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**ANALYSIS AND CAUSES
OF THE BUDGET DEFICIT GROWTH IN SERBIA**

Marina Đorđević*

Jadranka Đurović-Todorović*

Zoran Tomić*

***Abstract:** The budget deficit is a widely spread phenomenon in modern states. Responsible state has a number of obligations to citizens and society and it needs large funds for that. The government tries to provide revenues from different sources, but fiscal burden is very high. From these reasons, it is impossible to achieve the low level of the budget deficit. Modern states finance their deficit in different methods, but it causes a number of problems: a great debt, excessive fiscal burden, social problems, financial instability, etc. The aim of this article is not to find ways for deficit budget financing, but to discover main causes of its existence and to suggest a possible solution for its elimination. Analyzing of economic, political and demographic factors that cause fiscal deficit, we try to explain their influence. The main focus is to identify which ones have contributed the most to the budget deficit in Republic of Serbia. Further, we are going to analyze the influence of the measure of fiscal consolidation to reduction of the budget deficit in Serbia.*

***Key words:** budget deficit, political causes, demographic factors, economic variables, fiscal consolidation*

1. Introduction

There are no unified opinions about budget deficit in economic theory. On the one hand, classicists point out that the budget deficit should be avoided. They think that politics of balanced revenues and expenditures is a “golden rule” of the public finance. On the other hand, representatives of the contemporary theory suggest that deficit budget financing is the best way to increase economic growth rate and to reduce unemployment. Keynes advocates the use of the budget deficit for public and investment spendings and their influence on GDP. In that way, fiscal potential is increasing.

* University of Niš, Faculty of Economics, Serbia;

✉ marina.dj@ptt.rs, jadrankadjt@gmail.com

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“Budget deficits as a percentage of GDP may decrease in times of economic prosperity, as increased tax revenue, lower unemployment and economic growth.”¹

Jonh Seater states that “the deficit is the addition in the current period (year, quarter, month, etc.) to the outstanding debt. The deficit is negative whenever the value of outstanding debt falls; a negative deficit is called a surplus.”²

The budget deficit in the selected countries will be analysed in the first part of this article. Also, we will talk about the manieres of deficit budget financing. In the second part, we will focus on Serbian budget deficit in the period from 2005 to 2014.

Special attention in this analysis will be paid on the influence of individual factors on the budget deficit growth in Serbia and the contribution of the fiscal consolidation measures to reduce the deficit in our country.

2. The Analysis of the Budget Deficit in the Selected World’s Countries

The budget deficit is shortage of the revenues in relation to the expenditures of state or local authorities. The fiscal deficit is deficit of the total public sector in the state (state and public enterprises). In practice for explanation of the term budget deficit used other indicators may be used, such as: primary deficit, operating deficit, cyclical deficit, stuctural deficit, etc.³

“A budget deficit that results from a fundamental imbalance in government receipts and expenditures, as opposes to one based on one-off or short-time factors. A government budget occurs when a government spends more than it receives in tax revenue, while a structural deficit is when a budget deficit persists for some time.”⁴

The influence of the budget deficit on macroeconomic variables depends on the methods of deficit budget financing. Thus practice shows that the financing of the high and durable budget deficit leads to economic disbalance and slows down economic growth.

However, covering of the budget deficit by increasing of revenues is a politically unpopular method. This method of deficit budget financing reduces the accumulative capacity of the economy. It should be emphasized - in the modern states, when the expenditures are 30% of GDP - there is a little possibility for additional tax burden. Accordingly, this option is useless. On the other hand, looking for the solution in the reduction of expenditures opens other problems. This would mean reduction of funds for all budget users or selectively reduction for some users of budget funds. These options are counterproductive.

The budget deficit can be financed by direct government borrowing from the central bank or emission of bonds. The sale of bonds to the central bank is knows as *the debt monetization*. In this way the amount of money in circulation grows due to primary

¹ Budget deficit, Investopedia, available on: <http://www.investopedia.com/terms/b/budget-deficit.asp> (02/07/2015)

² Seater Jonh, Government debt and deficit, availale on: <http://www.econlib.org/library/Enc/GovernmentDebtandDeficits.htm> l(17/08/2015)

³ There are accounting categories, but budget deficit is a real economic variable.

