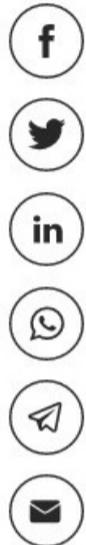


# Interview | This is not the time to worry about the fiscal deficit, says Dr M. Govinda Rao

*The government should consider changes in the Direct Taxes Code when the economy improves, says former director of National Institute of Public Finance and Policy*

NEHA BOTHRA | JANUARY 18, 2021 / 03:14 PM IST

[Click Here](#)



It is time for the government to loosen the purse strings and boost spending to rekindle the economy's animal spirits, says **Dr M Govinda Rao**, former director of National Institute of Public Finance and Policy and Chief Economic Advisor of Brickwork Ratings. This is not the time to think about fiscal consolidation or contraction in government spending, he says adding that while private sector spending is 'looking up', public sector spending is 'down in the dumps'.

Rao believes the government must 'cash in' on 'buoyant stock markets' and focus on the divestment agenda to fund capital expenditure and kickstart the growth engine. He believes the 'government must vacate areas where it has no role to play, and focus on 'governance' rather than 'running' PSUs. He is hopeful the government will fast track divestment of LIC and BPCL in the next couple of quarters.

Rao says the 'government must not meddle too much with taxes at this stage and should consider 'changes in the Direct Taxes Code when the economy improves.' However, he points out the need for addressing issues related to Customs Duty, and suggests the government must encourage domestic companies to be globally competitive. 'We've had enough of protectionism in the last five years. It is time to change the perception', he says.

'This is not going to be an easy year' but, Rao believes, 'the government will try to maximise expenditure this year.' Watch the video for more.

**NEHA BOTHRA** is a financial journalist. Views are personal.