

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1244
ANSWERED ON:30.11.2012
PLEDGING OF GOLD
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Will the Minister of FINANCE be pleased to state:

- (a) whether economy of the country has reached an alarming level, as bad as 1991 when gold was pledged to foreign countries;
- (b) if so, the details thereof along with the reaction of the Government thereto;
- (c) the factors responsible for the present economic condition of the country;
- (d) whether Government has taken steps to ameliorate and streamline the condition of 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) & (b) No, Sir. Since 1991 the structure of the Indian economy has changed in fundamental ways with share of the services sector in the economy increasing significantly. Performance of the services sector is less volatile compared to that of agriculture and industry. Indian financial markets are well regulated and have become more mature, diverse and deep and have resilience to absorb shocks. The exchange rate is currently largely market determined, and thus able to absorb shocks. Also, India's foreign exchange reserves are much higher and external sector vulnerability indicators are at safe levels, and more comfortable vis-a-vis the levels in 1991.

(c) The slowdown in the growth of the economy is mainly on account of the slowdown in the industrial sector and lower growth registered in the agriculture sector. This reduction in the growth rate is attributable to both domestic and global factors. Global factors include, in particular, the crisis in the Euro-zone and the near-recessionary conditions prevailing in Europe; sluggish growth in several industrialized economies; hardening of international prices of crude oil, etc. Among domestic factors, the tightening of monetary policy in order to control inflation, inter alia, resulted in the slowing down of investment and growth, particularly in the industrial sector.

(d) & (e) The measures being undertaken by the Government to revive the economy, inter alia, include better access to finance for manufacturing sector, fast tracking of large investment projects in the areas of power, petroleum and gas, roads, coal, etc., use of buffer stocks to moderate food inflation, strengthening of financial and banking sector, reducing the volatility of exchange rate, etc. Certain specific measures taken by the Government to achieve higher growth, inter alia, include enhancing the level of investment for agriculture sector including irrigation projects, promoting Micro Small & Medium Enterprises (MSME) sector by way of higher allocation of funds, enhancing investment in the infrastructure sector and also focusing on Public Private Partnerships, a number of legislative measures to develop the financial sector and introduction of a new National Manufacturing Policy, etc. Measures are being undertaken to facilitate fiscal consolidation. The steps recently outlined include reduction in the subsidy on diesel, announcement of disinvestment in certain PSUs, along with measures to strengthen the investment climate (liberalization of FDI in multi-brand retail, aviation, broadcasting) and are expected to revive market confidence and restore growth momentum.