⁴ Coleman John, Definition of structural deficit, Fuqua School of Business, Duke University, available on: <http://lexicon.ft.com/Term?term=structural-deficit> (23/06/2015)

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emission of money. This money continues to grow in commercial banks through the secondary emission of money. Consequently the inflation will be created. For these reasons the independent central banks use debt monetization only under exceptional conditions. It is clear that the debt monetization is the fastest, but at the same time the most devastating maniere of deficit budget financing.

The financing of the budget deficit can be realized by borrowing from transactors with the surplus. The sale of government's bonds in the capital market is called *the debt capitalization* [Cvetanovic, 2007, p. 203]. However, to use this option, it is necessary that a particular country develops financial market, attractive securities and adequate level of national savings for absorption of government's bonds.

Table 1. The budget deficit in OECD countries, 2005-2014 (in % of GDP)

	2005.	2006.	2007.	2008.	2009.	2010.	2011.	2012.	2013.	2014.
<i>Australia</i>	1.5	1.3	0.4	-4.3	-5.9	-5.0	-4.2	-2.3	-2.6	-
<i>Austria</i>	-1.8	-1.7	-1.0	-1.0	-4.1	-4.5	-2.4	-2.6	-1.5	-2.4
<i>Belgium</i>	-2.6	0.3	-0.1	-1.1	-5.6	-4.0	-4.0	-4.1	-2.7	-3.2
<i>Canada</i>	1.7	1.8	1.5	-0.3	-4.5	-4.9	-3.7	-3.4	-2.7	-1.6
<i>Chile</i>				4.8	-4.0	-0.0	1.5	1.0	-0.3	-
<i>CzechRepublic</i>	-3.2	-2.4	-0.7	-2.2	-5.8	-4.7	-3.2	-4.2	-1.5	-1,9
<i>Denmark</i>	5.0	5.0	4.8	3.3	-2.8	-2.7	-2.0	-3.9	-0.9	1,2
<i>Estonia</i>	1.6	2.5	2.4	-3.0	-2.0	0.2	1.1	-0.2	-0.2	0,6
<i>Finland</i>	2.7	4.1	5.3	4.3	-2.7	-2.8	-1.0	-2.2	-2.5	-3,1
<i>France</i>	-3.0	-2.4	-2.8	-3.3	-7.5	-7.0	-5.2	-4.9	-4.3	-3,9
<i>Germany</i>	-3.3	-1.7	0.2	-0.1	-3.1	-4.2	-0.8	0.1	0.0	0,7
<i>Greece</i>	-5.6	-6.2	-6.8	-9.9	-15.6	-11.0	-9.6	-8.9	-12.7	-3,5
<i>Hungary</i>	-7.9	-9.5	-5.1	-3.7	-4.6	-4.4	4.2	-2.2	-2.4	-3,5
<i>Iceland</i>	4.9	6.3	5.4	-13.5	-9.9	-10.1	-5.6	-3.8	-2.1	-2,5
<i>Ireland</i>	1.6	2.9	0.2	-7.4	-13.7	-30.6	-13.0	-8.1	-7.0	-4,1
<i>Israel</i>		-2.2	-1.2	-3.3	-6.2	-4.6	-3.9	-5.1	-5.8	-
<i>Italia</i>	-4.5	-3.4	-1.6	-2.7	-5.4	-4.4	-3.6	-2.9	-2.8	-3,0
<i>Japan</i>	-4.8	-1.3	-2.1	-1.9	-8.8	-8.3	-8.8	-8.7	-8.4	-
<i>Korea</i>	3.4	3.9	4.7	3.0	-1.1	1.3	2.0	1.0	1.3	1,2
<i>Luxembourg</i>	0.0	1.4	3.7	3.2	-0.7	-0.8	0.2	0.0	0.1	0,6
<i>Mexico</i>	2.1	1.5	0.9	0.7	0.2	-0.1	0.2	-0.3	0.1	-
<i>Netherland</i>	-0.3	0.5	0.2	0.5	-5.6	-5.0	-4.3	-4.0	-2.4	-2,2
<i>New Zealand</i>	4.6	5.2	4.4	0.4	-2.7	-7.3	-4.4	-2.1	-0.41	-
<i>Norway</i>	15.0	18.3	17.3	18.8	10.5	11.1	13.6	13.9	11.1	9,6
<i>Poland</i>	-4.1	-3.6	-1.9	-3.7	-7.5	-7.8	-5.1	-3.9	-4.3	-3,2
<i>Portugal</i>	-6.5	-4.6	-3.2	-3.7	-10.2	-9.9	-4.3	-6.5	-5.0	-4,4
<i>Slovakia</i>	-2.8	-3.2	-1.8	-2.1	-8.0	-7.5	-4.8	-4.5	-2.8	-
<i>Slovenia</i>	-1.5	-1.4	-0.0	-1.9	-6.3	-5.9	-6.4	-4.0	-14.7	-2,8
<i>Spain</i>	1.3	2.4	2.0	-4.5	-11.1	-9.6	-9.6	-10.6	-7.1	-5,8
<i>Sweden</i>	1.9	2.2	3.6	2.2	-1.0	-0.0	-0.0	-0.7	-1.2	-1,8
<i>Switzerland</i>	-1.1	0.5	1.0	2.0	0.8	0.3	0.7	0.2	0.1	-
<i>Turkey</i>		0.8	-1.5	-2.3	-6.5	-2.9	-0.8	-	-	-
<i>Great Britain</i>	-3.4	-2.8	-2.8	-5.0	-11.3	-10.0	-7.6	-6.1	-5.7	-5,6
<i>USA</i>	-4.2	-3.0	-3.6	-7.0	-12.7	-12.0	-10.6	-9.2	-5.5	-

