ISSUE BRIEF

UPI is the Main Character, but Cash is the OG: India's Cash Paradox!

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Issue Brief

UPI is the Main Character, but Cash is the OG: India's Cash Paradox!

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1. INTRODUCTION

Let's be honest: how many times have you worried about making a large payment since you started using UPI?

Maybe far fewer times than before as your payment habits have changed.

In today's UPI era, where you can pay even ₹1, many people say they have reduced trips to the bank or ATM to withdraw cash. This becomes more clearer with the October 2026 UPI data, the UPI usage by value was ₹31,52,929.46 crore, with a volume of 25,466.70 million. In the last 10 years, UPI volume has grown at a CAGR of 188%, and UPI value at 155% (National Payments Corporation of India (NPCI), 2026).

While UPI is growing, showing that more and more Indians are shifting toward the formal banking system, many people believe that cash which used to reach their hands is declining. In reality it is different than what people think due to an emerging trend in India.

According to the Reserve Bank of India, growth in currency in circulation rose to 13.3 per cent (y-o-y) as on September 30, 2026, from 12.3 per cent (y-o-y) as on August 31, 2026. A long-term assessment shows that growth in total cash in circulation by volume has shown positive growth, with the highest growth of 7.67 percent recorded in FY25-26 (Fig. 1). Cash in circulation is currently about 2.3 times higher compared with before the demonetisation drive, rising to a record Rs 42.7tn ($448bn) at the end of September 2026, with the currency-to-GDP ratio also returning to its pre-demonetisation level of 12.1 per cent (Reserve Bank of India (RBI), 2026).

Overall the data indicates an increase in cash circulation so has the currency denominations in circulation changed over the last decade. In November 2016, the old ₹500 and ₹1,000 banknotes were demonetised, and new ₹500 and ₹2,000 banknotes were introduced. Since then a lot has changed with the introduction of ₹200 note in FY 17-18 and ₹20 coin in FY20-21.

During FY 16-17, currency notes ≤ ₹50 (which includes ₹2, ₹5, ₹10, ₹20 and ₹50 banknotes) were high in circulation volume with a 66 per cent share, while ₹100 had a 25 per cent share, whereas >₹100 notes (which includes ₹200, ₹500, ₹1,000 and ₹2,000 banknotes) had the lowest share with only 9 per cent.

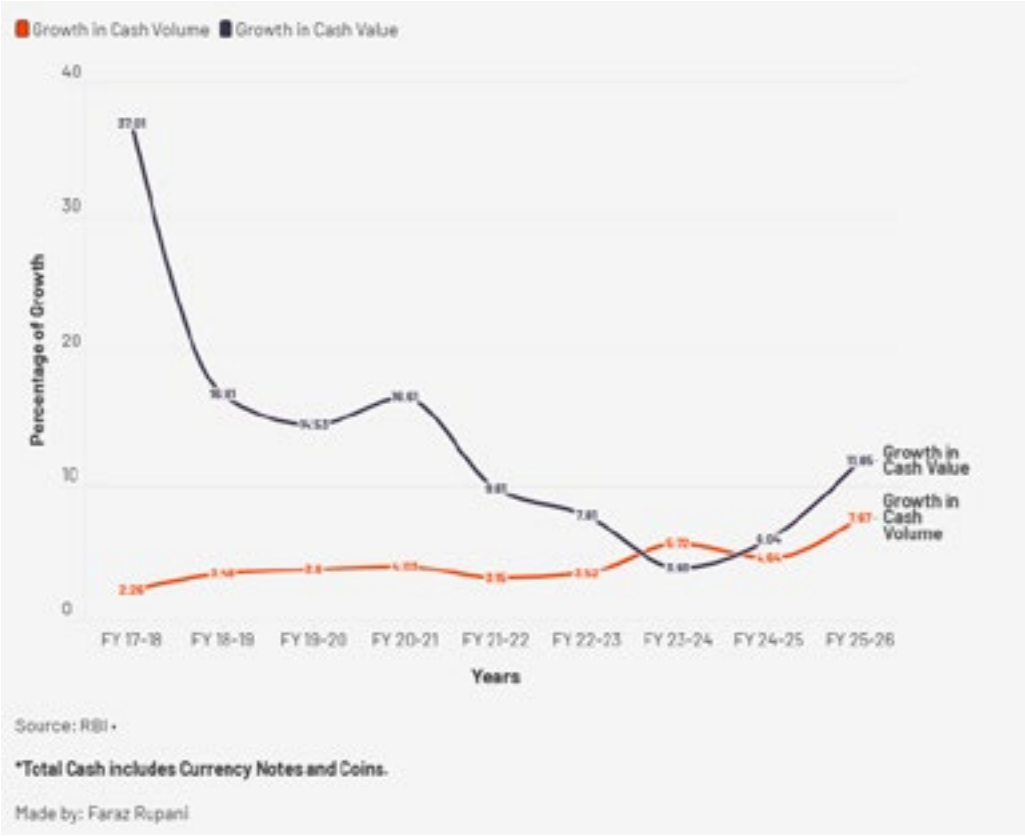
This trend has completely changed over the years.

