

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS

**LOK SABHA**  
**UNSTARRED QUESTION NO. 3930**  
TO BE ANSWERED ON AUGUST 10, 2018

EFFECT OF DEMONETISATION ON THE ECONOMY

3930. SHRI ASADUDDIN OWAISI:

Will the Minister of FINANCE be pleased to state:

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

**ANSWER**

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

(a) As per the Quarterly Estimates of Gross Domestic Product (GDP) for the fourth Quarter (Q4) of 2017-18 released by Central Statistics Office, the growth rate of GDP (at constant 2011-12 prices) was 6.1 per cent in Q4 of 2016-17 as against 6.8 per cent in the third quarter (Q3) of 2016-17. The growth of GDP in 2014-15, 2015-16 and 2016-17 was 7.4 per cent, 8.2 per cent and 7.1 per cent respectively. The decline in GDP in the year 2016-17 was mainly accounted for by a reduction in growth in industry sector.

(b) & (c) The overall economic growth and the size of an economy is dependent on several factors that, *inter alia*, include initial stage of development, the rate of capital formation and savings, utilization of technology, availability of infrastructure, efficiency of resource allocation, quality of institutions, governance and the policy framework in place, money supply and degree of financial development. Hence it is difficult to pinpoint the impact of demonetization on the growth rate of GDP. The Government of India has taken various steps to boost the growth of GDP in the economy. These, *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, push to infrastructure development by giving infrastructure status to affordable housing and focus on coastal connectivity. For highways development, the Bharatmala Pariyojana has been launched. The Union Cabinet approved a significant increase in the Minimum Support Prices (MSPs) for all kharif crops for 2018-19 season, in order to provide major boost to farmer's income. The Government has launched a phased program for bank recapitalization. This entails infusion of capital to the public sector banks, to the tune of about Rs. 2.11 lakh crore over two financial years, which 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 introduction of the Goods and Services Tax (GST) has provided a significant opportunity to improve growth momentum by reducing barriers to trade, business and related economic activities. Budget 2018-19 included various measures to provide a push to the economy, which among others, include major push to infrastructure via higher allocation to rail & road sector, reduced corporate tax rate of 25 per cent for companies with turnover up to Rs. 250 crore which is expected to help 99 per cent of MSMEs, etc.

\*\*\*\*\*