

Date 29.4.2021

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	14	15	16	17	18	19	20
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FISCAL POLICY

Lecture by MD. FTROZ ALAM.

What is fiscal Policy?

Fiscal policy deals with the revenue and expenditure policy of govt.

The word fiscal has been derived from the word 'fisk' which means public treasury or Govt funds.

Latest update about Fiscal policy of india -

1. The union Budget 2021 has the emphasis on the development financial institution (DFIs) in the long term infrastructure creation for the revival of the economy.

2. The establishment of the Dispute Resolution Committee (DRC) has been proposed in the union Budget 2021 that can help provide quick relief to tax payers in tax disputes.

OBJECTIVES OF FISCAL POLICY

The following are the objectives of the fiscal policy -

1. Higher economic Growth
2. Price stability
3. Reduction in inequality

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FISCAL POLICY

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The above objectives are met in the following ways

1. Consumption Control — This way, the ratio of savings to income is raised
2. Raising the rate of the investment
3. Taxation, infrastructure development
4. Imposition of progressive taxes
5. Exemption from the taxes provided to vulnerable classes.
6. Heavy taxation on luxury goods
7. Discouraging unearned income.

What are the components of fiscal policy?

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There are three components of the fiscal policy of India.

1. Government Receipts
2. Government Expenditure
3. Public debt.

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Fiscal Policy

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Government Receipts

1. Revenue Receipt

- Tax Revenue
- Direct Tax
- Indirect Tax

Non Tax Revenue

- Fees
- License and permits
- Fines & penalties.

2. CAPITAL RECEIPT -

- Loans Recovery
- Disinvestments
- Borrowing and other liabilities

Debt trap - Situation where the borrower has to borrow again for the payment of an instalment on the previous debt. A borrower unable to meet debt service obligations without borrowing is known to be in a debt trap