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AN OVERVIEW OF FISCAL DEFICIT IN INDIA (2011-12 to 2015-16)

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ABSTRACT

The present study is concerned with examining gross fiscal deficit figures in India from 2011-12 to 2015-16. In addition the present study also demonstrates the percentage increase in India's Gross Fiscal Deficit from 2011-12 to 2015-16 taking 2011-12 as base.



KEYWORDS :India, Gross Fiscal Deficit.

INTRODUCTION

A government is required to prepare a statement of its revenue and expenditure every year which is known as budget. There are two major components of budget i.e. revenue and expenditure which can

create three types of budgetary situations, commonly known as surplus budget (where revenue is more than expenditure), balanced budget (where revenue is equal to expenditure) and deficit budget (where expenditure is more than revenue). Fiscal deficit may be defined as a situation where a government's total expenditure is more than total revenue as a result of which government borrow money to fill the gap created by excessive expenditure. In normal circumstances excess of expenditure over revenue is not considered to be a good sign, as it represents financial instability. But, many economists are of the opinion that fiscal deficit is not always bad for the economy the reason being, governments thrust to adjust its income according to its expenditure as against to households where main aim is to adjust the expenditure according to income. Many economists also believe that developmental expenditures by government, financed through borrowings can bring favourable impact on the economy. However, excessive fiscal deficit which is beyond the capacity of government to repay can bring more harm than good. In this context it can also be noted that, government's borrowings taken within permissible limits but not properly utilised can also create number of problems in the economy.

Sources of Fiscal Deficit: There are two major sources of fiscal deficit which are explained as under:

- **Borrowings:** A government can borrow from internal sources (i.e. from public and commercial banks) as well as from external sources (i.e. from international financial institutions and foreign governments).
- **Printing of New Currency:** A government can also borrow from Reserve Bank of India by printing of new currency notes.

Advantages of Fiscal Deficit: The various advantages of fiscal deficit can be highlighted as follows:

- Deficit financing can be used to finance war expenditures like, during Second World War an enormous amount of deficit financing was made.
- Prof. J.M. Keynes advocated deficit financing as an important tool for economic development of a nation where a government incur excessive expenditure on development activities such building of necessary infrastructure for the economy.
- Prof. J.M. Keynes advocated that with the help of deficit financing the problem of unemployment can also be removed from the economy.

Disadvantages of Fiscal Deficit: There are certain disadvantages of deficit financing which can be stated as under:

- Excessive deficit financing taken with the help of borrowings without proper estimation and planning can put a government in severe problems relating to repayment of loans.
- Deficit financing done for unproductive purposes, such as war, natural calamities etc. is not beneficial for the economy.
- Deficit financing done by the way of printing additional currency notes can lead to inflation because of the fact that additional currency notes will increase money supply in an economy.

2. OBJECTIVES OF STUDY

- To estimate the total disbursements made by Indian Government from 2011-12 to 2015-16.
- To determine the total receipts generated by Indian Government from 2011-12 to 2015-16.
- To calculate gross fiscal deficit in India from 2011-12 to 2015-16.
- To calculate the percentage increase in gross fiscal deficit in India since 2011-12.

3. RESEARCH METHODOLOGY

The study is primarily carried out on the basis of secondary data and the noteworthy information's in this perspective has been collected from annual reports of reserve Bank of India (RBI), journals, websites, publications of government etc.

4. ANALYSIS AND INTREPRETATION

In order to present a clear view of India's Gross Fiscal Deficit the data has been arranged in a tabular form followed by figures:

Table 1: Combined Receipts and Disbursements of Central and State Governments in India

Items	2011-12	2012-13	2013-14	2014-15 (RE)	2015-16 (BE)
i. Revenue	11,394.60	12,807.10	13,822.70	16,423.50	16,997.20
ii. Capital	2,163.40	2,446.10	2,747.10	3,822.10	4,461.50
iii. Loans	651.30	488.40	412.30	451.40	438.80
A. Developmental Expenditures (i + ii + iii)	14,209.30	15,741.60	16,982.10	20,697.00	21,897.50
iv. Revenue	4,923.60	5,448.30	6,007.70	6,991.10	7,803.30
v. Interest Payments	4,000	4,543.10	5,329.30	5,948.60	6,656.90
vi. Capital	754.80	837.10	984.40	1,008.90	1,212.40
vii. Loans	17.50	21.90	23.80	29.90	42.60
B. Non-Developmental Expenditures (iv + v + vi + vii + viii)	9,695.90	10,850.40	12,345.20	13,978.50	15,715.20
C. Others	312.40	357.20	432.60	539.60	538.20
1. Total Disbursements (A + B + C)	24,217.60	26,949.20	29,759.90	35,215.10	38,150.90
viii. Tax Receipts	14,427.50	16,879.60	18,413.60	20,859.20	23,206.20
ix. Non-Tax Receipts	2,499.30	2,836.60	3,487.10	5,239.30	5,341.10
D. Revenue Receipts (viii + ix)	16,926.80	19,716.20	21,900.70	26,098.50	28,547.30
x. Recovery of Loans & Advances	253.70	129.30	93.50	92.80	77.10
xi. Disinvestment Proceeds	187.50	259.90	297.30	345.20	696.30
E. Non-Debt Capital Receipts (x + xi)	441.20	389.20	390.80	438.00	773.40
2. Total Receipts (D + E)	17,368.00	20,105.40	22,291.50	26,536.50	29,320.70
Gross Fiscal Deficit (1 - 2)	6,849.60	6,843.80	7,468.40	8,678.60	8,830.20

