GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:83
ANSWERED ON:23.11.2001
RECESSION IN INDIAN ECONOMY
GOWDAR MALLIKARJUNAPPA;IQBAL AHMED SARADGI

Will the Minister of FINANCE be pleased to state:

(a) whether the recession in the economy is far worse during the current year as compared to previous years;

(b) if so, the details thereof alongwith the reasons therefor;

(c) whether the Government have reviewed the overall economic scenario after obtaining views from advisory council on Trade and Industry;

(d) if so, the detailed assessment of Indian economy;

(e) the remedial measures taken/propose to be taken to remove the recession in the economy;

(f) whether RBI has also taken several measures in this regard; and

(g) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI YASHWANT SINHA)

(a), (b), (c), (d), (e), (f) & (g): A Statement is laid on the Table of the House.

Statement referred to in the Lok Sabha Starred Question No.83(Position No. 3) regarding Recession in Indian Economy byShri G. Mallikarjunappa and Shri Iqbal Ahmed Saradgi for answer on November 23, 2001.

(a) No, Sir.

(b) Does not arise.

(c), (d), (e), (f) & (g): The trends in the economy are closely monitored and under constant review and appropriate measures taken in the light of emerging situation as and when necessary. The views and suggestions from various organisations including Prime Minister`s Council on Trade and Industry are given dueconsideration in formulating policies keeping in view the government`s broad policy objectives and overall macro-economic situation. Despite a moderate overall GDP growth in the firstquarter of the current financial year and an uncertain external environment, the fundamentals of the economy as reflected in low inflation, high foreign exchange reserves, large foodgrains stocks, are still very strong. With a view to promoting growth, the broad strategy enunciated in the Budget for 2001-02 has emphasized speeding up of agricultural sector reforms and better management of the food economy; intensification of infrastructure investment, continued reform in the financial sector and capital markets, and deepening of structural reforms through removal of remaining controls constraining economic activity; human development through better educational opportunities and programmes of social security; stringent expenditure control of non-productive expenditure; acceleration of the privatization process and restructuring of public enterprises and; revenue enhancement through widening of the tax base and administration of a fair and equitable tax regime. Besides, measures have been taken to stimulate domestic demand. These among others include reduction in interest rates on contractual savings, tax cuts through abolition of surcharge payable by corporates and non-corporates, further scaling down of peak customs tariff, major simplification in the excise duty regime, etc. The Budget for 2001-2002 has also provided enhanced central plan outlays for key infrastructure sectors. Reserve Bank of India on the basis of a review of macro-economic and monetary developments took certain monetary measures keeping in view need for adequate liquidity to meet credit growth and support revival of investment demand consistent with price stability. These measures included further reduction in the bank rate from 7 per cent to 6.5 per cent, rationalisation in the Cash Reserve Ratio for the banking system and reduction in the maximum interest rate chargeable on export credit by 1.0 percentage point for a period of six months with effect from September 26, 2001. These specific measures to stimulate demand in the backdrop of Budget strategy are expected to have a favourable impact on growth.