

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:234
ANSWERED ON:12.03.2010
FINANCIAL LIABILITIES OF THE GOVERNMENT
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Will the Minister of FINANCE be pleased to state:

- (a) whether the liabilities of the Union Government have increased to 62 per cent of the Gross Domestic Product in the year 2008-2009 as against 55 per cent of the Gross Domestic Product in the year 1991-1992;
- (b) if not, the facts in this regard;
- (c) whether the International Monetary Fund (IMF) has urged the Government to check its increasing liability; and
- (d) if so, the details thereof and reaction of the Government thereto?

Answer

FINANCE MINISTER(SHRI PRANAB MUKHERJEE)

(a), (b), (c) and (d): A Statement is placed on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. 234 for answer on Friday, the 12th March, 2010 regarding 'Financial Liabilities of the Government'.

(a) and (b): The total liabilities (Internal debt, external debt and other liabilities) of the Union Government have decreased to 56.7% of the Gross Domestic Product in the year 2008-2009 as against 57.6% of the Gross Domestic Product in the year 1991-1992.

(c) and (d) On conclusion of the 2009 Article IV consultation with India, the IMF has issued on its website a Public Information Notice (PIN) dated 4th February 2010 summarizing the views of the Executive Directors at IMF on India. The relevant para of the PIN is extracted below:

'Directors welcomed the authorities' announcement to lower the deficit starting from the next budget. With the recovery becoming entrenched and given India's high debt, they encouraged the authorities to lay out a concrete strategy for reducing debt through durable reforms, which would boost credibility and foster growth. Most Directors considered that anchoring India's medium-term fiscal framework with a debt target would be helpful.'

The Government takes its own view and decisions on fiscal issues like liabilities of the Government. For the year 2010-11, the fiscal policy is being guided by the government's commitment in Medium Term Fiscal Policy (MTFP) statement presented before the Parliament in July, 2009 as required under the Fiscal Responsibility and Budget Management Act. Fiscal deficit was committed to be brought down to 5.5 % of GDP in 2010-11 and the same level has been estimated in BE 2010-11. Thus, the government's intention of coming back to the path of fiscal consolidation that had been expressed in last MTFP statement has been fulfilled. Government has laid the MTFP statement in the Parliament in February, 2010 as part of the budget documents further delineating the strategy of the government regarding fiscal consolidation. Fiscal Deficit targets for 2011-12 and 2012-13 have been kept at 4.8% and 4.1% of GDP respectively. Debt targets have been kept at 51.1%, 50% and 48.2% of GDP for 2010-11, 2011-12 and 2012-13 respectively.