

LOK SABHA
UNSTARRED QUESTION NO. 147
TO BE ANSWERED ON FEBRUARY 2, 2018

EFFECT OF DEMONETISATION ON ECONOMY

147. SHRI ASADUDDIN OWAISI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has noted that Indian economy has slowed down sharply in the last quarter of 2016-17 from 7 per cent to 6.1 per and overall growth of three years low to 7.1 per cent;
- (b) if so, the details thereof and the reasons therefor;
- (c) the extent to which demonetisation is responsible for this slow down of economy especially in the last quarter of last financial year; and
- (d) the other reasons for this slow down and steps taken or being taken by the Government to increase the GDP growth in the current financial year?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PON RADHAKRISHNAN)

(a) & (b) As per information available from Central Statistics Office (CSO), the growth of Gross Domestic Product (GDP) at constant (2011-12) market prices was 6.1 per cent in fourth quarter (Q4) of 2016-17, lower than 7.0 per cent in third quarter (Q3) of 2016-17. Growth rate of agriculture, industry and services sectors was 6.9 per cent, 6.2 per cent and 6.9 per cent respectively in Q3 and 5.2 per cent, 3.1 per cent and 7.2 per cent respectively in Q4 of 2016-17. As per information available from the First Revised Estimates of National Income, Consumption Expenditure, savings and capital Formation for 2016-17 released by CSO on 31/01/2018, the real GDP growth for 2016-17 is estimated to be 7.1 per cent and growth rate of agriculture, industry and services sector was 6.3 per cent, 6.8 per cent and 7.5 per cent respectively in 2016-17. The lower growth in 2016-17 was on account of lower growth in manufacturing, construction and services excluding public administration, defence & other services sector; whereas the agriculture sector registered a robust growth on back of normal monsoon.

(c) & (d) GDP growth of a country depends on a number of factors viz. structural, external, fiscal and monetary (which is only partly reflected by demonetisation) factors, hence it is difficult to pinpoint the impact of demonetisation on slowdown of the economy. Economic Survey 2017-18 indicates that the lower industrial growth could be account of slow credit growth or probably due to problem of non-performing assets that might have led the banks to be more cautious on lending. The Government of India has taken various initiatives to boost the growth of the economy which, inter-alia, include; fillip to manufacturing, concrete measures for transport and power sectors as well as other urban and rural infrastructure, comprehensive reforms in the foreign direct investment policy and special package for textile industry. Government had also announced various measures in the budget 2017-18 to promote growth in the economy which, among others, include push to infrastructure development by giving infrastructure status to affordable housing, higher allocation to highway construction, and focus on coastal connectivity. For highways development the Bharatmala Pariyojana has been launched. The government has launched a phased program for bank recapitalization. This entails infusion of capital to the public sector banks that is expected to encourage banks to enhance lending. The Insolvency and Bankruptcy Code was enacted to achieve insolvency resolution in a time bound manner. To implement the Code, the National Company Law Tribunal was established. The other growth promotion measures include: lower income tax for companies with annual turnover up to Rs 50 crore; further measures to improve the ease of doing business; and, a major push to digital economy. The introduction of the Goods and Services Tax has provided a significant opportunity to improve growth momentum by reducing barriers to trade, business and related economic activities.
