

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:924
ANSWERED ON:10.07.2009
FISCAL DEFICIT
Rao Shri Nama Nageswara

Will the Minister of FINANCE be pleased to state:

- (a) the fiscal deficit projected for the year 2009-10;
- (b) Whether any measures are being implemented to put a check on the growing fiscal deficit and also achieve the targets laid down in the Fiscal Responsibility and Budget Management (FRBM) Act;
- (c) If so, the details thereof;
- (d) If not, the reasons therefor;
- (e) Whether target set forth in FRBM have not been achieved;
- (f) If so, the reasons therefor; and
- (g) The steps taken/being taken by the Government in this regard?

Answer

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

- (a) The fiscal deficit for the year 2009-10 is projected at Rs.4,00,996 crore in the Budget Estimates 2009-10. This amounts to 6.8 per cent of GDP.
- (b) Yes, Madam. The Government has taken measures during the Fiscal Responsibility and Budget Management (FRBM) Act regime to reduce fiscal deficit and achieve the targets laid down in the FRBM Act.
- (c) The Government has taken various measures to increase revenue buoyancy through better tax administration which has resulted in improving the gross tax to GDP ratio from 9.2 per cent in 2003-04 to 12.6 per cent in 2007-08. At the same time, measures taken in Expenditure management have also contributed in reducing the fiscal deficit from 4.5 per cent of GDP in 2003-04 to 2.7 per cent in 2007-08.
- (d) Not applicable
- (e) With respect to reduction in fiscal deficit, the target set forth under the FRBM Rules has been achieved for the year 2007-08. However, during 2008-09, due to unprecedented global economic crises and its impact on India, the Government had to respond by taking several fiscal measures to support domestic demand. These measures resulted in shortfall in revenues and substantial increase in public expenditure. In view of the above, the target set forth in FRBM Rules with regard to fiscal deficit has not been achieved during 2008-09. Further, Government was also not able to eliminate revenue deficit as mandated under the FRBM Act by 31st March, 2009.
- (f) In view of the continuing global economic crises and its impact on India, Government has taken a conscious decision to step up public expenditure in infrastructure and also to boost domestic demand for goods and services. The details of the extraordinary economic circumstances have been given in the Fiscal Policy Strategy Statement and Macro-Economic Framework Statement presented in the Parliament along with the Union Budget 2009-10 on 6th July, 2009.
- (g) The short term fiscal stimulus now provided has to be balanced against long term prudence and fiscal sustainability. The Government intends to return to the FRBM target for fiscal deficit at the earliest and as soon as the negative effects of the global crisis on the Indian economy have been overcome. On the medium term fiscal perspective, the Government will await the recommendations of the Thirteenth Finance Commission. Further, to bring the fiscal deficit under control, the Government will initiate institutional reform measures which will encompass all aspects of Budget such as subsidies, taxes, expenditure and disinvestment. Accordingly, in the Medium Term Fiscal Policy Strategy Statement presented in the Parliament along with the Union Budget 2009-10 on 6th July, 2009, the Government has given a fiscal roadmap wherein it has been indicated that the fiscal deficit in 2010-11 and 2011-12 will be brought down to 5.5 per cent and 4 per cent of GDP respectively.