2. THE PROBLEM WITH COAL

In the global climate discourse, India is uniquely positioned as it navigates the challenges of a growing population and a developing economy, both leading to an increase in energy requirements. From 2022 to 2025, India's power generation demand has increased by ~20%, reaching 1843.70 Billion Units (BU) in 2025. This increase in demand also comes from a push by the Indian government via the Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya) of successfully electrifying 2.86 crore unelectrified households. While the access to 24*7 power supply is the right of the consumer as per the government, its achievement remains questionable.

India is the third-largest consumer of electricity in the world and produces more than 2/3rd of it using coal to meet its growing demand. In May 2026, world's 10 hottest cities were reported in India, resulting in the highest ever monthly power generation of 178,321 MW, with an increase of 11% from May last year.

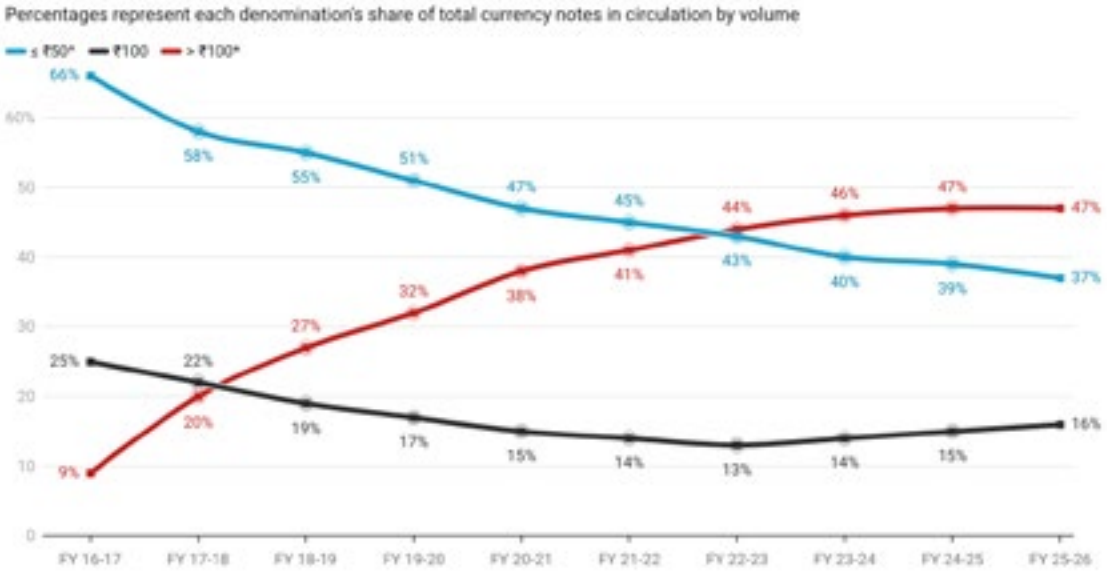
Figure 1: Year on Year Growth of Total Cash in Circulation by Volume and Value



By the end of FY 25-26, currency notes ≤ ₹50 reduced its share to only 37 per cent share, ₹100 notes had a 16 per cent share, while₹100 notes' share rose significantly to 47 per cent (Fig 2). This sharp rise in higher-denomination notes is due to the increased circulation of ₹500 notes, which accounted for 5.9 per cent of the volume in FY16-17, reaching an all-time high of 41.2 per cent in FY25-26. By value, ₹500 notes accounted for 85.5 per cent in FY25-26, up from only 22.5 per cent in FY16-17.

In FY 16-17, ₹2,000 notes accounted for 3.3 per cent of volume and 50.2 per cent of value. This fell to 0.02 per cent in volume and 0.1 per cent in value by the end of FY 2025-26 after the withdrawal of ₹2,000 denomination banknotes worth Rs 3.56 lakh crore w.e.f. 19 May 2023. Citing the clean note policy and sufficient supply of other denominations to meet daily currency requirements, ₹2,000 continues to remain a valid tender.

