

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
RAJYA SABHA
UNSTARRED QUESTION NO. 878

TO BE ANSWERED ON 18th December, 2018 / 27th AGRAHAYANA, SAKA, 1940.

Negative impact of demonetisation on economy

QUESTION

878. SHRI NEERAJ SHEKHAR:

SHRI RAVI PRAKASH VERMA:

Will the Minister of FINANCE be pleased to state:

- (a) whether demonetisation was a massive, draconian and monetary shock that accelerated economic slowdown and economic growth was 6.8% for seven quarters after demonetisation against 8% prior to demonetisation;
- (b) if so, the details thereof and response of Government thereto; and
- (c) the details of measures Government would take to compensate the economic loss to the country and ultimately the people due to demonetisation?

ANSWER

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

(a) & (b): The temporary growth slowdown has dissipated and the growth of the economy has improved significantly. There was a reversal in declining growth trend from second quarter of 2017-18, when the GDP growth of the economy started to pick up.

The average growth of Gross Domestic Product (GDP) at constant (2011-12) prices since third quarter (October-December) of 2016-17 to first quarter (April-June) of 2018-19 was 6.8 percent. The growth rates of GDP at constant prices of each quarter since 2015-16 are given in the table below.

Year	Quarter	GDP growth (percent)
2015-16	Q1	7.7
2015-16	Q2	8.2
2015-16	Q3	7.3
2015-16	Q4	9.3
2016-17	Q1	8.1
2016-17	Q2	7.6
2016-17	Q3	6.8

Year	Quarter	GDP growth (percent)
2016-17	Q4	6.1
2017-18	Q1	5.6
2017-18	Q2	6.3
2017-18	Q3	7.0
2017-18	Q4	7.7
2018-19	Q1	8.2
2018-19	Q2	7.1

(c): Promoting economic growth of the economy is of utmost priority for the government. The Government of India has taken various steps to boost the GDP growth of the economy. These, *inter-alia*, measures to improve ease of doing business, concrete measures for transport sector including measures for regional connectivity and power, comprehensive reforms in the foreign direct investment policy and special package for manufacturing sectors.

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. The Union Cabinet approved a significant increase in the Minimum Support Prices (MSP) for all Kharif and Rabi 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 entailing infusion of capital to the public sector banks, which is expected to encourage banks to enhance lending. 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 Micro, Small and Medium Enterprises (MSME) etc. The Government launched a support and outreach program for helping the growth, expansion and facilitation of MSME sector.
