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Currency in Circulation

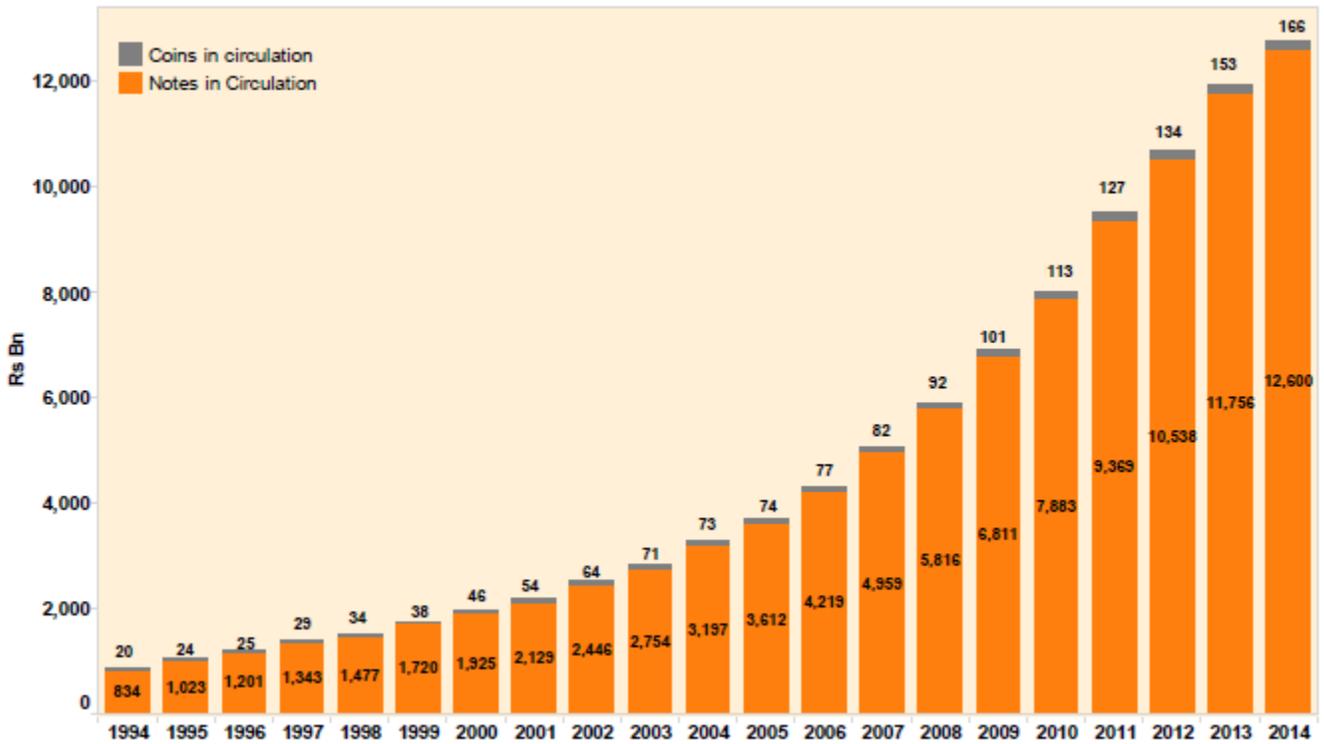
- Currency in circulation refers to all bank notes and coins in the economy.
- In India, RBI manages currency as part of its role as the central bank of India

Currency in Circulation snap shot

Issue of currency	Current available denominations of notes & coins	On what basis does RBI decide to issue bank notes	How RBI circulates bank notes and coins
<ul style="list-style-type: none"> • All bank notes are issued by RBI • All coins are issued by GOI as per the Coinage Act, 1906 • Circulation of bank notes and coins are undertaken by RBI 	<ul style="list-style-type: none"> • Notes in circulation are available in denominations of ₹ 10, 20, 50, 100, 500 and 1000 • Coins in circulation are available in denominations of ₹ 1, 2, 5 and 10 	<ul style="list-style-type: none"> • RBI decides the volume and value of bank notes to be printed • The decision broadly depends on economic growth, inflation, reserve stock requirements and replacement of soiled bank notes 	<ul style="list-style-type: none"> • RBI circulates bank notes through currency chests • Currency chest are storehouses where bank notes and coins are stocked on behalf of RBI • RBI authorises select branches of scheduled commercial banks to establish currency chests.

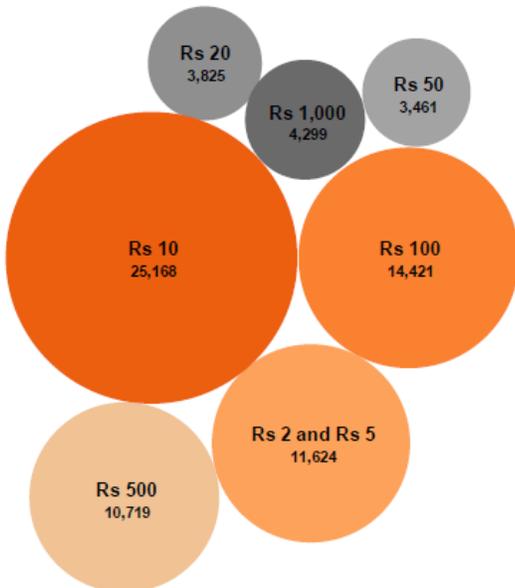
- Charts below show trend of currency in circulation over the years, value and volume data of banknotes for FY2013.

