



 Jashvant Raval\*

## Evolution and Future of Fiscal Policy in India

The word “fiscal” means relating to finance particularly public finance. It includes revenues and expenses of the government. A fiscal policy therefore means the policy which decides about ways and means of raising finances and determining the disbursements. India is having a federal structure and therefore, fiscal planning is done at national level as well as state level. The Central Government or the Government of India prepares the fiscal policy of the country as a whole and each state also, based on its own geographical and economic conditions, follows a particular fiscal policy.

### Background and Brief History

In 1947, India became Independent and the financial planning and annual budget system began in 1950 when Planning Commission was set up. The Planning Commission was dissolved in 2014 to be replaced by NITI Aayog. NITI stands for National Institution for Transforming India. Our country also adopted 5 Year plan pattern to take care of cyclical pattern and medium to long term economic and social objectives.

During the initial periods, our planning and development strategies were based on conservative fiscal policy. This means the fiscal deficit was kept under control on the popular concept of spend as much as you earn. This obviously leads to slow growth. Probably our planners in those days had not taken a leaf out of New Deal Policy (NDP) enacted during the presidency of Franklin D. Roosevelt of the USA in the post-depression period (1930s). This author believes that the 3 “Rs” of the NDP namely Relief, Recovery and Reform are relevant even today. India has seen good recovery post liberalization in 1991 when the third “R” namely Reform was put into

practice. It’s a public knowledge that our liberalization process in 1991 was almost involuntary and was due to unparalleled balance of payment crisis. Since liberalization, the Tax reform system commenced and fiscal deficit was brought under control to some extent. It is not that we have smooth sailing since then. The deficit and debt situation once again worsened in early 2000 leading to more regulations and legislation to control the deficit and bringing in more discipline. It took nearly 5 to 7 years to achieve a comfort level. Once the economy was liberalized, we realized that we were no longer insulated from the external factors and off and on, we started to become victim of global turbulence.

### What Constitutes the Policy?

As explained earlier, the basics of the policy are ways and means of raising funds and allocating the same for various types of disbursements based on economic needs like relief to poverty, provisions for disaster and political objectives of party in power. However, in order that the politics does not take precedence over economic interests, there are checks and balances in the form of various regulations and commissions such as the Finance Commission and committees to take care of central and state government dealings inter-se and setting standards for distribution of wealth among the needy (people or states). India carries out extensive exercise of annual budget to be placed by the Finance Minister every year which represents the estimates of Government Revenue and Expenditure for the approval of Parliament. An extract from the Annual Budget reproduced below gives a Bird’s- eye view of Revenue gathering and disbursement exercise.

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\*Principal Partner, JCR & Co.

## Sources of Revenue

### Revenue Receipts

#### A. Gross Tax Revenue

- (i) Taxes on Income and Expenditure
- (ii) Taxes on Property and Capital Transactions
- (iii) Taxes on Commodities and Services

#### B. Gross Non - Tax Revenue

- (i) Fiscal Services
- (ii) Interest Receipts, Dividends and Profits
- (iii) Other Non-tax Revenue (includes General Services, Defence Services, Social & Community Services, Economic Services & Non Tax Revenue of Union Territories)

#### C. Grants-in-aid and contributions (includes internal & external)

### Revenue Disbursements/Expenditure

#### A. General Services

- i. Organs of State
- ii. Tax Collection
- iii. Other Fiscal Services
- iv. Interest Payment and Servicing of Debt
- v. Administrative Services
- vi. Pensions and Miscellaneous General Services
- vii. Defence Services

#### B. Social Services

#### C. Economic Services

- i. Agriculture and Allied Activities
- ii. Rural Development
- iii. Special Areas Programmes
- iv. Irrigation and Flood Control
- v. Energy
- vi. Industry and Minerals
- vii. Transport
- viii. Communications

ix. Science Technology and Environment

x. General Economic Services

#### D. Grants-in-Aid and Contributions

*The difference between the Revenue and Disbursements is Fiscal Deficit, if the Expenditure is higher than the income.*

### Capital Receipts

#### A. Public debt

Internal Debt recoveries by Central Government

#### B. Recoveries of loans and advances

#### C. Miscellaneous capital receipts

### Capital Disbursements/Expenditure

#### A. Capital Account of General Services

#### B. Capital Account of Social Services

#### C. Capital Account of Economic Services

- a. Capital Account of Agriculture and allied activities
- b. Capital Account of Special Areas Programmes
- c. Capital account of Irrigation and Flood Control
- d. Capital Account of Energy
- e. Capital Account of Industry and Minerals
- f. Capital Account of Transport
- g. Capital Account of Communications
- h. Capital Account of Science Technology and Environment
- i. Capital Account of General Economic Services

### Outside the Revenue Account

#### Public Debt

a. Internal Debt of Central Government

#### Loans and Advances

#### A. Loans for Social Services

#### B. Loans for Economic Services

- a. Loans for Agriculture and allied activities
- b. Loans for Special Area Programme

- c. Loans for Energy
- d. Loans for Industry and Minerals
- e. Loans for Transport
- f. Loans for Science Technology and Environment
- g. Loans for General Economic Services

### C. Other Loans

### D. Transfer to Contingency Fund

The above statements of Receipts and Disbursements (Revenue & Capital) are known as Consolidated Fund of India.

