

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2154

ANSWERED ON:06.08.2010

FISCAL DEFICIT

Angadi Shri Suresh Chanabasappa;M.Thambidurai Dr. ;Naranbhai Shri Kachhadia

Will the Minister of FINANCE be pleased to state:

- (a) the present status of fiscal deficit in the country over the last three years;
- (b) the extent by which economic condition prevailing in developed countries has been responsible for the same;
- (c) the measures taken by the Government to reduce the fiscal deficit;
- (d) the estimated percentage of fiscal deficit during the current financial year that of GDP; and
- (e) the target for reduction thereto in the current fiscal and the achievement so far?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): The fiscal deficit for the last three years is as follows:

2007-08 2.6 per cent of GDP

2008-09 6.0 per cent of GDP

2009-10 (Provisional) 6.6 per cent of GDP

(b): The unprecedented global financial crisis and hardening of global commodity prices impacted the real economy through a slowdown in external and domestic demand warranting a conscious shift towards an expansionary fiscal stance during 2008-09 and 2009-10 in order to boost aggregate demand. Reduction in taxes on one hand and increase in Government expenditure on the other, resulted in increase in fiscal deficit during this period.

(c)to (e): Fiscal deficit is committed to be brought down to 5.5 per cent of GDP in the year 2010-11 as against 6.6 per cent of GDP 2009-10 (Provisional Accounts), as a result of increase in the Central Value Added Tax (Cenvat) rate, increase in the non-tax revenue and non-debt capital receipts and reforms in expenditure management. The fiscal deficit up to June, 2010 has been placed at 10.5 per cent of Budget Estimates (BE) which amounts to 0.6 per cent of GDP.