

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1284
ANSWERED ON:30.11.2012
INFLATION AND GROWTH
Choudhary Shri Bhudeo

Will the Minister of FINANCE be pleased to state:

- (a) whether the Ministry has conducted any comparative study to find out which one is more harmful for the economy of the country, high inflation or slow development;
- (b) if so, the details thereof and the reaction of the Ministry thereto;
- (c) whether there has been decline in the growth rate of the country during the last three years and the current year and if so, the details thereof and reaction thereto; and
- (d) the steps being taken to arrest the said decline?

Answer

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

- (a) & (b) No, Sir. Government and Reserve Bank of India (RBI), however, monitor the price situation and economic growth regularly and adopt policies that attempt to achieve price stability and high rates of growth.
- (c) The overall rate of growth of GDP at factor cost at constant 2004-05 prices was 8.4%, 8.4% and 6.5% during 2009-10, 2010-11 and 2011-12, respectively. In the first quarter of the current financial year (2012-13) GDP growth is estimated to be 5.5%. The estimates of growth of GDP for the full financial year are yet to be released by the Central Statistical Office.
- (d) The measures being undertaken by the Government to improve GDP growth, 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. 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, and broadcasting) which are expected to revive market confidence and restore growth momentum.