### Important Features of our Fiscal Policy

1. The Constitution of India provides that every year the Government shall place before the legislature a proposal for taxes and spending for debate and approval.
2. Our country has a federal structure of governance.
3. This leads to devolution of rights to Central Government (CG) as well as State Governments (SGs).
4. We also have a third tier of governance namely Local Bodies. (From Municipal Corporations to Gram Panchayats).
5. These local bodies also have right to collect certain levies at local level like octroi etc. (abolished since introduction of GST).
6. The Constitution provides for setting-up of Finance Commission every 5 years basically to take care of needs of states that are unable to raise revenue to meet their expenditure due to geographical and social conditions. The commission holds discussion with every State to finalize devolvement of funds from Central Government (CG) to State Government(SG).
7. In the federal structure, the CG is expected to take care of areas of national importance such as Railways, National Highways, Shipping, Defence, Post & telegram, Airways, Foreign Policy, and Foreign Trade & Banking.
8. The SGs are responsible for Law & Order, water supply, fisheries, agriculture & public health.
9. Certain activities and responsibilities are allowed and cast upon CG & SGs simultaneously. These are stated in the Concurrent list.
10. CG has right to levy income taxes on wealth except agriculture income.
11. SGs are authorised to levy taxes on Agriculture, Sale of Goods (other than interstate). Land & Building and Excise on alcohol.
12. The Expenditure part of the budget includes Revenue Expenditure and Capital Expenditure. It also includes Planned and Unplanned Expenditure. The Planned expenditure covers subject of long term goals of socio economic nature which are planned from year to year. Non planned Expenditure includes government expenditure for administration. Planned expenditure is considered to be growth enhancing.
13. As stated earlier, the fiscal deficit keeps fluctuating from year to year having impact on finances of the country. When the Fiscal Deficit and debts sore, the country faces financial problems. To control and streamline the level of fiscal deficit, the parliament has passed in the year 2003 a law named Fiscal Responsibility & Budget Management Act. Although limit of fiscal deficit as a percentage to GDP was fixed as also the time line, it has been reviewed and postponed from time to time. It has been debated endlessly that such limit in a country like India is impractical where the government has to continue to spend for uplifting of the masses.
14. Taxes are the main sources of Revenue and there are two types of taxes namely Direct and Indirect taxes. Direct Taxes like Income Tax are borne by the payees. On the other hand, indirect taxes are levied on intermediaries from manufacturers to last retailers and form part of final price(MRP) to the customers. These taxes are recoverable from the buyer. GST is the example of Indirect Tax. Of Late, many indirect taxes have been merged after passing CGST Act, 2017.
15. There are various principles which are invoked or followed while determining level of taxes, the subject matter of taxes and the target audience.

16. Various principles like tax the rich and exempt the poor, higher tax for luxuries and low taxes for common men's basic requirement, lower taxes on life saving drugs and higher taxes on cigarettes are a few examples.
17. With introduction of GST, the tax net has been widened extensively.
18. To raise additional revenues, a surcharge is collected by CG on many taxes. These surcharges are generally not shared with states.
19. Compared to developed countries, tax paying population in Direct taxes is very low (3% of total population) in India.
20. Our Fiscal Year starts on 1st April and ends on 31st March.

