

CAG Report Summary

Compliance of the FRBM Act, 2003

- The Comptroller and Auditor General (CAG) of India presented a compliance report on the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 on July 21, 2025. The report provides an evaluation of the central government's compliance with the provisions of the FRBM Act, 2003 for the year 2022-23. The FRBM Act, 2003 provides a legislative framework for the reduction of debt and deficit of the central government over the medium term. The Act sets fiscal targets for the central government to ensure responsible fiscal management and long-term economic stability. Key observations and recommendations of the CAG include:
 - **General Government Debt:** In 2018, under an amendment to the FRBM Act, the central government set a target to limit general government debt to 60% of GDP by 2024-25. General government debt is defined as the total debt of the central and state governments (excluding inter-governmental debt). The Act set the target for central government debt at 40% of GDP by 2024-25. According to CAG, as of 2022-23, central government debt as a percentage of GDP was higher than this target and higher than the pre-pandemic period. The report observed that central government debt increased to 61% in 2020-21 but has been steadily declining since. In 2022-23, central government debt declined to 58% of GDP. In 2022-23, general government debt was 81% of GDP as compared to 70% in 2018-19. However, CAG also observed that the economy has grown at a faster rate than central government debt, enabling it to absorb and service the debt.
 - **Interest Obligations:** The central government used 35% of its revenue receipts towards interest payments in 2022-23, marginally higher than the previous year (34%).
 - **Disinvestment proceeds:** CAG noted that receipts from disinvestment in 2022-23 were lower than the pre-pandemic period. In addition, disinvestment receipts were also lower than the budget estimates in 2022-23. These include receipts from the sale of government equity in PSUs.
 - **Tax revenue raised but not realised:** CAG observed that the tax revenue raised but not realised has increased in 2022-23 as compared to the previous year. It noted that this indicated a lost opportunity for the government to tap non-debt receipts. At the end of 2022-23, Rs 21.3 lakh crore worth of tax revenue was unrealised. This was equivalent to 70% of the total gross tax revenue collected during the year.
 - **Guarantees:** According to the FRBM Amendment Act, 2018, guarantees extended by the central government should not exceed 0.5% of GDP in any financial year until the end of 2024-25. The central government extends guarantees on borrowings by government entities, which can be invoked by the lender in case of default by the borrowing entity. Guarantees do not affect current debt levels, but may impact government debt in the case of default. In 2022-23, additional guarantees extended by the central government amounted to 0.23% of GDP. In comparison, additional guarantees stood at 0.41% of GDP in 2018-19. CAG observed that the additional guarantees extended in a financial year has remained within the FRBM limits in every year since 2018-19.
 - **Rolling targets of fiscal indicators:** The FRBM Amendment Act, 2018 requires the central government to present projections for certain fiscal indicators for two years following the current fiscal year. This includes projections for revenue deficit, fiscal deficit, primary deficit, tax revenue, and central government debt as a percentage of GDP. The advance targets have to be presented in the Medium-term Fiscal Policy (MTFP) statement. This statement must also specify the assumptions underlying the projections. CAG noted that the central government has not presented rolling targets for fiscal indicators since 2021-22. Instead, the central government has presented the reasons for deviation from the fiscal targets in the MTFP statement for these years.

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