

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:907

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GLOBAL FINANCIAL SECURITY SYSTEM

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Will the Minister of FINANCE be pleased to state:

(a) whether the economic fundamentals of the country has withstood the widespread financial crisis effecting various countries of the world;

(b) if so, the details thereof;

(c) if not, the concrete steps proposed to be taken by the Government to deal with the financial crisis; and

(d) the reaction of the Government on Global Financial Security System and the steps taken by the Government to bring out India from the said situation?

Answer

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

(a)to(d) The unfolding of euro zone crisis has impacted the country through slowdown in FII inflows, fall in the stock markets, slowdown in the Index of Industrial Production (IIP), decline in the value of the Rupee and a slowdown in exports in recent months.

The economic fundamentals of the country are however strong which, inter-alia, include a large domestic demand driven economy, high saving and investment rate and a robust banking system. Besides, calibrated approach to capital account convertibility has prevented surge and reversal of debt creating capital flows to a significant extent. Similarly, the external commercial borrowings policy that places end-use, all-in-cost and maturity restrictions has been successful in maintaining external debt at sustainable levels.

The Finance Ministry is keeping a close watch at the situation. The Sub-committee of the Financial Stability and Development Council (FSDC) headed by the Governor, Reserve Bank of India is also making continuous assessment in the matter.