



CAG Review of the FRBM Act

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Why in News?

The [Comptroller and Auditor General \(CAG\)](#) presented its 2023-24 annual review of the [Fiscal Responsibility and Budget Management \(FRBM\) Act, 2003](#), in Parliament.

- The review shows that India is moving steadily towards long-term macroeconomic stability.

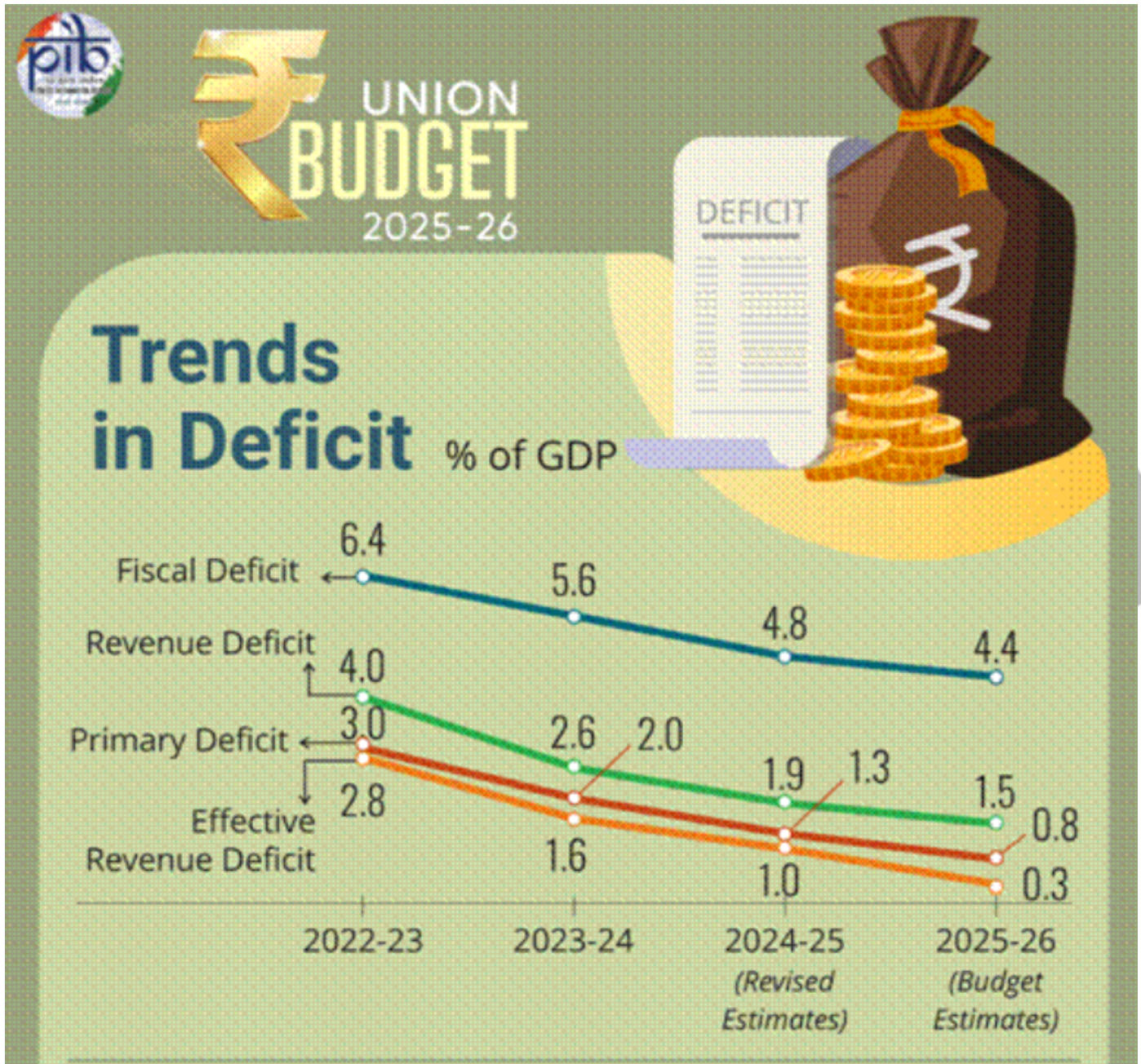
What are the Key Highlights of the CAG Review of the FRBM Act for FY 2023-24?

