

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3157

ANSWERED ON:19.08.2011

IMPACTS OF GLOBAL FINANCIAL CRISIS ON INDIAN ECONOMY

Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba

Will the Minister of FINANCE be pleased to state:

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- (a) whether the Indian Banks, Financial Institutions and Business Organisations have suffered losses on account of bankruptcy declared by some Foreign Banks consequent upon global financial crisis;
- (b) if so, the details thereof for the last three years and the current financial year and the reasons therefor alongwith the reaction of the Government thereto;
- (c) the impact of the global financial crisis on the Indian Economy; and
- (d) the steps taken / being taken by the Government to ensure uninterrupted and adequate credit to the said financial institutions?

Answer

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) & (b): The Indian banking system, by and large, remained unscathed in the global financial crisis.

(c) & (d): The impact of global financial crisis was first visible on India's financial markets. Equity, money, forex and credit markets came under pressure from a number of directions. To mitigate the adverse impact of the crisis, the Reserve Bank of India and the Government initiated several measures since September, 2008. While the Government launched three fiscal stimulus packages, RBI aggressively eased its monetary policy. Some of the major measures initiated included:

- (i) Reduction of the policy rates under the liquidity adjustment facility to their historically low levels;
- (ii) Lowering of reserve requirements;
- (iii) Institution of sector-specific liquidity facilities and forex swap facility;
- (iv) Relaxation in the external commercial borrowing guidelines;
- (v) Countercyclical prudential measures of adjustment in risk weights; and
- (vi) Provisioning and conditional special regulatory treatment for restructured assets.

The measures initiated by the RBI and the Government played a significant role first in arresting the moderation in growth and then ensuring that the economy recovered as early as possible.