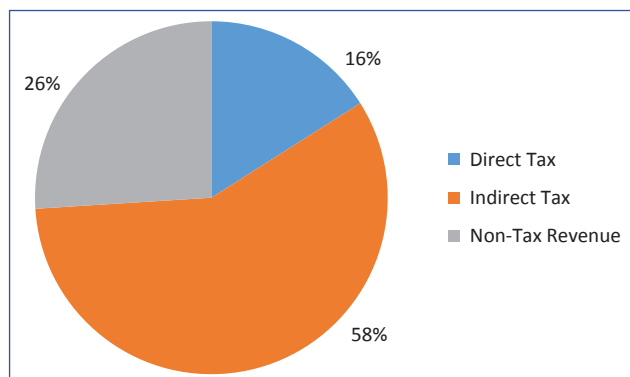
### Major Turns & Twists

1. Soon upon setting up Planning Commission in the Year 1950, the planning process favoured Soviet model whereby, public sector participation was encouraged and strengthened. Therefore, to encourage the public sector, our policy framework imposed numerous administrative controls on various industries and a rigorous system of licensing and quotas evolved. This suffocated the private sector. This resulted into transfer of private savings and resources to meet the expanding investment and consumption needs of public sector. Over the years, the Public Sector turned out to be inefficient and many units turned white elephants. Of course there are a few examples of certain capital goods industry which did make India self-reliant in some technologies. One more goal to adopt socialistic pattern was to reduce wealth inequalities resulting into higher taxes on rich and productive people which proved to be a disincentive for the wealth creators.
2. The Government of India realised quite early in 1956 about reforms when British Economist Nicholas Kaldor was appointed to examine the Indian Tax System and recommend steps for reforming. It was found by him that Indian personal income tax rates were very high (92% - Maximum Marginal Rate) and he

recommended reduction of the rate to 45%. Despite his recommendation, the taxation rates continued to be high till 1973-74 when the maximum marginal rate including surcharge was 97.5% on annual income over Rs. 2 lakhs.

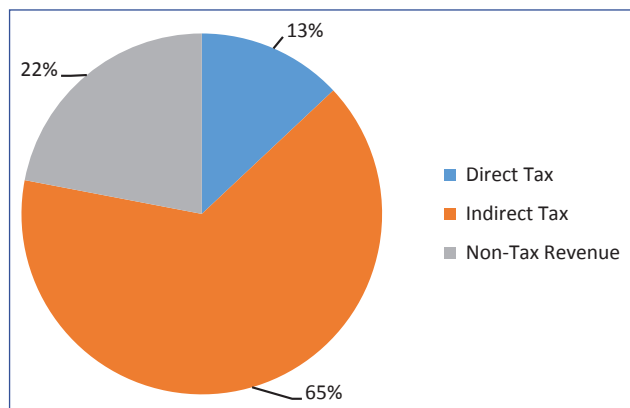
3. Thereafter, many tax inquiry committees and commissions were formed by the Government of India but unfortunately the recommendations were either not implemented or implemented partially.
4. (a) During a span of 20 Years from 1970-71 to 1990-91 there was hardly any progress as far as growth in tax revenues was concerned which increased from 76% to 78% of the total revenues as explained by the chart below.

### Composition of central government revenues (1970-71)



Data source: Database on the Indian Economy, <http://dbie.rbi.org>. in (Reserve Bank of India, 2011)

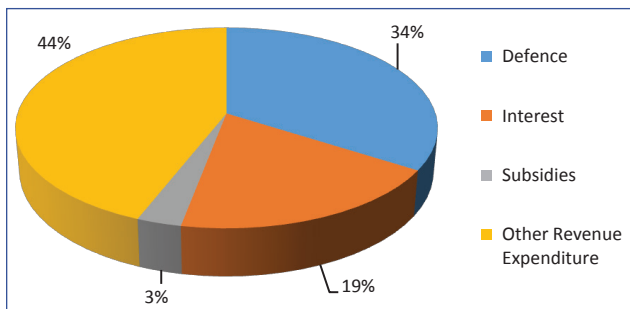
### Composition of central government revenues (1990-91)



Data source: Database on the Indian Economy, <http://dbie.rbi.org>. in (Reserve Bank of India, 2011)

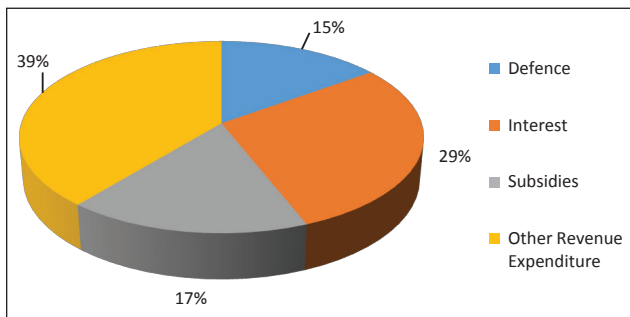
(b) The meagre growth of tax revenue during this period left no money with the government for capital expenditure and achieving social objectives including education and health. Allocation to Defence got reduced from 34% to 15% during a time when China was building up its defences. The cost of interest payments went up from 19% to 29% and the subsidies mounted from 3% to 17% of the total Government expenditure. This led to the final days of crises in 1991. The following pie chart explains the above situation.

