

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

**LOK SABHA
UNSTARRED QUESTION No. 202
TO BE ANSWERED ON 21 JULY 2025/ASHADHA 30, 1947 (SAKA)**

MEASURES TO SUSTAIN ECONOMIC GROWTH

202. Shri Rajmohan Unnithan:

Will the Minister of FINANCE be pleased to state:

- (a) the measures planned to sustain economic growth in the light of global challenges;
- (b) whether the revised fiscal deficit targets being considered for the fiscal year 2025-26; and
- (c) the financial support intended for States to enhance their resilience projects?

ANSWER

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

(a): The government has been taking various measures to boost economic growth in light of global challenges and uncertainties. India's economic resilience is underpinned by strong macroeconomic fundamentals such as steady growth, price stability, credible fiscal consolidation, resilient external sector performance, robust foreign exchange reserves, a strong and well-capitalised banking sector, and robust physical and digital infrastructure. Additionally, India's well-regulated financial system, credible inflation-targeting regime, and flexible exchange rate contribute to the economy's resilience to shocks. In response to recent global challenges such as trade tensions, uncertain capital flows, and geopolitical risks, the government has been taking a multi-pronged approach to sustain economic growth. These measures include, *inter-alia*,

- Various export facilitation measures including adoption of a new Foreign Trade Policy (2023) to integrate India more effectively into the global market, enhance its trade competitiveness, and establish the country as a reliable and trusted trade partner in an increasingly complex global environment;
- bilaterally engaging with countries for the finalisation of various Trade Agreements;
- liberalisation of FDI policy to attract foreign capital;

- continued efforts to simplify compliances, promote digital governance, and decriminalizing legal provisions to attract domestic and foreign investment;
- strengthening local manufacturing which exhibits higher forward and backward linkages with other sectors of the economy; and
- credit guarantee schemes, emergency liquidity lines and increased public expenditures, particularly capex and welfare measures to enhance resilience to shocks as well as to protect the vulnerable groups in such events.

(b): The estimate of fiscal deficit for the year 2025-26, as presented in the Union Budget 2025-26 is at 4.4 per cent. There is no felt requirement for revision of fiscal deficit target at this stage, and neither is it considered appropriate.

(c): The Government provides multifaceted financial support to states to enhance their resilience through various measures such as centrally sponsored schemes, central sector schemes, finance commission grants (including grants for local bodies, health sector, incubation of new cities, shared municipal services, grants-in-aid for State Disaster Response Fund (SDRF), grants-in-aid for State Disaster Mitigation Fund), and other forms of grants and assistance to states. A key instrument is the Special Assistance to States for Capital Expenditure, under which interest-free loans are extended to states for capital expenditure and incentivising reforms. In the Union Budget 2025-26, an outlay of ₹1.5 lakh crore has been proposed in this regard. To strengthen power sector resilience, the Budget also proposed incentives for electricity distribution reforms and augmentation of intra-state transmission capacity, with an additional borrowing of 0.5 per cent of gross state domestic product (GSDP) allowed for states, contingent on undertaking these reforms. Moreover, the Budget also proposed to launch a comprehensive multi-sectoral ‘Rural Prosperity and Resilience’ programme in partnership with states, which aims to address under-employment in agriculture.