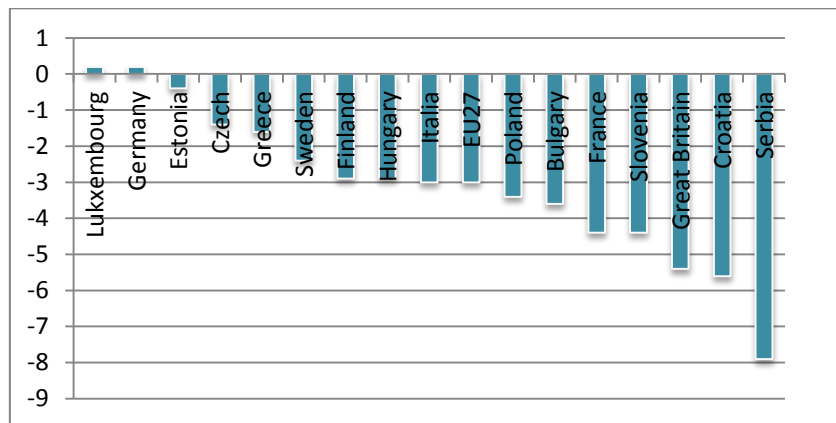
Source: <https://data.oecd.org/gga/general-government-deficit.htm> (29/05/2015)

The budget deficit can be financed by borrowing from abroad or by transferring capital in the form of gift or aid. The borrowing from foreign countries may cause a rise of the deficit in the balance of payments and currency appreciation.

Countries in transition may finance their deficit by revenues from privatization. However, these countries cannot rely on these revenues on a long period; once state enterprises are sold, this type of revenues does not exist anymore.

Analyzing the data from the table above, it can be seen that in OECD countries the budget deficit tends to growth from year to year. The largest growth has been noticed in Greece, Japan, Spain and USA, but there is the budget surplus only in Norway. In the most of the observed countries, there is the growth of the budget deficit in the years after the world economic crisis. Based on the data from 2014, France, Portugal, Spain, Ireland and Great Britain have the largest deficit.

Figure 1. The budget deficit in Serbia and selected European countries in 2014



Source: Fiscal strategy from 2015. with projections from 2016. and 2017, available on: [http://www.mfin.gov.rs/UserFiles/File/dokumenti/2015/Fiskalna%20strategija%202015-2017\(1\).pdf](http://www.mfin.gov.rs/UserFiles/File/dokumenti/2015/Fiskalna%20strategija%202015-2017(1).pdf) (28/06/2015)

Based on the data of the Fiscal Council in the Republic of Serbia in the graph 1 it can be concluded that Serbia has the largest deficit. Deficit of the EU27 countries is on the recommended level of 3% of GDP, except for Poland, Bulgaria, Slovenia, Great Britain and Croatia.

