

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 2005-2006

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

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I. INTRODUCTION

This mid-year review reports developments in the economy in the first half of 2005-06, with a particular focus on Central Government finances, and contains reflections on economic prospects and policy issues. The Fiscal Responsibility and Budget Management (FRBM) Act, 2003, mandates review of the trends in receipts and expenditure in relation to the Budget on a quarterly basis. The first quarterly review for the current year was presented in both Houses of Parliament on August 24, 2005. This mid-year review is also the second quarterly review, as required under Section 7 (1) of the FRBM Act, 2003.

i. Overview

The first half of 2005-06 registered an overall gross domestic product (GDP) growth of 8.1 per cent (Appendix Table I), with growth in the first and second quarters of 8.1 per cent and 8.0 per cent, respectively. The near normal South-West monsoon and a continued pick up in the industrial and services sectors, which registered growth of 8.8 per cent and 10.0 per cent, respectively, in the first half of the year, provided a potent combination of forces for the consolidation of the growth process observed in the last two years.

The initial apprehension caused by the delayed monsoon disappeared with rainfall registering 99 per cent of long-term average during June-September 2005. Foodgrains output is projected to increase by about 5 per cent over that recorded in 2004-05. Within the industrial sector, the growth of the manufacturing sector value added (in terms of GDP) was satisfactory, at 10.2 per cent in the first half of the year, but the performance of the mining and electricity sectors was below expectations. The textiles sector registered the highest growth, but the opportunities opened up by the newly introduced quota-free international trading system are yet to be fully utilized by the sector. Infrastructure sector has made progress. But there has been a deceleration in the growth of petroleum and petroleum products, coal and electricity, three sectors with important linkages to the rest of the economy. Services sector has maintained the growth momentum with 10.0 per cent rise in the first half of 2005-06, with trade, hotels, transport and communication in the lead (12.2 per cent growth). As the second quarter progressed, and the South-West monsoon arrived in strength, almost all the major agencies forecasting growth upgraded their projections of the country's GDP growth for 2005-06 to around seven per cent.

In spite of continued high international oil prices, the external sector has remained resilient with foreign exchange reserves increasing by US\$1.54 billion during the first half of 2005-06. With inflows of US\$2.19 billion and US\$4.30 billion respectively, Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII) registered growth rates of 17.2 per cent and 120.2 per cent, respectively, in the first half of this year. During April-September 2004, FDI grew by 89.4 per cent and FII declined by 42.8 per cent. Imports, in US dollar terms, grew rapidly in the first half of the year by 33.0 per cent, while exports grew by 20.5 per cent.

The Budget for 2005-06 initiated measures to achieve the social and economic objectives set out in the National Common Minimum Programme (NCMP), including reduction of poverty and unemployment and sustained economic growth of 7 to 8 per cent per annum. Major initiatives aimed at reducing poverty and unemployment cover higher allocation for National Rural Employment Guarantee (NREG) Scheme and enhanced coverage under the Antyodaya Anna Yojana to 2.5 crore families.

The major areas identified for greater allocation and emphasis in the budget include: the mid-day meal scheme; Sarva Shiksha Abhiyan programme under which a non-lapsable fund called "Prarambhik Shiksha Kosh" has been created; drinking water and sanitation; agricultural diversification; agricultural marketing infrastructure; continuation of National Agricultural Insurance Scheme (NAIS) for kharif and rabi crops in 2005-06; and enhanced target for credit-linking 2.5 lakh, rather than 2 lakh Self-Help Groups (SHGs).

The Government's strategy has remained focussed on greater investment for agriculture and infrastructure development, while maintaining a supportive policy environment for the industries and services sectors. Pursuant to the announcement of setting up a special purpose vehicle (SPV) for providing long-term credit to infrastructure projects, a scheme has been approved to set up a non-banking finance company called India Infrastructure Finance Company Limited (IIFCL).

ii. Output and prices

(a) Agriculture

Production of foodgrains

Production of foodgrains suffered from drought-like conditions in some parts of the country in 2004-05 and output declined to 204.6 million tonnes from 213.5 million tonnes in 2003-04 (Table 1). The shortfall in 2004-05 was in the kharif output.

Table 1: Foodgrains production

(In million tonnes)

Items	2002-03	2003-04	2004-05*	2005-06** (Kharif)
Rice	71.82	88.28	85.31	73.83
Wheat	65.76	72.11	72.00	...
Coarse cereals	26.07	38.12	33.92	26.44
Pulses	11.13	14.94	13.38	4.98
Total foodgrains	174.77	213.46	204.61	105.25
Kharif	87.22	116.88	103.32	105.25
Rabi	87.55	96.58	101.29	...

Source: Directorate of Economics and Statistics, Department of Agriculture and Cooperation

* 4th Advance Estimate as on July 6, 2005

** 1st Advance Estimate as on September 19, 2005 (Kharif)

According to the first advance estimate of foodgrains production of the Department of Agriculture and Cooperation, the kharif output of foodgrains is expected to be higher at 105.3 million tonnes in 2005-06 compared to 103.3 million tonnes in 2004-05. In the current year, the South-West monsoon (June-September, 2005) was satisfactory, with a widespread distribution of monsoon rainfall except in the northeast and northwest (Table 2).

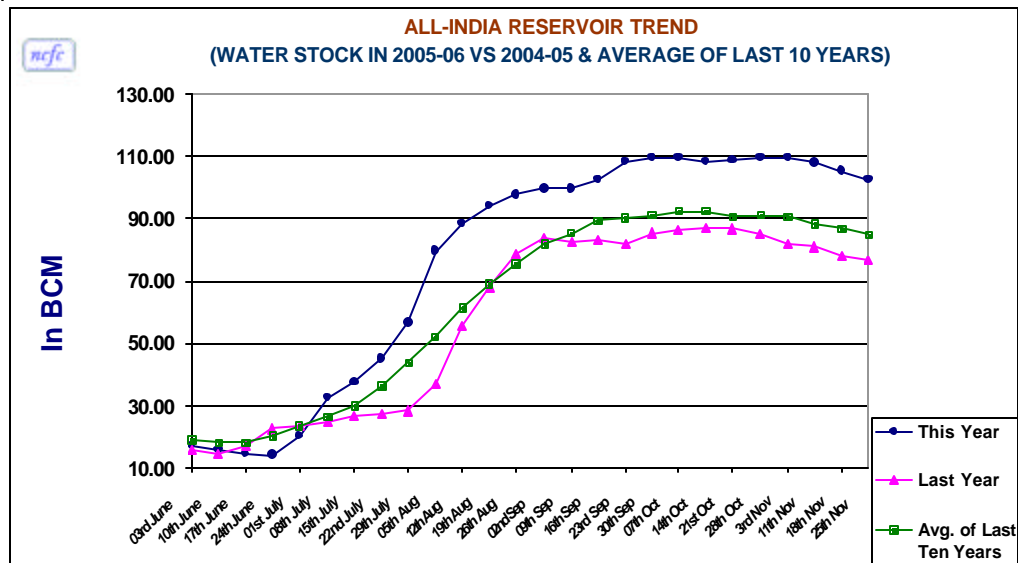
Table 2: Distribution of South-West Monsoon, 2005

Region	Actual rainfall (mm)	Normal rainfall (mm)	Departure (%)
All India	879.3	892.5	-1
Northwest India	552.1	611.6	-10
Central India	1,094.9	993.2	+10
South Peninsula	808.9	722.6	+12
Northeast India	1,140.9	1,430.7	-20

Source: India Meteorological Department.

The post-monsoon rainfall during October-November, 2005 was 16 per cent above normal for the country as a whole. This, combined with the good reservoir position (Figure 1), is expected to result in a comfortable rabi crop. The current year's storage is nearly 134 per cent of the last year's storage and 121 per cent of the average of last ten years.

Figure 1



BCM = Billion cubic metres

Source: National Crop Forecasting Centre

Agriculture credit and micro-finance

With vigorous efforts at enhancing credit flow to the agriculture sector, actual disbursement by September 30, 2005 was Rs. 83,502 crore, equivalent to 59 per cent of the target of Rs. 1,41,000 crore for the full year and up 56 per cent from the corresponding period last year. During the first half of the year, 45.0 lakh new farmers have been financed by the banking system in the country.

As part of the efforts to increase the accessibility of credit to the farm sector, after the Budget, it has also been decided to augment the target for credit linking of SHGs for 2005-06 to 3 lakh. The total number of SHGs financed during 2005-06 up to September 30, 2005, is 1.1 lakh.

Keeping in view the importance of micro-finance, the corpus of the Micro Finance Development and Equity Fund (MFDEF) has been enhanced to Rs. 200 crore. The additional contribution to MFDEF by Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), and commercial banks will be in the ratio of 40:40:20. An Advisory Board constituted for the Fund is in the process of drafting a law for micro-finance institutions. NABARD has also decided to extend grants to banks for rating micro-finance institutions. RBI has issued guidelines for access to external commercial borrowings (ECB) by non-government organizations (NGOs) engaged in micro-finance activities under the automatic route.

Repair, renovation and restoration of water-bodies

The National Project for the repair, renovation and restoration of water bodies includes a pilot project for 16 districts in 9 States to cover nearly 700 water bodies, with 20,000 hectares of additional land to be brought under irrigation. It also includes an outlay of Rs. 180 crore in 2005-06 for flood management and erosion control in the Ganga basin, Brahmaputra and Barak valleys and Rs. 52 crore for the Farakka Barrage Project. States have been asked to firm up specific projects and identify annual targets for implementation under the programme.

(b) Industry

The vibrancy of the industrial sector in 2004-05 was reflected in the overall growth in the index of industrial production (IIP), which accelerated to 8.4 per cent in 2004-05 from 7.0 per cent in 2003-04 (Table 3). Within industry, the manufacturing sector, with a weight of 79.4 per cent in the IIP, was in the lead. The momentum has continued this year with year-on-year growth of 9.9 per cent in manufacturing in the first half of 2005-06. The overall lustre of industrial growth was dampened, however, by disappointing performance of the mining (1.3 per cent) and electricity (4.8 per cent) sectors.

Table 3: Industrial growth by broad sectors and by use-based classification*(Year-on-year, in per cent)*

Broad sectors	Weight	2003-04	2004-05	April-September	
				2004-05	2005-06
Mining	104.7	5.2	4.4	5.1	1.3
Manufacturing	793.6	7.4	9.1	8.8	9.9
Electricity	101.7	5.1	5.2	7.8	4.8
Use-based classification:					
Basic goods	355.7	5.4	5.5	5.5	6.3
Capital goods	92.6	13.6	13.9	13.8	13.9
Intermediate goods	265.1	6.4	6.1	7.8	3.3
Consumer goods, Of which	286.6	7.1	11.7	10.2	14.9
Durables	53.7	11.6	14.3	16.3	12.8
Non-durables	233.0	5.8	10.8	8.1	15.7
Overall	1000	7.0	8.4	8.3	8.8

Source: Central Statistical Organisation.

The buoyant growth in capital goods production observed in both 2003-04 and 2004-05 continued during the first half of this year (Table 3). This, coupled with increasing imports of capital goods, augurs well for continued dynamic growth of the industrial sector. During the first half of 2005-06, consumer goods – both durables and non-durables – have maintained the impressive double-digit growth rates of the last two years, owing to increasing incomes, improved access to a variety of better quality goods, particularly in rural areas, and easier availability of consumer credit. The slowdown in growth in electricity generation may have been partly because of the low demand for energizing irrigation pump-sets in a year of good monsoon and partly because of the shortage of coal and gas.

At the two-digit level of classification, 14 out of 17 industry groups recorded positive growth in April-September 2005-06. 'Textile Products (including Wearing Apparel)' registered the highest growth rate at 20.3 per cent, followed by 'Other Manufacturing Industries' (18.8 per cent) and 'Beverages, Tobacco and Related Products' (16.9 per cent). However, industry groups 'Metal Products and Parts, except Machinery and Equipment'; 'Wood and Wood Products; Furniture and Fixtures'; and 'Wool; Silk and man-made fibre textiles', registered negative growth.

The double-digit growth witnessed in the automobile sector over the last four years has continued in this year. Although the demand for passenger and commercial vehicles in the first five months of 2005-06 was affected by increasing prices (in view of improved emission norms) and escalating fuel costs, the reduction in excise duty on tyres from 24 per cent to 16 per cent in 2005-06, the easy availability and softer terms of car loans, and the introduction of new models continued to propel automobile sales. In April-September 2005, while automobile production increased by 15.9 per cent, exports of automobiles increased even faster at 35.9 per cent.

The six critical industrial sub-sectors of steel, coal, crude oil, refinery throughput, electricity generation and cement, which have important implications for all other sectors of the economy, registered a moderate growth rate of 4.4 (4.6) per cent in the first six (seven) months of the current year. Out of these, only cement performed satisfactorily and registered a growth of 11.0 per cent.

With strong performance of the construction and manufacturing sectors at home and vigorous growth in international demand, particularly from China, the upswing in the steel sector continued. Finished steel production grew by 7.5 per cent in April-September 2005 to reach 19.69 million tonnes (Provisional). In the first half of 2005-06, on a year-on-year basis, imports of finished steel grew by 58.7 per cent to reach 1.5 million tonnes (Provisional).

Year-on-year, production of coal increased by 5 per cent to reach 177.9 million tonnes in the first half of 2005-06. This decline in the growth rate from 6.4 per cent in the first half of the previous year may be partly due to heavy rainfall in the major coal producing areas during the second quarter of the current year.

After an increase of only 1.8 per cent in crude oil production to 34.0 million tonnes during 2004-05, there was a decline to 16.2 million tonnes in output during April-September, 2005, equivalent to 4.9 per cent, from the corresponding period of the previous year. This shortfall is largely attributable to the July 2005 fire at Mumbai High North Platform. The Oil and Natural Gas Corporation (ONGC) could fully restore natural gas production and about 61 per cent of the crude oil production in September 2005.

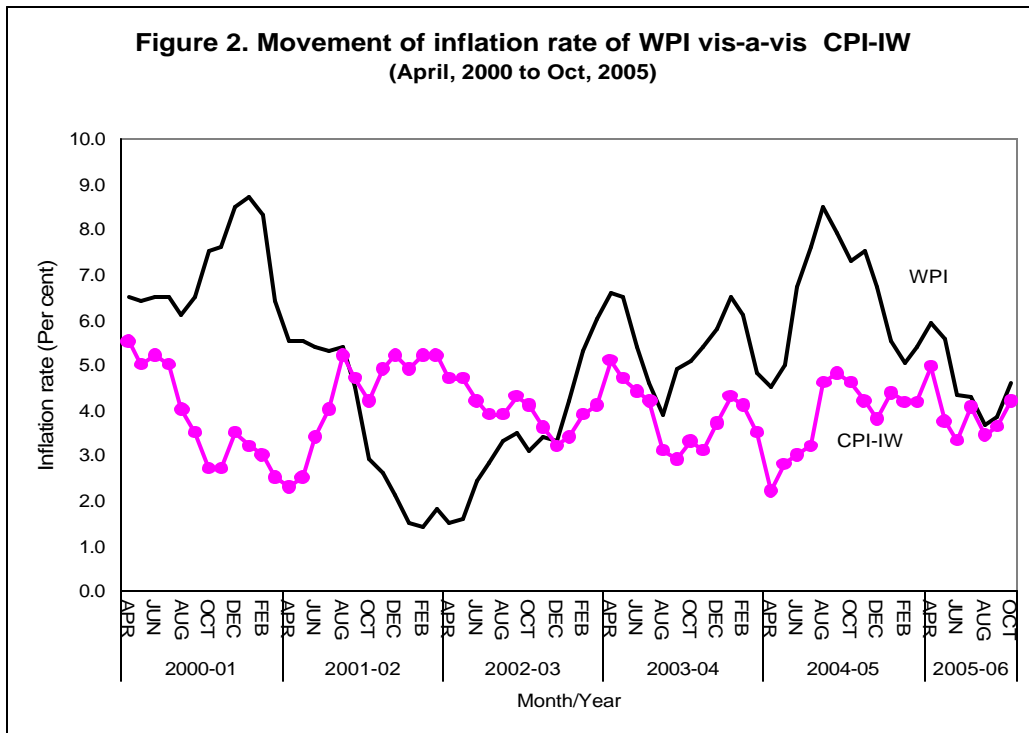
(c) Inflation

In 2005-06, there was a steady deceleration in point-to-point inflation from the initial 5.7 per cent on April 2, 2005, to a low of 3.3 per cent on August 27, 2005. The flare-up in the international petroleum prices resulted in a fundamental reversal of this trend from early September. Domestic prices of diesel and motor spirit were revised upwards twice – from June 20 and September 6, 2005. The relatively lower base of the wholesale price index (WPI) in the corresponding period of the previous year also contributed to an increase in the rate of inflation from September, 2005 onwards. WPI inflation was 4.2 per cent on October 1, 2005, and 4.3 per cent on November 19, 2005. These were significantly lower than 7.1 per cent and 7.2 per cent recorded a year ago.

The 52-week average WPI inflation rates on October 1 and November 19, 2005, were 5.3 per cent and 5.0 per cent, respectively, as against 6.2 per cent and 6.4 per cent, respectively, recorded a year ago.

On November 19, 2005, the WPI inflation rate of the fuel, power, light and lubricants group was 7.7 per cent, with the inflation rate in primary articles and manufactured products contained at 3.8 per cent and 3.2 per cent, respectively. On the same date, the 52-week average inflation for primary articles was only 1.7 per cent and that for manufactured products 4.2 per cent, as against 4.2 per cent and 6.6 per cent respectively on the corresponding date of the previous year. The 52-week average inflation rate for the fuel and power group was, however, higher at 10.5 per cent as against 8.5 per cent last year.

A few selected items, with a total weight of 24.2 per cent in the WPI, contributed 67 per cent to the annual inflation on November 19, 2005. These included mineral oils (32.0 per cent), sugar group (8.0 per cent) and basic metals & products (15.6 per cent).



Source: Compiled from data from Department of Industrial Policy and Promotion and Ministry of Labour and Employment

With a lower weightage (2.68 per cent) of fuel and light than in WPI (14.23 per cent), the Consumer Price Index for Industrial Workers (CPI-IW)-based annual average inflation rate was, at 3.8 per cent in 2004-05, lower than the corresponding WPI-based inflation of 6.5 per cent. The current financial year started with 5 per cent inflation rate of CPI-IW in April 2005, up from 4.2 per cent in March 2005. In October 2005, the annual rate of inflation in terms of the CPI-IW was low, at 4.2 per cent as against 4.6 per cent recorded a year ago. With dynamic adjustment in relative prices, the CPI-IW inflation rate, which has been consistently lower than WPI-inflation since January 2003, has been converging to the WPI-inflation rate (Figure 2).

Table 4. Trends in annual inflation rates in major groups of commodities in CPI-IW

(Year-on-year, in per cent)

Group	Weight	2004-05			2005-06		
		Apr- June	July- Sep	Apr- Sep	Apr- June	July- Sep	Apr- Sep
Food	57.00	1.63	2.83	2.23	2.00	3.54	2.78
Pan, supari, tobacco & intoxicants	3.15	3.88	3.07	3.40	2.09	2.08	2.09
Fuel & light	6.28	6.44	9.52	8.06	-1.68	-6.39	-4.15
Housing	8.67	3.86	11.66	7.80	20.44	11.67	15.76
Clothing, bedding & footwear	8.54	2.37	2.06	3.07	2.32	2.31	2.61
Miscellaneous	16.36	3.19	3.37	3.18	4.06	4.22	4.24
General	100.00	2.63	4.20	3.42	3.92	3.65	3.89

Source: Ministry of Labour & Employment.

