

# Govt unveils ₹9-trillion plan to boost economy

**FOCUS ON BANKS, INFRA** Public sector banks to get ₹2-trillion infusion, ₹7 trillion earmarked for road projects

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**NEW DELHI/MUMBAI:** Prime Minister Narendra Modi's government announced it would invest over ₹9 trillion to recapitalise state-owned banks and build new roads and highways on Tuesday, its biggest move yet to shore up an economy growing at its slowest in three years.

Plans include spending ₹2.11 trillion towards infusing capital into banks over the next two years and another ₹7 trillion over the next five years on the roads project, some of which will run through economic corridors as well as remote border and coastal areas.

The ₹2.11 trillion is far higher than the ₹20,000 crore the government had previously planned to invest, in 2017-18 and 2018-19, in recapitalising banks.

Separately, the government also announced an increase in the price at which it procures wheat, pulses and oilseeds from farmers and waived the penalty on delayed filing of initial returns on the new Goods and Services Tax for August and September.

The ₹9 trillion gambit could help improve credit flow to companies from banks weighed down by bad debt, and boost public investment.

The plan to build more than

83,000 km of roads and highways over the next five years will boost connectivity and create jobs.

Rajnish Kumar, the chairman of the country's largest lender, the state-owned State Bank of India said the recapitalisation of banks would help channel more investments to sectors such as infrastructure. "The thrust to infrastructure will generate direct and indirect positive cascading effects for lot of related sectors and will create feel good factor for all stakeholders," he added.

The spending push, anticipated by many after growth slowed to 5.7% in the June quarter, will also likely help the government blunt political criticism ahead of state polls over the next few months.

DK Srivastava, chief policy advisor at EY India said the measures announced will stimulate the economy. "The critical factor will be how much of the expenditure is front-loaded to be spent this year."

Unveiling the plan at an unusually high-octane press conference complete with a power point presentation, finance minister Arun Jaitley said the economy was on a strong wicket and that temporary hiccups were not unusual when structural reforms were undertaken.

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## Blueprint to stimulate growth

Job creation, infrastructure, small businesses, financial sector key focus areas

### Reviving investment

- ₹6.92 trillion investment package for construction of 83,677 km of roads
- ₹2.11 trillion recapitalisation package for PSU banks to fix the bad debt problem

### Sector-wise focus

- Direct benefits for MSME sector
- Guaranteed payment to MSME suppliers to PSUs within 90 days
- Revamping Udyami Mitra scheme, providing end-to-end solutions for credit delivery and credit-plus services
- Big push to Mudra, Stand-up India in 50 high-employment MSME clusters

### Generating jobs

- 14.2 crore man days of work to be generated through road construction
- More labour absorption in the MSME sector

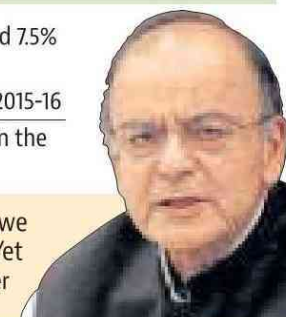
### Projected real GDP growth



— Real GDP growth averaged 7.5% in the last 3 years

8.2% growth achieved in 2015-16

•• Projected to grow faster in the coming years



When results of the GDP of the first quarter came out then I had said that we will be ready for the response... Macroeconomic fundamentals are strong. Yet some areas need a boost

- Arun Jaitley, finance minister

# Economy

“When results of the GDP of the first quarter came out then I had said that we will be ready for the response,” said Jaitley, flanked by half a dozen senior officials of his ministry who gave presentations on the health of the economy.

“We will report on the situation as they develop.”

But ramping up government spending, at a time when subdued tax collections and sluggish economic growth have strained federal revenues, could widen the fiscal deficit beyond the targeted 3.2% of GDP.

There were already signs that the government had little option but to spend its way out of trouble that was exacerbated, in part, by last year’s shock withdrawal of high-value banknotes as well as disruptions on account of the implementation of the Goods and Services Tax.

Rejecting any pessimism over the economy, Jaitley said the government had held several internal meetings on the situation and that discussions were also held with Prime Minister Modi.

“India has been fastest growing major economy for the last three years,” he said.

“(Our) Attempt is to maintain high growth rate.”