Finances of The Government of India: 2002-03*

Introduction

The Union Budget 2002-03 was presented to the Parliament on February 28, 2002. This article highlights major policy measures announced in the Budget. It also analyses trends in revenue and expenditure for revised estimates 2001-02, and Budget estimates for fiscal year 2002-03. The article is organised into four sections. Section I outlines the major policy initiatives proposed in the Budget. Section II brings out the revised outcome *vis-a-vis* Budget estimates during 2001-02. Section III presents the Budget estimates of receipts, expenditure and deficit position for 2002-03. Section IV offers concluding observations.

The Budget was formulated against the backdrop of unfavourable domestic and external developments. Poor performance of agriculture in the previous two years adversely affected domestic output and demand conditions. The global economy experienced an overall deceleration during the past year. These trends were further aggravated in the aftermath of the September 11, 2001 events. As a sequel, export growth suffered and industrial profitability declined by the prevailing low demand and declining commodity and product prices.

The Budget for 2002-03, having recognised the immediate need for addressing these issues and also with the objective to take up a comprehensive agenda of second generation economic reforms has adopted a six-fold strategy. These are: to continue the emphasis on agriculture and food economy reforms; enhance public and private investment in infrastructure; strengthen the financial sector and capital markets; deepen structural reforms and regenerate industrial growth; provide social security to the poor; and consolidate tax reforms and continue fiscal adjustment at both the Central and State levels. The Budget recognised the need to carry forward the process of economic reforms. In the area of agriculture and rural development, the Budget emphasised on agricultural diversification and food processing, encouraging agricultural research and extension. Measures to further decontrol and deregulation of agriculture have been contemplated. In order to further the State level fiscal reforms the Budget provided additional allocations in respect of centrally sponsored schemes which would be linked to decontrol and deregulation of the agricultural sector by the States. The target set for realization of disinvestment proceeds is retained at Rs.12,000 crore for this year also. The Budget also made specific provisions to encourage exports. The Budget has focussed special attention to further structural reforms process and intensify social security measures. The Budget accorded a very high priority to fiscal consolidation.

Section I

Major Policy Initiatives

The broad objectives of the Budget for 2002-03 were to address the present unfavourable domestic and external developments, to further accelerate second generation economic reforms and intensifying the fiscal adjustment programme. Keeping these objectives in view, the budget has proposed the following major policy initiatives.

1. Agriculture and Rural Development

Considering the vital role agriculture sector plays in the economy the Budget contemplated a further push to agricultural reforms. The Budget recognised the importance of removal of regulatory and procedural rigidities and improved infrastructure in the agricultural sector. A new thrust is required on agricultural research and extension and new climate that encourage much greater investment in both the public and private sectors. To initiate further decontrol and deregulation of agricultural sector the Milk and Milk Products Control Order (MMPO) will be amended to remove restrictions on new milk processing capacity. Small scale industry reservations related to various agricultural equipment items will be removed; export of agricultural commodities has been decanalised; futures and forward trading is extended to cover all agricultural commodities; additional allocations in respect of centrally sponsored schemes is linked to decontrol and deregulation of the agricultural sector by the States. A Group of Ministers will be set up to propose legislative and other changes for preparing a modern integrated food related regulations. Assistance to the States from RIDF was linked to reforms in the agriculture and rural sectors.

To ensure adequate credit flow to the agriculture sector, credit flow through institutional channels is expected to increase to Rs.75,000 crore during 2002-03 from Rs.64,000 crore in 2001-02. Funds for RIDF VIII further enhanced from Rs.5,000 crore to Rs.5,500 crore for 2002-03, while the rate of interest will be reduced from 10.5 per cent to 8.5 per cent. Henceforth, it will be fixed at the prevailing bank rate plus 2 per cent. A target of 1.25 lakh self help groups is fixed during 2002-03 to provide micro credit. A one-time settlement (OTS) scheme for small loan accounts with outstanding principal balance upto Rs.25,000 as on March 31, 1998 is in operation. A special OTS scheme for small and marginal farmers has been proposed to cover loans upto Rs.50,000. A new Corporation for Agriculture Insurance to be promoted by the existing public sector general insurance companies will be set up.

To increase the level of infrastructure for agriculture, the allocation for the Accelerated Irrigation Benefit Programme (AIBP) has been increased from Rs.2,000 crore during 2001-02 to Rs.2,800 crore in 2002-03. An amount of Rs.70 crore has been allocated to each scheme under the Credit Linked Subsidy Scheme for construction of cold storages. The allocation for research is enhanced from Rs.684 crore in 2001-02 to Rs.775 crore during 2002-03. To improve the quality and effectiveness of research and extension systems, linkages between research and extension will be strengthened through *Krishi Vigyan Kendras* (KVKs) and other institutions. To promote agricultural exports, Agri Export Zones are being developed and 15 such zones have been approved so far. The *Pradhan Mantri Gram Sadak Yojana* (PMGSY) is allocated Rs.2,500 crore for the year 2002-03 over and above Rs.5,000 crore so far. An outlay of Rs. 164 crore has been provided for the interest subsidy to SEBs under the new scheme called Accelerated Rural Electrification Programme to enable SEBs to speed up the process of electrification of 80,000 villages. To provide employment in rural areas the *Sampoorna Grameen Rozgar Yojana* (SGRY), launched on September 25, 2001 by merging Employment Assurance Scheme (EAS) and *Jawahar Gram Samridhi Yojana* (JGSY), will continue during 2002-03 also. A new employment scheme, *Jai Prakash Rozgar Guarantee Yojana* (JPRGY) will be launched to provide employment guarantee to the unemployed in the most distressed districts of the country. An additional allocation of Rs.480 crore was provided under the *Indira Awas Yojana* for the affected States. Houses constructed by the poor under the *Indira Awas Yojana* (IAY) in disaster prone areas will henceforth be provided insurance cover through a Master Policy.

2. Management of Food Economy

The Budget continued the emphasis on the management of food surplus rather than scarcity. A number of steps have been taken by the Government to reduce the high food grain stocks that are posing serious problems of storage and disposal. These measures include: increased allocations for Below Poverty Line (BPL) families; launching of a major food-for-work programme under the SGRY; allocation of 30 lakh tonnes of free foodgrains to States for relief works in areas affected by natural calamities; open market sales of 30 lakh tonnes during 2001-02 compared to 5.5 lakh tonnes in 2000-2001; and enhanced incentives for export of food grains. The Report of the High Level Committee on Long Term Grain Policy is expected to be submitted shortly. A more durable approach for better management of food economy will be formulated after considering this Report.

3. Industry and Infrastructure

To step up the Public Investment in key infrastructure sectors, the Plan outlay inclusive of internal and extra budgetary resources in power, roads and national highways and railways was increased by 22 per cent, 39 per cent and 23 per cent respectively, to a total of Rs.37,919 crore. The Budget recognised that the key issue related to infrastructure is the lack of appropriate user charges necessary to provide adequate returns on investment. In the power sector, the focus of reforms has shifted from generation to transmission and distribution. The Accelerated Power Development Programme (APDP) is being redesigned as the Accelerated Power Development and Reform Programme (APDRP), with an enhanced plan allocation of Rs 3,500 crore for 2002-03, up from Rs.1,500 crore in 2001-02. Access of the States to the fund will be on the basis of agreed reform programmes. In the roadways, the Golden Quadrilateral will be completed substantially by December 2003, a year ahead of schedule.

Private sector participation in greenfield airports will be encouraged through a package of concessions like availability of land and related infrastructure from the State Governments, exemption from levy of Inland Air Travel Tax (IATT) and Foreign Travel Tax (FTT) on departing passengers etc. Recognising the positive impact of tourism industry on growth of employment and generation of foreign exchange, the Plan Outlay for tourism has been increased by 50 per cent to Rs.225 crore for 2002-03. A tourism development package will be implemented with measures like six tourism circuits would be identified for development to international standards during 2002-03 and Special Purpose Vehicles (SPVs) will be permitted to raise resources from both public and private sectors for infrastructure development in these circuits.

To facilitate faster private investment in infrastructure facilities an Infrastructure Equity Fund of Rs.1,000 crore will be set up to help in providing equity investment for infrastructure projects. Contributions to the Fund to be managed by the Infrastructure Development Finance Company Limited (IDFC), would initially be made by public sector insurance companies, financial institutions and some banks. An institutional mechanism is being set up to coordinate the debt financing by financial institutions and banks of infrastructure projects larger than Rs.250 crore. IDFC will act as the co-ordinating institution with primary responsibility for different sectors being shared with the IDBI and ICICI.

An Urban Reform Incentive Fund (URIF) will be set up with an initial allocation of Rs.500 crore to provide reform linked assistance to States to usher in reforms in the areas like Rent Control Laws and repeal of Urban Land Ceiling Acts, rationalisation of high stamp duty regimes, revision of municipal laws etc. A City Challenge Fund (CCF) will also be set up as an incentive based facility that will support cities to fund transitional costs of moving towards sustainable and creditworthy institutional systems of municipal management and service delivery.

4. Banking and Financial Sector

The Budget proposals in the banking sector aim to focus on the efficiency and competitiveness of the sector. To enhance the same, banks and financial institutions are required to make provisions for NPAs as required by the RBI. A new Bill on Banking Sector Reforms will be introduced in Parliament to strengthen creditor rights through foreclosure and enforcement of securities by banks and financial institutions. This Bill will also enable securitisation for money locked up in long term loans. A pilot Asset Reconstruction Company will be set up by June 30, 2002 with the participation of public and private sector banks, financial institutions and multilateral agencies. This company will initiate measures for taking over non performing assets in the banking sector and also develop a market for securitised loans. IDBI will be corporatised within the coming year to provide it appropriate flexibility. Meanwhile IDBI's tier one capital is being strengthened by conversion of existing IBRD and NIC (LTO) loans in to appropriate long term instruments. A provision of Rs 1,300 crore was made for re-capitalisation support to Indian Bank on the basis of a commitment to Government for implementing monitorable reform measures. A token provision of Rs 100 crore was made for the recapitalisation of the cooperative credit structure to initiate the reforms in the area. The foreign banks are permitted to operate in India as fully owned branches with specific permission of the Reserve Bank of India.

To further the reforms and development of the debt markets, to help investors plan their investments better and to add transparency and stability in the market, RBI has announced an issuance calendar for dated government securities. The Budget proposed to introduce a new Government Securities Bill to replace the old Public Debt Act 1949 within this Parliament Session

The Budget announced certain measures for capital market to boost investor confidence and strengthen market integrity. The ownership, management and operation of stock exchanges will be separated through demutualisation and corporatisation of stock exchanges. The required legislative changes will be brought in the SEBI Act, 1992 for investor protection, and to enhance the effectiveness of SEBI as the capital market regulator.

To strengthen the housing finances the National Housing Bank (NHB) will launch a Mortgage Credit Guarantee Scheme, which would be provided to all housing loans thereby fully protecting lenders against default. The target under the Golden Jubilee Rural Housing Finance Scheme increased to 2.25 lakh for 2002-03, up from 1.7 lakh in 2001-02. The allocation of the *Indira Awas Yojana* has been increased by 13 per cent to Rs.1,725 crore for 2002-03.

5. External Sector

To accelerate export growth, the Budget proposed to increase the outlay for the export promotion schemes like industrial parks and other facilities from Rs.97 crore in 2001-02 to Rs.330 crore for 2002-03 and overall outlay for the Department of Commerce for the year 2002-03 by 55.0 per cent to Rs.775 crore.

The Budget proposals to further the process of capital account liberalisaion, *inter alia*, include: deposit schemes for Non Resident Indians will be fully convertible, the schemes which do not offer full convertibility to NRIs is discontinued from April 1, 2002 and NRIs are now free to repatriate in foreign currency their current earnings in India such as rent, dividend, pension, interest and the like based on appropriate certification. Further, the Indian companies wishing to invest abroad may now invest up to US $ 100 million on an annual basis through the automatic route, up from the existing limit of US $ 50 million. The Indian companies making overseas investment in joint ventures abroad by market purchases may now do so without prior approval up to 50 per cent of their net worth, up from the current limit of 25 per cent. Foreign Currency Convertible Bond (FCCB) scheme is put under the automatic route upto US $ 50 million.

