy to the minimum and the achievement of the objective of diversification in favor of pulses and oilseeds, call for a policy regime which would, on the one hand, restrict further increase in the MSP of principal cereals till the C2 cost of such cereals catches up with the corresponding MSP and, on the other hand, allow for gradual increase in the MSP of pulses and oilseeds till the return from such crops attains comparable level vis-à-vis the principal cereals. Simultaneously, it is important to resist the temptation of introducing MSPs for new products and increasing the MSPs on existing products exorbitantly and not to undermine the competitiveness of India as an agricultural exporter or affect the agriculture-industry terms of trade excessively.

The price policy announcement for various crops in recent years has been broadly in conformity with the aforesaid policy prescriptions. Although, the Government has not succeeded in freezing the MSP of paddy and wheat (which, per quintal are currently in excess of the C2 cost of production by Rs 29 for paddy and Rs 125 for wheat), the increase in the MSP of such crops has been kept at a modest level (of less than Rs.10 for wheat and Rs.20 for paddy per year) for the last three seasons. There is a need to continue with it.

ii. Investment

Investment as a proportion of GDP is low in India compared to China and many of the South East Asian countries, while requirements are considerably higher, particularly in infrastructure and industry. High growth rates cannot be achieved, and maintained, unless the level of investment in the economy increases significantly. Fiscal pressures have constrained larger deployment of public resources for capital expenditure. Enhanced investment will depend on augmentation of investible resources and creating a climate that encourages private initiative.

Government alone, even after fiscal consolidation and elimination of revenue deficit, will not be able to generate the required resources needed for adequate investment to support sustainable annual growth of 7-8 per cent. Thus, there is a need to increasingly involve the private sector and also attract foreign investment. The surplus in the current account of the balance of payments indicates that domestic investment is even less than the domestic savings rate, which itself is relatively low by East Asian standards. Corporate investment, which has been sagging for some time, has shown some signs of resurgence and needs to be encouraged by appropriate structural reforms.

The twin issues of insufficient investment and inadequate infrastructure are inextricably linked to each other. Inadequate infrastructure – for example, ports, roads and power – make investment in industry, particularly agro-processing, unattractive. On the other hand, infrastructure, even with the necessary reforms, cannot be improved without adequate investment. Public-private partnerships are becoming an increasingly important alternative to traditional public investment. However, this promising avenue will yield tangible results only with the necessary reforms in the system of user charges.

With acceleration in growth, domestic investment is likely to surpass domestic savings and result in a reversal of the current account surplus. Foreign investment will help in managing the balance of payments without incurring foreign debt. Furthermore, as the experience in China shows, foreign investment helps in improving technology, management and marketing practices and gaining access to lucrative export markets. There is a need for stepping up efforts to attract greater foreign investment through a review of policies and procedures. A beginning has been made by enhancing the FDI ceiling in civil aviation. However, the task of achieving larger foreign investment in most sectors, particularly key sectors like telecommunications, insurance and pension, remain. Rapid development of insurance and pension funds will not only add directly to a system of privately-paid social security, but also create a market for long-term funds, an essential ingredient for financing infrastructure with long repayment periods.

Creating an effective and integrated supply chain from the producer – the weaver, the farmer and the small and medium enterprises – to the consumer is critical for promoting rapid development of many sectors, particularly processed and semi-processed agro-products. In this context, the role that could be played by organized retail chains, including international ones, merits a careful consideration.

iii. Tax reform

Asian countries in general have low tax-GDP ratios compared to OECD countries. India's tax-GDP ratio is even lower than that in many Asian countries. Furthermore, while questions of quality as well as the appropriate composition of Central Government expenditure in India remain, given its relatively modest dimension by international standards, it is the even lower tax-GDP ratio that requires to be addressed to correct the persistent stress in Central Government finances. Revenue augmentation has to be accompanied by sound tax policy, procedures and practices. A number of expert bodies have gone into the issue of tax reforms and made important recommendations.

The commitment to lower customs duties to ASEAN levels to promote competitiveness of Indian industry remains. The consensus reached by States for shifting to a Value Added Tax (VAT) regime from April 1, 2005, will remove several distortions in the existing indirect tax system. Inclusion of a large number of services in the tax net, and the system of duty credit across goods and services, has partially removed the historic imbalance between goods and services in the domestic trade tax structure. Further measures, aiming to streamline taxes and broaden the tax base, which are in the pipeline, need to be implemented.

Rationalization of taxes on goods and services to usher in an integrated common market for the country is an NCMP goal that must be realized in a short span with the active participation of State Governments. Moderation and stability in rates, providing right kind of incentives for investment in particular and more efficient market behaviour in general, and expanding the tax base through expansion of services and removal of unsustainable and discretionary exemptions are the core areas for reform. A comprehensive review of the laws and procedures that underpin tax policy and administration needs to be undertaken to operationalize sound tax principles and practices.

iv. External sector

World crude oil prices have been trending higher since 2001, with annual average price rising from US$24 per barrel in 2001 to around US$29 per barrel in 2003. Crude oil price – the average of Brent, West Texas Intermediate (WTI), and Dubai — in the current year has averaged around US$37 per barrel in January-October 2004. While average price currently (November 2004) rules around US$42 per barrel, price of Dubai variety is lower at around US$35 per barrel and that of Brent around US$45 per barrel. India refines both sweet (Brent) and sour (Dubai) crude, and the spread between the two has started widening from July from around US$2-US$3 per barrel to around US$10 per barrel. According to the IMF, a permanent US$5 per barrel increase in crude oil prices adversely affects growth by 0.5 percentage points, inflation by 1.3 percentage points and the trade balance by 0.6 per cent after one year. The Indian economy is heavily dependent on imported oil and has high energy intensity. Oil prices remain an important determinant of the prospects of the Indian economy.

Crude oil prices continue to remain high owing mainly to a volatile combination of heightened demand, limited spare capacity and geopolitical threats to the existing capacity. The volatility in international crude oil prices constitutes a pressure point for imports. The trade deficit, which has been rising since 2000-01, is likely to be surpassed in the current fiscal. Furthermore, India's terms of trade suffer from a rise in crude prices. However, the current strength of the external sector provides considerable assurance about the sustainability of the balance of payments. Nevertheless, appropriate strategies need to be put in place to minimize the downside risks from volatility of international crude oil prices and to reduce the degree of vulnerability of the economy to such international price shocks.

The expiry of the Agreement on Textiles and Clothing (ATC) at the end of 2004 would end a historical anomaly in the world trading system. It will put textiles and clothing on the same footing as other industries under the WTO. Both developed and developing countries stand to gain substantially from removal of tariff quotas and liberalization of trade in textiles and clothing. However, these gains will be compromised if new barriers emerge. Most studies point to significant gains, post ATC, for China and India. However, it is imperative that necessary domestic policy reforms are pursued and capacity is augmented through adequate investments in the textile sector to meet the substantial additional demand and reap the full benefits of the new regime.

v. Infrastructure

In the area of roads, the continued success of the NHAI in implementing the Golden Quadrilateral, and the East-West and North-South Corridors is expected to steadily enlarge the set of high quality four-lane highways in the country. These will be supplemented by additional projects implemented with viability-gap funding. The full Mumbai-Delhi stretch is nearing completion, which will necessitate a shift from road construction to the maintenance functions, and to the goal of maximizing throughput of the new roads. In the area of ports, recent events at JNPT have highlighted the need for synchronous development of ports and airports on the one hand, and the complementary infrastructure such as roads and railways. These improvements in roads and ports will have a sustained impact upon the viability of labour-intensive manufacturing exports from India.

In the area of telecom, continued progress towards a competitive industry is taking place with very high growth rates and competition between multiple vendors. There has been a considerable focus on the question of “access deficit charge”, which is imposed on other telecom vendors and paid to Bharat Sanchar Nigam Limited (BSNL). The issue of the most efficient and cost-effective way of providing telephone services in remote villages and subsidizing such services remains to be addressed satisfactorily. There is also a need to initiate a revolution in broadband Internet connectivity, comparable to what has been achieved in voice telephony. This is particularly important not only for e-education but also for business process outsourcing – a fast growing sector in India. Rapid progress in this sphere is dependent on the availability of the last-mile connection at competitive prices.

In the area of electricity, there has been a continued focus on the attempt at modernizing distribution in New Delhi. The “unscheduled interchange” (UI) market – which penalizes buyers for unplanned off-take of electricity from the grid and rewards suppliers for meeting such unplanned off-take – has helped improve grid discipline. However, there are many hurdles which are holding back the UI market from being a true spot market for electricity.

