



Fiscal Deficit of the Centre as percentage of GDP has declined consistently since 2013-14 from 4.5 per cent to 3.5 per cent in 2016-17 (provisional actual) and is further budgeted to come down to 3.2 per cent in 2017-18.

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The Government is committed to the policy of fiscal rectitude. The fiscal deficit of the Centre as percentage of GDP has declined consistently from 4.5 per cent in 2013-14 to 4.1 per cent, 3.9 per cent and 3.5 per cent respectively in 2014-15, 2015-16 and 2016-17 (provisional actual) and is further budgeted to come down to 3.2 per cent in 2017-18. As per the information from the Reserve Bank of India's "State Finances: A Study of Budgets of 2016-17", the fiscal deficit of the States as per cent of Gross State Domestic Product (GSDP) was 2.6 per cent in 2014-15, which increased to 2.9 per cent (without the UDAY liabilities) in 2015-16 (Revised estimates) and then declined to 2.7 per cent (without the UDAY liabilities) in 2016-17 (revised estimates, based on information from 25 States). The fiscal deficit-GSDP ratio is budgeted to decline to 2.6 per cent in 2017-18 (based on information from 25 States).

The total outstanding liabilities of the State Governments as percentage of corresponding GSDP during 2014-15 to 2016-17 (BE) is given in the table below.

Total Outstanding Liabilities - As percentage of GSDP							
State	2014-15	2015-16 (RE)	2016-17 (BE)	State	2014-15	2015-16 (RE)	2016-17 (BE)
Andhra Pradesh	23.3	23.0	23.0	Maharashtra	18.0	17.6	17.6
Arunachal Pradesh	36.8	27.1	23.9	Meghalaya	28.3	28.5	29.1
Assam	17.9	18.4	18.8	Mizoram	60.6	54.6	48.5
Bihar	26.6	27.9	28.0	Nagaland	43.2	36.7	34.6
Chhattisgarh	13.2	14.6	15.8	Odisha	15.8	16.4	17.9
Goa	34.7	35.4	36.2	Punjab	30.5	32.9	32.6
Gujarat	22.6	22.5	22.5	Rajasthan	24.2	31.1	30.4
Haryana	21.2	25.9	26.3	Sikkim	23.0	24.0	25.0
Himachal Pradesh	36.6	35.4	34.4	Tamil Nadu	17.0	17.9	19.1
Jammu and Kashmir	48.0	47.1	48.8	Telangana	14.2	15.4	17.2
Jharkhand	20.1	23.6	23.7	Tripura	31.4	30.9	29.0
Karnataka	17.2	16.9	16.9		30.1	35.3	35.5

				Uttar Pradesh			
Kerala	27.3	27.2	27.7	Uttarakhand	21.0	21.2	21.8
Madhya Pradesh	22.6	22.8	23.1	West Bengal	34.6	32.5	33.8
Manipur	41.0	39.9	38.2	<i>Note:</i> RE: Revised Estimates. BE: Budget Estimates			

Source: RBI Publication "State Finances: A Study of Budgets of 2016-17".

As recommended by the Fourteenth Finance Commission (FFC) for its award period (2015-20), the Union Government approved the fiscal deficit target for States of 3 per cent of respective States’ Gross State Domestic Product (GSDP). The Union Government also approved year-to-year flexibility for additional fiscal deficit to States for the period 2016-17 to 2019-20 to a maximum of 0.5 per cent over and above the normal limit of 3 per cent in any given year subject to the States maintaining the debt-GSDP ratio within 25 per cent and interest payments-revenue receipts ratio within 10 per cent in the previous year. However, the flexibility in availing the additional fiscal deficit will be available to a State if there is no revenue deficit in the year in which borrowing limits are to be fixed and in the immediate preceding year.

As per the recommendation of the FFC, the Union Government decided to increase the share of States in the Central divisible pool of taxes from 32 per cent to 42 per cent, thereby allowing States greater autonomy in financing and designing schemes as per their needs. Besides, post-devolution revenue deficit grant has been provided to eleven States where devolution alone could not cover the assessed gap.

This was stated by Shri Arjun Ram Meghwal, Minister of State for Finance and Corporate Affairs in written reply to a question in Rajya Sabha yesterday.

DSM/SBS/KA

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