

GOVT TO BORROW RS 2.68 LAKH CRORE IN H2 AS FISCAL DEFICIT ON TRACK

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

NEW DELHI: The government has stayed with the borrowing plan for the fiscal, as announced in the [budget](#), sending a strong signal that it will try and meet the fiscal deficit target despite a sharp cut in corporate tax rate that is expected to cost Rs 1.45 lakh crore.

It will borrow Rs 2.68 lakh crore in the second half of the fiscal, having borrowed Rs 4.42 crore in the first half, of the total planned Rs 7.1 lakh crore for FY20, the finance ministry said on Monday. "Rs 2.68 lakh crore borrowing indicates that the fiscal glide path as indicated in the budget is being maintained," said economic affairs secretary Atanu Chakraborty on Monday, at a media briefing.

Separately released data on Monday showed better fiscal deficit for April-August, at 78.7% of the budget estimate for FY20, much better than 94.7% for the same period last year. The decline in growth to a six-year low of 5% and the subsequent measures to lift growth have raised concerns that government may miss the target for FY20. The government did not say if it would go ahead with maiden overseas sovereign borrowing announced in the budget.

The Rs 2.68 lakh crore borrowing in the second half, 37.75% of the total gross borrowing, will be spread over 17 weekly auctions of Rs 16,000 crore each. The last two auctions will be Rs 14,000 crore each. Experts have said that government's move to maintain budgeted borrowing levels showed commitment to maintaining the fiscal glide path but it faced an uphill task. "The government is determined to keep fiscal deficit in check and for that I think they will have to push divestment... and maybe other sources of revenue like asset monetisation etc." said DK Joshi, chief economist at Crisil.

"We expect a shortfall relative to the budgeted target for FY2020 for the tax revenues," said Aditi Nayar, principal economist ICRA, adding that the situation will become clearer by end of the third quarter. Final borrowings will depend on shortfall in revenues and flows into small savings scheme. Yield on 10-year government bond fell by 4 basis points and closed at 6.7% on Monday. A basis point is onehundredth of one per cent. The government had cut basic corporate tax rates in a move that is expected to have an impact of Rs 1.45 lakh crore on the government's revenue collections.

SOVEREIGN BORROWINGS

Finance minister Nirmala Sitharaman had, in her budget speech, said the government would start raising a part of its gross borrowing programme in external markets in external currencies. However, there was no further clarity on this during Monday's briefing. "We need very careful calibrations and deliberations before it enters in the market. The work on that is presently going on to work out the structures and various pros and cons and it is a process which is long," secretary said. "For this year, all borrowing of the government will presently be in rupee-denominated [bonds](#)."

FISCAL DEFICIT

India's fiscal deficit stood at Rs 5.54 lakh crore at the end of August, which is 78.7% of the budgeted estimate of Rs 7.03 lakh crore for the current fiscal year, or 3.3% of the gross domestic product (GDP). Total government spending during the period was Rs 11.75 lakh crore,

9.75% higher than the year-ago figure of Rs 10.71 lakh crore. Capital expenditure, however, slowed in the current financial year at 40.3 % of the budget estimate against 44.1% in the year-ago period. Total receipts in April-August remained at Rs 6.21 lakh crore, 29.8% of the budget estimate for the full fiscal.

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