FISCAL POSITION OF THE UNION BUDGET IN INDIA DURING COVID-19

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ABSTRACT

The present study analyzes the fiscal position as an instrument to measure the amount of government borrowing to require the financial position and their budget shortfall. This study traces the major current changes in the Indian fiscal system during the period 2019-22, though the union's Government adopt the fiscal rule to reduce the financial crisis during the epidemic period of Covid-19. However, the current study also traces the percentage of GDP decrease because of the problem of lockdown during Covid-19 and also studies the budget position in India. The paper concludes with a discussion on the composition of union government receipts and expenditure position in the current scenario and indicated the situation of fiscal and revenue deficit of the government budget. Finally argue that subsidy rationalization is the way forward to fund the much-needed health expenditures and transfers while maintaining fiscal discipline.

Keywords: ***Government Budget, Fiscal deficit, primary deficit, Revenue Deficit, GDP, Fiscal Policy, Covid-19, public revenue, and public expenditure.***

1. INTRODUCTION

The fiscal position is one of the common processes of the budget in India. This term broadly studies the strength of the financial position of the Union Government in India. But the present scenario fiscal deficit imbalanced the budgetary position in India. It is a very important instrument used to measure the union's budgetary position. The global economy has come to a near standstill because of the COVID-19 problem (Jena, 2018). The enforced economic shutdowns were implemented throughout the whole world. Under this scenario, fiscal policy can provide temporary relief to those most impacted by the shutdown (Barua, 2020). With the widespread disruption in the economy, carefully designed government expenditure could help ease the pain as well as nourish the economy back to its full potential (Balajee, 2020). However, the fiscal policy has to be guided by the available fiscal space and cannot operate in a vacuum (Ganai, 2023). In this context, the study looks at the current fiscal situation in India and how it will be affected by the pandemic problem. India adopted the Fiscal Responsibility and Budget Management (FRBM) Act in 2003 to restore fiscal discipline and bring down the fiscal deficit under pre-defined limits (M A Ganai, 2022)

1.1 FISCAL POLICY IN INDIA

Post-independence in India's annual budgetary process has followed five-year plans for ensuring long-term economic objectives. This process was under the control of the planning commission, but there is no specific provision in the constitution. The plan component has long-termsocio–economic goals as determined by the ongoing plan process. Non-plan expenditure is based on government expenditure for administration, salaries, defense, pension, etc. Initially, fiscal policy was deriving the development and also sharp progress of budget position in 1980 resulting from the balanced payment crisis of 1991 (Ganai M. A., 2021). After that public debt situation again seemed to head towards an unsustainable level around 2000, but the Indian government adopted a new fiscal deficit discipline framework that was intrude in 2003 when the parliament passed the Fiscal Rule (Buiter, 2006). In terms of tax policy both direct taxes and indirect taxes were focused on increasing revenue from the private sector to fund the public sector and achieve redistributive goals. In 1950-51 near about 6.3 % ratio of GDP was estimated by the union government of India. But in the current scenario, India adopted the post-economic reform that is LPG. After that union government also used fiscal rule policy for improving the condition of the Gross Domestic Product in India (Ganai N. P., 2021).

The present paper is based on the analyze the current situation of Domestic Product, the period from 2018-2023 which is illustrated in Table 1.

Table.1. percentage of GDP in India (2018- 2023)

Years	Percentage of GDP
2018-19	4.5%
2019-20	3.7%
2020-21	-6.6%
2021-22	8.7%
2022-23	7.0%

Source: Economic survey 2022-23.