6. Structural Reforms

The Budget proposed that the Administered Price Mechanism (APM) in the petroleum sector and the Oil Pool Account will be dismantled from April 1, 2002. The outstanding balances in the Oil Pool Account were proposed to be liquidated by issue of oil bonds to the concerned oil companies. The pricing of petroleum products proposed to be determined by the market forces. Private companies will be permitted in distribution subject to specified guidelines to be overseen by a Petroleum Regulatory Board. Subsidies to refineries in the North-East will continue on a rationalised basis and freight subsidies will continue to be provided for LPG and kerosene to far-flung areas. The subsidy on LPG and kerosene oil proposed to be reduced to 15 and 33 per cent respectively by April 1, 2002 and will be on a specified flat rate basis. Accordingly, the Budget proposed to raise the price of LPG by about Rs.40 per cylinder (Rs.20 in the post budget modifications) and of kerosene oil for PDS by about Rs.1.50 per litre from March 1, 2002. The subsidies on kerosene oil will be phased out in the next 3 to 5 years.

In order to promote out of court mechanisms for timely and transparent corporate debt restructuring of viable entities, in addition to the use of legal avenues of financial restructuring a mechanism for Corporate Debt Restructuring (CDR) has been set up under the guidelines issued by the Reserve Bank of India. The Budget proposed to set up a small group consisting of bankers and others, under the chairmanship of Deputy Governor, Reserve Bank of India to make its operation more efficient.

Budget proposals to facilitate adequate credit flow to small scale industries include : limit for composite loans increased from Rs.2 lakh to Rs.5 lakh, exemption limit for collateral security increased from Rs.25,000 to Rs.5 lakh and project cost limit under the National Equity Fund has been increased from Rs.25 lakh to Rs.50 lakh. Encouraged by the Kisan Credit Card scheme, public sector banks have now decided to introduce a scheme called *Laghu Udyami Credit Card* (LUCC) Scheme for providing simplified and borrower friendly credit facilities to small businessmen, retail traders, artisans and small entrepreneurs, professionals and other self employed persons, including those in the tiny sector.

7. Social Sector and Social Security

To create necessary educational infrastructure the plan allocation to the Department of Elementary Education and Literacy enhanced from Rs.4,000 crore to Rs.4,900 crore for 2002-03, Plan allocation for the Department of Science and Technology raised by 52 per cent to Rs.625 crore in 2002-03 and the allocation for the fund for the improvement of Science & Technology (FIST) increased by 115 per cent to Rs.75 crore in 2002-03. A micro venture capital fund for small innovations will be set up by the Small Industries and Development Bank of India (SIDBI) in cooperation with the National Innovation Foundation to facilitate the transition of innovations into enterprises. The Budget proposed to increase the plan allocation for the Department of Women and Child Development by 33 per cent to Rs.2,200 crore. A National Nutrition Mission will be launched to provide food grains at subsidised rates to adolescent girls and expectant and nursing mothers belonging to below poverty line families through the ICDS structure.

Insurance Regulatory and Development Authority (IRDA), recommended a regulatory framework for setting up pension funds to enable individuals to subscribe on a defined contribution basis to obtain the benefit of pensions on their retirement, action on this will be taken by June 30, 2002. The public sector insurance companies will provide health insurance to the needy people in the rural areas under the scheme called *"Janraksha"*, which will enable a person to get treatment up to Rs.30,000 per year at selected and designated hospitals with a payment of Re. 1 per day as insurance premium.

The allocation for the welfare and upliftment of Scheduled Castes in the Ministry of Social Justice and Empowerment has been increased from Rs.792 crore in 2001-02 to Rs.879 crore in 2002-03. To support various schemes under the National Scheduled Tribes Finance and Development Corporation (NSTFDC), Plan outlay for tribal welfare has been increased by 21 per cent to Rs.290 crore for 2002-03. For the North Eastern States an additional sum of Rs.500 crore provided from the Central Pool set up in 1998-1999. The provision for expenditure in North Eastern States out of the Central Plan of various Ministries enhanced from Rs.3,457 crore in 2001-02 to about Rs.5,016 crore for 2002-03.

8. Fiscal Reforms

The Budget envisaged several measures towards strengthening the process of fiscal consolidation through better expenditure management, pension reforms, disinvestments and reduction of administered interest rates on small savings.

(a) Expenditure Management

The success achieved by the Government on the expenditure management front by containing non-Plan expenditure has encouraged the Government to deepen the efforts in this direction. Expenditure Reforms Commission (ERC) has completed its work in September 2001 and submitted 10 Reports covering 36 Ministries/Departments that had a total sanctioned staff of 8.65 lakh. Of the identified surplus manpower of 42,200 in various Ministries/Departments, nearly 12,200 posts are expected to be abolished by the end of March 2002. The fresh recruitments will be limited to 1 per cent of total civilian staff strength over the next 4 years. To contain the expenditure on subsidies, the Budget proposed to increase the issue price of urea, DAP and MOP by about 5 per cent and reduction in the subsidy for SSP by Rs.50 per tonne. The prices of complex fertilizers will also be suitably modified.

(b) Taxation Measures

The tax measures are aimed at providing a modern tax regime to revive demand, promote investment, accelerate economic growth and enhance productivity. The major recommendations proposed in the Budget are set out in Box I. On the direct tax front, measures aim to further progress towards widening the tax base, rationalisation and simplification of tax structure and encouraging voluntary compliance. With these objectives, personal income tax rate have been left unchanged. To give a fillip to growth, an additional depreciation at the rate of 15 per cent is allowed on new plant and machinery acquired on or after April 1, 2002, or for expanding the installed capacity of existing units by at least 25 per cent. The corporation tax for foreign companies is reduced from 48 per cent to 40 per cent. The 2 per cent surcharge for Gujarat Earthquake relief has been abolished and a surcharge of 5 per cent has been imposed. The indirect taxes have been further simplified by reducing the number of items attracting special duty of 16 per cent, to 8 including Motor cars, Tyres, Air conditioners etc. The tax base is further expanded by including more services in the tax net. To address the slowdown in the steel industry, custom duty was proposed to be reduced on a number of refractory raw materials while basic custom duty on cheap imported seconds, defective steel and ships imported for breaking, proposed to be raised. To encourage infrastructure facilities custom duty reduced on specified equipment for ports and air ports and for the civil aviation sector.

Box-I: Major Changes in Tax Structure (Including Post-budget modifications)

Direct Taxes

Proposals on direct taxes would result in revenue gain of Rs. 6,000 crore. Main proposals with respect to direct taxes are as below:

? Tax rebate under section 88 reduced to 10 per cent for individuals with taxable income between Rs.1.5 lakhs and Rs.5 lakhs and abolished for those with taxable income beyond Rs.5 lakhs. In the post budget modifications the tax rebate was increased to 15 per cent for the income group between Rs.1.5 lakhs and Rs.5 lakhs. The limit for investment eligible for this rebate was increased to Rs.1 lakh from Rs.80,000 earlier.

? No change in income tax rates but surcharge of 5 per cent is imposed on all categories of taxpayers except income up to Rs.60,000, while the 2 per cent surcharge for the Gujarat Earthquake relief is withdrawn.

? Tax on perquisites in case of employees with taxable salary (excluding perks) upto Rs. 1,00,000 exempted from tax.

? Tax on distribution of dividend by domestic companies and mutual funds abolished, however, the ultimate recipients of the income to be taxed as per the rate applicable to them. In the post budget modifications, dividends and income upto Rs.9,000 was exempted from such taxation.

? There are specific proposals for stimulating industrial growth. Additional depreciation at the rate of 15 per cent on new plant and machinery acquired on or after April 1, 2002 for setting up a new industrial unit, or for expanding the installed capacity of existing units by at least 25 per cent, is allowed.

? Tax on foreign companies reduced from 48 per cent to 40 per cent.

? Exemption from capital gains tax under 54EC on investment in bonds issued by SIDBI and NHB.

? Banks are allowed to deduct 7.5 per cent of their total income against provision made for bad and doubtful debts as against 5 per cent earlier. Option to banks to deduct up to 5 per cent of NPAs falling in the category of loss and doubtful assets enhanced to 10 per cent and similar option to public financial institutions.

? Telecommunication sector also to be permitted to carry-forward or set off of past losses in cases of mergers.

? Relief to hotel industry in expenditure tax, deduction for units operating large convention centres and increased deduction in respect of foreign exchange earnings.

? Tax exemption withdrawn in case of NDDB, Prasar Bharati and Oil Industry Development Board.

? Tax relief for units constructing and operating multiplex theatres in non-metro cities.

Indirect Taxes

While proposals on the excise duty would result in revenue gain of Rs.6,700 crore, the proposals on the custom side would result in revenue loss of Rs.2,200 crore. Major proposals with respect to indirect taxes are as below:

? Number of items attracting 16 per cent special excise duty reduced to 8. These, *inter-alia,* include motor cars, ACs, *pan masala,* soft drinks, tobacco, etc.

? Items attracting 4 per cent moderate rate has been shifted to next slab of 8 per cent.

? Cess rate on indigenous crude oil raised. While, excise duty on spirit was reduced, a surcharge of Rs.5.25 to Rs.6.00 per litre imposed. Similarly, concessional rate of 8 per cent on LPG, kerosene and auto CNG was replaced by 16 per cent CENVAT.

? A special package of incentives carved out for textile industry.

? With a view to provide incentives to the north east region, excise on petroleum products produced by north-east region refineries was reduced to half of the normal rate of excise duty. Similarly, air travel to and from north eastern states exempted from Inland Air Travel Tax.

? Excise on tea is reduced from Rs.2 to Re. 1 per kg.

? Service tax extended to another 10 items which, *inter-alia*, include life insurance, cable operator, inland cargo handling, health club, fashion designers, etc. Similarly, service tax applicable to specified services provided by banks and non-banks extended to corporate sector for similar services. However, exemption to hotels from service tax extended upto March 31, 2003. In the post budget modifications, the service tax on insurance was confined to risk premium component of the insurance premium.

? By 2004-05, there would be only two basic rates of custom duties viz. 10 per cent for raw material and intermediate products and 20 per cent on final products. For the current year, peak rate is reduced from 35 per cent to 30 per cent. However, import duty on diary products was raised to 40 per cent in the post budget modifications.

? To address slowdown in the steel industry, custom duty on a number of refractory raw materials reduced by 10 per cent and the custom duty on cheap imported seconds and defective steel and on ships imported for breaking raised.

? Units in Special Economic Zones would be entitled to procure duty free equipment, raw materials and components.

? IT industry to remain under zero duty regime upto 2005. Duty on hardware items reduced.

? To encourage infrastructure facilities custom duty reduced on specified equipment for ports and air ports. For the civil aviation sector duty exempt on aeroplanes, helicopters, gliders, simulators of aeroplanes and their parts and raw materials.

? Duty reduced on agricultural machinery, drugs for treatment of critical diseases, planetarium equipment, up linking equipment, cement and clinkers etc.