- **Central Government Debt:** Declined to **57% of Gross Domestic Product (GDP) (March 2024)** from **61.38% in FY 2020-21**.
- **General Government Debt (GGD):** GGD declined slightly from 83% of GDP in March 2022 to 81.3% in March 2023, still far above the 60% target.
- **Debt Sustainability Analysis (DSA):** DSA assesses the government's ability to service debt, with the [debt-to-GDP ratio](#) as the key measure.
 - A sustainable fiscal policy is **one where the debt-to-GDP ratio** is stable or declining over the long term.
 - The Centre's debt-to-GDP ratio peaked at 61.38% in FY 2020-21 and **declined to 57% in FY 2023-24**.
- **Unrealised Taxes:** At the end of FY 2023-24, Rs 31.11 lakh crore in taxes remained unrealised, up Rs 9.81 lakh crore from the 2022-23.

What is Fiscal Responsibility and Budget Management (FRBM) Act, 2003?

- **About:** The FRBM Act, 2003 was enacted to reduce fiscal deficits and promote long-term macroeconomic stability and inter-generational equity.
 - It has since been amended in **2004, 2012, 2015, and 2018** to revise deficit targets, set new debt reduction goals, and allow flexibility in fiscal management during crises or economic uncertainties.
- **Key Provisions:**
 - **Fiscal Responsibility:** The Act mandates that the **Finance Minister** review fiscal trends and present half-yearly reviews to both Houses of Parliament.
 - **Medium-Term Fiscal Policy (MTFP):** The Act mandates the presentation of the MTFP statement, which outlines three-year rolling targets for key fiscal indicators like [Revenue Deficit, Fiscal Deficit, and Central Government Debt as a percentage of GDP](#).
 - **Implementation:** The CAG conducts annual reviews to assess the government's compliance with the FRBM targets.
- **FRBM Targets:** The 2018 amendment set targets to reduce General Government Debt (Centre + States, excluding inter- governmental liabilities) to 60% of GDP and Central Government Debt to 40% by FY 2024-25.

- The Fiscal Deficit(FD) target is 3% of GDP by March 2021(target deferred due to pandemic). The government now commits to FD below **4.5% of GDP by 2025-26**.
 - In June 2025, the Government of India successfully met its fiscal deficit target of 4.8% of GDP for FY 2024-25.
- The government shall not provide additional loan guarantees on the security of the Consolidated Fund of India in excess of one-half per cent of GDP in any financial year.



Read More: [India's Fiscal Consolidation](#), [Government's Long-Term Fiscal Discipline](#)

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

Q. Consider the following statements: (2018)

1. The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt to GDP ratio of 60% for the general (combined) government by 2023, comprising 40% for the Central Government and 20% for the State Governments.

2. The Central Government has domestic liabilities of 21% of GDP as compared to that of 49% of GDP of the State Governments.
3. As per the Constitution of India, it is mandatory for a State to take the Central Government's consent for raising any loan if the former owes any outstanding liabilities to the latter.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: C

Q. A country's fiscal deficit stands at 50,000 crores. It is receiving 10,000 crores through non-debt creating capital receipts. The country's interest liabilities are 1,500 crores. What is the gross primary deficit? (2025)

- (a) 48,500 crores
- (b) 51,500 crores
- (c) 58,500 crores
- (d) None of the above

Ans: (a)

PDF Reference URL: <https://www.drishtiias.com/printpdf/cag-review-of-the-frbm-act>