SBI RESEARCH
ECOWRAP

GROWING GAP BETWEEN PER CAPITA CURRENCY HOLDING WITH PUBLIC & PER CAPITA ATM WITHDRAWAL REVEAL INCREASED PRECAUTIONARY MOTIVE OF HOLDING MONEY: DOES IT REFLECT UNCERTAINTIES THAT ARE OVERHYPED MORE BY (SOCIAL) MEDIA FRENZY?

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Currency in circulation (CiC), increased by 11.9% (vis-à-vis 6.1% last year), to reach the **all-time high level of Rs 41.6 trillion** during FY26, with an incremental growth of Rs 4.4 trillion, highest growth since the post-demonetisation in 2016, when it had increased by Rs 4.9 trillion. However, **UPI transactions also reached all time high in FY26**. In terms of 'value', UPI transactions has increased by 20.6% to Rs 314 trillion, and in 'volume', it increased by 30.0% to 241.6 billion in FY26. **In our earlier report dated 16 February 2026 we have already fathomed out the reason behind growth in CiC.**

In this report we explore the motives of using liquidity preference of using CiC and UPI at the same time.

First, we believe that both cash and digital are indispensable for India and complement each other. However there is a marginal substitutability. A household may use UPI for many retail/small payments (~86% of the P2M and ~60% of P2P UPI transactions are below Rs 500) but still keep cash at home for emergencies or informal transactions. A small business may receive some digital payments but still withdraw cash for say dealings with suppliers who may prefer settlement in notes. Both systems can therefore expand at the same time.

Firstly, the movements in per capita CiC with the per capita GDP reveals some interesting trends. The per-capita GDP (at current prices) has increased from merely Rs 71,609 in FY12 to Rs 2,51,393 in FY26, a CAGR of 9.4%. During the same period the per capita CiC has increased from Rs 8,762 to Rs 29,324, a CAGR of 9.0%. The per-capita CAGR of CiC is still lower than the GDP. Interestingly we found that this gap (0.4%) in CAGR between CiC and GDP is nearly equivalent to UPI. The per capita transaction UPI is Rs 1,301 in FY26. However, a per capita UPI transaction needs to be interpreted carefully, as an individual can make many UPI transactions say over a point of time as opposed to cash just because of sheer convenience.

Secondly, **the distinction between precautionary and transaction motive**. As research suggest (IMF Working Paper WP/23/62) the current standard way of assessing cash use in a country—the value of currency in circulation (CIC) — is not correct and the alternative should be the value of cash withdrawn from ATMs. While ATM cash withdrawals are using primarily for transactions purposes, the CiC included all the cash that is used for transaction as well as precautionary motive. **Our research indicate that this gap between per capita CiC and ATM withdrawal has increased from merely Rs 1804 in FY24 to Rs 9127 in FY26 (a whopping 5-times increase). We believe this gap is primarily because of precautionary motive of using cash by individuals. One possibility of using money for precautionary motive could be heightened uncertainty as is being currently witnessed because of the ongoing war. This had happened during Russia-Ukraine war also. This is a recent trend and it is utterly possible that unlike traditional information sources, social media epitomises uncertainties. Typically, social media could quickly shift household expectations from idiosyncratic risk to systemic risk strengthening the precautionary motive. A clear example is the inhibited fear expressed over LPG distribution recently in public domain, when actually nothing materilaised like that.**

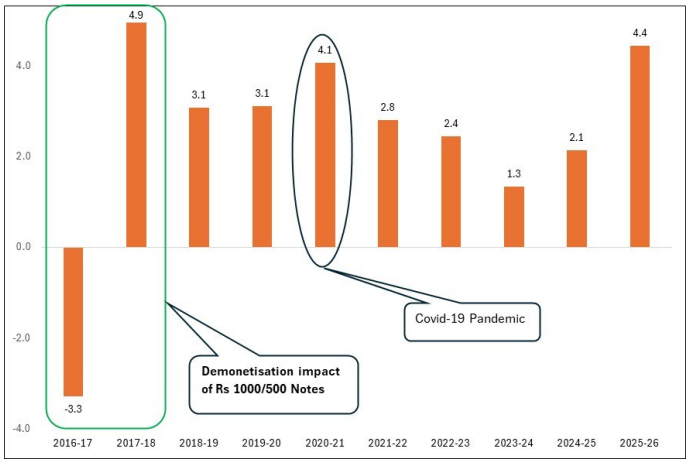
Thirdly, in value terms, denomination-wise share is very skewed in India. Rs 500 denomination accounted for 86% of share as of Mar-25 (significantly increased from 77% as of Mar-23). This uneven distribution has prompted RBI (*Notification dated April 28, 2025: Dispensation of ₹100 and ₹200 denomination banknotes through ATMs*) to direct all banks and White Label ATM Operators (WLAOs) to ensure that their ATMs dispense Rs 100 and Rs 200 denomination banknotes on a regular basis. In this regard, based on the currency chest withdrawal data, **our results indicate that the share of Rs 500 note (in value terms) is constant around 86%, while the share of Rs 100 note has increased from 6.2% as of March 2025 to 8.2% in March 2026.** Smaller notes obviously travel faster than larger notes.

