

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2364

ANSWERED ON:23.07.2004

FISCAL DEFICIT

Mandlik Shri Sadashivrao Dadoba;Singh Shri Kirti Vardhan;Vijay Krishna Shri

Will the Minister of FINANCE be pleased to state:

(a) whether the International Credit Rating Agency `Standard and Poors` warned to the Government on fiscal deficit; and

(b) if so, the steps taken by the Government to reduce fiscal deficit?

Answer

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

(a) Standard and Poor`s, an international credit rating agency, has been expressing the view that concerted efforts between different levels of Government to control the fiscal deficit and stabilize the growth of Government`s debt burden could result in a stable outlook for India`s local currency rating. The agency has further expressed the view that better fiscal performance along with structural reforms to maintain the country`s growth prospects and its strong external profile could lead to an improved foreign currency rating.

(b) The Fiscal Responsibility and Budget Management Act, 2003 mandates the Central Government to reduce the fiscal deficit and revenue deficit so as to eliminate revenue deficit by March 31, 2008. The Union Budget for 2004-05 envisages reduction of fiscal deficit to 4.4 per cent of GDP from 4.8 per cent in 2003-04 (RE). The revenue deficit is estimated to decline to 2.5 per cent of GDP in 2004-05 from 3.6 per cent of GDP in 2003-04 (RE).