

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4941

ANSWERED ON:02.09.2011

FINANCIAL PROBLEMS IN DEVELOPED COUNTRIES .

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of the financial crisis / debt default in USA and other developed countries;
- (b) if so, the reaction of the Government thereto;
- (c) whether the Government has also taken note of downgrading credit rating of India;
- (d) if so, the details thereof; and
- (e) the action / corrective action taken by the Government in this regard?

Answer

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

(a) & (b) The uncertainty in the global markets due to recent developments in United States of America (USA) and Euorzone have had some impact on capital markets in India. The economy, however, is basically domestic demand driven, as about 85 per cent of its GDP is from domestic sources. The calibrated approach to capital account convertibility has prevented surge and reversal of debt creating capital flows. Indian banking sector is robust and the export basket is increasingly diversified in terms of products and destinations, with developing economies emerging as the largest export market. The Indian growth story is, therefore, expected to remain largely intact, as its fundamentals are strong.

The Government is, however, keeping a close watch on global developments and action would depend upon how the global situation unfolds.

(c) to (e) There has been no downgrading of India's credit rating. Hence the question of taking any remedial measures does not arise.