

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1744
ANSWERED ON:16.08.2013
DECLINE IN INVESTMENT
Choudhary Shri Bhudeo

Will the Minister of FINANCE be pleased to state:

- (a) whether the Economic Growth rate in the country has reportedly declined due to decline in investment; and
- (b) if so, the details thereof and reaction of the Government thereto?

Answer

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

(a) and (b) The reduction in the growth rate of Gross Domestic Product (GDP) in India during 2011-12 and 2012-13 is attributable to domestic as well as global factors. Global factors include, in particular, sluggish growth in several industrialized economies. Among domestic factors, the tightening of monetary policy in order to control inflation during most of 2011-12, inter alia, resulted in the slowing down of investment and growth. The investment rate declined to 35.0 per cent in 2011-12 from 38.1 per cent recorded in 2007-08. In addition, bottlenecks such as obtaining environmental clearances, land acquisition, etc. might have led to a slowdown in investment in the economy, and contributed to the slowdown in overall GDP growth.

The Government has taken several steps to revive growth in the economy that, inter alia, include measures to speed up project implementation via the creation of the Cabinet Committee on Investment (CCI); boost to infrastructure financing by encouraging Infrastructure Debt Funds, enhancement of credit to infrastructure companies; provision of greater support to Micro, Small and Medium Enterprises; strengthening of financial and banking sectors, etc. Initiatives by the Government also include liberalisation of FDI norms in several sectors including telecom; deregulation of the sugar sector; decision to launch inflation indexed bonds to incentivize households to save in financial instruments; fiscal consolidation through fiscal reforms viz. reduction in the subsidy of diesel, cap on the number of subsidised LPG cylinders; new gas pricing guidelines, etc.