

# Fiscal deficit for Q1 reaches 25.3% of target

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The Centre used 25.3 per cent or ₹4.5 trillion of its fiscal deficit target at the end of first quarter of financial year 2023-24 (FY24), according to data released by the Controller General of Accounts (CGA) on Monday.

The fiscal deficit — the gap between government's expenditure and revenue — stood at 21.2 per cent of the Budget Estimates (BE) in the year-ago period.

The higher deficit for April-June 2023 is due to a rise in capital expenditure and accelerated tax devolution to states, which experts said offset the spike in non-tax revenue.

According to the CGA, the total non-tax revenue for the first quarter of FY24 stood at ₹1.54 trillion or 51.4 per cent of the Budget Estimates against 23.1 per cent for the same period last year. Dividends and profits made up 105 per cent of the non-tax revenue, adding up to ₹91,000 crore.

“Higher than budgeted dividend surplus transfer of ₹87,420 crore from the Reserve Bank of India (RBI) is likely to provide some cushion to meet any undershooting in other revenues streams, including disinvestment or potential overshooting in expenses, relative to respective BE, such as MGN-REGA,” said Aditi Nayar, chief economist, head (research & outreach), ICRA.

That tax revenue for the April-June 2023 period was ₹4.33 trillion or 18.6 per cent of the Budget Estimates compared to 26.1 per cent in the first quarter last year.

Fiscal deficit stood at 6.4 per cent of gross domestic product (GDP) in 2022-23. The government, during the Union Budget, projected to bring down the fiscal deficit to 5.9 per cent of GDP in FY24.

The Centre's total expenditure in the first quarter stood at ₹10.5 trillion or 23.3 per cent of the Budget Estimates, compared to 24 per cent in the year-ago period.

The Centre has released over ₹3.09 trillion in tax devolution to states till July, of the ₹10.21 trillion budgeted to be transferred in FY24. Nayar said this was 54 per cent higher than April-July FY23, and about 30 per cent of the FY24 BE.

“To meet the latter, the Centre has to release ₹7.1 trillion to states in the next eight months, which is 5 per cent lower than the amount devolved in August-March in FY23. This would contain the incremental fiscal deficit in some of the ensuing months,” she added.

The CGA data showed that of the total expenditure, ₹7.72 trillion was on the revenue account and ₹2.78 trillion was towards the capital account. Of the total revenue expenditure, ₹2.43 trillion was on interest payments and ₹87,035 crore on major subsidies.

