

DeMo led to higher growth, says Jaitley

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Finance Minister Arun Jaitley said on Thursday the demonetisation of Rs 500 and Rs 1,000 notes led to formalisation of economy, more tax collection and higher growth. His statement comes a day after RBI data revealed that almost all the scrapped notes were returned to banks.

He said the RBI has twice released its reports stating that the demonetised notes of Rs 500 and Rs 1,000 have been substantially deposited in the banks.

“A widely stated comment has been that just because most of the currency came back into the banks, the object of demonetisation has not succeeded. “Was the invalida-

Savings in form of cash soared to 7-year high

- Financial savings of the household sector in the form of cash soared to 7-year high of 2.8% of gross national disposable income in 2017-18, the year following demonetisation, showed the RBI data
- Following cash crunch in the aftermath of the November 2016 - demonetisation, household savings in form of “currency” had declined by 2% during 2016-17

tion of the non-deposited currency the only object of demonetisation? Certainly not,” he said in a blog.

The larger purpose of demonetisation was to move India from a tax non-compliant society to a tax-compliant society, he said adding this necessarily involved formalisation of the economy and a blow to the black money.

“This is the positive impact of demonetisation.

More formalisation of economy, more money in the system, higher tax revenue, higher expenditure, higher growth after the first two quarters,” he said.

Jaitley said the growth of income tax collections in the pre-demonetisation two years was 6.6% and 9%.

Post-demonetisation, the collections increased 15% and 18% in the next two years. “The same trend is visible in the third year,” he said.