

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1966
ANSWERED ON:02.12.2011
FISCAL DEFICIT
Tewari Shri Manish

Will the Minister of FINANCE be pleased to state:

- (a) Whether the fiscal deficit target pegged at 4.6 per cent of Gross Domestic Product (GDP) needs to be revised and if so, details thereof and the reasons therefor;
- (b) Whether cumulative Union Government fiscal deficit has reached 3 per cent of GDP` during the first five months of Financial Year 2011-12;
- (c) Whether the Government estimates on interest payout need to be revised and if not, the details thereof alongwith the revised estimates;
- (d) Whether consolidated fiscal deficit will touch 8 per cent after factoring in the fiscal deficit of the States;
- (e) Whether there is a potential risk of a further downgrade of India`s credit rating by the credit rating agencies if the fiscal deficit situation worsens; and
- (f) If so, the reaction of the Government thereto?

Answer

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

- (a) As per Budgetary procedure, the Revised Estimates for fiscal deficit of current year are presented with the Budget Estimates of the next financial year.
- (b) Yes Sir. The cumulative Union Government fiscal deficit during the first five months is 3.1 % of estimated GDP in Financial Year 2011-12.
- (c) As per budgetary procedure, Revised Estimates of interest payout in 2011-12 are going to be presented alongwith the Budget Estimates of 2012-13.
- (d) As per Budget Estimates of 2011-12 the Union Government`s and State Governments` fiscal deficit is 4.6 per cent and 2.1 per cent of GDP respectively. Thus the estimated fiscal deficit of General Government in 2011-12 is 6.7 percent of GDP. The revised estimates of fiscal deficit for the current year are going to be presented by the Centre and the States as part of their Budget estimates of 2012-13.
- (e) and (f) India`s sovereign debt is rated by six international sovereign credit rating agencies (SCRAs). Fiscal deficit is one of the parameters which SCRAs consider while determining India`s credit rating upgrade or downgrade though it is not the sole parameter. SCRAs are encouraged to take into account the overall long-term economic strengths of the Indian economy for credit risk.