

Note ban has achieved its objective, says DEA secy

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New Delhi, 29 August

The day the Reserve Bank of India's annual report stated that 99.3 per cent of the banned ₹1,000 and ₹500 notes had returned, the Centre defended demonetisation saying it had achieved its objectives "quite substantially".

"I think demonetisation has achieved its objective quite substantially," Economic Affairs Secretary Subhash Garg told reporters at the Finance Ministry, Wednesday.

When pressed on what those objectives were, Garg first said: "It depends on what you mean by 'what the original intended objective was'." However, he later added the objectives of note ban were checking black money and terror financing, promoting digital transactions, and weeding out fake notes.

However, in the face of repeated questions by the media to elucidate further, Garg went on the defensive. He asserted that asking how the objectives were achieved will be a debate and a lecture he did not want to get into.

"The currency in system today is 87-88 per cent of what it would have been had demonetisation not occurred. So, there is ₹3-4 trillion of currency less than what it would have been, had the system continued," Garg said.

In its 2017-18 annual report, the RBI said that out of ₹15.41 trillion of the demonetised currency, only ₹107 billion did not return to the banking system. It added that the note ban had led to a slowdown in economic activity, especially for small and medium enterprises and the informal sector.

Speaking on other issues, Garg said that the rally in global crude oil prices, which has led to an increase in retail petrol and diesel costs in India, is a temporary phenomenon.