**Composition of central government revenue expenditure (1970-71)**



Data source: Database on the Indian Economy, <http://dbie.rbi.org>. in (Reserve Bank of India, 2011)

**Composition of central government revenues (1990-91)**

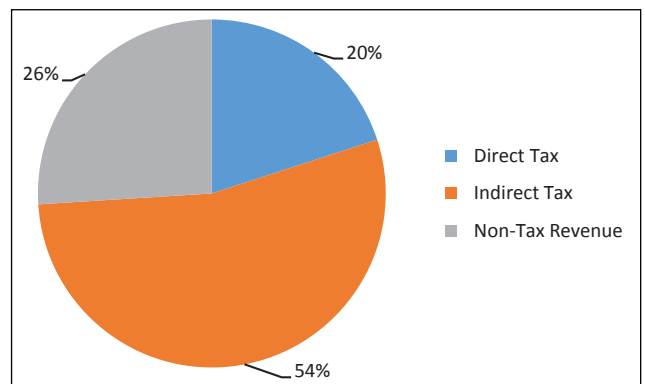


Data source: Database on the Indian Economy, <http://dbie.rbi.org>. in (Reserve Bank of India, 2011)

(c) During this period of 20 Years, the gross fiscal deficit increased from 3% to 7% of GDP and Revenue deficit increased from 0 % to 3%.

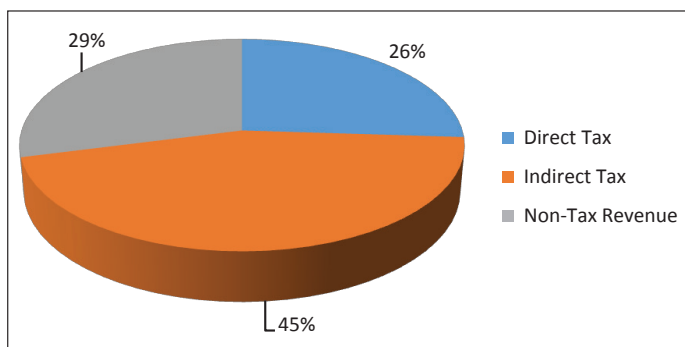
5. Meanwhile, India saw GDP contractions in years 1965-66, 1972-73, and 1979-1980. The first two contractions came in the backdrop of wars combined with monsoon failures. The contraction in 1979-80 was result of drought conditions in the country when we saw 19% rainfall deficiency.
6. (a) India faced unparalleled balance of payment crises in 1991 leaving the government with no alternative but to open up the economy and chart out a plan to liberalise the system. The objective was to reduce the proportion of Indirect taxes to total tax revenue and simultaneously enhance the share of direct taxes to total taxes. Rates of all major taxes were reduced, deductions and exemptions were minimised and laws and procedures were rationalised to improve tax administration and introduce computerisation. MAT was introduced in 1996-97 to avoid misuse of tax incentives. New taxes such as Securities Transaction Tax (STT) and Fringe Benefit Tax(FBT) were introduced in the budget of 2005-06. Even in the state Tax Management, VAT and Mod Vat were resorted to improve the Tax administration and collection. Within a few years we saw contribution of Direct Tax going up from 20% (1995-96) to 26%(2000-01). It took another 5 years for the Direct taxes to climb to 35% from 26%.

**Composition of central government revenues (1995-96)**



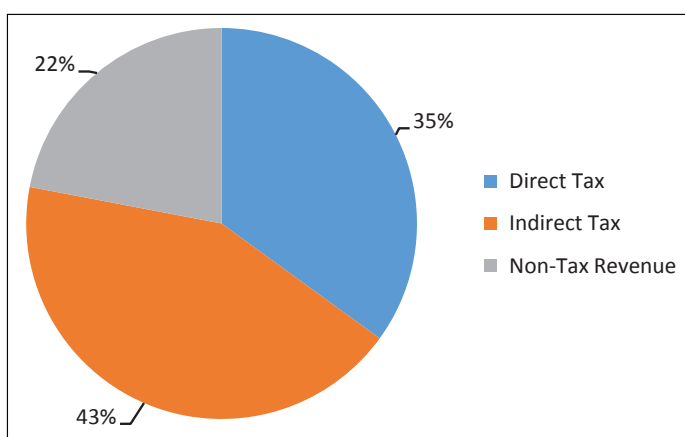
Data source: Database on the Indian Economy, <http://dbie.rbi.org>. in (Reserve Bank of India, 2011)

### Composition of central government revenues (2000-01)



Data source: Database on the Indian Economy, <http://dbie.rbi.org.in> (Reserve Bank of India, 2011)

### Composition of central government revenues (2005-06)



Data source: Database on the Indian Economy, <http://dbie.rbi.org.in> (Reserve Bank of India, 2011)

