Budget 2013: FM curbs plan spend in FY13 to Rs 4.28 lakh crore

For P Chidambaram, this is turning out to be a season for haircuts. The minister has managed to restrict the total plan spending in 2012-13 to Rs 4.28 lakh crore, down by Rs 93,000 crore from the budgeted expense, making sure that the government is comfortably home on the fiscal deficit front.

The finance minister has been working closely with Manmohan Singh on the budget process, exchanging daily notes, pouring over the numbers to meet the revised targets. There has been an across-the-board cut by as much as 30% in plan spending of ministries and departments.

Ministries like rural development, human resources, road transport, atomic energy and shipping have had their budgets slashed. Defence spending has also faced the axe, even at the expense of irate ministers like defense minister AK Antony. It's another matter that ministries had spent only about 56.8% of the allocated plan expenditure until December on an average, making the case even stronger for Chidambaram.

A finance ministry directive caps spending in the January-March quarter to 33% of the total funds allocated, thereby preventing any rushed expenditure at the end of the fiscal. Chidambaram's fiscal consolidation programmer’s underlying theme has been "credibility and honesty", a reason why he revised the fiscal deficit target for 2012-13 to 5.3% of the GDP from the budgeted 5.1%. The total expenditure in the current fiscal is pegged at Rs14.90 lakh crore that includes non plan spending of Rs 9.6 lakh crore.

It is only the plan spending that gives the government room for compression as non-plan allocation is for payment of salaries and pensions, interest and subsidies is fixed. The budget 2012-13 had bumped up the plan expenditure by 18% to Rs 5.21 lakh crore. A compression of Rs 93,000 crore in plan expenditure implies that the government's developmental and social sector spending in the current fiscal has remained flat, at almost the same level as Rs 4.26 lakh crore in 2011-2012

Overshooting of the subsidy bill seems doubtful this time around, as the government has taken some steps to curb subsidies like hikes in fuel prices including diesel, a political hot potato till recently. The other heads of the non-plan spending such as the interest component is only expected to be higher. The cut in the expenditure budget, nearly 1% of GDP in this case, as a means to restrict the fiscal deficit has drawn its share of criticism from economists and analysts, as it comes at the risk of not spending money on capital creation, a must in a slowing economy. (Economic times)