(c) Small Savings and Administered Interest Rates

Based on the recommendations of the Expert Committee headed by the Deputy Governor, RBI to suggest rationalization of administered interest rates, certain measures were proposed to carry forward the reforms in the administered interest rates. Administered interest rates will be benchmarked to the average annual yields of government securities of equivalent maturities in the secondary market. Accordingly, the administered interest rates were reduced by 50 basis points from March 1, 2002. Such adjustments will henceforth be made annually on a non-discretionary automatic basis. The benefit of reduction in interest rates on small savings deposits will be fully passed on to the States. A corresponding reduction of 50 basis points has been made in the interest rate applicable to Government of India Relief Bonds. The Budget imposed a ceiling of Rs.2 lakh per year on investment in these bonds which has been removed for all retiring and retired employees in the post budget modifications. The entire net proceeds of small savings will be transferred to State Governments beginning April 1, 2002, up from the current transfer of 80 per cent. Consequently, additional loan assistance of about Rs. 10,000 crore will be available to the States along with the benefits of a lower interest rate. State Governments will be enabled to pre-pay their high cost debt of the past from these additional resources, which would be at a lower interest rate. The interest rate on the loans portion of Central assistance to State plans was reduced by 50 basis points. Alignment of interest rates on GPF by the State Governments with the reduced GPF interest rates at the Centre will further reduce the interest burden of State Governments.

(d) Pension Reform

The High Level Expert Group was appointed to develop a new pension scheme, based on defined contributions for new recruits. The Group has submitted its Report to the Government. It has proposed a hybrid scheme that combines contributions from employees and the Union Government on matching basis, on the one hand, while committing to the employees a defined benefit as pension. The Report is being considered by the Government and the new pension scheme for new recruits will be announced and implemented by June 1, 2002.

(e) Privatisation

With the streamlined procedure for disinvestment and privatisation, Government has completed strategic sales in 7 public sector undertakings and some hotel properties. The change in approach from the disinvestment of small lots of shares to strategic sales of blocks of shares to strategic investors has improved the price earning ratio obtained and a target of Rs.12,000 crore from disinvestment is set for 2002-03.

(f) State Fiscal Reforms

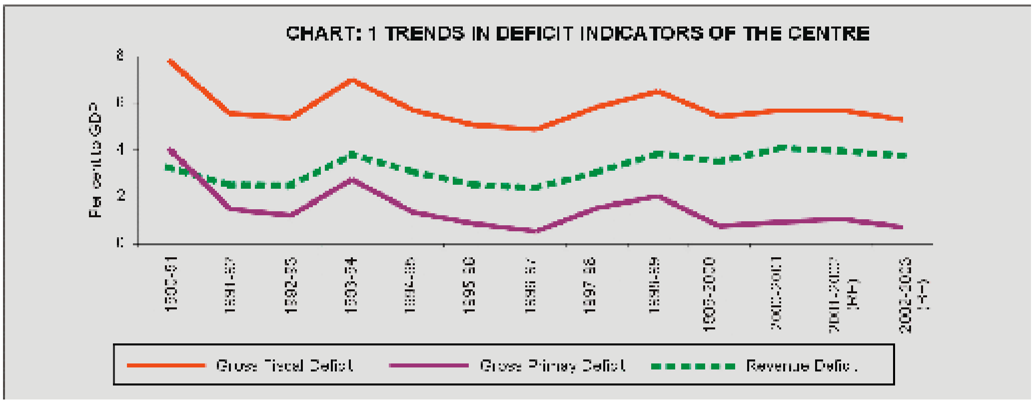
Reform linked assistance will be given to States for a number of sectors like APDRP, AIBP, URIF, RIDF for which a total amount of Rs.12,300 crore is allocated. In addition, a lump-sum amount of Rs.2,500 crore has been provided for policy reforms in sectors, which are constraining growth and development.

Section II

Revised Estimates : 2001-02

The budget highlighted the high priority accorded to further the process of fiscal consolidation through reduction in the non-plan expenditure by more than Rs. 10,000 crore over the budgeted amount during 2001-02. The expenditure was curtailed through curtailment of expenditure on account of interest, defence, grants to States and UTs and pension. Keeping in view the industrial slowdown and the need for continued public investment, plan expenditure has been protected and was higher than the budgeted expenditure.

All the key deficit indicators increased substantially in the revised estimates for 2001-02 over the budgeted levels due to shortfall in tax revenue and partial realisation of targeted disinvestment receipts. The deficit indicators have maintained the increasing trend since 1999-2000 (Chart 1, Table 9). The revenue deficit in the revised estimates at Rs.91,733 crore exceeded the budgeted level of Rs.78,821 crore by 16.4 per cent and constituted 4.0 per cent of the GDP as against 3.2 per cent in the budget estimates. The gross fiscal deficit (GFD) at Rs.1,31,721 crore surpassed the budgeted level of Rs.1,16,314 crore by 13.2 per cent. GFD as a per cent of GDP at 5.7 per cent is higher by one percentage point in the revised estimates over the budgeted level of 4.7 per cent. Primary deficit at Rs.24,464 crore (1.1 per cent of GDP) was more than six times of the budget estimates of Rs.4,014 crore (0.2 per cent of GDP) (Table 1).



The pressure on the fisc during 2001-02 emanated from decline in tax collection, lower realization of disinvestment proceeds and higher plan expenditure. The decline of Rs.19,173 crore (8.3 per cent) in the net revenue collection in the revised estimates for 2001-02 was more than the reduction of Rs. 10,787 crore (2.9 per cent) in aggregate expenditure. The revenue receipts declined due to shortfall in tax collection by 12.7 per cent, whereas non-tax revenue registered an increase of 2.2 per cent over the budget estimates. The gross tax collections were lower by Rs.29,956 crore in the revised estimates for 2001-02 due to shortfall in collections from all the major taxes. Custom collections declined by Rs.11,652 crore, Union Excise duties by Rs.7,200 crore, income tax by Rs. 6,162 crore and corporation tax by Rs.5, 141 crore over the budgeted levels (Table 2).

The capital receipts in the revised estimates at Rs.1,51,864 crore were higher by 5.8 per cent than the budget estimates. The realisation from disinvestment at Rs.5,000 crore was short of the target of Rs.12,000 crore. The recoveries of loans and advances at Rs.15,143 crore was almost same as the budget estimates(Table 3). The debt components of capital receipts such as market borrowings and other liabilities formed 86.7 per cent of total capital receipts. Market borrowings at Rs.91,480 crore was higher by 18.3 per cent while other liabilities at Rs. 34,384 crore declined by 7.3 per cent over the budget estimates.

Expenditure reduction in the revised estimates was to the extent of 2.9 per cent over the budgeted level. The reduction was effected in non-Plan expenditure by 3.6 per cent, whereas Plan expenditure showed a rise of 4.3 per cent over the budgeted level. The reduction in non-Plan expenditure was to the extent of Rs.9,841 crore which was on account of interest payments (Rs.5,043 crore), defence (Rs 5,000 crore), grants to States and UTs (Rs.1,544 crore) and pensions (Rs.431 crore). However, expenditure on subsidies increased by Rs.722 crore.

The borrowing requirements exceeded the budget estimates by Rs.15,407 crore (13.2 per cent) mainly due to the shortfall in disinvestment receipts (Rs.7,000 crore). The revenue deficit preempted 69.6 per cent of GFD in the revised estimates as against 67.8 per cent projected in the Budget estimates. The increased borrowings were met primarily through higher market borrowings (Rs.14,127 crore) and through drawing down of cash balances (Rs.3,803 crore). Market borrowings alone financed 69.4 per cent of GFD and the balance was financed through other liabilities and external assistance (Table 4).

Section III

Budget Estimates: 2002-03

The budget for 2002-03 projects all the major deficit indicators lower than the levels in the revised estimates for 2001-02 in terms of GDP. Gross fiscal deficit at Rs.1,35,524 crore is 2.9 per cent higher than the revised estimates of Rs.1,31,721 crore for 2001-02. As proportion of GDP, gross fiscal deficit for 2002-03 is placed lower at 5.3 per cent than 5.7 per cent for 2001-02. The revenue deficit is estimated at Rs.95,377 crore, higher by Rs.3,644 crore or 4.0 per cent over Rs.91,733 crore in 2001-02. The revenue deficit to GDP ratio is placed at 3.8 per cent as against 4.0 per cent in revised estimates for 2001-02. The primary deficit is projected at Rs.18,134 crore, lower than Rs.24,464 crore in 2001-02 (RE). In terms of percentage to GDP, primary deficit is estimated to decline to 0.7 per cent from 1.1 per cent in the revised estimates 2001-02. The process of fiscal consolidation is proposed to be carried forward through maintaining a higher growth in revenue (15.3 per cent), and a relatively moderate growth (12.6 per cent) in aggregate expenditure.

Pattern of Receipts

Revenue receipts for 2002-03, estimated at Rs.2,45,105 crore, are budgeted to show a rise of 15.3 per cent (Rs. 32,533 crore) over the revised estimates for 2001-02. Of the incremental revenue receipts 94.1 per cent will be contributed by taxes (Rs.30,617 crore) and the remaining

5.9 per cent through increase in non-tax revenue (Rs.1,916 crore). Major portion of increase in tax revenue is estimated to be obtained from Union excise duties (Rs.16,913 crore), corporation tax (Rs.9,557 crore), income tax (Rs.8,086 crore), and custom duties (Rs.2,023 crore). The measures regarding income tax proposed in the Budget are expected to result in a revenue gain of Rs.6,000 crore, including the component of surcharge of Rs.2,750 crore on the direct tax front. On the indirect tax side, while Budget proposals on excise would result in revenue gain of Rs.6,700 crore, proposals on the custom side would result in revenue loss of Rs.2,200 crore. Net tax revenue at Rs.1,72,965 crore would record an increase of 21.5 per cent over the previous year. Non-tax receipts are estimated to increase by 2.7 per cent (Rs.1,916 crore) to Rs.72,140 crore during 2002-03. Interest receipts are estimated to be higher by Rs.3,860 crore and dividends and profits higher by Rs.513 crore.

Capital receipts at Rs.1,65,204 crore are estimated to show a rise of Rs.13,340 crore (8.8 per cent) over the revised estimates of 2001-02 (Rs.1,51,864 crore). Receipts from disinvestment are estimated at Rs.12,000 crore as against Rs.5,000 crore in the revised estimates for 2001-02. The non-debt capital receipts (disinvestment and recovery of loans) are estimated to contribute 18.0 per cent of the capital receipts, while the debt components would constitute the balance. The net market borrowings (comprising normal, short-term, medium and long-term borrowings) are budgeted at Rs.95,859 crore, compared with Rs.91,480 crore in the revised estimates of 2001-02 (Table 3).

Pattern of Expenditure

The aggregate expenditure is budgeted to increase by 12.6 per cent to Rs.4,10,309 crore during 2002-03. The revenue expenditure is budgeted to grow by 11.9 per cent and capital expenditure by 16.1 per cent. Non-Plan revenue expenditure, which is estimated at Rs.2,70,169 crore, would rise by 11.4 per cent and would account for 79.3 per cent of the revenue expenditure. Among the major non-Plan revenue expenditure items, interest payments at Rs.1,17,390 crore, defence expenditure at Rs.43,589 crore and subsidies at Rs.39,801 crore taken together account for 74.3 per cent of non-Plan revenue expenditure and would absorb 81.9 per cent of revenue receipts. The interest payments would pre-empt 47.9 per cent of the revenue receipts in 2002-03. Such preemption during 2001-02 was at 50.5 per cent.

Capital disbursement budgeted at Rs.69,827 crore, would be higher by 16.1 per cent than Rs.60,131 crore in 2001-02. Non-Plan capital expenditure accounts for 38.2 per cent of the total capital expenditure in 2002-03 and would rise by 16.8 per cent. Plan expenditure would grow by 15.7 per cent during 2002-03 over the previous year.

Central Plan Outlay

The Central Plan outlay for 2002-03 has been budgeted at Rs.1,44,038 crore, showing a rise of 12.7 per cent over the revised estimates of Rs.1,27,856 crore for 2001-02. On the financing side, budgetary support at Rs.66,871 crore (higher by 10.9 per cent) would contribute 46.4 per cent of the financing (47.1 per cent in the previous year). Internal and extra budgetary resources (IEBR) of public sector enterprises budgeted at Rs.77,167 crore (14.2 per cent rise) would contribute 53.6 per cent of the Plan financing (52.9 per cent in 2001-02). Sector-wise allocations indicate that the major shares have been proposed to energy sector (25.2 per cent), transport sector (22.2 per cent), and social services (20.4 per cent) (Table 5).

