

digital transaction: Digital drive gaining steam: Currency circulation declines during festive season, says RBI data

MUMBAI: The government's demonetisation-led digital push may be bearing fruit. For the first time in more than a decade, the amount of currency in the hands of people has shown a contraction during the festive season, according to [Reserve Bank of India](#) (RBI) data.

Currency in circulation has dipped in three weeks out of the five to September 22. In absolute terms, it rose just Rs 9,738 crore between August 18 and September 22.

The declines in those three weeks were the first time such a contraction took place since December 30 last year, which was the last date for surrendering old currency notes.

Ever since the government effected note recall in November, electronic transactions through various retail channels have risen 37 per cent. Currency in circulation is still at 88 per cent of the pre-note ban level (November 4, 2016).

The monthly sequential trend in electronic transactions through various channels such as cards, mobile banking and [e-wallets](#) indicate a mixed trend. "It's a combination of both permanent factors — pickup in digital transactions and structural factors — gradual recovery of cash demand in the economy," said SK Ghosh, group chief economic adviser, [State Bank of India](#).

"But going by the trend in growth in digital transactions, permanent factors seem to be outweighing structural factors." The banks have stepped up investment in building the relevant infrastructure to push digital transactions such as point of sale (PoS) terminals and also tie-ups with ecommerce firms to facilitate digital payments.

The number of PoS terminals for instance has risen by 78 per cent since November to 284,000 in July. In the same period, the value of card transactions has risen by over 60 per cent .

The government push to link bank accounts to Aadhaar and the Pradhan Mantri [Jan Dhan Yojana](#) has fostered financial inclusion and helped in the move to a "digitised" India, according to a recent Morgan Stanley report.

To be sure, some economists have attributed the slump in currency circulation to a slowdown in demand as indicated by the deceleration in private consumption expenditure to 6.7 per cent in the June quarter from 8.4 per cent a year ago.

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