

# ₹1.5-trn spending rationalisation helps govt meet FY23 deficit target

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The Centre has carried out an expenditure rationalisation exercise of at least ₹1.5 trillion in the current fiscal year (2022-23, or FY23). This move has helped it meet the fiscal deficit target of 6.4 per cent of nominal gross domestic product (GDP), *Business Standard* has learnt.

These savings have come through better monitoring of funds through a single nodal agency (SNA) dashboard, better scrutiny of schemes like the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), weeding out undeserved beneficiaries and duplication, eliminating leakages in food subsidy, and organic savings for schemes where all of the allocated amounts weren't used.

There has also been savings of ₹20,000 crore in capital expenditure (capex) due to states not being able to avail of the entire ₹1-trillion capex support.

Without the expenditure rationalisation, the Revised Estimates (RE) for the Centre's total spending would have been about ₹43.4 trillion instead of ₹41.9 trillion. And the fiscal deficit for the year would have been nearly 7 per cent of GDP. "Rationalisation has been an ongoing process, the benefits of which we see every year. This year, the focus has been on better savings through the SNA dashboard and plugging leaks in schemes and the food subsidy programme. We have been talking to the relevant line ministries about curbing non-core expenditure in various schemes," says a senior government official.

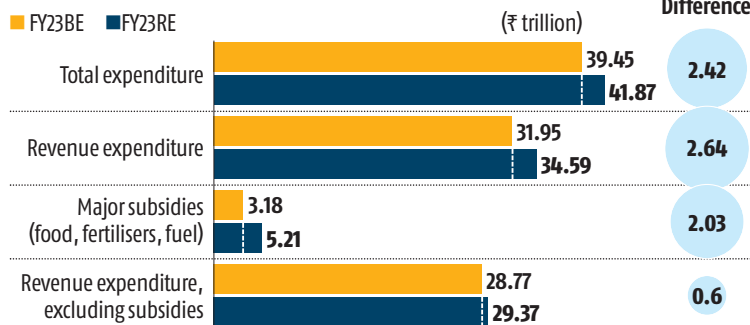
The extent of compression can be seen from the fact that the revenue expenditure RE for FY23 — excluding subsidies — is just ₹60,577 crore more than the Budget Estimates (BE).

Even in the biggest subsidy item like food, the RE has been contained at



ILLUSTRATION: BINAY SINHA

## THE EXPENDITURE STORY



RE: Revised Estimate, BE: Budget Estimate

Source: [indiabudget.gov.in](http://indiabudget.gov.in)

₹2.87 trillion. At the end of December 2022, it was said to have breached ₹3.3 trillion on the back of multiple extensions of the Pradhan Mantri Garib Kalyan Anna Yojana.

The Ministry of Consumer Affairs, Food and Public Distribution had been asked by the Ministry of Finance's Department of Expenditure to look at how costs of procurement of foodgrain meant for the central government's food guarantee schemes are calculated.

Traditionally, whatever food subsidy amount has been asked is given by the finance ministry. The Department of Expenditure had made it clear that the arrangement cannot continue. It had told the consumer affairs ministry to ensure the costing is fair and reasonable and it does not absorb the ineffi-

ciencies in the chain. In one of the government's flagship schemes — NREGA — the Ministry of Rural Development was asked to identify the inefficiencies.

Of particular concern to central policymakers is the number of NREGA beneficiaries not being at pre-pandemic levels, even as jobs in urban areas are on the mend. The number of NREGA beneficiaries was about 50 million before the pandemic, rising to about 70 million as the economy hit a lean patch.

Also, the rural development ministry was asked to identify why some relatively better-off districts have more NREGA beneficiaries (as a percentage of the population), as opposed to the neighbouring aspirational (less-developed) districts. This has been an ongoing

exercise.

"There has been a concerted effort to weed out the undeserving beneficiaries under NREGA. Although the RE this year is still higher than the BE, it is lower than the actuals of 2021-22, which is what we were hoping for," says a second official.

Of the biggest help has been SNA, observe officials.

SNA is one of the new accounting mechanisms in the public finance management system, for the distribution of centrally sponsored schemes (CSS)-related amounts to states.

CSS schemes are jointly funded by the Centre and states. Through the SNA dashboard, officials can track funds from the central treasury to ministries to state treasuries and departments, right down to the vendor, contractor or implementing agency.

Under SNA, states have one bank account for one scheme. All money for that scheme will flow through that account. Instead of hundreds of thousands of accounts, the Centre now has to monitor just about 3,000 accounts.

The Centre saved about ₹10,000 crore through SNA last fiscal year (2021-22). This year, it has saved at least ₹50,000 crore, inform sources. As the SNA dashboard improves, more savings are expected next year.

"There are also the organic savings in some of the schemes where the entire amount allocated was not utilised," says a second official. But given the uncertain global macroeconomic situation, the finance ministry is hoping that there'd be no more increase to the food and fertiliser subsidy outlay over the RE figures, he sounds a note of caution.

On capex, Finance Secretary T V Somanathan had said on February 1 that the RE (₹7.28 trillion) for the year was lower than the BE of ₹7.5 trillion as some states could not meet the conditions required to avail of a part of the capex loans to them.