Unlike in 2004-05, when CPI-IW inflation accelerated from the first to the second quarter, in 2005-06 there was actually a deceleration (Table 4). Furthermore, inflation was the highest in the housing group. In CPI-IW, within the fuel and light group – a group which experienced negative inflation – kerosene is the only mineral fuel. The relative weight of kerosene within the group is less than a third, and public distribution system (PDS) kerosene prices have not been revised since April 1, 2002. Onion prices started rising from August 20, 2005, after having registered negative inflation between mid-April 2004 and mid-August 2005. The steep rise in the price of onions has been

attributed to the heavy rains in the areas of major production in states like Maharashtra, which destroyed stocks and also made transportation to consumption centres difficult. The situation was addressed through measures like distribution of onions at reasonable prices by NAFED and import. The rise in onion prices decelerated from the peak level of 108.6 per cent on October 29, 2005 to 81.3 on November 19, 2005.

The anti-inflationary policies of the government included: strict fiscal and monetary discipline; rationalisation of excise and import duties of certain essential commodities to lighten the burden on the poor; effective supply-demand management of sensitive items through liberal tariff and trade policies; and strengthening the public distribution system. Keeping in view the likely inflationary risks of a liquidity overhang in the economy, the RBI, while announcing the Mid-Term Review of the Annual Policy Statement for 2005-06, effective from October 26, 2005, raised both the fixed reverse repo and fixed repo rates by 25 basis points each to 5.25 per cent and 6.25 per cent, respectively, with the spread between the two unchanged at 100 basis points.

iii) External sector

With high international crude oil prices and strong domestic demand, the buoyant growth in imports observed in 2004-05 continued in the first half of the current year. Imports (in US dollar terms and on customs basis) grew by 33.0 per cent in the first half of 2005-06 as compared to a rise of 37.4 per cent in the corresponding half of the previous year. Petroleum, oil and lubricants (POL) imports increased by 42.9 per cent, mainly due to persistently high international crude oil prices, with the average headline price of the Indian basket of crude oil increasing by 47.9 per cent, from US\$ 36.3 per barrel in April-September 2004 to US\$ 53.7 per barrel in April-September 2005. Growth in non-POL imports at around 29 per cent in the first half of the current fiscal continued to be robust in tune with the acceleration in industrial activity. In April-October, 2005, total, POL and non-POL imports in US dollar terms grew by 33.1 per cent, 44.5 per cent and 28.1 per cent, respectively.

Merchandise exports, in US dollar terms and on customs basis, also continued to be buoyant in the first half of the current fiscal year, but their growth moderated to 20.5 per cent in the first half of 2005 from 30.9 per cent in the corresponding period of the previous year. Export growth accelerated to 22.1 per cent during April-October 2005, but it remained lower than the growth in the corresponding period last year. Export growth in the current fiscal has been aided by impressive, albeit slower, growth of global output and world trade. On the domestic front, sustained growth of the economy, especially of the manufacturing sector, seems to have aided exports, notwithstanding continuing high international oil prices and exchange rate developments.

Commodity-composition and destination of exports in April-August 2005 was broad-based. Major export drivers during this period included transport equipment (65.9 per cent), petroleum products (61.3 per cent), iron ore (59.7 per cent), and basic chemicals,

pharmaceuticals and cosmetics (26 per cent). Major destinations registering high growth of Indian exports included Singapore (67.6 per cent), China (59.6 per cent), Sri Lanka (64.6 per cent), the Netherlands (56.4 per cent), and UK (42.6 per cent). Export growth to Latin American countries was also robust at 81.8 per cent.

In April-August, 2005, exports of manufactured goods rose by 20.3 per cent, with robust performance in engineering goods, gems & jewellery, chemicals, and readymade garments. Engineering exports grew by 29 per cent, consolidating the 37 per cent growth during the corresponding period last year. The consistent improvement in the quality of Indian auto-components in meeting international standards is reflected in greater outsourcing of auto components by global automobile majors and high growth in transport equipment exports. Strong growth in gems and jewellery exports was powered by higher exports of diamond jewellery and attended by higher unit value realisation. Export growth in readymade garments was driven by strong demand in the major markets of US and Europe, but still the growth of total exports of textiles in April-August was only 8.5 per cent against China's 24.5 per cent for April-September 2005-06. Exports of petroleum products continued to surge with surplus domestic refining capacity and favourable international prices. With favourable international prices of ores and minerals, exports of primary products increased by 26.7 per cent.

Buoyant merchandise exports were, however, outstripped by rapid expansion of imports, and this resulted in a widening of the trade deficit (customs basis) by 71 per cent from US\$11.9 billion in April-September 2004 to US\$20.3 billion in April-September 2005. With a decelerating trend in monthly import growth, there are some signs of a corresponding deceleration in the widening of the trade deficit from around 197 per cent in April 2005 to 71 per cent in April-September 2005 and further to 66 per cent in April-October 2005, with the trade deficit at US\$23.5 billion in April-October 2004.

Commodity-composition of imports in April-August 2005 reveals that around 31 per cent of the rise in imports was accounted for by higher POL imports. This, together with higher imports of gold & silver, machinery, pearls & precious stones, iron & steel and organic & inorganic chemicals, accounted for around 70 per cent of total incremental imports in April-August 2005. The increase in capital goods imports (by 33.5 per cent), coupled with the strong growth of domestic production of capital goods (by 13.9 per cent) in April-September 2005, reflects a substantial build up in the capacity of the industrial sector. A break-up of imports indicates that within the bulk imports category, with 43 per cent share in total imports, higher growth was mainly due to POL, iron and steel, metalliferrous ores and scrap, and fertilizers. Among non-bulk imports, the growth of capital goods (with 18.7 per cent share in total imports) and of mainly export related items (with 14.5 per cent share of total imports) was 34-35 per cent. The share of capital goods imports in April-August 2005, however, declined marginally from 19.6 per cent in 2004-05 and 20.74 per cent in 2003-04, partly because of the rising share of POL imports.

The acceleration in gold and silver imports was mainly due to rapidly rising international bullion prices, reaching US\$453 per troy ounce in September 2005, the highest level since 1998, and higher domestic demand fuelled perhaps by rising incomes. The sharp decline in the value of edible oil imports in the first five months of 2005-06, despite a marginal rise in quantity imported, is attributable to the softening of international prices with improved global supply from the major palm oil producing countries like Indonesia and Malaysia. Studies indicate that global edible oil production is likely to nearly double by 2020 with increased acreage under oil palm cultivation worldwide.

Among the major import sources, Switzerland (66.4 per cent), Germany (58.2 per cent), the UAE (56.6 per cent), Australia (53.3 per cent), China (44.5 per cent), USA (26.4 per cent), and UK (25.8 per cent) recorded high growth.

After being in surplus for three years in a row, the current account of the balance of payments turned into a deficit in 2004-05. In comparison with the corresponding quarter of the previous year (i.e. April-June 2004), the most significant change in the balance of payments was in the current account, which switched from a surplus to a deficit (Appendix Table II). The transformation was induced by a much larger trade deficit – almost three times that in the corresponding quarter of the previous year. Outstripping nearly US\$1.0 billion increase in invisibles (net), this resulted in an overall deficit in the current account.

Invisible receipts (net) during the first 3 months of the current year were strongly fuelled by higher receipts from non-factor services (software and business services) and sustained private inward transfers. Nevertheless, the high merchandise trade deficit could not be fully covered by the robust invisibles receipts (net), which resulted in the current account continuing to be in deficit (US\$6.2 billion) during April-June 2005.

The current account deficit was, however, more than made up by a US\$7 billion surplus in the capital account resulting in an accretion to foreign exchange reserves of US\$1.2 billion during April-June 2005. Relative to the first quarter of 2004-05, the surplus in the capital account increased by US\$2.5 billion in April-June 2005. Despite lower loan and banking capital inflows (net), higher foreign investment, primarily of the portfolio variety, contributed significantly to this larger capital account surplus. However, the emergence of a deficit in the current account moderated reserve accumulation during April-June 2005 to only 16.5 per cent of that achieved during the corresponding period of the previous year.

There was a decline of US\$1.3 billion in the external debt of the country from the end of March 2005 to US\$122.2 billion at the end of June 2005. Of the external debt 94 per cent is of long-term maturity and a major share of it is represented by NRI funds and multilateral loans. NRI deposits constituted over a quarter of the total external debt. Furthermore, the external debt to GDP ratio not only continued to be prudently low but also lower than the ratio in 2003-04 by 0.4 percentage points. With foreign exchange reserves at US\$138.4 billion at end-June 2005, such reserves provided more than full cover to the external debt.

The Indian Rupee has exhibited a somewhat fluctuating trend against major global currencies during the current financial year. Against the US dollar, after gaining mildly during April-July 2005, the Rupee started weakening thereafter. The depreciation was the sharpest during October, 2005. In nominal terms, the Rupee depreciated by 0.5 per cent vis-à-vis the US dollar between March 31 and September 30. The depreciation of the Rupee against the US dollar was due to the dollar strengthening against other major international currencies. The Rupee, in fact, appreciated against the Yen and Euro during April-September 2005.

On the basis of 5-country-trade-based weights, in nominal effective exchange rate (NEER) and real effective exchange rate (REER) terms, the rupee appreciated by 3.4 per cent and 6.0 per cent, respectively, between end-March and end-September 2005. The Rupee was valued at Rs. 45.99 against the US Dollar on December 1, 2005, compared to Rs. 43.76 at the beginning of the current year. Against the Pound Sterling, Euro, and Japanese Yen, after gaining until July 2005, the Rupee weakened vis-à-vis all of them till September 2005. During October 2005, the Rupee gained against Pound Sterling and Japanese yen, while losing marginally against the Euro.

iv) Money and capital markets

The current year is witnessing a rapid increase in bank credit to the commercial sector. This, together with a healthy increase in the supply of non-bank finance to the commercial sector, reflects the ongoing dynamism across sectors of the economy. Non-food credit by scheduled commercial banks registered a growth of 31.5 per cent and 31.4 percent, on a year-on-year basis, on September 30 and November 11, 2005, respectively compared with 24.9 per cent and 31.8 per cent on the corresponding dates of the previous year. This greater exposure to the commercial sector has had its implications for the portfolio mix of commercial banks. Investment-deposit ratio declined to 39.5 per cent on September 30, 2005 from a level of 43.9 per cent on the corresponding date of the last year, which is still higher than the Statutory Liquidity Ratio (SLR) of 25 per cent. Net bank credit to Government, year-on-year, declined by 0.6 per cent on September 30, 2005 compared to an increase of 4.1 per cent on the corresponding date of the previous year. Thus, the commercial banks funded the high growth in commercial credit demand mainly by restricting their incremental investments in Government securities.

Loans to the agricultural and the small housing sectors picked up during the first half. Compared to Rs. 46,477 crore increase in the corresponding period of last year, non-food credit registered an increase of Rs. 1,00,008 crore in the second quarter of 2005-06, which was the highest increase in any recent year. Thus, non-food credit-deposit ratio went up substantially during the current financial year to 65.78 per cent on November 11, 2005 compared to 60.01 per cent in the corresponding date of the previous year. Food credit has been lower mainly due to lower procurement during this financial year.

Internal cash accruals, higher credit and improved access to ECB increased the cash balances with the commercial sector, and part of it was parked as deposits with commercial banks. Growth in demand deposits with banks during the first and second quarters of 2005-06 was high at Rs. 11,401 crore and Rs. 36,657 crore respectively, compared to a net depletion of Rs. 14,038 crore in the first quarter and only a marginal increase of Rs. 2,094 crore in the second quarter of 2004-05. In the second quarter of 2005-06, time deposits with the banks increased by Rs. 84,017 crore. This was not only higher than the first quarter increase of Rs. 76,337 crore, but also substantially higher compared to the increase in the corresponding quarter of the previous year.

Bank credit to commercial sector was the most important source of money supply (M_3) growth. Its contribution was 14.0 percentage points and 9.9 percentage points to the overall year-on-year growth of 16.6 per cent and 14.6 per cent of M_3 on September 30, 2005 and October 1, 2005, respectively. The contribution of foreign exchange assets of the banking sector to the growth of M_3 over the period diminished to 3.8 percentage points on September 30, 2005 from 8.0 percentage points on October 1, 2004. As on November 11, 2005, M_3 growth at 17.4 per cent was in excess of the projected growth of 14.5 per cent for the full year 2005-06 (Appendix Table III).

On a year-on-year basis, on November 11, 2005, while RBI's net credit to government declined sharply by Rs. 37,750 crore, the increase in net credit to government from the banking system was only Rs. 16,941 crore (2.2 per cent). The contribution of credit to Government to the overall growth of 17.4 per cent in M_3 was just 0.8 percentage point compared with 1.6 percentage points on the corresponding date of previous year. With a buoyant demand for commercial credit, monetary policy in the first half continued to finely balance the twin needs of meeting the legitimate needs of investment, trade, and commerce on the one hand and maintaining price stability on the other.

During the first six months of 2005-06, excess liquidity in the system was mopped up largely through the operation of the market stabilization scheme (MSS). During this period, the outstanding balances under MSS were Rs. 68,958 crore on average, with a peak of Rs. 78,906 crore on September 2, 2005 and a trough of Rs. 61,855 crore on September 9, 2005. The outstanding balances came down from Rs. 67,328 crore on September 30, 2005 to Rs. 65,813 crore on November 18, 2005.

With a comfortable liquidity position in the first six months of the current year, initially, the RBI supplemented its Liquidity Adjustment Facility (LAF, with the reverse repo and repo at the applicable rates) by sale of government paper. The amounts mopped up under reverse repo continued to be steady in the first two quarters. Reflecting the easy liquidity conditions, there was a softening of yields by 20 basis points on 10-year (7.38 per cent benchmark) Government securities from 7.31 per cent on April 30, 2005 to 7.11 per cent on September 30, 2005. There was a steepening of the yield curve with the spread between 1 year and 10 year bonds increasing in the first six months of the year. But simultaneously, there was a decline in the spread between 10 year and 30 year bond yields.

In an upbeat growth environment, there was a rapid expansion in the demand for bank credit from the commercial sector. This buoyant demand could be met by the banking sector without any undue pressure on the interest rate regime owing to the availability of adequate liquidity in the system, which in turn was facilitated by lower levels of banks' investment in government and approved securities.

The buoyant mood in the capital market in the first half of the year was also reflected in an increase in the initial public offerings (IPOs) and privately placed debt by corporates. Some private corporates also tapped the international markets. As per the information compiled by the RBI, the number of capital issues (through prospectus and rights issues, private placements, and euro issues) increased from 203 with a value of Rs. 21,525 crore in the first half of the previous year to 340 with a value of Rs. 34,915 crore in April-September 2005-06.

Continuing the upswing since June 2004 in the capital market, in April- September (April-November) 2005, year-on-year, the Sensex and S&P CNP Nifty indices rose by 30 (34) per cent and 26 (30) per cent, respectively. The rally in the stock market was broadbased across consumer durables, capital goods, fast moving consumer goods (FMCG), banks and public sector undertakings. The BSE Sensex touched 8,634.48 and S&P CNX Nifty touched 2,601.40 on September 30, 2005. The average BSE Sensex and S&P CNX Nifty in April-September 2005-06 were 7,187 and 2,205 compared with 5,230 and 1,645, respectively for the corresponding period of the last year. Average volatility of the market indices were observed to be 0.97 and 0.99 for the Sensex and Nifty, respectively, down from 1.87 and 2.08, respectively, in the first half of the previous year. The buoyancy has also been marked by an increase in price-earnings (P/E) ratios (end period) of Sensex (Nifty) stocks from 16.7 (14.6) to 17.8 (16.2) and a near doubling in the market capitalisation (end period) of Sensex (Nifty) stocks from Rs. 13.09 (12.28) lakh crore to Rs. 22.54 (20.98) lakh crore.

Mutual funds' mobilization at Rs. 5,00,123 crore in the first half of the current year was up 18 per cent from the level during the corresponding period of the previous year. Secondary markets boomed in the first six months with share price indices and volumes traded reaching successive higher levels and all time highs. The buoyancy reflected strong fundamentals of the economy, healthy corporate results, liquidity support from mutual funds and FII flows. Some further reforms reinforcing the positive mood included: allowing foreign private sector banks to acquire weak private sector banks in India; allowing 100 per cent FDI in construction sector; and permitting pension funds to invest in equity markets.

v) Infrastructure

Growth in electricity generation was slower at 4.7 per cent during April-September, 2005 compared to 7.8 per cent achieved during the corresponding period of 2004 (Appendix Table IV). On January 19, 2005, the Central Government notified the

guidelines for procurement of power by distribution licensees through competitive bidding. The National Electricity Policy was notified on February 12, 2005. The Appellate Tribunal for Electricity became operational with effect from July 21, 2005.

Rapid growth in telecommunications observed in recent years continued in the first half of the current year. With an increase of 32.8 per cent during April-September, 2005, the number of cellular phones reached the figure of 65.1 million in end-September, 2005. Tele-density increased from 8.0 per cent on September 30, 2004 to 10.24 per cent on September 30, 2005. The new broadband policy providing for “always on” 256 kbps connectivity recently completed its first anniversary.

Visible signs of improved performance of the transportation sector were reflected in the growth in revenue-earning freight traffic of the railways accelerating from 6.9 per cent in the first half of 2004-05 to 10.1 per cent in the first half of the current year to reach 313.5 million tonnes. There was a similar acceleration in growth of cargo handled at major ports from 9.8 per cent in the first six months of 2004-05 to 13.6 per cent in April-September, 2005, to reach 199.8 million tonnes. In the civil aviation sector, in the first six months of the current year, export cargo handled at 247.8 thousand tonnes registered a growth of 17.2 per cent and domestic passenger traffic at 13.4 million registered a growth of 21.7 per cent.

Four-laning of 5,000 km, comprising 85.5 per cent of the Golden Quadrilateral (GQ) – connecting Chennai, Kolkata, Delhi, and Mumbai – has been completed and work is progressing on the remaining lengths. The GQ – the flagship National Highway Development Project (NHDP) I – is likely to be substantially completed by December 2005. Of the total 7,300 km length of the North-South and East-West corridors – connecting Srinagar-Kanyakumari and Silchar-Porbandar – four-laning of 784 km has been completed and that of 3,691 km is under implementation. These corridors are targeted for completion by December, 2008. Out of 356 km under port connectivity, so far 99 km have been completed.

To maximize the benefits of public-private partnerships (PPP), Model Concession Agreements are being developed in the airports, roads and ports sectors. Simultaneously, public investments are being stepped up. Steps for revamping and revitalizing the Airports Authority of India (AAI), National Highways Authority of India (NHAI) and Ports Trusts are on the anvil.

The Ministry of Railways has formed a Public Sector Unit, the Rail Vikas Nigam Limited (RVNL), which has been entrusted with the task of promoting PPPs for railway projects. Railways have also decided to set up dedicated freight corridors on Delhi-Howrah and Delhi-Mumbai routes.

Greenfield airports at Devanahalli near Bangalore and Shamshabad near Hyderabad are being built on Build Own Operate and Transfer (BOOT) basis under PPP. The international airports in Delhi and Mumbai are also being restructured and modernized through private sector participation. In the joint venture, Airports Authority of India (AAI) and other Public Sector Units (PSUs) will hold 26 per cent equity. The balance 74 per cent will be held by the strategic partner. Towards this end, Expressions of Interest (EOI) were invited, and bidders have been short-listed. The process of selecting the successful bidders for the two airports is underway.

To accelerate and increase PPPs in infrastructure, two major initiatives have been taken by the Government: (a) provision of viability gap funding; and (b) setting up of a SPV to meet the long term financing requirements of potential investors. The viability gap funding will normally be in the form of a capital grant at the stage of project construction, not exceeding 20 per cent of the total project cost. In order to be eligible for funding under this viability gap support scheme, the PPP must be implemented by an entity with at least 51 per cent private equity. Although a provision of Rs. 1,500 crore for 'viability gap' funding for infrastructure projects has been made in the Budget, projects are yet to be sanctioned under the scheme. The operationalisation of the IIFCL is underway.

vi) Social sector

In conformity with the NCMP objectives, outlays on social services and rural development have gone up from Rs.51,497 crore in 2003-04 to Rs.57,724 crore in 2004-05 (RE) and further to Rs.66,691 crore in 2005-06 (BE).

