

# BHARAT SCHOOL OF BANKING

## Issuance of Currency

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According to **RBI Act 1934, Section 22**, **RBI** has the sole right to issue **bank notes** of all **denominations**. RBI is responsible for the **design, production** and **management** of the **currency** of India, with the goal of ensuring an **adequate supply** of **clean** and **genuine** notes.

The responsibility for **coinage** vests with the **Government of India** on the basis of **The Coinage Act, 2011**. RBI acts as an **agent** of government which merely **distributes** the **coins** in the market.

### Denominations

Currently, RBI has issued currency notes in the **denomination** of **Rs. 10, 20, 50, 100, 500** and **1000**. However, it can issue notes with denomination up to **Rs. 10,000**, as per the provision of **RBI Act, 1934**.

Coins are presently being issued by the government in the **denomination** of **50 paise, Re. 1, Rs. 2, 5, and 10**. Coins up to **50 paise** are called '**Small coins**' and **Rupee 1 and above** are called '**Rupee coins**'. Coins can be issued up to the denomination of **Rs. 1000** in terms of **The Coinage Act, 2011**.

### Liabilities

- **Small and Rupee Coins** - Government of India
- **Rupee One** banknote - Government of India (signed by **Finance Secretary**)
- Banknotes above **Rupee One** - Reserve Bank of India (signed by **RBI Governor**)

### Minimum Reserve System to issue currency

India adopted **Minimum Reserve System** in the tenure of **RBI** governor **Sir Benegal RamaRau** in **1957**. In this system, **RBI** is required to maintain a **minimum reserve** of **Rs. 200crore** in **gold** and **forex**, of which at least **Rs. 115 crore** should be in **gold** form (earlier India followed **Proportional Reserve System**) to issue **currency** in India.

*(Note that the above figure may be outdated!)*

### Determination of volume and value of banknotes to be printed

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RBI based on the **demand requirement** indicates the **volume** and **value** of **banknotes** to be printed each year to the **government** which get finalized after **mutual consultation**.

The quantum of **banknotes** to be **printed** depends on the followings -

- Requirement for meeting the **demand** of banknotes
- **GDP growth**
- **Inflation** rate
- Replacement of **Soiled and Mutilated notes**
- **Reserve Stock** requirements, etc.

### Notes and Coins production

- Notes are printed at **4 Printing Presses**, located at - **Nashik, Dewas, Mysore** and **Salboni**
- Coins are minted at **4 Mints**, located at - **Mumbai, Noida, Kolkata** and **Hyderabad**

### Currency circulation

RBI currently manages the **currency** operations through its -

- **19 Issue Office** located at - Ahmedabad, Bengaluru, Belapur, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Jammu, Kanpur, Kolkata, Lucknow, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram
- A wide network of **Currency chests**

The **Issue offices** receive **fresh banknotes** from the **printing presses** of RBI, and then send the notes to the designated **branches** of **commercial banks**.

**Currency Chest** - RBI has authorized select **commercial bank branches** to establish **currency chests**, which would act as **storehouses** for **banknotes** and **rupee coins** on behalf of RBI. These **chest branches** are expected to **distribute** banknotes and rupee coins to other **bank branches** in their area of operation.

**Small Coin Depot** - Some **bank branches** are authorized by RBI to establish **Small Coin Depot** to store **Small coins** (i.e., below **Rupee 1 coins**), which will distribute the coins in their area of operation.