Testwale Current Affairs PDF

1. Currency in circulation declines for the first time in 20 Year during Diwali week: SBI Ecowrap (Nov. 4, 2022)

Currency in circulation declines

State Bank of India (SBI) in its latest research report **Ecowrap** published on 3 November 2022 has said that the currency in circulation declined by Rs 7,600 crore in the Diwali week this year. This was for the first time in the last **20 years** that the cash circulation has come down during Diwali festival season where there is generally a spike in discretionary spending.

However in 2009 there was a decline of Rs 950 crore but it was due to the economic slowdown in the country due to the global financial crisis. It was not considered by the report as it was an unusual occurrence.

Reason for the decline of the cash circulation

According to the report the main reason for the decline in cash circulation was the change in the Indian payment system from a cash led to smartphone led payment economy.

The innovation in fintech has led to development of interoperable payments systems like Unified Payment Interface (UPI), Wallets & Prepaid Instruments have made it simple and cheaper to transfer money digitally, even for those who don't have bank accounts.

The report always gives credit to the government initiative to push digital payment systems instead of cash.

Future projections

According to the report there has been a progressive decline in the share of currency in circulation in the country and rise in the share of digital payments.

The share of the currency in circulation in the payment system was 88% in 2015-16 which declined **to 20%** in 2021-22.

It is estimated to go down further to 11.15% in 2026-27.

Consequently, the digital transactions share is continuously increasing from 11.26% in 2015-16 to **80.4%** in 2021-22 and is expected to touch 88% in 2026-27

What is currency in circulation?

The currency in circulation represents the banknotes and coins in circulation, held by the general public and financial institutions, recorded at the face value.

Banknotes are the currency notes that are issued by the Reserve Bank of India. **One Rupee** notes and Coins are issued by the Government of India.

However not all the notes and coins issued are in circulation.

Some of the banknotes and coins are not in circulation like currency notes and coins held in the vault of the RBI, Banks have to maintain Cash Reserve Ratio requirements where currency is blocked etc.

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