After FY26, fiscal deficit target will be a range: Somanathan

Path towards a reduction in the debt-GDP ratio will be announced later

BS REPORTERS
New Delhi/Mumbai, 31 July

After reaching a fiscal deficit of below 4.5 per cent of gross domestic product (GDP) in FY26, the government may set a range to bring down the debt-GDP ratio to a more sustainable level, said Union Finance Secretary T V Somanathan on Wednesday.

Participating in a fireside chat in the "Budget with *BS*: The Fine Print" event in Mumbai, Somanathan told *Business Standard*, the path towards a reduction in the ratio would be announced later.

"Today, the debt-to-GDP ratio is at 58.2 per cent for FY24. Let's say we want to reach 50 per cent in year X. I am now speaking as a technician, this is purely hypothetical. My calculations show a deficit in the range of 4.4-3.7 per cent of GDP would get us there. We will reach 4.5 per cent. We will not thereafter be after that. We will pick a number that will keep us on a declining path. The speed of that decline I am not specifying. But that will be the deficit we will follow for each financial year," Somanathan said.

He said the Budget did two things — continue what was good and start more good things like the employment-linked incentive scheme and internship scheme.

"In fiscal consolidation, it signals continuity where continuity is important, especially in a changed political context," he said.

Admitting that employment was the most important and most challenging thing the Budget was trying to do, Somanathan said the government was generating a higher employment intensity of growth.

"We had pretty decent growth in the last two-three years and decent growth most of the last decade, but is it employment-intensive enough or is it too capital-intensive? My own sense is it is too capital-intensive," he added.

DIRECT ATTACK ON UNEMPLOYMENT: FS 7

PHOTO: KAMLESH PEDNEKAR

"The Budget did two things — continue what was good and start more good things like the employment-linked incentive"

T V SOMANATHAN, finance secretary, speaks at Budget with *BS*: The Fine Print

Q&A 'NOTHING HAS STRUCTURALLY CHANGED ON EITHER FOOD OR FERTILISER SUBSIDY' PAGE 7

PAGE 6 MID-TECH FDI FOR JOB CREATION NEED OF THE HOUR | LTCG HIKE DIVIDES MARKET MAVENS

FROM PAGE 1

Direct attack on unemployment: FS

Somanathan said the government's efforts could be seen as a direct attack on unemployment.

"It's built on the simple microeconomic fact that subsidies usually trigger a reaction just as taxes trigger a reaction. There will be some free riding. There will be some people who would have been employed without the incentive and they will also get the incentive. That is true for almost any fiscal incentive. That is a mix which we cannot get perfect. So we have decided to take the plunge. The Prime Minister was keen on doing something concrete at scale to push intensity of growth. This is a response to the clear policy direction that we had. Time will tell how well it does," he said.

On the internship programme, Somanathan said it was a complicated attempt to address a complicated problem.

"₹26,000 crore was spent on CSR (corporate social responsibility) by 20,000 companies last year. The top 100 companies account for 50 per cent of CSR expenditure. We are looking at the top 500 companies, which are two thirds of CSR expenditure in the country," he added.

> **A separate panel discussion of economists suggested India needed to focus on bringing and attracting mid-tech foreign direct investment for the job creation challenge that the economy faces**

Somanathan said the 500 companies need not place 4,000 interns per year on their own premises. "Forward- and backward-chain partners of these companies can also be engaged in this internship programme. Some of them can intern at the suppliers and customers of these top 500 companies. But the CSR company will be the coordinator of the skilling programme," he said.

A separate panel discussion of economists suggested India needed to focus on bringing and attracting mid tech foreign direct investment (FDI) for the job creation challenge that the economy faces, as all the large economies are focusing on hi- tech FDI and they have enough resources which allow them to provide huge subsidies.

In another panel discussion, market experts were divided on the recent increase in long-term capital gains tax (LTCG) from 10 per cent to 12.5 per cent on equities.