Rs. in Crores

Source: RBI Annual Reports

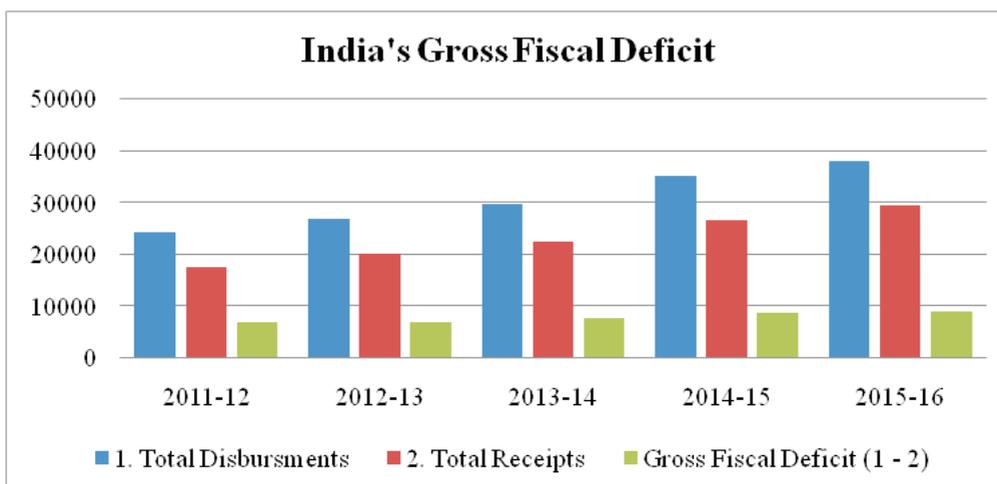
Table 2: India's Gross Fiscal Deficit

Years	Total Disbursements (1)	Total Receipts (2)	Gross Fiscal Deficit (1-2)	Gross Fiscal Deficit (Increase in % Since 2011-12)
2011-12	24217.60	17368.00	6849.60	-----
2012-13	26949.20	20105.40	6843.80	-0.08
2013-14	29759.90	22291.50	7468.40	9.03
2014-15 (RE)	35215.10	26536.50	8678.60	26.70
2015-16 (BE)	38150.90	29320.70	8830.20	28.92
Average	30858.54	23124.42	7734.12	16.14

Rs. in Crores

Source: RBI Annual Reports

Figure 1: India's Gross Fiscal Deficit



Y Axis: Rs. in Crores

Figure 2: India's Gross Fiscal Deficit (Increase in % since 2011-12)

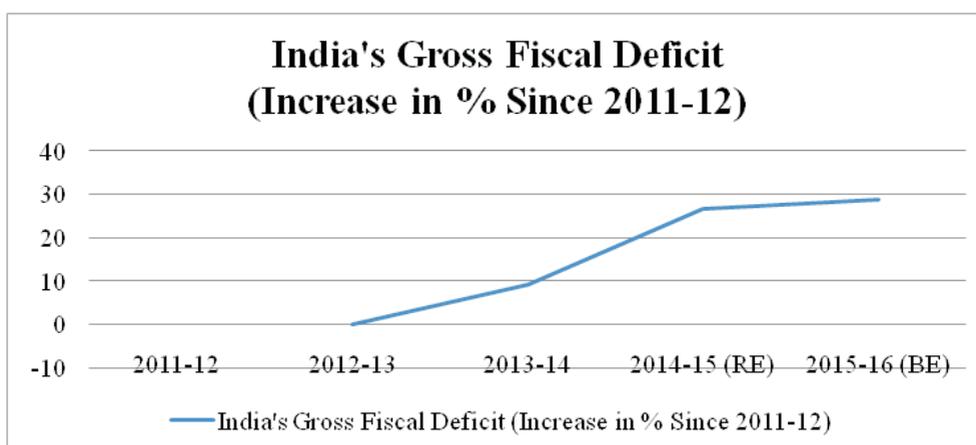


Table no. 1 shows a descriptive data related to combined receipts and disbursements of central and state governments in India from 2011-12 to 2015-16. Table no. 2 reveals total disbursements and

total receipts of government along with gross fiscal deficit from 2011-12 to 2015-16. Table no. 2 also shows the percentage increase in gross fiscal deficit since 2012-13 to 2015-16 taking 2011-12 as base. Figure no. 1 and figure no. 2 is diagrammatical representations of Table no. 2. The above tables and figures reveal the fact that total disbursements are more than total receipts and there has been a continuous increase in total disbursements and total receipts figures of government from 2011-12 to 2015-16, which has resulted an increase in gross fiscal deficit figures except in 2012-13 where the increase in gross fiscal deficit is negative. Total disbursements and total receipts stood at an average of Rs. 30858.54 crores and 23124.42 crores respectively whereas gross fiscal deficit stood at an average of Rs. 7734.12 crores. The most important fact which is revealed by table no. 1 is, the developmental expenditures of government are more than non – developmental expenditures.

CONCLUSION

Gross fiscal deficit is a situation where a government's total expenditures are more than total revenue and in order to meet this extra expenditure a government can borrow money or can adopt the way of printing extra currency notes. As government has to make expenditure on entire economy, circumstances may arise where a government is compelled to incur expenditure beyond its revenue such as expenditures made during natural calamities, war, infrastructural development in the economy etc. Out of these expenditures some are productive while some are non – productive. If money is borrowed for productive purpose then it can prove to be beneficial for the economy, on the other hand if money is borrowed for non – productive purpose then it can create certain difficulties for government.

As far as present study is concerned it can be concluded that:

- Total disbursements are greater than total receipts of central and state governments in India from 2011-12 to 2015-16 combined together.
- Since, developmental expenditures are more than non – developmental expenditures, the central and state governments in Indian will not face difficulty in repaying the money borrowed for meeting these expenditures.

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