The fact that Serbian expected deficit in 2014 is the largest in the region and Europe, shows that there will be necessary to implement measures of fiscal consolidation. It is expected that these measures are going to influence on the deficit level in Serbia on the medium terms. As Ministry of Finance of Republic of Serbia believes the deficit without measures of fiscal consolidation would be 6,8% of GDP in 2016. On the other side, measures of consolidation will have an influence on the decrease of budget deficit to the level of 2,3% of GDP in 2016.

3. The Budget Deficit in the Republic of Serbia

The budget deficit in the Republic of Serbia was at an optimal level in the years before the world economic crisis. The surplus has been realized in 2005, but the public debt

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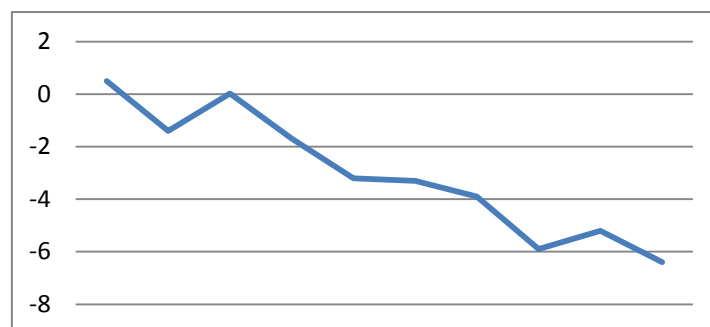
has increased, which was the result of the government' borrowing at the end of year. The deficit of 1,4% has been realized in 2006 and the debt has been reduced. The privatization is an explanaton for that because it has provided the large revenues for the budget. One part of these revenues has been used to reduce the public debt.

Table 2. The balance in the budget in Republic of Serbia, 2005-2014 (in billion RSD)

	2005.	2006.	2007.	2008.	2009.	2010.	2011.	2012.	2013.	2014.
Revenues	446,9	494,1	579,4	651,2	655,9	712,2	744,7	788,5	812,0	881,0
Expenditures	438,8	522,8	578,8	698,7	748,6	815,1	880,5	1.001	1.012	1.127
Surplus/deficit	8,1	-28,7	0,63	-47,5	-92,6	-102	-135	-213	-200	-246
% of GDP	0,5	-1,4	0,02	-1,7	-3,2	-3,3	-3,9	-5,9	-5,2	-6,4

Source: <http://www.mfin.gov.rs/UserFiles/File/bilten%20javne%20finansije/bilten-128-web.pdf> (29/07/2015), authors' calculations

Figure 2. Trend of the budget deficit in Serbia, 2005-2014 (%GDP)



Source: <http://www.mfin.gov.rs/UserFiles/File/bilten%20javne%20finansije/bilten-128-web.pdf> (29/07/2015)

The similar situation was in 2007 and 2008, while in 2009 the growth of debt and deficit were about the same. On the other side, there is the biggest difference between debt and deficit in 2010; namely the public debt has increased faster than the deficit. As a consencquence of the world economic crisis, the budget deficit has been increasing from year to year and has reached 6,4% of GDP in 2015.

Table 3. The consolidated balance in Republic of Serbia, 2005-2014

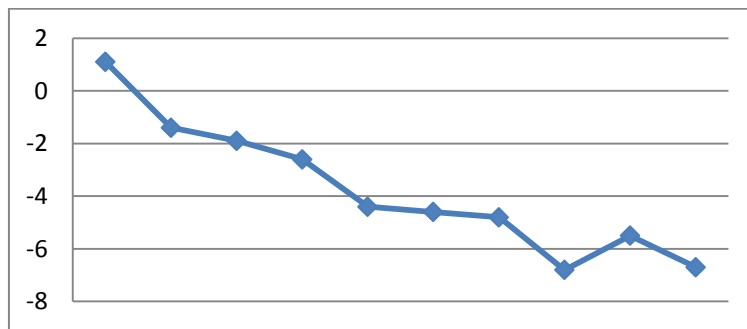
	2005.	2006.	2007.	2008.	2009.	2010.	2011.	2012.	2013.	2014.
Consolidated revenues	724,5	870,2	1.004	1.142	1.200	1.278	1.362	1.472	1.538	1.602
Consolidated expenditures	705,2	898,9	1.048	1.212	1.327	1.419	1.526	1.717	1.750	1.878
Consolidated surplus/deficit	19,3	-28,6	-44,4	-70,4	-	-	-	-	-	-
% GDP	1,1	-1,4	-1,9	-2,6	-4,4	-4,6	-4,8	-6,8	-5,5	-6,7