Figure 2: Volume Percentage of Currency Notes in Circulation



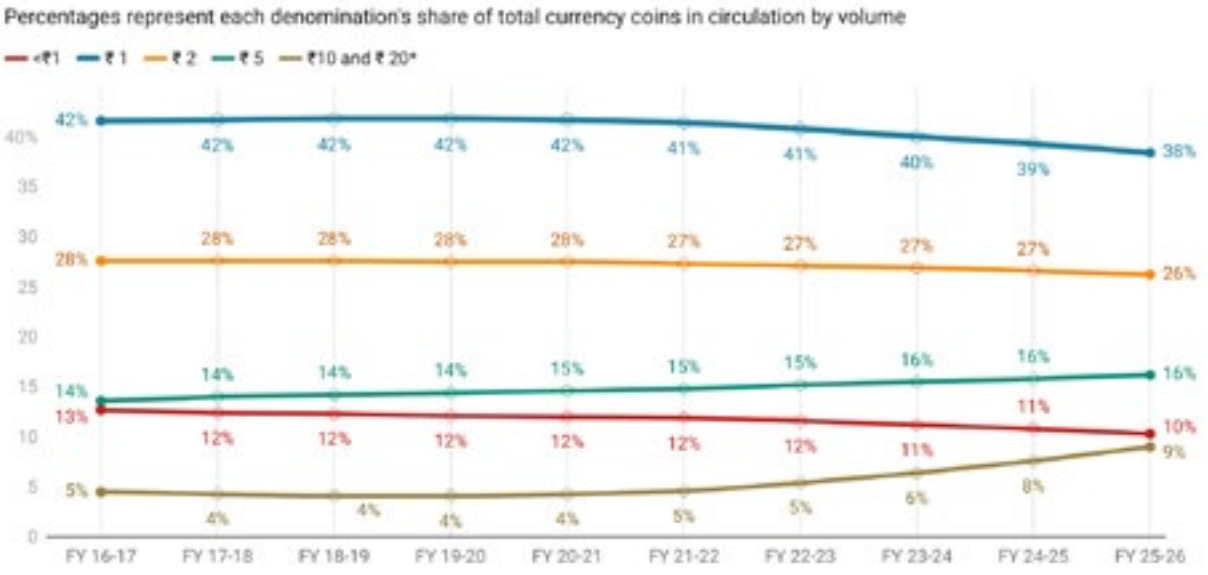
*The denominations considered include ₹2, ₹5, ₹10, ₹20 and ₹50 banknotes * The denominations considered include ₹200, ₹500, ₹1,000 and ₹2,000 banknotes. In November 2016, the old ₹500 and ₹1,000 banknotes were demonetized, and new ₹500 and ₹2,000 banknotes were introduced. The ₹200 denomination banknote was introduced in August 2017 (FY 2017–18).

Chart: Faraz Rupani • Source: Reserve Bank of India • Created with Datawrapper

India's currency is dominated by notes, having a value of 98.99%, with only 0.98% in coins and 0.03% in e₹. Yet circulation of coins matters for small-value transactions, exact change, and economic inclusion in rural communities. Over the decade, circulation patterns for coins has also changed

The ₹1 coin remains the most circulated coin by volume at 38 per cent in FY 25-26, followed by the ₹2 coin at 26 per cent. The ₹5 coin volume has increased, while coins below ₹1 have shown the highest reduction among all coins. ₹10 coin has increased by 1.5 times in the last decade, reaching 7.1 per cent in volume, while the ₹20 coin, introduced in September 2020, has a 1.9 per cent share of the volume (Fig 3).

Figure 3: Volume Percentage of Coin Circulation



*₹20 coin was introduced in September 2020 (FY 20-21)

