Union Finances Report Card – H1 FY24

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The fiscal position of the Central Government has been fairly comfortable during the first half of the current fiscal despite economic headwinds. Gross direct tax collections staged an encouraging recovery in August and September after lagging in the first four months of FY24. Centre's non-tax collections have been better than anticipated, supported by higher than budgeted dividend transfer from the RBI. On the expenditure front, the noteworthy aspect of the Centre's expenditure policy has been the progressive improvement in the quality of expenditure as reflected in the ratio of capital expenditure to revenue expenditure. Overall, the government's fiscal deficit stood at Rs 7 lakh crore in H1 FY24, at 39.3% of the budget estimate (BE). This compares to a fiscal deficit (% of BE) at 37.3% in the corresponding period of the previous year.

Table 1: Snapshot of Central Government Finances (Rs Lakh Crore)

	Rs Lakh Crore		% of Budget Estimate		% Change*
	H1 FY23	H1 FY24	H1 FY23	H1 FY24	H1 FY24
Total Receipts	**12.0**	**14.2**	**52.7**	**52.1**	**17.7**
Revenue Receipts	11.7	14.0	53.1	53.1	19.5
Non-Debt Capital Receipts	0.3	0.2	43.1	24.0	-41.0
Total Expenditure	**18.2**	**21.2**	**46.2**	**47.1**	**16.2**
Revenue Expenditure	14.8	16.3	46.3	46.5	10.0
Capital Expenditure	3.4	4.9	45.7	49.0	43.1
Fiscal Deficit	**6.2**	**7.0**	**37.3**	**39.3**	**13.2**

Source: Controller General of Accounts (CGA); % Change is calculated over H1 FY23

Government Receipts – H1 FY24

- Gross tax revenue collection during H1 FY24 increased by 16.3% compared to last year on account of higher revenue from all major tax heads except excise duty. Net tax revenue has risen by 14.7% during the same period. The overall gross tax collection in the first half of the fiscal year stands at 48.2% of the FY24 budgeted estimate, which is lower than the 50.5% of the budgeted witnessed last year.
    - Gross direct tax collection recovered in August and September after lagging in the first four months of FY24. Overall gross direct tax collection grew by 25.4% in H1 FY24, led by 31.1% growth in income tax collection and 20.2% growth in the corporate tax collection.
    - Gross indirect tax collection grew by 6.6% in H1 FY24, led by a 23.1% increase in the collection of customs duty and an 8.7% growth in GST collections. However, the proceeds from the excise duty collection contracted by 10.8% in H1 FY24. Excise duty cut on petrol and diesel announced in the last fiscal year, along with a reduction in special additional excise duty (SAED) on crude oil, could be the reason for the contraction.
- The non-tax revenue has remained robust, with a growth of 50.2% from the same period a year ago. Receipts from dividends and profits, which is a major head in the non-tax revenue, grew by 127.4%, surpassing the full-year budget estimate. The RBI has announced a surplus of Rs 87,416 crore, higher than the budgeted amount of Rs 48,000 crore under the Dividend/Surplus transfer of the Reserve Bank of India, Nationalised Banks, and Financial Institutions.
- On the capital receipts front, the proceeds from divestment at Rs 6,949 crore remain lacklustre at just 13.6% of the budgeted value in the H1 FY24. The big-ticket divestments - IDBI Bank, Shipping Corporation of India,

and NMDC Steel may be delayed, given the current headwinds in the global macroeconomic environment. However, the expected slippage on the disinvestment front is expected to be counteracted by healthy tax and non-tax revenue collections.

Table 2: Revenue Receipts (Rs Lakh Crore)

	Rs Lakh Crore		% of Budget Estimate		% Change*
	H1 FY23	H1 FY24	H1 FY23	H1 FY24	H1 FY24
Tax Revenue (Net)	**10.1**	**11.6**	**52.3**	**49.8**	**14.7**
Income Tax	3.4	4.5	50.7	51.7	31.1
Corporate Tax	3.8	4.5	52.1	48.9	20.2
Customs Duties	0.9	1.1	40.5	45.6	23.1
Excise Duties	1.4	1.2	41.8	36.8	-10.8
GST	4.3	4.7	55.1	48.9	8.7
Non-Tax Revenue	**1.6**	**2.4**	**58.4**	**78.5**	**50.2**
Interest Receipts	0.1	0.2	69.4	69.7	38.7
Dividends & Profits	0.5	1.2	46.6	132.6	127.4
Total Revenue Receipts	**11.7**	**14.0**	**53.1**	**53.1**	**19.5**