Finally, **India has launched CBDC** but the e-Rupee circulation is at a very small amount of Rs 1016 crore till end-Mar'25, which is only 0.02% of the CiC in the country. So, there is a need for further efforts in awareness, usability, and strategic partnerships with fintech applications are essential to boost their usage.

CURRENCY VS UPI: CASH IS STILL THE KING!….THOUGH UPI IS GAINING TRACTION

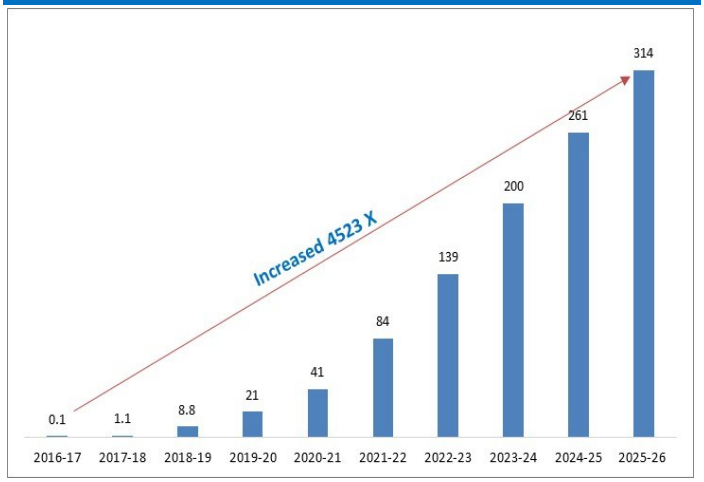
- In FY26, the currency, termed as currency in circulation (CiC), increased by 11.9% (vis-à-vis 6.1% last year), to reach the all-time high level of Rs 41.6 trillion, with an incremental growth of Rs 4.4 trillion. This is the highest growth since the post-demonetisation in 2016, when it had increased by Rs 4.9 trillion.
- In the similar line, the currency with public (CWP), which is ~97.6% of the CiC, also reached all time high of ~Rs 40.6 lakh crore in FY26, with a YoY growth of 12.0%, compared to last year growth of 6.5%. The growth of both CiC and CWP, has continued with upward trend since the start of festive season in September 2025, followed by consumption boost given by Government in terms of GST rate rationalisation.
- On the other hand, the UPI transactions also reached all time high in FY26. In terms of 'value', UPI transactions has increased by 20.6% to Rs 314 trillion, and in 'volume', it increased by 30.0% to 241.6 billion in FY26. Further, as per our estimate that UPI transactions in value will be ~ Rs 370 trillion in FY 27 and Rs 425 trillion in FY28.
- In absolute rupee terms, CIC is rising but relative to the size of the economy, the cash-to-GDP ratio has fallen from the pandemic-era peak of 14.4% in FY21 to 12.1% in FY26. This means India is using more cash in total because the economy is larger, not necessarily because it is becoming more cash-intensive than before. Similarly, the UPI as % of GDP has been increasing, with the steady increase in UPI transactions over the years.
- Over time, cash may decline relative to GDP, but in absolute terms it can still keep growing for many years. **Thus, the currency in circulation will continue to increase but will remain around 12-12.5% of GDP in FY27 to FY28. On the other hand, digital transactions as % of GDP will continue to rise, with the formalization of the economy over the years.**
- Rising currency in circulation (CiC) alongside surging UPI transactions in India has raised significant questions about the coexistence of physical cash and digital payments, highlighting a "cash paradox" where both are hitting record highs simultaneously.

