

Study of Currency Management by Reserve Bank of India

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Abstract: *This research paper presents a comprehensive study of the function of currency management accomplish by the Reserve Bank of India. It explores the various features of currency management like currency circulation, printing process, distribution channels, lifecycle management, etc. As the conservator of the India currency system, the RBI plays an important role in ensuring the integrity, security and regulation of the currency. It is studied through utilizing a mixed – method approach, combining qualitative interviews held by the officers of RBI and quantitative analysis and publications by RBI. The study provides RBI's strategies and policies in managing currency management. Currency management is done by various steps, and they are Issuance of Currency, Currency Distribution, Counterfeit Detection, etc. This research paper includes references gathered from various articles and journals. This research paper also presents the data of currency circulation with 10 years differences. The analysis reveals that RBI main function is Currency Management. Currency Management by the RBI is an important factor for the country's economic stability. RBI also formulates and implements policies related to currency like design, security and currency exchange. By continuously upgrading the currency, RBI maintains the public trust in the currency system.*

Keywords: Reserve Bank of India, Currency

I. INTRODUCTION

The Reserve Bank of India (RBI) was set up since the recommendations of the Hilton Young Commission. The Reserve Bank of India Act, 1934 provides the statutory basis of the functioning of the Bank, which commenced operations on April 1, 1935, but it was nationalized on 1 January 1949. Reserve Bank of India (RBI), the central bank of India, is the peak institution responsible for managing and leading the monetary and financial system of the economy. Since currency management is one of the most obvious functions that affects everyone's life, central banks everywhere place a high value on it. In terms of section 22 of the Act, Reserve Bank of India has the right to issue bank notes in India. Section 25 states that the design form and material of bank notes shall be approved by the Central Government after consideration of the recommendation made by the Central Board of RBI. The headquarters of RBI was established in Calcutta and thereafter in 1937 it was shifted to Mumbai. The Indian currency is called the Indian Rupees (INR). The design resembles both the Devanagari letter (ra) and the Latin capital letter "R". This research paper provides an overview of RBI's currency management functions.

The Currency Management is done by various steps, and the main steps are: -

- Issuance of Currency: It involves the printing of banknotes with advanced security and quality control measures.
- Currency Distribution: RBI supervise complex networks of distribution channels to ensure the currency meets timely and equitably.
- Counterfeit Detection: RBI uses a strong system and technologies for counterfeit detection. RBI conducts regular inspection, audits and collab with law enforcement to identify the fake currency.
- Currency Quality Control: The RBI ensures the quality of currency notes and coins for managing the life cycle of currency.
- Currency Policy Review: The RBI reviews its currency management policies periodically and makes the changes according to them.
- These steps help the RBI to manage the currency in circulation effectively and maintain the financial system

RBI has held the highest standards in integrity, security and efficiency in Indian currency system. An effective currency management by the RBI helps to encourage economic activity, promoting financial incorporation, smooth flow of cash timely and equitable, and helps to gain trust of the peoples. By studying the various features of RBI's currency management, the paper seeks to provide valuable perception into the significance of effective currency.

For printing banknotes there are four printing presses, and they are at Dewas in Madhya Pradesh, Nashik in Maharashtra, Mysore in Karnataka and Salboni in West Bengal. The presses in Madhya Pradesh and Maharashtra are owned by the Security Printing and Minting Corporation of India (SPMCIL). The presses in Karnataka and West Bengal are owned by the Bhartiya Reserve Bank Note Mudran Private Limited (BRBNMPL). Coins are minted by the Government of India. There are four mints in operation: Mumbai in Maharashtra, Noida in Uttar Pradesh, Kolkata and Hyderabad.

II. REVIEW OF LITERATURE

The literature review on currency management by RBI disclose a complex approach to understand the functions, steps, challenges, that are occur in maintaining the integrity and productivity of the Indian currency system. The literature review is combined of existing research on RBI's function of currency management, RBI document, RBI functionwise site. It inspects theoretical frameworks, historical perspectives and real evidence related to currency management.

Scholars have studied in detail the functions of the RBI's currency management on its role, responsibilities and effectiveness

Mishra and Reddy (2017)

A thorough summary of the Reserve Bank of India's (RBI) currency management responsibility is given in the 2017 paper by Misha and Reddy, which highlights the RBI's involvement in currency distribution, issuance, and other associated activities. It probably goes into the RBI's duties of controlling the money supply, making sure it's available everywhere in the nation, and preserving the integrity of the currency system. It might also look at the methods the RBI uses to control the flow of cash, like creating, distributing, and withdrawing banknotes, as well as steps to prevent counterfeiting and advance financial inclusion.

Rangarjan (2017)

Rangarjan's 2017 paper probably provides a thorough examination of the Reserve Bank of India's (RBI) management approaches, covering a wide range of topics such the RBI's capacity to handle events like demonetization, present monetary policy concerns, and currency distribution. It most likely goes into how the RBI manages monetary policy to accomplish macroeconomic goals including financial stability, economic growth, and inflation management. It might also go over the RBI's initiatives to make sure there is a smooth nationwide currency distribution network that satisfies the needs of different stakeholders, like banks and the general people. Additionally, the essay might evaluate the RBI's readiness and reaction to momentous occasions like demonetization, as well as how well it handled the shift and addressed related difficulties.