The landmark NREG Bill was passed by Parliament in August, 2005, to provide employment guarantee to people in the rural areas. It provides for enhancement of livelihood security envisaging a minimum of 100 days of guaranteed wage employment during every financial year to every household, whose adult members volunteer to do unskilled manual work. Every State Government, within six months of the notification of the Act, is required to notify a scheme and publish a summary of it in at least two local newspapers. Until the wage is fixed by the Centre in any area in a State, the minimum wage prescribed by the State Government under Section 3 of the Minimum Wages Act, 1948 for agricultural labourers shall be considered the rate applicable to that area. An applicant will be entitled to a daily unemployment allowance when he/she is not provided employment within 15 days of receipt of his/her application seeking employment or from the date on which employment is sought in the case of an advance application, whichever is later. Panchayats at the district, intermediate and village levels will be the principal authorities for planning and implementing the schemes. The Gram panchayat will be responsible for identification of projects as well as monitoring the execution of works in the area.

Bharat Nirman is another ambitious programme launched this year and aims at creating rural infrastructure. It has the following goals:-

- * to bring an additional one crore hectares under assured irrigation;
- * to connect all villages that have a population of 1000 (or 500 in hilly/tribal areas) with a road;

- * to construct 60 lakh additional houses for the poor;
- * to provide drinking water to the remaining 74,000 habitations that are uncovered;
- * to reach electricity to the remaining 1,25,000 villages and offer electricity connection to 2.3 crore households; and
- * to give telephone connectivity to the remaining 66,822 villages.

Against the budget outlay of Rs.7,156 crore for the Sarva Shiksha Abhiyan (SSA) programme, by November this year, 79 per cent amounting to Rs.5,662 crore has been released. The contribution of State Governments/Union Territories (UTs) up to September, 2005 for their share of the scheme was Rs.1,018 crore. The utilization of funds under SSA by the States/UTs was Rs.3,361 crore by September, 2005, which is 55 per cent of the funds available with the States/UTs. Under the scheme, 17,348 school buildings and 20,543 additional classrooms were constructed and 89,095 teachers appointed between April and September 2005. The number of out-of-school children in the country has been reduced from 1.35 crore in 2004-05 to 96.5 lakh by September, 2005. The monitoring systems under SSA have been strengthened.

While the fund requirements for these ambitious programmes are large, the Government proposes to achieve economy in expenditure through convergence of the various ongoing social and rural infrastructure and employment-related programmes, including the National Food for Work Programme, with the NREG Scheme and Bharat Nirman.

Providing greater access for the rural population, especially the rural poor, to the public health care facilities is one of the major objectives of the Government. With this in view the National Rural Health Mission (NRHM) was launched on April 12, 2005. NRHM envisages further strengthening and upgradation of the public rural health infrastructure and services aimed at delivering quality health care in the rural areas of the country. It envisages a major shift in the governance of public health system by bringing the Panchayati Raj Institutions to the forefront in all matters related to health at the district and sub-district levels. Through the provision of voluntary trained female community health activists, it aims at increasing the outreach of the health system to the village and even to the household level. The NRHM, with an initial outlay of Rs. 6,731.2 crore in 2005-06, proposes to cover all the States in the country with special focus on the 18 States that have weak health infrastructures and demographic indicators.

II. CENTRAL GOVERNMENT FINANCES

i. Overview of fiscal trends during April –September 2005

The key fiscal indicators during the first half of the year, that is April-September 2005, (Appendix Tables V-XI) reflect the ongoing process of fiscal consolidation even as they indicate the challenges likely to be faced in the endeavour to achieve the targets laid down under FRBM Act 2003 and rules made thereunder. The receipts and expenditure figures for the first half of the financial year are un-audited figures and may undergo post-audit revisions. Receipts and recoveries, wherever directly linked to expenditures, have been netted against the expenditures.

During the first half of the current year, total expenditure (Rs.2,10,983 crore) of the Government was 41 per cent of BE 2005-06, almost the same as in the first half of the previous year as a proportion of the relevant BE (Appendix Table V). However, despite greater buoyancy in tax revenues, total non-debt receipts (Rs.1,27,140 crore) as a proportion of BE at 35.0 per cent was lower than the corresponding 41.8 per cent in the previous year, and resulted in a higher gross fiscal deficit (Rs.83,843 crore) of 55.5 per cent of BE compared to 38.7 per cent of BE in the first half of 2004-05. The apparent deterioration in both non-debt receipts and the fiscal deficit was largely due to the intra-year impact of debt swap scheme in 2004-05, which has since been discontinued. The debt swap scheme did not affect the revenue deficit, and revenue deficit during the first half of the current year (Rs.65,097 crore) at 68.3 per cent of BE was actually lower than the 78.7 per cent of BE achieved in the corresponding period of the previous year. But, mirroring the deterioration in fiscal deficit, primary deficit in the first half of the year, defined as the fiscal deficit less interest expenditure, worsened from a surplus of Rs.2,164 crore in 2004-05 to a deficit of Rs.29,903 crore in 2005-06.

During April-September 2004, State Governments prepaid Central Government loans amounting to Rs.29,340 crore which was counted as non-debt receipts. These receipts were subsequently utilized to finance redemption of special Central Government securities with National Small Savings Fund (NSSF) during the course of the financial year, and such redemptions were treated as non-plan capital expenditure to insulate the fiscal deficit from the one-off impact of the debt swap scheme. For April-September 2004, adjustment for such debt swap receipts results in a decline in the non-debt receipts to Rs.1,12,998 crore (33.2 per cent of BE) and increases in fiscal deficit and primary deficit to Rs.82,575 crore (60.1 per cent of BE) and Rs.27,176 crore, respectively.

With adjustments for the impact of debt swap scheme in 2004-05, all the three deficit indicators showed improvement in the first half of the current year vis-à-vis

corresponding period of the previous year. However, despite the improved performance, the mid-year targets of (i) total non-debt receipts not being less than 40 per cent of BE, (ii) fiscal deficit not being higher than 45 per cent of BE, and (iii) revenue deficit not being higher than 45 per cent of BE prescribed under rule 7 of FRBM Rules, 2004 have not been met. The reasons for these are analyzed in the subsequent paragraphs.

ii. Receipts

(a) Tax revenues

Gross tax collections in the first half of the current year (Rs.1,37,542 crore) grew by 21.9 per cent over the corresponding period of the previous year, and at 37.2 per cent of BE was higher than the 35.5 per cent of BE observed during corresponding period of the previous year (Appendix Table VI). Even in terms of the growth rate of such collections, relative to 21.3 per cent assumed in BE 2005-06, 21.9 per cent constituted an encouraging sign.

In the first half, of the total gross tax revenues, Rs.40,779 crore (42.9 per cent of BE) has been transferred on the basis of Twelfth Finance Commission (TFC) award to the States as their provisional share in taxes and duties. After transferring Rs.514 crore to the National Calamity Contingency Fund, the net tax revenues to the Central Government was Rs.96,249 crore (35.2 per cent of BE), up from Rs.77,860 crore (33.3 per cent of BE) during the corresponding period of the previous year. It is significant that, as a proportion of BE, the higher net tax revenues to Centre during the first half of 2005-06 vis-à-vis corresponding period of the previous year has been achieved simultaneously with higher transfers of taxes and duties to States amounting to 42.9 per cent of BE 2005-06 against 41.9 per cent of BE 2004-05.

Revenue performance varied across different tax sources as follows:

(i) A straightforward comparison of revenues from personal income tax and corporate tax with the previous year, which reveals a decline and very rapid growth respectively, is misleading because of the need for adjustment to the data for corresponding period of the previous year due to large scale misclassifications in challans (payment slips) noticed in the wake of introduction of the On-Line Tax Accounting System (OLTAS) last year. The adjusted figures for corresponding period of the previous year for personal income tax is Rs.19,055 crore and for corporate tax is Rs.26,457 crore. Adjusting for the misclassification, collections during 2004-05 indicate that personal income tax grew at a moderate 10.6 per cent and corporate tax at 28.2 per cent.

(ii) Collections under newly introduced fringe benefit tax (Rs.822 crore), securities transactions tax (Rs.1,031 crore) and banking cash transaction tax (Rs.89 crore), which form part of direct taxes in the budget estimates, have been reflected under the head 'other taxes'. Including these under personal income tax results in a hike in its growth rate during April-September, 2005 to 20.8 per cent.

(iii) Buoyed largely by a growth in imports, customs duty collections grew by 24.1 per cent despite a reduction in the peak tariff rate on non-agricultural items from 20 per cent to 15 per cent in Budget 2005-06.

(iv) Growth of 66.8 per cent in service tax collections in the first half of the current year was much higher than the budgeted 23.2 per cent for the year as a whole, largely as a result of increase in the rate of duty and expansion of the tax net. The share of service tax in the gross tax collections of the Central Government has been increasing consistently from a modest 0.8 per cent in 1996-97 to 4.7 per cent in 2004-05 and further to 5.9 per cent in first half of 2005-06.

(v) Central excise collections were sluggish, even though impressive growth rates were achieved by the manufacturing sector. This could be because of a larger share of growth being achieved in the exempted sub-sector.

Growth in overall tax collections of 21.9 per cent in the first half of the current year was considerably above the 16.4 per cent growth assumed in the BE 2005-06 over the corresponding BE in 2004-05. Even as a proportion of BE for the full year, tax collections in the first half of the current year was 1.7 percentage points higher than the 35.5 per cent of BE collected in corresponding period of the previous year.

(b) Non-tax revenues

Non-tax revenues during April-September, 2005 at Rs.26,596 crore equivalent to 34.2 per cent of BE was lower than such revenues of Rs.28,647 crore (38 per cent of BE) mobilized during the corresponding period of the previous year (Appendix Table VII). This decline was induced by reductions in three of the four broad components of non-tax revenues, viz. (i) interest receipts, (ii) dividends and profits, and (iii) external grants, even as the residual 'others' component of non-tax revenues registered an impressive 17.5 per cent growth over corresponding period of the previous year. The implementation of the debt swap scheme resulted in a reduced corpus of outstanding loans with lower interest returns. Even as it benefited the State governments, it affected the interest receipts of the Centre significantly. The lower dividend receipts is largely on account of late payment of dividends by certain PSUs, including in power, in October, 2005 as against during the first half of the year in 2004-05, and higher interim dividends received last year.

However, notwithstanding the lower non-tax revenues, the total revenue receipts of the Central Government during April-September, 2005 at 35 per cent of BE was marginally higher than the 34.4 per cent of BE observed during the corresponding period of the previous year.

(c) Non-debt capital receipts

Non-debt capital receipts comprise of repayment of loans to the Central Government and disinvestment receipts. However, with the decision to set up the National Investment Fund (NIF) to credit the disinvestment proceeds, such receipts in the current year would be matched by transfers to NIF, without impacting the fiscal deficit.

Recovery of loans during the first half of the current year was Rs.4,284 crore as against Rs.35,639 crore during corresponding period of the previous year (Appendix Table VIII). Recovery of loans during the full year 2004-05 included Rs.43,675 crore under the Debt Swap Scheme. It may be recalled that Budget 2004-05 had allocated debt swap receipts of Rs.11,000 crore to finance the outstanding defence capital expenditure. With the prepayment of high cost loans by States as well as by some PSUs under the debt-swap scheme in 2003-04 and 2004-05 to take advantage of the soft-interest regime, the receipts under recovery of loans showed a predictable decline in the first half of the current year.

iii. Expenditure

Total expenditure during April-September, 2005 at Rs.2,10,983 crore (41 per cent of BE) was up 7.87 per cent from Rs.1,95,573 crore (40.9 per cent of BE) during the corresponding period of the previous year (Appendix Table V). The growth in total expenditure, thus, was lower than the growth of GDP at current prices during the period. Of the total expenditure, revenue expenditure amounted to Rs.1,87,942 crore (42.1 per cent of BE) as against Rs.1,66,458 crore (43.2 per cent of BE) during the corresponding period of the previous year. Capital expenditure in the first half of the current year was lower at Rs.23,041 crore (34 per cent of BE) as against Rs.29,115 crore (31.5 per cent of BE) during the corresponding period of the previous year. It may be mentioned that the capital expenditure during FY 2005-06 budgeted at Rs. 67,832 crore is lower than the budgeted capital expenditure of Rs.92,336 crore in BE 2004-05, which is on account of acceptance of TFC recommendation regarding disintermediation of Central Government in borrowings by State Governments to finance their State plans. However, subsequently, it has been decided to continue to route the external loans to State Governments through the Consolidated Fund of India, albeit on a back-to-back basis.

(a) Plan expenditure

Plan expenditure during April-September, 2005 was Rs.59,406 crore (41.4 per cent of BE) as against Rs.53,274 crore during the corresponding period of the previous year (Appendix Table IX). Within plan expenditure, revenue expenditure in the first half of the current year was Rs.46,123 crore (39.8 per cent of BE) as against Rs.34,742 crore (37.8 per cent of BE) during the corresponding period of the previous year; and capital expenditure, reflecting the disintermediation of States' domestic loans, was lower at Rs.13,283 crore (48.3 per cent of BE) against Rs.18,532 crore (34.5 per cent of BE). As a proportion of BE, plan capital expenditure was higher than in the corresponding period of the previous year because of the post-budget decision to extend external loans through the budget, which will be reflected in the revised estimates for the current year. In the overall increase of Rs.12,750 crore in Central Plan expenditure in April-September, 2005 over the corresponding period of the previous year, two of the departments which have registered the highest growth were Road Transport & Highways and Elementary Education & Literacy. In the case of Road Transport &

Highways, however, the high growth also reflected the transfer of the entire budget provision to the Central Road Fund (CRF). Central Government's expenditure on States' and UTs' plans as a proportion of BE increased from 34 per cent in April-September 2004 to 39 per cent in April-September 2005.

(b) Non-plan expenditure

Non-plan expenditure during the first half of the current year at Rs.1,51,577 crore (40.9 per cent of BE) was 6.52 per cent higher than Rs.1,42,299 crore (42.8 per cent of BE) during the corresponding period of the previous year (Appendix Table X). This growth was significantly lower than the growth of 11.2 per cent budgeted for the full year in BE 2005-06 over provisional actual expenditure for 2004-05 (excluding expenditure of redemption of special securities to NSSF under debt swap scheme).

Table 5. Major variations under non-plan expenditure

<i>(In Rupees crore)</i>						
S.No.	Item of expenditure	BE 2005-06	April-September, 2005	BE 2004-05	April-September, 2004	Increase/decrease
1	Interest payment	1,33,945	53,940	1,29,500	55,399	-1,459
2	Defence	83,000	28,863	77,000	28,409	454
3	Grants to States/ UTs	34,053	12,161	19,576	7,584	4,577
4	Pensions	19,542	9,374	15,928	7,804	1,570

An analysis of the variation in non-plan expenditure over the corresponding period of the previous year (Table 5) shows that net expenditure on interest payment was lower in the first half of the current year, despite 4.86 per cent higher gross expenditure on interest payments. This asymmetry between net and gross interest payments was on account of higher than budgeted accrued interest received in respect of market borrowings through the re-issue modality. These receipts are netted against gross interest payment expenditure. The accrued interest received was higher because, during April-September, 2005, relative to the corresponding period of the previous year, market borrowings were higher and re-issues constituted a higher share of total borrowings.

Slow pace of expenditure under defence reflected a lower capital expenditure of Rs.1,271 crore during April-September, 2005 as against corresponding period of the previous year. Higher expenditure in respect of grants to States have been on account of TFC award, which is also reflected in the 74 per cent increase in the budget provision for grants to States amounting to Rs.33,953 crore in 2005-06.

iv. Resources transferred to States/Union Territories

Of the BE of Rs.1,65,171 crore for net transfer to States/UTs in 2005-06, the transfers during the first half amounted to Rs.68,038 crore (41 per cent of BE) – Rs.67,812

crore to States and Rs.226 crore to UTs – compared to Rs.32,678 crore (23 per cent of BE). During the current financial year, there have been significant changes in the pattern of resource transfers to States/UTs on account of TFC award and recommendations and discontinuation of debt swap scheme (Appendix Table XI). Some of these changes in the first half over corresponding period of the previous year are as follows: (i) 18.4 per cent rise in the share of taxes and duties by Rs.6,341 crore to Rs.40,779 crore; (ii) 84.3 per cent increase in the non-plan grants by Rs.5,355 crore to Rs.11,711 crore; (iii) a decrease in Central assistance in the form of loans by Rs.8,903 crore to Rs.1,656 crore; and (iv) a decrease in recovery of loans and advances by Rs.30,165 crore to Rs.3,630 crore.

v. Receipts and expenditure of Departmental Commercial Undertakings

Central Government budget includes only the net difference in the receipts and expenditure of the departmental commercial undertakings of the Government as they are expected to meet their expenditure requirements, to the extent possible, from their own receipts. In addition, these undertakings face short-term mismatches in the flow of receipts and expenditure. The expenditure on departmental commercial undertakings up to September, 2005 exceeded receipts by Rs.1,472 crore as against BE 2005-06 of Rs.362 crore (Table 6).

Table 6. Receipts and expenditure of Departmental Commercial Undertakings

(In Rs. crore, unless stated otherwise)

Item	2005-06			2004-05		
	BE 2005-06	Amount	As proportion of BE (in per cent)	BE 2004-05	Amount	As proportion of BE (in per cent)
Revenue						
expenditure	15,610	6,034	39	14,816	5,997	40
Receipts	15,248	4,562	30	14,491	4,350	30
Net	-362	-1,472	407	-325	-1,647	507

vi. Financing of deficit, and liabilities' position

The fiscal deficit of Rs.83,843 crore on Consolidated Fund of India and deficit of Rs.9,716 crore in Public Account were financed from internal debt of Rs.90,483 crore, external assistance of Rs.1,515 crore and cash draw down of Rs.1,561 crore. There was a significant change in the pattern of financing the fiscal deficit from the last year: last year, during April-September, 2004, the fiscal deficit of Rs.53,235 crore and Public Account deficit of Rs.4,344 crore were financed mainly through internal debt of Rs.33,682 crore, external assistance of Rs.7,554 crore and cash draw down of Rs.16,343 crore.

Table 7. Financing of the deficit*(Rs. in crore)*

	Apr-Sept 2005	Apr-Sept 2004
Fiscal Deficit	83,843	53,235
Sources of Financing		
Internal Debt	90,483	33,682
Market Loans (including 182 and 364 day Treasury Bills)	60,223	20,884
14-day Treasury Bills	25,590	23
Compensation and Other Bonds	4,890	13,189
Others	-220	- 414
External Assistance including Revolving fund	1,515	7,554
Cash Draw Down	1,561	16,343
Ways and Means Advances (WMA)	0	0
Net financing from Public Account	-9,716	-4,344

The reliance of internal debt on market loans (including 182- and 364-days treasury bills) with market determined rates of interest and 14-days intermediate treasury bills available to State Governments for investment of their surplus cash balance increased significantly, while that on relief and savings bonds with administered interest rates declined.

The figures discussed above (Table 7) do not include market borrowing and issue of treasury bills under MSS. The borrowings under MSS are not utilized for financing fiscal deficit and are kept in a sequestered account with RBI and utilized only for the purposes of redemption of borrowings resorted to under MSS. During April-September, 2005, Government raised Rs.3,116 crore (net) through issue of dated securities and treasury bills of 364 days, 182 days and 91 days maturity for absorbing excess liquidity from the market under MSS.

Evolution of the outstanding liabilities of the Central Government from 1990-91 until 2005-06 (BE) shows an increase in such liabilities as a proportion of GDP from 55.3 per cent in 1990-91 to 63.7 per cent in 2004-05 (RE) and further to 64.1 per cent in 2005-06 (BE) (Appendix Table XII).

vii. Cash management

The Central Government began the year with a surplus cash balance of Rs. 26,202 crore, of which Rs. 20,000 crore was invested and Rs.6,202 crore held as idle cash.

