

3 YEARS SINCE DEMO, CASH IS BACK

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Three years since demonetisation, the level of cash with the public has grown faster than the GDP growth of the country, even as digital payments — especially those on the Unified Payments Interface (UPI) platform — have seen robust growth.

Reserve Bank of India data show that the public held Rs. 20.49 lakh crore in cash as of September 2019, the latest data available, which is 13.3% more than the figure for the corresponding month of 2018. The data show that the cash held by the public made up 96% of the money in circulation, with most of the rest deposited in banks. In December 2016, one month after demonetisation and the enforced deposits in banks, this percentage stood at 83%.

'More convenient'

"Post-demonetisation, there was no option but to turn to digital modes of payments. That has changed now," Kunal Bajaj, head, wealth management, MobiKwik, told *The Hindu*. "However, what it did was help convert a lot of users... People realised that it is much more convenient, secure and much more seamless especially for online purchase."

As a result, the value of transactions made through the four most popular modes — UPI, debit cards, mobile banking, and prepaid instruments — has seen robust growth over this three-year period. Players in the digital payments space do acknowledge, however, that it will still take a few years to move most people away from cash transactions and onto digital platforms.

"We are seeing a very strong customer adoption for digital payments, and this will need sustained efforts for a few years to get more and more customers on-board," Hemant Gala, head, payments, banking and financial services, PhonePe, said. "This is a journey of adoption... with focus on products and right use cases we will see a significant share of payments moving from cash to digital."

The best-performing of these instruments is clearly the UPI, which has overtaken debit cards in the volume of transactions and is swiftly catching up with them in terms of value of transactions as well.

According to the RBI's annual report, the number of UPI payments in 2018-19, at 535 crore, for the first time surpassed the number of debit card transactions (441 crore).

As of September 2019, there have been 496.5 crore UPI transactions in 2019-20 compared with 735.7 crore debit card transactions.

Catching up

In terms of value, Rs. 9.03 lakh crore worth of transactions were conducted on the UPI platform in the first six months of the financial year 2019-20. While this is still significantly lower than the Rs. 20.49 lakh crore worth of debit card transactions in this period, it still represents a huge catching up. In 2016-17, the year of demonetisation, the value of UPI transactions (Rs. 6,947 crore) was only 0.25% of the value of debit card transactions.

To put the growth of UPI transactions in perspective, the first half of 2019-20 has already seen a higher value of transactions completed on the platform than in the entire year of 2018-19!

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