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FISCAL DEFICIT: INDIA SET TO MISS 2018-19 FISCAL DEFICIT TARGET: INDIA RATINGS

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MUMBAI: India is set to miss its fiscal deficit target for the year ending March 2019 due to a shortfall in revenues and lower-than-targeted disinvestment proceeds, India Ratings and Research said on Monday.

The country's 2019 fiscal deficit target has been pegged at 3.3 percent of its gross domestic product (GDP) or 6.24 trillion rupees ($88.45 billion). But the credit rating agency estimated fiscal deficit at 6.67 trillion - or 3.5 percent of GDP.

"The pressure on government finances is mainly arising from the revenue side, particularly from indirect taxes and non-tax revenue," India Rating analysts said in a note.

Prime Minister Narendra Modi is seeking a second term next year but his plans to keep the fiscal deficit at 3.3 percent of GDP have come under pressure due to muted response from a new goods and services tax (GST) in addition to welfare benefits schemes, particularly for farmers, ahead of the 2019 general elections.

However, in a separate interview to the Economic Times published on Monday, India's economics affairs secretary in the finance ministry, Subhash Chandra Garg, said the government would stick to its fiscal deficit target for the year.

The abrupt roll-out of GST last year has hit businesses hard and led to uncertainty around revenue collections.

India Ratings said that despite the reforms helping plug leakages in GST collections, aggregate indirect tax collections grew only 4.3 percent in the first half of the year compared with a targeted growth of 22.2 percent for the full year.

India's GST collection for fiscal 2017/18 was 98 percent of the budgeted target.

The government is also expected to miss its disinvestment target of 800 billion rupees in 2019, given that it had received only 152.47 billion till the end of October, India Ratings said.

Earlier this year, India had to shelve its plan to sell a 76 percent stake in state-owned carrier Air India due to lack of interest from bidders - a setback not only in its efforts to rescue the ailing airline but also for its goal to cut the fiscal deficit.

"By reducing capital expenditure, the government will again try to reduce the adverse impact of both increased revenue expenditure and shortfall in receipts on the fiscal deficit," the rating agency said.

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