



Indian Currency Design Mechanism

For Prelims: Power of RBI and Central Government in Currency Notes and Coins Issuance

For Mains: Process of Currency Design and Printing

Why in News?

Recently, the head of a political party asked the central government to put pictures of Goddess Lakshmi and Lord Ganesh on currency notes in order to bring “prosperity” to the country.

Who is involved in the Design and Issuance of Indian Bank Notes and Coins?

- **About:**
 - The **Reserve Bank of India (RBI)** and the **Central Government** decide the **changes in the design and form** of bank notes and coins.
 - Any change in design of a currency note has to be **approved by the RBI’s Central Board** and **the central government**.
 - **Changes in the design of coins** are the prerogative of the central government.
- **Role of RBI in Issuing Notes:**
 - **Section 22** of **The Reserve Bank of India Act, 1934**, gives RBI the **“sole right”** to **issue banknotes** in India.
 - The central bank **internally works out a design**, which is put before the **RBI’s Central Board**.
 - **Section 25** states that “the design, form, and material of bank notes shall be such as may be **approved by the Central Government** after consideration of the **recommendations made by the RBI’s Central Board**”.
 - The **RBI’s Department of Currency Management**, currently headed by **Deputy Governor**, has the responsibility of **administering the core function of currency management**.
 - If the design of a currency note has to change, the **Department works on the design and submits it to RBI**, which recommends it to the central government. **The government gives the final approval.**
- **Role of Central Government in minting of coins:**
 - **The Coinage Act, 2011** gives the **central government the power to design and mint coins** in various denominations.
 - The role of the **RBI is limited to the distribution of coins** that are supplied by the central government.
 - The government **decides on the quantity of coins** to be minted on the basis of indents received from the RBI on a yearly basis.
 - Coins are minted in four mints owned by the Government of India in **Mumbai, Hyderabad, Kolkata and Noida**.

What is RBI’s Currency Management System?

- **RBI, in consultation with the central Government and other stakeholders**, estimates the quantity of banknotes that are likely to be needed denomination-wise in a year, and **places indents with the various currency printing presses** for their supply.
 - Two of India's currency note printing presses (**Nasik and Dewas**) are owned by the Government of India; two others (**Mysore and Salboni**) are owned by the RBI through its wholly owned subsidiary, **Bharatiya Reserve Bank Note Mudran Ltd (BRBNML)**.
- Notes that are received back from circulation are examined, after which those fit for circulation are reissued, **while the soiled and mutilated notes are destroyed**.

What are the Types of Notes Issued so far?

- **Ashoka Pillar Banknotes:** The first banknote issued in independent India was the **Re 1 note issued in 1949**. While retaining the existing design, the **new banknotes replaced the portrait of King George with the symbol of the [Lion Capital](#) of the Ashoka Pillar** at Sarnath in the watermark window.
- **Mahatma Gandhi (MG) Series, 1996:** All the banknotes of this series bear the **portrait of [Mahatma Gandhi](#)** on the obverse (front) side, in place of the symbol of Lion Capital of Ashoka Pillar, which was moved to the left, next to the watermark window. These banknotes **contain both the Mahatma Gandhi watermark as well as Mahatma Gandhi's portrait**.
- **Mahatma Gandhi Series, 2005:** The "**MG series 2005**" notes were issued in denominations of Rs 10, Rs 20, Rs 50, Rs 100, Rs 500, and Rs 1,000. They contain some additional/ new security features as compared to the 1996 MG series. **The Rs 500 and Rs 1,000 notes of this series were withdrawn w.e.f. the midnight of November 8, 2016.**
- **Mahatma Gandhi (New) Series, 2016:** The "**MGNS**" notes highlight the **cultural heritage and scientific achievements of the country**. Being of reduced dimensions, these notes are more wallet friendly, and are expected to incur less wear and tear. The colour scheme is sharp and vivid.

UPSC Civil Services Examination Previous Year Question

Q. Consider the following statements: (2021)

1. The Governor of the Reserve Bank of India (RBI) is appointed by the Central Government.
2. Certain provisions in the Constitution of India give the Central Government the right to issue directions to the RBI in public interest.
3. The Governor of the RBI draws his power from the RBI Act.

Which of the above statements are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (c)

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