

GENERAL GOVERNMENT ON THE PATH OF FISCAL CONSOLIDATION AND FISCAL DISCIPLINE: SURVEY

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Ministry of Finance

General Government on the Path of Fiscal Consolidation and Fiscal Discipline: Survey

Revenue Receipts Grow at 13% during April to November 2019 over Last Year Led By Considerable Growth in Non-Tax Revenue

Gross GST Monthly Collections Cross the Rs. 1 lakh crore Threshold Five Times in FY 2019-20

Concerted Reforms Lead to Improvement in Tax Compliance and Revenue Collection

Capital Expenditure Grows 3 Times during April- November In 2019 Over Same Year

Economic Survey Suggests Relaxing Fiscal Deficit Target to Revive Growth in the Economy

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The Economic Survey 2019-20, observes that the Indian economy remains on the path of fiscal consolidation and fiscal prudence amidst weak global growth. **Major structural reforms have been undertaken to revive growth in and spur investment.** The Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman tabled The Economic Survey 2019-20, in Parliament today.

The Economic Survey states that “The Medium Term Fiscal Policy (MTFP) presented with the Budget 2019-20, pegged the fiscal deficit target for 2019-20 at 3.3 per cent of Gross Domestic Product (GDP), which was further expected to follow a gradual path of reduction and attain the targeted level of 3 per cent of GDP in 2020-21.” The survey also states that MTFP projects **“Central Government liabilities will come down to 48.0 per cent of GDP in 2019-20.** The declining path of Central government debt was expected to continue with debt reaching 46.2 per cent of GDP and 44.4 per cent of GDP in 2020-21 and 2021-22, respectively.”

CENTRAL GOVERNMENT FINANCES

The Economic Survey highlights the improvement in central government finances over the last several years, with an increase in tax to GDP ratio and reduction in the Primary Deficit as a proportion of GDP. During the first eight months of 2019-20, **the Revenue receipts registered growth of 13% in April-November 2019 compared to the same period last year**, which was led by considerable growth in Non-Tax revenue.

Adding further, the Economic Survey notes that during 2019-20 (up to December 2019), the **gross GST monthly collections have crossed the Rs. 1 lakh crore mark for a total of five times**. Gross GST collections for the centre and the states were at Rs. 8.05 lakh crores in April to November 2019, which is an increase of 3.7 % over the corresponding period last year.

Within direct taxes, personal income tax has grown at 7% while major cut in Corporate Income tax rate aims to attract investment and create employment. Until November 2019, the actual realization of Net Tax Revenue to the Centre has been Rs. 7.51 lakh crore, which is 45.5 per cent of Budget Estimate (BE). Pre Budget Survey states that the actual realization of Non-debt Capital receipts to the centre has been Rs. 0.29 lakh crore which is likely to accelerate with significant pipeline of deals in process.

CAPITAL SPENDING TRIPLES

The Survey emphasizes on the importance of improving the composition and quality of expenditure while staying within the bounds of fiscal prudence. It says “**Budgetary expenditure on subsidies has seen significant moderation through improved targeting.**” Also there exists additional headroom for further rationalization of subsidies especially food subsidy.

According to the Survey, **capital spending in 2019-20 BE is estimated to grow by 10% over 2018-19 PA** to reach Rs. 3.39 lakh crore. On the expenditure side, total expenditure has increased at a considerable pace during April to November 2019-20 with **Capital Expenditure growing at roughly 3 times the growth registered during the same period last year.**

GDP TO DEBT RATIO IMPROVING

As per the Economic Survey, “**The total liabilities of the Central government, as a ratio of GDP, has been consistently declining, particularly after the enactment of the FRBM Act, 2003.**” The Central government total liabilities at the end of March 2019 stood at Rs. 84.7 lakh crore, 90% of which is public debt and is characterized by low currency and interest rate risks. Another salient feature is gradual elongation of the maturity profile of central government’s debt.

MORE FUNDS TO STATES

Adding further, the document says, “**States have obtained larger fund transfers as well as greater autonomy to utilize funds as per their needs**” post Fourteenth Finance Commission recommendations. **Total transfer to States has risen between 2014-15 and 2018-19 RE by 1.2 % points of GDP.** As per budget estimates 2019-20, States tax and non tax revenue is anticipated to grow at lower rate relative to growth displayed in 2018-19 RE. The States however have continued on the path of fiscal consolidation and contained their fiscal deficit within targets

set out by FRBM Act. However, sustainability of debt by the States remains a challenge in the backdrop of fiscal constraints due to UDAY Bonds, farm loan waivers and implementation of Pay Commission.

The Economic survey concludes, with a view that in order **to boost sluggish demand and consumer sentiments, counter cyclical fiscal policy may have to be adopted**. Revenue buoyancy of GST, rationalization of subsidies and relaxation of fiscal deficit target to spur investment along with sustained structural reforms like ease of GST implementation and lowering of corporate tax, will be the key to revive growth.

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