Incremental Growth in Currency in Circulation (CiC)



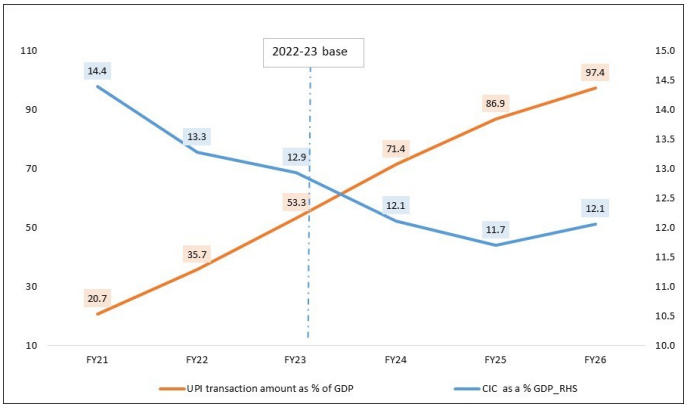
Source: RBI, SBI Research

UPI Transaction in Value (Rs Trn): All Time High



Source: RBI, MOSPI, SBI Research

Relative Cash Intensity: Currency vs UPI % of GDP



Source: RBI, MOSPI, SBI Research

CURRENCY VS. DIGITAL TRANSACTIONS: A PARADOX OR A USUAL SITUATION FOR THE FASTEST GROWING ECONOMY

- Rather than saying, it is a paradox. It is better to say that India has moved into a hybrid payments equilibrium. Digital transactions are taking a growing share of formal, traceable, and convenience-sensitive transactions, while cash continues to serve as a universal, offline, trusted, and often preferred instrument. In fact in many households, cash fulfil the **precautionary demand for mone**y, which we have seen during Covid-19 Pandemic and CiC reached all-time high of Rs 4.1 lakh crore.
- However, t**he per-capita GDP (at current prices) has increased from merely Rs 71,609 in FY12 to Rs 2,51,393 in FY26, a CAGR of 9.4%. During the same period the per capita CiC has increased from Rs 8,762 to Rs 29,324, a CAGR of 9.0%. The per-capita CAGR of CiC is still lower than the GDP. Interestingly we have found that this gap (0.4%) in CAGR between CiC and GDP is nearly equivalent to UPI.** The per-transaction UPI is Rs 1,301 in FY26.
- By looking the UPI transaction data indicates that, ~86% of the P2M and ~60% of P2P transactions are below Rs 500. Further, 63% P2M and 37% P2P transactions value in the range of Rs 501-2000.
- The growing economy needs both the cash and digital. They are not supplementary to each other but complement to each other however, marginal substitutability is there. A household may use UPI for many retail payments and still keep cash at home for emergencies, budgeting, seasonal spending, or informal transactions. A small business may receive some digital payments but still withdraw cash for transport, wholesale purchases, or dealings with suppliers who prefer settlement in notes. Both systems can therefore expand at the same time.
- Taking cues from **IMF Working Paper** (WP/23/62: Measurement and Use of Cash by Half the World's Population), which argues that the current standard way of assessing cash use in a country i.e. the value of currency in circulation (CIC) is not correct and the alternative should be the value of cash withdrawn from ATMs, we have analysed both per capita CiC and ATM withdrawals.

Per Capital Levels					
FY	Population in Cr	CIC in Rs Trillion	Per Capita CiC in Rs	Per Capita GDP in Rs	Per Transaction UPI Value in Rs
FY12	122	10.7	8762	71609	-
FY13	123.5	11.9	9643	80518	
FY14	125.1	13.0	10400	89796	
FY15	126.7	14.5	11429	98405	
FY16	128.3	16.6	12965	107341	
FY17	129.9	13.4	10279	118489	
FY18	131.4	18.3	13922	130061	1200
FY19	132.7	21.4	16102	142424	1638
FY20	134.1	24.5	18250	149915	1703
FY21	135.5	28.5	21061	146480	1838
FY22	136.9	31.3	22897	172422	1831
FY23	138.3	33.8	24429	194879	1662
FY24	139.5	35.1	25168	215935	1524
FY25	140.8	37.2	26420	234859	1402
FY26	142.1	41.7	29324	251393	1301
15Y CAGR			9.0	9.4	-
Source: RBI; SBI Research					

