

Wrong to link slowdown to noteban, says Arun Jaitley

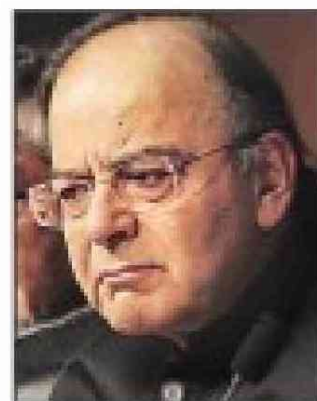
ENS ECONOMIC BUREAU

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FINANCE MINISTER Arun Jaitley on Thursday said it will be “erroneous” to attribute the sharp slowdown in economic growth in the fourth quarter of 2016-17 solely to demonetisation since several factors, including the global situation, pulled down the GDP growth to 6.1 per cent in the January-March quarter.

Resolving non-performing assets (NPAs) in the banking sector and pushing up private consumption were the two major challenges the government faces, Jaitley told a press conference to mark three years of the Modi government. He expressed hope that the proposed Goods and Services Tax (GST) will spur growth in the economy.

Asked if it was now clear that demonetisation led to lower growth, Jaitley said: “What you think is very clear is not very clear. So let us not put the question with an erroneous premise.



Arun Jaitley

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Jaitley

There are several factors which can contribute to GDP in a particular quarter. There was some slowdown visible even in the global and the domestic situation prior to demonetisation last year.”

“There was impact of global factors. There could be some impact on one quarter or two quarters of one particular factor (demonetisation) which you mentioned. There is also the impact of... if you look at the growth of some sectors, the 9-10 per cent growth that was normally in services, especially in the financial sector, has come down. The ability of banks itself was in question,” he said.

Data released by Central Statistics Office (CSO) on Wednesday showed that financial, real estate and professional services grew at 2.2 per cent in January-March 2016-17, down from 9.0 per cent in the same quarter the previous year. For the full year, growth for these services reduced to 5.7 per cent from 10.8 per cent a year ago.

“So these are cumulative factors which came into play. But I do believe in the current global situation, a seven-eight per cent growth, which is at the moment the Indian

normal, is a fairly reasonable, by global standards very good, (and) by our standards a very reasonable level of growth,” he said. The GST will not have any adverse impact on economic expansion, rather it will push up growth, he added.

Maintaining that high level of NPAs was a key challenge for the government, Jaitley said its resolution is work in progress and some action will be taken within the next few days.

President Pranab Mukherjee last month promulgated an ordinance amending the Banking Regulation Act, 1949 to empower the Reserve Bank of India to resolve the thorny issue of NPAs or bad loans.

“RBI was taking measures under the existing mechanism. We have now taken other steps and there would be visible action taken under the new mechanism in the next few days,” Jaitley said.

On the privatisation of debt-ridden national carrier Air India, Jaitley said Niti Aayog has already given its recommendations to the Civil Aviation Ministry to explore various options. “It is for the Civil Aviation Ministry to explore various options,” he said.

While noting that boosting private in-

vestment in the economy is a challenge, the government’s strategic partnership policy in the defence sector will help attract Foreign Direct Investment, said Jaitley, who is also the Union Minister for Defence and Corporate Affairs.

He said unless the opening of the FDI rules is accompanied by some reasonable possibility of getting orders, an investor is not going to set up an establishment in the country. Entry of foreign investors “is linked to the kind of orders they will get and the only entity which can place the orders is the Government of India”.

“There are no two procurers, there is only one and that is why the strategic partner policy now has been brought in as it will supplement the FDI policy,” he said. Whether the strategic partner comes through the FDI route or the investor comes with just a technology tie-up, they would be free to do so, he added.

Recounting the series of reform measures taken in the last three years, Jaitley said the government has “restored the credibility of the economy” with a decisive and corruption-free regime which has the ability to take decisions in a transparent and market-linked manner.