Q94

Consider the following statements: 1. Tax revenue as a percent of GDP of India has steadily increased in the last decade. 2. Fiscal deficit as a percent of GDP of India has steadily increased in the last decade. Which of the statements given above is/are correct? (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2 Official key: D.

UPSC Civil Services Prelims 2017 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

Option (a) is 1 only. Tax revenue as a percent of GDP did not rise steadily through the decade before 2017; it fluctuated with growth, tax reform and the crisis years. Statement 1 is false. This option is not the key.

(b)

Option (b) is 2 only. Fiscal deficit as a percent of GDP also did not increase steadily; India ran a large deficit around 2008-13 then consolidated. Statement 2 is false. This option is not the key.

(c)

Option (c) is both. Neither ratio was a monotonic decade-long rise. This option is therefore wrong.

(d) Official key

- **Neither statement is correct:** both tax/GDP and fiscal deficit/GDP moved up and down rather than steadily increasing over the last decade (as of 2017). That is why (d) is the official key.

Summary

Official key is (d) Neither 1 nor 2. 'Steadily increased' is a strong claim. India's tax-to-GDP ratio wobbled, and the fiscal-deficit ratio spiked after the global crisis then was brought down under FRBM-type paths. Prelims punishes the word steadily. Both statements fail.

Related possible facts

These can be asked in a future Prelims paper.

FRBM Act 2003

Fiscal responsibility targets for deficit reduction

GFC 2008
Stimulus widened the fiscal deficit for several years

Tax/GDP
Sensitive to growth, compliance and rate changes; not monotonic

Primary deficit
Fiscal deficit minus interest payments; another budget metric

GST 2017
Came after this paper; not the 'last decade' in the question