Q3. 'The fiscal deficit gives the borrowing requirement of the government'. Elucidate.
Ans: Fiscal deficit is the excess of total expenditure over total receipts. That is, when total government expenditure is greater that total government receipts, the government faces fiscal deficit.
Fiscal deficit is estimated as:
Total Expenditure (revenue + capital) – Total Receipts (excluding borrowings).
Fiscal deficit gives an indication to the government about the total borrowing requirements from all sources. Fiscal deficit can be financed through domestic borrowings and/or borrowings from abroad. Greater fiscal deficit implies greater borrowings by the government.

Q4. Give the relationship between the revenue deficit and the fiscal deficit.
Ans: The relationship between the revenue deficit and the fiscal deficit can be explained through the following points:
i. Revenue deficit is the difference between government's revenue expenditures and government's receipts.
Revenue deficit = Revenue expenditures – Revenue receipts
On the other hand, fiscal deficit is the difference between the total expenditure and the total receipt of the government.
Fiscal deficit = Total Expenditure – Total Receipts (excluding borrowings)
ii. The term 'fiscal deficit' is used in a broader sense than the term 'revenue deficit'.
iii. As revenue deficit increases, the proportion of fiscal deficit also increases.

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