

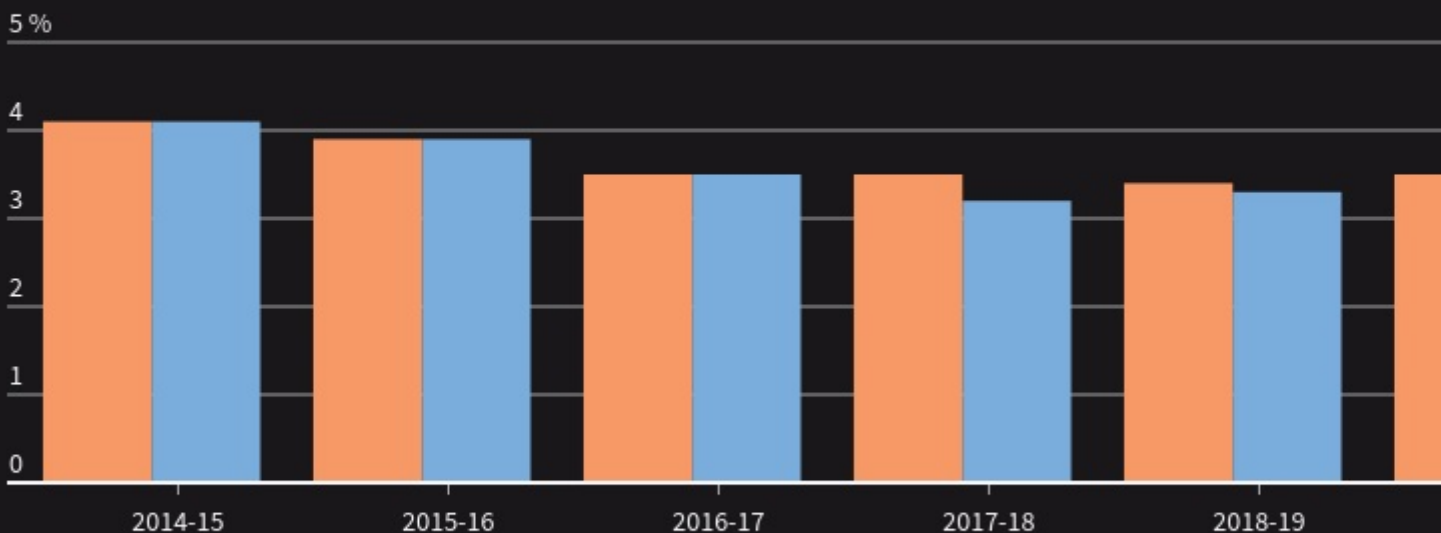


Managing the fiscal deficit

02 DEC,2019 | MEDC

India's fiscal deficit likely to widen in 2019/20

The Indian government is likely to miss its fiscal deficit target for the current fiscal year despite receiving an interest rate cut from the central bank, government officials and advisers said, as tax collections have slumped with economic growth slowing.



For 2019/20 govt sees fiscal deficit target at 3.3%, but sources said that it could end up at 3.5%

Source: Govt of India

Manoj Kumar | REUTERS GRAPHICS

India's fiscal deficit for the first seven months of this financial year has already breached its estimate for the whole year. Most experts expect the government to miss the 3.3% fiscal deficit target for this year. We are clearly, living beyond our means and in an unsustainable manner. The main supply side measures (tax cuts) initiated by the government are necessary, but not sufficient, to boost demand. For growth to be sustainable, fixed capital formation as a share of GDP has to rise. Constraints facing stalled projects need to be systematically resolved. GST functioning should be smoothed, and its implementation process made more acceptable to larger sections of trade and industry. An innovative policy approach is necessary to optimize India's inherent economic resilience.

**Photo Credit: Google*