Development of quality international airports at Mumbai, Delhi, Hyderabad and Bangalore has been initiated. This together with liberalization of bilateral entitlements of landing rights need to be expedited. This is particularly important to maintain the momentum gained recently in the arrival of international tourists into India. It is expected that selective progress will be made towards an open-skies policy. These developments will help strengthen India’s air links to the world and help drop the costs of airline travel.

vi. Structural reform

The process of economic reforms is being strengthened, broadened and deepened for stimulating growth and investment, generating sustainable employment opportunities and reducing poverty. Given the paucity of domestic resources in meeting the large investment requirements for attaining sustained high growth, foreign direct investment (FDI) policies have been further liberalized in key sectors, like civil aviation, telecom and insurance. Investment ceilings for foreign institutional investors (FIIs) in debt funds have been raised, along with simplifications in registration and operational procedures. The Securities Contracts (Regulation) Act, 1956, has been amended for enabling small and medium enterprises to mobilize resources from the capital market. The process of dereserving items from the list reserved exclusively for manufacture by small industries has been pruned further by deleting eighty-five items.

Continuing the move from administered to market-determined prices for petroleum products, while minimizing the adverse impact of rising petroleum product prices on overall inflation and on the common man, through a combination of judicious macroeconomic management and careful calibration, will continue to be a challenge. Too fast a move may destabilize expectations regarding inflation. Too slow a move may build up resistance to price adjustments, affect profitability of public sector oil companies and wreck their balance sheets.

Several reforms are being undertaken in agriculture, physical infrastructure, and taxation, for enhancing growth and investment. The cooperative credit system for agriculture is being thoroughly examined for identifying the necessary areas of reforms. Efforts are on to create a common market for agricultural produce in the country. The encouraging growth in commodity futures trading witnessed in recent months needs to be sustained and nurtured within a modern and sound regulatory architecture. In infrastructure, significant steps have been taken for augmenting capacities at ports by involving private initiative. The establishment of a regulatory framework for the pension sector in the country will create new avenues for mobilization of long term funds for investment in infrastructure.

One of the major concerns that need to be addressed for carrying forward fiscal consolidation is reform of the present subsidy regime. The report on targeting subsidies to the truly poor and needy, a commitment under the NCMP, is being finalized. Many independent reviews of the subsidy on domestic fuel – LPG and kerosene – have clearly established that despite their attractiveness through subsidization and being cleaner fuels, they have not had significant impact in weaning rural households from dependence on free bio-mass. A UNDP report on "Indian access of the poor to clean household fuels" (July 2003) has established that about 90 per cent of rural households and 33 per cent of urban households continue to use free bio-mass as fuel and that subsidization of the kerosene and LPG as primary cooking fuel has not advanced the objectives for which these interventions were commenced. Further, such untargeted subsidies violate the canons of equity. The income transfer is primarily to the non-poor, and not to the destitute and poorest of the poor.

In conclusion current trends, particularly in industry, exports and credit, indicate a continuation of broad-based growth momentum. The double-digit year-on-year growth rate in the index of capital goods production in each of the first six months of the current year, and over 8 per cent growth in manufacturing in five out of the first six months augur well for the economy. The stress on agricultural diversification is critical not only for directly benefiting the large majority of the people dependent on agriculture but also to benefit the industrial revival through forward and backward linkages. There is need for focused attention on the twin issues of insufficient investment and inadequate infrastructure. Reinforcing the encouraging trends observed in the first half of the current year and minimizing the downside risks from high and volatile petroleum and metal prices call for sustained efforts to further structural reforms and to continue with the already charted path of fiscal consolidation.

Annex I

Progress of select reform measures announced in Union Budget (2004-05)

	Measures	Status of implementation
1.	Expanding the coverage of the ongoing Antodaya Anna Yojana (AAY) scheme from 1.5 crore Below Poverty Line (BPL) families to 2 crore families.	Implemented.
2.	Commencing work on the National Employment Guarantee Act for providing legal guarantee to at least 100 days employment for one able-bodied member in poor families.	A draft Bill is under consideration and will soon be placed before the Cabinet for approval.
3.	Strengthening micro-finance initiatives by credit-linking 5.85 lakh Self-Help Groups (SHGs) through NABARD, SIDBI, banks and other agencies, during the period 1.4.2004 to 31.3.2007.	As on September 30, 2004, against a target of 1.85 lakh SHGs for the current year, 86,377 SHGs have been credit-linked with bank loans totalling Rs 110 crore.
4.	Levying a cess @ 2% on both direct and indirect taxes for funding basic education to children.	Implemented.
5.	Upgrading 500 industrial training institutes (ITIs) in the country over the next five years, covering 100 ITIs every year.	It has been decided to upgrade 100 ITIs with domestic resources and the remaining with multilateral assistance. With regard to domestic resources, the funding pattern will be 3:1 between the Centre and States. The various ITIs to be covered with domestic funding have already been allocated among different States/UTs.
6.	Removing the collateral requirement imposed by commercial banks on educational loans upto Rs 7.5 lakh.	Implemented.
7.	Redesigning the Universal Health Insurance Scheme (UHIS) for specifically benefiting the BPL population.	The redesigned scheme with revised lower premia has come into force from 20th September, 2004.
8.	Launching a new Group Health Insurance Scheme through public sector non-life insurance companies for SHGs and other credit-linked groups (CLGs) availing of loans from banks or cooperative credit institutions.	A draft 'Swasthya Bima Policy' has been filed with the IRDA by all four public sector general insurance companies and will be launched upon IRDA's approval.
9.	Initiating bold and determined efforts to achieve zero-level growth of HIV/AIDs.	Specific measures have been initiated in addition to the ongoing initiatives under the National Aids Control Programme. 215 sentinel sites have been established for tracking the progress of the HIV epidemic across the country. Focused activities aiming to promote safe sex practices have been undertaken. The electronic, print and folk media are being actively utilized for building awareness.

(Annex continued)

	Measures	Status of implementation
10.	Entrusting regional rural banks (RRBs) the responsibility of enhancing the flow of agricultural credit and asking the sponsors of RRBs to monitor the progress in this regard.	Relevant instructions issued on 19th July 2004.
11.	Setting up a Task Force for examining the reforms required in the cooperative banking system.	A Task Force has been set up for recommending an implementable action plan. The report of the Task Force is expected very soon.
12.	Restructuring the Accelerated Irrigation Benefit Programme (AIBP) by giving priority to last mile projects that can be completed by March 2005, and also taking up projects that can be completed by March 2006 in the current year.	37 major/medium projects have been identified for completion during 2004-05, and 46 projects during 2005-06, out of a total of 181 irrigation projects receiving Central Loan Assistance under AIBP.
13.	Reviving the Rural Infrastructure Development Fund (RIDF) with a corpus of Rs 8,000 crore for the year 2004-05.	Implemented.
14.	Drawing up a National Water Resources Development Scheme, aiming to repair, renovate and restore all water bodies linked directly to agriculture.	Guidelines have been prepared and sent to all States, requesting project proposals for preparation of the pilot scheme. The pilot works are expected to begin from 1st January 2005.
15.	Launching a nationwide water harvesting scheme covering one lakh irrigation units at an average cost of Rs 20,000 per unit for SC/ST farmers.	Implemented with an outlay of Rs 200 crore and a central subsidy of Rs 100 crore.
16.	Launching a national horticulture mission with the aim of doubling horticulture production in the country by 2011-12.	A detailed project report has been prepared and will soon be placed before the Cabinet for approval.
17.	Circulating a model law for creating a common market for agricultural produce in the country.	The model law, drafted by the Ministry of Agriculture, has been discussed with all States. The States have agreed to amend the APMC Acts on the lines suggested in the model law. Many States have already initiated legal and administrative action in this regard.
18.	Introducing a weather insurance scheme (WIS) in addition to the existing farm income insurance scheme for mitigating risks to agriculture and livestock.	A weather insurance scheme, titled the 'Varsha Bima Yojana', has been introduced on a pilot basis in selected districts of Andhra Pradesh, Karnataka, Rajasthan and Uttar Pradesh, for kharif 2004.
19.	Setting up an inter-institutional group (IIG) of financial institutions for speedy conclusion of loan agreements and implementation of infrastructure projects.	An inter-institutional group of financial institutions, comprising IDBI, IDFC, ICICI Bank, SBI, LIC, Bank of Baroda and Punjab National Bank has been constituted.
20.	Bringing all drinking water schemes under the umbrella of the Rajiv Gandhi Drinking Water Mission.	Implemented.