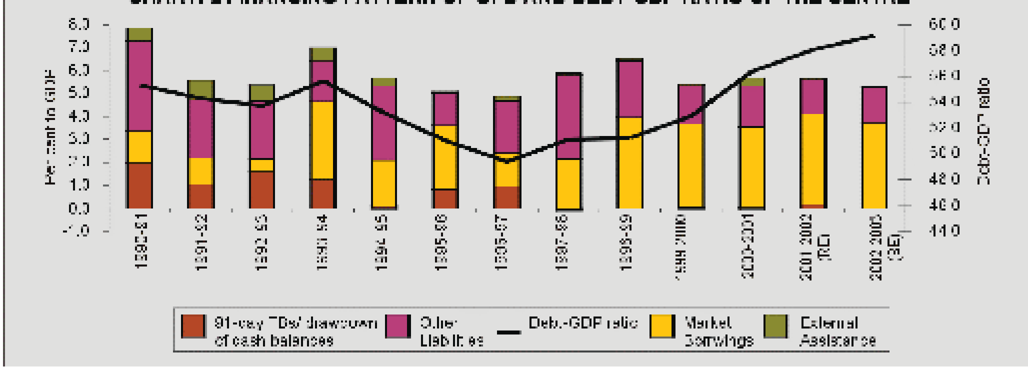
Transfer of Resources to State and Union Territory Governments

Net transfer of resources from the Centre to the State and Union Territories (UTs), comprising shareable tax revenue, grants and loans are budgeted at Rs.1,21,778 crore, higher by Rs.16,117 crore (15.3 per cent) over the revised estimates of Rs.1,05,661 crore in 2001-02. The States' share in Central taxes and duties is estimated to increase by Rs.8,390 crore (15.9 per cent) to Rs.61,235 crore during 2002-03 over the previous year. Total grants to States and the Union Territories are budgeted to increase by 13.5 per cent (Table 6).

Market Borrowings

The gross market borrowings for 2002-03 at Rs.1,23,279 crore are budgeted to increase by 7.4 per cent over Rs.1,14,779 crore in the revised estimates for 2001-02. The net market borrowings are budgeted at Rs.95,859 crore higher by 4.8 per cent over Rs.91,480 crore in the revised estimates for 2001-02. During 2002-03, net market borrowings would finance 70.7 per cent of GFD, marginally higher than 69.4 per cent in the revised estimates for 2001-02. At the same time, financing through other liabilities would increase to 28.7 per cent from 26.1 per cent and external finance would contribute 0.6 per cent as against 1.6 per cent in the previous year (Table 4 and Chart 2).

CHART: 2 FINANCING PATTERN OF GFD AND DEBT-GDP RATIO OF THE CENTRE



Section IV

Concluding Observations

The Union Budget for 2002-03 contains several pragmatic policy initiatives towards further strengthening the fiscal consolidation process with added accent on infrastructure and agriculture sector. The Budget gives highest priority to a medium term fiscal reform programme both at the central and State level through improved implementation and governance which will remove barriers to growth, accelerate the development process and improve the quality of life of the people. Keeping these objectives in view, the Budget aims at lowering fiscal deficit to 5.3 per cent of GDP for 2002-03 from 5.7 per cent in 2001-02 and revenue deficit to 3.8 per cent from 4.0 per cent. The process of fiscal consolidation is carried forward through maintaining a higher growth in revenue and a relatively moderate growth in aggregate expenditure. In order to address the issue of high real rates of interest the Budget has further reduced the administered interest rates on the small savings. Reduction of subsidy on select fertilisers, LPG and kerosene is long overdue and the Budget proposals in this regard are financially a sound move.

Recognising the need to address the issue of current slow down, the Budget has envisaged changes in the composition of the expenditure. Proposals for revenue mobilisation and public investment programme envisaged in the Budget are aimed at stimulating demand and check the economic slowdown. The need to step up investment in infrastructure is emphasised in the Budget. Fresh impetus to infrastructure funding is planned through the Infrastructure Equity Fund. Public investment in key infrastructure projects is stepped up considerably. The Budget further carries forward the structural reforms through dismantling the Administered Price Mechanism and proposal for industrial restructuring. Measures to improve investor confidence and strengthen the capital market integrity are contemplated. Strong emphasis has been laid by the Budget to enhance the efficiency and competitiveness of the Banking sector through wide ranging measures. Further steps to liberalise the capital account have been announced.

Notwithstanding the fact that the Budget accords priority to fiscal consolidation, the decline in both tax and expenditure in terms of GDP is a matter of concern. Stagnation in tax-GDP ratio has constrained the fiscal adjustment on a sustained basis; while growth in revenue expenditure has compressed the investment expenditure over the years. The revenue deficit is projected to constitute 70.4 per cent of the GFD in 2002-03, as against 69.6 per cent in 2001-02. The tax-GDP ratio has declined to 8.5 per cent in 2001-02 from more than 10 per cent during the late eighties. The Budget responded to the economic slowdown through its focus on increasing the plan expenditure. While the non-plan expenditure is budgeted to increase by 11.9 per cent, the plan expenditure is budgeted to increase by 14.5 per cent. This should hopefully improve the quality of expenditure. If the pace of the disinvestment process picks up, going by the current trends, the proposed disinvestment target of Rs.12,000 crore should not be a difficult target to achieve. All in all, the package of measures proposed in the Budget should strengthen the process of fiscal consolidation and reform process.

*** Prepared in the Division of Central Finances of the Department of Economic Analysis and Policy. This article is based on the Union Budget: 2002-03 presented to the Parliament of February 28, 2002.**

TABLE 1 : BUDGET AT A GLANCE

(Rupees crore)

	Items	2000-01 (Accounts)	2001-02 (Budget Estimates)	2001-02 (Revised Estimates)	2002-03 (Budget Estimates)	Variation: Col.4 over Col.3 Amount	Col.4 over Col.3 Per cent	Col.4 over Col.2 Amount	Col.4 over Col.2 Per cent	Col.5 over Col.4 Amount	Col.5 over Col.4 Per cent
	1	2	3	4	5	6	7	8	9	10	11
1	**Revenue Receipts (i+ii)**	**1,92,624**	**2,31,745**	**2,12,572**	**2,45,105**	**-19,173**	**-8.3**	**19,948**	**10.4**	**32,533**	**15.3**
	i) Tax Revenue (Net to Centre)	1,36,916	1,63,031	1,42,348	1,72,965	-20,683	-12.7	5,432	4.0	30,617	21.5
	ii) Non-tax Revenue	55,708	68,714	70,224	72,140	1,510	2.2	14,516	26.1	1,916	2.7
	of which:										
	Interest Receipts	32,364	41,578	37,800	41,660	-3,778	-9.1	5,436	16.8	3,860	10.2
2	**Capital Receipts**	**1,32,987**	**1,43,478**	**1,51,864**	**1,65,204**	**8,386**	**5.8**	**18,877**	**14.2**	**13,340**	**8.8**
	of which:										
	i) Market Borrowing	72,931	77,353	91,480	95,859	14,127	18.3	18,549	25.4	4,379	4.8
	ii) Recoveries of Loans	12,046	15,164	15,143	17,680	-21	-0.1	3,097	25.7	2,537	16.8
	iii) Disinvestment of equity in PSUs	2,125	12,000	5,000	12,000	-7,000	-58.3	2,875	135.3	7,000	140.0
3	**Total Receipts (1+2)**	**3,25,611**	**3,75,223**	**3,64,436**	**4,10,309**	**-10,787**	**-2.9**	**38,825**	**11.9**	**45,873**	**12.6**
4	**Revenue Expenditure (i + ii)**	**2,77,858**	**3,10,566**	**3,04,305**	**3,40,482**	**-6,261**	**-2.0**	**26,447**	**9.5**	**36,177**	**11.9**
	i) Non-Plan	2,26,782	2,50,341	2,42,471	2,70,169	-7,870	-3.1	15,689	6.9	27,698	11.4
	ii) Plan	51,076	60,225	61,834	70,313	1,609	2.7	10,758	21.1	8,479	13.7
5	**Capital Expenditure (i + ii)**	**47,753**	**64,657 @**	**60,131**	**69,827**	**-4,526**	**-7.0**	**12,378**	**25.9**	**9,696**	**16.1**
	i) Non-Plan	16,160	24,782	22,811	26,640	-1,971	-8.0	6,651	41.2	3,829	16.8
	ii) Plan	31,593	34,875	37,320	43,187	2,445	7.0	5,727	18.1	5,867	15.7
6	**Total Non-Plan Expenditure (4i + 5i)**	**2,42,942**	**2,75,123**	**2,65,282**	**2,96,809**	**-9,841**	**-3.6**	**22,340**	**9.2**	**31,527**	**11.9**
	of which :										
	i) Interest Payments	99,314	1,12,300	1,07,257	1,17,390	-5,043	-4.5	7,943	8.0	10,133	9.4
	ii) Defence	49,622	62,000	57,000	65,000	-5,000	-8.1	7,378	14.9	8,000	14.0
	iii) Subsidies	26,842	29,801	30,523	39,801	722	2.4	3,681	13.7	9,278	30.4
7	**Total Plan Expenditure (4ii + 5ii)**	**82,669**	**95,100**	**99,154**	**1,13,500**	**4,054**	**4.3**	**16,485**	**19.9**	**14,346**	**14.5**
8	**Total Expenditure (6+7=4+5)**	**3,25,611**	**3,75,223 @**	**3,64,436**	**4,10,309**	**-10,787**	**-2.9**	**38,825**	**11.9**	**45,873**	**12.6**
9	**Revenue Deficit (4-1)**	**85,234**	**78,821**	**91,733**	**95,377**	**12,912**	**16.4**	**6,499**	**7.6**	**3,644**	**4.0**
10	**Gross Fiscal Deficit [8-(1+2ii+2iii)]**	**1,18,816**	**1,16,314**	**1,31,721**	**1,35,524**	**15,407**	**13.2**	**12,905**	**10.9**	**3,803**	**2.9**
11	**Gross Primary Deficit (10-6i)**	**19,502**	**4,014**	**24,464**	**18,134**	**20,450**	**509.5**	**4,962**	**25.4**	**-6,330**	**-25.9**
12	**Net Fiscal Deficit**	**1,07,854**	**1,07,469**	**1,21,259**	**1,24,068**	**13,790**	**12.8**	**13,405**	**12.4**	**2,809**	**2.3**
13	**Net Primary Deficit**	**40,904**	**36,747**	**51,802**	**48,338**	**15,055**	**41.0**	**10,898**	**26.6**	**-3,464**	**-6.7**
14	**Net RBI Credit to Centre**	**6,705**	**NA**	**-506 ***	**NA**						

* : As on March 31, 2002 (before closure of Government Accounts).
@ : Includes a sum of Rs.5,000 crore as lump sum provision for Additional Plan expenditure linked to disinvestment receipts.
(-) : Indicates surplus.
NA : Not available.
Notes: 1) Capital Receipts are net of repayments.
2) Market borrowings include Short-term borrowings.
Source : Budget documents of Government of India, 2002-2003.

