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India's fiscal deficit shot up to 135.1% of the Budget target of nearly ₹8 lakh crore for 2020-21, in the 8 months from April 2020 to November 2020, as per data released by the Controller General of Accounts on Thursday. The figure had stood at the end of November 2019 had stood at 114.8% a year earlierof 2019-20 BE.

Revenue deficit, which had crossed 125% in the first half of the year, almost touched 140% of the Budget target by November, with just about 40% of the annual estimated revenue receipts coming in. The fiscal deficit had reached stood at 120% of the year's target, or ₹9.53 lakh crore by the end of October. It rose to ₹10.8 lakh crore in November.

Government spending, including capital expenditure that is considered critical to revive the economy, remained lower than a year agoearlier, though there was a month-on-month uptick in November.

Just Only 62.7% of the budgeted expenditure for thise year had been spent by November, lower than the 65.3% recorded a year earlierat the same time in 2019-20. Capital expenditure fared even worse, touching 58.5% of target by November 2020, compared to 63.3% a year ago. "With four months to go in the year, a lot depends on how the government manages its expenditure," said Madan Sabnavis, chief economist at CARE Ratings. "If all the allocations mentioned in the Atmanirbhar programmes are executed, then fiscal deficit will increase to around 9% of GDP — a deficit of around ₹17-18 lakh crore." ICRA principal economist Aditi Nayar said the fiscal deficit for the year will reach ₹14.5 lakh crore or 7.5% of its nominal GDP estimate; she and saw some encouragement from public spending in November.

Monthly outgo recorded a expanded year-on-year expansion of by "32% for revenue expenditure and nearly 250% on a small base for capital expenditure. A sustenance of this trend will bolster economic activity, and help the Indian economy exit the recession in the coming quarter," Ms Nayarshe said.

Mr. Sabnavis said higher government spending was seen in the health and consumer affairs Ministries, but several allocations announced may not finally be invoked this year, which can bring downlower the deficit by ₹1 lakh-₹2 lakh crore. “We do not expect compensations on the revenue side where tax revenue at best is maintaining the monthly target.” he said.

Lower receipts to blame

Sunil Kumar Sinha, principal economist at India Ratings and Research — which expects FY21 fiscal deficit at 7% of GDP: “The expenditure pattern suggests that expansion in fiscal deficit is not due to increased expenditure which has been muted so far. The higher fiscal deficit is primarily originating from lower receipts.”

Corporate tax collections were ₹1.03 lakh crore lower year-on-year and income tax collections were down ₹33,000 crore. Non-tax revenue has also been lower so far at just about 32% of budgeted amount, Mr. Sabnavis pointed out.