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CASH AFTER DEMONETISATION

Why Physical Currency Still Reigns

Cash After Demonetisation: Latest News

November 8, 2026 marked ten years since Prime Minister Narendra Modi's televised announcement demonetising ₹500 and ₹1,000 notes. The move aimed to curb black money and counterfeit currency and push India towards a cashless economy.

A decade later, RBI data reveals a striking paradox: despite the massive boom in digital payments, currency held by the public has more than doubled since demonetisation, raising questions about whether the note ban achieved its core objective.

1. The Big Announcement and Immediate Impact

- On November 8, 2016, at 8 PM, Prime Minister Narendra Modi declared that existing ₹500 and ₹1,000 notes would become invalid from midnight. These denominations accounted for approximately 86% of currency in circulation.
- The sudden cash crunch disrupted shops, businesses and households nationwide, with people queuing for hours at banks and ATMs.
- GDP growth declined by nearly 1.5 percentage points, while many small businesses shut down due to liquidity shortages.

2. The Long-Term Currency Trend

- Currency with the public stood at ₹17.97 lakh crore on November 4, 2016.
- It fell sharply to ₹7.8 lakh crore by January 2017.
- It subsequently surged to ₹42.55 lakh crore as of October 15, 2026 — a 137% increase over the pre-demonetisation level.
- In calendar year 2026 alone, up to October 16, cash with the public rose by ₹5.26 lakh crore (14.1%).
- A sharp spike occurred in 2020–21, driven by pandemic-induced cash hoarding for groceries and medical expenses during the COVID-19 lockdown.

Meaning of Currency with the Public

Currency with the public = Currency in Circulation (CIC) minus cash held by banks.

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3. Currency-to-GDP Ratio: A Mixed Signal

- The CIC-to-GDP ratio rose from 8.7% in 2016–17 to 14.4% in 2020–21, before settling at 12.1% in FY26 — nearly identical to the 12.1% recorded in March 2016.
- Global comparison: Japan (16%+), China (10.2%) and the United States (7.3%). India's ratio is higher than that of the US and China but lower than Japan.
- A higher ratio indicates greater dependence on cash, while a lower ratio typically reflects stronger digitalisation and better monetary-policy transmission.
- Importantly, a high currency-to-GDP ratio does not necessarily indicate lower economic sophistication.

4. Cash vs Digital: Coexistence, Not Replacement

Despite RBI and government efforts to promote a "less-cash society", cash usage has not declined; it has grown alongside digital payments.

Digital Payments in FY 2025–26

- Total digital payments: ₹3,251.04 lakh crore, covering RTGS, retail transfers, cards and prepaid instruments.
- Card and wallet transactions: approximately 1,51,611 lakh transactions, worth ₹30.31 lakh crore.
- Credit cards: ₹23.62 lakh crore across 60,238 lakh transactions — dominant by value.
- Debit cards: ₹4.45 lakh crore across 12,802 lakh transactions.
- Wallets: ₹2.23 lakh crore, but the highest transaction volume at 78,571 lakh — reflecting their use for frequent, low-value payments.

Comparison with FY 2015–16

In FY 2015–16, there were only 1,003.87 crore card transactions, worth ₹29.39 lakh crore, with debit cards dominant at the time.

Share of Card and Wallet Transactions in FY 2025–26

- By value: Credit cards (78%), debit cards (14.7%) and wallets (7.4%).
- By volume: Wallets (51.8%), credit cards (39.7%) and debit cards (8.4%).

5. Conclusion

A decade after demonetisation, the dream of a cashless India remains unrealised. Cash and digital payments now coexist rather than compete.

India's economy has formalised and digitised significantly, yet physical currency continues to circulate robustly. This demonstrates that convenience, trust and habit continue to make cash resilient in a rapidly digitalising nation.