(Annex continued)

Measures	Status of implementation
21. Establishing a special purpose vehicle for raising funds for the Sethusamudram Ship Canal Project.	The Tuticorin Port Trust has been awarded the contract for preparing a detailed project report on the Sethusamudram Ship Canal Project. The report is expected to be finalized very soon.
22. Facilitating the construction of an international container transshipment terminal at Vallarpadam in Kochi port on Build-Operate-Transfer (BOT) basis.	Ms Dubai Ports International has been awarded the contract for developing the terminal on BOT basis for a period of thirty years.
23. Reducing refinance rates of the National Housing Bank (NHB) by 50 basis points for accelerating growth in rural housing.	Implemented.
24. Setting up an Investment Commission with the objective of augmenting domestic and foreign investment in India.	Implemented.
25. Establishing a National Manufacturing Competitiveness Council for energizing and sustaining the growth of manufacturing enterprises in India.	Implemented.
26. Enhancing FDI ceiling in civil aviation from 40 per cent to 49 per cent.	Implemented.
27. Simplifying registration and operation procedures for FIIs.	SEBI has reduced the turnaround time for processing FII applications from 13 working days to 7 working days, except for banks and their subsidiaries.
28. Raising the investment ceiling for FIIs in debt funds from US$1 billion to US$1.75 billion.	Notified.
29. Enabling small and medium enterprises to raise equity and debt from the capital market by creating an alternate trading platform.	The Securities Contracts (Regulation) Act, 1956, has been amended through an ordinance for enabling small enterprises to raise resources from the capital market. New platform will be operational with effect from October 12, 2004.
30. Initiating steps for integrating the commodities and futures markets.	A Cabinet Note, based on the recommendations of the Working Group on Convergence of Commodities and Securities markets, is being prepared.
31. Constituting an inter-ministerial committee for liberalizing FII investment limits in certain specified sectors.	A committee, constituted for identifying the sectors in which FII investments will not be subject to sectoral limits for FDI, has submitted its report to the Government. Report is under consideration.
32. Dereserving 85 items from the list of items reserved for exclusive manufacture by the small scale sector.	Implemented.

(Annex continued)

Measures	Status of implementation
33. Disinvesting approximately 5 per cent Government equity in the National Thermal Power Corporation (NTPC).	Implemented.
34. Setting up a Board for reconstruction of public sector enterprises.	Implemented.
35. Evolving a formula for determining the compensation for loss of revenue for States after their transition to VAT.	It was decided in the 10th meeting of the Empowered Committee of State Finance Ministers that the Central Government will compensate States on account of loss of revenue, if any, after the introduction of VAT on the basis of a formula evolved for the purpose. The compensation will be 100 per cent of estimated loss in 2005-06, 75 per cent in 2006-07 and 50 per cent in 2007-08.
36. Introducing a suitable legislation for providing a regulatory framework for the 'defined contribution' pensions scheme introduced from 1st January 2004.	The Cabinet has approved an ordinance for establishing a statutory Pension Fund Regulatory and Development Authority (PFRDA). Bill under preparation.
37. Introducing a new 'senior citizens savings scheme' offering an interest rate of 9% per annum.	Implemented.
38. Reducing the interest on loans given by the Central Government to the States from 10.5 per cent to 9 per cent.	Implemented.
39. Commissioning a blue-print from the National Institute for Public Finance and Policy (NIPFP) on effective targeting of subsidies.	The NIPFP has submitted a draft report, which is currently being examined.

Annex II

Measures taken by the Government to tone up tax administration and improve tax collections

Direct taxes - Legislative Measures

a. Tax deduction at source on compensation paid on acquisition of property other than agricultural land.
b. Tax Collection at Source on amounts payable in respect of parking lot and toll plaza auctions and for mining/ quarrying leases.
c. Obligation to furnish Annual Information Return of specified transactions above specified limits.
d. Tax deduction at source on contract payments even if split into smaller payments.
e. No set-off of business loss against salary income.
f. No deduction to be allowed of an expense if tax not deducted at source.
g. Taxation of gifts above Rs.25,000/- from un-related persons.
h. Prosecution for abetting evasion of tax through falsification of books of accounts/ documents.
i. Disallowance of loss in securities transaction created through dividend/ bonus stripping.
j. Minimum Alternative Tax (M.A.T.) on infrastructure capital companies.
k. Tonnage Tax on shipping companies.

Direct taxes - Administrative Measures

1. Constitution of a Task Force to develop and implement multi-pronged strategy for effecting substantial recovery from arrears of direct taxes.
2. Monitoring of advance tax payments by top taxpayers by the senior officers of the Department.
3. Emphasis on collection out of arrears of taxes and monitoring of the cases of top defaulters by the senior officers of the Department.
4. Review of assessment orders by the supervisory authorities to ensure proper and fair determination of taxes.
5. Selection of cases under scrutiny based on objective financial indicators.
6. Computerization of the Departmental business processes and databases for linking of information and reporting of high value transactions.
7. Encouragement to voluntary tax-compliance through better taxpayers service through

- time-bound refunds including electronic credit of refund in the taxpayer’s bank account (ECS),
- quick grievance-redressal system including call-centre support for PAN related grievances,
- e-filing of PAN application, on-line preparation of return, efiling of returns.
- simplification of TDS returns, forms and procedures.
- Dematerialization of tax-payment *challans* and simplification of procedure for payment of tax through implementation of Online Tax Accounting System (OLTAS).

8. Multi-media campaign to encourage voluntary compliance of tax laws.
9. Increased efforts for widening of the tax base.

Customs

- ❑ Expediting clearance of imported goods which have already been assessed, but not cleared.
- ❑ Expeditious adjudication and disposal of unconfirmed demands
- ❑ Recovery of arrears of revenue free from any restraint. In cases involving significant revenue where recovery has been stayed, action to be initiated to vacate the stay orders and for early hearing of such cases.
- ❑ Finalisation of provisional assessments
- ❑ Verification of compliance with end-use conditions wherever end-use based exemptions have been claimed, and enforcement of bonds/bank guarantee where compliance has not been reported with time limits prescribed.

- Monitoring of export obligations under the export promotion schemes. Enforcement of bank guarantees or other security wherever the obligations have not been complied with.
- Faster completion of pending investigations for issue of show cause notices.
- Special watch for abnormal variations in unit values, with a view to checking under valuation of imported goods and over valuation of exported goods under any export promotion scheme.
- Follow-up action on audit paras involving significant amounts of short levy.
- Action to be taken for recovery in cases where orders have already been issued by the Settlement Commission.

Central Excise

(i) Regular monitoring of revenue trends from the level of range offices in the field up to the Chief Commissioner/ Board's office.

(ii) A watch on production and clearance trends of top 20 revenue yielding commodities.

(iii) A watch that the proportion of lower rated or exempt items are not over-declared.

(iv) Monitoring of defaulters of monthly payment of duty.

(v) A broad correlation between receipt and utilization of principal raw materials and production to guard against misuse of CENVAT facility as also suppression of production and clearances.

(vi) Regular review of CENVAT credit availment and utilization trends and follow up action in cases of any disproportionate CENVAT availment.

(vii) Ensuring that there is no mis-declaration or misuse regarding availment of conditional exemptions.

(viii) A watch on generation of byproducts and wastes/ scraps/ rejects to ensure that no dutiable items escape the payment of duty.

(ix) More scientific working of anti-evasion parties with better cultivation of informers, collection of intelligence and proper targeting of delinquent units including 100% EOUs etc.

(x) Identification of commodities and assesses with reference to different modes operandi like suppression of production, clandestine removals, misuse of CENVAT credit and mis-declaration of assessable values for focused enforcement.

(xi) The effective implementation of the current internal audit scheme with constant improvement in the quality of audit.

(xii) The ranges, divisions, anti-evasion parties and internal audit parties to work in harmony for achieving the common goal of combating evasion and positive guidance to all bonafide assesses.

(xiii) Senior officers to frequently interact with important assesses and trade associations so that genuine taxpayers may be helped and tax compliance enhanced.

(xiv) Through frequent inspections or visits to the lower formations, the senior officers are required to regularly assess the performance and get the deficiencies removed. Chief Commissioners to also monitor such visits and the results achieved.

(xv) Expeditious finalization of pending appeals with Commissioner (Appeals), adjudication and provisional assessments.

(xvi) Priority to be given to cases with higher revenue implications and older cases.

(xvii) Effective handling of appeals before courts and Tribunal as also applications before the Settlement Commission.

(xviii) The targets for recovery of arrears of revenue assigned to each zone under the Chief Commissioners. A multi-pronged action plan for recovery as per the enclosed note is being implemented. A Task Force under a Chief Commissioner of Delhi and six nodal Commissioners all over the country created for effective action in this behalf.

(xix) Risk based scrutiny of monthly/ quarterly returns by range officers. Addl./Jt. Commissioners to scrutinize the returns of the assesses which pay duty above Rs.5 crore per annum over 6 months. Similar scrutiny for units paying duty between Rs.1 crore and Rs.5 crore to be done by Dy./Asstt. Commissioners.

