

# Indian economy likely to grow at 7.2% this fiscal: World Bank

The World Bank expects India's economy to expand at 7.2 per cent this fiscal, but said that the note ban temporarily disrupted growth last fiscal, which slowed to an estimated 6.8 per cent.

"India's economy was slowing down in early 2016-17, until the favourable monsoon started lifting the economy, but the recovery was temporarily disrupted by the government's 'demonetisation' initiative," it said in its India Development Update released on Monday.

The report comes ahead of the release of provisional estimates of national income for 2016-17 by the Central Statistics Office (CSO) on May 31. The CSO, in its advance estimates, had pegged GDP growth at 7.1 per cent in 2016-17.

The World Bank had in January scaled down India's growth forecast to 7 per cent for 2016-17 and had estimated growth to rebound in 2017-18 to 7.6 per cent.

However, it expects the economy to recover gradually and growth to increase to 7.7 per cent in 2019-2020.

"India remains the fastest growing economy in the world and it will get a big boost from its approach to the goods and services tax," said Junaid Ahmad, World Bank Country Director in India.

According to the report, reforms such as the insolvency code and measures to deal with bad loans of public sector banks, including promulgation of the new ordinance, will also be crucial to enhance growth.

It expects inflation and external conditions to remain stable this fiscal.

The World Bank highlighted issues of weak private investments, low credit growth and rising anti-trade rhetoric globally as challenges to growth.

The report also stressed that job creation, especially for women, should be the next focus for the government after GST, which can boost growth into double digits.

"India has only created jobs equivalent to 0.9 per cent of the adult population between 2005 and 2012 and most of these regular wage jobs created went to men," it said.

India's potential GDP growth can rise by 1 percentage point if half the gap in female labour force participation rate (LFPR) with Bangladesh or Indonesia is closed, according to an assessment by the World Bank.

While Bangladesh or Indonesia have a women's LFPR of 53-59 per cent, in India it is a mere 27 per cent.

### **Demonetisation**

Six months after the demonetisation of high-value currency notes, the World Bank termed it "a gargantuan and unprecedented" exercise.

While it helped curb black money, the report said that the challenge will now be to sustain compliance by tax-payers as well as the shift to digital transactions from cash payments.

Link: <http://www.thehindubusinessline.com/economy/world-bank-pegs-indias-gdp-growth-at-72-in-fy18/article9715141.ece>