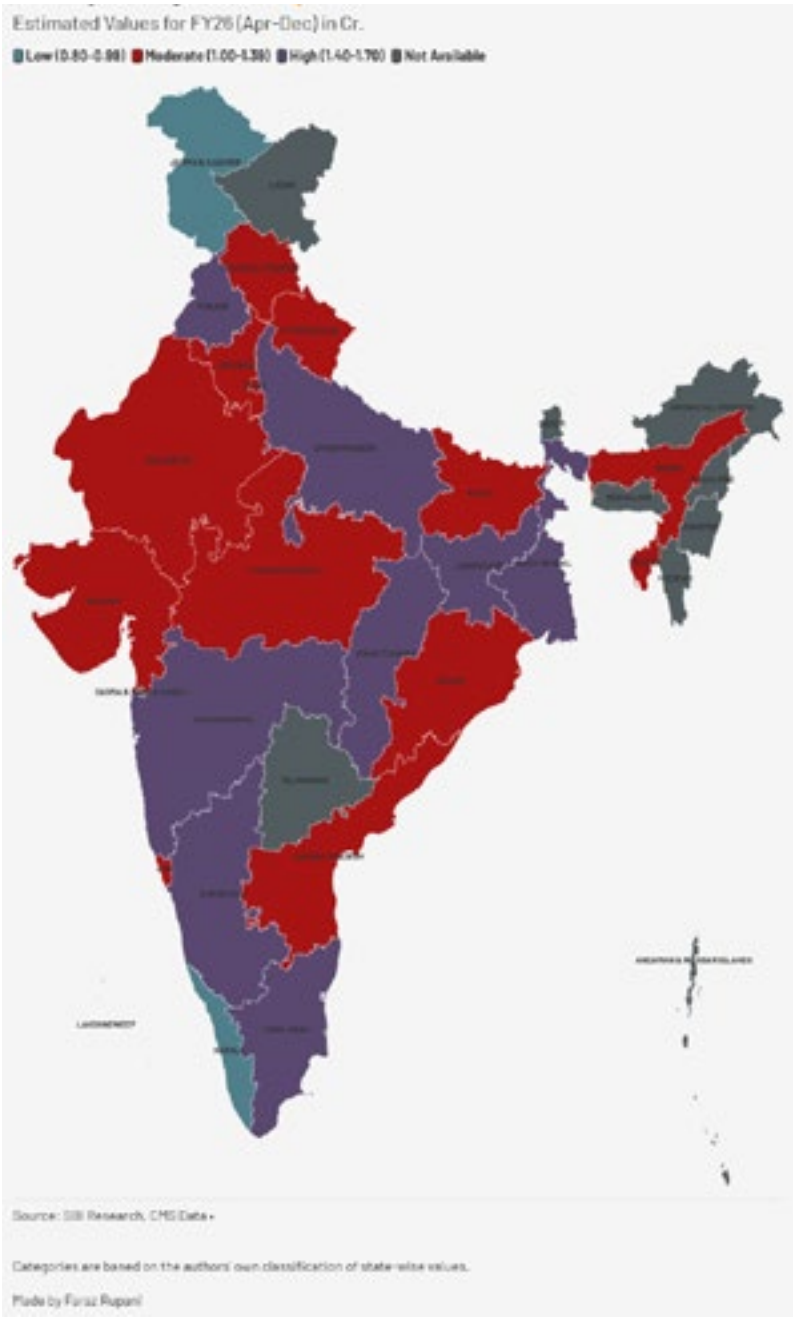
Chart: Faraz Rupani • Source: Reserve Bank of India • Created with Datawrapper

So, if the currency circulation rate is increasing, are ATM's still an important source for accessing currency?

Yes, most consumers continue to prefer to use ATMs, playing a significant role in bridging the gap between currency availability and consumer demand, particularly in semi-urban and rural regions. According to SBI Research (2026) and CMS data, across 23 states for which data is available, 21 states are estimated to have an average monthly dispensation per ATM between ₹1 crore and ₹1.7 crore, with Karnataka and West Bengal expected to have the highest cash dispensation per ATM (Fig. 4).

Regional variations in cash dispensation reflect differences in consumption patterns, economic activity, banking infrastructure and digital payment penetration. Thus, ATM cash dispensation is an important indicator of physical currency demand and its distribution across regions, and historical data continue to show that continued ATM use reflects ongoing demand for cash.

Figure 4: Estimated Monthly Average Cash Dispensation Per ATM in Crores



India is in the midst of a 'Cash Paradox' where the uptake of digital payments (in particular UPI) is going up hand in hand with the continued existence and use of cash. The average UPI transaction value is declining and the bulk of the UPI volume is in the form of low value P2M and P2P transactions, which suggests that UPI is becoming embedded in the small day-to-day transactional life of the average Indian. At the same time, the amount of cash in circulation and the amount of cash being dispensed via ATMs are both on the rise.

This shows that cash continues to be a store of value and a precautionary buffer for households, especially in times of economic and international uncertainty. The increasing uptake of UPI should therefore not be seen as evidence of a fall in the demand for cash. It's more likely that the two are simply co-existing as complementary forms of payment.

Households in India will continue to value both the convenience of digital payments and the benefits of having cash on hand in terms of access, liquidity and security even though UPI has changed the habit for making payments.

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