

1/22
3
Idea of fiscal prudence is the key to bring robust macro-economic stability in the country. Analyse.

Fiscal prudence is the ability of the government to sustain smooth monetary operation and long term fiscal conditions. Fiscal prudence forms the base for sound macro economic stability.

Threats to macro economic stability

1. Exchange rate has dipped by more than 8% since 2022 due to Ukraine crisis and Deam loop fears in Europe and recession in US. Rupee had slipped past the ₹81 mark.

2. Forex reserves has gone down to \$532 billion lowest in two years to keep the rupee afloat and the REER - real effective exchange rate stands at 114 indicating a downward trend.

3. States burden states debt burden has risen manifold many states have debt to GSDP ratio of more than 40%.

Towards Fiscal prudence

1. Reforms have been made in the power sector by the RDS revamped distribution scheme to curive the cutting discoms. This can help the industries to push manufacturing.

2. Export promotion - assistance is provided through TIES + trade infrastructure Export scheme and MAI market access initiative. FTAs and early harvest schemes have been concluded with UK and ~~with~~ CEPA with UAE

3. Implementing the UK Smith committee recommendations of 60% central debt of 60% and states 20% of the FRBM act.

India's stimulus goes to the targeted sector during covid unlike \$200 by US and fuel scheme of UK we are in a prudent position. A responsible action can take us towards Economy 2.0