

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4651
ANSWERED ON:23.04.2010
OVERTAKING OF CHINA BY INDIA
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Will the Minister of FINANCE be pleased to state:

- (a) whether India will overtake China to become world's fastest growing economy by 2018;
- (b) if so, the details thereof;
- (c) the reasons therefor;
- (d) whether the Government has mapped out the contours of the financial infrastructure to tackle and manage such a huge economy; and
- (e) if so, the details thereof and if not, the reasons therefor?

Answer

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

(a) to (c): The World Economic Outlook (WEO) of the International Monetary Fund (IMF) gives country-wise real GDP growth and projections in purchasing power parity terms. The rates of growth for India and China as detailed in the publication are given below.

Annual percentage change in real GDP

	2008	2009	2010	2011	2014
China	9.6	8.7	10.0	9.7	9.5
India	7.3	5.6	7.7	7.8	8.1
Difference in growth rate between China and India	2.3	3.1	2.3	1.9	1.4

Note: Figures are from WEO, January 2010, except for the year 2014 which is taken from WEO, October 2009.

As indicated above, the gap in GDP growth between India and China had widened to 3.1 per cent in 2009 before narrowing down to 2.3 per cent in 2010 and 1.9 per cent in 2011. It is expected to further narrow down to 1.4 per cent in 2014.

Growth estimates vary across multilateral agencies. As per latest Asian Development Outlook (April 2010) of Asian Development Bank, growth rate for China is expected to be 9.6 per cent in 2010 and 9.1 per cent in 2011, while growth rate for India is expected to be 8.2 per cent in 2010 and 8.7 per cent for 2011.

(d) & (e): The broad approach to financial sector reforms in India has been to develop institutional and financial infrastructure and lay down appropriate regulatory and supervisory regime to ensure financial stability consistent with the overall objectives of growth and price stability. The financial infrastructure in India, as a result, has become vibrant and strong, which enabled it to weather the global financial crisis.

In order to further strengthen the financial infrastructure in the country, a number of measures have been announced recently which, inter alia, include :

- (i) setting up of the Financial Stability and Development Council (FSDC) to strengthen and institutionalise the mechanism for

maintaining financial stability;

(ii) give additional banking licenses to private sector players and Non-Banking Financial Companies to extend the geographic coverage of banks and improve access to banking services;

(iii) provide appropriate banking facilities to habitations having population in excess of 2000 and to extend insurance and other services to the target beneficiaries to promote financial inclusion; and

(iv) constitution of a Financial Sector Legislative Reforms Commission (FSLRC) to rewrite and clean up the financial sector laws to bring them in line with current requirements of the sector.