Source: <http://www.mfin.gov.rs/UserFiles/File/bilten%20javne%20finansije/bilten-128-web.pdf> (03/08/2015)

The consolidated deficit was 6,7% of GDP in 2014. This deficit consists of two parts. The first one is the deficit of all level of fiscal authority, and the second includes government's obligations created by public enterprises and state's banks. This deficit in 2014. was greater than in the previous years. This growth is consequence of expenditures from obligations from previous years, expenditures from restructuring of public enterprises and from stabilisation of the financial sector.

The consolidated expenditures were greater than revenues in the most of the observed months. In the other periods, the revenues were greater than expenditures, but the difference was not large. Therefore, in this period the consolidated balance was in surplus, while in the other period it was in deficit.

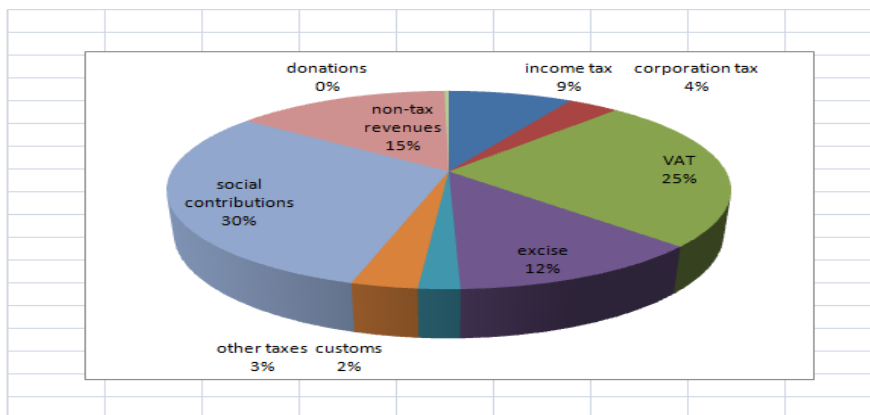
Figure 3. Trend of the consolidated balance in Republic of Serbia, 2005-2014 (in % of GDP)



Source: <http://www.mfin.gov.rs/UserFiles/File/bilten%20javne%20finansije/bilten-128-web.pdf> (03/08/2015)

In the structure of the consolidated revenues, the direct taxes have the largest share of 42%. On the other side, salaries and pensions represent the greatest part of expenditures (53,8%).

Figure 4. Structure of consolidated revenue in 2015 in Serbia

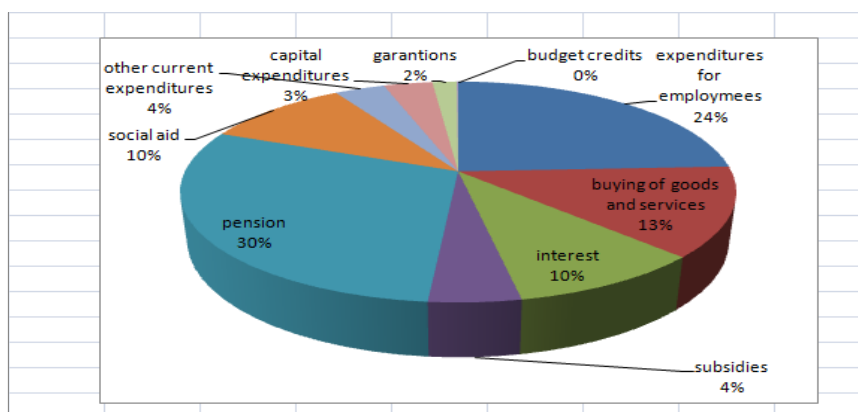


Source: <http://www.mfin.gov.rs/UserFiles/File/bilten%20javne%20finansije/bilten-128-web.pdf> (11/08/2015)

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Although the structure of revenues and expenditures does not affect the level of the budget deficit, the method of using and procurement of the resources determines the level of future deficits by revenues collection and payment obligations.

