

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5904

ANSWERED ON:11.05.2012

FISCAL DEFICIT

M.Thambidurai Dr. ;Nagar Shri Surendra Singh;Pal Shri Jagdambika;Rajaram Shri Wakchaure Bhausaheb;Rawat Shri Ashok Kumar

Will the Minister of FINANCE be pleased to state:

- (a) the fiscal deficit of the Centre and the States during each of the last three years;
- (b) whether the fiscal deficit of the Centre for the financial year 2011-12 has exceeded the target set by the Government in the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 and if so, the details thereof;
- (c) whether the Government apprises the Parliament of the situation and if so, the details thereof;
- (d) whether the Government proposes to amend the Act to enlarge the scope of deficit and if so, the details thereof; and
- (e) the action taken/proposed to be taken by the Government to reduce fiscal deficit of the Centre and the States?

Answer

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

(a) Fiscal Deficit of centre

Fiscal Year 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

Fiscal Deficit of States

Fiscal Year as % of GDP Rs. in Billion

2009-10 2.9 1,888

2010-11 RE 2.7 2,067

2011-12 BE 2.2 1,977

(b) Yes, sir. 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.

(c) Yes, sir. The Parliament was apprised of the situation through Statements laid before Parliament, on 16.03.2012, as required under the Fiscal Responsibility and Budget Management (FRBM) Act,2003.

(d) Yes, sir. Amendments to the FRBM Act, 2003 has been prepared and presented in the Parliament on 16.03.2012 as part of Finance Bill,2012. In the proposed amendment, a new fiscal parameter namely Effective Revenue Deficit has been introduced and emphasis is on eliminating Effective Revenue Deficit by March, 2015.

(e) 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.

The Thirteenth Finance Commission (FC-XIII) has worked out a fiscal consolidation road map for States requiring them to eliminate revenue deficit and achieve a fiscal deficit of 3% of their respective GSDP latest by 2014-15. FC-XIII has also recommended State-wise path for debt as the percentage of GSDP and combined States` debt target for 23.4 % of GDP to be reached during this period. The States are required to amend or enact their Fiscal Responsibility and Budget Management Act (FRBMA) to conform to these recommendations. As per the information available, all the States have in place FRBMA conforming to FC-XIII targets.