

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION No. 2302
TO BE ANSWERED ON 21 MARCH 2023**

Economic crisis in neighbouring countries

2302. **Shri G.V.L. Narasimha Rao:**

Will the Minister of FINANCE be pleased to state:

- (a) the details of Government's assessment for the global economic slowdown;
- (b) the policies or actions of Government that helped Indian economy in achieving highest growth among large economies;
- (c) the details of Government assessment for the economic crisis in our neighborhood;
- (d) the actions Government has taken to avoid economic crisis in neighborhood region;
- (e) whether Government has sent any advisories or guidelines to any State Governments to avoid economic crisis in India's neighbourhood;
- (f) if so, the details thereof; and
- (g) the possible actions Government will take in case State Governments do not heed to the advice?

ANSWER

**MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a): The pandemic and Russia-Ukraine conflict have together generated a unique set of challenges for the global economy. Supply chain disruptions have led to an uptick in inflationary pressures and compelled central banks across the globe to tighten financial conditions. The impact of monetary tightening is visible in slowing economic activity, especially in Advanced Economies (AEs). Prolonged strains in supply chains and heightened uncertainty caused by geo-political conflict have further deteriorated the global outlook. Owing to these unfavourable developments, the IMF, in its January 2023 update of the World Economic Outlook (WEO), has projected global output to decline from 6.2 per cent in 2021 to 3.4 per cent in 2022 and to 2.9 per cent in 2023. A slower growth in economic output is also likely to dampen growth in cross-border trade.

(b): Government of India undertook various structural reforms to improve growth prospects and also took a series of proactive initiatives during crisis that have helped Indian economy in achieving highest growth among major economies. Some of the initiatives include, launch of Make in India to boost manufacturing in India, Start-up India to build an ecosystem for nurturing innovation and start-ups, the introduction of the Insolvency

and Bankruptcy Code (IBC) to de-stress the banking sector, rationalization of labour laws to increase employment, reduction in the corporate tax rate to boost private investment, and roll out of Goods and Services Tax (GST), among others.

Soon after the outbreak of the pandemic, the Government implemented measures to support India's quick economic recovery and secure its status as a large rapidly growing economy. These included push to Capital expenditure, Production Linked Incentive (PLI) scheme, National Monetization Pipeline of public sector assets, privatization of public sector banks and insurance companies, increasing of FDI limits in various sectors, PM Gatishakti for integrated planning of infrastructure and synchronized project implementation across all concerned Central Ministries, Departments and State Governments, among others, and National Infrastructure Pipeline of projects.

The Union Budget 2023-24 has also announced specific measures to drive growth. These include a substantial increase in capital investment outlay for the third year in a row by 33 per cent to ₹10 lakh crore (3.3 per cent of GDP), the enhanced outlay for PM Awas Yojana, the launch of Aspirational Blocks Programme covering 500 blocks for saturation of essential government services; increase in agriculture credit target to ₹20 lakh crore with a focus on animal husbandry, dairy and fisheries; and setting up of Agriculture Accelerator Fund to encourage agri start-ups by young entrepreneurs in rural areas, among others. Direct capital investment by the Centre is also complemented by Grants-in-Aid to States for the creation of capital assets. The 'Effective Capital Expenditure' of the Centre was accordingly budgeted at 13.7 lakh crore (4.5 per cent of GDP) for 2023-24. To increase private investment in infrastructure, the newly established Infrastructure Finance Secretariat will provide the oversight. Further, to improve logistics performance, one hundred critical transport infrastructure projects, for last and first-mile connectivity for ports, coal, steel, fertilizer, and food grains sectors, have been identified and will be prioritised for development.

(c)-(g): Government is aware of the economic crisis in the neighbourhood countries of India and has noted that Multilateral Institutions including IMF are collaborating with the government of these countries to address the situation. India is an integral part of the global economy and stands committed to undertake measures for minimising the impact of external shocks.
