GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:208
ANSWERED ON:23.08.2013
ROAD MAP FOR FISCAL CONSOLIDATION
Kanubhai Patel Jayshreeben

Will the Minister of FINANCE be pleased to state:

(a) whether a five year road map for fiscal consolidation has been drawn up by the Government to contain inflation and to augment economic growth of the country, if so, the details thereof;

(b) the details of the recommendations made by Kelkar Committee included in the said road map;

(c) whether the Government has been able to contain inflation as a result thereof;

(d) if so, the details thereof and if not, the reasons thereof; and

(e) the measures taken/being taken by the Government to check inflation in the country?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (e): A statement is placed on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. 208 for answer on August 23, 2013 raised by Shrimati Jayshreeben Patel regarding Road Map for Fiscal Consolidation Government adopted the following plan of fiscal consolidation during the period of 12th Plan, i.e. 2012-2013 to 2016-2017, mainly, towards achieving return of the economy to the path of high investment, higher growth, lower inflation and long term sustainability:

Year	Fiscal Deficit as percent of GDP
2012-13	5.3
2013-14	4.8
2014-15	4.2
2015-16	3.6
2016-17	3.0

Dr.Vijay Kelkar Committee recommended a number of reform measures in taxation, disinvestment and expenditure. On the taxation side, the Committee strongly advocated a transition to the Goods and Services Tax (GST) and a quick review of the Direct Taxes Code (DTC). The Committee recommended administrative measures to improve tax collection. On disinvestment, the Committee suggested a number of new models for disinvestment and urged the Government to disinvest its residual stake in some companies which were privatized earlier. On the expenditure side, the Committee suggested rationalisation of schemes and strict control and monitoring of expenditure. These recommendations were wholesome and were largely accepted by the Government.

With the implementation of the above measures, Government was able to contain the fiscal deficit in 2012-13 at 4.9% of GDP, as per provisional results, against 5.2% of GDP pegged in RE 2012-13.

Inflation, as measured by Wholesale Price Index (WPI), eased to 7.35 per cent in 2012-13 from 9.56 per cent in 2010-11. In the current fiscal, the WPI remains at 5 per cent for the period from April to July. However, the Consumer Price Index (CPI) has moderated from 10.21 per cent in 2012-13 to 9.55 per cent for the period from April to July in the current financial year.

Government has taken a number of fiscal and administrative measures from time to time to contain inflation especially food. These measures include:

Import duties for wheat, onion and pulses reduced to zero and to 7.5% for refined edible oils.

Export of edible oil banned (except coconut oil, forest based oil and edible oils in branded consumer packs upto 5 Kg with a minimum export price of US$ 1500/MT) and pulses except kabuli chana and organic pulses and lentils upto maximum of 10000 tonnes per annum

Stock limits were imposed from time to time in the case of select essential commodities such as pulses, edible oil, and edible

oilseeds for a period upto 30.9.2013 and in respect of paddy and rice upto 30.11.2013.

Futures trading in rice, urad and tur, continues to be suspended as a measure of abundant precaution.

Central Issue Price (CIP) for rice has been maintained at ` 5.65 per kg for BPL and 3 per kg for AAY and for wheat at ` 4.15 per kg for BPL and ` 2 per kg for AAY since 2002.

Government allocated 195,000 tonnes of rice and 327,000 tonnes of wheat for distribution to retail consumers for the period upto March, 2014.

The scheme for subsidized imported edible oils has been extended upto 30.09.2013 with subsidy of ` 15/Kg for import of upto 10 lakh tonnes of edible oils for this period.

The National Food Security Ordinance was promulgated on 05.07.2013. Under the provision of this bill, upto 75% of the rural population and upto 50% of the urban population will have uniform entitlement of 5 kg foodgrains per month at highly subsidized prices of ` 3, ` 2, ` 1 per kg. for rice, wheat, coarse grains respectively. The Ordinance has since been withdrawn and a Bill introduced in the Parliament.

Onion is considered a sensitive commodity within the vegetables group. The steps taken to deal with inflation in onion prices are − (i) introduction of Minimum Export Price of US $ 650 per tonne (ii) import of onion by NAFED from other countries at best rates and offer the same for domestic consumption (iii) direct procurement of onion by NAFED for supply through retail outlets.

As a part of demand management, the Reserve Bank of India (RBI) had earlier raised the policy rates by 375 basis points (bps) from March 2010 to October 2011 to contain inflation.

With the increased pressure on rupee accompanied by volatility, RBI has taken various measures to tighten liquidity like (a) increase in the rate for Marginal Standing Facility at 10.25 per cent (b) ceiling of ` 75,000 crore on funding under LAF later revised to 5% of the NDTL of the banks (c) making it mandatory for banks to have 99% of the CRR on daily basis (d) auction of ` 22,000 crore Cash Management Bills (CMB) every week. Liquidity tightening measures though aimed at check speculation in the currency market, would also have salutary impact of inflation moderation.