TABLE 2 : TRANSACTIONS ON REVENUE ACCOUNT

(Rupees crore)

	Items	2000-01 (Accounts)	2001-02 (Budget Estimates)	2001-02 (Revised Estimates)	2002-03 (Budget Estimates)	Variation: Col.4 over Col.3 Amount	Col.4 over Col.3 Per cent	Col.4 over Col.2 Amount	Col.4 over Col.2 Per cent	Col.5 over Col.4 Amount	Col.5 over Col.4 Per cent
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
I.	**Revenue Receipts (A+B)**	**1,92,624**	**2,31,745**	**2,12,572**	**2,45,105**	**-19,173**	**-8.3**	**19,948**	**10.4**	**32,533**	**15.3**
A	**Tax Revenue (Net to Centre) (a-b-c)**	**1,36,916**	**1,63,031**	**1,42,348**	**1,72,965**	**-20,683**	**-12.7**	**5,432**	**4.0**	**30,617**	**21.5**
	a. Gross Tax Revenue	**1,88,604**	**2,26,649**	**1,96,693**	**2,35,800**	**-29,956**	**-13.2**	**8,089**	**4.3**	**39,107**	**19.9**
	of which :										
	1 Corporation Tax	35,696	44,200	39,059	48,616	-5,141	-11.6	3,363	9.4	9,557	24.5
	2 Taxes on Income other than Corporation Tax	31,764	40,600	34,438	42,524	-6,162	-15.2	2,674	8.4	8,086	23.5
	3 Interest Tax	415	..	..	..	—	—	—	—	—	—
	4 Customs Duty	47,542	54,822	43,170	45,193	-11,652	-21.3	-4,372	-9.2	2,023	4.7
	5 Union Excise Duty	68,526	81,720	74,520	91,433	-7,200	-8.8	5,994	8.7	16,913	22.7
	6 Taxes of UTs (Net of assignments to local bodies)	467	382	496	513	114	29.8	29	6.2	17	3.4
	7 Other Taxes and Duties	4,193	4,925	5,010	7,521	85	1.7	817	19.5	2,511	50.1
	b. States' share	**51,688**	**61,618**	**52,845**	**61,235**	**-8,773**	**-14.2**	**1,157**	**2.2**	**8,390**	**15.9**
	c. Surcharge transferred to NCCF *	**..**	**2,000**	**1,500**	**1,600**	**-500**	**-25.0**	**1,500**	**—**	**100**	**6.7**
B	**Non-Tax Revenue**	**55,708**	**68,714**	**70,224**	**72,140**	**1,510**	**2.2**	**14,516**	**26.1**	**1,916**	**2.7**

	of which :										
	1 Interest Receipts	32,364	41,578	37,800	41,660	-3,778	-9.1	5,436	16.8	3,860	10.2
	2 Dividends and Profits	13,575	16,229	18,292	18,805	2,063	12.7	4,717	34.7	513	2.8
	3 External Grants	813	697	826	859	129	18.5	13	1.6	33	4.0
	4 Non-tax Receipts of UTs	447	444	484	508	40	9.0	37	8.3	24	5.0
II.	**Revenue Expenditure (A+B)**	**2,77,858**	**3,10,566**	**3,04,305**	**3,40,482**	**-6,261**	**-2.0**	**26,447**	**9.5**	**36,177**	**11.9**
A	**Non-Plan Expenditure**	**2,26,782**	**2,50,341**	**2,42,471**	**2,70,169**	**-7,870**	**-3.1**	**15,689**	**6.9**	**27,698**	**11.4**
	of which :										
	1 Interest Payments	99,314	1,12,300	1,07,257	1,17,390	**-5,043**	**-4.5**	7,943	8.0	10,133	9.4
	2 Defence Revenue Expenditure	37,238	42,041	40,043	43,589	-1,998	-4.8	2,805	7.5	3,546	8.9
	3 Subsidies	26,842	29,801	30,523	39,801	722	2.4	3,681	13.7	9,278	30.4
	4 Non-Plan Grants to States and UTs	14,717	18,538	16,994	19,190	-1,544	-8.3	2,277	15.5	2,196	12.9
B	**Plan Expenditure (1+2)**	**51,076**	**60,225**	**61,834**	**70,313**	**1,609**	**2.7**	**10,758**	**21.1**	**8,479**	**13.7**
	1 Central Plan	34,449	39,498	43,038	48,666	3,540	9.0	8,589	24.9	5,628	13.1
	2 Central Assistance for State and UT Plans	16,627	20,727	18,796	21,647	-1,931	-9.3	2,169	13.0	2,851	15.2
III.	**Revenue Deficit (-)/Surplus(+) [I-II]**	**-85,234**	**-78,821**	**-91,733**	**-95,377**						

* : Represents surcharge on Union taxes/duties transferred to the National Calamity Contingency Fund. With effect from 2002-03, 2% surcharge for NCCF on Corporation Tax and Income Tax has been abolished. The amount of surcharge transferred to NCCF will be limited to the surcharge on Union duties.
.. : Not Available
Source :Budget Documents of the Government of India, 2002-2003.

TABLE 3 : TRANSACTIONS ON CAPITAL ACCOUNT

(Rupees crore)

	Items	2000-01 (Accounts)	2001-02 (Budget Estimates)	2001-02 (Revised Estimates)	2002-03 (Budget Estimates)	Variation					
						Col.4 over Col.3		Col.4 over Col.2		Col.5 over Col.4	
						Amount	Per cent	Amount	Per cent	Amount	Per cent
	1	2	3	4	5	6	7	8	9	10	11
I.	**Capital Receipts (1 to 8)**	**1,32,987**	**1,43,478**	**1,51,864**	**1,65,204**	**8,386**	**5.8**	**18,877**	**14.2**	**13,340**	**8.8**
1	Market Borrowings *	72,931	77,353	91,480	95,859	14,127	18.3	18,549	25.4	4,379	4.8
2	Small Savings, Public Provident Funds etc.	8,316	9,000	8,640	8,000	-360	-4.0	324	3.9	-640	-7.4
3	State Provident Funds	1,610	9,500	9,000	10,000	-500	-5.3	7,390	459.0	1,000	11.1
4	Special Deposits	8,452	10,252	10,831	9,898	579	5.6	2,379	28.1	-933	-8.6
5	Recovery of Loans and Advances	12,046	15,164	15,143	17,680	-21	-0.1	3,097	25.7	2,537	16.8
6	Disinvestment of equity holding in public sector enterprises	2,125	12,000	5,000	12,000	-7,000	-58.3	2,875	135.3	7,000	140.0
7	External Assistance	7,505	1,865	2,054	770	189	10.1	-5,451	-72.6	-1,284	-62.5
8	Others #	20,002 @	8,344	9,716 @	10,997	1,372	16.4	-10,286	-51.4	1,281	13.2
II.	**Capital Expenditure (1+2+3)**	**47,753**	**64,657**	**60,131**	**69,827**	**-4,526**	**-7.0**	**12,378**	**25.9**	**9,696**	**16.1**
1	Non-Plan Expenditure	16,160	24,782	22,811	26,640	-1,971	-8.0	6,651	41.2	3,829	16.8
	of which:										
	Defence Capital	12,384	19,959	16,957	21,411	-3,002	-15.0	4,573	36.9	4,454	26.3
2	Plan Expenditure (i+ii)	31,593	34,875	37,320	43,187	2,445	7.0	5,727	18.1	5,867	15.7
	i) Central Plan	12,920	14,958	17,238	18,205	2,280	15.2	4,318	33.4	967	5.6
	ii) Central Assistance for State and UT Plans	18,673	19,917	20,082	24,982	165	0.8	1,409	7.5	4,900	24.4
3	Lump sum provisions for Add. Plan exp. linked to disinvestment receipts	—	5,000	—	—	-5,000	—	—	—	—	—
III.	**Capital Surplus(+)/Deficit(-) [I-II]**	**+85,234**	**+78,821**	**+91,733**	**+95,377**						

* : Market borrowings include Short-term borrowings.
\# : Comprises Reserve Funds, Deposits and Advances, Relief Bonds, etc.
@ : Also includes draw down of cash balances.
Note : Capital Receipts are net of repayments.
Source : Budget documents of Government of India, 2002-2003.

TABLE 4 : FINANCING OF GROSS FISCAL DEFICIT OF THE CENTRAL GOVERNMENT

(Rupees crore)

Year	Financing of GFD					
	Internal Finance				External Finance	Total Finance Gross Fiscal Deficit (5+6)
	Market Borrowings #	Other Liabilities @	91-day Treasury Bills *	Total (2+3+4)		
1	2	3	4	5	6	7

1990-91	8,001	22,103	11,347	41,451	3,181	44,632
	(17.9)	(49.5)	(25.4)	(92.9)	(7.1)	(100.0)
1991-92	7,510	16,539	6,855	30,904	5,421	36,325
	(20.7)	(45.5)	(18.9)	(85.1)	(14.9)	(100.0)
1992-93	3,676	18,866	12,312	34,854	5,319	40,173
	(9.2)	(47.0)	(30.6)	(86.8)	(13.2)	(100.0)
1993-94	28,928	15,295	10,960	55,183	5,074	60,257
	(48.0)	(25.4)	(18.2)	(91.6)	(8.4)	(100.0)
1994-95	20,326	32,834	961	54,121	3,582	57,703
	(35.2)	(56.9)	(1.7)	(93.8)	(6.2)	(100.0)
1995-96	33,087	17,031	9,807	59,925	318	60,243
	(54.9)	(28.3)	(16.3)	(99.5)	(0.5)	(100.0)
1996-97	20,012	30,550	13,184	63,746	2,987	66,733
	(30.0)	(45.8)	(19.8)	(95.5)	(4.5)	(100.0)
1997-98	32,499	56,257	-910	87,846	1,091	88,937
	(36.5)	(63.3)	-(1.0)	(98.8)	(1.2)	(100.0)
1998-99	68,988	42,650	-209	1,11,429	1,920	1,13,349
	(60.9)	(37.6)	-(0.2)	(98.3)	(1.7)	(100.0)
1999-2000	70,277	32,396	864	1,03,537	1,180	1,04,717
	(67.1)	(30.9)	(0.8)	(98.9)	(1.1)	(100.0)
2000-01	72,931	37,183	1,197	1,11,311	7,505	1,18,816
	(61.4)	(31.3)	(1.0)	(93.7)	(6.3)	(100.0)
2001-02 (BE)	77,353	37,096	0	1,14,449	1,865	1,16,314
	(66.5)	(31.9)	(0.0)	(98.4)	(1.6)	(100.0)
2001-02 (RE)	91,480	34,384	3,803	1,29,667	2,054	1,31,721
	(69.4)	(26.1)	(2.9)	(98.4)	(1.6)	(100.0)
2002-03 (BE)	95,859	38,895	0	1,34,754	770	1,35,524
	(70.7)	(28.7)	(0.0)	(99.4)	(0.6)	(100.0)

RE Revised Estimates. BE Budget Estimates.
: Market borrowings include Short-term borrowings.
@: : Other liabilities comprise small savings, state provident funds, special deposits, reserve funds, etc.
* : Variations in 91-day Treasury Bills Issued net of changes in cash balances with RBI. Since 1997-98 represents draw down of cash balances.
Note : Figures in brackets represent percentages to total finance (gross fiscal deficit).
Source : Central Government Budget Documents and Reserve Bank records.

