

इस हशिप
में केवल
प्रश्न संख्या
लिखें।
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① Analyse the major issues influencing the framework, of fiscal federalism in the country.

Fiscal federalism is the process of sharing financial resources between vertical layers and horizontal layers of different levels of government i.e. central, state and local bodies

Freebie - recent issue.

States are complaining on the frequent interference by center on states federal powers

But why such interference?

Interference by center is to emphasis on the increasing burden of debt following freebie, when there is less resource for revenue generation

3 kinds of Issue - has been listed out → cause for less source for revenue

① GST → tax structure compensation, Inclusion & exclusion of commodities

② States expenditure on the model of welfare policy
eg: free TV, electricity etc

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उम्मीदवारों को इस हाशिए में नहीं लिखना चाहिए।
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③ Implementation of Centre Scheme. eg: Centre has been reducing its share on centrally sponsored scheme for eg: PMFBY, causing diversion of States fund to such Scheme.

Types of spending

⇒ Mandatory spending and Discretionary spending.

States on ^{the} name of Welfare policy go spending more of Discretionary spending which is periodic in nature while Centre is ~~prohibiting~~ states to emphasis on mandatory spending.

Implication

cross country empirical evidence shows that Discretionary Spending may show positive sign in short run, but it is not sustainable in long run, as it does not contribute significantly to economic growth, with less revenue generation.

RBI report shows that Debt financing through borrowing increased from 22% in 2013 to 31% in 2022 & it could increase further.

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Need of Fiscal correction/discipline:

Expenditure on Capital Spending will provide the possibility for sustainability in long run and also revenue generation. eg: Center in budget 2022 laid more emphasis on capital spending

Center must also stick to its share in divisible pool & ensure share recommended by 15th F.C.
eg: ~~The~~ Increase in non-sharable receipts has reduced the States share in divisible pool i.e. Surcharge & cess

After all it is both the Center & State must work, ~~and~~ cooperate & coordinate to and make rational approach, without politicization and emphasis on enhancing the revenue generation and suitable policy measure to reduce the debt burden during this crisis time.