GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:605
ANSWERED ON:18.05.2012
CREDIT RATING OF INDIA
Gaikwad Shri Eknath Mahadeo;Naik Dr. Sanjeev Ganesh

Will the Minister of FINANCE be pleased to state:

(a) whether the recent downgrading of India`s credit rating by the global agency Standard and Poor is likely to have any adverse impact on the Indian economy;

(b) if so, the details thereof and the reaction of the Government in this regard; and

(c) the steps taken/proposed to be taken by the Government in this regard?

Answer

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE)

(a) to (c): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (c) of Lok Sabha Starred Question No.605 to be answered on 18th May, 2012 regarding Credit Rating of India, tabled by Dr. Sanjeev Ganesh Naik and Shri Eknath M. Gaikwad

(a & b) Standard and Poor's (S&P) released its latest research update on India's sovereign credit ratings on 25th April 2012. In its report, S&P did not downgrade India's credit rating. It affirmed India's BBB (-) long term and A-3 short term sovereign rating. However, it revised the outlook on the long-term ratings on India from Stable to negative.

In their report, S&P also raised concerns about issues such as the level of fiscal deficit and debt burden, increase in the current account deficit and the slowdown in the economic growth. However, the revision in outlook may have some perceptional impact. Government has taken note of these concerns.

S&P's assessment should, however be, viewed in the context of the current economic difficulties that nations around the globe are facing and India's comparative performance which has been reflected in the recent rating that it has received. Since April 2011, several sovereigns were downgraded especially by S&P and other major rating agencies. In comparison, India's sovereign ratings have either been affirmed or upgraded in segments.

(c) Government is taking a number of steps with a view to further strengthening and sustaining economic growth.

These include measures contained in the Budget for 2012-13 that are aimed towards fiscal consolidation, improvement in the investment environment, development of the infrastructure and industrial sectors, and further development of the human resources.

The measures for fiscal consolidation include efforts to restrict the expenditure on central subsidies to under 2% of GDP in 2012-13 and to further bring it down to 1.75% of GDP in the next three years. Government is also making a determined attempt to reduce the budgeted fiscal deficit to 5.1% of GDP in BE 2012-13 from 5.9% of GDP in RE 2011-12. In addition, efforts are being made towards enactment of Direct Taxes Code (DTC) and drafting of model legislation for Goods & Services Tax (GST).

The measures for strengthening the investment environment include various initiatives taken with a view to deepen the reforms in the capital markets, capitalization of banks and financial holding companies, steps to improve financial inclusion etc.

The measures for the development of infrastructure and industrial sectors include launching of the first infrastructure debt fund, allowing tax free bonds of Rs. 60000 crore for financing infrastructure projects, bringing about the national manufacturing policy, further liberalizing the External Commercial Borrowings for some infrastructure sectors etc.

The measures towards further development of the human resources include increase in the funding for Sarva Shiksha Abhiyaan (SSA), launching National Urban Health Mission, etc.

Government is aware of the persistence of the difficulties being faced by major economies of the world. In today's globalised economy, economic problems of other countries may have some impact on Indian economy as well. Therefore, as and when required, Government would take further steps with a view to sustaining economic growth in India.