TABLE 5: CENTRAL PLAN OUTLAY BY HEADS OF DEVELOPMENT

(Rupees crore)

	Items	2000-01 (Revised Estimates)	2001-02 (Budget Estimates)	2001-02 (Revised Estimates)	2002-03 (Budget Estimates)	Variation					
						Col.4 over Col.3		Col.4 over Col.2		Col.5 over Col.4	
						Amount	Per cent	Amount	Per cent	Amount	Per cent
	1	2	3	4	5	6	7	8	9	10	11
1	Agriculture	2,982	3,380	3,551	3,733	171	5.1	569	19.1	182	5.1
		(2.7)	(2.6)	(2.8)	(2.6)						
2	Rural Development	4,180	6,846	8,197	7,973 *	1,351	19.7	4,017	96.1	-224	-2.7
		(3.8)	(5.3)	(6.4)	(5.5)						
3	Irrigation and Flood Control	402	477	428	443	-49	-10.3	26	6.5	15	3.5
		(0.4)	(0.4)	(0.3)	(0.3)						
4	Energy	26,095	33,788	29,787	36,306	-4,001	-11.8	3,692	14.1	6,519	21.9
	of which :	(24.0)	(26.0)	(23.3)	(25.2)						
	a) Power	10,065	12,375	12,541	14,823	166	1.3	2,476	24.6	2,282	18.2
		(9.3)	(9.5)	(9.8)	(10.3)						
	b) Petroleum	12,419	16,936	13,758	17,183	-3,178	-18.8	1,339	10.8	3,425	24.9
		(11.4)	(13.0)	(10.8)	(11.9)						
5	Industry and Minerals	7,085	7,954	7,324	7,993	-630	-7.9	239	3.4	669	9.1
		(6.5)	(6.1)	(5.7)	(5.5)						
6	Transport	20,847	22,570	30,077	32,041	7,507	33.3	9,230	44.3	1,964	6.5

		(19.2)	(17.3)	(23.5)	(22.2)						
7	Communications	20,317	20,288	18,906	19,540	-1,382	-6.8	-1,411	-6.9	634	3.4
		(18.7)	(15.6)	(14.8)	(13.6)						
8	Science, Technology and Environment	3,190 (2.9)	3,600 (2.8)	3,506 (2.7)	4,414 (3.1)	-94	-2.6	316	9.9	908	25.9
9	Social Services*	21,964	24,497	24,548	29,376	51	0.2	2,584	11.8	4,828	19.7
		(20.2)	(18.8)	(19.2)	(20.4)						
10	Others	1,525	6,781	1,532	2,219	-5,249	-77.4	7	0.4	687	44.9
		(1.4)	(5.2)	(1.2)	(1.5)						
	Total (1 to 10)	**1,08,587**	**1,30,181**	**1,27,856**	**1,44,038**	**-2,325**	**-1.8**	**19,269**	**17.7**	**16,182**	**12.7**
		(100.0)	**(100.0)**	**(100.0)**	**(100.0)**						
	To be financed by :										
	1 Budgetary Support	48,269	59,456	60,276	66,871	820	1.4	12,007	24.9	6,595	10.9
		(44.5)	(45.7)	(47.1)	(46.4)						
	2 Internal and Extra Budgetary Resources (IEBR) of Public Social Enterprises, etc.	60,318 (55.5)	70,725 (54.3)	67,580 (52.9)	77,167 (53.6)	-3,145	-4.4	7,262	12.0	9,587	14.2

*** :** Provisions for Rural Housing and National Social Assistance Programme under Social Services Sector were earlier included in Rural Development Sector. From 2002-2003,National Social Assistance Programme & Annapurna Programme have been transferred to State plan.
Note : Figures in brackets represent percentage to total.
Source **:** Budget documents of Government of India, 2002-2003.

TABLE 6: RESOURCES TRANSFERRED TO STATES AND UNION TERRITORY GOVERNMENTS

(Rupees crore)

	Items	2000-01 (Accounts)	2001-02 (Budget Estimates)	2001-02 (Revised Estimates)	2002-03 (Budget Estimates)	Variation: Col.4 over Col.3		Col.4 over Col.2		Col.5 over Col.4	
						Amount	Per cent	Amount	Per cent	Amount	Per cent
	1	2	3	4	5	6	7	8	9	10	11
A.	**States' Share in Central Taxes and Duties**	**51,688**	**61,618**	**52,845**	**61,235**	**-8,773**	**-14.2**	**1,157**	**2.2**	**8,390**	**15.9**
B.	**Total Grants (i+ii)**	**37,684**	**45,264**	**42,968**	**48,786**	**-2,296**	**-5.1**	**5,284**	**14.0**	**5,818**	**13.5**
	i) Plan	22,967	26,725	26,274	29,596	-451	-1.7	3,307	14.4	3,322	12.6
	ii) Non-Plan @	14,717	18,538	16,694	19,190	-1,844	-9.9	1,977	13.4	2,496	15.0
C.	**Total Non-Plan Loans ***	**-140**	**589**	**582**	**590**	**-7**	**-1.2**	**722**	**-515.7**	**8**	**1.4**
	of which :										
	Loans against Small Savings, Collections etc.	0	0	0	0	0	—	0	—	0	—
D.	**Plan Loans (i+ii)**	**20,630**	**19,106**	**19,678**	**24,630**	**572**	**3.0**	**-952**	**-4.6**	**4,952**	**25.2**
	i) Assistance for States & Union Territory Plans	NA	18,793	19,402	24,515	609	3.2	—	—	5,113	26.4
	ii) Assistance for Central & Centrally Sponsored Plan Schemes	NA	313	276	115	-37	-11.8	—	—	-161	-58.3
E.	**Gross Transfers (A to D)**	**1,09,862**	**1,26,577**	**1,16,073**	**1,35,241**	**-10,504**	**-8.3**	**6,211**	**5.7**	**19,168**	**16.5**
F.	**Recovery of Loans & Advances**	**12,046**	**10,811**	**10,412**	**13,463**	**-399**	**-3.7**	**-1,634**	**-13.6**	**3,051**	**29.3**
G.	**Net Resources transferred to States & UT Governments (E-F)**	**97,816**	**1,15,766**	**1,05,661**	**1,21,778**	**-10,105**	**-8.7**	**7,845**	**8.0**	**16,117**	**15.3**

@ : Inclusive of subsidies released through States.
* : Net of recovery of short-term loans and advances.
NA : Not available.
Source : Budget documents of Government of India, 2002-2003.

TABLE 7 : INTEREST PAYMENTS BY THE CENTRAL GOVERNMENT

(Rupees crore)

	Item	1990-91 (Accounts)	1991-92 (Accounts)	1992-93 (Accounts)	1993-94 (Accounts)	1994-95 (Accounts)	1995-96 (Accounts)	1996-97 (Accounts)
	1	2	3	4	5	6	7	8
I.	**Interest Payments on Internal Debt**	**9,814**	**11,317**	**13,541**	**15,588**	**19,168**	**22,179**	**27,233**
	of which :							
	i) On Market Loans	6,366	7,355	8,147	9,258	13,205	15,400	19,125

	ii) On 91/182/364 days Treasury Bills	3,392	3,789	5,245	6,188	5,520	6,047	7,003
II.	**Interest on External debt**	**1,834**	**2,704**	**3,529**	**3,724**	**4,026**	**4,414**	**4,223**
III.	**Interest on Small Savings, Provident Funds etc.**	**5,537**	**6,942**	**7,568**	**10,288**	**12,392**	**13,309**	**16,855**
IV.	**Interest on Special Deposits of Non-Government Provident Funds etc.**	**3,876**	**5,141**	**5,868**	**6,648**	**7,921**	**9,222**	**10,246**
V.	**Interest on Reserve Funds**	**112**	**138**	**159**	**170**	**220**	**253**	**378**
VI.	**Interest on Other Obligations**	**325**	**354**	**410**	**323**	**333**	**668**	**543**
	Total Interest Payments (I to VI)	**21,498**	**26,596**	**31,075**	**36,741**	**44,060**	**50,045**	**59,478**

(Rupees crore)

	Item	**1997-98 (Accounts)**	**1998-99 (Accounts)**	**1999-00 (Accounts)**	**2000-01 (Revised Estimates)**	**2001-02 (Revised Estimates)**	**2002-03 (Budget Estimates)**
	1	**9**	**10**	**11**	**12**	**13**	**14**
I.	**Interest Payments on Internal Debt**	**31,270**	**39,832**	**69,545**	**76,126**	**82,080**	**93,307**
	of which :						
	i) On Market Loans	22,170	28,362	38,106	43,221	48,518	58,755
	ii) On 91/182/364 days Treasury Bills	5,828	6,040	6,183	6,489	6,544	6,512
II.	**Interest on External debt**	**4,110**	**4,364**	**4,508**	**4,483**	**4,317**	**4,319**
III.	**Interest on Small Savings, Provident Funds etc.**	**18,340**	**19,410**	**5,826**	**9,321**	**8,819**	**8,862**
IV.	**Interest on Special Deposits of Non-Government Provident Funds etc.**	**10,829**	**11,174**	**13,520**	**9,500**	**11,300**	**10,200**
V.	**Interest on Reserve Funds**	**508**	**444**	**332**	**335**	**114**	**156**
VI.	**Interest on Other Obligations**	**580**	**2,658**	**862**	**902**	**627**	**545**
	Total Interest Payments (I to VI)	**65,637**	**77,882**	**94,593**	**1,00,667**	**1,07,257**	**1,17,389**

Source : Finance accounts of Government of India and Budget documents of Government of India.

TABLE 8 : OUTSTANDING LIABILITIES OF CENTRAL GOVERNMENT

(Rupees crore)

Year (End March)	**Internal Debt**	***Of which:* Market Loans**	**Small Savings, Deposits & Provident Funds**	**Other Accounts +**	**Reserve Fund and Deposits++**	**Total Domestic Liabilities (2+4+5+6)**	**External Liabilities***	**Total Liabilities (7+8)**
1	2	3	4	5	6	7	8	9
1990-91	1,54,004	70,520	61,771	45,336	21,922	2,83,033	31,525	3,14,558
	(27.1)	(12.4)	(10.9)	(8.0)	(3.9)	(49.8)	(5.5)	(55.3)
1991-92	1,72,750	78,023	69,682	51,818	23,464	3,17,714	36,948	3,54,662
	(26.5)	(11.9)	(10.7)	(7.9)	(3.6)	(48.6)	(5.7)	(54.3)
1992-93	1,99,100	81,693	77,005	59,797	23,753	3,59,655	42,269	4,01,924
	(26.6)	(10.9)	(10.3)	(8.0)	(3.2)	(48.1)	(5.6)	(53.7)
1993-94	2,45,712	1,10,611	87,877	72,477	24,556	4,30,623	47,345	4,77,968
	(28.6)	(12.9)	(10.2)	(8.4)	(2.9)	(50.1)	(5.5)	(55.6)
1994-95	2,66,467	1,30,908	1,06,435	85,787	28,993	4,87,682	50,929	5,38,611
	(26.3)	(12.9)	(10.5)	(8.5)	(2.9)	(48.2)	(5.0)	(53.2)
1995-96	3,07,869	1,63,986	1,21,425	92,010	33,680	5,54,983	51,249	6,06,232
	(25.9)	(13.8)	(10.2)	(7.7)	(2.8)	(46.7)	(4.3)	(51.0)

1996-97	3,44,476	1,84,101	1,38,955	1,00,088	37,919	6,21,437	54,239	6,75,676
	(25.2)	(13.5)	(10.2)	(7.3)	(2.8)	(45.4)	(4.0)	(49.4)
1997-98	3,88,998	2,16,598	1,67,780	1,24,087	42,097	7,22,962	55,332	7,78,294
	(25.5)	(14.2)	(11.0)	(8.1)	(2.8)	(47.5)	(3.6)	(51.1)
1998-99	4,59,696	2,85,585	2,06,458	126,802	41,595	8,34,552	57,254	8,91,806
	(26.4)	(16.4)	(11.9)	(7.3)	(2.4)	(47.9)	(3.3)	(51.2)
1999-2000	7,14,254 #	3,55,862	66,406 #	1,34,425	47,508	9,62,592	58,437	10,21,029
	(37.0)	(18.4)	(3.4)	(7.0)	(2.5)	(49.9)	(3.0)	(52.9)
2000-01	8,03,698	4,28,793	1,04,828	1,44,020	58,535	11,11,081	65,945	11,77,026
	(38.5)	(20.5)	(5.0)	(6.9)	(2.8)	(53.2)	(3.2)	(56.4)
2001-02 (RE)	9,09,052	5,17,073	1,48,821	1,57,860	58,636	12,74,369	67,899	13,42,268
	(39.3)	(22.4)	(6.4)	(6.8)	(2.5)	(55.1)	(2.9)	(58.1)
2002-03(BE)	10,21,739	6,17,932	1,89,386	1,69,947	63175	14,44,247	68,520	15,12,768
	(40.0)	(24.2)	(7.4)	(6.6)	(2.5)	(56.5)	(2.7)	(59.2)

BE : Budget Estimates RE : Revised Estimates

+ Include mainly Postal Insurance and Life Annuity Fund, borrowings under Compulsory Deposits and Income-Tax Annuity Deposits, Special Deposits of non-Government Provident Funds

++ Include Depreciation Reserve Fund of Railways and Dept. of Posts and Dept. of Telecommunications, Deposits of Local Funds, Departmental and Judicial Deposits, Civil Deposits, etc.

