

MA Econ, Sem-III,

NEED FOR ACTION ORIENTED FISCAL PLAN

By

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Need for Action Oriented Fiscal Plan : It is well known that the budgetary outcomes are structural. The Government must have to become sensitive to the situation and to formulate a serious action-oriented time-bound approach for restoring the fiscal health of the economy. The fiscal and revenue deficits are difficult issues and require the State to design hard politico-economic and administrative measures. In this context, the following policy options probably merit specific attention by the State. The huge fiscal deficit predominantly contributed by the revenue deficit, and financed by borrowings particularly through central loans, the public account loans and withdrawals from the

contingency fund must be cut down immediately and systematically. These deficits push the State into fiscal depression and the State has to seek withdrawal from cash balances rendering them negative and also to borrow under ordinary and special ways and means advances just to maintain the minimum balance. This situation must stop as it has serious implications in terms of eroding the assets of the State, raising debt accumulation and rendering budgets inflexible.

The State is required to work on generating revenues from tax and non-tax sources; cut down unproductive expenditure while simultaneously improving utilisation level of capital expenditure; cut down its outstanding debts and substantially improve the utilisation levels of fiscal transfers obtained from the Centre. Within this framework, the State has to move mainly on following fronts.

- (i) The State is not likely to have a constantly increased flow of fiscal transfers as compared to the past,
- (ii) The truncated state is likely to loose quite considerably its own tax and non-tax revenue receipts. In fact, the trend has

always set in as State's own tax revenue has steadily fallen by about 30 percent,

(iii) The non-plan-non-development expenditures of the State has not come down in the same proportion as has been the case with the State's own revenue. In fact, committed expenditures like salary, pensions, interest payments has increased in the recent years. It brings in an immediate need to right size its bureaucracy and political structures,

(iv) Pressure on the State to undertake growth would rise substantially as it has ignored its development needs for too long and much more in recent years, after the bifurcation. For instance, the development expenditure in the last three years has roughly come down by one-third, whereas non-development has come down only by about 3 percent. Ignoring maintenance of the old infrastructure facilities and not putting in new investments would have an adverse effect on the rate of economic growth.

The State should bring out a White Paper on the status of its public finance and the implications of the action oriented fiscal plans; It should also strengthen its Finance Division comparable to

