

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6316

ANSWERED ON:06.05.2005

RBI AND FRBM

Khaira Shri Chandrakant Bhaurao;Verma Shri Ravi Prakash

Will the Minister of FINANCE be pleased to state:

- (a) whether the financial position of States are deteriorating day by day;
- (b) if so, whether the present corrective measures were discretionary and lacked statutory backing;
- (c) if so, whether the RBI needs to enact fiscal responsibility laws to improve fiscal health of the States; and
- (d) if so, the steps taken by the Government in this regard?

Answer

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

- (a) While the aggregate revenue deficit of states (including NCT of Delhi), as percentage of GDP, improved marginally from 2.7% to 2.6% during the period 1999-00 to 2003-04 (RE), the Gross Fiscal Deficit deteriorated from 4.7% to 5.1% during the same period. The Twelfth Finance Commission (TFC) has normatively assessed 15 states in non-plan revenue deficit for the year 2005-06.
- (b) Only five states had enacted fiscal responsibility law by 2004-05.
- (c) RBI does not enact laws.
- (d) Government of India has accepted recommendations of Twelfth Finance Commission with respect to Debt Consolidation and Relief, which, inter-alia, require States to enact their Fiscal Responsibility Legislation. Government of India is also fixing borrowing ceilings of States to contain their fiscal deficits.