Approved by the Hon'ble Mos (Finance)

Government of India
Ministry of Finance
Department of Economic Affairs

LOK SABHA
UNSTARRED QUESTION NO. 2397
TO BE ANSWERED ON MARCH 9, 2018

GROWTH RATE

†2397. SHRI DHARMENDRA YADAV:
SHRI ADHALRAO PATIL SHIVAJIRAO:
DR. SHRIKANT EKNATH SHINDE:

Will the Minister of FINANCE be pleased to state:

(a) whether the growth rate of the country has now fallen below the average of the past 30 years;
(b) if so, the details thereof;
(c) whether exorbitantly high interest rate regime imposed by the Reserve Bank of India (RBI) almost eight years is responsible for all in growth rate;
(d) if so, the details thereof and the other reasons responsible therefor; and
(e) the steps taken by the Government to keep market movements orderly and ensure that there is no liquidity problem or rumour or panic induced volatility?

ANSWER

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

(a) & (b) As per the Second Advance estimates released by Central Statistics Office (CSO) the growth of Gross Domestic Product (GDP) is estimated to be 6.6 per cent in 2017-18, which is same as the annual average GDP growth rate during last 30 years, starting from 1987-88 to 2016-17. However, it may be mentioned that the growth rate of GDP from 2012-13 may not be strictly comparable with the growth rate prior to that period.

(c) & (d) The Reserve Bank of India has reduced the Policy Repo rate by 200 basis points beginning 2015. The Monetary Policy Committee (MPC) in its sixth bi-monthly monetary policy statement of February 7, 2018 noted that "the economy is on a recovery path, including early signs of a revival of investment activity. Global demand is improving, which should help strengthen domestic investment activity. The focus of the Union Budget on the rural and infrastructure sectors is also a welcome development as it would support rural incomes and investment, and in turn provide a further push to aggregate demand and economic activity". The CSO has revised the GDP growth upwards for 2017-18 from 6.5 per cent in First Advance Estimates to 6.6 per cent in Second Advance Estimates.

(e) According to the Reserve Bank of India, there is no shortage of systemic liquidity. As mentioned in the sixth bi-monthly statement "The liquidity in the system continues to be in surplus mode, but it is moving steadily towards neutrality. The weighted average call rate (WACR) traded 12 basis points (bps) below the repo rate during December-January as against 15 bps below the repo rate in

November. During the two weeks beginning December 16, 2017, the Reserve Bank injected average daily net liquidity of Rs. 388 billion into the system. For December as a whole, however, the Reserve Bank absorbed Rs. 316 billion (on a net daily average basis). As the system turned into deficit again in the fourth week of January, the Reserve Bank injected average net liquidity of Rs. 145 billion. For January, on the whole, the Reserve Bank absorbed Rs. 353 billion (on a net daily average basis)."

In order to ensure orderly market movement and to curb excessive volatility, SEBI and Stock Exchanges have put in place surveillance mechanism to monitor the trading in stock exchanges. Further, SEBI maintains constant vigil in the market, and in case of any abnormality, takes appropriate action against the concerned entities. The systems and practices are in place to promote a safe, transparent and efficient market and to protect market integrity. The systems instituted include advanced risk management mechanisms comprising continuous monitoring and surveillance, various limits on positions, margin requirements, circuit filters, etc. The systems and practices are reviewed continuously and modified to meet emerging needs. SEBI monitors trading activities in addition to overseeing the surveillance functioning of the exchanges. Any aberration noted in the trading activity is examined by SEBI. Additionally, reports received from exchanges and complaints received are examined by SEBI. Whenever any violation of SEBI rules and regulations is observed, appropriate action as warranted is taken by SEBI against concerned entities. SEBI has also been conducting regular meetings with officials of the stock exchanges and depositories and they have been advised to step up their own surveillance measures and to initiate expeditious demonstrative action wherever warranted so as to protect investors' interest and ensure orderly functioning of the stock market. Further, SEBI, from time to time, has prescribed various measures for ensuring orderly market movements and to curb excessive volatility. In addition, the Stock Exchanges seek clarifications from the listed companies on various price sensitive corporate news items appearing in the media and the same is disseminated to the market on the website of the Exchanges.

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