

CHAPTER: 2

Fiscal Developments

Key-Terms

- **Countercyclical Fiscal Policy:** Cyclical policy of the fiscal policy simply refers to a change in direction of government expenditure and taxes based on economic conditions. These pertain to decisions by policymakers based on the fluctuations in economic growth.
- **Revenue Deficit:** If the balance of total revenue receipts and total revenue expenditures turns out to be negative it is known as revenue deficit.
- **Effective Revenue Deficit:** Effective revenue deficit (ERD) is a new term introduced in the Union Budget 2011–12. Revenue Expenditures includes all the grants which the Union Government gives to the state governments and the UTs—some of which create assets. ERD is the RD ‘excluding’ those revenue expenditures of the Government of India which were done in the form of GoCA (grants for creation of capital assets).
- **Fiscal Deficit:** Fiscal deficit is the difference between the government’s total expenditure and its total receipts excluding borrowing.
- **Primary Deficit:** It is simply the fiscal deficit minus the interest payments.
- **Revenue Receipts:** These are those receipts which neither create any liability nor cause any reduction in the assets of the government.
- **Capital Receipts:** These are receipts that create liabilities or reduce financial assets.
- **Non-debt Capital Receipts:** Non-debt receipts are those which do not incur any future repayment burden for the government.
- **Non-Tax Revenue:** Non-Tax revenue comprises mainly of interest receipts on loans to States and Union Territories, dividends and profits from Public Sector Enterprises including surplus of Reserve Bank of India (RBI) transferred to Government of India, receipts from services provided by the Central Government and external grants.

◦ Introduction

- The global economy experienced an unprecedented crisis in the year 2020.
- The COVID-19 pandemic forced countries to resort to lockdown that had a sudden and intense impact on the economic activity, financial markets and survival of the vulnerable sections of the society.
- Amidst this phase of shock and uncertainty massive fiscal measures, amounting to 12 percent of global GDP, were taken globally to mitigate the adverse impact of the pandemic.

◦ Fiscal Situation and Response to Covid-19 Pandemic