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RBI's new moto 'cash is king, but digital is divine'

BY PTI | FEB 24, 2020, 08.40 PM IST

Mumbai: With 'cash is king, but digital is divine' moto, the Reserve Bank on Monday said its endeavour will be to make digital payments a divine experience for the users after being buoyed by over Rs 3.5 lakh crore reduction in the notes in circulation (NIC) post demonetisation. In its assessment of the progress of digitisation from cash to electronic, the RBI said while there is no accurate measure of cash payments in the country, the progress of various digital payments can be measured accurately.

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Overall, the digital payments in the country have witnessed a growth (CAGR) of 61 per cent and 19 per cent in terms of volume and value, respectively over the past five years, demonstrating a steep shift towards digital payments.

"Cash still rules but is increasingly seen as a way to store value as an economic asset rather than to make payments," it said.

It further said NIC increased at an average rate of 14 per cent between October 2014 and October 2016.

Assuming the same growth rate, NIC would have been Rs 26,04,953 crore in October 2019.

"NIC, however, was Rs 22,31,090 crore, indicating that digitisation and reduction in cash usage helped reduce NIC by over Rs 3.5 lakh crore," the central bank said.

Notes in circulation is currency in circulation (CIC) minus coins in circulation.

The study further said that it is assumed that having high CIC relative to GDP indicates that cash is highly preferred as a payment

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instrument.

Based on this assumption, India continues to have a strong bias for cash payments.

Demonetisation and an active growth in GDP brought down the cash in circulation as a percentage of GDP to 8.7 per cent in 2016-17," it said.

"This increased to 10.70 per cent in 2017-18 and to 11.2 per cent in 2018-19 which, however, is less than the pre-demonetisation level of 12.1 per cent in 2015-16. The rate of increase is lower indicating a perceptible shift away from cash," it said.

The RBI said a large population of the country historically lacked access to personal bank accounts and credit lines.

Digital payment methods have played a large role in helping them manage their personal finances leading to their being financially included.

"Speed, convenience and competition are shaping the future of payments. Our endeavour is to make digital (payments) a divine experience to the users - Cash is King, but Digital is Divine," the study said.

India's growing use of retail digital payments, along with the radical reconstruction of its cash economy, indicates a shift in its relationship with cash.

This is evidenced by the steep growth observed in the retail digital payments.

Increasing acceptance and convenience of digital payments vis-a-vis cash is also reflected in decrease in average value per digital payment transaction," the RBI said.

The government had demonetised the prevailing high value denomination notes of Rs 500 and Rs 1000 in November 2016 with an aim to check blackmoney and move towards less cash economy.

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