This surplus position was largely on account of surplus cash balances of State Governments invested in 14 days' intermediate treasury bills. On account of further accretions to surplus cash balances of State Governments, the Government account was in a surplus cash position of Rs.34,173 crore on September 30, 2005. During the first half of the year, Government had to take recourse to Ways and Means Advances (WMA) on very few occasions and it did not avail of overdraft on any day.

vii. Assessment vis-à-vis FRBM

All the three fiscal indicators in *nominal* terms in April-September 2005 were inferior to those in the corresponding period of the previous year. Fiscal and revenue deficits were higher by Rs. 30,608 crore and Rs.5,146 crore, respectively, and the primary deficit turned from a surplus of Rs.2,164 crore to a deficit of Rs.29,903 crore. The key parameters of non-debt receipts, fiscal deficit and revenue deficit, were also short of targets prescribed under rule 7 of the FRBM Rules, 2004. Under the 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 BE; or (ii) the fiscal deficit is higher than 45 per cent of the BE; or (iii) the revenue deficit is higher than 45 per cent of the BE. The actual outcomes under all the three criteria did not measure up to the above benchmarks (Table 8).

Table 8. Outcome versus targets under FRBM Rules

Targets	<i>(In per cent)</i>		
	April-September, 2005	April-September, 2004 (Unadjusted)	April-September, 2004 (Adjusted)
Total non-debt receipts not less than 40 per cent of BE	35.0	41.8	33.2
Fiscal deficit is not more than 45 per cent of BE	55.5	38.7	60.1
Revenue deficit is not more than 45 per cent of BE	68.3	78.7	78.7

However, in view of discontinuation of the debt swap scheme that had resulted in a substantial increase in the recovery of loans during April-September, 2004 (and were not adjusted against redemption of special securities issued to NSSF until December, 2004), the indicators need to be adjusted for a like-to-like comparison with the first half of 2004-05. Adjusting for the receipt of Rs.29,340 crore under the debt swap scheme, the performance in respect of total non-debt receipts and fiscal deficit show an *improvement* in the first half of the current year vis-à-vis the corresponding period of the previous year.

III. PROSPECTS AND POLICY ISSUES

The economy is poised to continue on the high growth path of the last two years. There are strong signs of a consolidation of the possible higher trend rate of growth of the economy indicated in the last Economic Survey. The growth momentum observed in the first half of the current year (8.1 per cent) is broad-based in nature. Particularly, a double-digit growth in manufacturing value added in the first half of the current year augurs well for 2005-06. After a partial drought in 2004-05, with a satisfactory monsoon, there is promise of an agricultural rebound with growth of around 3-3.5 per cent in the current year. Given the forward linkages of agriculture and the favourable business and consumer sentiments of the first half, a continuation of the 8.5-10 per cent growth in industrial and services sectors is likely to result in an overall growth of over 7.0 per cent in 2005-06.

In spite of a rapid rise in international crude prices, domestic inflation has remained contained at a moderate level, and there are no indications of fundamental macroeconomic imbalances. External sector has remained strong with increasing openness, in spite of considerable turbulence in cross-currency exchange rates and upward movement in international interest rates. There has been some, albeit slow, progress towards fiscal consolidation. For sustained, robust and inclusive growth, what is needed is a combination of appropriate and timely policies and delivery mechanisms to enhance investment; rapid progress in infrastructure; and accelerated improvements in education and health of the people, particularly the vulnerable sections.

i. Fiscal consolidation and reform

Progress in fiscal consolidation has been satisfactory in the post-FRBM period so far. The revenue deficit as a proportion of GDP is down by 1 percentage point in 2004-05 (provisional) since 2003-04, which is in excess of the minimum 0.5 percentage point required in one year by the FRBM Act. Similarly, in the same reference period, the reduction in fiscal deficit as a proportion of GDP has been 0.4 percentage points, even in terms of outcomes in excess of the minimum of 0.3 percentage points required in a year by the FRBM Act.

In the current year, as a proportion of GDP, the Budget proposed to maintain the revenue deficit at the previous year's revised estimate's level, owing to the impact of the TFC award. However, the fiscal deficit as a proportion of GDP is budgeted to decline by 0.2 percentage points from the previous year's revised estimate. It seems that, on present policies, with perseverance, the budgetary targets can be achieved. Progress regarding the implementation of Budget proposals is given in Annex I.

While the actual outcomes under all the mid-year criteria of non-debt receipts, revenue deficit and fiscal deficit did not measure up to the benchmarks specified in the FRBM Rules, with appropriate adjustments for the one-off debt swap scheme last year, the performance is comparable to, or rather better than, that in the first half of last year.

It is pertinent to note that the time sequence and spread of expenditure and revenue across the different months of the year have an impact on the fiscal and revenue deficits as proportion of BE through the year. A backloading of expenditure, although harmful in its effect on proper utilization of funds, can help in containing the fiscal and revenue deficits as proportions of BE in the first half. While the time-slicing of expenditure, with no more than a third of relevant appropriation permitted in the last quarter, helps to contain the backloading, the improvement in evenly spreading out the outlays and its impact on the revenue and fiscal deficits need careful monitoring. It may be recalled that the provisional actual performance during 2004-05 compares quite favourably with the budget estimates, despite failure to meet the mid-year targets (Table 9).

Table 9. Mid-year performance, BE and Provisional Actuals, 2004-05

Targets	BE 2004-05	<i>(Rs. Crore)</i>	
		April- September, 2004 (Adjusted)	Provisional Actual 2004-05
Total non-debt receipts	3,40,422	1,13,190	3,37,798
Fiscal deficit	1,37,407	82,575	1,27,975
Revenue deficit	76,171	59,951	79,558

While it is a bit premature to conclude about the permanent shift in evenly spreading out the flow of expenditure, durable success in this area will require a revisit of the mid-year targets. Much will depend on the success in implementing the policy decisions to obtain a more even spread of expenditure than earlier years, including efforts to check the rush of expenditure and parking of funds during the fourth quarter of the financial year. The impact of changing composition of revenue receipts, such as direct versus indirect taxes, and within indirect taxes, customs (paid on a daily basis) versus excise (paid on a monthly basis) duties, also needs to be factored into the evaluation of mid-year figures vis-à-vis the corresponding BEs.

One encouraging sign in the current year is that the rate of growth of overall tax collection in the first half has exceeded the budget estimate envisaged for the whole year. Personal income tax collections have fallen short of growth targets, but a slew of measures (Annex II) has been initiated to increase the rate of growth of collections. Similarly, while the rate of growth of indirect taxes in the first half has exceeded budget assumptions, performance under Central excise duties has been sluggish. Measures have been initiated to tone up tax administration and improve indirect tax collections, especially Central excise duties.

On the expenditure side, Government has been able to achieve reasonable success, particularly on the non-plan side. In order to improve the quality of expenditure and focus on outcomes rather than outlays, Government presented the first Outcome Budget during the monsoon session of Parliament. Ministry of Finance has advised the

administrative departments to scrupulously monitor the unspent balances with the large number of implementing agencies - State Governments, autonomous bodies and Central PSUs and even district level autonomous bodies to reduce the lag between release of funds and its actual expenditure. Fresh guidelines have been issued to moderate non-plan expenditure, the details of which are at Annex III. However, expenditure budget is expected to come under pressure on account of (i) increased requirement of Government-funded supply of foodgrains for employment guarantee programme and Sampoorna Gramin Rozgar Yojna and (ii) provisioning for Externally Aided Projects (EAPs) under State Plans due to post-budget decision to continue to route them through the Consolidated Fund of India.

With last year's experience, trends of expenditure and receipts during the first half of the year, and measures already initiated in boosting receipts and moderating non-plan expenditure, Government is confident of achieving the budgeted deficit targets. A mix of sound fiscal and monetary measures leading to an overperformance on the growth front will also help. There is a need to persevere with the extant revenue-led fiscal correction strategy and adequate provisioning for both physical and social infrastructure.

The aggregate fiscal situation of States has shown a marked improvement in 2004-05 (RE) over 2003-04. Revenue deficit of the States declined to 1.4 per cent of GDP in 2004-05 (RE) from 2.2 per cent in 2003-04; and fiscal deficit as a proportion of GDP declined to 3.8 per cent from 4.4 per cent in the same period. The budget estimates of the States for 2005-06 carry forward this fiscal consolidation process. Revenue deficit is budgeted to decline to 0.7 per cent of GDP and fiscal deficit to 3.1 per cent of GDP, which are very proximate to the fiscal correction goals enunciated by the TFC.

The TFC had recommended a debt consolidation and waiver scheme for States. Under the general debt relief scheme applicable to all States during the period of the award of TFC, all central loans contracted till March 31, 2004 and outstanding as on March 31, 2005 get consolidated as loans for a fresh period of 20 years payable in 20 equal annual installments at a reduced interest rate of 7.5 per cent effective from the year in which the fiscal responsibility legislation is enacted by the States. TFC has estimated that this would benefit the States in the entire period of its award through lower interest payments of Rs.21,276 crore and through relief on deferment of principal repayment of Rs.11,929 crore. A second scheme of debt write-off under the TFC award linked to fiscal performance is calibrated in a manner that provides incentives for a self-imposed fiscal correction path on a year-on-year basis leading to elimination of revenue deficit by 2008-09 and containing fiscal deficit.

Improving own tax-GDP ratio is critical in sustaining fiscal reforms at the State level. Introduction of State Level Value Added Tax (VAT) is the single most significant economic reform measure at the State level in recent times. The decision to implement State level VAT was taken at the meeting of the Empowered Committee (EC) of State Finance Ministers held on June 18, 2004, where a broad consensus emerged to introduce VAT

from April 1, 2005. Accordingly, 24 States/UTs have introduced VAT by now. Nine States/UTs are yet to introduce VAT. These are UP, Tamil Nadu, Rajasthan, Gujarat, MP, Chattisgarh, Jharkhand, Pondicherry and Chandigarh. The Central Government is playing the role of a facilitator in this process. The smooth introduction of VAT system and the management of the transitional problems are testimony to the commitment of the Governments on fiscal reforms. Available estimates indicate that most of the States that have graduated to the VAT have experienced higher revenues.

Following the TFC recommendation on debt-relief and debt write-off, many States have started to put in place fiscal responsibility legislations and the Budget estimates of States for 2005-06 reflect this process, albeit with some regional variations. It is only through sustained fiscal consolidation that Union and State Governments could release more public funds for financing development initiatives.

ii. Agriculture

Stocks of foodgrains in the Central Pool as on November 1, 2005 were 193.9 lakh tonnes, comprising 103.4 lakh tonnes of rice and 90.5 lakh tonnes of wheat. Though the stocks were marginally below the buffer stocking norm on October 1, it is important to bear in mind that wheat stocks are normally expected to go down between October 1 and January 1. As such, the situation is comfortable. Rice procurement in the current kharif marketing season, which commenced on October 1, had already crossed 104.5 lakh tonnes by December 2, 2005, against 95.1 lakh tonnes in the corresponding period of the previous year. The wheat stocks are also adequate to meet the requirement under targeted PDS (TPDS) and other welfare schemes until the commencement of the next wheat procurement season on April 1, 2006. The sown area of wheat is reported to be over 6 lakh hectares more than that in the corresponding period last year, and wheat production is targeted at 76 million tonnes against the estimated 72 million tonnes achieved last year.

The Tenth Plan (2002-07) envisages 4 per cent growth in agriculture to achieve the target growth rate of 8 per cent for the Plan period. Against this, annual agricultural growth in the first three years has been low at 1.3 per cent. The prospects for foodgrains output in 2005-06 are bright. But, the anticipated rebound in agriculture is partly because of the low base of the previous year. It is important to make up for the lost ground of 2004-05, and build on the inherent strengths of Indian agriculture.

The economy's growth rate has demonstrated considerable resilience to the vagaries of the monsoon partly because of the declining share of agriculture in GDP. In spite of drought-like conditions, in 2004-05, the economy managed to grow at 6.9 per cent. In the current year, as the fears of delayed and inadequate monsoon receded, forecasting agencies upgraded their forecasts of India's GDP growth by only about 0.5 to 1 percentage points. This resilience, however, conceals a lot of the shadows that monsoon-related uncertainties cast on India's economic performance and welfare.

First, the relatively low share of agriculture (around 21 per cent) in GDP grossly

understates the extent (56.7 per cent of the total work-force) to which the population of India depend on the sector for earning a livelihood. Second, there is erratic rainfall-induced build-up of price pressures - in both directions - in some essential commodities. Sugar and onions in recent years provide examples of such vulnerabilities.

Enhancing the growth rate in agriculture to 4 per cent per annum and improving its robustness vis-à-vis the monsoon require substantial investment in irrigation and water-management technologies, diversification and boosting productivity of different crops through improved seeds, and plant-care practices. The National Project for the repair, renovation and restoration of water bodies is a bold step in the right direction. Lessons learnt from the pilot scheme in 16 districts in 9 States will have to be incorporated in the future implementation of the project to improve its effectiveness. In irrigation, the emphasis should be on completion of last mile projects and bringing additional land under irrigation in command areas of the completed projects. A revamp of food and fertilizer subsidies, with better targeting and more efficient delivery mechanisms, will benefit agriculture by not only increasing the farmers' share of the benefits of such subsidies but also opening up fiscal space for enhanced outlays on irrigation and rural infrastructure.

With increasing per capita income, the observed tendency of a shift in demand away from cereals and in favour of high value food products like pulses, fruits and vegetables, dairy, fish and poultry products is likely to continue. This changing demand pattern needs to be met by a dynamic agricultural diversification programme. This in turn requires diffusion of better technology, quality seeds and more efficient agro-practices in these alternatives, and much improved post-harvest facilities, in terms of storage, transportation and processing, for these non-cereal agricultural products, many of which are perishable in nature.

Vigorous revival of commodities' futures markets will help in reducing price uncertainties in acreage allocation to alternative crops, without the compulsory need for costly government intervention in terms of Minimum Support Prices (MSP). While good progress has been made towards reviving commodities' futures markets, there is need for greater attention to developing a strong regulatory architecture. Large increases in MSP of principal cereals, resulting in their market prices being below or equal to the MSP, tend to put open market trade in these cereals under severe strain. Too high a MSP for a particular crop leads to an excess build up of stocks of that cereal, a high subsidy bill because of the carrying costs, and an excessive concentration on production of this crop.

There is no alternative to developing vibrant spot markets and efficient supply chains from farmers' fields to consumers' doorsteps to reduce the middleman's wedge between farm-gate and consumer prices. Restricting further increases in MSP for principal cereals and resisting the temptation of introducing MSPs for new products are critical in this regard. Enabling the establishment of private markets, direct purchase centres, consumer and farmers' markets for direct sale and promotion of PPP in the management and development, through enactment of the model Act on agricultural marketing, are crucial in this regard. The model Act also seeks to regulate and promote contract

farming arrangements in the country. So far, six States have amended their agricultural marketing regulation acts, and another 19 States/UTs have initiated action for their amendment.

Adequate credit to agriculture in time and at competitive market rates is critical for encouraging adoption of efficient agro-practices, and enhancement of productivity. The Task Force set up under Prof. A. Vaidyanathan to revitalize the cooperative credit structure has submitted its report with regard to short-term credit structure, and the report has been accepted, in principle, for implementation. Consultations with State Governments have been held. A package for the revival of the short-term cooperative credit structure has been worked out. The same Task Force has been entrusted with making recommendations with regard to revival of long-term cooperative credit institutions.

Higher yields and diversification away from cereals to high-value and labour-intensive agriculture and allied activities hold the key to achieving sustained annual agricultural growth of 4 per cent or more. The National Development Council is seized of the issue and a Sub-Committee on Agriculture, with the Agriculture Minister as Chairman, has been constituted with the mandate to come out with recommendations for accelerating the growth rate.

iii. Industry

There are limits to the ability of the agriculture sector in providing gainful employment to the over 600 million people dependent on it. Poverty, inequality and deprivation are the natural consequences of more than one half of the population depending for their livelihoods on a sector producing only about a fifth of GDP. The process of economic development involves shifting people from primary (agriculture) to the secondary (industry) sector, mainly manufacturing. Industrial growth, particularly that of agro-processing, needs to be maintained at double-digit rates.

Industrial growth in the first half has been marred by a disappointing performance in mining and electricity sectors, and vigorous industrial growth during the second half of the year requires a strong growth recovery in these two sectors.

In textiles, the untapped potential continues to be enormous. In the post-quota regime, exports of Indian textiles grew, but at only about a third of the rate registered by China. For example, export of textiles to US from China grew at 58.5 per cent during April-September 2005, while that from India grew by only 24.2 per cent during April-August 2005. Removal of 30 items under the category of 'textile products, including hosiery' from the purview of small-scale reservation, continuation of the Technology Upgradation Fund (TUF) Scheme with enhanced allocation and additional benefit of 10 per cent capital subsidy, reduction of customs duty on textiles machinery from 20 per cent to 10 per cent, and cut in excise duty from 24 per cent to 16 per cent on polyester filament yarn in 2005-06 are expected to have significant positive impact. Substantial additional investment needs to flow into the textiles sector if India is to capitalize fully on the opportunities opened up in the post-quota era. This would be facilitated by reforms in labour laws and removal of infrastructural constraints.

Steel industry has been performing satisfactorily. But there is scope for substantial increase in domestic consumption of steel, particularly in the unexplored rural markets. Per capita annual consumption of steel is still only 30 kg in India, compared to 350 kg in the developed countries and 150 kg for the world as a whole. In view of the inherent strengths of the Indian steel industry, abundant availability of iron ore and coal, low wage rate, and a mature production base, the domestic steel industry offers potential for large scale investment. A streamlining of the approval process for grant of environmental clearances will help such investments not only in the steel industry, but also in the mining and quarrying sector.

In spite of the somewhat disappointing outcome in the first half, coal production still could be expected to achieve a growth rate of 6 per cent in the current year, as the peak production period is yet to come. Nevertheless, compared to the overall growth of the economy, the slower growth in this vital energy input, whose price in the world market has gone up substantially in recent times, is a source of some discomfort. The existing pace of growth in coal production falls short of the existing and anticipated demand-supply gap for coal in the country. There is an urgent need for reforms in the coal sector, in terms of pricing and distribution, foreign direct investment policy, and opening of coal mining to private sector without restriction of captive consumption.

The near stagnancy of overall crude oil production during the Tenth Plan remains a cause for considerable concern. The main reasons for this stagnation are: the natural decline in output in the ageing oil fields, isolated and marginal fields of ONGC and Oil India Limited (OIL), and very few oil discoveries by ONGC and OIL. The stagnation is harmful particularly because of the time lag of 7-8 years involved in the development and exploitation of the recent gas discoveries by the private and public joint-venture companies. Given the present level of discoveries, while natural gas production is expected to show a marked improvement from 2008-09, there is very little good news on the crude oil front so far.

The coming into force of the Special Economic Zones (SEZ) Act in June 2005 constitutes a major policy initiative for not only accelerating export growth but also providing a fillip to industrial activity. The SEZ Act provides for a single window clearance mechanism and very attractive fiscal incentives for the developers as well as manufacturers. The Act will provide confidence and stability to domestic and foreign investors and signals the Government's commitment to the SEZ policy framework.

A continuation of the demonstrated strength of India's external sector, even in the midst of turbulence in cross-currency rates and upward pressure on international interest rates, needs to be durably anchored in a vibrant industrial sector that can widen the product base, capture new markets and expand existing ones. This in turn requires a quantum jump in investment, flexible factor markets and a much-improved infrastructure.

iv. Inflation

Growth with price stability has been a cherished goal of economic policy in India, and the success achieved on this front during the last five years has been quite

encouraging. On an end-period basis, WPI inflation has been below 5.5 per cent in each of the years since 2000-01, except in 2002-03, when it was 6.5 per cent. During the current year, the initial downward trend in point-to-point WPI inflation was reversed after August 27, 2005, with a partial pass-through of the high and rising international oil prices. While the need for some further pass-through of international oil prices remains, there are some welcome indications of a softening patch in the vulnerability of domestic inflation engendered by further rises in the already high international oil prices.

