

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
LOK SABHA STARRED QUESTION NO.178  
TO BE ANSWERED ON 19.12.2022

Circulation of Cash in the Economy

\*178. SHRI VELUSAMY P.:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is aware of the fact that the currency in circulation is continuously rising even five years after the demonetization on 8 November, 2016 and if so, the details thereof;
- (b) the total amount of cash with public as on date in actual figure and the percentage rise in the same in comparison to last year;
- (c) whether the Government proposes to continue cash back schemes for using credit/debit cards and other modes of digital payment to encourage less use of cash for financial transaction and if so, the details thereof;
- (d) whether the Government is aware of the fact that digital payment providers are charging service charges for transferring money from credit/debit cards; and
- (e) if so, the steps taken by the Government to improve the digital payment mechanism without any hidden service charges levied by the service providers?

ANSWER

FINANCE MINISTER  
(SMT. NIRMALA SITHARAMAN)

(a) to (e) : A statement is laid on the table of the House.

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**STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 178 RAISED BY SHRI VELUSAMY P., HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 19.12.2022 REGARDING 'CIRCULATION OF CASH IN THE ECONOMY'**

(a): The demand for currency depends upon several macro-economic factors including economic growth and level of interest rates. The data on Notes in Circulation (NiC) for the years 2016 to 2022 (as on end March each year) is placed below:

**Data on Notes in Circulation (NiC)**

Year (till 31st March)	Volume in million pieces	% Increase/ Decrease in Volume of NiC	Value – NiC (end-March) (₹ crores)	% Increase/ Decrease in Value
2016	90,266	-	16,41,571	-
2017	1,00,293	11.11	13,10,193	-20.18
2018	1,02,395	2.10	18,03,709	37.67
2019	1,08,759	6.22	21,10,892	17.03
2020	1,15,977	6.64	24,20,975	14.69
2021	1,24,367	7.23	28,26,863	16.77
2022	1,30,533	4.96	31,05,721	9.86

(b) The data on NiC is placed below:

Date	NiC Value (in ₹ crore)	% Increase/ Decrease in Value
December 03, 2021	29,56,672	-
December 02, 2022	31,92,622	7.98

(c): Ministry of Electronics and Information Technology, Government of India had launched a BHIM (Bharat Interface for Money) Cash back Scheme for Merchants to promote usage of BHIM-UPI amongst merchants by incentivising its adoption and also to encourage transactions via BHIM-UPI mode, and the scheme was active from 5th June 2017 and closed on 30th June 2018.

(d) & (e): The mission of the Government is to move towards a less cash economy to reduce generation and circulation of black money and to promote digital economy. Through Finance (No.2) Act, 2019, section 269SU was inserted to the Income-tax

Act, 1961 (the Act) so as to provide that every person, carrying on business, shall, provide facility for accepting payment through the prescribed electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, if his total sales, turnover or gross receipts in business exceeds fifty crore rupees during the immediately preceding previous year.

In order to ensure compliance, section 27IDB was inserted to provide that the failure to provide facility for electronic modes of payment prescribed under section 269SU shall attract penalty of a sum of five thousand rupees, for every day during which such failure continues.

In addition to above, amendment was also made to Payment and Settlement Systems Act, 2007 so as to provide that no bank or system provider shall impose any charge upon anyone, either directly or indirectly, for using the modes of electronic payment prescribed under section 269SU of the Act.

Department of Revenue (DoR) vide notification no. 105/2019 dated 30.12.2019; rule 119AA was inserted to the Income-tax Rules, 1962 to provide for following modes of payment for the purpose of section 269SU:

- (i) Debit Card powered by RuPay;
- (ii) Unified Payments Interface (UPI) (BHIM-UPI); and
- (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code).

DoR, vide circular no. 16/2020 dated 30.08.2020, advised banks to immediately refund charges collected, if any, on or after 1st January, 2020 on transactions carried out using the electronic modes prescribed under section 269SU of the Act and not to impose charges on any future transactions through the prescribed modes.

Further, RBI vide circular dated December 6, 2017 on "Rationalisation of Merchant Discount Rate (MDR) for Debit Card Transactions", advised banks to ensure that merchants on-boarded by them do not pass on Merchant Discount Rate (MDR) charges to customers while accepting payments through debit cards. In terms of RBI circular dated March 17, 2020 on "Guidelines on Regulation of Payment Aggregators and Payment Gateways", Payment Aggregators (PAs) shall ensure that the extant instructions with regard to MDR are followed, and that information on other charges such as convenience fee, handling fee, etc., if any, being levied shall also be displayed upfront by the PA.

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