GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3245
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ECONOMIC SLOWDOWN
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Will the Minister of FINANCE be pleased to state:

(a)whether the economic growth of the country has registered a slowdown in the backdrop of Global Economic crisis;

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

(c)whether Government has identified the infrastructure bottlenecks that stand in the way in achieving high growth rate;

(d)if so, the details thereof and if not the reasons therefor; and

(e)the steps taken to remove such bottlenecks and achieve growth rate in the face of inflation, price rise and subsidies?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a) & (b): The global financial crisis led to a slowdown in the Indian economy and the rate of growth of gross domestic product at factor cost and constant prices (Base year 2004-05) fell from 9.2 per cent in 2007-08 to 6.7 per cent in 2008-09. Clear signs of a recovery were evident in 2009-10 with the rate of growth for the year being estimated at 7.4 per cent as per the Revised Estimates of the Central Statistical Organisation. The economic recovery during 2009-10 was supported by relatively higher growth rates in mining and quarrying (10.6 per cent), manufacturing (10.8 per cent) and electricity, gas and water supply (6.5 per cent).

(c) to (e) The Mid Term Appraisal (MTA) of the Eleventh Five Year Plan has indicated that weaknesses in infrastructure, particularly in the energy and transport sectors, are perhaps the most important constraints on the growth of the economy in the medium term. In order to remove the infrastructural bottlenecks and achieve higher growth, the Government had planned to increase investment in physical infrastructure,including rural infrastructure, from 5 per cent of GDP witnessed during the Tenth Five Year Plan to about 9 per cent of GDP by 2011-12 (terminal year of the Eleventh Five Year Plan). The MTA, after a review of the experience in the first three years of the Plan, indicates that the increase in the total investment in infrastructure was commendable, albeit with variations across sectors. The MTA also notes that the share of private investment in infrastructure has almost doubled from 1.3 per cent of GDP in 2004-05 to nearly 2.5 per cent in 2008-09. Recognizing that accelerated development of high quality physical infrastructure, such as roads, ports, airports and railways is essential to sustain economic growth, the Budget for 2010-11 has provided Rs.1,73,552 crore for infrastructure accounting for 46 per cent of total plan expenditure.