In an increasingly open economy with exports and imports expanding rapidly, while the relationship between world inflation and domestic inflation will become tighter, with the pursuit of appropriate monetary and fiscal measures it should be possible to contain annual average inflation to below 5-5.5 per cent in 2005-06.

v. Investment

World Investment Report 2005 of the United Nations Conference on Trade and Development (UNCTAD) rated India as the second most attractive investment destination. Furthermore, UNCTAD's Survey 2005-09 on research and development (R&D) related FDI, considered India the third most attractive prospective investment location, after China and the United States. During April-September 2005, inflow of FDI into India (excluding 'reinvested earning' and 'other capital') registered a growth of 17.2 per cent over the inflow during the corresponding period of the previous year, to reach US \$2.19 billion.

The buoyancy in capital markets in the first half of the year was reflected in an increase in the initial public offerings (IPOs) and privately placed debt by corporates. Some private corporates also tapped the international markets. The number of capital issues (through prospectus and rights issues, private placements and euro issues) increased from 203 valued at Rs. 21,525 crore in the first half of the previous year to 340 valued at Rs.34,915 crore in April-September 2005. This buoyancy needs to be maintained.

Sustaining a growth rate of 8-10 per cent with an investment rate of 26.3 per cent of GDP (2003-04) will be difficult in the medium term. The incremental capital output ratio (ICOR) in India at 3.6 is already too low by international standards -- for example, China at 5.2 and Korea at 6.2 between 2000 and 2004. The need for additional capital is enormous in infrastructure, industry and agriculture. No doubt, bulk of this investment has to be financed by domestic savings. While household savings as a proportion of GDP is likely to rise with high growth and the favourable impact of demographic dynamics, there is a need to reduce public dis-savings by eliminating revenue deficit, and to stimulate corporate savings by appropriate investment-friendly policies. Furthermore, there appears to be considerable scope for supplementing domestic savings by foreign savings by attracting more foreign investment.

The impact of a hardening of interest rates on investment after a prolonged period of soft interest rate regime is important in this context. The real rates of interest in the country continues to be benign and moderate. Interest rate spreads continue to be

high because of slow recovery of non-performing assets and of inefficiencies in the banking system. Faster recovery of NPAs and improved efficiency can reconcile the need for remunerative rates for savers and attractive rates for borrowers. The rapid expansion in the demand for bank credit from the commercial sector in recent years could be met by the banking sector without any undue pressure on the interest rate regime because of the availability of adequate liquidity in the system, which in turn was facilitated by lower levels of banks' investment in government and approved securities. Thus, continued fiscal consolidation will help in maintaining this virtuous trend.

vi. Infrastructure

Infrastructure remains the major bottleneck for the potential surge in growth in India. While India is well known for its 'soft' infrastructure (institutions), historically investment in 'hard' infrastructure (physical) has been low compared to other emerging market economies. The inherent advantages arising from availability of soft infrastructure, a large pool of scientific manpower, enormous mineral deposits, vibrant private sector and diversified industrial structure have been largely nullified by the absence of supportive infrastructure. Deficiencies are not just in physical infrastructure, but in social infrastructure as well. While the stock of physical infrastructure is dismally low, the quality of the existing infrastructure also leaves much to be desired. To make things worse, the incremental spending on infrastructure in India is too low for the size of the economy and its requirement: the annual expenditure on infrastructure is currently only one seventh of China's. In 2003, as a proportion of GDP, the spending on infrastructure in India has been estimated to be only 3.5 per cent (US\$21 billion) compared to 10.6 per cent of GDP (US\$150 billion) in China.

One common factor that continues to inhibit investment - both domestic and foreign - is the lack of quality infrastructure. The Committee on Infrastructure, headed by the Prime Minister, has estimated investment requirements in some of the key sectors: Rs.1,72,000 crore in the National Highways sector by 2012; Rs.40,000 crore for Airports by 2010; and Rs.50,000 crore for the Ports sector by 2012. A substantial share of this investment is expected to come from the private sector. It has been estimated that India has the potential to absorb US\$150 billion of FDI in the next few years in the infrastructure sector alone.

Given the constraints on expanding public investment, increasing reliance will have to be placed on PPP for bridging the investment gap. Private investment requires a policy framework which can enable an adequate rate of return and also a regulatory system which is seen to be fair by users and also by producers. For the latter, the system must be independent of government. During the past decade, economic regulation has evolved in different ways in different sectors and the Planning Commission is presently engaged, in consultation with the various stake holders, in addressing the issue of infrastructure regulation encompassing the best international practices.

Status of Implementation of Budget Proposals

A summary statement of some of the major budget announcements and their implementation status till date is indicated below:

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
1.	4	Government to provide the necessary funds for the Tsunami Reconstruction and Rehabilitation Programme.	A Core Group for Tsunami Recovery and Rehabilitation was formed in the Planning Commission. The Core Group has submitted its report and the recommendations are under consideration of the Government.
2.	9	Gross Budgetary Support (GBS) for the Plan in 2005-06, increased to Rs.1,72,500 crore.	Implemented
3.	13	National Food for Work programme to be converted into the National Rural Employment Guarantee Scheme.	Implemented
4.	14	The National Rural Health Mission (NRHM) to be launched in 2005-06.	Implemented
5.	15	Six AIIMS-like institutions to start during 2005-06 to augment medical education in deficient States.	Sites for the six AIIMS-like institutions have been finalized and necessary approvals are being undertaken.
6.	16	The coverage of Antyodaya Anna Yojana to be increased from 2 crore Below Poverty Line (BPL) families to 2.5 crore families in 2005-06.	Implemented
7.	17	The universalization of the Integrated Child Development Services (ICDS) scheme by creation 1,88,168 additional centres and doubling of supplementary nutrition norms.	Implemented
8.	18	Allocation for Mid Day Meal Scheme to be increased to Rs.3,010 crore in 2005-06.	Implemented
9.	19	A non-lapsable fund called "Prarambhik Shiksha Kosh" to be created for funding Sarva Shiksha Abhiyan. Allocation to be increased to Rs.7,156 crore in 2005-06.	Implemented
10.	20	All drinking water schemes have now been brought under the Rajiv Gandhi National Drinking Water Mission. During 2005-06 the emphasis will be on covering more habitations and on tackling water quality in about 2.16 lakh habitations Outlay for the Mission enhanced.	Action Plan has been drawn up and necessary sources of financing are being tied up.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
11.	21	The Total Sanitation Campaign (TSC) now operates in 452 districts. Government intends to extend the TSC to all districts.	The scheme is being finalized.
12.	23	A short list of institutes of excellence will be notified, and any SC/ST student who secures admission in one of those institutes will be awarded a larger scholarship.	The scheme is being finalized.
13.	24	Government will also introduce the Rajiv Gandhi National Fellowship for SC and ST students for pursuing M. Phil and Ph.D. courses in selected universities.	The scheme is being finalized.
14.	26	Increase in the equity support for the National Minorities Development and Finance Corporation. (NMDFC)	Further increase in equity is being examined.
15.	27	A certain percentage of new schools that will be opened under the Sarva Shiksha Abhiyan (SSA) as well as the Kasturba Balika Vidyalaya Scheme will be located in districts or blocks having a substantial minority population.	Implemented
16.	28	Central assistance for recruitment and posting of Urdu language teachers in primary and upper-primary schools that serve a population in which at least one fourth belong to that language group.	Central Assistance is being provided.
17.	29	Provision of funds for pre-examination coaching of candidates belonging to the minority communities in reputed private coaching institutes.	The scheme is being finalized.
18.	30	Establishment of a Backward Regions Grant Fund.	The modalities to operationalise the Backward Regions Grant Fund are being worked out. In the meanwhile, funds to the Rashtriya Sam Vikas Yojana (RSVY) districts are being released in line with the commitment to institute suitable transition arrangements.
19.	31	Till now, Bihar received special assistance through the RSVY. The transition arrangements under RSVY will continue until 2006-07.	Scheme for Backward Regions Grant Fund is being finalized. Meanwhile, funds are being given to the Government of Bihar under the existing Rashtriya Sam Vikas Yojana as well as the grants recommended by the Twelfth Finance Commission.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
20.	32	The Government will provide special plan assistance to Jammu and Kashmir under a recently-approved Reconstruction Plan, in addition to the normal State Plan.	Implemented
21.	33	The Kumarghat-Agartala and Lumding-Silchar-Jiribam-Imphal projects will be supported with additional funds outside the railway budget as projects of national importance. A special package for highway development in the NER has also been approved, and I have allocated Rs.450 crore in this behalf.	A new Special Purpose Vehicle (SPV) is being set up to fund infrastructure projects. Once it is set up, it will be examined whether it can fund the Kumarghat-Agartala Lumding-Silchar-Jiribam-Imphal project. As regards special package for highway development in North East Region, Government has given in principle approval for a "Special Accelerated Road Development Programme in the North Eastern Region".
22.	34	Corpus of Rural Infrastructure Development Fund enhanced to Rs.8,000 crore in 2005-06.	Implemented
23.	35	Bharat Nirman has been conceived as a business plan, to be implemented over a period of four years, for building infrastructure, especially in rural India. It will have six components, namely, irrigation, roads, water supply, housing, rural electrification and rural telecom connectivity.	Action Plans have been drawn up for each of the six components of Bharat Nirman programme and necessary funding is being tied up. The National Committee on Rural Infrastructure under the chairmanship of the Prime Minister is regularly monitoring the progress.
24.	37	Government will provide equity support of Rs.14,040 crore and loans of Rs.3,554 crore to Central Public Sector Enterprises (including Railways).	Upto September 2005, equity support of Rs.7778.44 crore and loans amounting to Rs.1889.48 crore have been provided to Central Public Sector Enterprises.
25.	40	Ministry of Agriculture will prepare a roadmap for agricultural diversification.	A Concept Paper on agricultural diversification has been circulated to State Governments and other Departments. It outlines an interim roadmap including issues like implications of decline in area under cereals for food security, diversification both within agriculture (from cereals to pulses, oilseeds & horticulture) and from agriculture to animal husbandry, dairy and fisheries. The N.D.C. Sub-Committee on Agriculture is also looking into these issues.
26.	41	The National Horticulture Mission, announced in the last Budget, will be launched.	Implemented

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
27.	42	<p>i. Government has set up an expert committee to suggest improvements to the Price Stabilisation Fund and its operation.</p> <p>ii. Government will examine ways and means of introducing a programme for massive replantation and rejuvenation of tea.</p>	<p>The Expert Committee set up by the Government under the Chairmanship of Dr. Pronab Sen, Principal Advisor, Planning Commission has submitted its report. Its recommendations are being processed.</p> <p>As regards the programme for replantation and rejuvenation of old tea bushes, Ministry of Commerce is examining proposals on the detailed costing and modalities of funding the programme, including setting up of a Special Purpose Tea Fund.</p>
28.	43	Government proposes to introduce a new scheme called Development and Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization.	Implemented
29.	46	The Accelerated Irrigation Benefit Programme (AIBP) has been reviewed and the focus turned to early completion of truly last mile projects. The outlay has been increased to Rs.4,800 crore for the next year.	Implemented
30.	47	Rs.400 crore provided for promoting micro-irrigation in 2005-06.	The scheme has been approved by the full Planning Commission and is being processed further.
31.	48	Reserve Bank of India (RBI) to examine the issue of allowing banks to adopt the agency model, by using the infrastructure of civil society organizations, rural kiosks and village knowledge centres, to provide credit support to rural and farm sectors.	RBI had constituted an Internal Working Group to examine the issue. The Report of the Group is under finalization.
32.	49	Commercial banks, RRBs and cooperative banks to increase the flow of credit by another 30 per cent in 2005-06. Public sector banks asked to increase the number of borrowers by another 50 lakh.	Implemented
33.	50	Action on the report of the Task Force to examine the reforms required in the cooperative banking system.	The recommendations of the Task Force were discussed in the meeting of National Development Council on June 28, 2005. Another interactive session with the State Governments was held on September 9, 2005 and further discussed with Finance/ Cooperative Ministers of select States on

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
			September 29, 2005. Based on these deliberations, the revised package has been drafted and sent to the State Governments for their comments.
34.	52	Target for credit-linking in the next fiscal enhanced from 2 lakh SHGs to 2.5 lakh SHGs.	Implemented
35.	53	The existing Rs.100 crore Micro Finance Development Fund to be redesignated as the "Micro Finance Development and Equity Fund" (MFDEF), and corpus to be increased to Rs.200 crore.	MFDEF has been constituted with an enhanced corpus and the Advisory Board has been set up. It is working on a draft legislation.
36.	54	RBI to open a window to enable qualified NGOs engaged in micro-finance activities to use the External Commercial Borrowing (ECB) window.	Implemented
37.	56	The National Commission on Farmers has recommended the establishment of Rural Knowledge Centres all over the country using modern information and communication technology (ICT). Government has decided to join the alliance and route its support through NABARD.	A scheme is being finalized by the D/O Information and Technology.
38.	57	A Task Force headed by Dr. M S Swaminathan has recommended the creation of a National Fund for Strategic Agricultural Research.	The modalities to operationalize and implement the National Fund for Strategic Agricultural Research are being examined by the Government.
39.	59	A new scheme that will help small and medium enterprises to strengthen their operations and sharpen their competitiveness to be launched. The scheme will be called the "Manufacturing Competitiveness Programme."	Scheme is under preparation.
40.	60	The Technology Upgradation Fund (TUF) scheme is being continued with an enhanced allocation of Rs.435 crore. 10 per cent capital subsidy scheme for the textile-processing sector in addition to the normal benefits available under the TUF Scheme to be introduced.	Implemented
41.	61	Government proposes to adopt the cluster development approach for the production and marketing of handloom products.	Implemented

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
42.	62	Enhanced life insurance scheme for handloom weavers which provides insurance cover up to Rs.50,000 to 20 lakh weavers in two years and Enhanced health insurance package for 2 lakh weavers at a recurring cost of Rs.30 crore per year.	Implemented
43.	63	Financial package for the revitalization of the sugar industry.	Implemented
44.	64	Government has already set up a Rs.150 crore research and development corpus fund for the pharmaceuticals and biotechnology industry. The corpus deserves to be increased.	The concerned Departments are jointly working on the proposal to increase the R&D Corpus in a phased manner.
45.	67	Introduction of the Small and Medium Enterprises Development Bill.	Implemented
46.	69	A Public-Private Partnership between Government and industry that will take up the skills development programme under the name Skills Development Initiative or SDI.	Ministry of Labour is working on a scheme in consultation with the industry organizations.
47.	74	A massive programme for rural electrification will begin in 2005-06 with the objective of covering 1.25 lakh villages in five years.	Implemented
48.	75	Indira Awas Yojana (IAY) is the flagship rural housing scheme for weaker sections. The allocation is being increased from Rs.2,500 crore in the current year to Rs.2,750 crore in BE 2005-06.	Implemented
49.	76	There are many infrastructure projects that are financially viable but, in the current situation, face difficulties in raising resources. Such projects may be funded through a financial Special Purpose Vehicle (SPV).	The structure, role and modalities of the Special Purpose Vehicle have been finalized and all necessary approvals obtained. The Notification for setting up the SPV will be issued shortly.
50.	78	The National Commission on Enterprises in the Unorganized/ Informal Sector has proposed pilot projects for 'growth poles' applying the PURA principles.	A Pilot scheme has been launched in 7 states covering one cluster in each state. In the initial phase the focus is on providing road connectivity. National Commission on Enterprises in the Unorganized/ Informal Sector is looking at ways of involving the industry and services sector activities in the clusters.

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
51.	79	India needs urban facilities of satisfactory standards. The National Urban Renewal Mission (NURM) is designed to meet this challenge. An outlay of Rs.5,500 crore in 2005-06, including a grant component of Rs.1,650 crore for the Mission.	Implemented
52.	80	The Mumbai Metro Rail Project, the Mumbai Trans Harbour Link, and the Mumbai Western Expressway Sealink are examples of projects, which could be supported through the Mission.	Specific projects will be considered as per the guidelines issued under the NURM.
53.	83	1. A comprehensive Bill to amend the Banking Regulation Act, 1949 will be introduced in the Budget Session. 2. introduce amendments to the Reserve Bank of India Act, 1934.	Implemented
54.	84	Setting up of a Pension Fund Regulatory and Development Authority (PFRDA).	Modalities are being worked out.
55.	86	Fresh measures for strengthening the capital market.	Various measures for strengthening the capital market are being implemented.
56.	87	Measures to provide for clear legal validity for Over the counter (OTC) derivatives	RBI (Amendment) Bill 2005 is introduced in Parliament and was referred to Standing Committee on Finance for examination.
57.	89	Rationalization of the stamp duty so that it applies uniformly regardless of the issuing entity.	The proposal is being finalized.
58.	90	High-powered Expert Committee to advise the Government on how to make Mumbai a regional financial centre.	Implemented
59.	91	SEBI, in consultation with RBI, to permit mutual funds to introduce Gold Exchange Traded Funds (GETFs) with gold as the underlying asset.	A Committee has been constituted by SEBI to look into all aspects relating to GETFs under the Chairmanship of Sh. Madhukar, wholetime Member, SEBI.
60.	98	Allocation for Defence increased in 2005-06 to Rs.83,000 crore.	Implemented

(Annex continued)

Sl. No.	Para No.	Summary of Budget Announcement	Implementation Status
61.	100	During the course of the year, together with the Planning Commission, we shall put in place a mechanism to measure the development outcomes of all major programmes.	Implemented
62.	142	Set up an advisory committee to advise the Government on the extent of abatement for both excise duty and service tax.	Implemented
63	179	As a measure of facilitation large taxpayer units (LTUs) as single window service to be established. For small taxpayers, I Help Centres in cooperation with industry associations, professional bodies and NGOs to be set up.	An Action Group has worked out an implementation plan for establishing LTUs, in a time-bound manner. The first phase of implementation is targeted to be completed by January 1, 2006. Computerised Help Centres to provide facilities for small taxpayers for filing return of income, challans, computing income and tax, and other tax related advice have been made functional from July 1, 2005. Similarly, Help Centres have also been set up for indirect taxes.
64	180	Place before Parliament a revised and simplified Income Tax Bill in due course.	An Expert Group has been constituted to prepare the draft for revised and simplified Income-tax Bill.

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

DIRECT TAXES

Legislative Measures

- Introduction of Fringe Benefit Tax to levy a tax on the fringe benefits provided by an employer to his employees.
- Introduction of Banking Cash Transaction Tax to levy a tax on cash withdrawals from accounts other than savings accounts and on receipts of cash on encashment of Term Deposits, exceeding specified limits, made from a scheduled bank.
- Requirement to furnish information regarding deposits with banks, co-operative societies and public companies, on which interest payable during the year is less than five thousand rupees
- Reduction in the rate of depreciation on plant & machinery from 25% to 15%.
- All firms are now obliged to furnish a return of income irrespective of their income level.
- Filing of return made mandatory in cases where the total income before allowing any deductions exceeds the maximum amount not chargeable to tax.
- No Standard deduction to be allowed to salaried taxpayers.
- Abolition of tax incentive in respect of interest earnings (Section 80 L).
- Rate of Securities Transaction Tax increased.

Administrative Measures

- Non discretionary computer based selection of cases for scrutiny.
- Tax information network upgraded and extended to more field offices.
- Continued monitoring of advance tax payments made by top taxpayers.
- Payments received on account of Fringe Benefit Tax, Banking Cash Transaction Tax and Securities Transaction Tax also monitored.
- Better taxpayers' services provided to encourage voluntary tax compliance through :
 - o Timely issue of refunds including electronic credit of refund in the taxpayer's bank account;
 - o e-filing of PAN application,
 - o Online preparation of returns,
 - o e-filing of returns,
 - o prompt grievance redressal system
- Emphasis on widening of tax base
- Multimedia campaign to encourage voluntary compliance of tax laws.
- Regular monitoring of collection out of arrears of taxes.

