

World Bank retains 7.6% growth rate for India in 2016-17

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The World Bank here on Monday retained the 7.6% growth rate for India in 2016-17, which it said could accelerate to 7.7% in 2017-18 and 7.8% in 2018-19.

"India's economic growth is expected to be at 7.6% in 2016-17, followed by a modest acceleration to 7.7% in 2017-18," World Bank said in its India Development Update-Financing Double Digit Growth report, which is published twice a year.

India registered a 7.6% growth rate in 2015-16.

"FY17 has a robust outlook. Indian economy can keep its 7.6% GDP growth even if there are some slowdowns," said Frederico Gil Sander, Senior Country Economist, World Bank and the main author of the report.

"The challenge for the Indian economy is to activate the stalled engines - agricultural growth and rural demand, trade, and private investment, while ensuring that demand from urban households and public investments - the working engines of the economy, do not run out of fuel," the report said.

The dissipation of the large boost from historically low oil prices in the past year will make this a challenging task, but prospects of a normal monsoon will help, it added.

India's financial sector, which has many underlying strengths will boost the economy to 7.7% in FY18, he said.

To push the Indian economy to a double digit growth rate, a number of factors, including agricultural policy, public investment, services sector, manufacturing sector and monsoons will play a combined role, said Onno Ruhl, World Bank Country Director in India.

Expressing concerns about the growing non-performing assets (NPAs) and declining credit growth, particularly in public sector banks (PSBs), the report suggested two key reforms for India's financial sector.

"Accelerate the ongoing structural transformation toward being more market-oriented and competitive. Second, address the NPA challenge through recapitalization of PSBs and providing tools for banks to manage stressed assets," the report said.

"India's financial sector has performed well. However, accelerating structural reforms and addressing NPA challenge remain urgent tasks," Sander said.