Annex III

Guidelines on expenditure management - Fiscal prudence and austerity

"Guidelines on expenditure management - Fiscal prudence and austerity" were issued to all Ministries/ Departments by the Ministry of Finance detailing a number of measures effective from October 1, 2004 to reduce relatively low priority expenditure and boost non-tax revenues. These are summarized below:-

- All on-going programmes and schemes, both Plan and non-Plan, should be carefully scrutinized by the end of this calendar year to determine their continued relevance.
- Financial Advisers should personally ensure that unauthorized expenditure above the prescribed budgetary ceilings is not incurred in any circumstances.
- It should be ensured that all profit-making PSEs declare a minimum dividend on equity of 20 per cent or a minimum dividend pay out of 20 per cent of post-tax profits, whichever is higher. The minimum dividend pay out in respect of Oil, Petroleum, Chemical and other infrastructure sectors should be 30 per cent of post - tax profits and all profit making companies must also consider issuing bonus shares to the Government
- All profit making Joint Venture companies should be asked to make concerted efforts to give a dividend of 20 per cent on Government equity holding;
- Other non-tax receipts should be revised so that at least the cost of the services is recovered.
- Timely repayment of loans provided by the Government to the PSUs and payment of fees/ charges on Government Guarantees should also be monitored by the FAs.
- Ministries/Departments have already been put on notice that in view of the severe constraints on resources, additional funds shall not be provided at the revised estimate stage, except in rare and exceptional circumstances.
- There have been cases of Ministries releasing funds to autonomous bodies year after year, despite the fact that there are substantial balances with them remaining unutilised and kept in deposit with the banks. . The Ministries should complete a detailed review of all such cases by 31.10.2004 and, pending such a review, the Ministries are advised not to release funds in such cases.
- Most autonomous bodies are given 100 per cent deficit grants. These shall be reduced in a graded manner by 5 per cent in successive years, i.e. to 95 per cent in the first year, 90 per cent in the second year and so on, in respect of such bodies which have the potential of raising resources.
- There shall be a mandatory 10 per cent cut in the budgetary allocation, for non-plan, non-salary expenditure, including OTA/ honorarium. No re-appropriation of funds to augment these heads of expenditure would be allowed. Austerity must be reflected in furnishing of offices/ offices at residences. The expenditure limit prescribed for these purposes shall be strictly enforced.
- Utmost economy should be exercised in use of staff cars and other official vehicles. There shall be a 10 per cent cut in the consumption and allocation of funds for expenditure on POL and travel.
- Foreign travel should be restricted to unavoidable official engagements. There shall be a ban on foreign travel for Study Tours, Seminars, Workshops etc. funded by the Govt. of India except for certain specified purposes.

- The rate of per diem allowance for travel abroad to all countries and for all categories, officials/ non-officials belonging to Government, autonomous institutions and PSUs shall continue to be depressed by 25 per cent as at present.
- Utmost austerity will be observed in organizing conferences! seminars/workshops. All grants being given for such purposes would be reviewed by Department of Expenditure.
- Every Ministry/Department shall undertake a review of all the posts which are lying vacant in the Ministry/Department and in the Attached and Subordinate Offices, in consultation with the Ministry of Finance (Department of Expenditure). FAs will ensure that the review is completed in a time bound manner (and, in any event, not later than 31.10.2004) and full details of vacant posts in their respective Ministries etc., are available. Till the review is completed, no vacant posts shall be filled up except with the approval of the Ministry of Finance (Department of Expenditure).
- Implementation of existing instructions concerning abolition of posts should be ensured.

Purchase of new vehicles is banned until further orders. Exceptions will be allowed only for meeting the operational requirements of Defence, Central Para Military Forces, etc. New vehicles shall not be purchased even in replacement of condemned vehicles, Hiring of private vehicles from outside shall be limited to the number of vehicles condemned.

Appendix Table-I

Key Indicators

Items	(absolute values) 2002-03	2003-04	Apr-Sept 2003-04	Apr-Sept 2004-05	(percent change) 2002-03	2003-04	Apr-Sept 2003-04	Apr-Sept 2004-05
1. GDP (at factor cost) (Rs.'000 crore)								
(at current prices)	2249.5 (Q)	2523.9 (R)	576.5(Q1)	647.4(Q1)	7.6(Q)	12.2 (R)	10.1 (Q1)	12.3 (Q1)
(at 1993-94 prices)	1318.3 (Q)	1426.7 (R)	327.8 (Q1)	352.1(Q1)	4.0 (Q)	8.2 (R)	5.3 (Q1)	7.4 (Q1)
2. Agriculture and allied sector (Rs.'000 crore) (at 1993-94 prices)	289.4 (Q)	315.6 (R)	72.2 (Q1)	74.6 (Q1)	-5.2 (Q)	9.1 (R)	0.1 (Q1)	3.4 (Q1)
3. Index of Industrial Production (IIP)	176.6	188.8	180.2	194.4	5.7	6.9	6.2	7.9
4. Electricity generated (in billion kwh)	534.0	558.1	269.9	291.1	3.6	4.5	3.0	7.8
5. Wholesale price index (point-to-point)	172.3	180.3	176.1 @@	189.1*	6.5	4.6	5.1 @@	7.4 *
6. Consumer price Index (for industrial workers)	487	504	499 ***	523 **	4.1	3.5	2.9 ***	4.8 **
7. Money Supply (M3) (Rs.'000 crore)	1718.0	2003.1	1872.1@	2132.7@ (2129.1)	14.7	16.6	11.8 #	13.9 # (13.7)
8. Imports at current prices (in Rs. Crore)	297,206	353,976	160,764	211,374	21.2	19.1	15.8	31.5
(in US $ million)	61,412	77,032	34,555	46,404	19.4	25.4	21.4	34.3
9. Exports at current prices (in Rs. Crore)	255,137	291,582	126,164	153,771	22.1	14.3	3.7	21.9
(in US $ million)	52,719	63,454	27,133	33,750	20.3	20.4	8.8	24.4
10. Foreign currency assets (in Rs. Crore)	341,476	466,215	401,872 $	525,632 $	37.07	36.53	35.59	30.80
(in US $ million)	71,890	107,448	88,674 $	115,651 $	40.83	49.46	44.83	30.42
11. Exchange rate ~ (Rs./US $)	48.40	45.95	46.37 $	45.57 $	-1.47	5.33	4.95	1.75

Q: Quick estimate; Q1: April-June; R: Revised estimate; *: As on October 23, 2004; **: For September 2004; ***: For September 2003; @: As on November 14, 2003 and November 12, 2004 (Figures within brackets are exclusive of conversion of non-banking entity in to banking entity); @@: As on October 25, 2003; ^: As on October 31; #: Annual variation $: End-October, 2003 and 2004. ~: Per cent change indicates the appreciation (+)/depreciation (-) of the Rupee vis-à-vis the US Dollar.

Appendix Table-II

Balance of Payments : Summary
(Quarterly)

(in US$ million)

	2003-04				2004-05
	Apr-Jun (pr)	**Jul-Sep (pr)**	**Oct-Dec (pr)**	**Jan-Mar (pr)**	**Apr-Jun (p)**
1. Merchandise	-5565	-3794	-4625	-1470	-6274
2. Invisibles	4929	6621	7240	7225	8178
a. Services	999	727	3360	1505	3193
b. Transfers	4871	6553	6081	5891	5339
c. Income	-941	-659	-2201	-171	-354
Current A/c(1+2)	**-636**	**2827**	**2615**	**5755**	**1904**
3. Foreign investment	2097	3025	4992	4662	1317
a FDI	721	889	881	929	1235
b. Portfolio	1376	2136	4111	3733	82
4. Loans	960	1036	-4854	10	2847
a Ext.asst	-339	123	-1584	-942	72
b Comml.borrowings	388	-221	-3591	1898	1165
c Short term credit	911	1134	321	-946	1610
5. Banking capital	1931	300	3620	380	1120
6. Rupee debt service	-301	-2	-1	-72	-277
7. Other capital	1334	1185	1230	-990	554
Capital A/c(3+4+5+6+7)	**6021**	**5544**	**4987**	**3990**	**5561**
8 Errors&Omissions	79	221	-308	326	59
Overall balance	**5464**	**8592**	**7294**	**10071**	**7524**
Forex reserves(+/-)	**-5464**	**-8592**	**-7294**	**-10071**	**-7524**

Note: (+) implies decrease and (-) implies increase in reserves
PR: Partially revised; P: Preliminary
Source : RBI Bulletin, October 2004