Figure 5. Structure of consolidated expenditures in 2015 in Serbia



Source: <http://www.mfin.gov.rs/UserFiles/File/bilten%20javne%20finansije/bilten-128-web.pdf> (11/08/2015)

Besides the amount and the structure of revenues and expenditures, some other factors also affect deficit level. Unfavorable macroeconomic trends – such as the rate of an economic growth, inflation, employment, average earnings, and exchange rate – will increase directly the budget deficit.

4. The Influence of Individual Factors on the Budget Deficit Growth in Serbia

There are numerous direct factors causing fiscal deficit growth in Serbia. Some of them are: growth of spending, public investments since 2006, tax reduction, financial indiscipline and so forth. However, a primary factor that influences the development and growth of the fiscal deficit is the size of the government actually its coalition structure. Many economists (Persson and Tabellini, 2001, p. 342) believe that the political and institutional variables are very important for the fiscal deficit development. Knowing that the Republic of Serbia had the largest budget deficit in Europe in 2014, further analysis will focus on factors that had influenced fiscal deficit growth in Serbia.

It is assumed that political and institutional factors affect directly the deficit instability. The level of deficit exceeds the influence of the economic factors on the fiscal imbalance.

This analysis includes twelve countries in transition which have the same political and economic characteristics: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Romania, Serbia, Montenegro, Macedonia, Lithuania, Latvia and Turkey. Data of economic, political and institutional variables from 2001 to 2013 has been obtained from several sources: World economic Outlook-IMF, World Development Indicator-World Bank and others.

Table 4. The correlation matrix of variables of fiscal deficit

Variables	Deficit	Previous deficit	Open economy level	Politics	Population	Inflation	GDP
Deficit	1						
Previous deficit	0,3	1					
Open economy level	0,19	0,18	1				
Politics	0,03	-0,08	0,69	1			
Population	-0,23	-0,28	-0,57	-0,13	1		
Inflation	-0,01	-0,19	-0,21	-0,31	0,34	1	
GDP	-0,02	-0,02	0,23	0,32	0,17	0,03	1

Source: Vuković Marija (2014), Financing of the fiscal deficit and the optimization level of public debt in the Republic of Serbia, doctoral thesis, Faculty of economic Nis, p.125

In the study of the determinants of the fiscal deficit, it is necessary to highlight that there are independent and dependent variables. Independent or exogenous variables are variables which value is determined outside the economic system, whilst dependent or endogenous variable (budget deficit) depends on exogenous variables. Independent and dependent variables are connected as well as independent variables themselves. If one independent variable linearly rises or falls in relation to another, than there is positive or negative correlation between them. If at the same time a dependent variable rises or falls, it is almost impossible to determine which independent variable is really in correlation with the change of a dependent one. Regression coefficients will be less reliable if there is higher correlation between two or more independent variables. In the table 4 it can be noticed a linearly relationship between a dependent variable (budget deficit) and all independent variables.

The fiscal deficit in the previous period had a positive correlation with the fiscal deficit in the current period, open economy level and politics. The deficit had a negative correlation with the following variables: population, inflation and GDP.

Political factors are the most important factors of creating and increase of the fiscal deficit in the world. An empirical analysis of political factors of the fiscal deficit in Serbia confirms the fact that the deficit and the debt are higher in the countries with majority and presidential electoral system than economies with democratic electoral system. A lack of strict budgetary regulations is very important political variable of the deficit budget growth in Serbia. The studies show that the primary causes of high level of the fiscal deficit in Serbia are political factors, social polarization and inefficiency of the institutional factors.

To enable further insight into the analyzed problem, it is necessary to explore demographic and economic factors of structural fiscal deficit in Serbia.

