GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

**LOK SABHA**
**UNSTARRED QUESTION NO. 5088**
DUE FOR ANSWERED ON APRIL 3, 2023

# INVESTMENT RISKS AND MACROECONOMIC PROBLEMS OF INDIAN ECONOMY

5088. SHRI K. NAVASKANI:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken cognizance of reported big investment risks, strong policy inwardness and large macroeconomic imbalances prevailing in the country and if so, the details thereof and the reaction of the Government thereto; and
(b) if so, the remedial steps proposed to be taken by the Government, keeping in mind that the country's economy is likely to touch $7tn by 2030?

## ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHHARY)

**(a)-(b):** After the twin shocks of the COVID-19 pandemic and the geo-political conflict, the global economy has been slowing while global inflation remains elevated. This has impacted the Indian economy as well. Yet India continues to be the fastest-growing major economy in the World, with low inflation. India's real GDP growth is estimated to grow at 7 per cent in 2022-23, while inflation has been on a declining trend during the year, gradually nudging below 6 per cent. Policy support over the last eight years has contributed to the high growth of the Indian economy.

Policy support has included the introduction and application of the Insolvency and Bankruptcy Code (IBC), Goods and Services Tax Reform, cut in the Corporation Tax Rate, the Make in India and Start-up India strategies, and Production Linked Incentive Schemes, among others. Sensing that the pandemic and the geo-political conflict will increase economic uncertainty and increase investment risks, the Government of India increased its capital investment outlay substantially during the last three years. This not only supported growth but also attracted investment from the private sector.

India has also shown policy openness by helping needy countries with medical kits and vaccination doses to fight the pandemic. Various measures announced to attract FDI and positive responses thereto by foreign investors also reflect policy openness in India. While maintaining high growth, India has been able to reduce inflation through calibrated intervention by the RBI and specific measures taken by the Government to improve supplies. This has resulted in the strengthening of the macroeconomic balance, which has been further supported by the declining level of public debt in relation to GDP, and the narrowing current account deficit following a cut in inessential imports and an increase in service exports.

The Union budget 2023-24 has taken further steps to sustain a high growth of India's economy. 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 the 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 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.

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