

Q. 6

The challenges in domestic financial sector & global economic turbulence has lead to decline in GDP growth of India. Do you agree with this view? Give arguments in favour of your answer. (150 words).

Ans. 6

The current economic slowdown in economy is a big reason for decline in GDP growth in India. Both domestic financial sector as well as global factors are responsible.

Domestic Financial Sector :-

- Bank's morale has been lowered due to various frauds like PNB scam, PMC fraud etc.
- Unemployment rate 45-year high which suggests that there is less consumption & demand.
- Rural spending is decreasing & quite stressed. Schemes like MGNREGA are not been properly focused.

Global Factors :-

- Protectionist policies by developed countries.
- US-China Trade War.
- Interference of US in WTO's working.

- deglobalisation.

These above factors show that India's GDP growth is declining. The nominal GDP came to single-digits at 7.5% after 2003-04.

This eventually hurts the sentiments of industries as they need to work more harder. Certain economists have claimed that this is cyclical slowdown & can recover in coming years.

Steps Taken by Govt. in this regard:-

- ① Rs. 102 lakh crore investment through National Infrastructure Pipeline in various sectors to boost up infrastructure.
- ② PPP models like govt. providing support through Viability Gap Funding which can increase private interventions.
- ③ Reduction in Corporate Tax, abolition of DDT (Dividend Distribution Tax) can also help industries.

No doubt, we can feel economic slowdown but surely the above interventions can help boost up economy. RBI through its 'Operation Swift' has also tried to increase liquidity in economy which can surely help.