INDIRECT TAXES**Central Excise**

- Regular monitoring of revenue trends from the level of range offices in the field up to the Chief Commissioner's / Board's office.
- 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 defaults in monthly payment of duty.
- 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.
- Regular review of cenvat credit availment and utilization trends and follow-up action in cases of any disproportionate cenvat availment.
- Close monitoring to ensure that there is no mis-declaration or misuse regarding availment of conditional exemptions.
- A watch on generation of byproducts and wastes/ scraps/ rejects to ensure that no dutiable items escape the payment of duty.
- 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.
- Identification of commodities and assesseees with reference to different modus operandi like suppression of production, clandestine removals, misuse of cenvat credit and mis-declaration of assessable values for focused enforcement.
- Effective implementation of the current internal audit scheme with constant improvement in the quality of audit.
- 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 assesseees.
- Senior officers to frequently interact with important assesseees and trade associations so that genuine taxpayers may be helped and tax compliance enhanced.
- 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 are also required to monitor such visits and the results achieved.
- Expeditious finalization of appeals pending with Commissioner (Appeals), adjudication and provisional assessments. Priority to be given to cases with higher revenue implications and older cases.
- Effective handling of appeals before courts and Tribunal as also applications before the Settlement Commission.
- Targets for recovery of arrears of revenue assigned to each Zone under the Chief Commissioners. The Chief Commissioner (TAR) alongwith six nodal Commissioners are coordinating, overseeing and monitoring performance in the collection of arrears.
- Risk based scrutiny of monthly/ quarterly returns by range officers. Additional/Joint Commissioners to scrutinize the returns of the assesseees which pay duty above Rs.5 crore per annum. Similar scrutiny for units paying duty between Rs.1 crore and Rs.5 crore to be done by Dy./ Asstt. Commissioners.

Customs

Administrative measures

- Expedited clearance of imported cargo through periodical monitoring of import! export clearance, pending bills of entry, EDI and ICEGATE performance, Dwell time for cargo clearance and taking remedial steps.
- Expeditious adjudication of cases and disposal of unconfirmed demands " Regular monitoring of commodity wise revenue.
- Recovery of arrears of revenue free from any restraint, in cases involving significant revenue.
- Verification of compliance with end-use conditions and end-use based exemptions and enforcement of bonds/ bank guarantee where compliance has not been reported with time limits prescribed.
- Finalisation of provisional assessments and recovery of consequential duty due.
- Monitoring of export obligations under the export promotion schemes. Enforcement of bank guarantees or other bonds/ 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 check under valuation of imported goods and over valuation of exported under any export promotion scheme, for arresting any leakage of revenue.
- Expeditious disposal of unclaimed/ uncleared, seized and confiscated goods and duty realization.
- Strengthening of anti-smuggling and audit activities on scientifically based risk analysis for focused checking based on information to augment additional revenue.

Proposed amendments in the Taxation Amendment Bill, 2005

- Issue a speaking order within fifteen days from the date of assessment of Bill of Entry or Shipping Bill in case of disputes against the claim of importer/exporter. This would enable that decisions are taken after due consideration and on valid grounds through a reasoned speaking order. This would also give rise to less disputes/litigation as well as avoid allegations of undue harassment.
- An optional scheme for voluntary payment of duty by assesses, in full or in part, in cases involving fraud, mis-statement etc. along with interest and 25% of the duty amount as penalty within 30 days of the receipt of the show-cause- notice thereby dispensing with the rigour of adjudication procedure. This is proposed as an additional facility to the Trade to settle the dispute at an early stage, which would reduce litigation and also help in collection of tax dues more expeditiously.
- Provisional release of the goods, documents and things seized to the owner prior to adjudication of the case with adequate security to safeguard the interest of the revenue as well as enable a rightful facility to the importer.
- Enhancement of maximum punishment up to a period of two years of imprisonment or with fine or with both, for commission of offences -involving false and incorrect declarations, to prevent evasion of duty.
- Publication of information of tax evaders to enable enhanced compliance to Customs Act.

Service Tax**Legislative Measures**

- Introduction of threshold exemption limit of Rs 4 lakhs to small service providers in Budget 2005 so as to enable the department to focus its resources on potential tax payers.
- To monitor prospective tax payers, Registration of Special Category of Persons Rules notified, requiring service providers who have crossed the limit of Rs 3 lakhs to apply for registration.
- Export of Service Rules notified defining clearly export of service and thus preventing leakage of revenue.
- Clarificatory amendment has been made adding an explanation to section 65(105) of the Finance Act clarifying the levy of Service Tax on taxable services provided by a person located outside India to a recipient of service located in India. In such cases Service Tax is liable to be paid by the recipient of services.
- Powers of adjudication have been rationalized and broad based to facilitate faster adjudication.
- Revised forms for registration and periodical returns, compatible with electronic data processing notified.

Administrative Measures

- DG (Service Tax) has been specified as the designated authority for centralized registration of large assesseees.
- A major and focused publicity campaign launched to create awareness on Service Tax.
- In coordination with trade and industry, Help Centers set up throughout the country in order to provide guidance and clarification to tax payers.
- A special initiative undertaken to compile and analyze the data in order to identify stop filers and potential tax payers.
- Clarifications issued to ensure practices in assessment.
- Regular Anti Evasion operations undertaken. Director General of Service Tax issued 24 modus operandi circulars for taking steps to curb evasion of tax.
- Revenue collections monitored on a continuous basis.

Budget/Expenditure Management: Economy measures, rationalization of expenditure, and measures for augmentation of non-tax revenues.

Department of Expenditure has issued revised Guidelines for fiscal prudence and economy on November 23, 2005. The measures are summarized below -

A. Economy in expenditure

1. The need for avoiding ostentatious expenditure is emphasized upon. Government offices should be managed with every economy in operating expenses such as maintenance of buildings and office equipments, lighting, conservancy, stationary and postage etc. Austerity must be reflected in furnishing of offices/offices at residences also.
2. Foreign travel should be restricted to unavoidable official engagements, and Cabinet Secretariat instructions dated 14.9.2005 on the subject particularly the norms of number and purpose of visits, strictly complied with.
3. The air travel, both domestic and overseas, on official account would now be permissible on airlines other than Air India/Indian Airlines also, provided the criteria for selecting the alternative airline for official travel are based on better and more competitive prices being offered by the other airlines. Various incentive schemes and concessional fares offered by Air India/Indian Airlines will also be fully utilised to ensure utmost economy in air travel.
4. To curtail the expenditure on telephones, Ministries/Departments would now also be able to avail of services of providers other than MTNL/BSNL, provided the criteria for selecting the alternative service provider are based on better and more competitive rates being offered by the latter.
5. Due economy should be observed in organizing Conferences/Seminars/Workshops etc., with these being restricted to only those which are absolutely essential.
6. Purchase of new vehicles is banned until further orders, save exceptions in unavoidable cases.
7. Ban on creation of new posts in all Ministries/Departments/Autonomous Institutions till further orders. Outsourcing of routine services such as cleaning, maintenance, moving papers/dak etc., may be encouraged.
8. Every Ministry/Department to undertake a review of all the posts lying vacant for more than six months in the Ministry/Department and in the Attached and Subordinate Offices, etc.
9. Implementation of existing instructions of DoP&T OM No.2/8/2001-PIC dated 16.5.2001 concerning 10% cut in posts and abolition of posts lying vacant for more than one year will be ensured.
10. The transfer policies and the frequency and the periodicity of transfers of officials whether within the country or overseas shall be reviewed as frequent transfers cause avoidable instability, resulting in inadequate development of expertise and grasp of the responsibilities, besides resulting in avoidable expenditure.
11. Increased use of Information and Communications Technology should be further encouraged, with a view to ensuring better utilization of resources available with the Government and improved delivery of public services.

B. Observance of discipline in transfers to States, Public Sector Undertakings and Autonomous Bodies at Central/State/Local level

12. No amount will be released to any entity (including State Governments), which has defaulted in furnishing utilization certificates for grants-in-aid released by Central Government in the past without clearance from the Ministry of Finance.

13. Ministries/Departments will not transfer funds under any Plan scheme in relaxation of conditionalities attached to such transfers (such as matching funding)..

14. The State Governments will, henceforth, furnish monthly return of Plan expenditure-Central, Centrally Sponsored or State Plan -to respective Ministries/Departments alongwith a report on amounts outstanding in their Public Account in respect of Central and Centrally Sponsored Schemes.

C. Encouraging additional revenue and internal resource generation

15. With a view to encouraging greater effort at garnering revenues in the Government, schemes would be evolved by the revenue generating/earning/collecting Ministries/Departments on the principle of an amount equal to 1% of the incremental revenue being earmarked as incentive provision in the next year's budget for enhancing the organisational efficiency, infrastructure and wherewithal.

16. With a view to reducing dependence of autonomous bodies on budgetary support and set them on a course of greater self-reliance, the general-purpose deficit grants in 2005-06 will be reduced to 95% of actual amount of average of such grants given in 2002-03, 2003-04 and 2004-05. In 2006-07, these will be further reduced to the level of 90%. This reduction will not apply for grants given for a specific project.

D. Returns on investment by Government and non-tax receipts.

17. All profit-making Public Sector Enterprises (PSEs), which are essentially commercial enterprises, subject to specific guidelines issued from time to time, will declare a minimum dividend on equity of 20 percent or a minimum dividend payout of 20% of post-tax profits, whichever is higher, subject to availability of disposable profits. In respect of Oil, Petroleum, Chemical and other infrastructure sectors this amount would be 30%. Besides, profit making companies with large cash surpluses and without firm plans for reinvestment shall declare special dividends. PSEs having large cash/free reserves and sustainable profitability will issue bonus shares. Companies with high market price of shares will consider stock splits.

18. Profit making Joint Venture companies would also normally give a minimum dividend of 20% or 30% on equity depending on the sector as mentioned in the previous para.

19. Other non-tax receipts, including applicable user charges, shall be collected fully without fail, and also reviewed to aim at recovering at least the cost of the service. Each Ministry/Department will review user charges, licence fees, service charges, fees charged for products sold by them, documents, forms of various kinds and the like, applicable to all organizations under them.

20. Timely repayment of loans provided by the Government to the PSEs and due payment of fees/charges on Government Guarantees will be ensured through effective monitoring by Ministries/Departments.

E. Budget formulation and implementation

21. All on-going programmes and schemes, both Plan and non-Plan, will be carefully reviewed, scrutinized and evaluated to determine their continued relevance. This exercise shall be taken up immediately and completed by December 31, 2005. Planning Commission has already initiated the process in respect of the Plan Schemes.

22. Budget Estimates and Revised Estimates shall be prepared with reference to the commitments made in the Outcome Budget and fiscal discipline enforced in implementation of programmes/projects to ensure 'value for money',

23. Deviations of expenditure from the prescribed budgetary ceilings shall not be permitted. It must also be ensured that no fresh financial commitments are made on items which are not provided for in the budget approved by the Parliament.

24. The instances of incurring or committing expenditure in a particular year and postponing the actual payment of bills to the subsequent financial year are improper /and must be discontinued forthwith.

25. Budget formulation should lay greater emphasis on explicit recognition of the revenue 'constraints and a realistic projection of the budgetary allocations required for various projects/schemes and there must be strict and rigid adherence to budgetary ceilings. All procedures laid down for approving and for incurring expenditure on schemes both Plan and Non-Plan will be followed scrupulously.

KEY INDICATORS

Items	(absolute values)				(percent change)			
	2003-04	2004-05	Apr-Sept		2003-04	2004-05	Apr-Sept	
			2004-05	2005-06			2004-05	2005-06
1. GDP (at factor cost) (Rs.'000 crore) (at current prices)	2519.8 (Q)	2830.5 (R)	1292.8	1449.6	11.7 (Q)	12.3 (R)	12.8	12.1
(at 1993-94 prices)	1430.6 (Q)	1529.4 (R)	702.6	759.4	8.5 (Q)	6.9 (R)	7.1	8.1
2. Agriculture and allied sector (Rs.'000 crore) (at 1993-94 prices)	310.6 (Q)	314.2 (R)	130.6	133.2	9.6 (Q)	1.1 (R)	2.1	2.0
3. Index of Industrial Production (IIP)	189.0	204.8	195.2	212.4	7.0	8.4	8.3	8.8
4. Electricity generated (in billion kwh)	558.3	587.4	291.1	305.0	5.0	5.2	7.8	4.7
5. Wholesale price index (point-to-point)	180.3	189.5	189.92@@	198.1*	4.6	5.1	7.2@@	4.3*
6. Consumer price Index (for industrial workers)	504	525	526***	548**	3.5	4.2	4.6***	4.2**
7. Money Supply (M3) (Rs.'000 crore)	2005.7	2253.9	2131.2@	2501.1	16.7	12.2	14.2#	17.4#
8. Imports at current prices (in Rs. Crore)	359,108(R)	490,532(P)	217,583(R)	277,365(P)	20.8(R)	36.6(P)	34.5(R)	27.5(P)
(in US \$ million)	78,149(R)	109,173(P)	47,791(R)	63,545(P)	27.3(R)	39.7(P)	37.4(R)	33.0(P)
9. Exports at current prices (in Rs. Crore)	293,367(R)	361879(P)	163,363(R)	188,659(P)	15.0(R)	23.4(P)	28.1(R)	15.5(P)
(in US \$ million)	63,843(R)	80,540(P)	35,882(R)	43,223(P)	21.1(R)	26.2(P)	30.9(R)	20.5(P)
10. Foreigncurrency assets (in Rs. Crore)	466,215	593,121\$	525,632\$	619,299\$	36.53	27.22	30.80	17.82
(in US \$ million)	107,448	135,571\$	115,651\$	137,286\$	49.46	26.17	30.42	18.71
11. Exchange rate ~ (Rs./US \$)	45.95	44.93	45.56\$\$	43.82\$\$	5.32	2.27	1.78	3.97

Q: Quick estimate; R: Revised estimate; *: As on November 19, 2005; **: For October, 2005; ***: For October 2004; @: As on November 12, 2004 and November 11, 2005; @@: As on November 20, 2004; ^: As on October 31; #: Annual variation \$: End-October, 2003 and 2004. \$\$: Average of April-October 2004-2005 and 2005-2006 ~: Per cent change indicates the appreciation (+)/depreciation (-) of the Rupee vis-à-vis the US Dollar, @: Revised, (P): Provisional

BALANCE OF PAYMENTS : SUMMARY
(Quarterly)

(in US\$ million)

	2004-05			2005-06	
	Apr-Jun (2004 PR)	Jul-Sep (2004 PR)	Oct-Dec (2004 PR)	Jan-Mar (2005 PR)	Apr-Jun (2005 PR)
1. Exports	17840	18875	20888	23228	21754
2. Imports	23014	28514	32673	34760	37563
Of which : POL	6622	7917	6977	7569	9598
3. Trade balance	-5174	-9639	-11785	-11532	-15809
4. Invisibles (net)	8564	5138	6304	11693	9608
Non-factor services	3249	2010	2645	6726	4280
Investment income	-644	-1353	-933	-1049	-907
Pvt. transfers	5880	4303	4476	5800	6117
Official Grants	79	178	116	216	118
5. Current Account Balance	3390	-4501	-5481	161	-6201
6. External assistance (net)	36	309	327	1250	204
7. Commercial borrowing (net)	1075	858	1868	2146	924
8. IMF (net)	0	0	0	0	0
9. NR deposits (net)	-786	-546	24	241	211
10. Rupee debt service	-277	-2	-18	-120	-142
11. Foreign investment (net)	798	1468	5279	4399	1916
of which :					
(i) FDI (net)	717	1038	690	592	1052
(ii) Flls	-88	427	4361	3580	435
(iii) Euro equities & others	169	3	228	227	429
12. Other flows (net)	3334	1780	4595	4552	4335
13. Capital account total (net)	4180	3867	12075	12468	7448
14. Reserve use (- increase)	-7570	634	-6594	-12629	-1247

P : Preliminary
PR: Partially revised;

Source : RBI Mumbai

MONETARY SURVEY

Items	Outstanding balances(Rs. crore)					per cent variations			
	2002-03	2003-04	2004-05	12-Nov.-2004	11-Nov.-2005	2003-04	2004-05	Year-on-year	
								12-Nov. 2004	11-Nov. 2005
I. Broad money (M ₃)	1717959	2005676	2250369	2131186	2501123	16.7	12.2	14.2	17.4
Components of M₃									
1) Currency with public	271581	314971	355768	348278	391492	16.0	13.0	16.5	12.4
2) Aggregate deposits with banks	1443136	1685586	1888123	1776120	2105117	16.8	12.0	13.6	18.5
3) Other deposits with Reserve Bank	3242	5119	6478	6788	4514	57.9	26.5	107.0	-33.5
Sources of M₃									
II. Net bank credit to government (1+2)	676523	742903	745713	753925	770866	9.8	0.4	4.1	2.2
1) RBI credit to government	120679	44907	-17975	30737	-7013				
2) Other bank credit to government	555844	697996	763688	723188	777879	25.6	9.4	9.6	7.6
III. Bank credit to commercial sector (1+2)	898980	1016150	1247858	1174961	1484560	13.0	22.8	25.5	26.3
1) RBI credit to commercial sector	3048	2061	1389	2409	1846	-32.4	-32.6	16.1	-23.4
2) Other bank credit to commercial sector	895932	1014089	1246469	1172552	1482714	13.2	22.9	25.5	26.5
IV. Net foreign exchange assets of the banking sector	393714	526586	649255	590199	682642	33.7	23.3	29.0	15.7
V. Other items (net)	251259	279966	433762	387901	436946	11.4	54.9	53.4	12.6
Memorandum items.									
1. NDA	1324245	1479090	1604682	1540987	1818480	11.7	8.5	9.5	18.0
2. GDP at current market prices	2463324	2760025(Q)	3105512@	-	-	12.0	12.5	-	-
3. Reserve money	369061	436512	489135	458761	523876	18.3	12.1	19.9	14.2
4. Money multiplier	4.65	4.59	4.61	4.65	4.77	-	-	-	-
5. Velocity of money	1.50	1.48	1.46	-	-	-	-	-	-
6. Total flow of funds to commercial sector#	772590	893810	1152971	1051039	1340671	15.7	29.0	28.6	27.6
7. All India financial institutions assistance sanctioned	39621	63689	-	-	-	60.7	-	-	-
8. All India financial institutions assistance disbursed	33259	40440	-	-	-	21.6	-	-	-

Notes: -Not available Q - Quick R - Revised

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

TRENDS IN GROWTH RATES OF INFRASTRUCTURE SECTORS

(Percent)

Industry	Weight	April-September						
		2001-02	2002-03	2003-04	2004-05	2004-05	2005-06	
I. Core infrastructure industries								
i	Electricity generation	10.2	3.1	3.2	5.0	5.2	7.8	4.7
ii	Coal	3.2	4.2	4.6	5.8	3.9	6.3	5.3
iii	Steel	5.1	3.6	10.1	9.8	3.7	1.3	7.2
iv	Crude oil	4.2	-1.2	3.2	1.0	1.8	4.3	-4.9
v	Refinery throughput	2.0	3.7	4.9	8.2	4.3	7.3	-0.7
vi	Cement	2.0	7.4	8.8	6.1	6.6	4.8	11.4
Average growth		26.7	3.2	5.6	6.2	4.4	5.3	4.4
II. Transport and Communications								
1.	Cargo handled at major ports		2.3	9.0	10.0	11.3	9.8	13.6
2.	Railway revenue earning freight traffic		4.0	5.3	7.5	8.0	6.9	10.1
3.	Civil Aviation							
	a. Export cargo handled		4.1	13.3	1.0	12.6	9.5	17.2
	b. Import cargo handled		-1.0	18.6	13.4	24.4	33.6	11.6
	c. Passenger handled at International Terminals		-5.0	4.8	6.5	14.0	16.4	12.7
	d. Passengers handled at Domestic Terminals		-5.7	9.6	13.1	23.6	25.8	21.7
4.	Telecommunications							
	a. Cellular Phones		-	-	115.0	10.5	32.0	32.8

Source: 1. Ministry of Commerce & Industry.
2. Ministry of Statistics & Programme Implementation.

