

# Economics

30.09.2020

(1)

## Unemployment Data C (in continuation)

PLFS  $\Rightarrow$  NSO

2018-19

	Rural			Urban		
	M	F	P	M	F	P
LF PR	55.1	19.7	37.7	56.7	16.1	36.9
UR.	5.6	3.5	5.0	7.1	9.9	7.7

## Rural + Urban

	M	F	P
LFP R	55.6	18.6	37.5
UR	6.0	5.2	5.8

## FRBM Review Committee

May 2016

under N.K Singh to review the  
Act.

### Recommendations;

- 1) flexibility to the centre on the fiscal consolidation by maintaining fiscal deficit to GDP ratio of 3% in 2019-20.

After this reduction to 2.8% by Fiscal Year 2021 and  
2.5% by 2023.

- 2) Gave the escape clause for deviation from these parameters.  
- National Security. - War } on account of this  
- Natural Calamities can deviate  
- Severe collapse of Agriculture  
- Fall in Real output growth by 300 bps below average  
    few consecutive quarters → Structural Reforms in  
    the economy
- 3) Caveat = conditions  
↓  
deviations should not exceed fiscal deficit target  
by 0.5 percentage points.

- 4) New <sup>u</sup>Debt and fiscal Responsibility Act. → change the name

FRBM to DFR Act

- 5) Creation of fiscal council
- 6) Establish a debt ceiling
- 7) The govt should focus on public debt as a proportion of GDP.  
    by 2022-23  
    - 60% for General Government - Central + State  
    - 40% for Central Government State  
    20% for State Government.

## Budgetary Reforms

(2)

### • 2017-18 - Budget

- 1) Postponement of Budget session to 1st Feb
- 2) Concept of Plan expenditure and non-plan expenditure removed and merged
- 3) Rail budget merged with general budget.

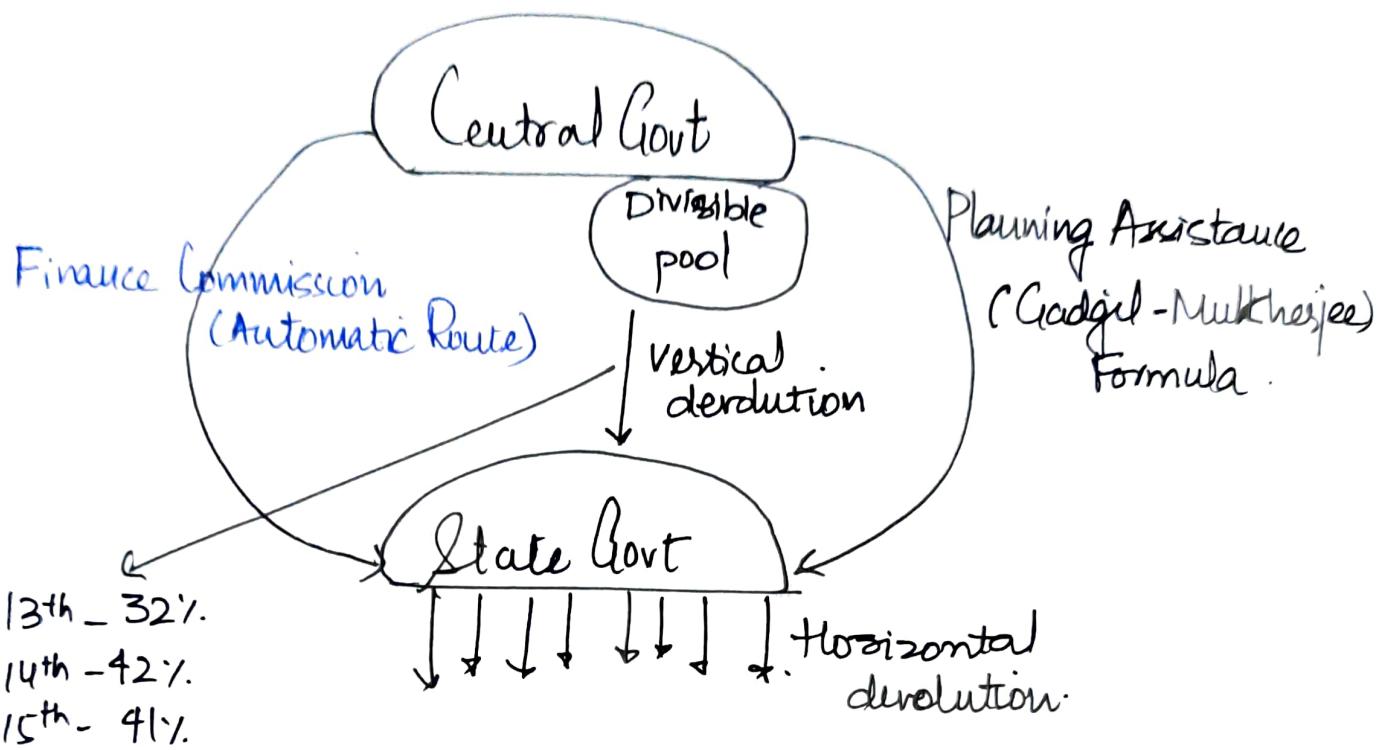
(ZBB)

- Zero based budgeting ; Starts from a zero base including expenditure and receipts are beginning from the scratch.

Under ZBB, allocation of funding are based on programme efficiency and necessity. Under ZBB, a close analysis is made of the existing government programme, projects & other activities to ensure that funds are made available to high priority items and eliminating non-performing and outdated program. All programmes are analysed every year and existing programs are not continued merely because a part of the project cost has already been incurred.

The objective is to bring efficiency in departments so that productivity can be increased and wastage can be minimized.

# Finance Commission



The Finance Commission is a constitutional body formulated under Art 280 of Indian constitution. It is constituted every 5 years by the President of India to review the fiscal status / health of the Central govt and State govt and suggest measures for maintaining a stable and sustainable fiscal environment. It recommends the devolution of taxes, by the centre and the States from the divisible pool including all central taxes excluding cess and surcharges, which the centre is constitutionally mandated to share with the States.

11th - 29.5%

12th - 30.5%

13th - 32%

14th - 42%

15th - 41%

10% jump from the previous year

Reason were that States were demanding bigger share to support programmes and responsibilities.

Under Dr Y.V. Reddy

### Horizontal Tax Deduction Formula

	<u>13th</u>	<u>14th</u>	<u>15th</u>
Population (1971)	25	17.5	
Population (2011)	-	10	50
Fiscal Capacity   Income distribution:	47.5		
Area	10	15	
Area, Forest Cover	0	7.5	
Fiscal discipline:	17.5	0	100
	100		

New variables added

- 1) Forest and Ecology
- 2) Demographic performance
- 3) Tax efforts

\* 14th FC (2015-2020).

Two new variables

1) Population 2011

2) Forest Cover.

Excluded

3) fiscal discipline

	<u>14th</u>	<u>15th</u>
Population (1971)	17.5	—
Population (2011)	10	15
Income distribution	50	45
Area	15	15
Forest Cover	7.5	—
Forest and Ecology.	—	10
Demographic Performance	—	12.5
Tax efforts.	—	<u>2.5</u>
	<u>100</u>	<u>100</u>

\* Grant in Aid under Article 275

- Basis of Grants
  - 1) Budget of the State
  - 2) Efforts made by the States to realize the potential.
  - 3) Equalising the basic services across states <sup>Standard of</sup>
  - 4) Any special burden or obligations of National concern
  - 5) For implementing services of national interest to less advanced states