

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1530
ANSWERED ON:05.03.2010
GLOBAL RECESSION
Meinya Dr. Thokchom

Will the Minister of FINANCE be pleased to state:

- (a) whether the ill effects of global recession on our economy are receding and/ or over;
- (b) if so, the facts in this regard;
- (c) whether the spell of recession has done enough damage to our financial sector particularly the banking sector; and
- (d) if so, the details thereof and the corrective steps taken and other precautionary measures being taken up to safeguard our financial sector, particularly, the banking sector?

Answer

MINISTER OF STATE FOR FINANCE (SHRI NAMO NARAIN MEENA)

(a & b): The global financial and economic crisis in 2008-09 led to a slowdown in the Indian economy with the rate of growth falling from 9.2 per cent in 2007-08 to 6.7 per cent in 2008-09. The year, 2009-10, has shown clear signs of a recovery with the rate of growth being estimated at 7.2 per cent as per the Advance Estimates of the Central Statistical Organisation. The other macroeconomic indicators also point to a recovery.

(c): The balance sheets of Scheduled Commercial Banks (SCBs) in India remained robust despite the global financial crisis. The leverage ratio (Tier I capital to total assets ratio) in India has remained high, reflecting the strength of the banking system. The Capital to Risk-weighted Assets Ratio (CRAR) of SCBs, a measure of the capacity of banks to absorb unexpected losses, improved to 13.2 per cent at end-March 2009 from 13 per cent at end-March 2008.

(d): In the wake of the global financial crisis, the focus of the policy initiatives has been to maintain financial stability and to arrest the moderation in the growth momentum. The initiatives taken in this regard were mainly aimed at strengthening the banking system and financial markets, while ensuring uninterrupted flow of credit to different sectors. The prudential regulation and supervisory policies were also made stronger.