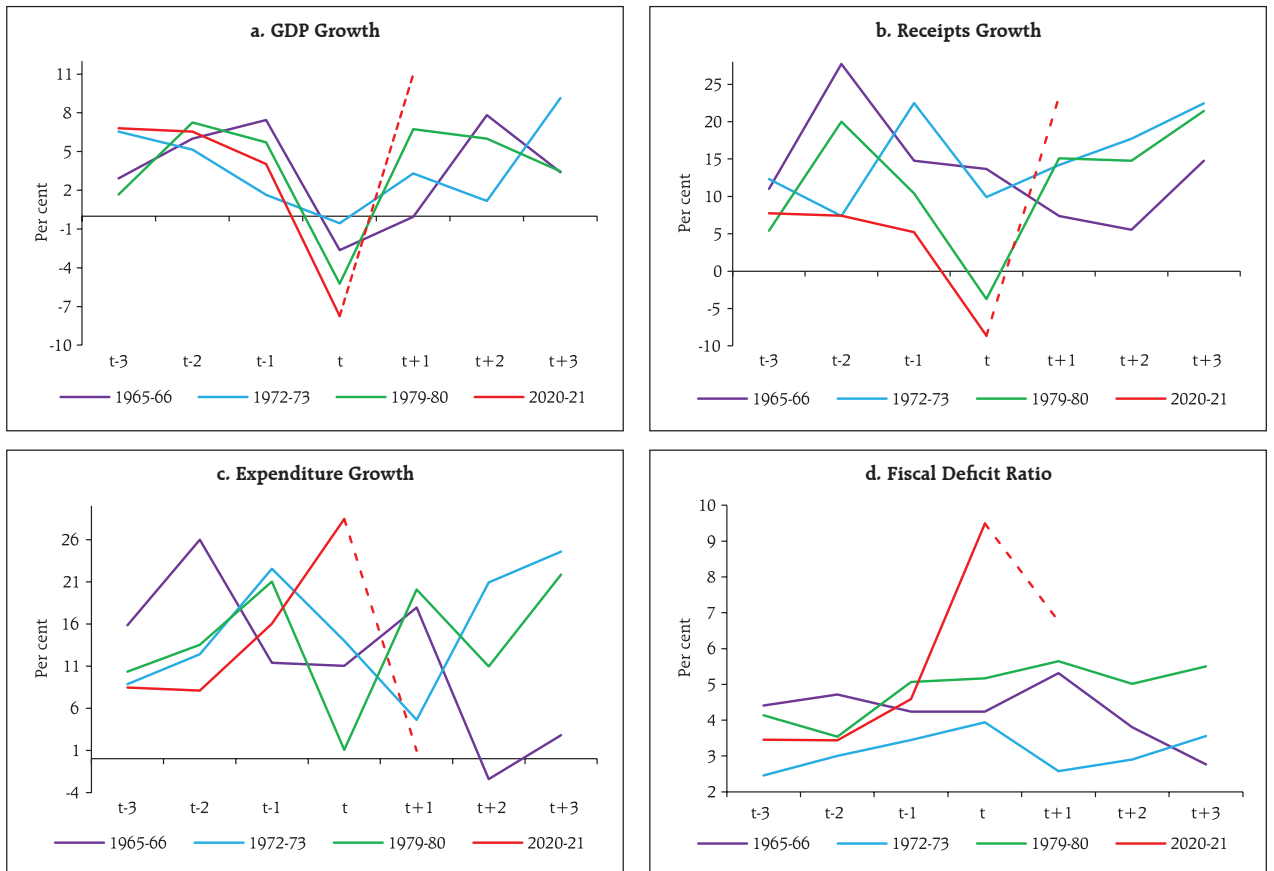
- (b) During the period from 1991 to 2009-10, we were able to control the Gross Fiscal Deficit by slightly lowering from 7% to 6.5%. However, the revenue deficit increased from 3% to 5%.
- 7. The result of Liberalisation and better fiscal management since 1991 helped India come out with minor scratches during the global crisis 2008 when India's GDP growth went down to 5.8% to bounce back to 8.5% in 2009-10.

