GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2586
ANSWERED ON:18.03.2005
FISCAL DEFICIT OF INDIA
Adsul Shri Anandrao Vithoba;Tripathy Shri Braja Kishore

Will the Minister of FINANCE be pleased to state:

(a) whether the Government runs large fiscal deficits and has accumulated more debt as a share of the GDP than its Chinese counterpart;

(b) if so, whether Korea, Taiwan & China are attaining very rapid growth rates over a prolonged period of time;

(c) if so, whether global rating agency Standard and Poor`s (S&P) warned that high fiscal deficit and debt burden, India unlikely to sustain high rate of growth as achieved by the Korea, Taiwan and China; and

(d) if so, the reaction of the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY FINANCE(SHRI S.S. PALANIMANICKAM)

(a) The World Bank publication, `2004/World Development Indicators` gives cross-country data on Central Government finances. As per the publication, overall budget balance (including grants) for China and India was -1.9 per cent of GDP and -7.6 per cent of GDP in 1990 and -2.9 per cent of GDP and -4.7 per cent of GDP in 2001, respectively. As per the publication, total debt in China was 12.7 per cent of GDP and in India 57.7 per cent of GDP in the year 2001.

(b) The publication, `World Development Indicators 2004` of the World Bank gives the time series data on growth. As per the publication, the average annual growth of GDP are given below:

Country	Average annual growth of GDP (%)	
	1980-90	1990-2002
China	10.3	9.7
Republic of Korea	8.9	5.6
India	5.7	5.8

The average annual growth of GDP in Chinese Taipei in the period 1990-2002 is placed at 5.46 per cent in the publication `Key indicators 2004` of the Asian Development Bank.

(c) and (d) On February 2, 2005, Standard and Poor`s (S & P) upgraded India`s long-term foreign currency rating with stable outlook, while affirming their long-term local currency, and short-term ratings. They have stated that India`s economic prospects are stable and good. They have estimated a GDP growth of 6.5 per cent to 7.0 per cent in the medium term.

They have also cautioned that principal risks are generated by a weak fiscal profile, particularly large combined fiscal deficit of the Central and State Governments, making it vulnerable to any secular decline in growth rates or increase in interest rates. Central Government is committed to achieving the fiscal corrections mandated under the Fiscal Responsibility and Budget Management Act, 2003. This together with the proposed introduction of State-level value added tax and linking of debt relief to the enactment of fiscal responsibility legislation by the States, would safeguard against such risks.