* At historical rate of exchange.

The sharp increase in internal debt and corresponding decline in small savings and provident funds in 1999-2000 is due to conversion of other liabilities (small savings, deposits and public provident funds) amounting to Rs. 1,80,273 crore into Central government securities.

Note : Figures in brackets are percentages to GDP

Source : Budget Documents of the Government of India.

TABLE 9 : KEY FISCAL INDICATORS

(Rupees crore)

	Items	1994-95 (Accounts)	1995-96 (Accounts)	1996-97 (Accounts)	1997-98 (Accounts)	1998-99 (Accounts)	1999-00 (Accounts)	2000-01 (Accounts)	2001-02 (Budget Estimates)	2001-02 (Revised Estimates)	2002-03 (Budget Estimates)
	1	2	3	4	5	6	7	8	9	10	11
1	Conventional Deficit/Drawing	961	9,807	13,184	-910	-209	864	1,197	0	3,803	0
	down of Cash Balances	(0.1)	(0.8)	(1.0)	-(0.1)	(0.0)	(0.0)	(0.1)	(0.0)	(0.2)	(0.0)
2	Gross Fiscal Deficit	57,704	60,243	66,733	88,937	1,13,349	1,04,717	1,18,816	1,16,314	1,31,721	1,35,524
		(5.7)	(5.1)	(4.9)	(5.8)	(6.5)	(5.4)	(5.7)	(4.7)	(5.7)	(5.3)
3	Revenue Deficit	31,029	29,731	32,654	46,449	66,976	67,596	85,234	78,821	91,733	95,377
		(3.1)	(2.5)	(2.4)	(3.1)	(3.8)	(3.5)	(4.1)	(3.2)	(4.0)	(3.8)
4	Net RBI Credit to Centre	2,130	19,855	1,934	12,914	11,800	-5,588	6,705	N.A.	-506 *	N.A.
		(0.2)	(1.7)	(0.1)	(0.8)	(0.7)	-(0.3)	(0.3)	(0.0)	(0.0)	(0.0)
5	Gross Primary Deficit	13,643	10,198	7,255	23,300	35,467	14,468	19,502	4014	24,464	18,134
		(1.3)	(0.9)	(0.5)	(1.5)	(2.0)	(0.7)	(0.9)	(0.2)	(1.1)	(0.7)
6	Net Primary Deficit	12,050	10,806	9,022	22,748	32,124	33,539	40,904	36,747	51,802	48,338
		(1.2)	(0.9)	(0.7)	(1.5)	(1.8)	(1.7)	(2.0)	(1.5)	(2.2)	(1.9)
7	Subsidies	11,854	12,666	15,499	18,540	23,593	24,487	26,842	29,801	30,523	39,801
	of which :	(1.2)	(1.1)	(1.1)	(1.2)	(1.4)	(1.3)	(1.3)	(1.2)	(1.3)	(1.6)
	i) Food	5,100	5,377	6,066	7,900	9,100	9,435	12,060	13,675	17,612	21,200
		(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	(0.8)	(0.8)
	ii) Fertiliser	5,769	6,735	7,578	9,918	11,596	13,244	13,811	14,170	11,944	11,228
		(0.6)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.6)	(0.5)	(0.4)
8	Defence Expenditure	23,245	26,856	29,505	35,278	39,897	47,071	49,622	62,000	57,000	65,000
		(2.3)	(2.3)	(2.2)	(2.3)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)	(2.5)
9	Interest Payments	44,060	50,045	59,478	65,637	77,882	90,249	99,314	1,12,300	1,07,257	1,17,390
		(4.4)	(4.2)	(4.3)	(4.3)	(4.5)	(4.7)	(4.8)	(4.5)	(4.6)	(4.6)
10	Total Non-Plan Expenditure	1,13,361	1,31,901	1,47,473	1,72,976	2,12,530	2,21,902	2,42,942	2,75,123	2,65,282	2,96,809
		(11.2)	(11.1)	(10.8)	(11.4)	(12.2)	(11.5)	(11.6)	(11.1)	(11.5)	(11.6)
11	Budgetary Support to Public	8,205	6,418	6,834	7,555	7,576	9,103	10,493	10,411	13,488	13,389

	Enterprises **	(0.8)	(0.5)	(0.5)	(0.5)	(0.4)	(0.5)	(0.5)	(0.4)	(0.6)	(0.5)
12	Interest Receipts	15,797	18,419	22,106	25,323	30,076	33,878	32,364	41,578	37,800	41,660
		(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.8)	(1.6)	(1.7)	(1.6)	(1.6)
13	Interest Payments as per cent of revenue receipts	48.4	45.4	47.1	49.0	52.1	49.7	51.6	48.5	50.5	47.9
14	Revenue Deficit as per cent of Gross Fiscal Deficit	53.8	49.4	48.9	52.2	59.1	64.6	71.7	67.8	69.6	70.4
15	Net RBI Credit to Centre as per cent of Gross Fiscal Deficit	3.7	33.0	2.9	14.5	10.4	-5.3	5.6	N.A.	-0.4	N.A.

* : As on March 31 , 2002 (before closure of Government Accounts).
** : Figures relate to revised estimates for 2000-2001(Accounts).
N.A. : Not available.
Note : 1) Figures in brackets are per cent to GDP.
2) GFD excludes the transfer of small savings collection to States since 1999-2000.
Source : Budget documents of the Government of India, 2002-2003.

Annexure

Changes In Indirect Taxes

A-CUSTOMS

Note :
(a) "Customs Duty" means the customs duty levied under the Customs Act 1962.
(b) CVD means the Additional Duty of Customs under Section 3 of the Customs Tariff Act, 1975.
(c) SAD means Special Additional Duty of Customs under Section 3A of the Customs Tariff Act, 1975.

Major Proposals about customs duties are the following :

GENERAL RATE STRUCTURE :-

A Peak rate of ad-valorem customs duty reduced :

? Peak rate of customs duty reduced from 35% to 30%.

B AGRICULTURE

(i) Customs duty on tea and coffee increased from 70% to 100%.
(ii) Customs duty on spices (Pepper, Cloves and Cardamom), natural rubber and poppy seeds, increased from 35% to 70%.
(iii) Customs duty on pulses, increased from 5% to 10%; exemption from SAD will continue.
(iv) Customs duty on specified agricultural machinery and implements [falling under headings 84.32, 84.33, 84.36 and 84.37 of the Customs Tariff Act], reduced from 25% to 15%.
(v) Duty rate of 30% will apply to such non-edible oil that contains 20% or more of free fatty acid.

C STEEL

(i) Customs duty on refractory raw materials, low silica limestone and graphite electrodes has been revised as follows:

Commodity		From	To
?	Natural graphite powder	35%	25%
?	Andalusite	25%	15%
?	Fused mullite	25%	15%
?	Aluminous cement	35%	25%
?	Silicon metal (99% purity)	35%	25%
?	Micro/Fumed Silica	35%	25%
?	Calcined alumina	35%	25%
?	Brown fused alumina	35%	25%
?	Sintered/Tabular alumina	35%	25%
?	Fused zirconia	35%	25%
?	Sodium hexameta- phosphate	35%	25%
?	Silicon carbide	35%	25%
?	Boron carbide	35%	25%
?	Reactive alumina	35%	25%
?	Low silica limestone (less than 0.6% silica content)	25%	15%
?	Graphite electrodes (above 24 inches)	25%	15%

(ii) HR SS coils for coin blanks exempted from customs duty.
(iii) Customs duty on Metcoke imported by corex technology based steel plants reduced from 15% to 5%.
(iv) Customs duty on HRGO/HRNGO reduced from 35% to 25%.
(v) Customs duty on ships for breaking has been increased from 5% to 15% along with exemption from CVD and SAD.
(vi) Customs duty on seconds and defectives of steel increased to the bound rate of 40%.

D NON FERROUS METALS

(i) Customs duty on copper, zinc, and lead has been reduced from 35% to 25%.
(ii) Customs duty on tin reduced from 25% to 15%.
(iii) Customs duty on aluminum reduced from 25% to 15%.

E INFORMATION TECHNOLOGY

(i) Implementation of ZERO duty regime under ITA1 Agreement has been postponed from 2003 to 2005.
(ii) Customs duty on specified IT products has been reduced to 10%/5% as per bindings for 2002.
(iii) Customs duty on specified inputs for the IT/Electronics/Telecom sector reduced from

25%/35% to 5% and on specified capital goods from 25% to 15%.

(iv) Customs duty on cell phones, radio pagers, radio trunking terminals increased from 5% to 10%. However, CVD has been exempted.

F PETROLEUM

a. Customs duty on SKO for PDS increased from 5% to 10%.
b. Customs duty on SKO for parallel marketing system reduced from 35% to 20%.

G PHARMACEUTICALS:

(i) Following drugs for treatment of cancer and some other critical diseases included in the list of fully exempted drugs:

a. Basiliximab
b. Beractaut Intra-Tracheal Suspension
c. Imatinib Mesilate
d. Rivastigmine
e. Rituximab
f. Tetrofosmin
g. Trastuzumab
h. Zoleodronic Acid

(ii) Customs duty @ 5% has been imposed on specified 88 drugs. 47 drugs have been excluded from the list of exemption.

(iii) Vaccine for Japanese encephalitis has been fully exempted from customs duty.

H PORTS AND AIRPORTS:

(i) Customs duty on specified equipment for ports and airports has been reduced from 25% to 10%.

(ii) Aeroplanes, helicopters, gliders, simulators of aeroplane, parts thereof (excluding rubber tyres and tubes for aeroplanes and gliders) and raw materials, have been exempted from customs duty.

I INTERNATIONAL COMMITMENT:

(i) Extent of exemption under Indo Sri Lanka Free Trade Agreement has been extended from 50% to 90% for specified goods.

(ii) Customs duty on liquors has been reduced from 210% to 182%

J Duty rate of CVD on liquors modified as under :

Upto US $ 25 per case : 75% Others : 50%

K SPECIAL ECONOMIC ZONE :

Developers and manufacturing/processing units in Special Economic Zones shall be entitled to exemption on inputs and all other materials including capital goods.

L TEXTILE MACHINERY:

Customs duty on specified items of reeling, twisting, weaving and processing machinery for silk textile industry reduced from 25% to 10%. These have been exempted from CENVAT also. CENVAT exemption has also been extended to 28 processing machinery, automatic shuttle looms and specified jute machinery. The concessions on the textile machinery would be available upto 28-2-2005

M (a) Duty @ 5% is imposed on certain items:

1. 1.Onions
2. Six specified chemical intermediates
3. Nine items used in the manufacture of ELISA kits (AIDS test kits)
4. 88 specified drugs or medicines and their bulk drugs.
5. Specified medical equipments and accessories/spare parts/parts required for manufacture maintenance of such specified equipments.
6. Specified ENT equipment
7. Specified equipment for eye surgery
8. Reference standards.
9. Plant, machinery, equipment, tools, surveillance systems etc. imported by RBI.
10. Recorded magnetic tapes, micro films, scientific and technical instruments, computers etc. imported by specified R & D institutions.
11. Video cassette/tapes of educational nature.
12. Recorded magnetic tape, floppy diskettes etc. imported by UGC for use in computers
13. Animal pancreas.
14. Animal frozen semen and animal frozen semen equipment (animal breeding purposes).

(b) SAD imposed on the following items.