### Historical Movements

In a democracy like in India, the change in government every 5 years particularly led by different party or group of parties from the previous government results into, more often than not, major changes in the micro-management though goals at the macro level may remain more or less same. Therefore, steps taken by previous government may bring fruits to next government and this cannot be avoided. For example, good economic progress during five-year

rule of UPA 1 (2004-2009) is believed by many to be the fall out of reforms during Vajpayee government. Thereafter UPA 2 was bogged down to be followed by change in government in 2014. In the same context, the comparative performance varies due to uncontrollable factors like Wars and Droughts and planned efforts like structural reforms. An interesting data of movement in GDP Growth, Receipts Growth, Expenditure Growth and Fiscal Deficit Ratio is succinctly explained in the following line charts (Source RBI Bulletin March 2021). The charts cover three periods of post contraction explained earlier which took place in the years 1965-66, 1972-73 and 1979-80. The purpose of reproducing these charts is to explain relation between the four important components (GDP, Receipts, and Expenditure & Deficit) as well as the recovery time to bounce back. For example, fall in revenue brings down the GDP growth; rise in expenditure is coupled with rise in fiscal deficit.

**Chart 1: An Event Study of Post-Contraction Budgets in India**



Note: Dotted line indicates budget estimates.  
 Source: Union budget documents of various years.

Source: RBI Bulletin March 2021

Fiscal Year 2020-21 was severely affected by pandemic leading to contraction in the Direct Tax collection by 13.8%, Assignment to states by 15.5% and almost doubling the fiscal deficit by 98%.

**Recommendations of 15<sup>th</sup> Finance Commission (Report Dated 30/10/2020)**

**1. Resource Mobilisation**

- a. Need for sizeable resources.
- b. Increased demands for health intervention.
- c. Provision for Sufficient Medical Infrastructure.
- d. Income Generation Programmes and support for economic revival.
- e. Sharp Economic activity contraction has adversely affected revenue collection.
- f. Improving governance of Tax administration across the three tiers of government.

