

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:266
ANSWERED ON:11.08.2006
FISCAL DEFICIT QUESTION .
Rawat Prof. Rasa Singh

Will the Minister of FINANCE be pleased to state:

- (a) The reasons for the failure to check fiscal deficit despite the concerted efforts made in this direction;
- (b) The details of fiscal deficit during the last two years alongwith the steps taken or proposed to be taken to check the fiscal deficit by the Government;
- (c) Whether the Government has received any suggestions from the international financial agencies to check the fiscal deficit; and
- (d) If so, the details thereof and the action taken thereon?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) to (d): A Statement is placed on the Table of the House.

POSITION NO.6

Statement referred to in reply to Lok Sabha Starred Question No.266 (POSITION No.6) for answer on August 11, 2006 by PROF. RASA SINGH RAWAT regarding fiscal deficit.

(a) & (b): The fiscal deficit as percent of Gross Domestic Product, of the Centre has been contained in recent years and shows a declining trend. Fiscal deficit for the Centre as also fiscal deficit as percent of Gross Domestic Product is as follows:

Year Fiscal Deficit Fiscal Deficit as per cent
(Rs crore) of Gross Domestic Product
at current market prices

BE Actual BE Actual

2003-04 153637 123272 5.6 4.5

2004-05 137407 125202 4.4 4.0

2005-06 151144 146348 4.3 4.1

2006-07 148686 3.8 N.A.

Provisional and unaudited . As indicated in the Budget document and using the GDP projection as at Budget time.

The decline in fiscal deficit as percent of Gross Domestic Product, has been the result of a series of initiatives taken by the Centre in pursuance of fiscal consolidation. Initiatives taken by the Centre, inter alia, include: enactment of the Fiscal Responsibility and Budget Management

(FRBM) legislation; widening the tax base through phased removal of exemptions and increased coverage under service tax; special

drive to realise tax arrears; a soft interest rate regime; pension reforms and efforts at targeting subsidies to the poor and truly needy sections of the society.

(c): Various international financial institutions bring out country-specific macroeconomic reports periodically, which are advisory in nature. Such reports, inter alia, indicate that India could sustain the present high growth rate through adherence to the fiscal adjustment objectives and targets enunciated under the FRBM Act and Rules made thereunder.

(d): The conduct of the fiscal policy is shaped by the FRBM Act, 2003 and FRBM Rules 2004. In keeping with the fiscal consolidation process under the FRBM Rules, the revenue deficit and gross fiscal deficit have been budgeted at 2.1 percent and 3.8 percent of Gross Domestic Product in 2006-07.