Currency in Circulation

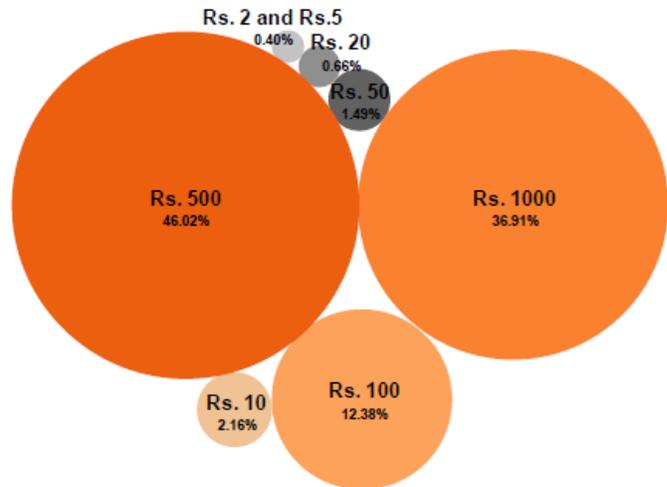


Source: RBI, FY2014 data till 10th Jan 2014

Volume of banknotes in circulation (FY2013 in mn pieces)



Value of banknotes in circulation (as % to total value FY2013)



Source: RBI, ₹2 & 5 notes are no longer printed as available in coins

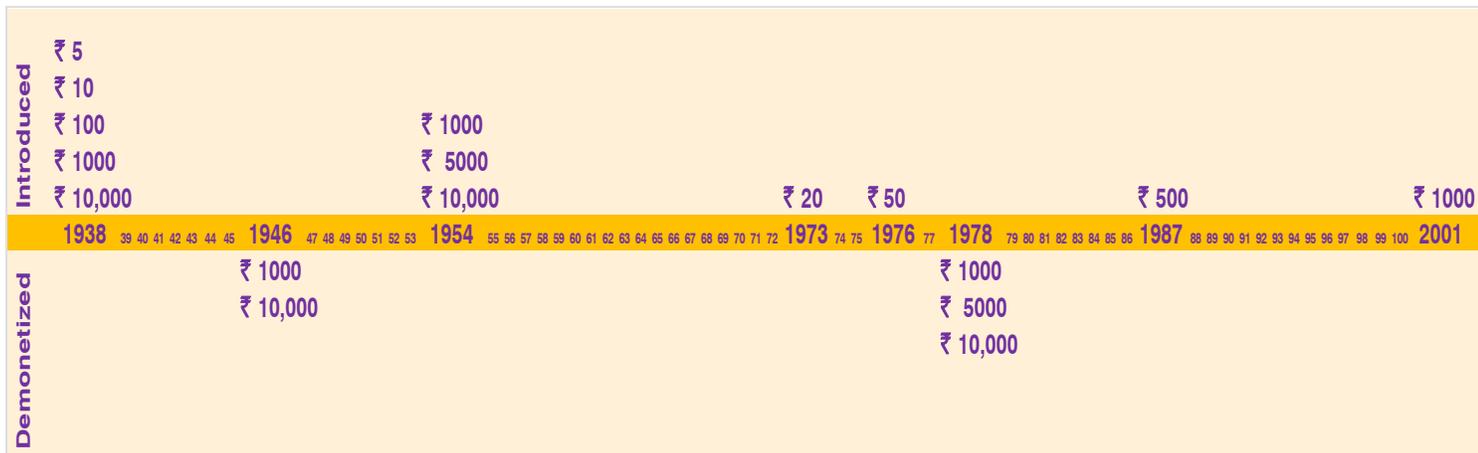
- Currency in circulation FY13 is around ₹ 11,909bn of which notes in circulation account for around 99%. FY14 till 10th Jan 2014, currency in circulation is around ₹ 12,766bn.
- FY13, growth in value of banknotes was around 11.6% which outpaced its volume growth of around 6%.
- Banknotes of denominations of ₹ 500 & 1000 accounts for around 83% of total value of banknotes in circulation while banknote of denomination of ₹ 10 accounts for the highest volume of banknote in circulation at around 34%.

- Every year, on an average of around 20% of banknotes in circulation is withdrawn as soiled banknotes.
- FY13, around 14.1bn pieces of soiled banknotes were removed from circulation.

What is demonetization of currency?

- Demonetization of currency refers to withdrawal of the currency from circulation and ceasing to be a legal tender.
- In India, demonetizations of banknotes have taken place twice.
- ₹ 1000 and 10,000 banknotes were demonetized in January 1946 and ₹ 1000, 5000 and 10,000 banknotes which were reintroduced in 1954 were demonetized in January 1978.
- As per the RBI notification on 22nd January 2014, all pre 2005 notes will be withdrawn from circulation and not demonetized as they continue to be a legal tender.

Timeline of Indian Banknotes



For any further clarification contact mahvash.ariyanfar@idfc.com

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