Appendix Table-III

MONETARY SURVEY

Items	Outstanding balances(Rs. crore)				per cent variations			
	2002-03	2003-04	Nov. 14,2003	Nov. 12, 2004	2002-03	2003-04	Financial Year[$]	
							Nov. 14,2003	Nov. 12, 2004
1	2	3	4	5	6	7	8	9
I. Broad Money (M_3)	**1717959**	**2003102**	**1872074**	**2132679** (2129111)	**14.7**	**16.6**	**9.0**	**6.5** (6.3)
Components of Broad Money (i+ii+iii)								
i) Currency with public	271581	315493	299324	347810	12.8	16.2	10.2	10.2
ii) Aggregate deposits	1443136	1682490	1569470	1778215 (1774646)	15.0	16.6	8.8	5.7 (5.5)
iii) Other deposits	3242	5119	3280	6654	13.8	57.9	1.2	30.0
Sources of Broad Money (II+III+IV-V)	**1717959**	**2003101**	**1872074**	**2132679**				
II. Net bank credit to government (i+ii)	**676523**	**745498**	**724780**	**748258 (736065)**	**14.7**	**10.2**	**7.1**	**0.4 (-1.3)**
i) RBI credit to government	120679	44907	64353	30737	-20.7	-62.8	-46.7	-31.6
ii) Other bank credit to government	555844	700591	660427	717521 (705328)	27.1	26.0	18.8	2.4 (0.7)
III. Bank credit to commercial sector (i+ii)	**898980**	**1017902**	**938203**	**1178205 (1145523)**	**18.3**	**13.2**	**4.4**	**15.7 (12.5)**
i) RBI credit to commercial sector	3048	2061	2075	2409	-48.6	-32.4	-31.9	16.9
ii) Other bank credit to commercial sector	895932	1015841	936128	1175796 (1143114)	18.9	13.4	4.5	15.7 (12.5)
IV. Net foreign exchange assets of the banking sector	**393715**	**526586**	**457605**	**594593**	**26.6**	**33.7**	**16.2**	**12.9**
V. Other items net	**251259**	**286885**	**248514**	**388377**	**55.2**	**14.2**	**-1.1**	**35.4**
Memorandum items.								
1. NDA	1324244	1476516	1414469	1538086	11.5	11.5	6.8	4.2
2. GDP at current market prices	2469564	2772194	2469564	2772194	8.2	12.3	-	-
3. Reserve money	369061	436512	382556	458605	9.2	18.3	3.7	5.1
4. Money multiplier	4.65	4.59	4.89	4.65	-	-	-	-
5. Velocity of money	1.54	1.49	-	-	-	-	-	-
6. Total flow of funds to commercial sector#	772589	893810	810101	1020092 (987410)	25.3	15.7	4.9	14.1 (10.5)
7. All India financial institutions assistance sanctions	39621	63689	22857	20666	-49.8	60.7	-42.3	-67.6
8. All India financial institutions assistance disbursed	33259	40440	10366	10448	-47.9	21.6	-68.8	-74.2

Notes: # Includes scheduled commercial banks non-food credit and investments in shares, debentures, bonds, commercial papers, etc.

$ Percentage variations are over the outstanding level of M3 at end-March of the respective year.
Figures within brackets are exclusive of conversion of non-banking entity into banking entity.

Appendix Table-IV

PERFORMANCE OF INFRASTRUCTURE SECTOR (PER CENT)

Industry		Weight	2001-02	2002-03	2003-04	April-September 2003-04	April-September 2004-05
I.	**Core infrastructure industries**						
i.	Electricity generation	10.2	3.1	3.6	4.5	3.0	7.8
	a. Thermal (incl. Nuclear)		2.5	6.5	3.0	3.0	5.3
	b. Hydro		-0.7	-13.8	15.6	2.8	23.0
ii.	Coal	3.2	4.2	4.6	5.1	4.1	6.6
iii.	Steel	5.1	3.6	10.1	6.9	11.9	3.0
iv.	Crude oil	4.2	-1.2	3.2	1.0	-1.5	4.2
v.	Refinery throughput	2.0	3.7	4.9	8.2	6.1	7.4
vi.	Cement	2.0	7.4	8.8	6.1	5.6	4.8
Average growth		26.7	3.5	5.6	5.4	5.4	5.7
II.	**Transport and Communication**						
1.	Cargo handled at major Ports		2.3	9.0	9.9	6.6	9.8
2.	Railway revenue earning freight traffic		4.0	5.3	7.5	7.5	6.9
3.	Civil aviation						
	a. Export cargo handled		4.1	13.3	1.0	-0.2	9.5
	b. Import cargo handled		-1.0	18.6	13.8	6.4	33.6
	c. Passengers handled at international terminals		-5.0	4.8	6.5	2.7	16.4
	d. Passengers handled at domestic terminals		-5.7	9.6	13.1	9.9	25.8
4.	Telecommunications						
	a. Net switching capacity		-2.6	-35.6	-59.4	49.4	11.6
	b. Telephone connectioins (Fixed and Cellular)		23.9	21.5	40.0	155.6	0.6

Source: *1. Ministry of Statistics & Programme Implementation.*

2. Ministry of Commerce & Industry.

Appendix Table-V

ACCOUNTS AT A GLANCE

	Budget Estimates 2004-05	ACTUALS Upto 09/2004	COPY	Percentage to BE Upto 09/2004	COPY	5 Years Moving overage
	Rs. in crore					
1. Revenue Receipts	**3,09,322**	**1,06,507**	**93,998**	**34.4%**	**37.0%**	**37.4%**
2. Tax Revenue (Net)	2,33,906	77,860	65,057	33.3%	35.3%	34.7%
3. Non-Tax Revenue	75,416	28,647	28,941	38.0%	41.5%	43.9%
4. Capital Receipts (5+6+7)	**1,68,507**	**89,066**	**1,23,103**	**52.9%**	**66.6%**	**49.2%**
Non Debt Capital Receipts	**31,100**	**35,831**	**42,089**	**115.2 %**	**134.8%**	**49.4%**
5. Recovery of Loans	27,100	35,639	40,991	131.5%	227.4%	80.3%
6. Other Receipts	4,000	192	1,098	4.8%	8.3%	8.1%
7. Borrowings and other liabilities	**1,37,407**	**53,235**	**81,014**	**38.7%**	**52.7%**	**49.6%**
8. Total Receipts (1+4)	**4,77,829**	**1,95,573**	**2,17,101**	**40.9%**	**49.5%**	**42.0%**
9. Non-Plan Expenditure	**3,32,239**	**1,42,299**	**1,70,211**	**42.8%**	**53.6%**	**43.1%**
10. On Revenue Account	2,93,650	1,31,716	1,29,547	44.9%	44.8%	42.0%
of which						
11. Interest Payments	1,29,500	55,399	51,806	42.8%	42.0%	40.4%
12. On Capital Account	38,589	10,583	40,664	27.4%	143.0%	53.8%
13. Plan Expenditure	**1,45,590**	**53,274**	**46,890**	**36.6%**	**38.8%**	**39.3%**
14. On Revenue Account	91,843	34,742	29,878	37.8%	38.9%	39.0%
15. On Capital Account	53,747	18,532	17,012	34.5%	38.5%	39.8%
16. Total Expenditure (9+13)	**4,77,829**	**1,95,573**	**2,17,101**	**40.9%**	**49.5%**	**42.0%**
17. Revenue Expenditure (10+14)	3,85,493	1,66,458	1,59,425	43.2%	43.5%	41.4%
18. Capital Expenditure (12+15)	92,336	29,115	57,676	31.5%	79.5%	45.3%
19. Revenue Deficit (17-1)	**76,171**	**59,951**	**65,427**	**78.7%**	**58.3%**	**52.7%**
20. Fiscal Deficit {16 - (1+5+6)}	**1,37,407**	**53,235**	**81,014**	**38.7%**	**52.7%**	**49.6%**
21. Primary Deficit (20 - 11)	**7,907**	**-2,164**	**29,208**	**-27.4%**	**96.0%**	**67.3%**

Notes: 1. The figures of Railways have been netted as in Budget.

2. COPPY - Corresponding Period of Previous Year

3. Borrowings and other liabilities (Item 7) do not include borrowing under Market Stabilization Scheme (Rs.52,254.60 crore upto September 2004) which are not to be used for financing Government expenditure is to remain the cash balance of Central Government with R.B.I. bridging the shortfall in receipts.

Appendix Table-VI

TAX REVENUES

(Rs. in crore or per cent)

		2004-05			2003-04		
		BE	**Actuals upto 09/2004**	**%**	**BE**	**Actuals upto 09/2003**	**%**
1	Corporation Tax	88,436.00	20,337.25	23%	51,499.00	19,072.98	37%
2	Taxes on Income	50,929.00	25,175.11	49%	44,070.00	14,520.14	33%
3	Wealth Tax	145.00	20.60	14%	145.00	(68.60)	-47%
4	Customs	54,250.00	25,204.79	46%	49,350.00	23,182.69	47%
5	Union Excise Duties	109,199.00	36,622.39	34%	96,791.00	33,703.79	35%
6	Service Tax	14,150.00	4,899.05	35%	8,000.00	2,894.80	36%
7	Other taxes	624.02	583.85	94%	1,672.20	1,044.87	62%
	GROSS TAX REVENUE	**317,733.02**	**112,843.04**	**36%**	**251,527.20**	**94,350.67**	**38%**
	Of which netted against expenditure (Surcharge for financing National Calamity Contigency Fund)	1,600.00	544.46	34%	3,600.00	837.49	23%
	Balance Gross Tax Revenue	**316,133.02**	**112,298.58**	**36%**	**247,927.20**	**93,513.18**	**38%**
	Less Assignment to States	82,227.00	34,438.33	42%	63,758.00	28,455.74	45%
	NET TAX REVENUE	**233,906.02**	**77,860.25**	**33%**	**184,169.20**	**65,057.44**	**35%**

Appendix Table-VII

NON-TAX REVENUE

(Rs. in crore or per cent)

