

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:281
ANSWERED ON:20.11.2009
STIMULUS PACKAGES
Singh Shri Rajnath;Tewari Shri Manish

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has carried out any study which maps out the impact of various stimulus measures that have been undertaken by the Union Government from December 2008 onwards;
- (b) the extent in concrete statistical terms to which these measures have been able to stimulate the economy;
- (c) the time by when the Government would be able to initiate concrete measures to set right the imbalance between the revenue and expenditure;
- (d) whether the Government has a fiscal deficit benchmark that, if reached, would automatically trigger corrective measures;
- (e) if so, details thereof;
- (f) whether the target of restructuring revenue and fiscal deficit to 45% of the budget estimates as on 30th September 2009 as mandated by the Fiscal Responsibility and Budget Management (FRBM) Act has been adhered to; and
- (g) if not, whether the Hon`ble Finance Minister would make a statement in House as mandated in the act?

Answer

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

(a) to (b) To obviate the negative impact of the global economic events on the Indian economy in 2008-09, a number of steps were taken, which included monetary measures of the RBI and the expansionary fiscal policy of the Government. The stimulus measures announced by the Government in December, 2008 and January, 2009 were both sector specific and macro economy wide in nature. No specific study has been carried out by the Government to assess the outcome of these stimulus measures. The impact of the expansionary policy could broadly be gauged in terms the three main components of demand, namely, relative share, growth and point contribution to growth. In 2007-08, the share of private consumption was 57.2 per cent and that of Government consumption was 9.8 per cent of GDP at current market prices. In 2008-09, there was a sharp deceleration in the growth in private consumption demand to 2.9 per cent from a level of 8.5 per cent in 2007-08. The expansionary fiscal policy resulted in growth of Government consumption expenditure to 20.2 per cent in 2008-09 from a level of 7.4 per cent in 2007-08. The point contribution of private consumption to GDP growth fell by a half from a level of 53.9 per cent in 2007-08 to reach a level of 27.0 per cent in 2008-09 and that of Government consumption expenditure rose to 32.5 per cent in 2008-09 (as against 8 per cent in 2007-08). This helped in achieving an overall real GDP growth of 6.7 per cent for 2008-09.

(c) The expansionary fiscal stance is a short-term measure to address demand slowdown in the economy. The intention to resume the process of fiscal consolidation has been indicated by the Medium Term Fiscal Policy Statement 2009-10 with a fiscal deficit of 5.5 per cent of GDP in 2010-11 and 4.0 per cent of GDP in 2011-12.

(d) to (g) Under Rule 7 of the Fiscal Responsibility and Budget Management Rules, 2004, Government is required to take appropriate measures in case certain intra-year threshold limits of three fiscal indicators namely non-debt receipts as a proportion of Budget Estimates (BE), revenue deficit as a proportion of BE and fiscal deficit as a proportion of BE are breached. The Rules require that the minister-in-charge of the Ministry of Finance to make a Statement in both Houses of the Parliament during the session immediately following the end of the second quarter detailing the position. In the current year, two threshold limits namely revenue deficit as a proportion of BE and fiscal deficit as a proportion of BE have been breached and as per the provisions under the Rules, a Statement in this regard would be presented in the current session of Parliament.