1. Cows, heifers, bulls, goats, sheep, pigs, angora rabbits, ducklings and pureline poultry stock
2. Planting materials, namely, oil seed, seeds of vegetables, flowers and ornamental plants, tubers and bulbs of flowers,cuttings or saplings of flower plants, seeds or plants of fruits and seeds of pulses, falling under chapters 6,7, 8 or 12
3. Crude or unrefined sulphur
4. Ground natural calcium phosphate, natural aluminium calcium phosphate and phosphatic chalk
5. Silver powder suspension
6. Silicon resins and silicon rubber
7. Wood chips, wood in the rough and wood roughly squared or half squared, fuel wood, wood charcoal, etc.
8. Raw jute
9. Specified goods for setting up of crude petroleum refinery

10. Flours, meals and pellets, of fish or of crustaceans, molluscs and other acquatic invertebrates, unfit for human consumption;
11. Prawn feed
12. Kerosene for manufacture of N-parrafin/LAB
13. Grape guard paper
14. Raw wool for handloom sector
15. Raw pearls, raw cultured pearls, rubies, emeralds and sapphires, rough semi-precious stones
16. Fishing and other vessels for processing/preserving fishery products
17. Dredgers, tugs, pusher crafts
18. Hospital equipment for use in specified hospitals
19. Linear accelerator with beam energy 15 MeV or more

N MISCELLANEOUS

(i) Customs duty on cement and clinkers has been reduced from 25% to 20%.

(ii) Customs duty on Glucometers and test strips has been reduced from 25% to 10%.

(iii) Customs duty on specified fire fighting equipment has been reduced from 25% to 20%.

(iv) Customs duty on nylon 6,12 chips for making nylon monofilaments for tooth brushes has been reduced from 35% to 25%.

(v) Customs duty on specified studio equipment and earth station equipment has been reduced from 35% to 25%.

(vi) Customs duty on raw material for manufacture of parts of writing instruments has been reduced from 35% to 15% .

(vii) Customs duty on specified raw materials for manufacture of sports goods reduced from 35% to 15%.

(viii) Customs duty on equipment, parts and spares required for setting up of a planetarium reduced from 35% to 15% with CVD and SAD exempted.

(ix) Raw materials for manufacturing blades for rotors of wind operated electricity generators have been exempted from CVD.

(x) SAD imposed on vanaspati, acrylic yarn and winding/insulated copper wires imported from Nepal.

(xi) Customs duty on Paraxylene increased from 5% to 10%.

(xii) Following items added in the TR Baggage concession :

(a) Laptop / notebook computer;
(b) Desktop computer ;
(c) Portable photocopying machine;
(d) DVD (Digital Video Disc) player;
(e) VCD (Video Cassette Disc) player;
(f) Electrical / LPG cooking range with four or more burners ; and
(g) Video home theatre system.

(xiii) The value limit on baggage under Transfer of Residence Rules (TR)ncreased from Rs.1.5 lakh to Rs. 5 lakh and the duty thereon reduced from 35% to 30%.

(xiv) Value limit on baggage under “mini” Transfer of Residence increased from Rs. 30,000 to Rs. 75,000.

EXCISE

Note :- SED means Special Excise Duty.

Major Proposals about Central Excise duties are the following :

A. AD-VALOREM DUTY RATE STRUCTURE

(I) SED abolished on the following items :

a. Cosmetics and toilet preparations
b. Travel kits for personal use
c. White cement and other cements
d. Yachts and other vessels and floating structures.
e. Arms and ammunitions
f. Manufactures of furskin and artificial fur.

(II) Excise duty increased from 8% to 16% on :
a. LPG
b. Kerosene
c. Auto CNG
d. Diesel engines upto 10 HP

B. INCREASE FROM 4% to 8% :

Excise duty increased from 4% to 8% on following items:

a. Tooth brush
b. Imitation jewellery
c. Powered goggles
d. Table and kitchenware of glass
e. Black and White TV sets
f. Watches and clocks upto Rs 500 per piece
g. Electric bulbs upto Rs 20 per piece
h. Candles

C. IMPOSITION AT 4%:

Excise duty @ 4% imposed on specified items

D. TEA

Excise duty on tea reduced from Rs 2 per kg to Re 1 per kg.

E. TEXTILES:

a. Excise exemption on cotton yarn in hank form is withdrawn and excise duty of 8% is imposed.
b. Excise duty on processed fabrics (of Chapters 51,52, 53, 54, 55, 58, 60 of Excise Tariff Act) reduced from 16% to 12%. In the case of all unprocessed fabrics excise duty of 12% is made optional.
c. Excise duty @ 12% imposed on processed knitted fabrics of cotton on optional basis. Exemption on handloom fabrics processed with the aid of power by a factory owned/approved by a handloom development agency would continue.
d. Excise duty on textile made-ups and woven garments reduced from 16% to 12%.
e. Excise duty @ 12% is imposed on knitted or crocheted garments on optional basis.
f. Ready made garments made from Handloom fabrics exempted subject to declaration to this effect by the manufacturer and certification by the Handloom Export Promotion Council.
g. Optional compounded levy schemes for independent textile processors abolished.

F. PETROLEUM

a) Cess on domestic crude oil increased from Rs 900 p.m.t. to Rs 1800 p.m.t.
b) Ad valorem duty on Petrol reduced from 90% to 32%.
c) A surcharge of Rs 6/litre imposed on Petrol. The surcharge on Petrol doped with 5% ethanol would be Rs 5.25/ litre.
d) Excise duty on HSD reduced from 20% to 16%.
e) All four refineries in the North East namely, NRL, Digboi, Guwahati and BRPL would pay duty at the rate of fifty percent of the normal rate of duty.

G. SSI

a. SSI exemption withdrawn on granite.
b. SSI exemption has been extended to air guns, air rifles, air pistols, which are exempted from the provision of Arms act.

H. COLD STORAGE EQUIPMENT :

Following items have been exempted from excise duty if supplied to cold storages:

a. Mobile pre-cooling equipment.
b. Stationary pre-cooling equipment.
c. Control equipment for control atmosphere/ modified atmosphere cold storage.

I. THORIUM OXALATE AND WATTLE EXTRACT :

(i) Thorium Oxalate exempted from excise duty.
(ii) Wattle extract exempted from excise duty.

J. ANTI AIDS DRUGS

Following Anti AIDS drugs have been exempted from excise duty:

a. Lamivudine
b. Stavudine
c. Didanosine
d. Saquinavir
e. Ritonavir
f. Indinavir
g. Efavirenz
h. Nelfinavir
i. Nevirapine

K. EXPANSION OF MRP BASED ASSESSMENT OF EXCISE:-

Following items included in the scheme of MRP based assessment :

a. Certain preparations of sugars.
b. Sugar confectionery (including white chocolate), not containing cocoa (Hard boiled toffees).
c. Colouring matter and preparations based on colouring matter.
d. Dyes and other colouring matter put up in forms or small packings of a kind used for domestic or laboratory purposes.
e. Artists', students' or signboard painters' colours, modifying tints, amusement colours and the like, in tablets, tubes, jars, bottles, pans or in similar forms of packing.
f. Resin cements, caulking compounds and other mastics; painters' fillings, non-refractory surfacing preparations for facades, indoor walls, floors, ceilings or the like.
g. Video recording/reproducing apparatus, whether or not incorporating a video tuner.
h. Switches, relays, fuses, surge suppressors, plugs, sockets, lamp holders, junction boxes, etc. for a voltage not exceeding 1000 V.
i. Sanitary wares and fixtures.

L. SERVICE TAX

(a) Service Tax @ 5% imposed on following services:-

(i) Life-insurance, including insurance auxiliary service relating to life insurance
(ii) Cargo handling (only inland cargo)
(iii) Storage and warehousing services (except for agriculture produce and cold storage)
(iv) Event Management
(v) Rail travel agents
(vi) Health Club & Fitness Centres
(vii) Beauty parlours
(viii) Fashion designers
(ix) Cable operators
(x) Dry cleaning services

(b) Service Tax on specified banking and financial services applicable to Banks, Financial Institutions including Non Banking Financial Companies, has now been extended to corporate bodies that provide similar services.
(c) Exemption of Service Tax on Hotels has been extended upto 31.3.2003.

Important legislative changes relating to Service Tax –

(a) To enhance the time limit for issue of notice for recovery of service tax from 6 months to one year and prescribing the 'relevant date ' for issue of notices for recovery of service tax in specified situations;
(b) To allow credit of service tax paid on input services for payment of service tax on output services provided both the input and output services fall in the same category;
(c) Enhancement of value limit for imposition of penalty by Asst. Commissioner/Dy. Commissioner from RS. 25000 to RS. 2 lakhs without prior approval of the Commissioner of Central Excise;
(d) Amendments in the definitions relating to Broadcasting service with retrospective effect from 16th July, 2001 to clarify the scope of the levy and recovery of duty accordingly;

M. INLAND AIR TRAVEL TAX :

IATT exempted on all routes to and from the North Eastern States of Tripura, Assam, Meghalaya, Arunachal Pradesh, Nagaland, Manipur and Mizoram. This is in addition to the existing exemption for routes within these states.

MISCELLANEOUS

I EXPERT COMMITTEE

An Expert Committee will be set up to undertake comprehensive examination of the system of indirect tax administration and make recommendations in this regard

II INTEREST ON DEMANDS AND REFUNDS

a. Rate of interest for delayed payment of dues reduced from 24% to 15%.
b. Rate of interest on delayed refunds shall be 8%.

MEMORANDUM SHOWING THE PROPOSED REVISION OF POSTAL TARIFFS 2002 (VIDE CLAUSE NO. 147) OF THE FINANCE BILL, 2002.

The maxima of the tariffs leviable for certain postal articles are prescribed by the First Schedule in the Indian Post Office Act,1898. Within the maxima so prescribed in respect of such articles in respect of other postal articles not included in the Schedule and other services, the Central Government have the power to fix the rates by notification in the Official Gazette by amending Indian Post Office Rules,1933 (vide Section 7 of the Indian Post Office Act, 1898).

2. Proposals for revision of tariffs listed in the following table relating to postal articles at serial

Nos. 1 to 4 and serial Nos. 5(i) & 6 require an amendment to the First Schedule of the Indian Post Office Act, 1898 and these have been included in the Finance Bill. These changes as also the revision of tariff for other postal services would be made amending Indian Post Office Rules, 1933.

Sr.No.	Name of Service	Existing Rate	Proposed Rate
1.	**Letter (Envelope)**	Rs.4.00 for every 20 gms	Rs.5.00 for every 20 gms
2.	**Letter Card (Inland Letter Card)**	Rs.2.00	Rs.2.50
3.	**Printed Post Card**	Rs.3.00	Rs.6.00
4.	**Competition Post Card**	Rs.5.00	Rs.10.00
5.	**Book Post**		
	(i) Book Pattern & Sample packets	(a) Rs.3.00 for first 50 gms.	(a) Rs.4.00 for first 50 gms
		(b) Rs.4.00 for additional 50 gms	(b) Rs. 3.00 for additional 50 gms
	(ii) Book Packets containing periodicals	(a) Rs.2.00 for first 100 gms	(a) Re. 1.00 to Rs.20.00 No change
		(b) Rs. 3.00 for additional 100gms	(b) Rs.21.00 to Rs.50.00
			(i) Rs.4.00 for first 100 gms
		(Note value related)	(ii) Rs. 5.00 for additional 100 gms
			(c) Rs.51.00 and above
			(i) Rs.8.00 for first 100 gms
			(ii) Rs. 9.00 for additional 100 gms
	(iii) Book Packets containing Printed books	Re. 1 for every 100gms	(a) Re. 1.00 to Rs. 50.00 No change
		(Not value related)	(b) Rs.51.00 to Rs.250.00 Rs.2.00 for every 100 gms
			(c) Rs.251.00 and above Rs.8.00 for every 100 gms.
6.	**Parcels**	(a) Rs.16.00 for first 500 gms (b) Rs.15.00 for additional 500gms or part thereof	(a) Rs.19.00 for first 500 gms. (b) Rs.16.00 for additional 500 gms or part thereof.