

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:102
ANSWERED ON:22.02.2013
FISCAL DEFICIT OF STATES
Panda Shri Prabodh

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) in a recent study has found that various States have improved their financial positions and their fiscal deficit to gross Domestic Product (GDP) ratios are expected to decline;
- (b) if so, the details thereof during the last three financial years, State-wise;
- (c) whether the Government has data with regard to the States that could not meet the targets; and
- (d) if so, the details thereof, State-wise and the steps taken thereon?

Answer

Minister of State in the Ministry of Finance SHRI NAMO NARAIN MEENA

(a) As per the assessment made by the Reserve Bank of India in its recent publication "State Finances: A Study of Budgets of 2012-13", published in January 2013, the key deficit indicators of the state governments at the consolidated level are budgeted to improve during 2012-13. The consolidated revenue surplus is budgeted to increase by 0.3 percentage points of Gross Domestic Product (GDP) during 2012-13, with 22 of the 28 states expected to record improvement in their revenue account. The assessment further states that in line with an improvement in the revenue account, the consolidated Gross Fiscal Deficit to Gross Domestic Product (GFD-GDP) ratio is budgeted to be lower by 0.2 % in 2012-13.

(b) As compiled from Reserve Bank of India's publications, State Finances: A Study of Budgets of 2011-12 and 2012-13, the ratios of Revenue Deficit and Gross Fiscal Deficit to Gross State Domestic Product of various states during the last three financial years and 2012-13 (BE) are at Annexure-I.

(c) & (d) The Thirteenth Finance Commission (FC-XIII) has worked out a fiscal consolidation roadmap containing the Revenue Deficit, Fiscal Deficit and Outstanding Debt targets for each State, for its award period 2010-15. States are required to enact/amend their Fiscal Responsibility and Budget Management Acts (FRBMA) to incorporate the fiscal roadmap. As gleaned from Budget Estimates (BE) of 2012-13, though States on an aggregate basis are expected to achieve GFD-GDP ratio of 2.1 %, against a target of 2.5 %, eight out of the twenty eight States have not complied with some of their respective FRBMA targets. The details of the States that have not met the targets during 2012-13 (BE) are at Annexure-II. From the financial year 2012-13 the fiscal performance of States vis-a-vis their respective FRBMA targets is measured for extending the interest relief on National Small Savings Fund (NSSF) loans. The benefit of reduced interest rates on NSSF loans has been extended to 20 States that are within the prescribed FRBMA targets.