## Key Fiscal Indicators of Budget 2021-22

### Annex I: Union Budget 2021-22: Key Fiscal Indicators

	in ₹ crore					Per cent of GDP		Growth Rate	
	2018-19	2019-20	2020-21 (BE)	2020-21 (RE)	2021-22 (BE)	2020-21 (RE)	2021-22 (BE)	2020-21 (RE)	2021-22 (BE)
1	2	3	4	5	6	7	8	9	10
<b>1. Direct Tax</b>	<b>11,36,615</b>	<b>10,49,549</b>	<b>13,19,000</b>	<b>9,05,000</b>	<b>11,08,000</b>	<b>4.6</b>	<b>5.0</b>	<b>-13.8</b>	<b>22.4</b>
(i) Corporation	6,63,572	5,56,876	6,81,000	4,46,000	5,47,000	2.3	2.5	-19.9	22.6
(ii) Income	4,61,488	4,80,398	6,25,000	4,47,000	5,48,500	2.3	2.5	-7.0	22.7
<b>2. Indirect Tax</b>	<b>9,43,850</b>	<b>9,60,510</b>	<b>11,04,020</b>	<b>9,95,280</b>	<b>11,09,059</b>	<b>5.1</b>	<b>5.0</b>	<b>3.6</b>	<b>11.4</b>
(i) GST	5,81,559	5,98,749	6,90,500	5,15,100	6,30,000	2.6	2.8	-14.0	22.3
(ii) Customs	1,17,813	1,09,283	1,38,000	1,12,000	1,36,000	0.6	0.6	2.5	21.4
(iii) Excise	2,31,982	2,40,615	2,67,000	3,61,000	3,35,000	1.9	1.5	50.0	-7.2
<b>3. Gross Tax Revenue (1+2)</b>	<b>20,80,465</b>	<b>20,10,059</b>	<b>24,23,020</b>	<b>19,00,280</b>	<b>22,17,059</b>	<b>9.8</b>	<b>9.9</b>	<b>-5.5</b>	<b>16.7</b>
<b>4. Assignment to States</b>	<b>7,61,454</b>	<b>6,50,677</b>	<b>7,84,181</b>	<b>5,49,959</b>	<b>6,65,563</b>	<b>2.8</b>	<b>3.0</b>	<b>-15.5</b>	<b>21.0</b>
<b>5. NCCD Transfers</b>	<b>1,800</b>	<b>2,480</b>	<b>2,930</b>	<b>5,820</b>	<b>6,100</b>	<b>0.0</b>	<b>0.0</b>	<b>134.7</b>	<b>4.8</b>
<b>6. Net Tax Revenue (3-4-5)</b>	<b>13,17,211</b>	<b>13,56,902</b>	<b>16,35,909</b>	<b>13,44,501</b>	<b>15,45,397</b>	<b>6.9</b>	<b>6.9</b>	<b>-0.9</b>	<b>14.9</b>
<b>7. Non-Tax Revenue</b>	<b>2,35,705</b>	<b>3,27,157</b>	<b>3,85,017</b>	<b>2,10,653</b>	<b>2,43,028</b>	<b>1.1</b>	<b>1.1</b>	<b>-35.6</b>	<b>15.4</b>
(i) Dividends and Profits	1,13,421	1,86,133	1,55,395	96,544	1,03,538	0.5	0.5	-48.1	7.2
(ii) Interest Receipts	12,145	12,349	11,042	14,005	11,541	0.1	0.1	13.4	-17.6
<b>8. Revenue Receipts (6+7)</b>	<b>15,52,916</b>	<b>16,84,059</b>	<b>20,20,926</b>	<b>15,55,153</b>	<b>17,88,424</b>	<b>8.0</b>	<b>8.0</b>	<b>-7.7</b>	<b>15.0</b>
<b>9. Non-Debt Capital Receipts</b>	<b>1,12,779</b>	<b>68,620</b>	<b>2,24,967</b>	<b>46,497</b>	<b>1,88,000</b>	<b>0.2</b>	<b>0.8</b>	<b>-32.2</b>	<b>304.3</b>
(i) Disinvestment receipts	94,727	50,304	2,10,000	32,000	1,75,000	0.2	0.8	-36.4	446.9
(ii) Recovery of Loans	18,052	18,316	14,967	14,497	13,000	0.1	0.1	-20.9	-10.3
<b>10. Total Receipts (excluding borrowings) (8+9)</b>	<b>16,65,695</b>	<b>17,52,680</b>	<b>22,45,893</b>	<b>16,01,650</b>	<b>19,76,424</b>	<b>8.2</b>	<b>8.9</b>	<b>-8.6</b>	<b>23.4</b>
<b>11. Revenue Expenditure</b>	<b>20,07,399</b>	<b>23,50,604</b>	<b>26,30,145</b>	<b>30,11,142</b>	<b>29,29,000</b>	<b>15.5</b>	<b>13.1</b>	<b>28.1</b>	<b>-2.7</b>
(i) Interest Payments	5,82,648	6,12,070	7,08,203	6,92,900	8,09,701	3.6	3.6	13.2	16.9
(ii) Major Subsidies	1,96,769	2,28,341	2,27,794	5,95,620	3,36,439	3.1	1.5	160.8	-43.5
Food	1,01,327	1,08,688	1,15,570	4,22,618	2,42,836	2.2	1.1	288.8	-42.5
Fertilizer	70,605	81,124	71,309	1,33,947	79,530	0.7	0.4	65.1	-40.6
Petroleum	24,837	38,529	40,915	39,055	14,073	0.2	0.1	1.4	-64.0
<b>12. Capital Expenditure (i + ii)</b>	<b>3,07,714</b>	<b>3,35,726</b>	<b>4,12,085</b>	<b>4,39,163</b>	<b>5,54,236</b>	<b>2.3</b>	<b>2.5</b>	<b>30.8</b>	<b>26.2</b>
(i) Capital Outlay	2,79,492	3,11,312	3,80,322	3,32,247	5,13,862	1.7	2.3	6.7	54.7
(ii) Loans & Advances	28,221	24,414	31,763	1,06,916	40,374	0.5	0.2	337.9	-62.2
<b>13. Total Expenditure (11+12)</b>	<b>23,15,113</b>	<b>26,86,330</b>	<b>30,42,230</b>	<b>34,50,305</b>	<b>34,83,236</b>	<b>17.7</b>	<b>15.6</b>	<b>28.4</b>	<b>1.0</b>
<b>14. Fiscal Deficit (13-10)</b>	<b>6,49,417</b>	<b>9,33,651</b>	<b>7,96,337</b>	<b>18,48,655</b>	<b>15,06,812</b>	<b>9.5</b>	<b>6.8</b>	<b>98.0</b>	<b>-18.5</b>

Source: Union budget documents of various years.

Source: RBI Bulletin March 2021

## 2. Administrative/Operational Changes

- a. Improvement of Tax Portals.
- b. Expand provisions relating to TDS, TCS to more transactions.
- c. Reduce pendency of disputed transaction.
- d. States to integrate computerised property records with registration documents and capture market value of property for efficient property taxation.

### **3. Tax Policy Changes**

- a. Rationalise GST Rate Structure (For example 3 Rates).
- b. Rationalise multi-rate custom duty structure.
- c. Review of Exemptions, Concessions and Deductions.
- d. Constitutional amendment allowing periodic revision of limits of Profession Tax.

### **4. Institutional and tax policy changes that will help achieve the full potential**

- a. Reduce over reliance on Indirect Tax and widen the net for Income and Asset Based Taxation.

### **5. Towards Cooperative Federalism: Balancing Equity & Efficiency**

- a. States which have done better on the demographic front have been assigned 12.5% weight to the demographic performance criteria.

