



MACRO ECONOMICS

Money supply

What counts as money in India, how RBI measures it, how bank lending creates it, and how fast it moves

RBI money data as on 30 September 2026; GDP for 2025-26 as updated on 31 August 2026

For training and education only. Not investment advice.

Most of India's money is not notes and coins. It is bank deposits.

On 30 September 2026, currency with the public was about ₹12.50 of every ₹100 of broad money (M3), per RBI. Nearly all the rest was money held in bank accounts.

Four measures RBI uses

Each step adds money that takes a little longer to spend.

M0



Reserve money

Currency in circulation + banks' deposits with RBI + 'other' deposits with RBI. Mostly RBI's own liabilities.

M1



Narrow money

Currency with the public + demand deposits with banks + 'other' deposits with RBI. Money ready to spend.

M3



Broad money

M1 + time deposits with banks, such as fixed deposits. RBI publishes it for the 15th and last day of each month.



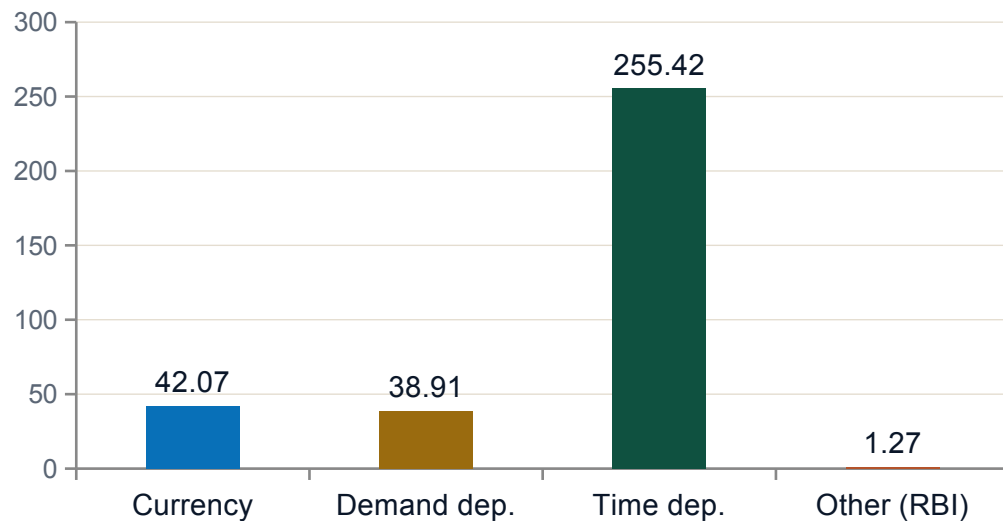
Wider measures

M2 and M4 add post office deposits. NM2 and NM3 split bank deposits at one year; L1 to L3 add other lenders.

Source: RBI Handbook 2025-26, Notes on Tables, 31 Jul 2026. RBI says 'reserve money'; M0 is the usual label.

What broad money is made of

Components of M3, ₹ lakh crore, 30 Sep 2026



Read the chart

- Time deposits, such as fixed deposits, were ₹255.42 lakh crore: about 76% of M3.
- Currency with the public was ₹42.07 lakh crore, about 12.5% of M3.
- M1 (bars one, two and four) was ₹82.25 lakh crore, about 24% of M3.
- M3 in total: ₹337.66 lakh crore.

Source: RBI Weekly Statistical Supplement, 9 Oct 2026, Money Stock: Components and Sources (as on 30 Sep 2026). M1 and the shares are our arithmetic.

How a bank loan creates money

AN INVENTED BANK

A bank lends ₹10,00,000 to a shop owner. It does not hand her notes. It credits her current account with ₹10,00,000.

All figures are assumed.

- 1 Her deposit rises by ₹10,00,000 and no one else's falls. Deposits are part of M3, so M3 rises by ₹10,00,000.
- 2 She pays a supplier who banks elsewhere. The deposit moves to his bank. M3 does not change; the money has changed hands.
- 3 His bank keeps cash with RBI against deposits. At a 3% CRR that is broadly $3\% \times ₹10,00,000 = ₹30,000$.
- 4 When the loan is repaid out of a deposit, that deposit is cancelled against the loan. M3 falls by ₹10,00,000.

