GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:92
ANSWERED ON:22.02.2013
CREDIT RATING DOWNGRADE
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Will the Minister of FINANCE be pleased to state:

(a) whether a credit rating agency has recently warned the Government about a credit rating downgrade in the near future despite the new wave of economic reforms unleashed by the Government;

(b) if so, the reaction of the Government thereto;

(c) whether the various reform measures announced by the Government is likely to help in reducing fiscal deficit; and

(d) if so, the details thereof and the manner in which they will prove helpful in this regard?

Answer

SHRI NAMO NARAIN MEENA MINISTER OF STATE FOR FINANCE

(a & b) India's sovereign debt is usually rated by six major Sovereign Credit Rating Agencies (SCRAs) viz. Moody's Investor Services, Standard and Poor's (S&P), Dominion Bond Rating Service (DBRS), Fitch Ratings, Japanese Credit Rating Agency (JCRA) and Rating and Investment Information (R&I).

During the current calendar year, no rating report or credit opinion has been received from the above mentioned SCRAs issuing a warning to the Government about a credit rating downgrade in the near future.

On the other hand, on 17th January 2013, Moody's Investor Services issued a credit opinion reaffirming India's rating at Baa3 (investment grade) with stable outlook. They inter-alia recognised India's credit strengths such as diversified economic structure, strong actual and potential growth, a high domestic savings rate and an adequate international reserves position.

Further, on 4th February 2013, Fitch Ratings released a report titled "India Commitments Encouraging, Delivery, Growth Still Key" mentioning, inter-alia, that "Public commitments and policy announcements by the Indian government so far in 2013 are encouraging signals that the authorities want to maintain the momentum towards fiscal consolidation and structural reform generated since last summer".

Government has noted the views expressed by SCRAs in these reports.

(c & d) In the current financial year, Government has taken a number of reform measures with a view to, inter-alia, reducing the fiscal deficit. These include imposition of economy measures like rationalization of expenditure and optimization of available resources with a view to improving the macroeconomic environment. The economy measures also include a 10% mandatory cut on Non Plan expenditure in the current financial year, ban on holding of meetings and conferences at five star hotels, ban on creation of Plan and Non Plan posts, restrictions on foreign travel, restrictions on re-appropriation of funds, observance of discipline in fiscal transfers to States, Public Sector Undertakings, Autonomous Bodies etc.

Government has also introduced a 'Medium-term Expenditure Framework' (MTEF), setting forth a three year rolling target for expenditure indicators. MTEF would encourage efficiencies in expenditure management.

Government will also endeavor to better target and reduce wastage in the expenditure on Central subsidies.

The measures mentioned above are expected to assist in the achievement of the target of fiscal consolidation adopted by the Government for the 12th Plan. These targets are shown below:

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Year   Fiscal Deficit
   (As % of GDP)


2012-13   5.3
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2013-14	4.8
2014-15	4.2
2015-16	3.6
2016-17	3.0