### **6. Empowering Local Governments**

- a. Let the Grants to local governments be a fixed amount rather than a proportion of a divisible pool of the taxes to ensure greater predictability of the quantum and timing of fund flow.
- b. States, who have not done so, must constitute State Finance Commission (SFC).
- c. States will receive grants for those rural and urban local bodies that have their provisional accounts for the previous year and audited accounts for the year before the previous year, available online.
- d. Sixty per cent of the grants to rural local bodies to be tied to:
  - i. Sanitation and Maintenance of ODF (Open Defecation Free) Status.
  - ii. Drinking water, Rainwater harvesting and water recycling.
- e. MoHFW (Ministry of Health and Family Welfare) shall closely coordinate with respective states to work out a mechanism for the flow and utilisation of health grants.

### **7. Disaster Risk Management**

- a. States to contribute 25% of funds to SDRF (State Disaster Response Fund) & SD MF (State Disaster Management Fund).

### **8. Pandemic and Beyond: Building Resilience in Health Sector**

- a. States to increase health spending to more than 8% of their budget by 2022.
- b. Public Health expenditure of Union and States together should be increase in progressive manner to reach 2.5% of GDP by 2025.
- c. The Asymmetric distribution of medical colleges needs to be corrected as most of them are situated in western & southern parts of India.

### **9. Performance Based Incentive and Grants**

- a. Incentives based on educational outcomes, amendment in land related laws, ground water stock, agriculture exports target, increase in production of oil seed, pulses etc., agriculture infrastructure etc.

### **10. Defence and Internal Security**

- a. Capital investment for modernization of defence services & police forces.

### **11. Fiscal Consolidation Roadmap**

- a. Help states to overcome current crisis by prudently supporting state budgets.
- b. Strict discipline in revenue expenditure.
- c. Borrowing limits sanctioned to states can be utilised in subsequent years if remain unutilised.
- d. Disclosures of Financial positions of states and their credit rating will help in broadening the investor base.
- e. States and Union should define contingent liabilities transparently, estimate them and assess the risk associated with them.
- f. States may explore formation of Independent Public Debt Management cells.
- g. States should have more avenues for short term borrowings other than ways and means advances and the overdraft facility provided by RBI.

## 12. Fiscal Architecture for Twenty First Century India: Fiscal Rules, Financial Management & Institutions

- a. Appropriate amendments to be taken up by states in their respective Fiscal Responsibility Legislations to ensure consistency with amended union government FRBM Act and in particular definition of debt.
- b. Government Accounting Standards and Advisory Board to develop accounting standards for Financial Reporting and Disclosures of Broader Public Debt.
- c. Governments to try to improve the accuracy and consistency of micro economic and fiscal forecasting.
- d. Strengthen cash management practices.
- e. All the data and information be made available to public in a reliable, timely and comparable manner.
- f. Improve timeliness of Audited Financial Reports within 9 month of Year end.
- g. Time bound plan for standard based accounting and financial reporting.
- h. Establishment of an Independent Fiscal council with powers to access records as required from Union as well as states.
- i. Launch a process of stakeholder consultations and prepare a time bound plan for implementation of comprehensive public financial management reforms at all levels of government.

### Conclusion

We can safely conclude that the Fiscal Policy framed and the measures taken by successive Governments in India have started bearing fruits which has seen

our country climb several places in various global indices be it in transparency, ease of doing business etc. India today is one of the fastest growing economies in the world despite mounting population and lack of resources. Generating resources from a few, however, may run into long term problem of resistance. Therefore, raising the income standards of the population and broad basing the tax system may partly solve the problems. Use of technology and improving the tax collection efficiency in the recent times has yielded results though the stakeholders have sometimes complained of high handedness and insensitivity on the part of tax collectors. Recent amendment to Tax law removing the retrospective amendment of 2012 is a right step in the direction displaying transparency and fair practices. What is further needed is efficient, complete but fair implementation of existing laws. Speed in settlement of disputes may be more through alternate mechanism may relieve the much overloaded judiciary. Even on the judicial side, we need to overhaul to speed up trials, reduce pendency and open Supreme Court benches in at least four more centres. The side effect of more such benches may be reduction of concentration of litigation in the hands of a few selected lawyers which may surely benefit other stake holders. It is observed that the Courts are kept fully busy with urgent matters relegating other important cases. Quick dispensation of justice by the top courts may put fear in the minds of litigants who otherwise feel comfortable if litigation continues endlessly. Lengthy and costly litigations keep big investors particularly foreign based ones away from investing in India. Last but not the least, fast tracking of economic reforms and implementing as soon as possible will go a long way in fulfilling the aspirations of millions of poor when more wealth is not only generated but also distributed fairly among the population. We have to mind the Gap the uncontrolled capitalism may create!

