

Cash growth slow since DeMo: RBI

E-Payments, ATM Withdrawals Have Surged

TIMES NEWS NETWORK

Mumbai:

The RBI has said that if notes in circulation had grown at the same pace as pre-demonetisation levels, the currency in circulation would be Rs 3.7 lakh crore higher than it currently is.

The RBI said notes in circulation increased at an average rate of 14% between October 2014 and October 2016, in a report on the progress of digitisation of payments. "Assuming the same growth rate, notes in circulation would have been Rs 26 lakh crore in October 2019. However, it was Rs 22.3 lakh crore, indicating digitation and reduction in cash usage helped reduce notes in circulation," the RBI said.

According to the report, retail digital payments have registered a compounded annual growth rate (CAGR) of 56% since December 2015 to hit 325 crores in 2019. In value terms, the CAGR has been 30% during the same period.

However, the report notes that share of cash in the Indian economy continues to be high. "India continues to have a strong bias for cash payments. Demonetisation and active growth in GDP brought down the cash in circulation as a percentage of GDP to 8.7% in 2016-17. This increased to 10.7% in 2017-18 and 11.2% in 2018-19, which, however, is less than the pre-demonetisation level of 12.1% in 2015-16," the report said. It added that the rate of increase is lower, indicating a perceptible shift away from cash.

The high dependence on cash is reflected on the cash withdrawals from ATMs, which have increased over five years. While India is next only to China in terms of the cash withdrawals from ATMs, the percentage of cash withdrawals to GDP has been constant in India at around 17%. Also, with a CAGR of 9% in terms of volume and 10% in terms of value, the growth has been slow when compared to digital payment transactions (which grew at a CAGR of 61% and 19% in terms of volume and value, respectively), indicating a shift towards digitisation, the report said. Further, ATMs have grown at a low pace (CAGR of 4%) in the past five years.

