

INDIAN FISCAL POLICY AND ITS PROBLEMS

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Abstract

Fiscal policy is a policy with respect to all government resources and use of funds and their composition. It denotes the use of budgetary instruments (taxation, public borrowing, public spending) for advancement of the socio-economic goals of a country. It involves giving positive and negative incentives to producers and consumers through the expenditure and revenue policies. The fiscal policy is concerned with the raising of government revenue and incurring of government expenditure. To generate revenue and to incurring expenditure, the government frames policy called fiscal policy.

Fiscal policy refers to " that segment of national economic policy which is primarily counts with the receipts and expenditure of central government". Government spending policy influence macro-economic conditions. Through fiscal policy regulators attempt to improve unemployment rates, control inflation, stabilize business cycles and influence interest rates in an effort to control the economy. Black money and Deficit financing is major problem in fiscal policy. and also public investment is also problem.

Keywords: Black Money, Revenue, LTFP, Fiscal Policy, Economic Policy, Macro-Economic Conditions.

Introduction

Fiscal policy deals with the taxation and expenditure decisions of the government. The government deals with fiscal policy. Fiscal policy is composed of parts. These include, tax policy, expenditure policy, investment or disinvestment strategies and debt or surplus management. Fiscal policy is an important constituent of the overall economic framework of a country and is therefore intimately linked with its general economic policy strategy. The following are the strains and new pressures in Indian government's fiscal operations:

- **Disequilibrium Between Revenue and Expenditure**-There has been persistent disequilibrium between the government revenues and current expenditure. It is observed that the disequilibrium between revenue and expenditure has been showing an increasing trend.
- **Not so Buoyant and Responsive**-The tendency of non-plan current outlay to expand much faster than the tax revenues suggests that expenditures are more responsive to inflation than as revenues. This means that the Indian tax structure has not been sufficiently buoyant and responsive to growth in income.
- **Black or Unaccounted Money**-The share of direct taxes in the total tax revenue as well as percentage of GNP, has declined in the recent years, despite economic expansion. This obviously means a serious failure of the tax structure in terms of both tapping additional income as well as to reduce concentration of income and wealth. Perhaps, a major part of the problem arises on account of the existence and growth on black or unaccounted money incomes which escape the tax net. The tax evasion remains the major factor to India's fiscal policy.
- **Low Returns on Public Investment**-Added to the problem of lack of buoyancy of the tax system, there is the problem of low returns of public investment. It is well known that a vast majority of

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