A **demographic variable** that has been analyzed is population. The larger population represents a higher possibility to allocate the cost of financing public spending to a higher number of tax payers. In this way, government can more effectively provide cheaper public goods. In the table 4 we can see that the correlation between variables population and fiscal deficit is negative (-0,23). It means that the growth of population of 1% affects reducing of fiscal deficit of 0,23%.

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Economic variables which have been analyzed are deficit of the previous period, BDP, inflation and open economy level. The previous fiscal deficit has a direct influence to the deficit in the current period. This was the case in Serbia in the previous ten-year period.

The countries with a low level of GDP have a greater instability of the public finance so they tend to use a discretionary fiscal policy. There is a negative correlation between GDP and fiscal deficit. When GDP grows, the deficit being reduced.

A high level of inflation generates an economic instability, insecurity in collection of revenues and expenditures and difficulty in planning of public finance. When the inflation grows, the fiscal deficit being increased.

Finally, it is necessary to analyze open economy level. The economies with a higher level of openness, are more exposed to the external shocks. The open economy level has a positive correlation with the fiscal deficit.

Based on this analysis, we can conclude that regardless of predominant factor of fiscal deficit in Serbia, it is necessary to use measures of fiscal consolidation, because the deficit is structural.

5. The contribution of fiscal consolidation measures to the reduction of the budget deficit in Serbia

Considering the state of the budget of Republic of Serbia, the fiscal authority has introduced two packages of measures for the fiscal deficit reduction:

- the first package of measures in the period 2012-2014 and
- the second package which will be applied in the period 2015-2017.

In the period 2012-2014, many measures on the side revenues and on the side expenditures have been implemented.

The revenues-based measures include increase of the tax rates for consumption taxes, income and other taxes. The aim of these measures is that the tax burden remains unchanged, because it is already very high (40% of GDP).

In 2012, the fiscal authority in Serbia has applied the following measures: increase of the general tax rate of VAT from 18% to 20%; cancellation of the taxation at a special rate of 8% for maintenance of streets, roads and other public areas; the other measures for increasing tax rates.

In the next year, the fiscal authority widen the list of measures: increase of the census for compulsory registration in the VAT system for a total turnover from 4.000.000 to 8.000.000 RSD; increase of the census for determining of the monthly tax period for a total turnover from 20 to 50 million RSD; the other measures.

Since January 2014, the fiscal authority has increased a special VAT tax rate from 8 to 10%. The tax rate of salaries has been reduced from 12 to 10%, while the tax free amount has been increased from 8.776 to 11.000 RSD per month. In this year, the fiscal authority has introduced a solidarity tax for employees in public sector whose earnings exceed 60.000 RSD.

On the other side, *the expenditures-based measures* often take longer to be fully implemented, while increasing taxes can provide the immediate gains [Djurovic-Todorovic, Djordjevic, 2015, p.116]. The main measure is a reduction and strict indexation of wages and pensions. This measure brings significant savings in the side of expenditures, but it is very uncomfortable. In this period, it has been necessary to reduce discretionary spending and to rationalize public administration. The expenditures-based measures are numerous, but the fiscal authority has used a few of the available measures.

A new three-year program of fiscal consolidation has started at the end of 2014. This program includes budget saving and structural reforms. The previous public finance rescue program (2012-2014) did not give satisfactory results. Disagreeable saving measures have been the useless sacrifice, because the public enterprises and the state bank “ate” all these funds. At the end of 2014, the budget deficit was at the same level as at the beginning of the fiscal consolidation in 2012. The start position was even worse than in the beginning of the rescue period. The public debt increased from 58% to 73% of GDP. It is obvious that some structural reforms are necessary. Without these reforms, the new program fiscal consolidation is destined to fail.

The key elements of the new package of measures are:

- reducing of expenditures in the form of budget savings (freezing wages and pensions in public sector);
- pension system reform;
- concluding of the three-year arrangement with the IMF which is necessary for the credibility of the program and the confidence of lenders, because foreign creditors will reject program which predicts growth of public debt;
- public enterprises reformation, namely resolving their basic problems (surplus workers, low prices, poor collection, technological obsolescence and others);
- reducing employment in public sector;
- resolving the status of companies in the privatization etc.