Money used for Transaction and Precautionary Motives			
	Per Capita CiC in Rs	Per Capita ATM Withdrawal in Rs	Gap
A	B	C = **Transaction Motive**	D= (B-C) = **Precautionary Motive**
FY22	22897	22738	159
FY23	24429	23897	532
FY24	25168	23362	1806
FY25	26420	21754	4666
FY26	29324	20197	9127
Source: SBI Research			

- While ATM cash withdrawals are used primarily for transactions purposes, the CiC included all the cash that is used for transaction as well as precautionary motive. **Our research indicate that this gap between per capita CiC and ATM withdrawal has increased from merely Rs 1804 in FY24 to Rs 9127 in FY26 (a whopping 5-times increase). We believe this whole amount is only for precautionary motive.** However, the question arises why people are hoarding money. The answers need further research.
- We believe that the low average per UPI transaction value indicates that now UPI is taking charge for small-value daily transactions and high-frequency purchases. **So, this fulfill the transaction property of money.**

POSSIBLE IMPACT OF RBI NOTIFICATION (DATED APRIL 26, 2025) ON DENOMINATION-WISE SHARE

- At present Rs 500 note is the highest denomination and data indicate that in the value terms, as of Mar-25, Rs 500 denomination accounted for 86% of share (significantly increased from 77% as of Mar-23). Though in volume terms (number of pieces) it has share of 40.9%.
- This uneven distribution of lower denominations has prompted RBI (***Notification dated April 28, 2025: Dispensation of ₹100 and ₹200 denomination banknotes through ATMs***) to direct all banks and White Label ATM Operators (WLAOs) to ensure that their ATMs dispense Rs 100 and Rs 200 denomination banknotes on a regular basis as per following milestones:

  (a) By September 30, 2025: 75% of all ATMs shall dispense either Rs 100 or Rs 200 denomination banknotes from at least one cassette,

  (b) By March 31, 2026: 90% of all ATMs shall dispense either Rs 100 or Rs 200 denomination banknotes from at least one cassette.
- With this, it is expected that RBI will supply more Rs 100/200 denomination notes to the bank branches through Currency chests to meet the public demand. In this regard, based on the currency chest withdrawal data, we have calculated the denomination wise share for March 2026 and compared it with the actual share provided by RBI in its Annual Report. Our results indicate that **the share of Rs 500 note (in value terms) is constant around 86%, while the share of Rs 100 note has increased from 6.2% as of March 2025 to 8.2% in March 2026. However, as per our data, we perceive a substantial decline in share of Rs 200 note in March 2026**.
- RBI does not provide State-wise denomination data and hence using the above currency chest data (state-wise), we have endeavoured to calculate the change in denominations in value terms in March 2026 over March 2025. Our results show that Madhya Pradesh exhibited the most increase in Rs 500 note in the said period followed by Delhi and Assam. Conversely, Tamil Nadu witnessed the largest decline followed by Odisha and Haryana.
- **Except a few states, Rs 100 note showed increase in all other states with largest increase was exhibited in Telangana which was followed by Punjab and Jharkhand**. Assam exhibited the largest decline.

Share (%) of Bank Note Type in Circulation

Note Denomination	In terms of Volume				In terms of Value			
	2023	2024	2025	Change 2025/2023 (%)	2023	2024	2025	Change 2025/2023 (%)
Below Rs 20 note	36.5	33.6	32.4	-4.1	1.7	1.6	1.6	-0.1
RS 50 Note	6.3	6.1	6.4	0.1	1.3	1.3	1.3	0.0
Rs 100 Note	13.3	14.0	14.7	1.4	5.4	5.9	6.2	0.8
Rs 200 Note	4.6	5.2	5.6	1.0	3.7	4.4	4.7	1.0
Rs 500 Note	37.9	41.0	40.9	3.0	77.1	86.5	86.0	8.9
Rs 2000 Note	1.3	0.03	0.02	-1.3	10.80	0.20	0.20	-10.6

Source: SBI Research, RBI

Denomination-wise Share

Denomination	Share in Value (in %)			Change (Mar 26 P over Mar 25)
	Mar-23	Mar-25	Mar-26 (P)	
	RBI	RBI	SBI Research	
Below Rs 20	1.7	1.6	1.8	0.2
Rs 50 Note	1.3	1.3	1.1	-0.2
Rs 100 Note	5.4	6.2	8.2	2.0
Rs 200 Note	3.7	4.7	2.6	-2.1
Rs 500 Note	77.1	86	86.1	0.1

