GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4780
ANSWERED ON:04.05.2012
FISCAL SITUATION .
Kurup Shri N.Peethambara;Punia Shri P.L. ;Rawat Shri Ashok Kumar;Shetkar Shri Suresh Kumar;Singh Shri Radha Mohan;Vishwanath Shri Adagur H

Will the Minister of FINANCE be pleased to state:

(a) The details of current account and fiscal deficit of India during the last three years and the current year til! date and the reasons for constant increase, if any;

(b) The steps taken or proposed to be taken by the Union Government thereon;

(c) Whether the Union Government has received requests from International Monetary Fund (IMF) and other international financial institutions to reduce fiscal deficit and fiscal crisis during the above period and if so, the details thereof; and

(d) The action taken by the Government in this regard?

Answer

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

(a) The fiscal deficit situation for the last three years and current year is given below :

Fiscal Year Fiscal Deficit

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  As % of GDP Rs. in crore


2009-10  6.5 4,18,482
2010-11  4.9 3,73,592
2011-12 RE 5.9 5,21,980
2012-13 BE 5.1 5,13,590
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Due to un-precedented global financial crisis, the Government had to take fiscal expansionary measures to protect Indian economy from the adverse impact of global financial crisis. This resulted in increase in Fiscal Deficit.

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Details of Current Account Balance:


   2009-10 2010-11 2011-12 (Up to Q3
     April-Dec. 2011)


Current Account Balance -38.2 -45.9 -53.6
(US $ billion)


Current Account Balance -2.8 -2.7 -4.0
per cent of GDP
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During 2011-12, Current Account Deficit widened to 4.0 per cent of GDP due to widening of trade deficit on account of higher imports of POL and gold & silver.

(b) To lower the impact of gold imports on Balance of Payment, Government has proposed to increase basic custom duty on standard gold bars, gold coins of purity exceeding 99.5 per cent and platinum from 2 per cent to 4 per cent and on non-standard gold from 5 per cent to 10 per cent. The government has reverted back to the path of fiscal consolidation with gradual exit from the expansionary measures in a calibrated manner. The reduction in Fiscal Deficit from 5.9 per cent of GDP in RE 2011-12 to 5.1 per cent of GDP in BE 2012-13 is designed with a mix of reduction in total expenditure as percentage of GDP and improvement in gross tax revenue as percentage of GDP.

(c) According to the latest IMF Executive Board Assessment (March 9th,2012), `fiscal consolidation is crucial to crowd in private investment and lower inflationary expectations, mainly through rationalization of fuel and fertilizer subsidies and improvement in public expenditure management. There was support for the planned reorientation of expenditure towards infrastructure and the social sectors as well as tax reform, especially the introduction of the goods and services tax.`

(d) Fiscal Policy approach of the government is determined by the country`s own requirements. The government has reverted back to the path of fiscal consolidation with gradual exit from the expansionary measures in a calibrated manner. The reduction in Fiscal Deficit from 5.9 per cent of GDP in RE 2011-12 to 5.1 per cent of GDP in BE 2012-13 is designed with a mix of reduction in total expenditure as percentage of GDP and improvement in gross tax revenue as percentage of GDP. With reprioritization of expenditure towards developmental side and curtailing the growth in non- developmental expenditure, total expenditure is estimated to decline as percentage of GDP. Gross tax revenue as percentage of GDP with additional resource mobilization measures is estimated to increase from 10.1 per cent in RE 2011-12 to 10.6 per cent of GDP in BE 2012-13.