	2004-05			2003-04		
	BE	**Actuals upto 09/2004**	**%**	**BE**	**Actuals upto 09/2003**	**%**
A. Interest receipts	40,950.00	12,448.74	30%	43,691.58	18,716.44	43%
Less *- Receipts incidential to Market Borrowing taken in reduction of cost of borrowing*	4,000.00	1,198.63	30%	4,532.00	6,720.64	148%
Net Interest Receipts	**36,950.00**	**11,250.11**	**30%**	**39,159.58**	**11,995.80**	**31%**
B. Dividends and Profits	**18,875.13**	**9,154.04**	**48%**	**17,861.07**	**10,891.68**	**61%**
C. Non-Tax Revenue of U.T.s	**617.68**	**282.13**	**46%**	**546.20**	**252.14**	**46%**
D. Other Non-Tax Revenue						
Fiscal Services	1,185.02	501.30	42%	1,220.34	510.30	42%
Other General Services	10,345.62	3,605.55	35%	8,371.69	3,306.15	39%
Less - *(I) BSNL ReceiptsNetted against Pension*	1,155.00	303.26	26%	1,011.20	243.05	24%
(II) Other Receipts utilised to write-off loans/interest	628.74					
Net - Other General Services	8,561.88	3,302.29	39%	7,360.49	3,063.10	42%
Social Services	362.80	186.42	51%	242.70	212.27	87%
Economic Services	19,756.23	7,288.79	37%	15,520.12	6,201.00	40%
Grants-in-Aid and Contributions	3,597.93	1,031.71	29%	1,461.03	527.66	36%
Total Other Non-Tax Revenue	**33,463.86**	**12,310.51**	**37%**	**25,804.68**	**10,514.33**	**41%**
Less : Commercial Departments	14,490.96	4,350.09	30%	13,605.91	4,713.22	35%
Net Other Non-Tax Revenue	**18,972.90**	**7,960.42**	**42%**	**12,198.77**	**5,801.11**	**48%**
Net Non-Tax Revenue (A+B+C+D)	**75,415.71**	**28,646.70**	**38%**	**69,765.62**	**28,940.73**	**41%**

Appendix Table-VIII

CAPITAL RECEIPTS

(Rs. in crore or per cent)

Description	2004-05 BE	2004-05 Actuals upto 09/2003	2004-05 %	2003-04 BE	2003-04 Actuals upto 09/2002	2003-04 %
1 (a) Market Loans including						
Short term borrowings	150,365.18	73,143.67	49%	107,194.00	74,547.56	70%
of which under MSS	60,000.00	52,254.60	87%			
(b) Treasury Bills		23.06			(10,093.68)	
2 Securities against Small Savings	1,350.00	0.00		0.00	13,765.58	
3 External Assistance Including Revolving Fund						
Gross Borrowings	14,946.19	10,868.84	73%	13,202.40	4,084.84	31%
Less Repayments	6,869.67	3,315.25	48%	9,620.78	4,636.79	48%
Net Borrowings	8,076.52	7,553.59	94%	3,581.62	(551.95)	-15%
Non-Debt Capital Receipts (4&5)						
4 Recoveries of Loans and Advances						
Gross Recoveries	29,625.00	36,551.90	123%	20,523.10	41,252.48	201%
Less Short Term Loans and Advances	2,525.00	912.39	36%	2,500.00	261.55	10%
Net Recoveries of Loans & Advances	27,100.00	35,639.51	132%	18,023.10	40,990.93	227%
5 Miscellaneous Capital Receipts						
(i) Disinvestment of Govt.'s Equity Holdings	4,000.00	191.66	5%	13,200.00	1,094.62	8%
(ii) Issue of Bonus Shares		0.00			0.00	
(iii) Other Misc. Receipts		0.00			3.86	
6 National Small Savings Fund	6,786.32	853.07	13%	(2,420.44)	(21,196.93)	876%
(a) Small Savings,Public Provident Funds	78,200.00	44,868.56	57%	61,200.00	29,292.28	48%
(b) Investment in Securities	(70,000.00)	(45,288.06)	65%	(60,000.00)	(49,253.26)	82%
(c) Income & Expenditure of NSSF	(1,413.68)	1,272.57	-90%	(3,620.44)	(1,235.95)	34%
7 Deposit Scheme for Retiring employees	520.00	(340.04)	-65%	365.00	245.26	67%
8 State Provident Funds	4,000.00	924.05	23%	7,500.00	481.70	6%
9 Special Deposits of Non-Govt. Provident Funds, LIC, GIC, etc.	200.39	(908.20)	-453%	9,970.00	(70.30)	-1%
10 Other Capital Receipts	12,511.68	21,465.15	172%	27,446.65	51,408.08	187%
11 Suspense & Remittance		(13,568.02)			(51423.66)	
12 Ways & Means Advances		0.00			0.00	
13 Investment of Surplus Cash		16,669.00			(12,220.00)	
14 Decrease in Cash Balance (Including difference between RBI & A/C)	13,597.22	(326.17)	-2%		3,520.21	
15 Cash held under MSS	(60,000.00)	(52,254.60)	87%			
TOTAL	**168,507.31**	**89,065.73**	**53%**	**184,859.93**	**90,501.28**	**49%**

Appendix Table-IX

PLAN EXPENDITURE

(Rs. in crore or per cent)

Grant No.	Grant Title	2004-05 BE	2004-05 Actuals upto 09/2003	2004-05 %	2003-04 BE	2003-04 Actuals upto 09/2002	2003-04 %
1	Department of Agriculture and Cooperation	2,670.00	1,352.07	51%	2,187.00	1,033.12	47%
2	Department of Agricultural Research and Education	1,000.00	461.64	46%	775.00	406.76	52%
3	Department of Animal Husbandry and Dairying	500.00	247.75	50%	300.00	124.43	41%
4	Ministry of Agro and Rural Industries	774.00	176.97	23%	580.00	209.13	36%
5	Atomic Energy	1,254.38	283.93	23%	800.00	193.31	24%
6	Nuclear Power Schemes	2,257.62	1,083.81	48%	2,000.00	972.09	49%
7	Department of Chemicals and Petro-Chemicals	77.38	1.30	2%	55.00	8.50	15%
8	Department of Fertilisers	130.17	12.48	10%	197.00	44.31	22%
9	Ministry of Civil Aviation	50.00	0.22	0%	52.88	0.82	2%
10	Department of Coal	223.32	11.44	5%	285.90	17.09	6%
11	Department of Mines	239.00	60.57	25%	228.50	75.06	33%
12	Department of Commerce	1,087.25	224.96	21%	885.00	194.89	22%
13	Department of Industrial Policy & Promotion	511.00	60.27	12%	280.00	18.46	7%
14	Department of Posts	200.00	10.03	5%	150.00	6.89	5%
15	Department of Tele-communications	164.73	13.37	8%	176.14	25.90	15%
16	Department of Information Technology	750.00	154.75	21%	470.00	155.26	33%
17	Department of Company Affairs	0.00	0.00		10.00	0.78	8%
18	Department of Consumer Affairs	18.25	2.35	13%	9.67	1.05	11%
19	Department of Food and Public Distibution	48.64	15.06	31%	44.23	19.49	44%
20	Ministry of Culture	400.00	75.22	19%	225.20	87.14	39%
29	Department of Development of North Eastern Region	1,185.00	439.24	37%	1,069.90	216.29	20%
30	Ministry of Environment and Forests	1,150.00	431.24	37%	1,010.00	329.05	33%
31	Ministry of External Affairs	735.00	293.85	40%	650.00	214.65	33%
32	Department of Economic Affairs	1,901.00	0.00	0%	2,436.38	0.00	0%
34	Payments to Financial Institutions	24.00	0.00	0%	46.00	0.00	0%
36	Transfers to State and UT Governments	47,927.47	17,839.51	37%	43,106.56	18,409.66	43%

(Rs. crore)

