

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1484  
ANSWERED ON:16.07.2004  
BUDGET DEFICIT OF CENTRE STATE GOVERNMENTS  
Deora Shri Milind Murlu

**Will the Minister of FINANCE be pleased to state:**

- (a) whether budget deficits of the Central and State Governments are increasing year after year;
- (b) if so, whether grant of free sops viz free water and power to farmers or profligate spending before the elections and pre-elections concessions have become the order of the day in periodically elected democracies which tend to destroy the economy of the country; and
- (c) if so, whether the Government propose to look into these fiscal malaise and restrict the deficit and extravagant spendings?

**Answer**

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

(a) The fiscal deficits of the Centre, States and Centre and States combined as a proportion of Gross Domestic Product (GDP) are as under: Revised and Budget estimates for 2003-04 indicate that the increasing trend in deficits may have been arrested.

Fiscal deficit as a proportion of GDP

Year	Centre	States	Combined
2000-01 Actuals	5.7 Actuals	4.3 Actuals	9.6
2001-02 Actuals	6.2 Actuals	4.2 Actuals	9.9
2002-03 Actuals	5.9	4.7 (RE)	10.1 (RE)
2003-04	4.8 (RE)	4.2 (BE)	9.4 (BE)
2004-05	4.4 (BE)	N.A	N.A

(b) & (c) High fiscal deficits are mainly on account of relatively higher levels of expenditure on salaries, unfunded pensions, mounting interest payments, improperly targeted subsidies and deterioration in the tax-GDP ratio of the Central Government. 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).