GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:291
ANSWERED ON:06.12.2013
RATING OF INDIAN ECONOMY
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Will the Minister of FINANCE be pleased to state:

(a) whether International Monetary Fund (IMF), Asian Development Bank (ADB), World Bank (WB) and various International rating agencies have cut down India`s economic growth forecast for the current financial year;

(b) if so, the details thereof and the reasons therefor, agency-wise and reaction of the Government thereto; and

(c) the steps taken/being taken by the Government to achieve the projected economic growth of the country?

Answer

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

(a) and (b) The International Monetary Fund (IMF) has reduced India's Gross Domestic Product (GDP) growth forecast to 4.3 per cent for 2013-14 while the Asian Development Bank (ADB) and World Bank have revised India's GDP growth forecast to 4.7 per cent for the current financial year. Several factors including supply-side and structural bottlenecks, negative business sentiments, elevated fiscal and current account deficits and inflation have been highlighted as reasons adversely affecting the country's GDP growth rate.

Various agencies like IMF, World Bank, ADB as well as research organizations within the country and outside, and credit rating agencies bring out forecasts regarding growth rate of the economy. These forecasts as well as the revisions, based on specific assumptions, often differ from one another and do not represent the views of the Government of India.

(c) 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 and 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; steps to boost manufacturing growth; fiscal consolidation through reforms viz. reduction in the subsidy of diesel and cap on the number of subsidized LPG cylinders; new gas pricing guidelines; measures to control the current account deficit and depreciation of the rupee, etc. These measures have started to yield results with significant improvement in the external situation and a modest recovery in GDP growth noticed during the second quarter of 2013-14.