Lending creates deposits; repayment cancels them. Bank credit is the largest source of M3.

Illustration with an invented bank and assumed figures. CRR of 3% as published by RBI for October 2026.

Where broad money comes from

The same ₹337.66 lakh crore of M3, seen from the other side of the books, on 30 September 2026.

Source	What it means	₹ lakh crore
Bank credit to the commercial sector	Mainly bank loans to businesses and households. Each new loan creates a deposit.	238.50
Net bank credit to government	Government securities and loans held by RBI and banks, less government cash balances with RBI.	94.16
Net foreign exchange assets	Foreign assets of RBI and banks, net. Dollars RBI buys from outside the banks are paid for in rupees.	76.28
Government's currency liabilities	Coins in the hands of the public. Coins are issued by the Government; notes are issued by RBI.	0.43
Less: net non-monetary liabilities	Items on the books of RBI and banks that are not money, such as their capital and reserves.	-71.69

Source: RBI Weekly Statistical Supplement, 9 Oct 2026, Money Stock: Components and Sources (as on 30 Sep 2026). The five lines add up to M3, bar rounding.

Velocity: how hard money works



The idea

How many times, on average, the stock of money is used in a year to buy the economy's final goods and services.

$$\text{GDP} \div \text{M3} \quad \%$$

The formula

Velocity = nominal GDP for the year $\div$ the average money stock in that year. Using M3 gives the velocity of broad money.

1.19



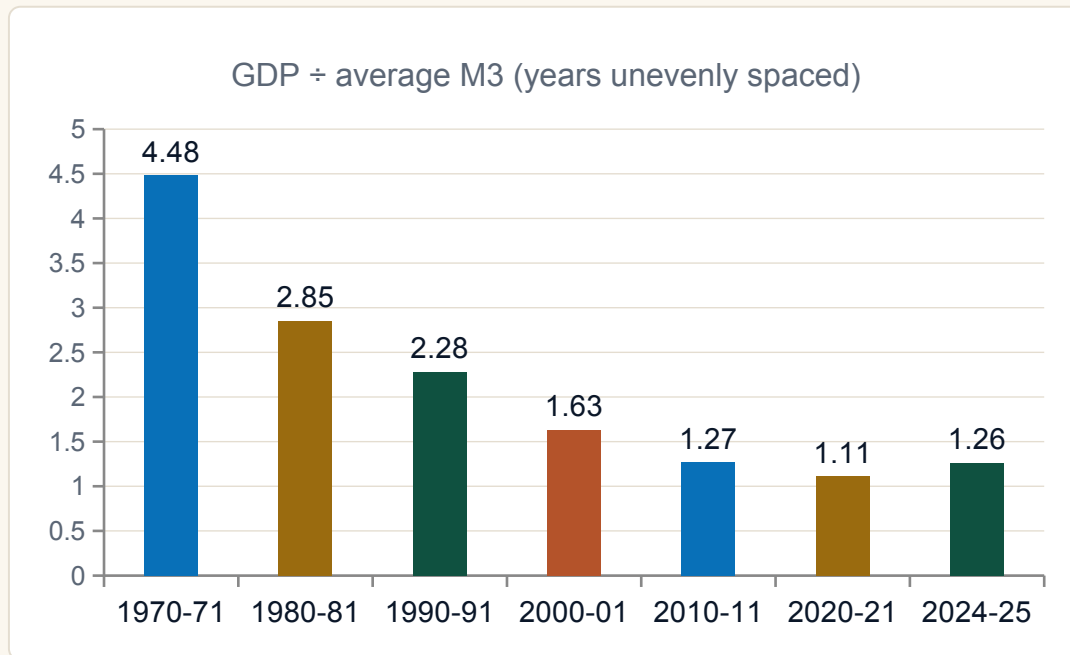
India, 2025-26

Nominal GDP ₹345.37 lakh crore $\div$ average M3 ₹290.20 lakh crore = 1.19. Using M1 instead: $345.37 \div 71.21 = 4.85$.

The quantity equation ties these together: money $\times$ velocity = prices $\times$ real output.

Sources: MoSPI Press Release on National Accounts Statistics 2026, 31 Aug 2026; RBI Handbook of Statistics 2025-26, Table 38. Our arithmetic.

