

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:140

ANSWERED ON:13.12.2013

FISCAL DEFICIT

Meghwal Shri Arjun Ram ;Semmalai Shri S.

Will the Minister of FINANCE be pleased to state:

- (a) the details of the total Government expenditure incurred during each of the last three years;
- (b) whether there has been stiff opposition from various Ministries against financial pruning and cuts imposed by the Government;
- (c) if so, the details thereof and the reaction of the Government thereto;
- (d) the details of the fiscal deficit of the Government during each of the last three years and the current year till date;
- (e) the details of the warnings/requests, if any, from international bodies in this regard and action taken thereon during the same period; and
- (f) the other steps taken/being taken by the Government to reduce the fiscal deficit?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

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

Statement referred to in reply to Lok Sabha Starred Question No.140 for answer on December 13, 2013 raised by Shri S. Semmalai and Shri Arjun Meghwal regarding Fiscal Deficit

(a) The details of the total Government expenditure incurred during each of the last three years are as follows:

(Rs.crore)

Year	Amount	As % of GDP
2010-11	1197328	15.4
2011-12	1304365	14.5
2012-13#	1409422	14.1

Provisional.

(b) The ceilings for both Plan and Non Plan expenditure in any given financial year are finalized after mutual consultation with line Ministries/Departments. During the mid-year review, the expenditure ceilings for Plan and Non Plan are decided keeping in view the pace of expenditure, absorptive capacity, committed and contractual liabilities and other items which are obligatory in nature. Mid-year review is a process by which resources of the Government are re-allocated to items, which require additional funds, and to reduce the budget provision, where expenditure is not keeping pace.

(c) Does not arise.

(d) The details of the fiscal deficit of the Government during each of the last three years and the current year till date are as follows:

(Rs.crore)

Year	Amount	As % of GDP
2010-11	373592	4.8
2011-12	515990	5.7
2012-13#	489890	4.9

Provisional.

The fiscal deficit upto October, 2013 was ` 4,57,886 crore or 84.4% of BE 2013-14. Government is committed to maintain fiscal deficit at 4.8% of GDP this year.

(e) Fiscal position of various Governments, including India, is assessed by various multilateral bodies. These assessments are

shared with respective Governments and necessary consultations are held with multilateral bodies to address the issues raised therein.

(f) Government has taken the following steps to rationalize Government expenditure with a view to reduce the fiscal deficit:

(i) In the current financial year, Government has imposed economy measures like rationalization of expenditure and optimization of available resources with a view to improve macroeconomic environment. This include 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, purchase of new vehicles, restrictions on foreign travel, restrictions on re-appropriation of funds, observance of discipline in fiscal transfers to States, Public Sector Undertakings, Autonomous Bodies such as releases to any entity shall be based on furnishing of Utilization Certificates, no release of funds in relaxation of conditionalities attached to such transfers (matching funding), etc.;

(ii) Government has also imposed expenditure restriction upto (a) 33% of the Budget Estimates in the last quarter of the financial year and (b) 15% of the Budget Estimates in the month of March under Monthly Expenditure Plan and Cash Management System;

(iii) Government has advised Ministries/Departments against advance payments for the goods and services being procured;

(iv) Financial Advisors of Ministries/Departments are advised to ensure compliance with these measures and also to submit an overall report to the Minister-in-Charge/the Ministry of Finance on a quarterly basis regarding various action taken on these measures/guidelines;

(v) Government has introduced `Medium-term Expenditure Framework Statement`, setting forth a three-year rolling target for expenditure indicators with a view to undertaking a de-novo exercise for allocating resources for prioritised schemes and weeding out others that have outlived their utility. It would also encourage efficiencies in expenditure management; and

(vi) Government also endeavours to restrict the expenditure on Central subsidies.

The above steps and measures are expected to reduce/rationalize the Government expenditure under the designated items of expenditure except under the obligatory expenditure like interest payment, repayment of debt, Defence Services, salaries, pensions and the Finance Commission grants to the State Governments. Government also expects to be able to contain and economise on expenditure, both on the Plan and the non-Plan side.