GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7056
ANSWERED ON:18.05.2012
CAP ON PUBLIC BORROWING
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Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank Governor has cautioned the Government against excessive borrowing and urged to put cap on the public debt;

(b) if so, action taken by the Government thereon;

(c) whether the Government`s fiscal deficit in 2011-12 is expected to exceed the budget estimate of 4.6 per cent of the GDP on account of subdued receipts and overshooting of the subsidy bill by at least Rs. 1 lakh crore over and above the original projection; and

(d) if so, the details thereof along with measures taken/proposed to be taken by the Government to bring down fiscal deficit ?

Answer

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

(a) and (b): Besides acting as a debt manager and banker to Government of India (GoI), Reserve Bank of India (RBI) also advises GoI on various macroeconomic issues from time to time through its various publications. RBI has flagged the implications of large market borrowings recently in its Annual Policy Statement for 2012-13 as well as in the report on Macroeconomic and Monetary Development for 2011-12. RBI has, however, not urged to put any cap on the public borrowings.

(c): Yes, Sir. Fiscal deficit was estimated to increase to 5.9% of GDP in RE 2011-12 as against 4.6% of GDP in BE 2011-12. It was primarily due to growth in Indian economy estimated to moderate 6.9 per cent in 2011-12 as against the earlier estimate of 9 per cent at the time of presentation of Budget 2011-12. The growth rate was impacted on account of continuance of financial crises in Euro Zone coupled with exogenous shocks like increase in the international crude oil prices.

(d): 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 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 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.