

8th Feb, 2023

GS-3 - Economy

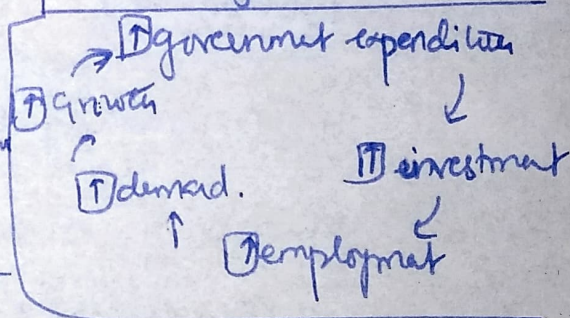
3. A stronger fiscal consolidation road map is needed over medium term in the country. Discuss in the context of Union budget 2023-24.

Fiscal consolidation is the process of reducing government's expenditure within particular limit and also reducing the debt burden.

Fiscal consolidation with respect to budget 2023-24

Growth in the economy depends on government's expenditure size.

current Total government Expenditure to Gross domestic product was marginally lesser compared to previous year budget.



[But composition of expenditure - may promote positive growth]

Capital expenditure → 37% increase; Revenue expenditure - constitute 1.2%.

Fiscal consolidation Road Map

while budget has provided timeline for 4.5% Gross domestic product of fiscal deficit by 2025-26; no fixed timeline for achieving 3% of fiscal deficit envisioned by Fiscal Responsibility & Budget Management Act.

Concerns

1. At current rate of fiscal deficits it may take another 2-3 years to achieve the target period huge fiscal deficit
2. Even achieved, the public debt to Gross domestic ratio of 40:1 is difficult to achieve
3. Increasing fiscal deficit ~~government expenditure~~ may leave less for primary expenditure.

Solutions

1. Enhancing private expenditure in the economy for medium term growth
2. Government must leave the investable area of for investment with for private currently only 1.1% investable area left for private.
3. Central public sector undertakings itself are investing 1.1% of Gross domestic product leaving less space for state public sector and private financing.

Way forward

Increasing private funding, will reduce Government's burden, and leave space for primary expenditure. Also augment medium term growth and fiscal consolidation.