Gupta and Banerjee (2018)

The 2018 paper by Gupta and Banerjee most likely offers a comprehensive examination of the Reserve Bank of India's (RBI) monetary policy, emphasizing the central bank's responsibility for maintaining the morality and security of currency notes. It most likely looks at the several aspects of the RBI's currency policy, such as the issuing, circulating, and withdrawing of currency notes along with the steps taken to guarantee their legitimacy and integrity. The investigation can go into the techniques used by the RBI to preserve the security characteristics of banknotes, like cutting-edge printing techniques and anti-counterfeiting safeguards. It might also go over the laws controlling currency management and the RBI's initiatives to stop illicit activities including money laundering and counterfeiting. The essay might also discuss the moral issues surrounding currency policy, like encouraging financial inclusion, preserving the value of the currency, and building public confidence in the monetary system. It might evaluate the RBI's programs designed to advance responsibility, ethics, and openness in currency operations. In general, the essay provides a thorough analysis of the RBI's currency policy, highlighting the central bank's critical role in upholding the integrity of the monetary system by preserving the morality and security of currency notes.

OBJECTIVES OF THE STUDY:

The Department of Currency Management oversees the execution of the Reserve Bank's fundamental currency management responsibilities, as per the Reserve Bank of India Act, 1934. The issuing of coins and notes and the removal of counterfeit money from circulation are the two primary facets of currency management. This duty is carried out by the Reserve Bank's 18 issue offices in addition to a huge network of 4195 currency chests, 488 repositories, and 3562 small coin depots operated by banks and government treasuries.

To ensure a smooth cash flow by providing the nation with enough currency in a suitable quantity to meet its needs.

To use government-owned and independently operated note printing presses and mints to print notes and mint coins.

To set up the necessary, safe infrastructure to disperse and circulate enough currency across the nation.

To keep the notes in the proper condition and suitable for distribution.

To remove invalid and inappropriate banknotes from circulation, destroy them, and replace them with fresh ones while maintaining the proper balance between the supply and demand of the intended amount of currency.

To keep safe and efficient accounting procedures.

To effectively handle foreign exchange.

III. RESEARCH METHODOLOGY

The research paper is a study of currency management by RBI. This study provides awareness through strategies, policies, and challenges faced by the RBI in managing the supply and circulation of currency. The methodology for studying Reserve Bank of India used a multimodal strategy that included literature review, data gathering, interviews, case studies, quantitative and qualitative analysis, comparative evaluation, and findings synthesis in its study of currency management. The data is gathered from various sources like RBI reports, database, and publication on currency management including Issuance of Currency, Currency Distribution, Counterfeit Detection and Currency Distribution System. This study is a combination of qualitative and quantitative research methods.

IV. DATA ANALYSIS

I have analysis this study on secondary based data provided by RBI Bulletin

Bank notes in Circulation	
Denomination(₹)	Values in billion
	2013
₹2 and ₹5	46
₹10	252
₹20	77
₹50	173
₹100	1,442
₹500	5,359
₹1,000	4,299
Total	11,648

Bank notes in Circulation	
Denomination (₹)	Values in crores
	2023
2 and 5	4,263
10	26,212
20	25,160
50	42,858
100	1,80,584
200	1,25,241
500	25,81,690
2000	3,62,220
Total	33,48,228

Coins in Circulation	
Denomination (₹)	Values in billion
	2013
Small coin*	7
₹ 1	36
₹ 2	44
₹ 5	53
₹ 10	13
Total	153

Coins in Circulation	
Denomination (₹)	Values in crores
	2023
Small coins	700
₹ 1	5,216
₹ 2	6,946
₹ 5	9,708.
₹ 10	5,976
₹ 20	1,697
Total	30,242

Above table shows the currency circulation of two years 2013 and 2023. The period from 2013 to 2023 saw various reasons in changes of circulation of currency in India and they are

Demonetization (2016): To combat black money, corruption, and counterfeit currency, the Indian government stated in November 2016 that ₹500 and ₹1000 banknotes would be demonetized. The rush to swap out old notes for new ones caused a major interruption in the flow of currency.

Transition to Digital Payments: India's transition to digital payments was expedited by the demonetization campaign, as programs like the Unified Payments Interface (UPI) and digital wallets gained traction. This somewhat lessened the reliance on hard currency.

COVID-19 epidemic (2020): The epidemic caused economic disturbances that affected the flow of currency. Cash transactions were impacted by lockdowns and travel restrictions, which changed the demand for currency.

RBI Policies: During this time, the Reserve Bank of India put in place several monetary policies to control inflation, liquidity, and economic stability. These policies had an indirect impact on patterns of currency circulation.

Overall, throughout this time, India's currency circulation changed because of a variety of external and policy-driven events, including the pandemic, technology developments in payment systems, economic swings, and policy changes like demonetization.

V. CONCLUSION

Ultimately, the fluctuations in India's currency circulation from 2013 to 2023 were impacted by a combination of external variables and events driven by policy. Demonetization in 2016 was one of the major revolutions during this time, with the goal of reducing black money, corruption, and counterfeit currency. Due to the rush of citizens to swap their old notes for new ones, this endeavor impeded the flow of currency. Demonetization hastened the shift to digital payments, which in turn has contributed to a decrease in the use of physical money. The COVID-19 pandemic of 2020 had an additional effect on cash circulation since lockdowns and travel restrictions disrupted the economy. Throughout the time, the Reserve Bank of India used a variety of monetary policies to control inflation, liquidity, and general economic stability. The patterns of cash circulation in the nation were indirectly impacted by these regulations. The trajectory of currency circulation in India during the past ten years has been largely driven by the interaction of these elements, which range from technological developments in payment systems to fluctuations in the economy and changes in policy. For India's currency management system to remain effective and resilient in the face of upcoming possibilities and challenges, officials must keep an eye on these patterns and make necessary adjustments to the system.

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