Source: Controller General of Accounts (CGA); % Change is calculated over H1 FY23

Government Spending – H1 FY24

- Revenue expenditure in the first half of the current fiscal year was higher by 10% compared to the same period a year ago. The twelve major heads of revenue expenditure (Refer Table 3) constituted a share of nearly 82% of the total revenue spending. Of the major heads, spending increased towards interest payments, defence, and fertilisers while it was decreased towards food & public distribution, transfer to states, agriculture and school and higher education.

- The total subsidy bill in H1 FY24 stood at Rs 2.1 lakh crore, highest half-yearly amount seen in the last four years and 3.8% higher compared to the corresponding period last year. While food subsidy was lower by 18%, outgo towards fertiliser and petroleum subsidies increased by 34.8% and 18.5%, respectively which kept the subsidy bill elevated.

- Centre has maintained its continued thrust on capital expenditure which recorded a strong growth of 43% compared to last year. The five major heads (Refer Table 4) account for a share of 83% in the total capex. Railways, road transport and highways and defence were the major drivers of capex in H1 FY24 with the outlay towards infrastructure-intensive sectors (railways and roads) making up for a 60% share in the total capex.

- The noteworthy aspect about government spending is the sustained improvement in quality of spending as seen in the improving ratio of capital expenditure to revenue expenditure. The ratio increased to 0.30 in H1 FY24, the highest half-yearly figure seen in the recent years and higher than 0.23 last year.

Table 3: Main Heads of Revenue Expenditure (Rs Crore)

	Rs Crore		% of Budget Estimate		% Change*
	H1 FY23	H1 FY24	H1 FY23	H1 FY24	H1 FY24
Interest Payments	4,36,682	4,84,329	46.4	44.8	10.9
Defence	1,99,648	2,38,526	54.7	56.5	19.5
Fertilizers	81,742	1,10,147	77.7	62.9	34.7
Food & Public Distribution	1,16,290	99,244	54.4	48.3	-14.7
Rural Development	75,881	75,827	54.9	47.4	-0.1
Transfers to States	73,879	72,762	33.2	38.9	-1.5
Police	58,624	62,215	54.7	53.7	6.1
Agriculture	47,870	45,008	36.1	36.0	-6.0
Pensions	37,241	40,888	56.6	57.0	9.8
School & Higher Education	41,336	36,923	39.6	32.7	-10.7
Health and Family Welfare	34,403	35,596	42.7	42.5	3.5
Drinking Water & Sanitation	19,122	31,271	28.4	40.5	63.5
Total Revenue Expenditure	**14,80,708**	**16,28,511**	**46.3**	**46.5**	**10.0**

Source: Controller General of Accounts (CGA); % Change is calculated over H1 FY23

Table 4: Main Heads of Capital Expenditure (Rs Crore)

	Rs Crore		% of Budget Estimate		% Change*
	H1 FY23	H1 FY24	H1 FY23	H1 FY24	H1 FY24
Road Transport and Highways	1,21,893	1,56,383	64.9	60.5	28.3
Railways	88,548	1,42,603	64.6	59.4	61.0
Defence	64,075	67,394	39.9	39.3	5.2
Telecommunication	25,593	28,133	47.3	45.6	9.9
Housing and Urban Affairs	9,121	12,021	33.4	46.2	31.8
Total Capital Expenditure	**3,42,889**	**4,90,628**	**45.7**	**49.0**	**43.1**

Source: Controller General of Accounts (CGA); % Change is calculated over H1 FY23

Way Forward

Going ahead, while we foresee slippage on the disinvestment front, we remain optimistic about meeting the targeted revenue receipts supported by buoyancy in tax as well as non-tax collections. Overall, while we remain hopeful of the government meeting its fiscal deficit target of 5.9% of GDP, we need to be watchful of the trajectory of revenue spending ahead of the election season, along with the possibility of lower-than-expected nominal GDP growth.

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