Velocity of broad money since 1970



Read the chart

- In 1970-71, GDP was about 4.5 times the average stock of broad money.
- By 2010-11 the ratio was 1.27: M3 had grown much faster than GDP.
- It dipped to 1.11 in 2020-21 and was 1.26 in 2024-25.
- 2025-26: about 1.19 on new-base GDP. Bars above use older GDP.

Source: RBI Handbook 2025-26, Table 234 (older GDP series), 31 Jul 2026; selected years. 2025-26: our arithmetic on MoSPI new-base GDP.

Where things stand

RBI data as on 30 September 2026. They change every fortnight; check the date before you quote them.

M3, YEAR ON YEAR

16.9%

₹337.66 lakh crore.
Growth in the year to
30 Sep 2025 was 9.6%.

RESERVE MONEY (M0)

8.7%

Year-on-year growth.
₹52.78 lakh crore on
30 Sep 2026.

COMMERCIAL CREDIT

18.8%

Year-on-year growth in
bank credit to the
commercial sector.

M3 ÷ M0

6.4

M3 was about 6.4
times reserve money
on 30 Sep 2026.

Source: RBI Weekly Statistical Supplement, 9 Oct 2026: Money Stock and Reserve Money tables, as on 30 Sep 2026. M3 ÷ reserve money is our arithmetic.

If you learnt this from older material

What older decks say

- M0 is notes and coins in circulation and in bank vaults.
- M2 adds retirement accounts; M3 adds Euro-dollar deposits.
- A bank keeps 10% of a deposit and lends out the other 90%.

What holds now

- RBI's reserve money (M0): currency in circulation plus banks' and 'other' deposits with RBI.
- RBI uses neither. Its M3 is M1 plus time deposits with banks.
- A loan creates a new deposit. The CRR was 3% in October 2026.

Since 15 December 2025, RBI publishes money supply for the 15th and the last day of each month.

Sources: RBI Handbook of Statistics 2025-26, Notes on Tables; RBI WSS, 9 Oct 2026; Bank of England Quarterly Bulletin 2014 Q1.

Four things people get wrong



'Money supply means notes in circulation.'

Currency with the public was about 12.5% of M3 on 30 September 2026. Bank deposits made up almost all the rest.



'Banks lend out depositors' money.'

A loan is paid by crediting the borrower's account, which creates a new deposit. The first depositor's balance does not fall.



'RBI fixes the amount of money.'

RBI sets the policy rate and uses tools such as CRR. Broad money also depends on bank lending and how people hold money.



'Faster money growth means inflation.'

Money growth can add to demand, but output and velocity change too. The link is loose and slow, so it is not a forecasting rule.

Source: RBI Weekly Statistical Supplement, 9 Oct 2026 (30 Sep 2026 data); Bank of England Quarterly Bulletin 2014 Q1.

Check yourself

Q1

Name the four components of M3 in RBI's data, and say which was the largest on 30 September 2026.

Q2

A bank lends ₹5,00,000 by crediting a borrower's account. What happens to M3 that day, and what happens when the loan is repaid out of a deposit?

Q3

In an invented economy, nominal GDP is ₹200 and the average money stock is ₹50. What is velocity? If money doubles and velocity stays the same, what is nominal GDP?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Money stock, reserve money and growth rates as on 30 Sep 2026; CRR 3.00%: RBI Weekly Statistical Supplement, 9 Oct 2026 (Money Stock, Reserve Money, and Ratios and Rates tables).
- Definitions of reserve money, M1 to M4, NM2, NM3 and L1 to L3; money supply dates from 15 Dec 2025: RBI Handbook of Statistics on the Indian Economy 2025-26, Notes on Tables, 31 Jul 2026.
- Velocity series, average M3 and M1 for 2025-26, M3 growth in 2025-26: RBI Handbook of Statistics 2025-26, Tables 38, 231 and 234, 31 Jul 2026.
- Nominal GDP for 2025-26, ₹345.37 lakh crore: MoSPI, Press Release on National Accounts Statistics 2026, 31 Aug 2026.
- How bank lending creates deposits: Bank of England, Quarterly Bulletin 2014 Q1, 'Money creation in the modern economy', 14 Mar 2014.
- Demand and time parts of savings accounts: RBI Handbook of Monetary Statistics of India, Annex on money stock measures, 3 Mar 2006.

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