Grant No.	Grant Title	2004-05 BE	2004-05 Actuals upto 09/2003	2004-05 %	2003-04 BE	2003-04 Actuals upto 09/2002	2003-04 %
39	Department of Expenditure	0.25	0.00	0%	0.31	0.16	52%
46	Ministry of Food Processing Industries	110.00	28.49	26%	75.00	14.59	19%
47	Department of Health	1,769.30	557.41	32%	1,506.30	664.00	44%
48	Department of Ayurveda, Yoga & Naturopathy,Unani, Siddha and Homoeopathy	173.00	69.18	40%	145.00	32.72	23%
49	Department of Family Welfare	5,500.00	2,085.64	38%	4,930.00	2,371.63	48%
50	Department of Heavy Industry	131.00	5.82	4%	100.00	4.06	4%
51	Department of Public Enterprises	30.00	3.12	10%	10.00	2.03	20%
52	Ministry of Home Affairs	21.80	2.16	10%	18.43	1.34	7%
53	Cabinet	0.00	0.00		1.00	0.00	
54	Police	271.80	76.45	28%	226.70	45.80	20%
55	Other Expenditure of the Ministry of Home Affairs	6.40	4.61	72%	4.87	1.27	26%
56	Transfers to UT Govts.	587.00	115.91	20%	614.00	145.39	24%
57	Department of Elementary Education and Literacy	6,000.00	3,773.29	63%	4,900.00	3,202.95	65%
58	Department of Secondary Education and Higher Education	2,224.15	620.16	28%	2,124.15	559.30	26%
59	Department of Women and Child Development	2,400.00	1,017.38	42%	2,600.00	881.84	34%
60	Ministry of Information and Broadcasting	480.00	111.63	23%	415.00	91.39	22%
61	Ministry of Labour and Employment	166.97	61.22	37%	145.49	26.12	18%
63	Law and Justice	140.00	0.37	0%	120.00	0.00	0%
65	Ministry of Non-Conventional Energy Sources	599.80	44.88	7%	624.80	66.91	11%
67	Ministry of Panchayati Raj	30.60	0.00	0%			
68	Department of Ocean Development	200.00	33.39	17%	175.00	21.30	12%
70	Ministry of Personnel, Public Grievances and Pensions	48.24	9.69	20%	34.00	6.60	19%
72	Ministry of Planning	10,100.00	6.08	0%	48.21	3.79	8%
73	Ministry of Power	3,600.00	547.07	15%	3,500.00	533.19	15%
79	Ministry of Road Transport and Highways	7,912.00	5,706.86	72%	7,235.76	1,229.51	17%
80	Department of Rural Development	11,437.40	5,464.45	48%	10,270.00	4,111.16	40%
81	Department of Land Resources	1,261.00	317.22	25%	1,050.00	428.69	41%
82	Department of Drinking Water Supply	3,300.00	1,275.33	39%	2,750.00	1,339.29	49%

(Rs. crore)

Grant No.	Grant Title	2004-05 BE	2004-05 Actuals upto 09/2003	2004-05 %	2003-04 BE	2003-04 Actuals upto 09/2002	2003-04 %
83	Department of Science and Technology	890.00	299.06	34%	790.00	216.88	27%
84	Department of Scientific and Industrial Research	650.00	201.00	31%	520.00	243.54	47%
85	Department of Bio-Technology	310.00	92.09	30%	260.00	89.99	35%
86	Ministry of Shipping	467.18	38.21	8%	414.94	47.17	11%
87	Ministry of Small Scale Industries	362.25	89.42	25%	346.49	194.14	56%
88	Ministry of Social Justice & Empowerment	1,492.00	616.70	41%	1,410.00	462.99	33%
89	Department of Space	2,400.00	469.16	20%	2,050.00	600.31	29%
90	Ministry of Statistics and Programme Implementation	1,715.33	609.54	36%	1,648.78	1,184.40	72%
91	Ministry of Steel	15.00	3.00	20%	11.00	13.00	118%
92	Ministry of Textiles	878.00	214.76	24%	760.00	193.06	25%
93	Ministry of Tourism	500.00	81.87	16%	325.00	72.73	22%
94	Ministry of Tribal Affairs	1,146.00	553.77	48%	1,087.00	236.25	22%
95	Andaman & Nicobar Islands	408.31	81.67	20%	410.00	80.65	20%
96	Chandigarh	165.96	59.84	36%	168.00	43.96	26%
97	Dadra & Nagar Haveli	55.01	17.97	33%	56.00	17.29	31%
98	Daman & Diu	45.30	13.44	30%	46.00	10.50	23%
99	Lakshadweep	69.95	5.19	7%	70.00	6.25	9%
100	Department of Urban Development	1,405.60	716.85	51%	1,592.55	1,195.83	75%
101	Public Works	106.44	35.74	34%	145.52	40.70	28%
103	Department of Urban Employment and Poverty Alleviation	830.00	167.85	20%	625.00	434.35	69%
104	Ministry of Water Resources	580.00	120.77	21%	554.00	80.08	14%
105	Ministry of Youth Affairs and Sports	400.00	136.37	34%	385.00	55.07	14%
	RAILWAYS	**6,919.00**	**3,459.50**	**50%**	**5,644.34**	**2,822.17**	**50%**
	GRAND TOTAL	***145,590.25***	***53,273.61***	***37%***	***120,974.00***	***46,890.47***	***39%***

Appendix Table X

NON-PLAN EXPENDITURE

(Rs. in crore or per cent)

GRANT NO	GRANT TITLE	2004-2005 BE	2004-2005 ACTUALS upto 09/2004	2004-2005 %	2003-2004 BE	2003-2004 ACTUALS upto 09/2003	2003-2004 %
1	Department of Agriculture and Cooperation	344.00	46.32	13%	401.34	100.21	25%
2	Department of Agricultural Research and Education	753.31	371.67	49%	735.92	410.34	56%
3	Department of Animal Husbandry and Dairying	36.42	31.82	87%	35.05	39.05	111%
4	Ministry of Agro and Rural Industries	87.63	27.97	32%	87.63	93.39	107%
5	Atomic Energy	1,250.00	860.50	69%	1,069.51	651.51	61%
6	Nuclear Power Schemes	(292.03)	195.67	-67%	(69.42)	(115.03)	166%
7	Department of Chemicals and Petro-Chemicals	47.01	11.77	25%	254.20	261.28	103%
8	Department of Fertilisers	12,698.00	8,340.16	66%	12,945.70	6,994.85	54%
9	Ministry of Civil Aviation	237.10	78.24	33%	236.46	160.62	68%
10	Department of Coal	200.00	25.87	13%	152.00	61.72	41%
11	Department of Mines	310.00	142.32	46%	405.24	106.94	26%
12	Department of Commerce	1,250.00	686.97	55%	937.55	538.83	57%
13	Department of Industrial Policy and Promotion	89.63	36.46	41%	103.58	35.98	35%
14	Department of Posts	1,356.51	1,432.28	106%	1,289.02	1,236.93	96%
15	Department of Telecommunications	791.77	369.94	47%	181.31	275.44	152%
16	Department of Information Technology	36.00	14.15	39%	32.66	10.69	33%
17	Ministry of Company Affairs	57.50	20.55	36%	44.72	18.92	42%
18	Department of Consumer Affairs	26.05	13.87	53%	24.76	13.34	54%
19	Department of Food & Public Distribution	26,092.98	12,767.21	49%	28,018.56	16,052.49	57%
20	Ministry of Culture	312.83	111.06	36%	318.52	134.52	42%
21	Ministry of Defence	886.35	704.62	79%	632.59	657.38	104%
22	Defence Pensions	11,250.00	4,911.83	44%	11,000.00	3,839.49	35%
23	Defence Services-Army	27,828.99	11,150.66	40%	28,921.12	10,803.74	37%
24	Defence Services-Navy	5,293.82	1,690.85	32%	4,950.54	1,570.64	32%
25	Defence Services-Air Force	8,468.40	3,439.17	41%	8,324.08	3,182.76	38%
26	Defence Ordnance Factories	(417.22)	1,936.24	-464%	(582.61)	2,185.16	-375%
27	Defence Services - Research and Development	2,343.16	1,152.97	49%	2,734.11	916.91	34%
28	Capital Outlay on Defence Services	33,482.85	9,038.62	27%	20,952.76	4,965.21	24%
29	Ministry of Development of North Eastern Region	9.70	4.99	51%	7.58	2.71	36%
30	Ministry of Environment and Forests	151.21	57.22	38%	114.59	77.28	67%
31	Ministry of External Affairs	2,905.69	1,002.44	34%	2,760.00	757.30	27%
32	Department of Economic Affairs	1,801.42	212.78	12%	1,768.26	206.00	12%
33	Currency, Coinage and Stamps	231.94	(53.78)	-23%	156.12	(107.62)	-69%
34	Payments to Financial Institutions	3,492.54	189.51	5%	5,779.08	3,018.22	52%

(Rs. in crore or per cent)