ACCOUNTS AT A GLANCE

	Budget Estimates 2005-06	ACTUALS		Percentage to BE		
		Upto 09/2005	COPPY	Upto 09/2005	COPPY	5 Years Moving average
		Rs. in crore				
1. Revenue Receipts	3,51,200	1,22,845	1,06,507	35.0%	34.4%	36.8%
2. Tax Revenue (Net)	2,73,466	96,249	77,860	35.2%	33.3%	34.2%
3. Non-Tax Revenue	77,734	26,596	28,647	34.2%	38.0%	43.2%
4. Capital Receipts (5+6+7)	1,63,144	88,138	89,066	54.0%	52.9%	48.6%
Non Debt Capital Receipts	12,000	4,295	35,831	35.8%	115.2%	68.9%
5. Recovery of Loans	12,000	4,284	35,639	35.7%	131.5%	100.7%
6. Other Receipts	0	11	192		4.8%	8.1%
7. Borrowings and other liabilities	1,51,144	83,843	53,235	55.5%	38.7%	44.2%
8. Total Receipts (1+4)	5,14,344	2,10,983	1,95,573	41.0%	40.9%	41.4%
9. Non-Plan Expenditure	3,70,847	1,51,577	1,42,299	40.9%	42.8%	42.7%
10. On Revenue Account	3,30,530	1,41,819	1,31,716	42.9%	44.9%	42.0%
11. of which Interest Payments	1,33,945	53,940	55,399	40.3%	42.8%	40.6%
12. On Capital Account	40,317	9,758	10,583	24.2%	27.4%	50.5%
13. Plan Expenditure	1,43,497	59,406	53,274	41.4%	36.6%	38.2%
14. On Revenue Account	1,15,982	46,123	34,742	39.8%	37.8%	38.3%
15. On Capital Account	27,515	13,283	18,532	48.3%	34.5%	38.0%
16. Total Expenditure (9+13)	5,14,344	2,10,983	1,95,573	41.0%	40.9%	41.4%
17. Revenue Expenditure (10+14)	4,46,512	1,87,942	1,66,458	42.1%	43.2%	41.2%
18. Capital Expenditure (12+15)	67,832	23,041	29,115	34.0%	31.5%	43.0%
19. Revenue Deficit (17-1)	95,312	65,097	59,951	68.3%	78.7%	55.2%
20. Fiscal Deficit {16 – (1+5+6)}	1,51,144	83,843	53,235	55.5%	38.7%	44.3%
21. Primary Deficit (20 – 11)	17,199	29,903	-2,164	173.9%	-27.4%	100.4%

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 net borrowing under Market Stabilization Scheme (Rs. 3116.41 crore), which is not to be used for bridging the shortfall in receipts.

TAX REVENUES

(Rs. in crore or per cent)

Description	2005-06			2004-05		
	BE	Actuals upto 09/2005	%	BE	Actuals upto 09/2004	%
1 Corporation Tax	110573.00	33925.71	31%	88436.00	20337.25	23%
2 Taxes on Income	66239.00	21083.47	32%	50929.00	25175.11	49%
3 Wealth Tax	265.00	98.56	37%	145.00	20.60	14%
4 Customs	53182.00	31276.33	59%	54250.00	25204.79	46%
5 Union Excise Duties	121533.00	40415.92	33%	109199.00	36622.39	34%
6 Service Tax	17500.00	8159.01	47%	14150.00	4899.05	35%
7 Other taxes	732.52	2583.02	353%	624.02	583.85	94%
GROSS TAX REVENUE	370024.52	137542.02	37%	317733.02	112843.04	36%
<i>Of which netted against expenditure (Surcharge for financing National Calamity Contingency Fund)</i>	1600.00	514.32	32%	1600.00	544.46	34%
Balance Gross Tax Revenue	368424.52	137027.70	37%	316133.02	112298.58	36%
<u>Less Assignment to States</u>	94959.00	40779.09	43%	82227.00	34438.33	42%
NET TAX REVENUE	273465.52	96248.61	35%	233906.02	77860.25	33%

Note : Actuals for 2004-05 in respect of Corporation Tax and Taxes on Income need to be readjusted due to misclassification in challans noticed in the early stages of introduction of OLTAS. The readjusted figures would be Corporation Tax : Rs.26,457.08 crores and Taxes on Income : Rs.19,055.28 crores.

NON-TAX REVENUE

(Rs. in crore or per cent)

Description	2005-06			2004-05		
	BE	Actuals upto 09/2005	%	BE	Actuals upto 09/2004	%
A. Interest receipts	29000.37	14776.92	51%	40950	12448.74	30%
<i>Less - Receipts incidental to Market Borrowing taken in reduction of cost of borrowing</i>	3500	5409.37	155%	4000	1198.63	30%
Net Interest Receipts	25500.37	9367.55	37%	36950	11250.11	30%
B. Dividends and Profits	23500	7574.42	32%	18875.13	9154.04	48%
C. Non-Tax Revenue of U.T.s	729.17	282.56	39%	617.68	282.13	46%
D. Other Non-Tax Revenue						
Fiscal Services	1347.43	1019.11	76%	1185.02	501.3	42%
Other General Services	11232.61	3311.63	29%	10345.62	3605.55	35%
<i>Less - (I) BSNL Receipts Netted against Pension</i>				1155	303.26	26%
<i>(II) Other Receipts utilised to write-off loans/interest</i>	107.78	0		628.74	0	0%
Net - Other General Services	11124.83	3311.63	30%	8561.88	3302.29	39%
Social Services	337.4	197.54	59%	362.8	186.42	51%
Economic Services	27325.33	8580.8	31%	19756.23	7288.79	37%
<i>Less - (I) Other Receipts utilised to write-off loans</i>	100					
Net Economic Services	27225.33	8580.8	32%		0	
Grants-in-Aid and Contributions	3217.91	824.9	26%	3597.93	1031.71	29%
Total Other Non-Tax Revenue	43252.9	13933.98	32%	33463.86	12310.51	37%
<i>Less : Commercial Departments</i>	15248.44	4561.99	30%	14490.96	4350.09	30%
Net Other Non-Tax Revenue	28004.46	9371.99	33%	18972.9	7960.42	42%
Net Non-Tax Revenue (A+B+C+D)	77734	26596.52	34%	75415.71	28646.7	38%

CAPITAL RECEIPTS

(Rs. in crore or per cent)

Description	2005-06			2004-05		
	BE	Actuals upto 09/2005	%	BE	Actuals upto 09/2004	%
1 (a) Market Loans including						
Short term borrowings	125310.29	63339.40	51%	150365.18	73143.67	49%
of which under MSS	15019.00	3116.41	21%	60000.00	52254.60	87%
(b) Treasury Bills		25589.99			23.06	
2 Securities against Small Savings	3010.00	-173.86	-6%	1350.00	0.00	
3 External Assistance Including Revolving Fund						
Gross Borrowings*	17184.48	4879.96	28%	14946.19	10868.84	73%
Less Repayments	7528.64	3364.62	45%	6869.67	3315.25	48%
Net Borrowings	9655.84	1515.34	16%	8076.52	7553.59	94%
Non-Debt Capital Receipts (4&5)						
4 Recoveries of Loans and Advances						
Gross Recoveries	13525.00	4775.56	35%	29625.00	36551.90	123%
Less Short Term Loans and Advances	1525.00	491.49	32%	2525.00	912.39	36%
Net Recoveries of Loans & Advances	12000.00	4284.07	36%	27100.00	35639.51	132%
5 Miscellaneous Capital Receipts						
(i) Disinvestment of Govt.'s Equity Holdings		0.00		4000.00	191.66	5%
(ii) Issue of Bonus Shares		0.00			0.00	
(iii) Other Misc. Receipts		10.95			0.00	
6 National Small Savings Fund	3722.77	-12169.95	-327%	6786.32	853.07	13%
(a) Small Savings, Public Provident Funds	93800.00	43618.07	47%	78200.00	44868.56	57%
(b) Investment in Securities	-90000.00	-54091.89	60%	-70000.00	-45288.06	65%
(c) Income & Expenditure of NSSF	-77.23	-1696.13	2196%	-1413.68	1272.57	-90%
7 Deposit Scheme for Retiring employees	-600.00	-224.74	37%	520.00	-340.04	-65%
8 State Provident Funds	5000.00	865.88	17%	4000.00	924.05	23%
9 Special Deposits of Non-Govt. Provident Funds, LIC, GIC, etc.	0.00	28.80		200.39	-908.20	-453%
10 Other Capital Receipts	16924.67	14536.44	86%	12511.68	21465.15	172%
11 Suspense & Remittance		-7908.21			-13568.02	
12 Ways & Means Advances		0.00			0.00	
13 Investment of Surplus Cash		0.00			16669.00	
14 Decrease in Cash Balance (Including difference between RBI & A/C)	3139.51	1560.60	50%	13597.22	-326.17	-2%
15 Cash held under MSS	-15019.00	-3116.41	21%	-60000.00	-52254.60	87%
TOTAL	163144.08	88138.30	54%	168507.31	89065.73	53%

PLAN EXPENDITURE

(Rs. in crore or per cent)

Grant No.	Ministry/Department	2005-06			2004-05		
		BE	Actuals upto 09/2005	%	BE	Actuals upto 09/2004	%
	MINISTRY OF AGRICULTURE	6028.40	2708.52	45%	4170.00	2061.46	49%
1	Department of Agriculture and Cooperation	4209.32	1859.11	44%	2670.00	1352.07	51%
2	Department of Agricultural Research and Education	1150.00	602.38	52%	1000.00	461.64	46%
3	Department of Animal Husbandry and Dairying	669.08	247.03	37%	500.00	247.75	50%
	MINISTRY OF AGRO AND RURAL INDUSTRIES	859.00	395.89	46%	774.00	176.97	23%
4	Ministry of Agro and Rural Industries	859.00	395.89	46%	774.00	176.97	23%
	DEPARTMENT OF ATOMIC ENERGY	3931.39	1114.51	28%	3512.00	1367.74	39%
5	Atomic Energy	1487.43	459.54	31%	1254.38	283.93	23%
6	Nuclear Power Schemes	2443.96	654.97	27%	2257.62	1083.81	48%
	MINISTRY OF CHEMICALS AND FERTILIZERS	194.82	46.11	24%	207.55	13.78	7%
7	Department of Chemicals and Petro-Chemicals	83.00	5.59	7%	77.38	1.30	2%
8	Department of Fertilizers	111.82	40.52	36%	130.17	12.48	10%
	MINISTRY OF CIVIL AVIATION	370.85	1.01	0%	50.00	0.22	0%
9	Ministry of Civil Aviation	370.85	1.01	0%	50.00	0.22	0%
	MINISTRY OF COAL	152.05	30.72	20%	223.32	11.44	5%
10	Ministry of Coal	152.05	30.72	20%	223.32	11.44	5%
	MINISTRY OF MINES	220.88	62.35	28%	239.00	60.57	25%
11	Ministry of Mines	220.88	62.35	28%	239.00	60.57	25%
	MINISTRY OF COMMERCE AND INDUSTRY	1900.00	776.65	41%	1598.25	285.23	18%
12	Department of Commerce	1350.00	698.80	52%	1087.25	224.96	21%
13	Department of Industrial Policy & Promotion	550.00	77.85	14%	511.00	60.27	12%
	MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY	1441.91	502.51	35%	1114.73	178.15	16%
14	Department of Posts	354.00	129.20	36%	200.00	10.03	5%
15	Department of Telecommunications	158.61	21.17	13%	164.73	13.37	8%
16	Department of Information Technology	929.30	352.14	38%	750.00	154.75	21%
	MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION	201.81	27.72	14%	66.89	17.41	26%
18	Department of Consumer Affairs	107.94	22.14	21%	18.25	2.35	13%
19	Department of Food and Public Distribution	93.87	5.58	6%	48.64	15.06	31%

(Rs. crore)

Grant No.	Ministry/Department	2005-06			2004-05		
		BE	Actuals upto 09/2005	%	BE	Actuals upto 09/2004	%
20	MINISTRY OF CULTURE Ministry of Culture	551.12	127.76	23%	400.00	75.22	19%
29	DEPARTMENT OF DEVELOPMENT OF NORTH EASTERN REGION Department of Development of North Eastern Region	1086.25	389.92	36%	1185.00	439.24	37%
30	MINISTRY OF ENVIRONMENT AND FORESTS Ministry of Environment and Forests	1234.91	388.26	31%	1150.00	431.24	37%
31	MINISTRY OF EXTERNAL AFFAIRS Ministry of External Affairs	765.00	179.00	23%	735.00	293.85	40%
32	MINISTRY OF FINANCE Department of Economic Affairs	28742.45	10603.46	37%	49852.72	17839.51	36%
34	Payments to Financial Institutions	2215.81	0.01	0%	1901.00	0.00	0%
36	Transfers to State and UT Governments	25.81	0.00	0%	24.00	0.00	0%
39	Department of Expenditure	26500.33	10603.18	40%	47927.47	17839.51	37%
46	MINISTRY OF FOOD PROCESSING INDUSTRIES Ministry of Food Processing Industries	0.50	0.27	54%	0.25	0.00	0%
46	MINISTRY OF FOOD PROCESSING INDUSTRIES Ministry of Food Processing Industries	180.00	42.55	24%	110.00	28.49	26%
47	MINISTRY OF HEALTH AND FAMILY WELFARE Department of Health	180.00	42.55	24%	110.00	28.49	26%
48	Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (Ayush)	9650.77	3837.54	40%	7442.30	2712.23	36%
49	Department of Family Welfare	2881.77	1000.99	35%	1769.30	557.41	32%
50	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES Department of Heavy Industry	345.00	136.13	39%	173.00	69.18	40%
51	Department of Public Enterprises	6424.00	2700.42	42%	5500.00	2085.64	38%
50	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES Department of Heavy Industry	436.00	128.68	30%	161.00	8.94	6%
51	Department of Public Enterprises	406.00	118.01	29%	131.00	5.82	4%
52	MINISTRY OF HOME AFFAIRS Ministry of Home Affairs	30.00	10.67	36%	30.00	3.12	10%
54	Police	709.05	172.10	24%	887.00	199.13	22%
55	Other Expenditure of the Ministry of Home Affairs	21.00	6.67	32%	21.80	2.16	10%
56	Transfers to UT Govts.	272.00	122.53	45%	271.80	76.45	28%
57	MINISTRY OF HUMAN RESOURCE DEVELOPMENT Department of Elementary Education and Literacy	7.00	1.51	22%	6.40	4.61	72%
58	Department of Secondary Education and Higher Education	409.05	41.39	10%	587.00	115.91	20%
59	MINISTRY OF HUMAN RESOURCE DEVELOPMENT Department of Women and Child Development	19117.55	7811.39	41%	10624.15	5410.83	51%
57	Department of Elementary Education and Literacy	12531.76	5615.53	45%	6000.00	3773.29	63%
58	Department of Secondary Education and Higher Education	2710.50	1061.97	39%	2224.15	620.16	28%
59	Department of Women and Child Development	3875.29	1133.89	29%	2400.00	1017.38	42%

(Rs. crore)

Grant No.	Ministry/Department	2005-06			2004-05		
		BE	Actuals upto 09/2005	%	BE	Actuals upto 09/2004	%
	MINISTRY OF INFORMATION AND BROADCASTING	528.00	182.99	35%	480.00	111.63	23%
60	Ministry of Information and Broadcasting	528.00	182.99	35%	480.00	111.63	23%
	MINISTRY OF LABOUR AND EMPLOYMENT	219.48	82.40	38%	166.97	61.22	37%
61	Ministry of Labour and Employment	219.48	82.40	38%	166.97	61.22	37%
	MINISTRY OF LAW AND JUSTICE	220.00	0.08	0%	140.00	0.37	0%
63	Law and Justice	220.00	0.08	0%	140.00	0.37	0%
	MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES	599.75	41.16	7%	599.80	44.88	7%
65	Ministry of Non-Conventional Energy Sources	599.75	41.16	7%	599.80	44.88	7%
	MINISTRY OF PANCHAYATI RAJ	50.00	6.74	13%	30.60	0.00	0%
67	Ministry of Panchayati Raj	50.00	6.74	13%	30.60	0.00	0%
	DEPARTMENT OF OCEAN DEVELOPMENT	340.00	35.69	10%	200.00	33.39	17%
68	Department of Ocean Development	340.00	35.69	10%	200.00	33.39	17%
	MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS	75.00	13.32	18%	48.24	9.69	20%
70	Ministry of Personnel, Public Grievances and Pensions	75.00	13.32	18%	48.24	9.69	20%
	MINISTRY OF PLANNING	75.00	26.57	35%	10100.00	6.08	0%
72	Ministry of Planning	75.00	26.57	35%	10100.00	6.08	0%
	MINISTRY OF POWER	3000.00	636.40	21%	3600.00	547.07	15%
73	Ministry of Power	3000.00	636.40	21%	3600.00	547.07	15%
	MINISTRY OF RURAL DEVELOPMENT	24480.00	8936.79	37%	15998.40	7057.00	44%
79	Department of Rural Development	18334.00	6342.44	35%	11437.40	5464.45	48%
80	Department of Land Resources	1396.00	680.97	49%	1261.00	317.22	25%
81	Department of Drinking Water Supply	4750.00	1913.38	40%	3300.00	1275.33	39%
	MINISTRY OF SCIENCE AND TECHNOLOGY	2531.00	1024.09	40%	1850.00	592.15	32%
82	Department of Science and Technology	1240.00	473.85	38%	890.00	299.06	34%
83	Department of Scientific and Industrial Research	846.00	395.86	47%	650.00	201.00	31%
84	Department of Bio-Technology	445.00	154.38	35%	310.00	92.09	30%
	MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS	12655.36	10188.47	81%	8379.18	5745.07	69%
85	Department of Shipping	535.00	90.43	17%	467.18	38.21	8%
86	Department of Road Transport and Highways	12120.36	10098.04	83%	7912.00	5706.86	72%

(Rs. crore)

Grant No.	Ministry/Department	2005-06			2004-05		
		BE	Actuals upto 09/2005	%	BE	Actuals upto 09/2004	%
	MINISTRY OF SMALL SCALE INDUSTRIES	408.91	130.66	32%	362.25	89.42	25%
87	Ministry of Small Scale Industries	408.91	130.66	32%	362.25	89.42	25%
	MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT	1533.70	792.31	52%	1492.00	616.70	41%
88	Ministry of Social Justice & Empowerment	1533.70	792.31	52%	1492.00	616.70	41%
	DEPARTMENT OF SPACE	2800.00	528.78	19%	2400.00	469.16	20%
89	Department of Space	2800.00	528.78	19%	2400.00	469.16	20%
	MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION	1692.70	810.63	48%	1715.33	609.54	36%
90	Ministry of Statistics and Programme Implementation	1692.70	810.63	48%	1715.33	609.54	36%
	MINISTRY OF STEEL	15.00	7.00	47%	15.00	3.00	20%
91	Ministry of Steel	15.00	7.00	47%	15.00	3.00	20%
	MINISTRY OF TEXTILES	1150.00	587.72	51%	878.00	214.76	24%
92	Ministry of Textiles	1150.00	587.72	51%	878.00	214.76	24%
	MINISTRY OF TOURISM	786.00	225.48	29%	500.00	81.87	16%
93	Ministry of Tourism	786.00	225.48	29%	500.00	81.87	16%
	MINISTRY OF TRIBAL AFFAIRS	1498.82	573.70	38%	1146.00	553.77	48%
94	Ministry of Tribal Affairs	1498.82	573.70	38%	1146.00	553.77	48%
	U.T.s WITHOUT LEGISLATURE	903.53	203.41	23%	744.53	178.11	24%
95	Andaman & Nicobar Islands	498.31	111.12	22%	408.31	81.67	20%
96	Chandigarh	197.96	61.87	31%	165.96	59.84	36%
97	Dadra & Nagar Haveli	65.01	10.33	16%	55.01	17.97	33%
98	Daman & Diu	59.30	16.46	28%	45.30	13.44	30%
99	Lakshadweep	82.95	3.63	4%	69.95	5.19	7%
	MINISTRY OF URBAN DEVELOPMENT	2080.33	1346.87	65%	1512.04	752.59	50%
100	Department of Urban Development	1976.00	1302.09	66%	1405.60	716.85	51%
101	Public Works	104.33	44.78	43%	106.44	35.74	34%
	MINISTRY OR URBAN EMPLOYMENT AND POVERTY ALLEVIATION	500.00	99.84	20%	830.00	167.85	20%
103	Department of Urban Employment and Poverty Alleviation	500.00	99.84	20%	830.00	167.85	20%
	MINISTRY OF WATER RESOURCES	621.00	157.11	25%	580.00	120.77	21%
104	Ministry of Water Resources	621.00	157.11	25%	580.00	120.77	21%
	MINISTRY OF YOUTH AFFAIRS & SPORTS	438.99	161.45	37%	400.00	136.37	34%
105	Ministry of Youth Affairs and Sports	438.99	161.45	37%	400.00	136.37	34%
	RAILWAYS	6520.00	3260.00	50%	6919.00	3459.50	50%
	Ministry of Railways	6520.00	3260.00	50%	6919.00	3459.50	50%
	GRAND TOTAL	143496.78	59406.31	41%	145590.25	53273.61	37%

