GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3369
ANSWERED ON:01.08.2014
FOREIGN INVESTMENT AND GROWTH
Biju Shri Parayamparanbil Kuttappan

Will the Minister of FINANCE be pleased to state:

(a) the contribution of foreign investment to the economic growth rate of the country;

(b) whether any target has been fixed in respect of foreign investment for achieving high growth rate and if so, the details thereof;

(c) whether other alternatives have been identified to increase growth rate; and

(d) the measures taken or proposed to be taken to ensure healthy growth of the economy?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIMATI NIRMALA SITHARAMAN)

(a) Investment in the economy as ratio of GDP averaged 35.6 per cent per annum during the three years 2010-11 to 2012-13 (the latest years for which information is available), while the gross domestic saving as a ratio of GDP averaged 31.7 per cent during the period. The gap, 3.9 per cent of the GDP per annum, was financed by foreign resources. There are many factors that contribute to growth and it is difficult to precisely estimate the contribution of foreign investment to economic growth.

(b) Government has not fixed any target for foreign investment for achieving high growth rate.

(c) The overall growth rate of an economy is dependent on many factors that, inter-alia, include the rate of capital formation and savings, utilization of technology, availability of infrastructure, efficiency of resource allocation, quality of institutions, governance and the policy framework in place. Factors like the revival of industrial growth, improved external economic situation characterized by a stable current account, generally benign outlook on oil prices, improved fiscal situation, modest global growth revival, etc. can be expected to contribute to the gradual increase in the rate of growth.

(d) Several measures have been outlined in the Union Budget 2014-15 to improve growth in the economy that, inter-alia, include: (i) fiscal consolidation with emphasis on expenditure reforms; (ii) initiatives for skill development including in rural areas; (iii) proposals to boost agriculture via emphasis on irrigation and long-term credit; (iv) impetus to rural roads; (v) fillip to industry and infrastructure, inter-alia, via incentives viz. extension of the ten-year tax holiday to undertakings that begin generation, distribution and transmission of power by 31.03.2017; (vi) measures to augment low cost long-term foreign borrowings by Indian companies; (vii) proposal for promotion of Foreign Direct Investment in selected sectors; (viii) reduction in excise duty on specified food processing and packaging machinery, etc. along with proposed rationalization of duties relating to different types of coal, scrap and diamond items; (ix) scheme for development of new airports in tier I and tier II cities; (x) boost to savings via raising of investment limit under Section 80 C of Income Tax Act and the income tax exemption limit to Rs. 2.5 lakh from Rs. 2 lakh; and, (xi) emphasis on development of smart cities.