

Deposits in banking system rose by Rs. 10-lakh crore in April-December

KR SRIVATS

PRINT · T+

Share

Save

Share

Much of this may have come post demonetisation, say economy watchers



New Delhi, March 10:

Call this demonetisation effect. The banking system in India saw deposit increase of nearly Rs.10 lakh crore between end March 31 and December 31 last year, confirming fears that demonetisation may have led to this deposit gush in banks.

Many economy watchers believe that a substantial portion of this deposit gush could have happened post November 8.

However, the government and the RBI are yet to give an exact number on the quantum or value of old demonetised notes (Rs. 500 and Rs. 1,000) that returned to the banking system after the note ban announcement on November 8.

Public sector banks alone saw their aggregate deposit base increase to the tune of Rs. 7.20 lakh crore, with State Bank of India (excluding its associate banks) seeing deposits rise by about Rs. 3.15 lakh crore, Lok Sabha was informed on Friday.

The private sector banks saw their aggregate deposit base increase by nearly Rs. 2.90 lakh crore.

HDFC Bank, ICICI Bank, IndusInd Bank and YES Bank were among the largest beneficiaries of this deposit gush in the private banks space, official data showed.

While the demonetisation period is over for resident Indians (between November 8 and December 31), it is still open for non-residents (till June 30 this year).

This deposit gush has actually complicated life for the tax administration with several economy watchers contending that a significant portion of this money that returned to the banking system may be unaccounted ones.

On its part, the government had — largely prompted by the deposit gush into banks — already formulated a Pradhan Mantri Garib Kalyan Yojana (PMGKY), an amnesty scheme launched in December 2016.

The PMGKY scheme provides an opportunity to declare unaccounted wealth and avoid prosecution after paying a fine of 50 per cent on the undisclosed income. An additional 25 per cent of the undisclosed income is invested in the scheme which can be refunded after four years.

The PMGKY is open from December 16, 2016 to March 31, 2017. It can be availed of only for declaration of income in the form of cash or bank deposits and not for jewellery, immovable property or deposits in overseas accounts.

Also, not declaring undisclosed income under PMGKY will attract a penalty of 77.25 per cent if the income is shown in tax returns.

Public sector banks alone saw their aggregate deposit base increase to the tune of Rs. 7.20 lakh crore

(This article was published in the Business Line print edition dated March 11, 2017)