

Here Are the Budget Numbers the Finance Minister Does Not Want You to See*

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When finance minister Nirmala Sitharaman's Budget speech omitted numbers relating to the government's overall revenue and expenditure, for both the previous and current years, this was widely commented on. After all, these numbers are the reason for having a Budget speech in the first place – to provide parliament and the general public a quick overview of the state of the Central government's finances. Her response to this criticism was that all these numbers are available in the supplementary material provided in the Budget documents, so there is no need to go into them in the speech.

But most people do not go through the supplementary material, and that is why finance ministers typically provide a basic summary. But now a more serious reason for this omission has appeared, because it turns out that the numbers provided in the documents – at least as far as the revenue and expenditure of the previous year (2018-19) are concerned – are not just misleading but actually false.

The proof of this comes in the finance ministry's own Economic Survey of 2018-19. Volume II contains a statistical appendix, in which Table 2.5 on Page A59 provides the receipts and expenditure of the Central government. The last column of this table provides the 'provisional actuals' – that is to say, the real amounts as per the finance ministry's own calculations – for the year 2018-19. (Since this Survey was brought out in July, rather than in February or March, it gave ample time for the ministry to record the actual receipts and spending of the fiscal year that ended on March 31, 2019.) These are presumably the numbers emanating from the office of the Comptroller General of Accounts and therefore must be taken to be correct.

The results are devastating, because they reveal massive shortfalls and discrepancies in both receipts and expenditures – which are not reflected in the budget documents.

In other words, most of the numbers stated as the "Revised Estimates" for 2018-19 do not tally with the government's own estimates of actual revenues and expenditure in that year, as shown in the Economic Survey. This is certainly surprising, because the numbers must have come from the same finance ministry that prepared the Budget documents, so why did they not provide this data in the Budget documents? That aside, the sheer extent of the difference, which is massive, makes the matter all the more alarming. The biggest discrepancy – and shortfall – is in the tax revenues retained by the Centre, which were actually lower than the revised estimates by a whopping Rs 1,65,176 crore, or as much as 13.5% of the revised estimates of total tax revenues.

This was presumably largely because of the well-known shortfall in Goods and Services Tax collections. The Central government managed this essentially by containing its own spending, so that actual total expenditure was actually lower than the revised estimate by as much as Rs 1,45,813 crore, or 13.4%. In other words, the entire Budget shrank massively, by around 1% of GDP – but none of this is reflected in the budget statements provided to the public!

This has many implications. For one, according to the provisional actual figures of receipts and spending, the fiscal deficit was greater than stated in the revised estimate by Rs 10,963 crore, so that it amounted to 3.45% of GDP rather than 3.3% as is being claimed.

But that is a rather minor matter compared to the more serious issue that if these provisional actual figures are to be believed, then none of the revised estimates for 2018-19 are correct. This has particularly serious implications for the past pattern of spending. Obviously, very significant cuts were made to public expenditure last year in the wake of the decline in tax revenues, which continue to reflect the disastrous GST implementation. But how do we know which items of expenditure were curtailed, and by how much?

Is this not essential for parliament and the general public to know? When a Budget is passed by parliament, the debate and discussion are essentially about allocations – so if the government has unilaterally made swingeing cuts to particular items of expenditure, these must be brought to public notice. Providing the earlier revised estimates without openly stating the more correct provisional actual figures, is more than just nonchalance or disrespect – it amounts to lying before parliament and the people. How can we trust any numbers coming out of the government if this is the manner in which they choose to hide the truth?

These numbers also cast into serious doubt the revenue projections for the coming year. If the provisional actual figures are accepted, then the proposed increase in revenues in the current budget for 2019-20 are so optimistic as to be completely unrealistic. Thus, total revenues would have to increase by 25.3% in the current year – i.e. by nearly Rs 4,00,000 crore – over what was actually achieved last year. This is not just a tall order considering the expected nominal GDP growth of 12%, it is close to unattainable.

If that does not happen, and the government once again will find itself cash-strapped in the middle of the year, and once again there will be a tendency to make severe – and opaque – cuts, and in a manner that is not approved by parliament.

These low tax numbers also point to another issue that has been festering with this government: doubts about the credibility of the GDP figures. According to the new data, total tax revenues increased by only 9.2% last year that is well below the stated growth of nominal GDP of 11.3%. Since most of the shortfall was due to indirect taxes (especially GST) it is likely that the rate of increase of indirect tax revenue was even lower. Indirect tax collections are generally seen to track nominal GDP, since they reflect turnover. So did tax evasion suddenly increase? Or is it that the many doubts that have been expressed about the GDP numbers are actually quite justified?

Another implication of these shockingly low tax numbers for the previous year is that the revenues accruing to state governments must also have fallen significantly short of their expectation. This has the capacity to play havoc with state finances, since states naturally plan their budgets on the basis of some expected revenues from their share of Central taxes and GST revenues.

The public finances of the country are clearly in a mess – and more importantly, the entire Budget exercise is now open to serious question. The finance ministry must

respond at once, and if necessary present a new Budget with properly worked out figures that have some semblance of veracity.

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