

Tracks 'Fragile Five' to 'Top Five' journey

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New Delhi, 8 February

The Narendra Modi government said on Thursday it had followed a counter-cyclical fiscal policy of containing the Budget size during the peak cycle of economic growth to generate adequate fiscal space to handle unforeseen events.

This is contrary to the approach of the Congress-led United Progressive Alliance (UPA) government, which expanded Budgets during high-growth (procyclical) periods, thus leading the economy to a "fiscal precipice".

The much-anticipated "White Paper on the Indian Economy", presented by Union Finance Minister Nirmala Sitharaman in both Houses of Parliament, highlighted the "economic mismanagement, financial indiscipline, and widespread corruption" during the 10 years of the UPA (2004-14) and how the Bharatiya Janata Party-led National Democratic Alliance (NDA) government's "prudent" fiscal policy had helped to mend the economy from being among the "fragile five" to entering the league of the top five economies in the world.

Within hours of Prime

TRACKING THE TWO REGIMES

(Total expenditure growth in Y-o-Y %)

UPA's procyclical fiscal policy

High Budget growth



13.4

FY05 to FY09
(GDP growth boom phase)

Low Budget growth

12.0



FY10 to FY14
(Lower GDP growth phase)

Counter-cyclical fiscal policy of NDA

Restrained Budgets

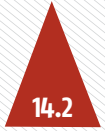
8.2



FY15 to FY19
(High GDP growth phase)

Budget expansion

14.2



FY20 to FY24RE
(Crisis years)



Manmohan Singh



Narendra Modi

Note: Crisis years cover the Covid-19 pandemic and multiple geopolitical conflicts that impacted GDP growth

Source: White Paper

Minister Narendra Modi praising his predecessor Manmohan Singh in the Rajya Sabha, the White Paper criticised almost all aspects of the UPA rule under Singh. While bidding farewell to the retiring members of the Rajya Sabha including the former PM, Modi said Singh was an inspiration for lawmakers. Turn to Page 9 ▶

NDA's dig: 'Sporadic' vs 'saturated'

With the Lok Sabha elections barely 60 days away, the white paper on the Indian economy has attempted to refresh for the public the "decision stasis" and "scams" that the country suffered during the United Progress Alliance's ten years. 8 ▶

White Paper...

Stating that the policy paralysis during UPA government's term led to delays in project implementation and cost overruns, the white paper said its period of 10 years was a "lost decade" as the government in power failed to grasp opportunities for technology-led innovation, efficiency, and growth.

The white paper said a prudent and calibrated fiscal policy ensured that despite a substantial fiscal stimulus in FY21 after the pandemic hit the nation, the fiscal situation did not get out of hand.

"As soon as the immediate need for the stimulus receded, our government went to work to reclaim the fiscal space. As the economic growth rebounded impressively from FY22 onwards, the government has steadily brought down the gross fiscal, revenue, and primary deficits. The approach has been marked by fiscal prudence and transparency. This is in stark

contrast to how the fiscal and revenue deficit was still rising in FY12, three years after the GFC (Global Financial Crisis) in 2008-09," it added.

In FY09, the fiscal deficit rose to 6.1 per cent of GDP against 2.6 per cent of GDP FY08 because of the Sixth Pay Commission payout, expenditure on the agricultural debt waiver, oil and fertiliser subsidies, etc.

In FY12, the UPA government borrowed 27 per cent more from the market than it had budgeted for, thus taking the fiscal deficit to 5.9 per cent of GDP from the 4.6 per cent of GDP initially estimated.

The white paper, authored by the finance ministry, accused the UPA government of gearing public expenditure towards short-term populist measures and conspicuously neglecting infrastructure and asset creation. This led to capital expenditure as percentage of expenditure (excluding interest payments) halving from 31 per cent in FY04 to 16 per cent in FY14, thereby creating long-

term constraints for the economy and compromising its growth potential, it added.

"Combined with the consistent boost to aggregate demand from excessive deficits, it resulted in higher inflation, a higher current account deficit and an overvalued currency, all of which climaxed in 2013 when the Indian rupee buckled under the weight of such imprudent policies," the paper said.

The white paper said the quality of expenditure improved during the NDA era with the compound average growth rate (CAGR) of revenue expenditure declining to 9.9 per cent during FY14-24 from 14.2 per cent during FY04-14 while capital expenditure grew to 17.6 per cent from 5.6 per cent during the same time period.

Capital expenditure as percentage of total expenditure (excluding interest payments) in FY24 increased to 28 per cent.

The white paper said the Indian economy had undergone structural reforms since 2014 that had strengthened the

macroeconomic fundamentals of the economy.

"The announcement of India's inclusion in JP Morgan's Government Bond Index-Emerging Markets (GBI-EM) is a milestone event ... This will not only help India raise more funds but also increase the investor base for government securities and help India meet the country's growing borrowing needs," it added.

"This government took the issue of leakages very seriously ... transferring LPG subsidies via Direct Benefit Transfer (DBT) reduced leakages by 24 per cent," it added.

In a statement, R Dinesh, president of Confederation of Indian Industry (CII), said the findings of the white paper reaffirmed the Indian economy's robust growth momentum.

Congress leader Abhishek Singhvi posted on X: "The so-called 'White Paper' of BJP is nothing but a jugglery of data and a mockery of comparative analysis. Nothing substantial. Just a hoax!"

