'Household cash savings dip 250%'

Following the demonetisation exercise, Indian households are moving away from savings in cash to financial assets, the Economic Survey for 2018 pointed out on Monday.

Commenting that the pattern of household savings was significantly different in 2016-17 as compared with the previous five years, the Survey said while the overall financial savings of the households increased more than 20% in 2016-17, which was significantly higher than the growth witnessed in any of the preceding five years, there was a decline in savings in the form of currency by more than 250% (of about Rs. 5 lakh crore).

"This decline primarily owed to the withdrawal of high denomination currency notes in November 2016 and partial remonetisation by end March 2017," the Survey said.

The savings of households were channelled into financial assets like bank deposits, life insurance funds and shares and debentures.

The growth of savings in mutual funds registered a phenomenal increase of more than 400% over and above the growth of 126% witnessed in 2015-16.

Rise in MF savings

"Thus within a span of 2 years, savings in the form of mutual funds registered more than 11-fold increase. That this happened in a period when the BSE Sensex increased by an average of just about 1.5% per annum needs to be analysed in more detail," the Survey said.

However, the Survey pointed out that the story on overall savings and investment rate in the economy was not 'heartening'.

While the investment rate as a share of GDP in the economy declined by nearly 5.6 percentage points between 2011-12 and 2015-16, savings rate declined by two and half percentage points between 2011-12 and 2013-14 and has remained range bound thereafter. "India's investment, savings slowdown is unusual, never happened like this before," Chief Economic Adviser Arvind Subramanian said.

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