

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2577

ANSWERED ON:10.03.2000

REPORT ON CURRENCY AND FINANCE

GADDE RAMAMOCHAN;M.V.V.S MURTHI;SHIVAJI MANE;SHIVAJI VITHALRAO KAMBLE

Will the Minister of FINANCE be pleased to state:

(a) whether RBI in its latest report on currency and finance made important observations on serious fiscal imbalances in the economy due to mounting share of non-plan expenditure comprising interest payments defence subsidies and non-plan grant to States and Union Territories;

(b) if so, the details thereof; and

(c) the details of action taken/proposed to be taken thereon along with action plan formulated for 1999-2000 and 2000-2001?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI BALASAHEB VIKHE PATIL)

(a) Yes, Sir.

v (b) & (c): The Reserve Bank of India in its latest Report on Currency and Finance has identified major structural weakness of the Central Government finances in the composition of its expenditure, particularly with reference to the non-plan expenditure. The Report further emphasises that the non-plan expenditure of the Central Government forms almost three-fourths of the aggregate expenditure, with the revenue component constituting a significant proportion. To curb built in expenditure growth and bring about structural changes in the composition of expenditure the Union Budget for 2000-2001 has announced several initiatives. These among other include zero base budgeting, scrutiny of all ongoing schemes, reassessment of manpower requirements and limiting fresh recruitment to minimum in government departments, review of all subsidies, earmarking portion of disinvestment proceeds for retiring government debt etc. Besides, for medium term management of the fiscal deficit a committee has been set up to examine and make suitable recommendations for a strong institutional mechanism embodied in a Fiscal Responsibility Act. For expenditure management and restructuring an Expenditure Reforms Commission has also been set up.