

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3004

ANSWERED ON:24.07.2009

FISCAL DEFICIT

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Will the Minister of FINANCE be pleased to state:

- (a) the details of the fiscal deficit of India during the last three years and the current year, till date;
- (b) the reasons for the constant rise in fiscal deficit; and
- (c) the steps taken/proposed to be taken by the Union Government to decrease the fiscal deficit so far?

Answer

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

(a) to (c) The details of the fiscal deficit for the last three years and the current year, till date is as under :

Fiscal Deficit 2006-07 2007-08 (RE) 2008-09 (BE)

Centre and State Governments 2,30,432 2,47,832 2,44,462
combined (Rs crore)

Central Government 1,42,573 1,26,912 3,30,114

(Rs crore)

Provisional Actual. Source: Union Budget 2009-10 and Controller General of Accounts, Ministry of Finance and Reserve Bank of India.

The fiscal deficit of the Union Government as per Controller General of Accounts, Ministry of Finance for April-May 2009 is placed at Rs. 90,758 crore. There were two major economic shocks in 2008-09, namely, a sharp rise in international commodity prices in the first half and the global financial crisis in the second half. To minimise the effect of global commodity price rise and global financial crisis on the Indian economy, there was conscious shift for an expansionary fiscal stance during 2008-09 and 2009-10 through both reduction in taxes and increase in Government expenditure. This expansionary policy is in line with international best practices and is an appropriate short-term response. Once the adverse impact of the global shocks on the Indian economy is overcome, the process of fiscal consolidation would resume. The Medium Term Fiscal Policy Statement presented to the Parliament along with the Budget for 2009-10 estimates that Centre's fiscal deficit would decline to 5.5 per cent of GDP in 2010-11 and further to 4.0 per cent of GDP in 2011-12.