NON-PLAN EXPENDITURE

(Rs. in crore or per cent)

GRANT NO	Ministry/Department	2005-2006			2004-2005		
		BE	ACTUALS upto 09/2005	%	BE	ACTUALS upto 09/2004	%
	MINISTRY OF AGRICULTURE	1214.12	595.52	49%	1133.73	449.81	40%
1	Department of Agriculture and Cooperation	380.51	127.94	34%	344.00	46.32	13%
2	Department of Agricultural Research and Education	792.00	436.44	55%	753.31	371.67	49%
3	Department of Animal Husbandry and Dairying	41.61	31.14	75%	36.42	31.82	87%
	MINISTRY OF AGRO AND RURAL INDUSTRIES	87.63	42.81	49%	87.63	27.97	32%
4	Ministry of Agro and Rural Industries	87.63	42.81	49%	87.63	27.97	32%
	DEPARTMENT OF ATOMIC ENERGY	1064.47	863.63	81%	957.97	1056.17	110%
5	Atomic Energy	1408.00	779.68	55%	1250.00	860.50	69%
6	Nuclear Power Schemes	-343.53	83.95	-24%	-292.03	195.67	-67%
	MINISTRY OF CHEMICALS AND FERTILIZERS	17117.25	10888.52	64%	12745.01	8351.93	66%
7	Department of Chemicals and Petro-Chemicals	830.25	438.65	53%	47.01	11.77	25%
8	Department of Fertilizers	16287.00	10449.87	64%	12698.00	8340.16	66%
	MINISTRY OF CIVIL AVIATION	262.65	19.35	7%	237.10	78.24	33%
9	Ministry of Civil Aviation	262.65	19.35	7%	237.10	78.24	33%
	MINISTRY OF COAL	40.02	-0.78	-2%	200.00	25.87	13%
10	Ministry of Coal	40.02	-0.78	-2%	200.00	25.87	13%
	MINISTRY OF MINES	220.98	117.20	53%	310.00	142.32	46%
11	Ministry of Mines	220.98	117.20	53%	310.00	142.32	46%
	MINISTRY OF COMMERCE AND INDUSTRY	1160.27	728.77	63%	1339.63	723.43	54%
12	Department of Commerce	1070.00	687.05	64%	1250.00	686.97	55%
13	Department of Industrial Policy and Promotion	90.27	41.72	46%	89.63	36.46	41%
	MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY	4155.14	2637.17	63%	2184.28	1816.37	83%
14	Department of Posts	1419.10	1644.98	116%	1356.51	1432.28	106%
15	Department of Telecommunications	2700.04	975.85	36%	791.77	369.94	47%
16	Department of Information Technology	36.00	16.34	45%	36.00	14.15	39%
	MINISTRY OF COMPANY AFFAIRS	116.27	26.19	23%	57.50	20.55	36%
17	Ministry of Company Affairs	116.27	26.19	23%	57.50	20.55	36%
	MINISTRY OF CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION	26521.63	10536.43	40%	26119.03	12781.08	49%
18	Department of Consumer Affairs	25.40	15.92	63%	26.05	13.87	53%
19	Department of Food & Public Distribution	26496.23	10520.51	40%	26092.98	12767.21	49%
	MINISTRY OF CULTURE	314.15	137.09	44%	312.83	111.06	36%
20	Ministry of Culture	314.15	137.09	44%	312.83	111.06	36%

(Rs. in crore or per cent)

GRANT NO	Ministry/Department	2005-2006			2004-2005		
		BE	ACTUALS upto 09/2005	%	BE	ACTUALS upto 09/2004	%
	MINISTRY OF DEFENCE	96952.00	35351.82	36%	89136.35	34024.96	38%
21	Ministry of Defence	1500.00	858.20	57%	886.35	704.62	79%
22.	Defence Pensions	12452.00	5631.08	45%	11250.00	4911.83	44%
	DEFENCE SERVICES	83000.00	28862.54	35%	77000.00	28408.51	37%
23	Defence Services-Army	31242.70	12575.16	40%	27828.99	11150.66	40%
24	Defence Services-Navy	6027.35	2484.01	41%	5293.82	1690.85	32%
25	Defence Services-Air Force	9004.61	3601.74	40%	8468.40	3439.17	41%
26	Defence Ordnance Factories	-464.28	1327.57	-286%	-417.22	1936.24	-464%
27	Defence Services - Research and Development	2814.48	1106.65	39%	2343.16	1152.97	49%
28	Capital Outlay on Defence Services	34375.14	7767.41	23%	33482.85	9038.62	27%
	MINISTRY OF DEVELOPMENT OF NORTH EASTERN REGION	12.48	5.44	44%	9.70	4.99	51%
29	Ministry of Development of North Eastern Region	12.48	5.44	44%	9.70	4.99	51%
	MINISTRY OF ENVIRONMENT AND FORESTS	153.28	108.53	71%	151.21	57.22	38%
30	Ministry of Environment and Forests	153.28	108.53	71%	151.21	57.22	38%
	MINISTRY OF EXTERNAL AFFAIRS	3163.00	1207.44	38%	2905.69	1002.44	34%
31	Ministry of External Affairs	3163.00	1207.44	38%	2905.69	1002.44	34%
	MINISTRY OF FINANCE	181007.66	72378.12	40%	160655.01	67796.25	42%
32	Department of Economic Affairs	2031.91	159.77	8%	1801.42	212.78	12%
33	Currency, Coinage and Stamps	105.60	-114.61	-109%	231.94	-53.78	-23%
34	Payments to Financial Institutions	3706.55	873.99	24%	3492.54	189.51	5%
35	Interest Payments	133944.86	53940.20	40%	129499.86	55399.41	43%
36	Transfers to State and UT Governments	26219.41	12610.25	48%	16970.00	7642.90	45%
37	Loans to Govt. Servants etc.	-50.00	-166.01	332%	75.00	-166.15	-222%
38	Repayment of Debt	0.00	0.00		0.00	0.00	
39	Department of Expenditure	27.32	13.68	50%	26.37	12.94	49%
40	Pensions	5925.00	3156.11	53%	4711.80	2674.55	57%
41	Indian Audit and Accounts Department	1121.10	560.34	50%	1012.28	535.50	53%
42	Department of Revenue	5073.31	63.46	1%	71.49	171.43	240%
43	Direct Taxes	1248.00	601.69	48%	1245.98	521.25	42%
44	Indirect Taxes	1647.90	678.47	41%	1461.33	644.32	44%
45	Department of Disinvestment	6.70	0.78	12%	55.00	11.59	21%
	MINISTRY OF FOOD PROCESSING INDUSTRIES	6.55	3.52	54%	5.68	2.81	49%
46	Ministry of Food Processing Industries	6.55	3.52	54%	5.68	2.81	49%
	MINISTRY OF HEALTH AND FAMILY WELFARE	1036.34	715.24	69%	995.82	863.78	87%
47	Department of Health	945.87	656.07	69%	918.32	572.28	62%
48	Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (Ayush)	60.98	27.72	45%	52.73	34.13	65%
49	Department of Family Welfare	29.49	31.45	107%	24.77	257.37	1039%
	MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES	458.25	211.93	46%	502.65	64.21	13%
50	Department of Heavy Industry	455.32	210.76	46%	500.00	63.24	13%
51	Department of Public Enterprises	2.93	1.17	40%	2.65	0.97	37%

(Rs. in crore or per cent)

GRANT NO	Ministry/Department	2005-2006			2004-2005		
		BE	ACTUALS upto 09/2005	%	BE	ACTUALS upto 09/2004	%
	MINISTRY OF HOME AFFAIRS	17144.82	7075.76	41%	14116.61	5976.78	42%
52	Ministry of Home Affairs	925.39	362.63	39%	713.51	312.66	44%
53	Cabinet	190.43	57.30	30%	164.10	64.95	40%
54	Police	14500.00	6313.72	44%	12060.00	5195.62	43%
55	Other Expenditure of the Ministry of Home Affairs	1100.00	234.86	21%	750.00	296.30	40%
56	Transfers to UT Govts.	429.00	107.25	25%	429.00	107.25	25%
	MINISTRY OF HUMAN RESOURCE DEVELOPMENT	3150.59	1555.28	49%	2892.11	1042.94	36%
57	Department of Elementary Education and Literacy	4.77	2.40	50%	4.68	2.19	47%
58	Department of Secondary Education and Higher Education	3090.00	1521.88	49%	2833.24	1018.31	36%
59	Department of Women and Child Development	55.82	31.00	56%	54.19	22.44	41%
	MINISTRY OF INFORMATION AND BROADCASTING	1075.00	534.55	50%	1034.17	503.14	49%
60	Ministry of Information and Broadcasting	1075.00	534.55	50%	1034.17	503.14	49%
	MINISTRY OF LABOUR AND EMPLOYMENT	972.61	886.44	91%	756.57	397.74	53%
61	Ministry of Labour and employment	972.61	886.44	91%	756.57	397.74	53%
	MINISTRY OF LAW AND JUSTICE	325.13	65.53	20%	1268.90	856.66	68%
62	Election Commission	11.85	6.01	51%	11.50	5.85	51%
63	Law and Justice	275.00	37.51	14%	1222.72	830.91	68%
64	Supreme Court of India	38.28	22.01	57%	34.68	19.90	57%
	MINISTRY OF NON-CONVENTIONAL ENERGY SOURCES	5.63	3.72	66%	5.47	3.36	61%
65	Ministry of Non-Conventional Energy Sources	5.63	3.72	66%	5.47	3.36	61%
	MINISTRY OF NON-RESIDENT INDIANS AFFAIRS	35.00	1.19	3%	7.00	0.00	0%
66	Ministry of Non-Resident Indians Affairs	35.00	1.19	3%	7.00	0.00	0%
	MINISTRY OF PANCHAYATI RAJ	0.44	0.22	50%	0.44	0.00	0%
67	Ministry of Panchayati Raj	0.44	0.22	50%	0.44	0.00	0%
	DEPARTMENT OF OCEAN DEVELOPMENT	37.00	12.87	35%	30.08	13.40	45%
68	Department of Ocean Development	37.00	12.87	35%	30.08	13.40	45%
	MINISTRY OF PARLIAMENTARY AFFAIRS	5.90	3.04	52%	5.89	1.89	32%
69	Ministry of Parliamentary Affairs	5.90	3.04	52%	5.89	1.89	32%
	MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES & PENSIONS	229.00	100.00	44%	219.71	90.84	41%
70	Ministry of Personnel, Public Grievances and Pensions	229.00	100.00	44%	219.71	90.84	41%
	MINISTRY OF PETROLEUM AND NATURAL GAS	3669.00	953.61	26%	3573.42	1054.09	29%
71	Ministry of Petroleum and Natural Gas	3669.00	953.61	26%	3573.42	1054.09	29%

(Rs. in crore or per cent)

GRANT NO	Ministry/Department	2005-2006			2004-2005		
		BE	ACTUALS upto 09/2005	%	BE	ACTUALS upto 09/2004	%
	MINISTRY OF PLANNING	31.80	18.29	58%	30.88	16.58	54%
72	Ministry of Planning	31.80	18.29	58%	30.88	16.58	54%
	MINISTRY OF POWER	61.70	-134.90	-219%	62.47	-177.48	-284%
73	Ministry of Power	61.70	-134.90	-219%	62.47	-177.48	-284%
	THE PRESIDENT, PARLIAMENT, UNION PUBLIC SERVICE COMMISSION AND THE SECRETARIAT OF THE VICE-PRESIDENT	378.74	153.61	41%	363.50	115.44	32%
74	Staff, Household and Allowances of the President	17.33	6.71	39%	15.08	5.22	35%
75	Lok Sabha	206.32	83.26	40%	203.20	51.71	25%
76	Rajya Sabha	95.13	33.76	35%	90.11	30.31	34%
77	UPSC	57.68	29.34	51%	52.00	27.69	53%
78	Secretariat of the Vice-President	2.28	0.54	24%	3.11	0.51	16%
	MINISTRY OF RURAL DEVELOPMENT	24.73	15.75	64%	23.43	10.71	46%
79	Department of Rural Development	19.87	13.10	66%	18.56	8.45	46%
80	Department of Land Resources	3.44	1.77	51%	3.48	1.45	42%
81	Department of Drinking Water Supply	1.42	0.88	62%	1.39	0.81	58%
	MINISTRY OF SCIENCE AND TECHNOLOGY	1120.60	553.65	49%	1056.39	390.60	37%
82	Department of Science and Technology	396.00	187.80	47%	392.94	165.23	42%
83	Department of Scientific and Industrial Research	711.00	354.74	50%	650.00	220.10	34%
84	Department of Biotechnology	13.60	11.11	82%	13.45	5.27	39%
	MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS	2254.92	850.45	38%	2039.00	594.09	29%
85	Department of Shipping	428.92	193.54	45%	314.00	10.06	3%
86	Department of Road Transport and Highways	1826.00	656.91	36%	1725.00	584.03	34%
	MINISTRY OF SMALL SCALE INDUSTRIES	51.39	29.04	57%	52.15	26.85	51%
87	Ministry of Small Scale Industries	51.39	29.04	57%	52.15	26.85	51%
	MINISTRY OF SOCIAL JUSTICE & EMPOWERMENT	66.00	25.58	39%	65.01	24.85	38%
88	Ministry of Social Justice & Empowerment	66.00	25.58	39%	65.01	24.85	38%
	DEPARTMENT OF SPACE	348.00	220.39	63%	331.29	197.52	60%
89	Department of Space	348.00	220.39	63%	331.29	197.52	60%
	MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION	147.29	82.98	56%	140.38	76.39	54%
90	Ministry of Statistics and Programme Implementation	147.29	82.98	56%	140.38	76.39	54%
	MINISTRY OF STEEL	74.53	29.81	40%	165.54	56.15	34%
91	Ministry of Steel	74.53	29.81	40%	165.54	56.15	34%
	MINISTRY OF TEXTILES	858.25	379.34	44%	902.31	269.04	30%
92	Ministry of Textiles	858.25	379.34	44%	902.31	269.04	30%

(Rs. in crore or per cent)

GRANT NO	Ministry/Department	2005-2006			2004-2005		
		BE	ACTUALS upto 09/2005	%	BE	ACTUALS upto 09/2004	%
	MINISTRY OF TOURISM	42.20	13.95	33%	41.74	14.63	35%
93	Ministry of Tourism	42.20	13.95	33%	41.74	14.63	35%
	MINISTRY OF TRIBAL AFFAIRS	10.92	3.39	31%	13.01	2.95	23%
94	Ministry of Tribal Affairs	10.92	3.39	31%	13.01	2.95	23%
	U.Ts WITHOUT LEGISLATURE	2228.38	840.20	38%	1599.90	677.27	42%
95	Andaman & Nicobar Islands	1174.38	414.17	35%	617.00	247.44	40%
96	Chandigarh	793.00	318.00	40%	725.00	354.99	49%
97	Dadra & Nagar Haveli	48.00	11.88	25%	47.26	30.36	64%
98	Daman & Diu	55.00	26.36	48%	54.40	22.61	42%
99	Lakshadweep	158.00	69.79	44%	156.24	21.87	14%
	MINISTRY OF URBAN DEVELOPMENT	1099.72	577.72	53%	1067.69	499.33	47%
100	Department of Urban Development	428.16	211.65	49%	415.69	165.69	40%
101	Public Works	616.97	347.13	56%	599.00	323.88	54%
102	Stationery and Printing	54.59	18.94	35%	53.00	9.76	18%
	MINISTRY OR URBAN EMPLOYMENT AND POVERTY ALLEVIATION	12.03	-10.47	-87%	11.68	2.93	25%
103	Ministry of Urban Employment and Poverty Alleviation	12.03	-10.47	-87%	11.68	2.93	25%
	MINISTRY OF WATER RESOURCES	253.56	130.20	51%	249.23	122.53	49%
104	Ministry of Water Resources	253.56	130.20	51%	249.23	122.53	49%
	MINISTRY OF YOUTH AFFAIRS & SPORTS	68.00	31.99	47%	66.00	36.39	55%
105	Ministry of Youth Affairs and Sports	68.00	31.99	47%	66.00	36.39	55%
	MINISTRY OF RAILWAYS						
	Ministry of Railways	0.00	0.00		0.00	0.00	
	Appropriation to the Contingency Fund of India	0.00					
	GRAND TOTAL	370847.02	151577.12	41%	332238.79	142299.07	43%

**RESOURCES TRANSFERRED TO
STATE & UT GOVERNMENTS**

(Rs. in crore or per cent)

Description	2005-2006			2004-2005		
	BE	ACTUALS upto 09/2005	%	BE	ACTUALS upto 09/2004	%
1 States' share of Taxes & Duties	94959	40779	43%	82227	34438	42%
2 Non-plan Grants & Loans	34053	12161	36%	19576	7584	39%
Grants	33953	11711	34%	19470	6356	33%
Loans	100	19	19%	106	626	591%
Ways and Means Advances (Net)		431			602	
3 Central Assistance for State & UT	30454	11789	39%	55209	19028	34%
Grants	30454	10654	35%	28103	9818	35%
Loans	0	1135		27106	9210	34%
4 Assistance for Central & Centrally sponsored Schemes	15750	6939	44%	10953	5423	50%
Grants	15599	6868	44%	10809	5302	49%
Loans	151	71	47%	144	121	84%
5 Total Grants & Loans (2+3+4)	80257	30889	38%	85738	32035	37%
Grants	80006	29233	37%	58382	21476	37%
Loans	251	1656	660%	27356	10559	39%
6 <u>Less: Recovery of Loans & Advances</u>	10045	3630	36%	23848	33795	142%
7 Net Resources transferred to State & UT Governments (1+5-6)	165171	68038	41%	144117	32678	23%
(i) Of Which State Govts.	164025	67812	41%	142778	32383	23%
(ii) Of Which UT. Govts.	1146	226	20%	1339	295	22%

Outstanding Liabilities of the Central Government

(Rs. Crore)

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	1020689	478900	59612	1559201	196067	1695656
2003-04	1690554	1141706	548848	46124	1736678	184177	1874731
2004-05(RE) **	1927155	1270272	656883	54359	1981514	n.a.	n.a.
2005-06(BE) **	2168671	1406525	762146	63215	2231886	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	57.0	40.2	16.8	3.1	60.1	8.8	65.8
2002-03	60.9	41.4	19.4	2.4	63.3	8.0	68.8
2003-04	61.3	41.4	19.9	1.7	62.9	6.7	67.9
2004-05(RE) **	62.0	40.9	21.1	1.7	63.7	n.a.	n.a.
2005-06(BE) **	62.3	40.4	21.9	1.8	64.1	n.a.	n.a.

* At historical exchange rate .

** Internal debt includes net borrowing of Rs 65,481 crore for 2004-05(RE) and Rs 80,500 crore for 2005-06(BE) under Market Stabilisation Scheme.

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