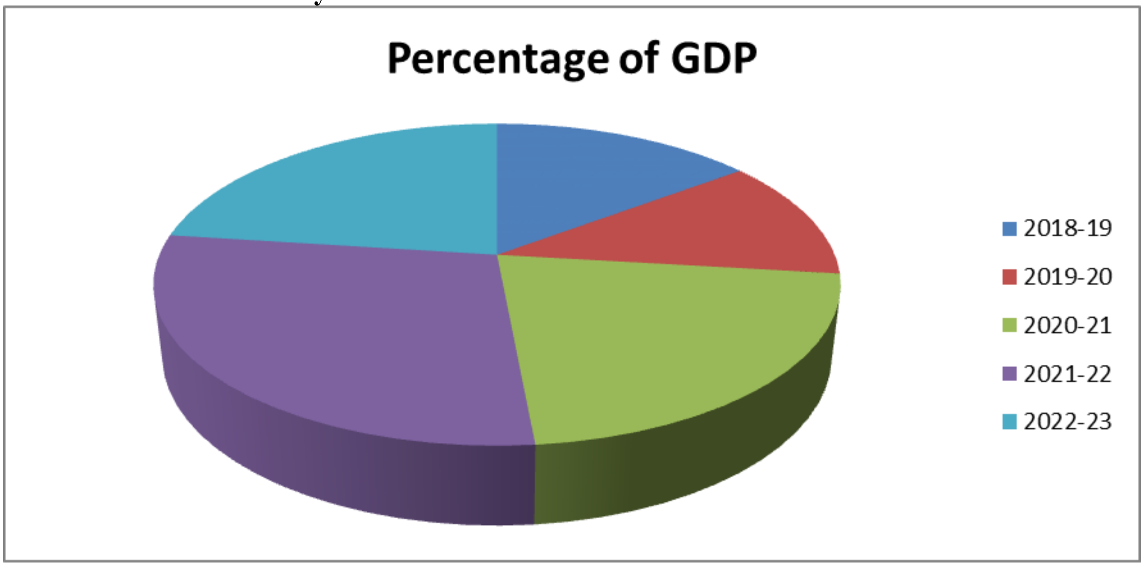


Chart 1. Percentage of GDP.
Source: Researcher's compilation based on the table: 1.

The above table.1 and Chart 1 indicate the variation in the percentage of GDP from 2018-19 to 2022-23. The percentage of GDP rise from 4.5% in 2018-19 to 3.7% in 2019-20, -6.6% in 2020-21. The percentage of GDP rises to 8.7% in 2021-22. But the percentage of GDP decreases to 7.0% in 2022-23 due to the financial crisis problem of covide19.

1.2. OBJECTIVE OF THE STUDY

To study analysis of the various trends of the government of India to cover the deficit financing in the current scenario and also highlights the events of 2018-22, covering the new or current situation of the union budget. The present also analysis the composition of budget estimation from 2018-19 to 2021- 2022. The present study is based on the two objectives

- To analyse the fiscal position of the Indian Union budget.
- To examine the position of the public revenue and expenditure of the Indian Union budget.

1.3 METHODOLOGY

The methodology studies secondary sources, which were collected from secondary sources. The data is available from various sources such as the Handbook of Statistics on the IndianEconomy, Budget documents of the Government of India and Finance Accounts (Various Issues), Reserve Bank of India (RBI), Indian Economic Survey,

