

## Revenue stress: Fiscal deficit in first half soars to 115% of target

Gap between revenue, expenditure at Rs 9.13 trn, against Rs 7.9 trn estimated in Budget for full year

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Facing severe revenue stress because of muted economic activity during the Covid-19 pandemic, the Union government's fiscal deficit soared to 115 per cent of the full Budget estimates in the first half of 2020-21.

The gap between the Centre's revenue and expenditure touched Rs 9.13 trillion

between April and September, the government data showed. During the same period last year, the fiscal deficit stood at 92.6 per cent of the Budget target. The fiscal deficit had breached the Budget target in July itself as the economy faced the most stringent lockdown in the first quarter.

A fiscal deficit arises when government spending exceeds revenues. While the government is facing a sharp revenue shortfall, it is maintaining spending to infuse demand in the economy by way of stimulus.

The Budget estimates fixed in February no longer hold due to the pandemic and the targets will undergo a sharp revision once government revisits the projections. However, the government is sticking to its enhanced gross market borrowing target of Rs 12 trillion for FY21.

Experts estimate the fiscal deficit to exceed 8 per cent of GDP, as against 3.5 per cent estimated for the current fiscal year.

<b>FACING REVENUE SHORTFALL</b>			
(₹ trillion)	Apr-Sep	2020-21 (BE)	% of BE
Net tax revenue	4.58	16.36	28.0
Non-tax revenue	0.92	3.85	24.0
Non-debt capital receipt	0.14	2.25	6.5
Total revenue	5.65	22.46	25.2
Revenue expenditure	13.13	26.30	49.9
Capital expenditure	1.65	4.12	40.3
Total expenditure	14.70	30.42	48.6
Fiscal deficit	9.13	7.96	114.8

BE: Budget Estimates; Source: Controller General of Accounts

Madan Sabnavis, chief economist, CARE Ratings, said while the fiscal deficit will slip sharply this year to around 9 per cent of GDP, a lot depends on revenue collections picking up in the second half. “The reports of consumerism

picking-up hold the key. However, this needs to be sustained. The other challenges are in the area of disinvestment where there has not been much movement. The government does have some aggressive plans which need to materialise in the next 5 months,” he said.

The Centre will borrow Rs 4.34 trillion, or about 34 per cent of the full-year target in the second half, which will account for stimulus measures and lower-than-expected disinvestment revenues, according to the government.

The fiscal slippage was largely on account of a 32.3 per cent decline in revenue receipts, even as capital spending was also down 12 per cent in the first half.

For April to September, tax and non-tax revenues continued getting hit due to the slowdown in economic activity. According to the data by the Controller General of Accounts, net tax revenue was 28 per cent of the FY21 BE (Budget estimate), against 36.8 per cent for the same period last year. Non-tax revenue was 24 per cent, compared to 66.7 per cent the corresponding period last year, and non-tax capital receipts, which include divestment, was 6.5 per cent, compared to 17.2 per cent a year ago.