GRANT NO	GRANT TITLE	2004-2005 BE	ACTUALS upto 09/2004	%	2003-2004 BE	ACTUALS upto 09/2003	%
35	Interest Payments	129,499.86	55,399.41	43%	123,223.08	51,805.92	42%
36	Transfers to State and UT Governments	16,970.00	7,642.90	45%	16,030.11	7,243.45	45%
37	Loans to Govt. Servants etc.	75.00	(166.15)	-222%	175.00	(91.70)	-52%
38	Repayment of Debt	0.00	0.00			32,602.28	
39	Department of Expenditure	26.37	12.94	49%	23.70	12.08	51%
40	Pensions	4,711.80	2,674.55	57%	4,500.00	2,077.19	46%
41	Indian Audit and Accounts Department	1,012.28	535.50	53%	931.92	503.49	54%
42	Department of Revenue	71.49	171.43	240%	42.52	76.42	180%
43	Direct Taxes	1,245.98	521.25	42%	1,321.34	514.15	39%
44	Indirect Taxes	1,461.33	644.32	44%	1,401.00	596.24	43%
45	Department of Disinvestment	55.00	11.59	21%	28.37	19.86	70%
46	Ministry of Food Processing Industries	5.68	2.81	49%	5.84	3.01	52%
47	Department of Health	918.32	572.28	62%	962.79	686.02	71%
48	Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy	52.73	34.13	65%	51.47	31.79	62%
49	Department of Family Welfare	24.77	257.37	1039%	24.52	39.10	159%
50	Department of Heavy Industry	500.00	63.24	13%	500.65	320.33	64%
51	Department of Public Enterprises	2.65	0.97	37%	2.61	1.11	43%
52	Ministry of Home Affairs	713.51	312.66	44%	699.43	307.31	44%
53	Cabinet	164.10	64.95	40%	257.40	121.59	47%
54	Police	12,060.00	5,195.62	43%	10,181.97	4,575.05	45%
55	Other Expenditure of the Ministry of Home Affairs	750.00	296.30	40%	749.26	171.50	23%
56	Transfers to UT Govts.	429.00	107.25	25%	429.00	107.25	25%
57	Department of Elementary Education and Literacy	4.68	2.19	47%	4.63	1.98	43%
58	Department of Secondary Education and Higher Education	2,833.24	1,018.31	36%	2,832.40	1,284.04	45%
59	Department of Women and Child Development	54.19	22.44	41%	53.91	14.18	26%
60	Ministry of Information and Broadcasting	1,034.17	503.14	49%	1,106.12	492.29	45%
61	Ministry of Labour and employment	756.57	397.74	53%	710.90	387.37	54%
62	Election Commission	11.50	5.85	51%	11.00	4.36	40%
63	Law and Justice	1,222.72	830.91	68%	470.72	140.45	30%
64	Supreme Court of India	34.68	19.90	57%	33.05	18.06	55%
65	Ministry of Non-Conventional Energy Sources	5.47	3.36	61%	5.35	3.05	57%
66	Ministry of Non-Resident Indians Affairs	7.00	0.00	0%			
67	Ministry of Panchayati Raj	0.44	0.00	0%			
68	Department of Ocean Development	30.08	13.40	45%	24.33	13.66	56%
69	Ministry of Parliamentary Affairs	5.89	1.89	32%	4.04	2.13	53%
70	Ministry of Personnel, Public Grievances and Pensions	219.71	90.84	41%	91.01	39.20	43%
71	Ministry of Petroleum and Natural Gas	3,573.42	1,054.09	29%	8,128.28	3,733.34	46%
72	Ministry of Planning	30.88	16.58	54%	30.56	16.15	53%

(Rs. in crore or per cent)

GRANT NO	GRANT TITLE	2004-2005 BE	2004-2005 ACTUALS upto 09/2004	2004-2005 %	2003-2004 BE	2003-2004 ACTUALS upto 09/2003	2003-2004 %
73	Ministry of Power	62.47	(177.48)	-284%	56.84	(16.76)	-29%
74	Staff, Household and Allowances of the President	15.08	5.22	35%	13.95	5.04	36%
75	Lok Sabha	203.20	51.71	25%	181.38	64.70	36%
76	Rajya Sabha	90.11	30.31	34%	84.52	37.37	44%
77	UPSC	52.00	27.69	53%	48.99	24.04	49%
78	Secretariat of the Vice-President	3.11	0.51	16%	1.08	0.46	43%
79	Ministry of Road Transport and Highways	1,725.00	584.03	34%	1,700.33	427.35	25%
80	Department of Rural Development	18.56	8.45	46%	19.28	5.87	30%
81	Department of Land Resources	3.48	1.45	42%	3.66	1.42	39%
82	Department of Drinking Water Supply	1.39	0.81	58%	1.38	0.96	70%
83	Department of Science and Technology	392.94	165.23	42%	386.12	199.09	52%
84	Department of Scientific and Industrial Research	650.00	220.10	34%	616.41	304.45	49%
85	Department of Biotechnology	13.45	5.27	39%	13.35	7.05	53%
86	Department of Shipping	314.00	10.06	3%	351.61	69.37	20%
87	Ministry of Small Scale Industries	52.15	26.85	51%	51.07	25.21	49%
88	Ministry of Social Justice & Empowerment	65.01	24.85	38%	59.56	29.69	50%
89	Department of Space	331.29	197.52	60%	318.47	184.40	58%
90	Ministry of Statistics and Programme Implementation	140.38	76.39	54%	145.55	73.90	51%
91	Ministry of Steel	165.54	56.15	34%	70.31	68.14	97%
92	Ministry of Textiles	902.31	269.04	30%	947.84	394.17	42%
93	Ministry of Tourism	41.74	14.63	35%	41.30	12.47	30%
94	Ministry of Tribal Affairs	13.01	2.95	23%	10.70	2.83	26%
95	Andaman & Nicobar Islands	617.00	247.44	40%	582.23	199.00	34%
96	Chandigarh	725.00	354.99	49%	696.95	322.14	46%
97	Dadra & Nagar Haveli	47.26	30.36	64%	45.00	17.81	40%
98	Daman & Diu	54.40	22.61	42%	49.93	18.99	38%
99	Lakshadweep	156.24	21.87	14%	163.64	65.73	40%
100	Department of Urban Development	415.69	165.69	40%	427.69	147.57	35%
101	Public Works	599.00	323.88	54%	597.00	276.03	46%
102	Stationery and Printing	53.00	9.76	18%	77.04	14.03	18%
103	Ministry of Urban Employment and Poverty Alleviation	11.68	2.93	25%	16.99	3.82	22%
104	Ministry of Water Resources	249.23	122.53	49%	214.79	119.13	55%
105	Ministry of Youth Affairs and Sports	66.00	36.39	55%	55.30	66.98	121%
		332,238.79	142,299.07	43%	317,821.07	170,203.35	54%
	Contingency Fund					7.91	
	Unclassified amount					1,388.10	
	GRAND TOTAL	**332,238.79**	**142,299.07**	**43%**	**317,821.07**	**171,599.36**	**54%**

Appendix Table-XI

Outstanding Liabilities of the Central Government

(Rs. Crore, unless otherwise specified)

Year	Internal liabilities (3+4)	Internal debt	Other Internal liabilities	External debt*	Total outstanding liabilities (2+5)	External debt adjusted@	Total outstanding liabilities Adjusted@ (2+7)
1	2	3	4	5	6	7	8
1990-91	283033	154004	129029	31525	314558	66314	349347
1991-92	317714	172750	144964	36948	354662	109685	427399
1992-93	359654	199100	160554	42269	401923	120987	480641
1993-94	430623	245712	184911	47345	477968	127808	558431
1994-95	487682	266467	221215	50929	538611	142514	630196
1995-96	554984	307869	247115	51249	606233	148398	703382
1996-97	621438	344476	276962	54238	675676	149564	771002
1997-98	722962	388998	333964	55332	778294	161418	884380
1998-99	834551	459696	374855	57255	891806	177934	1012485
1999-2000	962592	714254	248338	58437	1021029	186791	1149383
2000-01	1102596	803698	298898	65945	1168541	189990	1292586
2001-02	1294862	913061	381801	71546	1366408	199639	1494501
2002-03	1499589	1020688	478901	59612	1559201	196067	1695656
2003-04(RE)	1677092	1134020	543072	47407	1724499	184088	1861180
2004-05(BE)**	1931083	1291628	639455	55084	1986167	n.a.	n.a.
			(As per cent of GDP)				
1990-91	49.8	27.1	22.7	5.5	55.3	11.7	61.4
1991-92	48.6	26.5	22.2	5.7	54.3	16.8	65.4
1992-93	48.1	26.6	21.5	5.6	53.7	16.2	64.2
1993-94	50.1	28.6	21.5	5.5	55.6	14.9	65.0
1994-95	48.2	26.3	21.8	5.0	53.2	14.1	62.2
1995-96	46.7	25.9	20.8	4.3	51.0	12.5	59.2
1996-97	45.4	25.2	20.2	4.0	49.4	10.9	56.4
1997-98	47.5	25.5	21.9	3.6	51.1	10.6	58.1
1998-99	47.9	26.4	21.5	3.3	51.2	10.2	58.2
1999-2000	49.7	36.9	12.8	3.0	52.7	9.6	59.3
2000-01	52.8	38.5	14.3	3.2	55.9	9.1	61.9
2001-02	56.7	40.0	16.7	3.1	59.9	8.7	65.5
2002-03	60.7	41.3	19.4	2.4	63.1	7.9	68.7
2003-04(RE)	60.5	40.9	19.6	1.7	62.2	6.6	67.1
2004-05(BE)**	62.2	41.6	20.6	1.8	64.0	n.a.	n.a.

* At historical exchange rate.

** Internal debt includes net borrowings of Rs.60,000 crore under Market Stabilisation Scheme.

@ Converted at year-end exchange rates. For 1990-91, the rates prevailing at end of March,1991; For 1995-96, the rates prevailing at the end of March, 1996 and so on.