Source : www.livemint.com Date : 2022-01-01

# GOVT'S FISCAL DEFICIT NARROWS TO 46.2% OF FULL-YEAR TARGET

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New Delhi: The central government's fiscal deficit in the eight months to 30 November narrowed to 46.2% of the full-year target, boosted by a rise in tax collections.

According to the data released by the Controller General of Accounts (CGA) on Friday, the fiscal deficit for the April-November period touched 6.96 trillion, remaining at a much lower level than the previous year.

The government has budgeted a fiscal deficit target of 15.07 trillion for the fiscal year.

The deficit figure puts the government in a more comfortable position than in the previous year when the fiscal deficit soared to 135% of the budgeted estimate at more than 10.8 trillion by the end of November.

This was mainly because of a surge in expenditure to deal with the pandemic and lower tax revenues as economic activities ground to a near-halt because of the nationwide lockdown.

Robust growth in revenue collections and lower expenditure is set to help the government narrow its fiscal deficit this year, although lower-than-expected collections from its disinvestment programme may upend the calculations.

"The government's fiscal deficit compressed with incremental revenues continuing to sharply outpace expenditure. Although the fiscal deficit up to November stood at only 46% of the budget estimate for the full year, the fading hopes of the disinvestment target being met portend a deficit of 16.5-17 trillion in FY22, overshooting the budgeted target," said Aditi Nayar, chief economist, ICRA Ltd.

The government data showed that it collected revenues of 13.79 trillion in the eight months to November. This is about 70% of the budgeted estimate for the full year.

The collections comprise 11.35 trillion in tax revenues, 2.23 trillion in non-tax revenues, and 20,703 crore in non-debt capital receipts.

The expenditure incurred by the Centre was 20.74 trillion, or 59.6% of the full-year target.

"Despite abnormal growth in revenue collections compared to budget estimates, the government hasn't increased its expenditure; revenue, capital and total expenditure has been 61.49%, 49.38% and 69.56% of FY22 (BE), respectively. One of the major reasons for low spending has been low subsidy. Expenditure on subsidies during April-November has been 68.54% only, with major savings in petroleum subsidies, where only 9.53% of the budgeted amount is spent," said Devendra Kumar Pant, chief economist, India Ratings & Research.

The government figures also show that capital spending has halved in November from a year earlier.

"This is disappointing, even though it can partly be attributed to interruptions related to the festive season," Nayar said.

With a substantial 15% expansion in revenue expenditure, offsetting the sharp contraction in capital spending, the government's total expenditure has logged a rise of only 5% in October-November.

That compares with the 21% uptick in the quarter ended 30 September.

The subdued rise in capital spending could temper the pace of growth of gross domestic product (GDP) in the December quarter, although expedited transfers to the states may provide some support.

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