1.4. THE CURRENT FISCAL SITUATION IN INDIA

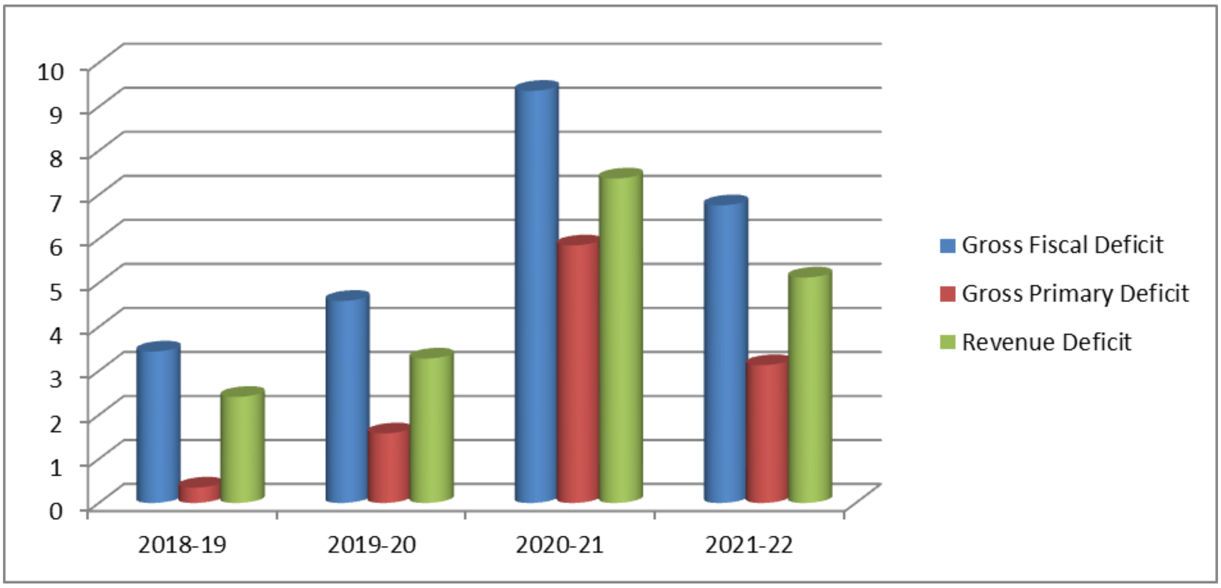
On the basis current budgetary position in India first in 2003 India adopted the fiscal responsibility rule in order to improve the condition of fiscal discipline. Under this Act government of India targeting and aiming to achieve 3.0 % . and revenue deficit nullified. But in 2019- 20, it stood at 3.44% significantly above the 3% target. In 2008 there is one global crisis (GFC). As for this scenario, the fiscal deficit was packed at 6.6 % during this period (Sucharita, 2011). After that, we can notice that the fiscal deficit should be reduced in each successive year. But suddenly one of the problems took place i.e. the Covid-19 lockdown, which is one of the most drawbacks of the Indian economy to reduce the Gross Domestic Product (Das, 2020)

But this paper's analysis is interpreted through the schedules, graphs, and charts.

Table: 2 Percentage of Gross fiscal deficit, Gross primary Deficit, and Revenue Deficit.

Years	Gross Fiscal Deficit	Gross Primary Deficit	Revenue Deficit
2018-19	3.44	0.35	2.41
2019-20	4.59	1.58	3.28
2020-21	9.36	5.85	7.37
2021-22	6.76	3.13	5.12

Source: Handbook of statistics on Indian Economy.

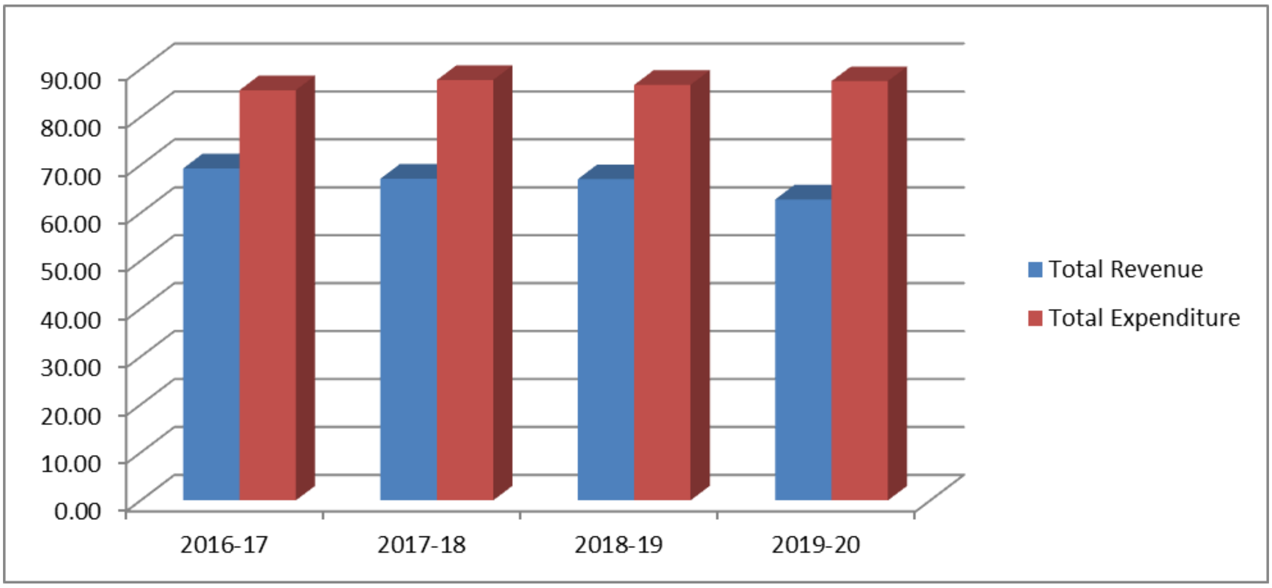


Graph 1. Percentage of Gross fiscal deficit, Gross primary Deficit, and Revenue Deficit.
Source: Researcher's compilation based on Table 2.