Source: SBI Research P: Projected

State-wise Change in Denominations (in Value terms, Mar'26 over Mar'25)

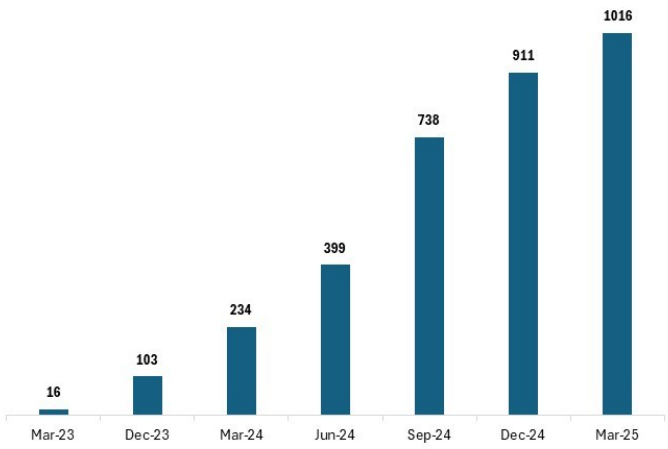
Major States	Rs 50 Note	Rs 100 Note	Rs 200 Note	Rs 500 Note
Andhra Pradesh	0.2%	4.0%	0.8%	-5.1%
Assam	0.1%	-1.9%	-3.1%	4.8%
Bihar	-0.4%	4.3%	-8.0%	3.8%
Chattisgarh	0.4%	1.9%	-1.0%	-1.4%
Delhi	0.1%	1.9%	-7.9%	5.8%
Goa	-0.1%	0.0%	-0.5%	0.8%
Gujarat	-0.4%	1.9%	-5.4%	3.7%
Haryana	0.3%	4.7%	-0.4%	-5.2%
Himachal Pradesh	0.6%	0.3%	-0.4%	-0.7%
Jharkhand	-0.5%	5.5%	-3.3%	-1.7%
Karnataka	0.0%	4.9%	-4.3%	-0.6%
Kerala	0.0%	0.2%	-0.5%	0.3%
Madhya Pradesh	-1.2%	0.3%	-7.6%	8.5%
Maharashtra	0.0%	1.0%	-4.1%	2.9%
Odisha	-0.7%	4.2%	1.5%	-5.4%
Punjab	0.3%	5.5%	-4.5%	-1.8%
Rajasthan	-0.2%	1.4%	1.9%	-3.1%
Tamilnadu	0.3%	4.0%	4.0%	-8.4%
Telangana	-0.1%	7.9%	-4.5%	-3.5%
Uttar Pradesh	-0.4%	1.3%	-2.3%	1.3%
Uttarakhand	-0.1%	-1.3%	1.1%	0.3%
West Bengal	-0.2%	-0.7%	0.4%	0.5%
ALL India	-0.2%	2.0%	-2.1%	0.1%

Source: SBI Research

e₹ IN CIRCULATION

- The Central Bank Digital Currencies (CBDCs) are poised to redefine the future of money by providing a secure, efficient, and sovereign digital alternative to physical cash, with 137 countries (98% of global GDP) exploring or launching them. CBDCs will enable faster cross-border payments, enhance financial inclusion via offline capabilities, and facilitate programmable money for targeted government transfers. For bilateral cross-border CBDC pilots are under consideration with the Innovation hub of BIS.
- In India, CBDC (e₹) has already started both in Retail & Wholesale level in 2022. Till March 2025, India's CBDC transactions reached Rs 1016.5 crore, compared to Rs 16 crore in March 2023. **However, if we look physical notes/currency, CBDC is only 0.03% of total currency in circulation. So, there is a further need to push it, with both online and off-line mode.**
- RBI has been exploring offline and programmability features as well. To encourage CBDC, Government is also exploring payment of benefit transfers through CBDC. For example, Odisha Government has enrolled 88,000 beneficiaries under Subhadra Yojana in CBDC.
- Though, CBDC (e₹) and UPI integration enables users to scan any existing UPI QR code with their CBDC app, allowing seamless digital payments but further efforts in awareness, usability, and strategic partnerships with fintech applications are essential.

e₹ -R Circulation in India (Rs crore)



Source: RBI, MOSPI, SBI Research

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