Govt to borrow 54% more than estimate, fiscal deficit may hit 5.5%

TIMES NEWS NETWORK

Mumbai: Weighed down by higher expenses due to the devastating impact of the coronavirus pandemic on the economy, the government on Friday said it will borrow about Rs 12 lakh crore from the market in fiscal year 2020-21, a massive increase of Rs 4.2 lakh crore, or 54% jump over the Budget estimate of Rs 7.8 lakh crore.

The decision for higher borrowing has also been prompted by severe loss of government revenues because of stalled economic activity across the country due to the stringent lockdown, economists said.

This, the economists said will push the fiscal deficit from the targeted 3.5% for 2020-21 to 5.5%. GST revenues as well as those from direct and indirect taxes are under severe strain in the midst of the pandemic.

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States will borrow more: Economists

There have been increasing calls to unveil a massive fiscal stimulus to help several sectors of the economy overcome the severe impact of the Covid-19. The government and the RBI have taken some measures to help the poor and the financial markets as well as get lending going but Indian industry has called for a large stimulus to help sectors hit hard by the pandemic restart their activity and help in restoring growth.

Between May 11 and September 30, over 20 weeks, the government will borrow Rs 30,000 crore every week by auctioning its bonds of between two-year and 40-year duration, data on RBI website showed. So far since April 9 and May 8, the government has already borrowed Rs 1.06 lakh crore from the market.

“The estimated gross market borrowing in the financial year 2020-21 will be Rs 12 lakh crore in place of Rs 7.80 lakh crore as per Budget Estimate 2020-21. The above revision in borrowings has been necessitated on account of the Covid-19 pandemic,” the RBI, which conducts these weekly auctions, said.

With the central government expressing its intentions to borrow about Rs 4.2 lakh crore more than what was planned, economists believe even states will soon come out to borrow more to meet additional expenses.