The above table and graph show that percentage of Gross Fiscal Deficit, Gross Primary Deficit and Revenue Deficit from 2018-19 to 2021-22 varies from year to year.

Table: 3 Percentage of Total Revenue and Total Expenditure from 2016-17 to 2019-20.

Year	Total Revenue	Total Expenditure
2016-17	69.26	85.59
2017-18	67.13	87.72
2018-19	67.04	86.71
2019-20	62.81	87.50



Graph 2. Percentage of Total Revenue and Total Expenditure.
Source: Researcher's compilation based on Table 3.

The table and graph show the percentage of total revenue and total expenditure varies from 2016-17 to 2019-20. The percentage of total receipts was estimated to 69.26% in 2016-17, 67.13 in 2017-18, 67.04 in 2018-19, and 62.81 in 2019-20. And likewise, the percentage of total expenditure was estimated to 85.59 in 2016-17, 87.72 in 2017-18, 86.71 in 2018-19, and 87.50 in 2019-20.

1.4. FISCAL SITUATION OF INDIA IN COVID- 19

Covid-19 is a pandemic or health crisis, this crisis has rattled the world economy. In India government has promoted the 1.7 trillion fiscal packages to control the pandemic crisis. Under this situation, fiscal policy can provide relief to those most impacted by the shutdown. In some its full potential. As for as concerned the deficit situation in post-Covid-19 is measured and the spread of the pandemic will impact the fiscal deficit situation has been divided into two channels first is the allocation of a sizable portion of their budget to fight the pandemic which includes expenditure on health and social security. The second part includes the enforced lockdown and containment measures that will lead to full economic activity and will also lead to a fall in GDP as well as tax collection. So that it will check the expenditure go up, but the tax receipts will also go down. In the same case, GDP goes in the down word direction and the deficit exceeds because of due to pandemic global crisis of Covid-19.

1.5. FINDINGS

- The first findings are based on the analyses of the first objective. For the analysis percentage method was used to analyse the data. The researcher found that the percentage of the Gross Fiscal Deficit was estimated to be more as compaired to revenue deficit and primary deficit. The researcher also found that the revenue deficit was estimated to be more as compared to the primary deficit. At last the researcher found that the fiscal deficit has increased year after year because of the financial crisis and the recent problem of Covid-19.
- The second findings was based on the analyses of the second objective. For the analysis of the data, the percentage was used. The researcher found that the total expenditure was estimated more as compared to the total revenue.

CONCLUSION

In the overall context from 2018- 19 to 2021- 22, various Financial Problems were faced by govt of India, but recently pandemic covid-19 due to these problems fiscal position of India was not good. But the union government led to take steps to promote introduce and adopt economic reform and use the fiscal to ensure that the Fiscal Deficit stood at a more reasonable level. However, since 2018-19 Union Government has undertaken fiscal policy for the purpose to reduce the fiscal deficit and also adopt the fiscal policy to exceed the percentage of GDP leading to a more resilient economy. The study provides calculations of the potential fiscal deficit for India in 2018-18 to 2021-22 to support expenditure related to fighting the COVID-19 pandemic. The study also expects that a total fiscal stimulus of 2.2-4.8% of GDP may be necessary based on the global benchmark. However, the risk of a rating downgrade and fiscal deficit spike will make it harder to loans and spend. The government can, therefore, use this crisis as an opportunity to rationalize existing subsidies to mitigate the economic fallout due to COVID-19 as well as prevent debt overhang in the future.

SUGGESTIONS

- On the bases of the finding of the first objective, the researcher suggested using the fiscal policy, implementing the fiscal responsibility rule, and also adopting the FRBM Act to restore the fiscal position of the country.
- For the finding of the second objective, the researcher suggested the govt may be follow the Contractionary fiscal policy to reduce the total expenditure automatically fiscal deficit, revenue deficit and primary deficit may be reduced.

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