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Indian budget projects economic growth

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India's government has unveiled its annual budget, saying that the economy is expected to grow at 9% in 2012.

Finance Minister Pranab Mukherjee said the growth rate for the current fiscal year was projected at 8.5%.

He said inflation would decrease over the next fiscal year - the current rate is 8.4%. But food price inflation, at 17%, "remains a concern".

Mr Mukherjee promised action on food security and pledged an increase in social spending.

"The country has carried for long enough the burden of hunger and malnutrition," he said.

The finance minister said a food security bill, which will guarantee cheap food to the poor, would be introduced into parliament soon.

He also announced a substantial increase in funds for education and health. Social spending funds are also set to increase by 17%.

'Mixed' performance

Funds for health and education have risen to \$5.9bn (£3.7 bn) and 520 billion rupees respectively.

The budget deficit has reduced to 5.1% of GDP this fiscal year, down from more than 6%. The plan is to cut this to 4.6% next year.

Mr Mukherjee also announced a \$22m fund to help the struggling micro finance industry which is facing a liquidity crisis after borrowers in parts of India stopped repaying loans.

He said the government's performance in handling the economy was mixed.

"While we succeeded in making good progress in addressing many areas of our concern, we could have done better in some others," Mr Mukherjee said.

"Fiscal consolidation has been impressive. This year has also seen significant progress in those critical institutional reforms that will pave the way for double digit growth in the near future."

Mr Mukherjee said the economy had shown "remarkable resilience" despite the food inflation and a current account deficit.

India's prime minister has already warned that India's rapid growth is under serious threat from inflation.

Alluding to recent alleged corruption scandals plaguing the government, Mr Mukherjee said an impression may have been created that there is "drift" in the government.

"Such an impression is misplaced ... Corruption is a problem [and we] must fight it collectively."