Budget 2016: FinMin commits to fiscal consolidation target

Amid calls for deferring fiscal consolidation in the Budget, the finance ministry on Friday came out in strong defence of its policies. According to a statement, the "government is committed to promoting and strengthening inclusive and sustainable development by ensuring proper and effective utilisation of funds provided in the Budget without compromising fiscal consolidation".

As a result of sound prudent policies formulated during 2015-16, the fiscal deficit at the end of November 2015 was Rs 4.83 lakh crore or 87 per cent of the Budget Estimate (BE) for this financial year. The deficit — gap between expenditure and revenue — for the current financial year had been pegged at Rs 5.55 lakh crore (3.9 per cent of GDP).

The ministry said the present situation is an improvement over the previous year's, when the deficit was 98.9 per cent of the BE of 2014-15. In absolute terms, there is a decrease of Rs 41,611 crore over the November 2014 figure.

Similarly, the effective revenue deficit (revenue deficit net of grants for creation of capital assets), which is Rs 2,64,404 crore in November 2015, has shown a significant decrease of 20 per cent at Rs 65,087 crore over November 2014.

The government has also incurred Rs 97,788 crore on Plan expenditure till November, which is 72 per cent of BE at Rs 1,35,257 crore. In the corresponding period of the previous year, the government had spent Rs 62,146 crore or 51 per cent of BE.

Total expenditure also increased from 60 per cent of BE in November 2014 to 64 per cent in the same month in 2015.

The finance ministry has deferred fiscal consolidation path by a year by pegging fiscal deficit at 3.9 per cent of GDP in the current financial year, instead of 3.6 per cent envisaged earlier. Some economists, including chief economic adviser Arvind Subramanian, have advocated revisiting fiscal consolidation road map further to bolster economic growth which has stagnated in the range of 7-7.5 per cent.

(Business Standard)