Keeping in mind that the unreformed public sector caused the failure of the fiscal consolidation from 2012 to 2014, the current program is also considered uncertain. On the contrary, it can be said that we are only at the beginning of the three-year period in which it will be necessary to carry out difficult and painful reforms.⁵

6. Conclusion

The budget deficit is a shortage of the revenues in the relation to the expenditures of state or local authorities. In OECD countries there is a tendency of the budget deficit growth from year to year. Greece, Japan, Spain and USA have the largest growth, whilst there is the budget surplus only in Norway. The most of the observed countries have the growth of the budget deficit in the years after the world economic crisis.

The budget deficit in the Republic of Serbia was at an optimal level in the years before the world economic crisis. The surplus has been realized in 2005, but the public debt has increased, which was the result of the government’ borrowing at the end of year. The

⁵ <http://www.fiskalniasvet.rs/analize-stavovi-predlozi.php#a090715>

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deficit of 1,4% has been realized in 2006 and the debt has been reduced. The privatization is an explanation for that because it has provided the large revenues for the budget. One part of these revenues has been used to reduce the public debt. On the other side there is the largest difference between the debt and the deficit in 2010. The public debt increased faster than the deficit. The budget deficit begins the sudden growth from year to year and it has reached 6,4% of GDP in 2015. This growth of deficit is consequence of the big world economic crisis.

Based on the analysis in this article, we can conclude which factors have affected the level of budget deficit in Serbia. There are numerous direct factors causing fiscal deficit growth in Serbia. Some of them are: growth of spending, public investments since 2006, tax reduction, financial indiscipline etc. However, a primary factor is the size of the government actually its coalition structure. Therefore except the economic factors, the level of the budget deficit in Serbia is the result of political, demographic and institutional factors.

It is evident that the structure of revenues and expenditures, in the long period, had an influence to the level of budget deficit in Serbia. In the structure of the consolidated revenues, the direct taxes have the largest share of 42%. On the other side, salaries and pensions have the greatest level of the all expenditures.

The causes of the budget deficit growth in Serbia are numerous, but the most important are:

- economic (inadequate structure of economy, GDP, unemployment, inflation),
- political (negative influence of interest groups which finance political parties),
- demographic (decrease of the population, increase of the number of unemployed working-age population)
- institutional (lack of strict budgetary regulations, complicated budgeting procedures)
- fiscal (inadequate structure of revenues and expenditures)
- social (the maintenance of social peace) etc.

Considering the state of the budget of Republic of Serbia, the fiscal authority has introduced two packages of measures for the fiscal deficit reducing: the first package of measures in the period 2012-2014 and the second package which will be applied in the period 2015-2017. A new three-year program of the fiscal consolidation has started at the end of 2014. This program includes budget saving and structural reforms. Unfortunately, the previous public finance rescue program did not give satisfactory results.

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UZROCI PORASTA BUDŽETSKOG DEFICITA U SRBIJI

Rezime: Budžetski deficit je opšteprisutan fenomen u savremenom društvu. Odgovorna država ima brojne obaveze prema svojim građanima i društvu, a za to su joj potrebna velika sredstva. Ona pokušava na sve načine da obezbedi neophodna sredstva, a da u isto vreme ne poveća fiskalno opterećenje. Zbog svega ovoga nemoguće je održati deficit na niskom nivou. Savremene države na razne načine finansiraju deficit u budžetu, ali to izaziva druge probleme, kao što je prezaduženost, preveliko fiskalno opterećenje, socijalni nemiri, finansijska nestabilnost i drugo. Cilj ovog rada nije da pronađe načine za pokriće budžetskog deficita u Srbiji, već da utvrdi glavne uzroke njegovog nastanka i da predloži rešenja za njihovo otklanjanje. Analizom političkih, demografskih i ekonomskih faktora koji su mogli da utiču na povećanje budžetskog deficita, pokušava se da se sagleda koji od njih su najviše doprineli njegovom rastu i održanju na visokom nivou. Takođe, u radu će biti analiziran doprinos mera fiskalne konsolidacije smanjenju fiskalnog deficita u Republici Srbiji.

Ključne reči: budžetski deficit, politički uzroci, demografski faktori, ekonomske varijable, fiskalna konsolidacija