

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6667
ANSWERED ON:10.05.2002
STABILITY IN CENTRAL GOVERNMENT FINANCES
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has pointed out certain areas in regard to the stability and sustainability of Central Government finances ;
- (b) if so, the details thereof; and
- (c) the corrective measures taken by the Government in this regard ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) and (b) Reserve Bank of India in its Annual Report 2000-01 has, inter-alia, commented that the widened resource gap and the resultant growing borrowing requirements has led to an accumulation of public debt. The persistence of primary deficit and convergence of nominal GDP growth and interest rates impose downward rigidity to the debt-GDP ratio. The near stickiness of medium to long-term interest rates and modernisation in GDP growth has direct implications for the stability of the debt-GDP ratio.

(c) The Central Government accords high priority to stability and sustainability of its finances. With a view to strengthening fiscal consolidation process, several expenditure management measures viz., Zero-based budgeting, review of subsidies and their rationalization, reduction in administered interest rates, etc. have been adopted. The Government has revised administered rates with effect from 1.3.2002 by 50 basis points. Government has also introduced Fiscal Responsibility and Budget Management Bill, 2000. The Bill provides, inter-alia, for a legal and institutional framework to eliminate revenue deficit, bring down the fiscal deficit and contain the growth of public debt as a proportion of GDP within a time-frame.